

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

	Three Months Ended March 31	
	2005	2004
Sales	\$ 232,757	\$ 195,919
Other income (expense), net (a) (b)	2,560	6,106
	235,317	202,025
Cost of goods sold (a)	198,352	163,744
Freight	5,943	4,827
Selling, R&D and general expenses (a)	19,864	17,944
Amortization of intangibles	106	67
Interest expense	963	923
Asset impairments and costs associated with exit and disposal activities (a)	867	10,783
	226,095	198,288
Income before income taxes	9,222	3,737
Income taxes	3,672	1,308
Net income (a) (b) (c)	\$ 5,550	\$ 2,429
Earnings per share:		
Basic	\$ .14	\$ .06
Diluted	.14	.06
Shares used to compute earnings per share:		
Basic	38,440	38,229
Diluted	38,636	38,435

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

	Three Months Ended March 31	
	2005	2004
<b>Net Sales</b>		
Film Products	\$ 116,711	\$ 95,886
Aluminum Extrusions	109,966	95,195
Therics	137	11
Total net sales	<u>226,814</u>	<u>191,092</u>
Add back freight	5,943	4,827
Sales as shown in the Consolidated Statements of Income	<u>\$ 232,757</u>	<u>\$ 195,919</u>
<b>Operating Profit</b>		
Film Products:		
Ongoing operations	\$ 11,578	\$ 10,024
Plant shutdowns, asset impairments and restructurings, net of gain on sale of asset (a)	369	(1,203)
Aluminum Extrusions:		
Ongoing operations	2,997	3,683
Plant shutdowns, asset impairments and restructurings (a)	(638)	(9,580)
Therics:		
Ongoing operations	<u>(1,823)</u>	<u>(2,491)</u>
Total	12,483	433
Interest income	98	74
Interest expense	963	923
Gain on the sale of corporate assets (b)	-	6,134
Corporate expenses, net (a)	<u>2,396</u>	<u>1,981</u>
Income before income taxes	9,222	3,737
Income taxes	<u>3,672</u>	<u>1,308</u>
Net income (a) (b) (c)	<u>\$ 5,550</u>	<u>\$ 2,429</u>

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

	March 31, 2005	December 31, 2004
	<u>          </u>	<u>          </u>
<b>Assets</b>		
Cash & cash equivalents	\$ 25,572	\$ 22,994
Accounts & notes receivable, net	125,489	117,314
Inventories	63,974	65,360
Deferred income taxes	9,440	10,181
Prepaid expenses & other	4,318	4,689
Total current assets	<u>228,793</u>	<u>220,538</u>
Property, plant & equipment, net	320,161	316,692
Other assets	89,555	89,261
Goodwill & other intangibles	142,632	142,983
Total assets	<u>\$ 781,141</u>	<u>\$ 769,474</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 62,573	\$ 63,852
Accrued expenses	36,258	38,141
Income taxes payable	1,065	1,446
Current portion of long-term debt	13,750	13,125
Total current liabilities	<u>113,646</u>	<u>116,564</u>
Long-term debt	104,167	90,327
Deferred income taxes	70,578	71,141
Other noncurrent liabilities	10,902	11,000
Shareholders' equity	481,848	480,442
Total liabilities and shareholders' equity	<u>\$ 781,141</u>	<u>\$ 769,474</u>

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

	Three Months Ended March 31	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 5,550	\$ 2,429
Adjustments for noncash items:		
Depreciation	9,185	8,202
Amortization of intangibles	106	67
Deferred income taxes	1,730	(3,860)
Accrued pension income and postretirement benefits	(618)	(980)
Gain on sale of assets	(1,815)	(6,134)
Loss on asset impairments and divestitures	100	7,796
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivables	(9,044)	(16,860)
Inventories	1,028	859
Income taxes recoverable	-	59,084
Prepaid expenses and other	358	170
Accounts payable	(1,947)	7,371
Accrued expenses and income taxes payable	(2,030)	2,134
Other, net	1,882	(1,331)
Net cash provided by operating activities	<u>4,485</u>	<u>58,947</u>
Cash flows from investing activities:		
Capital expenditures	(17,952)	(11,491)
Proceeds from the sale of assets and property disposals	2,120	6,040
Other, net	222	(785)
Net cash used in investing activities	<u>(15,610)</u>	<u>(6,236)</u>
Cash flows from financing activities:		
Dividends paid	(1,553)	(1,537)
Debt principal payments	(10,035)	(7,208)
Borrowings	24,500	5,000
Bank overdrafts	1,448	-
Proceeds from exercise of stock options	192	441
Net cash provided by (used in) financing activities	<u>14,552</u>	<u>(3,304)</u>
Effect of exchange rate changes on cash	(849)	51
Increase in cash and cash equivalents	2,578	49,458
Cash and cash equivalents at beginning of period	22,994	19,943
Cash and cash equivalents at end of period	<u>\$ 25,572</u>	<u>\$ 69,401</u>

**Selected Financial Measures**  
**(In Millions)**  
**(Unaudited)**

For the Twelve Months Ended March 31, 2005

	Film Products	Aluminum Extrusions	Therics	Total
Operating profit (loss) from ongoing operations	\$ 44.8	\$ 22.0	\$ (9.1)	\$ 57.7
Allocation of corporate overhead	(7.0)	(3.4)	-	(10.4)
Add back depreciation and amortization	23.1	10.9	1.2	35.2
Adjusted EBITDA (d)	<u>\$ 60.9</u>	<u>\$ 29.5</u>	<u>\$ (7.9)</u>	<u>\$ 82.5</u>

Selected balance sheet and other data as of March 31, 2005:

Cash invested to date in Therics	\$ 75.3
Net debt (e)	\$ 93.8
Shares outstanding	38.6

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings in 2005 include:

- 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 \$198,000;
- 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);
- Pretax charges of \$418,000 related to severance and other employee-related costs associated with restructurings in Film Products (\$250,000) and Aluminum Extrusions (\$168,000);
- 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);
- A pretax charge of \$470,000 related to the shutdown of the aluminum extrusions facility in Aurora, Ontario;
- A net pretax gain of \$120,000 primarily related to the partial reversal to income of certain severance and employee-related accruals associated with the restructuring of the research and development operations in Film Products (of this amount, \$199,000 in pretax charges for employee relocation and recruitment is included in "Selling, R&D and general expenses" in the condensed consolidated statements of income); and
- Pretax charges of \$100,000 for accelerated depreciation related to restructurings in Film Products.

Plant shutdowns, asset impairments and restructurings in 2004 include:

- A pretax charge of \$9.6 million related to the shutdown of the aluminum extrusions facility in Aurora, Ontario, including asset impairment charges of \$7.1 million and severance and other employee-related costs of \$2.5 million;
- Pretax charges of \$666,000 related to accelerated depreciation for plants shutdown in Film Products; and
- A pretax charge of \$537,000 related to severance and other employee-related costs associated with the shutdown of the films manufacturing facility in New Bern, North Carolina.

(b) Gain on the sale of corporate assets in 2004 include gains related to the sale of public equity securities.

(c) Comprehensive income (loss), defined as net income and other comprehensive income (loss), was a gain of \$2.7 million for the first quarter of 2005 and a loss of \$1 million for the first quarter 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.

(d) Adjusted EBITDA represents income from continuing 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.

(e) Net debt is calculated as follows (in millions):

Debt	\$ 117.9
Less: Cash and cash equivalents, net of overdrafts	<u>(24.1)</u>
Net debt	<u>\$ 93.8</u>