

TREDEGAR CORP
Form 10-K
March 06, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 1-10258

TREDEGAR CORPORATION

(Exact name of registrant as specified in its charter)

Virginia

54-1497771

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer
Identification No.)

1100 Boulders Parkway, Richmond, Virginia

23225

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **804-330-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for at least the past 90 days. Yes No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [].

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2008 (the last business day of the registrant's most recently completed second fiscal quarter): \$377,027,070*

Number of shares of Common Stock outstanding as of January 31, 2009: 33,909,932 (33,920,565 as of June 30, 2008)

* In determining this figure, an aggregate of 8,272,465 shares of Common Stock beneficially owned by Floyd D. Gottwald, Jr., John D. Gottwald, William M. Gottwald and the members of their immediate families has been excluded because the shares are held by affiliates. The aggregate market value has been computed based on the closing price in the New York Stock Exchange Composite Transactions on June 30, 2008.

Documents Incorporated By Reference

Portions of the Tredegar Corporation Proxy Statement for the 2009 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K. We expect to file our Proxy Statement with the Securities and Exchange Commission (the "SEC") and mail it to shareholders on or about April 14, 2009.

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Year Ended December 31, 2008**

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* Items 11 and 14 and portions of Items 10, 12 and 13 are incorporated by reference from the Proxy Statement.

PART I

Item 1. BUSINESS

Description of Business

Tredegear Corporation (“Tredegear”), a Virginia corporation incorporated in 1988, is engaged, through its subsidiaries, in the manufacture of plastic films and aluminum extrusions. The financial information related to Tredegear’s films and continuing aluminum segments and related to geographical areas included in Note 3 to the notes to financial statements is incorporated herein by reference. Unless the context requires otherwise, all references herein to “Tredegear,” “we,” “us” or “our” are to Tredegear Corporation and its consolidated subsidiaries.

Film Products

Tredegear Film Products Corporation and its subsidiaries (together, “Film Products”) manufacture plastic films, elastics and laminate materials primarily for personal and household care products and packaging and surface protection applications. These products are produced at locations in the United States and at plants in The Netherlands, Hungary, Italy, China and Brazil. Film Products competes in all of its markets on the basis of product innovation, quality, price and service.

Personal and Household Care Materials. Film Products is one of the largest global suppliers of apertured, breathable, elastic and embossed films, and laminate materials for personal care markets, including:

- Apertured film and nonwoven materials for use as topsheet in feminine hygiene products, baby diapers and adult incontinent products (including materials sold under the ComfortQuilt® and ComfortAire™ brand names);
- Breathable, embossed and elastic materials for use as components for baby diapers, adult incontinent products and feminine hygiene products (including elastic components sold under the Fabriflex™, StretchTab™ and FlexAire™ brand names); and
- Absorbent transfer layers for baby diapers and adult incontinent products sold under the AquiDry™ and AquiSoft™ brand names. In each of the last three years, personal care products accounted for approximately 40% of Tredegear’s consolidated net sales.

Film Products also makes apertured films, breathable barrier films and laminates that regulate fluid or vapor transmission. These products are typically used in industrial, medical, agricultural and household markets, including disposable mops, facial wipes, filter layers for personal protective suits, facial masks and landscaping fabric.

Packaging and Protective Films. Film Products produces a broad line of packaging films with an emphasis on paper products, as well as laminating films for food packaging applications. We believe these products give our customers a competitive advantage by providing cost savings with thin-gauge films that are readily printable and convertible on conventional processing equipment. Major end uses include overwrap for bathroom tissue and paper towels, and retort pouches.

Film Products also produces single and multi-layer surface protection films sold under the UltraMask® and ForceField™ brand names. These films are used in high technology applications, including protecting components of flat panel displays and liquid crystal display (“LCD”) televisions during the manufacturing process.

Raw Materials. The primary raw materials used by Film Products are low density, linear low density and high density polyethylene and polypropylene resins, which are obtained from domestic and foreign suppliers at competitive prices. We believe there will be an adequate supply of polyethylene and polypropylene resins in the immediate future. Film Products also buys polypropylene-based nonwoven fabrics based on these same resins, and we believe there will be an adequate supply of these materials in the immediate future.

Customers. Film Products sells to many branded product producers throughout the world. Its largest customer is The Procter & Gamble Company (“P&G”). Net sales to P&G totaled \$283 million in 2008, \$259 million in 2007, and \$255 million in 2006 (these amounts include film sold to third parties that converted the film into materials used with products manufactured by P&G).

P&G and Tredegar have had a successful long-term relationship based on cooperation, product innovation and continuous process improvement. The loss or significant reduction in sales associated with P&G would have a material adverse effect on our business.

Research and Development and Intellectual Property. Film Products has technical centers in Richmond, Virginia; Terre Haute, Indiana; Chieti, Italy; and Shanghai, China; and holds 199 issued patents (75 of which are issued in the U.S.) and 111 trademarks (7 of which are issued in the U.S.). Expenditures for research and development (“R&D”) were approximately \$11.0 million in 2008, \$8.4 million in 2007 and \$8.1 million in 2006.

Aluminum Extrusions

The William L. Bonnell Company, Inc. and its subsidiaries (together, “Aluminum Extrusions”) produce soft-alloy aluminum extrusions primarily for building and construction, distribution, transportation, machinery and equipment, electrical, and consumer durables markets. On February 12, 2008, we sold our aluminum extrusions business in Canada. All historical results for the Canadian business have been reflected as discontinued operations (see Note 17 to the notes to financial statements for more information).

Aluminum Extrusions manufactures mill (unfinished), anodized (coated) and painted aluminum extrusions for sale directly to fabricators and distributors that use our extrusions to produce window components, curtain walls and storefronts, tub and shower enclosures, industrial machinery and equipment and automotive parts, among other products. Sales are made primarily in the United States, principally east of the Rocky Mountains. Aluminum Extrusions competes primarily on the basis of product quality, service and price.

Aluminum Extrusions sales volume from continuing operations by market segment over the last three years is shown below:

% of Aluminum Extrusions Sales Volume by Market Segment (Continuing Operations)			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Building and construction:			
Commercial	72	65	55
Residential	13	17	19
Distribution	5	9	18
Transportation	4	4	3
Machinery and equipment	2	2	2
Electrical	2	2	2
Consumer durables	2	1	1
Total	100	100	100

Raw Materials. The primary raw materials used by Aluminum Extrusions consist of aluminum ingot, aluminum scrap and various alloys, which are purchased from domestic and foreign producers in open-market purchases and under short-term contracts. We believe there will be an adequate supply of aluminum and other required raw materials and supplies in the immediate future.

Intellectual Property. Aluminum Extrusions holds two U.S. registered trademarks.

General

Patents, Licenses and Trademarks. Tredegar considers patents, licenses and trademarks to be of significance for Film Products. We routinely apply for patents on significant developments in this business. Our patents have remaining terms ranging from 1 to 19 years. We also have licenses under patents owned by third parties.

