

Condensed Consolidated Statements of Income
(In Thousands, Except Per-Share Data)
(Unaudited)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Sales	\$ 222,515	\$ 193,125	\$ 634,487	\$ 556,744
Other income (expense), net (c)	8,232	2,379	14,690	3,530
	<u>230,747</u>	<u>195,504</u>	<u>649,177</u>	<u>560,274</u>
Cost of goods sold (c)	185,087	157,426	526,314	456,763
Freight	5,759	4,901	16,054	13,621
Selling, R&D and general expenses	18,708	17,949	55,275	53,529
Amortization of intangibles	90	67	224	201
Interest expense	707	1,213	2,228	4,999
Asset impairments and costs associated with exit and disposal activities (a)	2,876	3,973	19,663	9,940
Unusual items (b)	-	-	-	1,067
	<u>213,227</u>	<u>185,529</u>	<u>619,758</u>	<u>540,120</u>
Income before income taxes	17,520	9,975	29,419	20,154
Income taxes (c)	2,228	3,556	6,519	7,195
	<u>15,292</u>	<u>6,419</u>	<u>22,900</u>	<u>12,959</u>
Income from continuing operations	15,292	6,419	22,900	12,959
Discontinued operations (d):				
Loss from venture capital investment activities (including an after-tax loss on the sale of the venture capital investment portfolio of \$49.2 million in 2003)	-	-	-	(49,516)
Gain on the sale of intellectual property of Molecumetics in 2003	-	-	-	891
	<u>-</u>	<u>-</u>	<u>-</u>	<u>891</u>
Net income (loss) (a) (b) (c) (d) (e)	<u>\$ 15,292</u>	<u>\$ 6,419</u>	<u>\$ 22,900</u>	<u>\$ (35,666)</u>
Earnings (loss) per share:				
Basic:				
Continuing operations	\$.40	\$.17	\$.60	\$.34
Discontinued operations	-	-	-	(1.28)
Net income (loss)	<u>\$.40</u>	<u>\$.17</u>	<u>\$.60</u>	<u>\$ (.94)</u>
Diluted:				
Continuing operations	\$.40	\$.17	\$.60	\$.34
Discontinued operations	-	-	-	(1.26)
Net income (loss)	<u>\$.40</u>	<u>\$.17</u>	<u>\$.60</u>	<u>\$ (.92)</u>
Shares used to compute earnings (loss) per share:				
Basic	38,317	38,058	38,261	38,094
Diluted	38,519	38,383	38,457	38,459

Tredegar Corporation
Net Sales and Operating Profit by Segment
(In Thousands)
(Unaudited)

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Net Sales				
Film Products	\$ 104,570	\$ 92,188	\$ 301,940	\$ 273,982
Aluminum Extrusions	112,051	96,036	316,227	269,141
Therics	135	-	266	-
Total net sales	216,756	188,224	618,433	543,123
Add back freight	5,759	4,901	16,054	13,621
Sales as shown in the Consolidated Statements of Income	<u>\$ 222,515</u>	<u>\$ 193,125</u>	<u>\$ 634,487</u>	<u>\$ 556,744</u>
Operating Profit				
Film Products:				
Ongoing operations	\$ 10,966	\$ 10,807	\$ 31,853	\$ 34,839
Plant shutdowns, asset impairments and restructurings (a)	(2,681)	(1,566)	(8,718)	(4,260)
Aluminum Extrusions:				
Ongoing operations	7,376	6,542	19,340	12,608
Plant shutdowns, asset impairments and restructurings (a)	(195)	(256)	(9,921)	(644)
Other (c)	7,316	-	7,316	-
Therics:				
Ongoing operations	(2,204)	(2,618)	(7,238)	(9,221)
Restructurings (a)	-	(2,151)	(1,024)	(3,855)
Unusual items (b)	-	-	-	(1,067)
Total	20,578	10,758	31,608	28,400
Interest income	86	253	232	1,086
Interest expense	707	1,213	2,228	4,999
Gain on sale of corporate assets (c)	-	2,231	6,547	2,231
Corporate expenses, net (a)	2,437	2,054	6,740	6,564
Income before income taxes	17,520	9,975	29,419	20,154
Income taxes (c)	2,228	3,556	6,519	7,195
Income from continuing operations	15,292	6,419	22,900	12,959
Income (loss) from discontinued operations (d)	-	-	-	(48,625)
Net income (loss) (a) (b) (c) (d) (e)	<u>\$ 15,292</u>	<u>\$ 6,419</u>	<u>\$ 22,900</u>	<u>\$ (35,666)</u>

Tredegar Corporation
Condensed Consolidated Balance Sheets
(In Thousands)
(Unaudited)

