

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

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Sales	\$ 240,716	\$ 222,515	\$ 717,197	\$ 634,487
Other income (expense), net (a) (c)	(394)	8,232	3,104	14,690
	<u>240,322</u>	<u>230,747</u>	<u>720,301</u>	<u>649,177</u>
Cost of goods sold (a)	201,917	185,087	604,346	526,314
Freight	6,281	5,759	18,626	16,054
Selling, R&D and general expenses (a)	17,597	18,708	56,417	55,275
Amortization of intangibles	50	90	262	224
Interest expense	1,196	707	3,252	2,228
Asset impairments and costs associated with exit and disposal activities (a) (b)	1,159	2,876	12,517	19,663
	<u>228,200</u>	<u>213,227</u>	<u>695,420</u>	<u>619,758</u>
Income before income taxes	12,122	17,520	24,881	29,419
Income taxes (c)	4,465	2,228	9,542	6,519
Net income (a) (b) (c) (d)	<u>\$ 7,657</u>	<u>\$ 15,292</u>	<u>\$ 15,339</u>	<u>\$ 22,900</u>
Earnings per share:				
Basic	\$.20	\$.40	\$.40	\$.60
Diluted	.20	.40	.40	.60
Shares used to compute earnings per share:				
Basic	38,465	38,317	38,453	38,261
Diluted	38,565	38,519	38,598	38,457

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

	Third Quarter Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Net Sales				
Film Products	\$ 116,350	\$ 104,570	\$ 344,305	\$ 301,940
Aluminum Extrusions	118,085	112,051	354,014	316,227
AFBS (formerly Therics) (b)	-	135	252	266
Total net sales	<u>234,435</u>	<u>216,756</u>	<u>698,571</u>	<u>618,433</u>
Add back freight	<u>6,281</u>	<u>5,759</u>	<u>18,626</u>	<u>16,054</u>
Sales as shown in the Consolidated Statements of Income	<u>\$ 240,716</u>	<u>\$ 222,515</u>	<u>\$ 717,197</u>	<u>\$ 634,487</u>
Operating Profit				
Film Products:				
Ongoing operations	\$ 13,822	\$ 10,966	\$ 36,796	\$ 31,853
Plant shutdowns, asset impairments and restructurings, net of gains on sale of assets (a)	(1,225)	(2,681)	(812)	(8,718)
Aluminum Extrusions:				
Ongoing operations	4,362	7,376	14,580	19,340
Plant shutdowns, asset impairments and restructurings (a)	(406)	(195)	(1,246)	(9,921)
Other (c)	-	7,316	-	7,316
AFBS (formerly Therics) (b):				
Ongoing operations	-	(2,204)	(3,467)	(7,238)
Loss on investment in Therics, LLC	(91)	-	(91)	-
Plant shutdowns, asset impairments and restructurings (a)	-	-	(10,049)	(1,024)
Total	<u>16,462</u>	<u>20,578</u>	<u>35,711</u>	<u>31,608</u>
Interest income	146	86	386	232
Interest expense	1,196	707	3,252	2,228
Gain on the sale of corporate assets (c)	-	-	61	6,547
Corporate expenses, net (a)	<u>3,290</u>	<u>2,437</u>	<u>8,025</u>	<u>6,740</u>
Income before income taxes	<u>12,122</u>	<u>17,520</u>	<u>24,881</u>	<u>29,419</u>
Income taxes (c)	4,465	2,228	9,542	6,519
Net income (a) (b) (c) (d)	<u>\$ 7,657</u>	<u>\$ 15,292</u>	<u>\$ 15,339</u>	<u>\$ 22,900</u>