Research and Development. Tredegar's spending for R&D activities in 2008, 2007 and 2006 was related to Film Products. R&D spending was approximately \$11.0 million in 2008, \$8.4 million in 2007 and \$8.1 million in 2006.

Backlog. Backlogs are not material to our operations in Film Products. Overall backlog for continuing operations in Aluminum Extrusions at December 31, 2008 was down by approximately 47% compared with December 31, 2007. The demand for extruded aluminum shapes is down significantly in most market segments, which we believe is cyclical in nature. Aluminum extrusion volume from continuing operations decreased to 136.2 million pounds in 2008, down 12.6% from 155.8 million pounds in 2007. Aluminum extrusion volume was down 15.9% in 2007 from 185.2 million pounds in 2006. Shipments declined in most markets. Shipments in non-residential construction, which comprised approximately 72% of total volume in 2008, declined by approximately 2.7% in 2008 compared to 2007.

Government Regulation. Laws concerning the environment that affect or could affect our domestic operations include, among others, the Clean Water Act, the Clean Air Act, the Resource Conservation Recovery Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), as amended, regulations promulgated under these acts, and any other federal, state or local laws or regulations governing environmental matters. At December 31, 2008, we believe that we were in substantial compliance with all applicable laws, regulations and permits. In order to maintain substantial compliance with such standards, we may be required to incur expenditures, the amounts and timing of which are not presently determinable but which could be significant, in constructing new facilities or in modifying existing facilities.

Employees. Tredegar employed approximately 2,200 people in continuing operations at December 31, 2008.

Available Information and Corporate Governance Documents. Our Internet address is www.tredegar.com. We make available, free of charge through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. Information filed electronically with the SEC can be accessed on its website at www.sec.gov. In addition, our Corporate Governance Guidelines, Code of Conduct and the charters of our Audit, Executive Compensation and Nominating and Governance Committees are available on our website and are available in print, without charge, to any shareholder upon request by contacting Tredegar's Corporate Secretary at 1100 Boulders Parkway, Richmond, Virginia 23225. The information on or that can be accessed through our website is not, and shall not be deemed to be, a part of this report or incorporated into other filings we make with the SEC.

Item 1A. RISK FACTORS

There are a number of risks and uncertainties that can have a material effect on the operating results of our businesses and our financial condition. These risk factors include, but are not limited to, the following:

General

- ***Our future performance is influenced by costs incurred by our operating companies including, for example, the cost of energy and raw materials.*** These costs include, without limitation, the cost of resin (the raw material on which Film Products primarily depends), aluminum (the raw material on which Aluminum Extrusions primarily depends), natural gas (the principal fuel necessary for Aluminum Extrusions' plants to operate), electricity and diesel fuel. Resin, aluminum and natural gas prices are extremely volatile as shown in the charts on pages 30-31. We attempt to mitigate the effects of increased costs through price increases and contractual pass-through provisions, but there are no assurances that higher prices can effectively be passed through to our customers or that we will be able to offset fully or on a timely basis the effects of higher raw material costs through price increases or pass-through arrangements. Further, there is no assurance that cost control efforts will be sufficient to offset any additional future declines in revenue or increases in energy, raw material or other costs.
- ***Our substantial international operations subject us to risks of doing business in foreign countries, which could adversely affect our business, financial condition and results of operations.*** Risks inherent in international operations include the following, by way of example: changes in general economic conditions, potential difficulty enforcing agreements and intellectual property rights, staffing and managing widespread operations, restrictions on foreign trade or investment, restrictions on the repatriation of income, fluctuations in exchange rates, imposition of additional taxes on our foreign income, nationalization of private enterprises and unexpected adverse changes in foreign laws and regulatory requirements.
- ***Non-compliance with any of the covenants in our \$300 million credit facility could result in all outstanding debt under the agreement becoming due, which could have an adverse effect on our financial condition and liquidity.*** The credit agreement governing our credit facility contains restrictions and financial covenants that could restrict our financial flexibility. Our failure to comply with these covenants could result in an event of default, which if not cured or waived, could have an adverse effect on our financial condition and liquidity.
- ***Our investments (primarily \$10 million investment in Harbinger and \$7.5 million investment in a drug delivery company) have high risk.*** Harbinger Capital Partners Special Situations Fund, L.P. ("Harbinger") is a fund that seeks to achieve superior absolute returns by participating primarily in medium to long-term investments involving distressed/high yield debt securities, special situation equities and private loans and notes. The fund is a highly speculative investment and subject to limitations on withdrawal. The drug delivery company may need several more rounds of financing to have the opportunity to complete product development and bring its technology to market, which may never occur. There is no secondary market for selling our interests in Harbinger or the drug delivery company. As a result, we will be required to bear the risk of our investments in Harbinger and the drug delivery company for an indefinite period of time.
- ***Loss of certain key officers or employees could adversely affect our business.*** We depend on our senior executive officers and other key personnel to run our business. The loss of any of these officers or other key personnel could materially adversely affect our operations. Competition for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to improve manufacturing operations, conduct research activities successfully and develop marketable products.
- ***Volatility and disruption of financial markets could affect access to credit.*** Our ability to invest in our businesses and make acquisitions with funds in excess of the net cash flow generated from ongoing operations requires access to capital markets. Over recent months, many banks and other financial institutions have had to

enter into forced or liquidation sales and/or announced multi-billion dollar write-downs related to their exposure to mortgage-backed securities, high leverage loans and other financial instruments. Further, there is uncertainty over the future of the global economy. This, along with other factors, has led to a tightening in the credit markets for certain borrowers. If we are unable to obtain capital at a reasonable cost, we may not be able to expand our operations and implement our growth strategies.

