

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

	Fourth Quarter Ended December 31		Year Ended December 31	
	2002	2001	2002	2001
Net sales	\$ 176,887	\$ 179,404	\$ 737,405	\$ 763,577
Other income (expense), net	(14,786)	(10,561)	(60,154)	(18,400)
	<u>162,101</u>	<u>168,843</u>	<u>677,251</u>	<u>745,177</u>
Cost of goods sold	138,962	142,469	582,658	618,323
Selling, R&D and general expenses	21,382	21,748	78,192	74,583
Amortization of intangibles	11	1,232	100	4,914
Interest expense	2,453	2,444	9,352	12,671
Unusual items (a)	(3,705)	5,487	(2,263)	15,964
	<u>159,103</u>	<u>173,380</u>	<u>668,039</u>	<u>726,455</u>
Income (loss) before income taxes	2,998	(4,537)	9,212	18,722
Income taxes (a)	1,016	(1,681)	3,015	4,598
Income (loss) from continuing operations	1,982	(2,856)	6,197	14,124
Discontinued operations (b):				
Loss from operations of Molecumetics (including expected loss on disposal of \$4,875 in 2002)	-	(1,688)	(8,728)	(5,768)
Income from discontinued energy segment	-	-	-	1,396
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,396</u>
Net income (loss) (a) (b) (c)	<u>\$ 1,982</u>	<u>\$ (4,544)</u>	<u>\$ (2,531)</u>	<u>\$ 9,752</u>
Earnings (loss) per share:				
Basic:				
Continuing operations	\$ .05	\$ (.08)	\$ .16	\$ .37
Discontinued operations	-	(.04)	(.23)	(.11)
Net income (loss)	<u>\$ .05</u>	<u>\$ (.12)</u>	<u>\$ (.07)</u>	<u>\$ .26</u>
Diluted:				
Continuing operations	\$ .05	\$ (.08)	\$ .16	\$ .36
Discontinued operations	-	(.04)	(.23)	(.11)
Net income (loss)	<u>\$ .05</u>	<u>\$ (.12)</u>	<u>\$ (.07)</u>	<u>\$ .25</u>
Shares used to compute earnings (loss) per share:				
Basic	38,298	38,079	38,268	38,061
Diluted	38,775	38,079	38,869	38,824

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

	Fourth Quarter Ended		Year Ended	
	December 31		December 31	
	2002	2001	2002	2001
<b>Net Sales</b>				
Film Products	\$ 96,237	\$ 96,151	\$ 376,904	\$ 382,740
Aluminum Extrusions	80,650	83,159	360,293	380,387
Therics	-	94	208	450
Total net sales	<u>\$ 176,887</u>	<u>\$ 179,404</u>	<u>\$ 737,405</u>	<u>\$ 763,577</u>
<b>Operating Profit</b>				
Film Products:				
Ongoing operations	\$ 18,865	\$ 17,714	\$ 72,307	\$ 61,787
Unusual items (a)	4,023	(4,536)	2,750	(9,136)
	<u>22,888</u>	<u>13,178</u>	<u>75,057</u>	<u>52,651</u>
Aluminum Extrusions:				
Ongoing operations	3,567	1,664	27,304	25,407
Unusual items (a)	(318)	(951)	(487)	(7,799)
	<u>3,249</u>	<u>713</u>	<u>26,817</u>	<u>17,608</u>
Therics	<u>(3,026)</u>	<u>(3,691)</u>	<u>(13,116)</u>	<u>(12,861)</u>
Tredegar Investments	<u>(16,210)</u>	<u>(12,286)</u>	<u>(66,294)</u>	<u>(25,979)</u>
Total operating profit (loss)	6,901	(2,086)	22,464	31,419
Interest income	436	589	1,934	2,720
Interest expense	2,453	2,444	9,352	12,671
Corporate expenses, net (a)	1,886	596	5,834	2,746
Income (loss) before income taxes	2,998	(4,537)	9,212	18,722
Income taxes (a)	1,016	(1,681)	3,015	4,598
Income (loss) from continuing operations	1,982	(2,856)	6,197	14,124
Loss from discontinued operations (b)	-	(1,688)	(8,728)	(4,372)
Net income (loss) (a) (b) (c)	<u>\$ 1,982</u>	<u>\$ (4,544)</u>	<u>\$ (2,531)</u>	<u>\$ 9,752</u>