	September 30, 2004	December 31, 2003
Assets		
Cash & cash equivalents	\$ 25,347	\$ 19,943
Accounts & notes receivable	117,785	84,110
Income taxes recoverable	-	61,508
Inventories	55,964	49,572
Deferred income taxes	12,128	10,998
Prepaid expenses & other	5,087	5,015
Total current assets	216,311	231,146
Property, plant & equipment, net	300,902	297,476
Other assets	89,691	83,855
Goodwill & other intangibles	141,868	140,548
Total assets	\$ 748,772	\$ 753,025
Liabilities and Shareholders' Equity		
Accounts payable	\$ 57,563	\$ 46,706
Accrued expenses	44,349	42,456
Income taxes payable	454	-
Current portion of long-term debt	12,500	8,750
Total current liabilities	114,866	97,912
Long-term debt	88,680	130,879
Deferred income taxes	66,545	66,276
Other noncurrent liabilities	10,856	10,559
Shareholders' equity	467,825	447,399
Total liabilities and shareholders' equity	\$ 748,772	\$ 753,025

Tredegar Corporation
Condensed Consolidated Statement of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended September 30	
	2004	2003
Cash flows from operating activities:		
Net income (loss)	\$ 22,900	\$ (35,666)
Adjustments for noncash items:		
Depreciation	24,919	23,818
Amortization of intangibles	224	201
Deferred income taxes	(614)	31,257
Accrued pension income and postretirement benefits	(3,065)	(3,996)
Loss on venture capital investments	-	70,256
Gain on sale of corporate assets	(6,547)	(2,231)
Loss on asset impairments and divestitures	13,831	2,968
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivables	(34,718)	(2,674)
Inventories	(6,292)	1,202
Income taxes recoverable	61,505	(41,895)
Prepaid expenses and other	(603)	(1,423)
Accounts payable	11,181	10,323
Accrued expenses and income taxes payable	1,238	4,930
Other, net	(460)	376
Net cash provided by operating activities	<u>83,499</u>	<u>57,446</u>
Cash flows from investing activities:		
Capital expenditures	(39,983)	(44,190)
Acquisitions	(1,420)	-
Novalux investment in 2004 and venture capital investments in 2003	(5,000)	(2,807)
Proceeds from sale of venture capital investments	-	21,504
Proceeds from the sale of corporate assets and property disposals	8,230	2,385
Other, net	7	1,600
Net cash used in investing activities	<u>(38,166)</u>	<u>(21,508)</u>
Cash flows from financing activities:		
Dividends paid	(3,068)	(4,573)
Debt principal payments	(67,724)	(42,205)
Borrowings	29,275	-
Repurchase of Tredegar common stock	-	(5,170)
Proceeds from exercise of stock options	1,588	932
Net cash used in financing activities	<u>(39,929)</u>	<u>(51,016)</u>
(Decrease) increase in cash and cash equivalents	5,404	(15,078)
Cash and cash equivalents at beginning of period	19,943	109,928
Cash and cash equivalents at end of period	<u>\$ 25,347</u>	<u>\$ 94,850</u>

Selected Financial Measures
(In Millions)
(Unaudited)

	For the Twelve Months Ended September 30, 2004			
	Film	Aluminum	Therics	Total
	Products	Extrusions		
Operating profit (loss) from ongoing operations	\$ 42.7	\$ 21.8	\$ (9.7)	\$ 54.8
Allocation of corporate overhead	(5.7)	(3.0)	-	(8.7)
Add back depreciation and amortization	21.1	11.0	1.4	33.5
Adjusted EBITDA (f)	\$ 58.1	\$ 29.8	\$ (8.3)	\$ 79.6

Selected balance sheet and other data as of September 30, 2004:

Cash invested to date in Therics	\$ 71.2
Net debt (g)	\$ 75.8
Shares outstanding	38.6

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings in the third quarter of 2004 include:

- Pretax charges of \$828,000 related to accelerated depreciation from plant shutdowns and restructurings in Film Products;
- A pretax charge of \$709,000 related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products;
- Pretax charges of \$617,000 related to severance and other costs associated with the planned shutdown of the films manufacturing facility in New Bern, North Carolina;
- A pretax charge of \$357,000 related to the sale of the films business in Argentina;
- A pretax charge of \$195,000 related to the planned shutdown of the aluminum extrusions facility in Aurora, Ontario; and
- A pretax charge of \$170,000 for additional costs incurred related to a plant shutdown in Film Products.

Plant shutdowns, asset impairments and restructurings in the first nine months of 2004 include:

- A pretax charge of \$9.8 million related to the planned shutdown of the aluminum extrusions facility in Aurora, Ontario, including asset impairment charges of \$7.1 million and severance and other costs of \$2.7 million;
- A pretax charge of \$3 million related to the sale of the films business in Argentina;
- Pretax charges of \$2.5 million related to accelerated depreciation from plant shutdowns and restructurings in Film Products;
- Pretax charges of \$1.5 million related to severance and other costs associated with the planned shutdown of the films manufacturing facility in New Bern, North Carolina;
- A pretax charge of \$879,000 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- A pretax charge of \$709,000 related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products;
- Pretax charges of \$575,000 in Film Products and \$146,000 in Aluminum Extrusions related to asset impairments;
- Pretax charges of \$470,000 for additional costs incurred related to plant shutdowns in Film Products; and
- A pretax charge of \$145,000 related to severance costs in Therics.

