

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

	Three Months Ended	
	March 31	
	<u>2007</u>	<u>2006</u>
Sales	\$ 281,594	\$ 267,964
Other income (expense), net (a) (b)	294	12
	<u>281,888</u>	<u>267,976</u>
Cost of goods sold	238,388	226,638
Freight	6,147	6,474
Selling, R&D and general expenses	19,722	18,101
Amortization of intangibles	37	37
Interest expense	824	1,432
Asset impairments and costs associated with exit and disposal activities (a)	733	1,692
	<u>265,851</u>	<u>254,374</u>
Income before income taxes	16,037	13,602
Income taxes	5,704	5,387
	<u>10,333</u>	<u>8,215</u>
Net income (a) (b) (c)	<u>\$ 10,333</u>	<u>\$ 8,215</u>
Earnings per share:		
Basic	\$ .26	\$ .21
Diluted	.26	.21
Shares used to compute earnings per share:		
Basic	39,272	38,602
Diluted	39,487	38,664

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

	Three Months Ended March 31	
	2007	2006
<b>Net Sales</b>		
Film Products	\$ 136,061	\$ 126,331
Aluminum Extrusions	139,386	135,159
Total net sales	275,447	261,490
Add back freight	6,147	6,474
Sales as shown in the Consolidated Statements of Income	\$ 281,594	\$ 267,964
 <b>Operating Profit</b>		
Film Products:		
Ongoing operations	\$ 16,820	\$ 15,577
Plant shutdowns, asset impairments and restructurings (a)	(367)	(1,583)
Aluminum Extrusions:		
Ongoing operations	3,466	4,866
Plant shutdowns, asset impairments and restructurings (a)	-	(109)
AFBS (d):		
Loss on investment in Therics, LLC	-	(25)
Plant shutdowns, asset impairments and restructurings (a)	(366)	-
Total	19,553	18,726
Interest income	388	222
Interest expense	824	1,432
Gain on the sale of corporate assets (b)	-	56
Stock option-based compensation costs (e)	269	211
Corporate expenses, net	2,811	3,759
Income before income taxes	16,037	13,602
Income taxes	5,704	5,387
Net income (a) (b) (c)	\$ 10,333	\$ 8,215

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

	March 31, 2007	December 31, 2006
<b>Assets</b>		
Cash & cash equivalents	\$ 38,480	\$ 40,898
Accounts & notes receivable, net	143,817	121,834
Income taxes recoverable	2,850	10,975
Inventories	73,863	68,930
Deferred income taxes	7,567	6,055
Prepaid expenses & other	3,920	4,558
Total current assets	<u>270,497</u>	<u>253,250</u>
Property, plant & equipment, net	320,408	325,763
Other assets (f)	64,360	64,078
Goodwill & other intangibles	138,893	138,696
Total assets	<u>\$ 794,158</u>	<u>\$ 781,787</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable	\$ 88,181	\$ 69,426
Accrued expenses	36,706	41,906
Current portion of long-term debt	481	678
Total current liabilities	<u>125,368</u>	<u>112,010</u>
Long-term debt	41,716	61,842
Deferred income taxes	77,065	75,772
Other noncurrent liabilities (f)	17,635	15,568
Shareholders' equity (f)	532,374	516,595
Total liabilities and shareholders' equity	<u>\$ 794,158</u>	<u>\$ 781,787</u>

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

	Three Months Ended	
	March 31	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 10,333	\$ 8,215
Adjustments for noncash items:		
Depreciation	11,259	10,713
Amortization of intangibles	37	37
Deferred income taxes	(1,633)	4,478
Accrued pension income and postretirement benefits	(439)	828
Gain on sale of assets	-	(56)
Loss on asset impairments and divestitures	338	1,150
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivables	(21,147)	(32,633)
Inventories	(4,345)	2,226
Income taxes recoverable	8,125	(284)
Prepaid expenses and other	1,039	482
Accounts payable	18,309	21,265
Accrued expenses	(3,301)	1,714
Other, net	1,095	(681)
Net cash provided by operating activities	19,670	17,454
Cash flows from investing activities:		
Capital expenditures	(7,164)	(13,074)
Proceeds from the sale of assets and property disposals & reimbursements from customers for purchases of equipment	2,762	56
Other, net	-	(158)
Net cash used in investing activities	(4,402)	(13,176)
Cash flows from financing activities:		
Dividends paid	(1,579)	(1,552)
Debt principal payments	(20,323)	(648)
Borrowings	-	4,000
Proceeds from exercise of stock options	4,089	461
Net cash (used in) provided by financing activities	(17,813)	2,261
Effect of exchange rate changes on cash	127	165
Increase in cash and cash equivalents	(2,418)	6,704
Cash and cash equivalents at beginning of period	40,898	23,434
Cash and cash equivalents at end of period	\$ 38,480	\$ 30,138

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

	For the Twelve Months Ended March 31, 2007		
	Film Products	Aluminum Extrusions	Total
Operating profit from ongoing operations	\$ 58.9	\$ 20.6	\$ 79.5
Allocation of corporate overhead	(9.3)	(3.4)	(12.7)
Add back depreciation and amortization	32.3	12.4	44.7
Adjusted EBITDA (g)	\$ 81.9	\$ 29.6	\$ 111.5

Selected balance sheet and other data as of March 31, 2007:

Net debt (h)	\$ 3.7
Shares outstanding	39.5

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings in the first quarter of 2007 include:

- A pretax charge of \$366,000 related to the estimated loss on the sub-lease of a portion of the AFBS (formerly Therics) facility in Princeton, New Jersey.
- Pretax charges of \$338,000 for asset impairments in Film Products; and
- A pretax charge of \$29,000 for costs related to the shutdown of the films manufacturing facility in LaGrange, Georgia.

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).

(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 \$12.9 million for the first quarter of 2007 and a gain of \$9.0 million for the first quarter of 2006. 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 amortization of prior service cost and net gains or losses from pension and other postretirement benefit plans 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, which is 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 (SFAS) 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) Effective December 31, 2006, Tredegar adopted SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" (SFAS 158). This statement requires the recognition in the balance sheet of the funded status of each of our defined benefit pension and other postretirement plans. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. The initial impact of SFAS 158, net of deferred taxes, was recognized directly in shareholders' equity. Adjustments from the new standard will not impact our debt covenant computations since our credit agreement allows us to elect to use generally accepted accounting

principles in effect when the agreement was signed.

(g) Adjusted EBITDA for the twelve months ended March 31, 2007, 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.

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

Debt	\$ 42.2
Less: Cash and cash equivalents	<u>(38.5)</u>
Net debt	<u>\$ 3.7</u>

Net debt is utilized by management in evaluating the company's financial leverage and equity valuation and the company believes that investors also may find net debt to be helpful for the same purposes.