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

	December 31, 2002	December 31, 2001
<b>Assets</b>		
Cash & cash equivalents	\$ 109,928	\$ 96,810
Accounts & notes receivable	92,892	79,274
Income taxes recoverable	12,863	5,410
Inventories	43,969	45,316
Deferred income taxes	20,976	16,022
Prepaid expenses & other	3,962	2,880
Total current assets	<u>284,590</u>	<u>245,712</u>
Property, plant & equipment, net	250,603	267,343
Net non-current assets of Therics held for sale	10,406	-
Venture capital investments (d)	93,765	155,084
Other assets	66,316	60,404
Goodwill & other intangibles	132,282	136,488
Total assets	<u>\$ 837,962</u>	<u>\$ 865,031</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 35,861	\$ 46,507
Accrued expenses	42,409	47,637
Current portion of long-term debt	55,000	5,000
Total current liabilities	<u>133,270</u>	<u>99,144</u>
Long-term debt	204,280	259,498
Deferred income taxes	27,443	18,985
Other noncurrent liabilities	10,037	9,505
Shareholders' equity	462,932	477,899
Total liabilities and shareholders' equity	<u>\$ 837,962</u>	<u>\$ 865,031</u>

**Tredegar Corporation**  
**Selected Cash Flow Information**  
(In Millions)  
(Unaudited)

	Year Ended December 31	
	2002	2001
After-tax cash inflow (outflow) from:		
Manufacturing operations:		
Net income from ongoing operations	\$ 55.7	\$ 47.4
Depreciation	30.9	29.6
Amortization	-	4.0
Capital expenditures	(28.9)	(33.8)
Working capital, pension, related deferred taxes & other, net	(3.9)	11.2
Net cash flow from manufacturing operations	<u>53.8</u>	<u>58.4</u>
Net cash flow from Therics	<u>(11.3)</u>	<u>(6.5)</u>
Tredegar Investments:		
Direct portfolio follow-on investments	(11.3)	(13.0)
Venture capital fund capital calls	(9.1)	(11.5)
After-tax proceeds, net of expenses	7.8	43.2
Net cash flow from Tredegar Investments	<u>(12.6)</u>	<u>18.7</u>
Net cash flow from discontinued operations (b)	<u>(6.8)</u>	<u>(7.2)</u>
Acquisitions	-	(1.9)
Dividends paid	(6.1)	(6.1)
Net debt payments	(5.2)	(3.6)
Stock options/stock repurchases, net	1.3	0.5
Consolidated after-tax cash inflow	<u>13.1</u>	<u>52.3</u>
Cash and cash equivalents, beginning of period	96.8	44.5
Cash and cash equivalents, end of period	<u>\$ 109.9</u>	<u>\$ 96.8</u>

**Selected Financial Measures**  
(In Millions, Except Per-Share Amounts)  
(Unaudited)

	Fourth Quarter Ended December 31		Year Ended December 31	
	2002	2001	2002	2001
Net income (loss) (e)	\$ (0.4)	\$ 0.7	\$ 4.7	\$ 22.4
Diluted earnings (loss) per share (e)	(.01)	.01	.12	.58
Manufacturing operations (e):				
Net income	12.0	10.9	55.7	47.4
Diluted earnings per share	.31	.29	1.43	1.22
EBITDA (f):				
Film Products	22.6	23.1	88.5	81.5
Aluminum Extrusions	5.8	4.7	36.2	35.6
Total	28.4	27.8	124.7	117.1
Operating losses of Therics (net R&D expenses) (e)	3.0	3.7	13.1	12.9

Selected balance sheet data as of December 31, 2002:

Cash invested to date in Therics	53.6
Estimated fair value of venture capital portfolio	99.4
Net debt (g)	149.4
Shares outstanding	38.3

## Notes to the Financial Tables

(a) Unusual items in the fourth quarter of 2002 include:

- A pretax net gain of \$5.6 million for payments received from P&G related to termination of and revisions to contracts and related asset write-downs;
- A pretax charge of \$1.5 million for asset impairments in the films business;
- A pretax gain of \$529,000 related to a prior acquisition;
- A pretax charge of \$392,000 for additional costs related to the 2000 shutdown of the films manufacturing facility in Manchester, Iowa;
- A pretax charge of \$318,000 for additional costs related to the shutdown of the aluminum extrusions plant in El Campo, Texas; and
- A pretax charge of \$259,000 for additional costs related to the shutdown of the films manufacturing facility in Tacoma, Washington.

Unusual items in 2002 include:

- A pretax net gain of \$5.6 million for payments received from P&G related to termination of and revisions to contracts and related asset write-downs;
- A pretax charge of \$1.5 million for asset impairments in the films business;
- A pretax charge of \$1.0 million for additional costs related to the shutdown of the films manufacturing facility in Carbondale, Pennsylvania;
- A pretax charge of \$541,000 for additional costs related to the shutdown of the films manufacturing facility in Tacoma, Washington;
- A pretax gain of \$529,000 related to a prior acquisition;
- A pretax charge of \$487,000 for additional costs related to the shutdown of the aluminum extrusions plant in El Campo, Texas; and
- A pretax charge of \$392,000 for additional costs related to the 2000 shutdown of the films manufacturing facility in Manchester, Iowa.