Plant shutdowns, asset impairments and restructurings in the third quarter of 2003 include:

- Pretax charges for severance costs in connection with restructurings in Film Products (\$321,000) and Aluminum Extrusions (\$256,000);
- A pretax charge of \$945,000 for asset impairments in Film Products;
- A pretax charge of \$2.2 million related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey; and
- Pretax charges of \$300,000 for additional costs incurred related to plant shutdowns in Film Products.

Plant shutdowns, asset impairments and restructurings in the first nine months of 2003 include:

- Pretax charges for severance costs in connection with restructurings in Film Products (\$1.9 million), Aluminum Extrusions (\$256,000), Therics (\$1.2 million) and at corporate headquarters (\$1.2 million; included in "Corporate expenses, net" in the operating profit by segment table);
- Pretax charges of \$1.9 million for asset impairments in Film Products;
- A pretax charge of \$388,000 related to an early retirement program in Aluminum Extrusions;
- Pretax charges of \$2.7 million related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey; and
- Pretax charges of \$437,000 for additional costs incurred related to plant shutdowns in Film Products.

- (b) Unusual items in 2003 include a first-quarter pretax charge of \$1.1 million related to an adjustment for depreciation at Therics based on Tredegar's decision to suspend divestiture efforts.
- (c) Gain on the sale of corporate assets in 2004 include gains of \$6.1 million related to the sale of public equity securities and \$413,000 on the sale of corporate real estate. There were no public equity securities held at September 30, 2004. Gains on the sale of corporate assets in 2003 include pretax gains of \$942,000 on the sale of public securities and \$1.3 million on the sale of corporate real estate. These gains are included in "Other income (expense), net" in the condensed consolidated statements of income.

Income taxes in 2004 include a third-quarter tax benefit of \$4 million related to the reversal of income tax contingency accruals upon favorable conclusion of IRS and state examinations through 2000.

The other pretax gain of \$7.3 million included in the Aluminum Extrusions section of the operating profit by segment table is comprised of the present value of an insurance settlement of \$8.4 million (future value of \$8.5 million) associated with environmental costs related to prior years, partially offset by accruals for expected future environmental costs of \$1 million. The company received \$5.2 million of the \$8.5 million insurance settlement in September of 2004 and recognized receivables at present value for future amounts due (\$1.5 million due in February of 2005 and \$1.8 million due in February 2006). The gain from the insurance settlement is included in "Other income (expense), net" in the condensed consolidated statements of income, while the accruals for expected future environmental costs are included in "Cost of goods sold."

- (d) On March 7, 2003, Tredegar announced that Tredegar Investments had reached definitive agreements to sell substantially all of its venture capital investment portfolio. The operating results associated with venture capital investment activities have been reported as discontinued operations. Discontinued operations for 2003 also include a gain of \$891,000 after-taxes on the sale of intellectual property of Molecumetics and a loss on the divestiture of the venture capital investment portfolio of \$49.2 million after taxes.

Operations were ceased at Molecumetics on July 2, 2002. The operating results of Molecumetics have been reported as discontinued operations.

- (e) Comprehensive income (loss), defined as net income and other comprehensive income (loss), was income of \$19.5 million for the third quarter of 2004 and income of \$10.1 million for the third quarter of 2003. Comprehensive income (loss) was income of \$22.5 million for the first nine months of 2004 and a loss of \$21.4 million for the first nine months of 2003. Other comprehensive income (loss) includes changes in unrealized gains and losses on available-for-sale securities, foreign currency translation adjustments, unrealized gains and losses on derivative financial instruments and minimum pension liability recorded net of deferred taxes directly in shareholders' equity.
- (f) Adjusted EBITDA represents income from continuing operations before interest, taxes, depreciation, amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings and gains from the sale of assets and other items. Adjusted EBITDA is not intended to represent cash flow from operations as defined by GAAP and should not be considered as either an alternative to net income (as an indicator of operating performance) or to cash flow (as a measure of liquidity). Tredegar uses Adjusted EBITDA as a measure of unlevered (debt-free) operating cash flow. We also use it when comparing relative enterprise values of manufacturing companies and when measuring debt capacity. When comparing the valuations of a peer group of manufacturing companies, we express enterprise value as a multiple of Adjusted EBITDA. We believe Adjusted EBITDA is preferable to operating profit and other GAAP measures when applying a comparable multiple approach to enterprise valuation because it excludes depreciation and amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings, measures of which may vary among peer companies.

- (g) Net debt is calculated as follows (in millions):

Debt	\$ 101.2
Less: cash and cash equivalents	(25.4)
Net debt	<u>\$ 75.8</u>