

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

	Fourth Quarter Ended December 31		Year Ended December 31	
	2004	2003	2004	2003
Sales	\$ 226,678	\$ 181,907	\$ 861,165	\$ 738,651
Other income (expense), net (c)	914	4,323	15,604	7,853
	<u>227,592</u>	<u>186,230</u>	<u>876,769</u>	<u>746,504</u>
Cost of goods sold (c)	190,806	149,479	717,120	606,242
Freight	6,344	4,936	22,398	18,557
Selling, R&D and general expenses (a)	20,020	18,586	75,295	72,115
Amortization of intangibles	106	67	330	268
Interest expense	943	1,786	3,171	6,785
Asset impairments and costs associated with exit and disposal activities (a)	3,310	1,486	22,973	11,426
Unusual items (b)	-	-	-	1,067
	<u>221,529</u>	<u>176,340</u>	<u>841,287</u>	<u>716,460</u>
Income before income taxes	6,063	9,890	35,482	30,044
Income taxes (c)	2,703	3,522	9,222	10,717
Income from continuing operations	3,360	6,368	26,260	19,327
Discontinued operations (d):				
Gain (loss) from venture capital investment activities (including an after-tax gain on tax-related items of \$2.3 million in 2004 and an after-tax loss on the sale of the venture capital investment portfolio of \$46.3 million in 2003)	2,921	2,947	2,921	(46,569)
Gain on the sale of intellectual property of Molecumetics in 2003	-	-	-	891
	<u>-</u>	<u>-</u>	<u>-</u>	<u>891</u>
Net income (loss) (a) (b) (c) (d) (e)	<u>\$ 6,281</u>	<u>\$ 9,315</u>	<u>\$ 29,181</u>	<u>\$ (26,351)</u>
Earnings (loss) per share:				
Basic:				
Continuing operations	\$.09	\$.17	\$.69	\$.51
Discontinued operations	.08	.08	.08	(1.20)
Net income (loss)	<u>\$.17</u>	<u>\$.25</u>	<u>\$.77</u>	<u>\$ (.69)</u>
Diluted:				
Continuing operations	\$.09	\$.17	\$.68	\$.50
Discontinued operations	.07	.07	.08	(1.19)
Net income (loss)	<u>\$.16</u>	<u>\$.24</u>	<u>\$.76</u>	<u>\$ (.69)</u>
Shares used to compute earnings (loss) per share:				
Basic	38,398	38,101	38,295	38,096
Diluted	38,655	38,389	38,507	38,441

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

	Fourth Quarter Ended December 31		Year Ended December 31	
	2004	2003	2004	2003
Net Sales				
Film Products	\$ 111,317	\$ 91,519	\$ 413,257	\$ 365,501
Aluminum Extrusions	108,903	85,452	425,130	354,593
Therics	114	-	380	-
Total net sales	220,334	176,971	838,767	720,094
Add back freight	6,344	4,936	22,398	18,557
Sales as shown in the Consolidated Statements of Income	<u>\$ 226,678</u>	<u>\$ 181,907</u>	<u>\$ 861,165</u>	<u>\$ 738,651</u>
Operating Profit				
Film Products:				
Ongoing operations	\$ 11,406	\$ 10,837	\$ 43,259	\$ 45,676
Plant shutdowns, asset impairments and restructurings (a)	(1,720)	(1,486)	(10,438)	(5,746)
Aluminum Extrusions:				
Ongoing operations	3,297	2,509	22,637	15,117
Plant shutdowns, asset impairments and restructurings (a)	(632)	-	(10,553)	(644)
Gain on sale of land	-	1,385	-	1,385
Other (c)	-	-	7,316	-
Therics:				
Ongoing operations	(2,525)	(2,430)	(9,763)	(11,651)
Restructurings (a)	(1,017)	-	(2,041)	(3,855)
Unusual items (b)	-	-	-	(1,067)
Total	<u>8,809</u>	<u>10,815</u>	<u>40,417</u>	<u>39,215</u>
Interest income	118	97	350	1,183
Interest expense	943	1,786	3,171	6,785
Gain on sale of corporate assets (c)	1,013	2,924	7,560	5,155
Corporate expenses, net (a)	2,934	2,160	9,674	8,724
Income before income taxes	<u>6,063</u>	<u>9,890</u>	<u>35,482</u>	<u>30,044</u>
Income taxes (c)	2,703	3,522	9,222	10,717
Income from continuing operations	<u>3,360</u>	<u>6,368</u>	<u>26,260</u>	<u>19,327</u>
Income (loss) from discontinued operations (d)	2,921	2,947	2,921	(45,678)
Net income (loss) (a) (b) (c) (d) (e)	<u>\$ 6,281</u>	<u>\$ 9,315</u>	<u>\$ 29,181</u>	<u>\$ (26,351)</u>