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

	September 30, 2005	December 31, 2004
	<u> </u>	<u> </u>
Assets		
Cash & cash equivalents	\$ 23,447	\$ 22,994
Accounts & notes receivable, net	131,816	117,314
Income taxes recoverable	8,627	-
Inventories	52,806	65,360
Deferred income taxes	6,657	10,181
Prepaid expenses & other	3,947	4,689
Total current assets	<u>227,300</u>	<u>220,538</u>
Property, plant & equipment, net	326,768	316,692
Other assets	97,476	89,261
Goodwill & other intangibles	138,091	142,983
Total assets	<u>\$ 789,635</u>	<u>\$ 769,474</u>
Liabilities and Shareholders' Equity		
Accounts payable	\$ 63,401	\$ 63,852
Accrued expenses	40,485	38,141
Income taxes payable	-	1,446
Current portion of long-term debt (e)	115,197	13,125
Total current liabilities	<u>219,083</u>	<u>116,564</u>
Long-term debt	-	90,327
Deferred income taxes	72,016	71,141
Other noncurrent liabilities	11,030	11,000
Shareholders' equity	487,506	480,442
Total liabilities and shareholders' equity	<u>\$ 789,635</u>	<u>\$ 769,474</u>

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

	Nine Months Ended September 30	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 15,339	\$ 22,900
Adjustments for noncash items:		
Depreciation	28,203	24,919
Amortization of intangibles	262	224
Deferred income taxes	6,801	(614)
Accrued pension income and postretirement benefits	(1,611)	(3,065)
Gain on sale of assets	(2,507)	(6,547)
Loss on asset impairments and divestitures	6,556	13,831
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivables	(15,327)	(34,718)
Inventories	12,631	(6,292)
Income taxes recoverable	(8,627)	61,505
Prepaid expenses and other	789	(603)
Accounts payable	(3,169)	11,181
Accrued expenses and income taxes payable	(1,132)	1,238
Other, net	(2,767)	(460)
Net cash provided by operating activities	35,441	83,499
Cash flows from investing activities:		
Capital expenditures	(49,027)	(39,983)
Acquisitions	-	(1,420)
Novalux investment	-	(5,000)
Proceeds from the sale of assets and property disposals	3,368	8,230
Other, net	737	(197)
Net cash used in investing activities	(44,922)	(38,370)
Cash flows from financing activities:		
Dividends paid	(4,641)	(3,068)
Debt principal payments	(33,875)	(67,724)
Borrowings	45,620	29,275
Book overdrafts	3,642	-
Proceeds from exercise of stock options	406	1,588
Net cash provided by (used in) financing activities	11,152	(39,929)
Effect of exchange rate changes on cash	(1,218)	204
Increase in cash and cash equivalents	453	5,404
Cash and cash equivalents at beginning of period	22,994	19,943
Cash and cash equivalents at end of period	\$ 23,447	\$ 25,347

Selected Financial Measures
(In Millions)
(Unaudited)

For the Twelve Months Ended September 30, 2005

	AFBS			Total
	Film Products	Aluminum Extrusions	(formerly Therics) (b)	
Operating profit (loss) from ongoing operations	\$ 48.2	\$ 17.9	\$ (6.1)	\$ 60.0
Allocation of corporate overhead	(7.9)	(3.2)	-	(11.1)
Add back depreciation and amortization	25.6	11.3	.7	37.6
Adjusted EBITDA (f)	<u>\$ 65.9</u>	<u>\$ 26.0</u>	<u>\$ (5.4)</u>	<u>\$ 86.5</u>

Selected balance sheet and other data as of September 30, 2005:

Net debt (g)	\$ 95.6
Shares outstanding	38.6

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings in the third quarter of 2005 include:

- Pretax charges of \$906,000 for severance and other employee-related costs in connection with restructurings in Film Products (\$514,000), Aluminum Extrusions (\$207,000), and at corporate headquarters (\$185,000; included in "Corporate expenses, net" in the Operating Profit by Segment table);
- A net pretax charge of \$595,000 related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products (of this amount, \$657,000 in pretax charges for employee relocation and recruitment is included in "Selling, R&D and general expenses" in the condensed consolidated statements of income);
- A pretax charge of \$198,000 related to the shutdown of the aluminum extrusions facility in Aurora, Ontario; and
- Pretax charges of \$117,000 for accelerated depreciation related to restructurings in Film Products.