Film Products

- ***Film Products is highly dependent on sales associated with one customer, P&G.*** P&G comprised approximately 33% of our consolidated net sales from continuing operations in 2008, 29% in 2007 and 28% in 2006. The loss or significant reduction of sales associated with P&G would have a material adverse effect on our business. Other P&G-related factors that could adversely affect our business include, by way of example, (i) failure by P&G to achieve success or maintain share in markets in which P&G sells products containing our materials, (ii) operational decisions by P&G that result in component substitution, inventory reductions and similar changes, (iii) delays in P&G rolling out products utilizing new technologies developed by us and (iv) P&G rolling out products utilizing technologies developed by others that replaces our business with P&G. While we have undertaken efforts to expand our customer base, there can be no assurance that such efforts will be successful, or that they will offset any delay or loss of sales and profits associated with P&G.
- ***Growth of Film Products depends on our ability to develop and deliver new products at competitive prices.*** Personal care, surface protection and packaging products are now being made with a variety of new materials and the overall cycle for changing materials has accelerated. While we have substantial technical resources, there can be no assurance that our new products can be brought to market successfully, or if brought to market successfully, at the same level of profitability and market share of replaced films. A shift in customer preferences away from our technologies, our inability to develop and deliver new profitable products, or delayed acceptance of our new products in domestic or foreign markets, could have a material adverse effect on our business. In the long term, growth will depend on our ability to provide innovative materials at a cost that meets our customers' needs.
- ***Continued growth in Film Products' sale of high value protective film products is not assured.*** A shift in our customers' preference to new or different products could have a material adverse effect on our sale of protective films. Similarly, a decline in consumer demand for notebook computers or LCD monitors or a decline in the rate of growth in purchases of LCD televisions could have a material adverse effect on protective film sales.
- ***Our inability to protect our intellectual property rights or our infringement of the intellectual property rights of others could have a significant adverse impact on Film Products.*** Film Products operates in a field where our significant customers and competitors have substantial intellectual property portfolios. The continued success of this business depends on our ability not only to protect our own technologies and trade secrets, but also to develop and sell new products that do not infringe upon existing patents or threaten existing customer relationships. An unfavorable outcome in any intellectual property litigation or similar proceeding could have a material adverse effect on Film Products.
- ***As Film Products expands its personal care business, we have greater credit risk that is inherent in broadening our customer base.***
- ***Failure of our customers to achieve success or maintain market share could adversely impact sales and operating margins.*** Our products serve as components for various consumer products sold worldwide. Our customers' ability to successfully develop, manufacture and market its products is integral to our success.

Aluminum Extrusions

- ***Sales volume and profitability of Aluminum Extrusions is cyclical and highly dependent on economic conditions of end-use markets in the United States, particularly in the construction, distribution and***

transportation industries. Our market segments are also subject to seasonal slowdowns. Because of the high degree of operating leverage inherent in our operations (generally constant fixed costs until full capacity utilization is achieved), the percentage drop in operating profits in a cyclical downturn will likely exceed the percentage drop in volume. Any benefits associated with cost reductions and productivity improvements may not be sufficient to offset the adverse effects on profitability from pricing and margin pressure and higher bad debts (including a greater chance of loss associated with defaults on fixed-price forward sales contracts with our customers) that usually accompany a downturn. In addition, higher energy costs can further reduce profits unless offset by price increases or cost reductions and productivity improvements.

- ***The markets for our products are highly competitive with product quality, service, delivery performance and price being the principal competitive factors.*** Aluminum Extrusions has approximately 850 customers associated with its continuing operations that are in a variety of end-use markets within the broad categories of building and construction, distribution, transportation, machinery and equipment, electrical and consumer durables. No single customer exceeds 5% of Aluminum Extrusions' net sales. Due to the diverse customer mix across many end-use markets, we believe the industry generally tracks the real growth of the overall economy.

During improving economic conditions, excess industry capacity is absorbed and pricing pressure becomes less of a factor in many of our end-use markets. Conversely, during an economic slowdown, excess industry capacity often drives increased pricing pressure in many end-use markets as competitors protect their position with key customers. Because the business is susceptible to these changing economic conditions, Aluminum Extrusions targets complex, customized, service-intensive business with more challenging requirements which is competitively more defensible compared to higher volume, standard extrusion applications.

Foreign imports, primarily from China, represent a portion of the U.S. aluminum extrusion market. Foreign competition to date has been primarily large volume, standard extrusion profiles that impact some of our less strategic end-use markets. Market share erosion in other end-use markets remains possible.

There can be no assurance that we will be able to maintain current margins and profitability. Our continued success and prospects depend on our ability to retain existing customers and participate in overall industry cross-cycle growth.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES
General

Most of the improved real property and the other assets used in our operations are owned, and none of the owned property is subject to an encumbrance that is material to our consolidated operations. We consider the plants, warehouses and other properties and assets owned or leased by us to be in generally good condition.

We believe that the capacity of our plants is adequate to meet our immediate needs. Our plants generally have operated at 50-95% of capacity. Our corporate headquarters, which is leased, is located at 1100 Boulders Parkway, Richmond, Virginia 23225.

Our principal plants and facilities are listed below:

Film Products

Locations in the United States

Lake Zurich, Illinois
 Pottsville, Pennsylvania
 Red Springs, North Carolina
 (leased)
 Richmond, Virginia (technical
 center) (leased)
 Terre Haute, Indiana
 (technical center and
 production facility)

Locations in Foreign Countries

Chieti, Italy (technical center)
 Guangzhou, China
 Kerkrade, The Netherlands
 Rétság, Hungary
 Roccamontepiano, Italy
 São Paulo, Brazil
 Shanghai, China

Principal Operations

Production of plastic films and
 laminate materials

Aluminum Extrusions

Locations in the United States

Carthage, Tennessee
 Kentland, Indiana
 Newnan, Georgia

Locations in Canada

All locations in Canada were part of the sale on
 February 12, 2008, of the aluminum extrusions
 business in Canada (see Note 17 to the notes to
 financial statements for more information)

Principal Operations

Production of aluminum extrusions,
 fabrication and finishing

Item 3. LEGAL PROCEEDINGS

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

Item 5. MARKET FOR TREDEGAR'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Prices of Common Stock and Shareholder Data

Our common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol TG. We have no preferred stock outstanding. There were 33,909,932 shares of common stock held by 3,356 shareholders of record on December 31, 2008.

The following table shows the reported high and low closing prices of our common stock by quarter for the past two years.

	2008		2007	
	High	Low	High	Low
First quarter	\$ 18.56	\$ 13.13	\$ 24.44	\$ 21.18
Second quarter	19.49	14.19	24.45	20.57

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Third quarter	20.59	13.38	22.43	16.25
Fourth quarter	18.68	11.41	18.27	13.33

The closing price of our common stock on February 27, 2009 was \$16.70.

Dividend Information

We have paid a dividend every quarter since becoming a public company in July 1989. During 2008, 2007 and 2006, our quarterly dividend was 4 cents per share.

All decisions with respect to the declaration and payment of dividends will be made by the Board of Directors in its sole discretion based upon earnings, financial condition, anticipated cash needs, restrictions in our credit agreement and such other considerations as the Board deems relevant. See Note 8 beginning on page 57 for the restrictions contained in our credit agreement related to minimum shareholders' equity required and aggregate dividends permitted.

Issuer Purchases of Equity Securities

On January 7, 2008, we announced that our board of directors approved a share repurchase program whereby management is authorized at its discretion to purchase, in the open market or in privately negotiated transactions, up to 5 million shares of Tredegar's outstanding common stock. The authorization has no time limit. This share repurchase program replaced our previous share repurchase authorization announced on August 8, 2006.