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

	December 31, 2004	December 31, 2003
Assets		
Cash & cash equivalents	\$ 22,994	\$ 19,943
Accounts & notes receivable	117,314	84,110
Income taxes recoverable	-	61,508
Inventories	65,360	49,572
Deferred income taxes	10,181	10,998
Prepaid expenses & other	4,689	5,015
Total current assets	220,538	231,146
Property, plant & equipment, net	316,692	297,476
Other assets	89,261	83,855
Goodwill & other intangibles	142,983	140,548
Total assets	\$ 769,474	\$ 753,025
Liabilities and Shareholders' Equity		
Accounts payable	\$ 63,852	\$ 46,706
Accrued expenses	38,141	42,456
Income taxes payable	1,446	-
Current portion of long-term debt	13,125	8,750
Total current liabilities	116,564	97,912
Long-term debt	90,327	130,879
Deferred income taxes	71,141	66,276
Other noncurrent liabilities	11,000	10,559
Shareholders' equity	480,442	447,399
Total liabilities and shareholders' equity	\$ 769,474	\$ 753,025

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

	Year Ended December 31	
	2004	2003
Cash flows from operating activities:		
Net income (loss)	\$ 29,181	\$ (26,351)
Adjustments for noncash items:		
Depreciation	34,092	32,354
Amortization of intangibles	330	268
Deferred income taxes	1,947	37,370
Accrued pension income and postretirement benefits	(3,999)	(4,812)
Loss on venture capital investments	-	70,256
Gain on sale of corporate assets	(7,560)	(5,155)
Loss on asset impairments and divestitures	13,811	2,456
Changes in assets and liabilities, net of effects of acquisitions and divestitures:		
Accounts and notes receivables	(31,711)	14,649
Inventories	(13,962)	(2,294)
Income taxes recoverable	61,538	(48,737)
Prepaid expenses and other	(258)	(763)
Accounts payable	15,502	7,354
Accrued expenses and income taxes payable	(3,233)	447
Other, net	(1,858)	(661)
Net cash provided by operating activities	<u>93,820</u>	<u>76,381</u>
Cash flows from investing activities:		
Capital expenditures	(55,651)	(65,808)
Acquisitions	(1,420)	(1,579)
Novalux investment in 2004 and venture capital investments in 2003	(5,000)	(2,807)
Proceeds from sale of venture capital investments	-	21,504
Proceeds from the sale of corporate assets and property disposals	10,209	9,602
Other, net	1,553	2,600
Net cash used in investing activities	<u>(50,309)</u>	<u>(36,488)</u>
Cash flows from financing activities:		
Dividends paid	(6,154)	(6,103)
Debt principal payments	(72,750)	(255,000)
Borrowings	36,573	135,349
Repurchase of Tredegar common stock	-	(5,170)
Proceeds from exercise of stock options	1,871	1,046
Net cash used in financing activities	<u>(40,460)</u>	<u>(129,878)</u>
Increase (decrease) in cash and cash equivalents	3,051	(89,985)
Cash and cash equivalents at beginning of period	19,943	109,928
Cash and cash equivalents at end of period	<u>\$ 22,994</u>	<u>\$ 19,943</u>

Selected Financial Measures
(In Millions)
(Unaudited)

	For the Year Ended December 31, 2004			
	Film Products	Aluminum Extrusions	Therics	Total
Operating profit (loss) from ongoing operations	\$ 43.3	\$ 22.6	\$ (9.8)	\$ 56.1
Allocation of corporate overhead	(6.2)	(3.2)	-	(9.4)
Add back depreciation and amortization	22.0	10.9	1.3	34.2
Adjusted EBITDA (f)	\$ 59.1	\$ 30.3	\$ (8.5)	\$ 80.9

Selected balance sheet and other data as of December 31, 2004:

Cash invested to date in Therics	\$ 73.7
Net debt (g)	\$ 80.5
Shares outstanding	38.6

Notes to the Financial Tables

(a) Plant shutdowns, asset impairments and restructurings in the fourth quarter of 2004 include:

- Pretax charges of \$1.4 million related to severance and other employee-related costs associated with restructurings in Therics (\$590,000), Film Products (\$532,000) and Aluminum Extrusions (\$280,000);
- Pretax charges of \$569,000 (of this amount, \$59,000 for employee relocation is included in "Selling, R&D and general expenses" in the condensed consolidated statements of income) related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products;
- Pretax net charges of \$535,000 related to severance and other costs associated with plant shutdowns in Film Products;
- A pretax charge of \$427,000 related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- A pretax charge of \$352,000 related to the planned shutdown of the aluminum extrusions facility in Aurora, Ontario; and
- Pretax charges of \$84,000 related to accelerated depreciation from plant shutdowns and restructurings in Film Products.

