

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

	Three Months Ended March 31	
	2006	2005
Sales	\$ 267,964	\$ 232,757
Other income (expense), net (a) (b)	12	2,560
	267,976	235,317
Cost of goods sold (a)	226,638	198,352
Freight	6,474	5,943
Selling, R&D and general expenses (a)	18,101	19,864
Amortization of intangibles	37	106
Interest expense	1,432	963
Asset impairments and costs associated with exit and disposal activities (a)	1,692	867
	254,374	226,095
Income before income taxes	13,602	9,222
Income taxes	5,387	3,672
Net income (a) (b) (c)	\$ 8,215	\$ 5,550
Earnings per share:		
Basic	\$.21	\$.14
Diluted	.21	.14
Shares used to compute earnings per share:		
Basic	38,602	38,440
Diluted	38,664	38,636

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

	Three Months Ended March 31	
	<u>2006</u>	<u>2005</u>
Net Sales		
Film Products	\$ 126,331	\$ 116,711
Aluminum Extrusions	135,159	109,966
AFBS (formerly Therics) (d)	-	137
Total net sales	<u>261,490</u>	<u>226,814</u>
Add back freight	<u>6,474</u>	<u>5,943</u>
Sales as shown in the Consolidated Statements of Income	<u>\$ 267,964</u>	<u>\$ 232,757</u>
Operating Profit		
Film Products:		
Ongoing operations	\$ 15,577	\$ 11,578
Plant shutdowns, asset impairments and restructurings, net of gains on sale of assets (a)	(1,583)	369
Aluminum Extrusions:		
Ongoing operations	4,866	2,997
Plant shutdowns, asset impairments and restructurings, net of gains on sale of assets (a)	(109)	(638)
AFBS (formerly Therics) (d):		
Ongoing operations	-	(1,823)
Loss on investment in Therics, LLC	<u>(25)</u>	<u>-</u>
Total	18,726	12,483
Interest income	222	98
Interest expense	1,432	963
Gain on the sale of corporate assets (b)	56	-
Stock option-based compensation costs (e)	211	-
Corporate expenses, net (a)	<u>3,759</u>	<u>2,396</u>
Income before income taxes	13,602	9,222
Income taxes	<u>5,387</u>	<u>3,672</u>
Net income (a) (b) (c)	<u>\$ 8,215</u>	<u>\$ 5,550</u>

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

	March 31, 2006	December 31, 2005
	<u> </u>	<u> </u>
Assets		
Cash & cash equivalents	\$ 30,138	\$ 23,434
Accounts & notes receivable, net	152,380	119,330
Income taxes recoverable	7,447	7,163
Inventories	60,514	62,438
Deferred income taxes	10,830	7,778
Prepaid expenses & other	3,753	4,224
Total current assets	<u>265,062</u>	<u>224,367</u>
Property, plant & equipment, net	325,084	322,876
Other assets	96,400	96,527
Goodwill & other intangibles	138,065	137,988
Total assets	<u>\$ 824,611</u>	<u>\$ 781,758</u>
Liabilities and Shareholders' Equity		
Accounts payable	\$ 83,311	\$ 61,731
Accrued expenses	37,983	36,031
Current portion of long-term debt	3,795	-
Total current liabilities	<u>125,089</u>	<u>97,762</u>
Long-term debt	112,607	113,050
Deferred income taxes	82,228	74,287
Other noncurrent liabilities	11,135	11,297
Shareholders' equity	493,552	485,362
Total liabilities and shareholders' equity	<u>\$ 824,611</u>	<u>\$ 781,758</u>

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

	Three Months Ended March 31	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 8,215	\$ 5,550
Adjustments for noncash items:		
Depreciation	10,713	9,185
Amortization of intangibles	37	106
Deferred income taxes	4,478	1,730
Accrued pension income and postretirement benefits	828	(618)
Gain on sale of assets	(56)	(1,815)
Loss on asset impairments and divestitures	1,150	100
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivables	(32,633)	(9,044)
Inventories	2,226	1,028
Income taxes recoverable	(284)	-
Prepaid expenses and other	482	358
Accounts payable	21,265	(1,947)
Accrued expenses and income taxes payable	1,714	(2,030)
Other, net	(681)	1,882
Net cash provided by operating activities	<u>17,454</u>	<u>4,485</u>
Cash flows from investing activities:		
Capital expenditures	(13,074)	(17,952)
Proceeds from the sale of assets and property disposals	56	2,120
Other, net	(158)	222
Net cash used in investing activities	<u>(13,176)</u>	<u>(15,610)</u>
Cash flows from financing activities:		
Dividends paid	(1,552)	(1,553)
Debt principal payments	(648)	(10,035)
Borrowings	4,000	24,500
Bank overdrafts	-	1,448
Proceeds from exercise of stock options	461	192
Net cash provided by financing activities	<u>2,261</u>	<u>14,552</u>
Effect of exchange rate changes on cash	165	(849)
Increase in cash and cash equivalents	6,704	2,578
Cash and cash equivalents at beginning of period	23,434	22,994
Cash and cash equivalents at end of period	<u>\$ 30,138</u>	<u>\$ 25,572</u>

Selected Financial Measures
(In Millions)
(Unaudited)

For the Twelve Months Ended March 31, 2006

	Film Products	Aluminum Extrusions	AFBS (formerly Therics)	Total
Operating profit (loss) from ongoing operations	\$ 48.9	\$ 21.2	\$ (1.6)	\$ 68.5
Allocation of corporate overhead	(8.5)	(3.6)	-	(12.1)
Add back depreciation and amortization	28.2	11.7	.2	40.1
Adjusted EBITDA (f)	<u>\$ 68.6</u>	<u>\$ 29.3</u>	<u>\$ (1.4)</u>	<u>\$ 96.5</u>

Selected balance sheet and other data as of March 31, 2006:

Net debt (g)	\$ 86.3
Shares outstanding	38.8

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings in the first quarter of 2006 include:

- A pretax charge of \$404,000 related to the planned shutdown of the films manufacturing facility in LaGrange, Georgia, including asset impairment charges of \$130,000 and severance and other costs of \$274,000;
- Pretax charges of \$1 million for asset impairments in Film Products; and
- Pretax charges of \$268,000 for severance and other employee-related costs in connection with restructurings in Film Products (\$159,000) and Aluminum Extrusions (\$109,000).

Plant shutdowns, asset impairments and restructurings in the first quarter of 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 new information system in Film Products (included in "Cost 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.

(b) Gain on the sale of corporate assets in 2006 includes a gain 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 \$9.0 million for the first quarter of 2006 and a gain of \$2.7 million for the first quarter of 2005. 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) 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.

(e) Effective January 1, 2006, Tredegar adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" (SFAS 123(R)) using the modified prospective method. SFAS 123(R) requires the company to record compensation expense for all share-based awards. Tredegar previously applied Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations and provided the required pro forma disclosures of SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS 123). Prior periods were not restated.

(f) Adjusted EBITDA for the twelve months ended March 31, 2006, 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, investment write-down, charges related to stock option awards accounted for under the fair value-based method 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 the items noted above, measures of which may vary among peer companies.

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

Debt	\$ 116.4
Less: Cash and cash equivalents, net of overdrafts	<u>(30.1)</u>
Net debt	<u>\$ 86.3</u>