Under these standing authorizations, we purchased approximately 1.1 million shares in 2008 and 4.8 million shares in 2007 of our stock in the open market at an average price of \$14.88 and \$16.00 per share, respectively. During 2006, we did not purchase any shares of our common stock. The table below summarizes share repurchase activity under each plan by month during 2008 and 2007:

Period	Total Number of Shares Purchased	Average Price Paid Per Share Before Broker Commissions	Total Number of Shares Purchased as Part of:		Maximum Number of Shares at End of Period that May Yet be Purchased Under:	
			August 2006 Program (a)	January 2008 Program (b)	August 2006 Program (a)	January 2008 Program (b)
January - July 2007	—	\$ —	—	—	5,000,000	—
August 2007	687,100	17.25	687,100	—	4,312,900	—
September 2007	1,005,600	17.03	1,692,700	—	3,307,300	—
October 2007	518,800	17.32	2,211,500	—	2,788,500	—
November 2007	1,236,900	14.13	3,448,400	—	1,551,600	—
December 2007	1,385,100	15.73	4,833,500	—	166,500	—
January 2008	66,500	15.86	4,900,000	—	—	5,000,000
February 2008	16,300	15.38	—	16,300	—	4,983,700
March 2008	386,500	15.44	—	402,800	—	4,597,200
April 2008	—	—	—	402,800	—	4,597,200
May 2008	311,800	14.84	—	714,600	—	4,285,400
June 2008	69,400	14.23	—	784,000	—	4,216,000
July 2008	253,600	13.87	—	1,037,600	—	3,962,400
August - December 2008	—	—	—	1,037,600	—	3,962,400

(a) On August 8, 2006, our board of directors approved a share repurchase program authorizing management at its discretion to purchase, in the open market or in privately negotiated transactions, up to 5 million shares of our outstanding common stock.

(b) On January 7, 2008, our board of directors approved a share repurchase program authorizing management at its discretion to purchase, in the open market or in privately negotiated transactions, up to 5 million shares of our outstanding common stock. This share repurchase program replaces Tredegar's previous share repurchase authorization described in (a) above.

Annual Meeting

Our annual meeting of shareholders will be held on May 19, 2009, beginning at 9:00 a.m. EDT at Lewis Ginter Botanical Garden, 1800 Lakeside Avenue, Richmond, Virginia, 23228. We expect to mail formal notice of the annual meeting, proxies and proxy statements to shareholders on or about April 14, 2009.

Comparative Tredegar Common Stock Performance

The following graph compares cumulative total shareholder returns for Tredegar, the S&P SmallCap 600 Stock Index (an index comprised of companies with market capitalizations similar to Tredegar) and the Russell 2000 Index for the five years ended December 31, 2008. Tredegar is part of both the S&P SmallCap 600 Index and Russell 2000 Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Tredegar Corporation The S&P SmallCap 600 Index
And The Russell 2000 Index

*\$100 invested on 12/31/03 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

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Inquiries

Inquiries concerning stock transfers, dividends, dividend reinvestment, consolidating accounts, changes of address, or lost or stolen stock certificates should be directed to:

National City Bank
Dept. 5352
Corporate Trust Operations
P.O. Box 92301
Cleveland, Ohio 44101-4301
Phone: 800-622-6757
E-mail: shareholder.inquiries@nationalcity.com

All other inquiries should be directed to:

Tredegar Corporation
Investor Relations Department
1100 Boulders Parkway
Richmond, Virginia 23225
Phone: 800-411-7441
E-mail: invest@tredegar.com
Web site: www.tredegar.com

Quarterly Information

We do not generate or distribute quarterly reports to shareholders. Information on quarterly results can be obtained from our website. In addition, we file quarterly, annual and other information electronically with the SEC, which can be accessed on its website at www.sec.gov.

Legal Counsel

Hunton & Williams LLP
Richmond, Virginia

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP
Richmond, Virginia

Item 6. SELECTED FINANCIAL DATA

The tables that follow on pages 11-16 present certain selected financial and segment information for the five years ended December 31, 2008.

FIVE-YEAR SUMMARY

Tredegar Corporation and Subsidiaries

Years Ended December 31	2008	2007	2006	2005	2004
(In Thousands, Except Per-Share Data)					
Results of Operations (a):					
Sales	\$ 883,899	\$ 922,583	\$ 937,561	\$ 808,464	\$ 709,649
Other income (expense), net	10,341 (b)	1,782 (c)	1,444 (d)	(2,211) (e)	15,604 (f)
	894,240	924,365	939,005	806,253	725,253
Cost of goods sold	739,721 (b)	761,509 (c)	779,376 (d)	672,465 (e)	580,893 (f)
Freight	20,782	19,808	22,602	20,276	18,027
Selling, general & administrative expenses	58,699	68,501	64,082 (d)	61,007 (e)	57,221 (f)
Research and development expenses	11,005	8,354	8,088	8,982	15,265
Amortization of intangibles	123	149	149	299	330
Interest expense	2,393	2,721	5,520	4,573	3,171
Asset impairments and costs associated with exit and disposal activities	12,390 (b)	4,027 (c)	4,080 (d)	15,782 (e)	12,566 (f)
	845,113	865,069	883,897	783,384	687,473
Income from continuing operations before income taxes	49,127	59,296	55,108	22,869	37,780
Income taxes	19,486 (b)	24,366	19,791 (d)	9,497	10,201 (f)
Income from continuing operations (a)	29,641	34,930	35,317	13,372	27,579
Discontinued operations (a):					
Income (loss) from aluminum extrusions business in Canada	(705)	(19,681)	2,884	2,857	(1,319)
Income from venture capital investment activities	—	—	—	—	2,921
Income (loss) from discontinued operations (a)	(705)	(19,681)	2,884	2,857	1,602
Net income	\$ 28,936	\$ 15,249	\$ 38,201	\$ 16,229	\$ 29,181
Diluted earnings (loss) per share:					
Continuing operations (a)	\$.87	\$.90	\$.91	\$.35	\$.72
Discontinued operations (a)	(.02)	(.51)	.07	.07	.04
Net income	\$.85	\$.39	\$.98	\$.42	\$.76

Refer to notes to financial tables on page 16.

FIVE-YEAR SUMMARY

Tredegar Corporation and Subsidiaries

Years Ended December 31	2008	2007	2006	2005	2004
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(In Thousands, Except Per-Share Data)

Share Data:

Equity per share	\$ 12.40	\$ 14.13	\$ 13.15	\$ 12.53	\$ 12.45
Cash dividends declared per share	.16	.16	.16	.16	.16
Weighted average common shares outstanding during the period	33,977	38,532	38,671	38,471	38,295
Shares used to compute diluted earnings per share during the period	34,194	38,688	38,931	38,597	38,507
Shares outstanding at end of period	33,910	34,765	39,286	38,737	38,598
Closing market price per share:					
High	\$ 20.59	\$ 24.45	\$ 23.32	\$ 20.19	\$ 20.25
Low	11.41	13.33	13.06	11.76	13.00
End of year	18.18	16.08	22.61	12.89	20.21
Total return to shareholders (g)	14.1%	(28.2)%	76.6%	(35.4)%	31.2%

Financial Position:

Total assets	\$ 610,632	\$ 784,478	\$ 781,787	\$ 781,758	\$ 769,474
Cash and cash equivalents	45,975	48,217	40,898	23,434	22,994
Debt	22,702	82,056	62,520	113,050	103,452
Shareholders' equity (net book value)	420,416	491,328	516,595	485,362	480,442
Equity market capitalization (h)	616,484	559,021	888,256	499,320	780,066

Refer to notes to financial tables on page 16.