Plant shutdowns, asset impairments and restructurings in the first nine months of 2005 include:

- A pretax charge of \$10 million related to the sale or assignment of substantially all of AFBS' (formerly Therics) assets, including asset impairment charges of \$5.6 million, lease-related losses of \$3 million and severance and other transaction-related costs of \$1.4 million (see Note (b) for additional information);
- Pretax charges of \$1.8 million related to severance and other employee-related costs in connection with restructurings in Film Products (\$991,000), Aluminum Extrusions (\$648,000) and at corporate headquarters (\$185,000; included in "Corporate expenses, net" in the Operating Profit by Segment table);
- A pretax gain of \$1.6 million related to the shutdown of the films manufacturing facility in New Bern, North Carolina, including a \$1.8 million gain on the sale of the facility (included in "Other income (expense), net" in the condensed consolidated statements of income), partially offset by shutdown-related expenses of \$225,000;
- A pretax charge of \$1 million for process reengineering costs associated with the implementation of a global information system in Film Products (included in "Costs of goods sold" in the condensed consolidated statements of income);
- A net pretax charge of \$725,000 related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products (of this amount, \$1.2 million in pretax charges for employee relocation and recruitment is included in "Selling, R&D and general expenses" in the condensed consolidated statements of income);
- A pretax gain of \$653,000 related to the shutdown of the films manufacturing facility in Carbondale, Pennsylvania, including a \$630,000 gain on the sale of the facility (included in "Other income (expense), net" in the condensed consolidated statements of income), and the reversal to income of certain shutdown-related accruals of \$23,000;
- A net pretax charge of \$597,000 related to the shutdown of the aluminum extrusions facility in Aurora, Ontario, including \$1.1 million of shutdown-related costs, partially offset by the reversal to income of certain severance and employee-related accruals of \$474,000;
- A pretax gain of \$508,000 for interest receivable on tax refund claims (included in "Corporate expenses, net" in the net sales and operating profit by segment table and "Other income (expense), net" in the condensed consolidated statements of income); and
- Pretax charges of \$322,000 for accelerated depreciation related to restructurings in Film Products.

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

- Pretax charges of \$828,000 for accelerated depreciation related to 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 AFBS (formerly 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 AFBS (formerly Therics).

- (b) On June 30, 2005, substantially all of the assets of AFBS, Inc. (formerly Therics, Inc.), a wholly-owned subsidiary of Tredegar, were sold or assigned to a newly-created limited liability company, Therics, LLC, controlled and managed by an individual not affiliated with Tredegar. AFBS retained substantially all of its liabilities in the transaction, which included customary indemnification provisions for pre-transaction liabilities. AFBS received a 17.5% equity interest in the new company valued at \$170,000 and a 3.5% interest in Theken Spine, LLC valued at \$800,000, along with potential future payments on the sale of certain products by Therics, LLC.
- (c) Gain on the sale of corporate assets for the first nine months of 2005 include a gain of \$61,000 related to the sale of corporate real estate. Gain on the sale of corporate assets for the first nine months of 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.

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 in 2004 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 received 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) Comprehensive income (loss), defined as net income and other comprehensive income (loss), was income of \$11.4 million for the third quarter of 2005 and income of \$19.5 million for the third quarter of 2004. Comprehensive income (loss) was income of \$10.9 million for the first nine months of 2005 and income of \$22.5 million for the first nine months of 2004. 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.
- (e) Tredegar expects to refinance its debt by the end of 2005 with a new multi-year revolving credit facility. Under the current credit agreement, \$3.8 million is due for each of the next three quarters with the remainder due on September 30, 2006.

(f) Adjusted EBITDA represents income from operations before interest, taxes, depreciation, amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings, 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	\$ 115.2
Less: Cash and cash equivalents, net of overdrafts	<u>(19.6)</u>
Net debt	<u>\$ 95.6</u>