Plant shutdowns, asset impairments and restructurings in 2004 include:

- A pretax charge of \$10.1 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 \$3 million;
- A pretax charge of \$3 million related to the sale of the films business in Argentina;
- Pretax charges of \$2.6 million related to accelerated depreciation from plant shutdowns and restructurings in Film Products;
- Pretax charges of \$2.5 million related to severance and other costs associated with plant shutdowns in Film Products;
- Pretax charges of \$1.5 million related to severance and other employee-related costs associated with restructurings in Therics (\$735,000), Film Products (\$532,000) and Aluminum Extrusions (\$280,000);
- A pretax charge of \$1.3 million related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- A pretax charge of \$1.3 million (of this amount, \$59,000 for employee relocation is included in "Selling, R&D and general expenses in the condensed consolidated statements of income) related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products; and
- Pretax charges of \$575,000 in Film Products and \$146,000 in Aluminum Extrusions related to asset impairments.

Plant shutdowns, asset impairments and restructurings in the fourth quarter of 2003 include:

- Pretax charges of \$875,000 for asset impairments in Film Products; and
- A pretax charge of \$611,000 primarily related to severance costs associated with a plant shutdown in Film Products.

Plant shutdowns, asset impairments and restructurings in 2003 include:

- Pretax charges of \$4.5 million for severance costs in connection with restructurings in Film Products (\$1.9 million), Aluminum Extrusions (\$256,000), Therics (\$1.2 million) and at corporate headquarters (\$1.2 million; included in "Corporate expenses, net" in the operating profit by segment table);
- Pretax charges of \$2.8 million for asset impairments in Film Products;
- Pretax charges of \$2.7 million related to the estimated loss on the sub-lease of a portion of the Therics facility in Princeton, New Jersey;
- Pretax charges of \$1.1 million for severance and other costs related to plant shutdowns in Film Products; and
- A pretax charge of \$388,000 related to an early retirement program in Aluminum Extrusions.

(b) Unusual items in 2003 include a first-quarter pretax charge of \$1.1 million related to an adjustment for depreciation at Therics based on Tredegar's decision to suspend divestiture efforts.

(c) Gain on the sale of corporate assets in 2004 include pretax gains of \$1 million in the fourth quarter and \$413,000 in the second quarter on the sale of corporate real estate and \$6.1 million on the sale of public equity securities. There were no public equity securities held at December 31, 2004. Gains on the sale of corporate assets in 2003 include pretax gains of \$2.9 million in the fourth quarter and \$942,000 in the third quarter on the sale of public securities and \$1.3 million in the third quarter on the sale of corporate real estate. These gains are included in "Other income (expense), net" in the condensed consolidated statements of income.

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 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 the third quarter of 2004 and recognized receivables at present value for future amounts due (\$1.5 million due 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) On March 7, 2003, Tredegar announced that Tredegar Investments had reached definitive agreements to sell substantially all of its venture capital investment portfolio. Operations were ceased at Molecumetics on July 2, 2002. The operating results of Molecumetics and those associated with venture capital investment activities have been reported as discontinued operations.

Discontinued operations for 2004 include a gain of \$3.7 million (\$2.9 million after taxes) primarily related to the reversal of business and occupancy tax contingency accruals (\$2.3 million after taxes) upon favorable resolution.

Discontinued operations for 2003 include a gain of \$891,000 after-taxes on the sale of intellectual property of Molecumetics and a loss on the divestiture of the venture capital investment portfolio of \$46.3 million after taxes. Discontinued operations in the fourth quarter of 2003 include a reversal of a valuation allowance of \$2.9 million for deferred tax assets associated with capital loss carryforwards recorded with the sale of the venture capital portfolio. Subsequent capital gains realized from the sale of corporate assets and unrealized appreciation associated with corporate assets held for sale made realization of related deferred tax assets more likely than not.

(e) Comprehensive income (loss), defined as net income and other comprehensive income (loss), was income of \$13.7 million for the fourth quarter of 2004 and income of \$15.4 million for the fourth quarter of 2003. Comprehensive income (loss) was income of \$36.1 million in 2004 and a loss of \$6.0 million in 2003. 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.

(f) Adjusted EBITDA represents income from continuing operations before interest, taxes, depreciation, amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings and 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	\$ 103.5
Less: cash and cash equivalents	<u>(23.0)</u>
Net debt	<u>\$ 80.5</u>