SEGMENT TABLES

Tredegar Corporation and Subsidiaries

Net Sales (i)

Segment	2008	2007	2006	2005	2004
(In Thousands)					
Film Products	\$ 522,839	\$ 530,972	\$ 511,169	\$ 460,277	\$ 413,257
Aluminum Extrusions	340,278	371,803	403,790	327,659	277,985
AFBS (formerly Therics)	—	—	—	252	380
Total net sales (j)	863,117	902,775	914,959	788,188	691,622
Add back freight	20,782	19,808	22,602	20,276	18,027
Sales as shown in Consolidated Statements of Income	\$ 883,899	\$ 922,583	\$ 937,561	\$ 808,464	\$ 709,649

Identifiable Assets

Segment	2008	2007	2006	2005	2004
(In Thousands)					
Film Products	\$ 399,895	\$ 488,035	\$ 498,961	\$ 479,286	\$ 472,810
Aluminum Extrusions	112,259	115,223	128,967	130,448	126,425
AFBS (formerly Therics)	1,629	2,866	2,420	2,759	8,613
Subtotal	513,783	606,124	630,348	612,493	607,848
General corporate	50,874	74,927	30,113	61,905	54,163
Cash and cash equivalents	45,975	48,217	40,898	23,434	22,994
Identifiable assets from continuing operations	610,632	729,268	701,359	697,832	685,005
Discontinued operations (a):					
Aluminum extrusions business in Canada	—	55,210	80,428	83,926	84,469
Total	\$ 610,632	\$ 784,478	\$ 781,787	\$ 781,758	\$ 769,474

Refer to notes to financial tables on page 16.

SEGMENT TABLES

Tredegar Corporation and Subsidiaries

Operating Profit

Segment	2008	2007	2006	2005	2004
(In Thousands)					
Film Products:					
Ongoing operations	\$ 53,914	\$ 59,423	\$ 57,645	\$ 44,946	\$ 43,259
Plant shutdowns, asset impairments and restructurings, net of gains on sale of assets and related income from LIFO inventory liquidations	(11,297) (b)	(649) (c)	221 (d)	(3,955) (e)	(10,438) (f)
Aluminum Extrusions:					
Ongoing operations	10,132	16,516	18,302	17,084	14,526
Plant shutdowns, asset impairments and restructurings	(687) (b)	(634) (c)	(1,434) (d)	(993) (e)	(146) (f)
Other	—	—	—	—	7,316 (f)
AFBS (formerly Therics):					
Ongoing operations	—	—	—	(3,467)	(9,763)
Loss on investment in Therics, LLC	—	—	(25)	(145)	—
Gain on sale of investments in Theken Spine and Therics, LLC	1,499 (b)	—	—	—	—
Plant shutdowns, asset impairments and restructurings	—	(2,786) (c)	(637) (d)	(10,318) (e)	(2,041) (f)
Total	53,561	71,870	74,072	43,152	42,713
Interest income	1,006	1,212	1,240	586	350
Interest expense	2,393	2,721	5,520	4,573	3,171
Gain on sale of corporate assets	1,001	2,699	56	61	7,560
Gain from write-up of an investment accounted for under the fair value method	5,600 (b)	—	—	—	—
Loss from write-down of an investment	—	2,095 (c)	—	5,000 (e)	—
Stock option-based compensation costs	782	978	970	—	—
Corporate expenses, net	8,866	10,691	13,770	11,357 (e)	9,672
Income from continuing operations before income taxes	49,127	59,296	55,108	22,869	37,780
Income taxes	19,486 (b)	24,366 (c)	19,791 (d)	9,497	10,201
Income from continuing operations	29,641	34,930	35,317	13,372	27,579
Income (loss) from discontinued operations (a)	(705)	(19,681)	2,884	2,857	1,602
Net income	\$ 28,936	\$ 15,249	\$ 38,201	\$ 16,229	\$ 29,181

Refer to notes to financial tables on page 16.

SEGMENT TABLES

Tredegar Corporation and Subsidiaries

Depreciation and Amortization

Segment	2008	2007	2006	2005	2004
(In Thousands)					
Film Products	\$ 34,588	\$ 34,092	\$ 31,847	\$ 26,673	\$ 21,967
Aluminum Extrusions	8,018	8,472	8,378	7,996	7,474
AFBS (formerly Therics)	—	—	—	437	1,300
Subtotal	42,606	42,564	40,225	35,106	30,741
General corporate	70	91	111	195	241
Total continuing operations	42,676	42,655	40,336	35,301	30,982
Discontinued operations (a):					
Aluminum extrusions business in Canada	515	3,386	3,945	3,488	3,440
Total	\$ 43,191	\$ 46,041	\$ 44,281	\$ 38,789	\$ 34,422

Capital Expenditures, Acquisitions and Investments

Segment	2008	2007	2006	2005	2004
(In Thousands)					
Film Products	\$ 11,135	\$ 15,304	\$ 33,168	\$ 50,466	\$ 44,797
Aluminum Extrusions	9,692	4,391	6,609	5,750	7,263
AFBS (formerly Therics)	—	—	—	36	275
Subtotal	20,827	19,695	39,777	56,252	52,335
General corporate	78	6	24	73	572
Capital expenditures for continuing operations	20,905	19,701	39,801	56,325	52,907
Discontinued operations (a):					
Aluminum extrusions business in Canada	39	942	772	6,218	2,744
Total capital expenditures	20,944	20,643	40,573	62,543	55,651
Acquisitions and other	—	—	—	—	1,420
Investments	5,391	23,513	542	1,095	5,000
Total	\$ 26,335	\$ 44,156	\$ 41,115	\$ 63,638	\$ 62,071

Refer to notes to financial tables on page 16.