Unusual items in the fourth quarter of 2001 include:

- A pretax charge of \$2.9 million for the shutdown of the films manufacturing facility in Carbondale, Pennsylvania;
- A pretax charge of \$1.4 million for impairment of the films business in Argentina;
- A pretax charge of \$951,000 for the shutdown of the aluminum extrusions plant in El Campo, Texas; and
- A pretax charge of \$386,000 for the shutdown of the films manufacturing facility in Tacoma, Washington.

Unusual items in 2001 include:

- A pretax charge of \$7.8 million for the shutdown of the aluminum extrusions plant in El Campo, Texas;
- A pretax charge of \$3.4 million for the shutdown of the films manufacturing facility in Tacoma, Washington;
- A pretax charge of \$2.9 million for the shutdown of the films manufacturing facility in Carbondale, Pennsylvania;
- A pretax charge of \$1.5 million related to further rationalization in the films business;
- A pretax charge of \$1.4 million for impairment of the films business in Argentina; and
- A pretax gain of \$1.0 million related to interest received on tax overpayments upon favorable conclusion of IRS examinations through 1997 (included in Corporate expenses, net in the Net Sales and Operating Profit by Segment table).

Income taxes in 2001 include a second-quarter tax benefit of \$1.9 million related to the reversal of income tax contingency accruals upon favorable conclusion of IRS examinations through 1997.

(b) On March 22, 2002, Tredegar announced its intent to divest its biotech operations. Operations were ceased at Molecumetics on July 2, 2002. The operating results of Molecumetics have been reported as discontinued operations. Discontinued operations for 2002 also include an expected loss on the disposal of Molecumetics of \$7.5 million (\$4.9 million after taxes).

Discontinued operations in 2001 include an after-tax gain of \$1.4 million related to the reversal of an income tax contingency accrual upon favorable conclusion of IRS examinations through 1997. The accrual was originally recorded in conjunction with the sale of The Elk Horn Coal Corporation in 1994.

(c) Comprehensive income (loss), defined as net income (loss) and other comprehensive income (loss), was income of \$3.3 million for the fourth quarter of 2002 and a loss of \$5.9 million for the fourth quarter of 2001. Comprehensive income (loss) was a loss of \$10.1 million for 2002 and a loss of \$14.2 million for 2001. 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 additional minimum pension liability recorded net of deferred taxes directly in shareholders' equity.

(d) Condensed statements of operations and net assets for Tredegar Investments are shown below:

**Condensed Statement of Operations**

	Fourth Quarter Ended December 31		Year Ended December 31	
	2002	2001	2002	2001
(In Millions)				
Net realized gains, losses, write-downs and related operating expenses for venture capital investments reflected in Tredegar's consolidated statements of income (net of tax)	\$ (10.4)	\$ (7.9)	\$ (42.5)	\$ (16.7)
Change in unrealized appreciation of venture capital investments (net of tax)	(2.1)	(61.9)	(14.7)	(120.0)
After-tax depreciation of net asset value (NAV) related to investment performance	\$ (12.5)	\$ (69.8)	\$ (57.2)	\$ (136.7)

**Condensed Statement of Net Assets**

	December 31, 2002	December 31, 2001
(In Millions)		
Cost basis of investments	\$ 190.5	\$ 190.0
Write-downs taken on securities held (charged to earnings)	(97.6)	(47.9)
Unrealized appreciation of public securities held by Tredegar (reflected directly in equity net of deferred income taxes)	.9	13.0
Carrying value of investments reflected in the balance sheet	93.8	155.1
Unrealized appreciation of private securities held by Tredegar and of its indirect interest in all securities held by venture capital funds	5.6	16.6
Estimated fair value of venture capital investments	99.4	171.7
Estimated income tax benefit on assumed disposal at fair value	32.8	6.6
NAV of venture capital investments	\$ 132.2	\$ 178.3

**Condensed Statement of Changes in NAV**

	Year Ended December 31	
	2002	2001
(In Millions)		
NAV at beginning of period	\$ 178.3	\$ 335.0
After-tax depreciation of NAV related to investment performance (net of operating expenses)	(57.2)	(136.7)
After-tax operating expenses funded by Tredegar	3.6	4.1
New investments	20.4	24.5
Change in NAV due to the sale of investments and current taxes	(12.9)	(48.6)
Decrease in NAV	(46.1)	(156.7)
NAV at end of the period	\$ 132.2	\$ 178.3

(e) Excludes unusual items and discontinued operations.

(f) EBITDA represents earnings before interest, income taxes, unusual items, depreciation and amortization and is presented net of allocated corporate expenses.

(g) Net debt represents debt less cash and cash equivalents and receivables from security brokers.