NOTES TO FINANCIAL TABLES

(In Thousands, Except Per-Share Data)

- (a) On February 12, 2008, we sold our aluminum extrusions business in Canada. All historical results for this business have been reflected as discontinued operations. In 2008, discontinued operations include an after-tax loss of \$412 on the sale in addition to operating results through the closing date. In 2007, discontinued operations also include \$11,428 in cash income tax benefits from the sale that were realized in 2008. In 2004, discontinued operations include a gain of \$2,921 after-taxes primarily related to the reversal of a business and occupancy tax contingency accrual upon favorable resolution. The accrual was originally recorded in connection with our venture capital investment operation. Since we sold substantially all of our venture capital investment portfolio in 2003, the operating results associated with the venture capital investment portfolio have been reported as discontinued operations.
- (b) Plant shutdowns, asset impairments and restructurings for 2008 include an asset impairment charge of \$9,735 for Film Products, a charge of \$2,655 for severance and other employee related costs in connection with restructurings for Film Products (\$2,145) and Aluminum Extrusions (\$510), a pre-tax gain of \$583 from the sale of land rights and related improvements at the Film Products facility in Shanghai, China (included in "Other income (expense), net" in the consolidated statement of income), and a \$177 pre-tax charge related to expected future environmental costs at the Aluminum Extrusions facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statements of income). The gain of \$1,499 (\$965 after taxes) from the sale of our investments in Theken Spine and Therics, LLC. is included in "Other income (expense), net" in the consolidated statements of income). AFBS Inc. (formerly Therics, Inc.) received these investments in 2005, when substantially all of the assets of AFBS, 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. The gain from the write-up of an investment accounted for under the fair value method of \$5,600 in 2008 is included in "Other income (expense), net" in the consolidated statements of income. Income taxes in 2008 includes the reversal of a valuation allowance recognized in the third quarter of 2007 of \$1,066 that originally related to expected limitations on the utilization of assumed capital losses on certain investments.
- (c) Plant shutdowns, asset impairments and restructurings for 2007 include a charge of \$2,786 related to the estimated loss on the sub-lease of a portion of the AFBS (formerly Therics) facility in Princeton, New Jersey, charges of \$594 for asset impairments in Film Products, a charge of \$592 for severance and other employee-related costs in Aluminum Extrusions, a charge of \$55 related to the shutdown of the films manufacturing facility in LaGrange, Georgia, and a charge of \$42 associated with the expected future environmental costs at the aluminum extrusions facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statements of income). The loss from the write-down of an investment in 2007 of \$2,095 is included in "Other income (expense), net" in the consolidated statements of income.
- (d) Plant shutdowns, asset impairments and restructurings for 2006 include a net gain of \$1,454 associated with the shutdown of the films manufacturing facility in LaGrange, Georgia, including a gain of \$2,889 for related LIFO inventory liquidations (included in "Cost of goods sold" in the consolidated statements of income) and a gain of \$261 on the sale of related property and equipment (included in "Other income (expense), net" in the consolidated statements of income), partially offset by severance and other costs of \$1,566 and asset impairment charges of \$130, charges of \$1,020 for asset impairments in Film Products, a charge of \$920 related to expected future environmental costs at the aluminum extrusions facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statements of income), charges of \$727 for severance and other employee-related costs in connection with restructurings in Film Products (\$213) and Aluminum Extrusions (\$514), and charges of \$637 related to the estimated loss on the sub-lease of a portion of the AFBS facility in Princeton, New Jersey. Income taxes in 2006 include a reversal of a valuation allowance of \$577 for deferred tax assets associated with capital loss carry-forwards recorded with the write-down of the investment in Novalux in 2005. Outside appraisal of the value of corporate assets, primarily real estate, performed in December 2006, indicated that realization of related deferred tax assets is more likely than not.
- (e) Plant shutdowns, asset impairments and restructurings for 2005 include charges of \$10,318 related to the sale or assignment of substantially all of AFBS' assets, charges of \$2,071 related to severance and other employee-related costs in connection with restructurings in Film Products (\$1,118), Aluminum Extrusions (\$498) and corporate headquarters (\$455, included in "Corporate expenses, net" in the operating profit by segment table), a charge of \$2,101 related to the planned shutdown of the films manufacturing facility in LaGrange, Georgia, a net gain of \$1,667 related to the shutdown of the films manufacturing facility in New Bern, North Carolina, including a gain on the sale of the facility (\$1,816, included in "Other income (expense), net" in the consolidated statements of income), partially offset by shutdown-related expenses (\$225), a charge of \$1,019 for process reengineering costs associated with the implementation of an information system in Film Products (included in "Costs of goods sold" in the consolidated statements of income), a net charge of \$843 related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products (of this amount, \$1,363 in charges for employee relocation and recruitment is included in

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“Selling, general & administrative expenses” in the consolidated statements of income), a gain of \$653 related to the shutdown of the films manufacturing facility in Carbondale, Pennsylvania, including a gain on the sale of the facility (\$630, included in “Other income (expense), net” in the consolidated statements of income), and the reversal to income of certain shutdown-related accruals (\$23), charges of \$583 for asset impairments in Film Products, a gain of \$508 for interest receivable on tax refund claims (included in “Corporate expenses, net” in the operating profit by segment table and “Other income (expense), net” in the consolidated statements of income), a charge of \$495 in Aluminum Extrusions, including an asset impairment (\$597), partially offset by the reversal to income of certain shutdown-related accruals (\$102), charges of \$353 for accelerated depreciation related to restructurings in Film Products, and a charge of \$182 in Film Products related to the write-off of an investment. As of December 31, 2005, the investment in Novalux, Inc. of \$6,095 was written down to estimated fair value of \$1,095. The loss from the write-down, \$5,000, is included in “Other income (expense), net” in the consolidated statements of income.

- (f) Plant shutdowns, asset impairments and restructurings for 2004 include a charge of \$3,022 related to the sale of the films business in Argentina, charges of \$2,572 related to accelerated depreciation from plant shutdowns and restructurings in Film Products, charges of \$2,459 related to severance and other costs associated with plant shutdowns in Film Products, charges of \$1,267 for severance and other employee-related costs associated with restructurings in AFBS (\$735) and Film Products (\$532), a charge of \$1,306 related to the estimated loss on the sub-lease of a portion of the AFBS facility in Princeton, New Jersey, a charge of \$1,278 (of this amount, \$59 for employee relocation is included in “Selling, general & administrative expenses” in the 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 charges of \$575 in Film Products and \$146 in Aluminum Extrusions related to asset impairments. Income taxes in 2004 include a tax benefit of \$4,000 related to the reversal of income tax contingency accruals upon favorable conclusion of IRS and state examinations through 2000. The other pretax gain of \$7,316 included in the Aluminum Extrusions section of the operating profit by segment table is comprised of the present value of an insurance settlement of \$8,357 (future value of \$8,455) associated with environmental costs related to prior years, partially offset by accruals for expected future environmental costs of \$1,041. The company received \$5,143 of the \$8,455 insurance settlement in 2004 and recognized receivables at present value for future amounts due (\$1,497 received in February of 2005 and \$1,717 received in February 2006). The gain from the insurance settlement is included in “Other income (expense), net” in the consolidated statements of income, while the accruals for expected future environmental costs are included in “Cost of goods sold.”
- (g) Total return to shareholders is defined as the change in stock price during the year plus dividends per share, divided by the stock price at the beginning of the year.
- (h) Equity market capitalization is the closing market price per share for the period multiplied by the shares outstanding at the end of the period.
- (i) Net sales represent gross sales less freight. Net sales is the measure used by the chief operating decision maker of each segment for purposes of assessing performance.
- (j) Net sales include sales to P&G totaling \$282,670 in 2008, \$258,602 in 2007 and \$255,414 in 2006. These amounts include plastic film sold to others who converted the film into materials used in products manufactured by P&G.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking and Cautionary Statements

From time to time, we may make statements that may constitute "forward-looking statements" within the meaning of the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on our then current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those addressed in the forward-looking statements. Some of the risk factors that may cause such a difference are summarized on pages 4-6 and are incorporated herein.

Executive Summary

General

Tredegar is a manufacturer of plastic films and aluminum extrusions. Descriptions of our businesses are provided on pages 1-6.

Income from continuing operations was \$29.6 million (87 cents per diluted share) in 2008 compared with \$34.9 million (90 cents per diluted share) in 2007. Gains on the sale of assets, investment write-downs or write-ups and other items and losses related to plant shutdowns, assets impairments and restructurings are described in results of operations beginning on page 22. The business segment review begins on page 33.

Film Products

In Film Products, net sales were \$522.8 million in 2008, down 1.5% versus \$531.0 million in 2007. Operating profit from ongoing operations was \$53.9 million in 2008, down 9.3% compared with \$59.4 million in 2007. Volume decreased to 221.2 million pounds in 2008 from 244.3 million pounds in 2007. The volume decline was primarily due to competitive pressures in most product segments, most notably the personal care and surface protection markets. Net sales declined compared to last year due to lower volume, partially offset by higher selling prices from the pass-through of increased resin costs. A significant portion of the substantially lower resin costs realized in the fourth quarter of 2008 will not be passed through to customers via lower selling prices until the first quarter of 2009.

Operating profit from ongoing operations in Film Products decreased in 2008 versus 2007 due primarily to lower volume, partially offset by cost reduction efforts and the benefit from appreciation of the U.S. dollar value of currencies for operations outside of the U.S. (benefit from currency rate changes was approximately \$3.6 million). Film Products has index-based pass-through raw material cost agreements for the majority of its business. However, under certain agreements, changes in resin prices are not passed through for an average period of 90 days. The estimated unfavorable impact of the lag in the pass-through of changes in average resin costs and year-end adjustments for inventories accounted for under the last-in first-out method ("LIFO") was \$600,000 and \$2.5 million for 2008 and 2007, respectively.

Volume and operating profits in films are expected to continue to be adversely impacted by competitive pressures and the global economic downturn. More than ever, we are focused on reducing costs and managing the business under significantly greater economic uncertainty.

Capital expenditures in Film Products were \$11.1 million in 2008, down from \$15.3 million in 2007, and are projected to be approximately \$22 million in 2009. Depreciation expense was \$34.5 million in 2008, up from \$33.9 million in 2007, and is projected to be approximately \$32 million in 2009.

Aluminum Extrusions

Net sales from continuing operations in Aluminum Extrusions were \$340.3 million in 2008, down 8.5% from \$371.8 million in 2007. Operating profit from ongoing U.S. operations decreased to \$10.1 million in 2008, down 38.7% from \$16.5 million in 2007. Volume from continuing operations was 136.2 million pounds in 2008, down 12.6% from 155.8 million pounds in 2007.

The decrease in net sales was mainly due to lower volume. Shipments declined in most markets. Shipments in non-residential construction, which comprised 72% of total volume in 2008, declined by approximately 2.7% in 2008 compared with 2007. Operating profit from ongoing U.S. operations declined in 2008 compared with last year mainly due to lower volume. Overall backlog for continuing operations in Aluminum Extrusions at December 31, 2008 was down by approximately 47% compared with December 31, 2007. We continue to be very focused on reducing costs in light of anticipated further declines in volume based on current market conditions.

Capital expenditures for continuing operations in Aluminum Extrusions were \$9.7 million in 2008, a \$5.3 million increase from \$4.4 million in 2007, and are projected to be approximately \$24 million in 2009. In January 2008, we announced plans to spend approximately \$24 million over the following 18 months to expand the capacity at our plant in Carthage, Tennessee. This project, which accounted for \$5.7 million of capital expenditures in 2008, will increase our capabilities in the non-residential construction sector. Depreciation expense for continuing operations was \$8.0 million in 2008, a decrease of 5.4% from \$8.5 million in 2007, and is projected to be \$8.6 million in 2009.

On February 12, 2008, we sold our aluminum extrusions business in Canada for approximately \$25 million to an affiliate of H.I.G. Capital. We realized cash income tax benefits in 2008 from the sale of approximately \$12 million. All historical results for this business have been reflected as discontinued operations.

Other Developments

Net pension income from continuing operations was \$4.9 million in 2008, a favorable change of \$2.1 million (4 cents per share after taxes) from amounts recognized in 2007. Most of the favorable changes relate to a pension plan that is reflected in "Corporate expenses, net" in the operating profit by segment table presented on page 14. We contributed approximately \$122,000 to our pension plans for continuing operations in 2008.

At December 31, 2008, the fair value of the assets of our pension plans was estimated at \$194.5 million, down from \$284.1 million at December 31, 2007. The significant decline was mainly due to the drop in global stock prices and benefit payments to retirees of approximately \$10.2 million in 2008. The projected benefit obligation at December 31, 2008 is approximately \$211.7 million at a discount rate of 6.5%. The minimum required contribution to our pension plans in 2009 is estimated at \$4.4 million, and net pension income in 2009 is estimated at \$3.2 million.

Interest expense was \$2.4 million in 2008, a \$328,000 decline versus 2007 as higher average debt levels during the year were offset by lower average interest.

The effective tax rate used to compute income taxes from continuing operations was 39.7% in 2008 compared with 41.1% in 2007. The decrease in the effective tax rate for continuing operations for 2008 versus 2007, which had a favorable impact of 2 cents per share, was due to numerous factors as shown in the effective income tax rate reconciliation provided in Note 14 on page 66.

On April 2, 2007, we invested \$10 million in Harbinger Capital Partners Special Situations Fund, L.P. ("Harbinger"), a fund that seeks to achieve superior absolute returns by participating primarily in medium to long-term investments involving distressed/high yield debt securities, special situation equities and private loans and notes. The fund is a highly speculative investment and subject to limitations on withdrawal. There is no secondary market for interests in the fund. Our investment in Harbinger, which represents less than 2% of Harbinger's total partnership capital, is accounted for under the cost method. At December 31, 2008, Harbinger reported our capital account value at \$10.1 million versus the carrying value of \$10 million (included in "Other assets and deferred charges" in our consolidated balance sheet).

See discussion of investment accounted for under the fair value method on page 20.

During 2008 and 2007, we invested \$4.3 million and \$6.2 million, respectively, in real estate. At December 31, 2008 and 2007, the carrying value of investments in this real estate equaled the amounts invested (included in "Other assets and deferred charges" in our consolidated balance sheet).

In 2008 we repurchased 1.1 million shares of our stock under a standing authorization from our board of directors at an average price of \$14.88 per share. Due to strong cash flows from operations and proceeds received from the sales of the aluminum extrusions business in Canada, our net debt (total debt of \$82.0 million less cash and cash equivalents of \$48.2 million) of \$33.8 million at December 31, 2007 improved to net cash (cash and cash equivalents of \$46.0 million in excess of total debt of \$22.7 million) of \$23.3 million at December 31, 2008 (net debt or cash is not intended to represent debt or cash as defined by generally accepted accounting principles, but is utilized by management in evaluating financial leverage and equity valuation and we believe that investors also may find net debt or cash helpful for the same purposes). Consolidated net capitalization and other credit measures are provided in the financial condition section beginning on page 25.

Critical Accounting Policies

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial position in the preparation of financial statements in conformity with generally accepted accounting principles. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our critical accounting policies. These policies require management to exercise judgments that are often difficult, subjective and complex due to the necessity of estimating the effect of matters that are inherently uncertain.

Impairment and Useful Lives of Long-lived Identifiable Assets and Goodwill

We regularly assess our long-lived identifiable assets for impairment when events or circumstances indicate that their carrying value may not be recoverable from future cash flows. Any necessary impairment charges are recorded when we do not believe the carrying value of the long-lived asset will be recoverable. We also reassess the useful lives of our long-lived assets based on changes in our business and technologies.

We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis (December 1st of each year). Our reporting units include Film Products and Aluminum Extrusions, each of which may have separately identifiable operating net assets (operating assets including goodwill and intangible assets net of operating liabilities). As of December 1 and December 31, 2008, the estimated fair value of our reporting units exceeded the carrying value of their respective net assets. We estimate the fair value using discounted cash flow analysis and comparative enterprise value-to-EBITDA multiples. The estimated fair value of Film Products exceeded the carrying value of its net assets by a wide margin. In Aluminum Extrusions, the excess of its fair value over carrying value of related net assets was approximately 12% at December 31, 2008. Estimated fair values and carrying values change as business conditions change, and the relatively low margin by which the estimated fair value of Aluminum Extrusions exceeded its carrying value results in a reasonably possible chance that a goodwill impairment under U.S. generally accepted accounting principles will be triggered in the future. As of December 31, 2008, we estimate that if the estimated fair value of Aluminum Extrusions were only \$1 below the carrying value of its net assets, that the amount of the goodwill impairment under U.S. generally accepted accounting principles would have been an anomalous write-off of the entire amount of \$30.6 million (also \$30.6 million after taxes since there would be no income tax benefits related to the write-off).

In assessing the recoverability of long-lived identifiable assets and goodwill, we must make assumptions regarding estimated future cash flows, discount rates and other factors to determine if impairment tests are met or the fair value of the respective assets. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges. Based upon assessments performed, we recorded asset impairment losses for continuing operations related to long-lived identifiable assets of \$8.6 million in 2008, \$594,000 in 2007 and \$1.2 million in 2006. For asset impairments relating to discontinued operations, see Note 17 to the notes to financial statements.

Investment Accounted for Under the Fair Value Method

On August 31, 2007, we invested \$6.5 million in a privately held drug delivery that is developing and commercializing state of the art drug delivery systems designed to improve patient compliance and outcomes. On December 15, 2008, we invested an additional \$1.0 million as part of a new round of equity financing completed by the investee. This investment is accounted for under the fair value method. We elected the fair value option over the equity method of accounting since our investment objectives are similar to those of venture capitalists, which typically do not have controlling financial interests (venture capital funds use the fair value method to account for their investment portfolios). At December 31, 2008, our ownership interest was approximately 21% on a fully diluted basis. In connection with the new round of equity financing in the fourth quarter of 2008, we recognized an unrealized gain of \$5.6 million for the write-up of this investment based upon the implied valuation of our ownership interest. At December 31, 2008 and 2007, the fair value of our investment (the carrying value included in "Other assets and deferred charges" in our consolidated balance sheet) was \$13.1 million and \$6.5 million, respectively.

Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, requires disclosure of the level within the fair value hierarchy in which fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3). On the dates of our investments (August 31, 2007 and December 15, 2008), we believe that the amount we paid for our ownership interest and liquidation preferences was based on Level 2 inputs, including investments by other investors. Subsequent to the last round of financing, and until the next round of financing, we believe fair value estimates drop to Level 3 inputs since there is no secondary market for our ownership interest. In addition, the company currently has no product sales. Accordingly, after the latest financing and until the next round of financing or other significant financial transaction, value estimates will primarily be based on assumptions relating to meeting product development and commercialization milestones, cash flow projections (projections of sales, costs, expenses, capital expenditures and working capital investment) and discounting of these factors for the high degree of risk. As a result, an increase in our estimate of the fair value of our ownership interest is unlikely unless a significant new round of financing, merger or initial public offering indicates a higher value. However, if the company does not meet its development and commercialization milestones and there are indications that the amount or timing of its projected cash flows or related risks are unfavorable versus plans as of December 15, 2008, or another new round of financing or other significant financial transaction indicates a lower value, then our estimate of the fair value of our ownership interest in the company is likely to decline.

Pension Benefits

We have noncontributory defined benefit (pension) plans in our continuing operations that have significant net pension income developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates, expected return on plan assets and rate of future compensation increases. We are required to consider current market conditions, including changes in interest rates and plan asset investment returns, in determining these assumptions. Actuarial assumptions may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of net pension income recorded in future periods.

The discount rate is used to determine the present value of future payments. The discount rate is the single rate that, when applied to expected benefit payments, provides a present value equal to the present value of expected benefit payments determined by using the AA-rated bond yield curve. In general, our liability increases as the discount rate decreases and vice versa. Our weighted average discount rate for continuing operations was 6.5% at the end of 2008, 6.25% at the end of 2007 and 5.75% at the end of 2006, with changes between periods due to changes in market interest rates. The compensation increase assumption affects the estimate of future payments, and was 4% at the end of 2007 and 2006 (not applicable in 2008). Based on plan changes announced in 2006, pay for active participants of the plan was frozen as of December 31, 2007. A lower expected return on plan assets increases the amount of expense and vice versa. Decreases in the level of actual plan assets will also serve to increase the amount of pension expense. The value of our plan assets relating to continuing operations decreased \$89.6 million, or 31.5%, in 2008 primarily due to the drop in global stock prices. Between 2003 and 2007, the value of our plan assets relating to continuing operations increased due to improved general market conditions after declining from 2000 to 2002. Our expected long-term return on plan assets relating to continuing operations, which is primarily based on estimated market and economic

conditions as well as asset mix, was 8.5% from 2004 to 2007, 8.75% in 2003 and 9% in 2002 and prior years. Our expected long-term return on plan assets was lowered to 8.25% for fiscal year 2009. See page 64 for more information on expected long-term return on plan assets and asset mix.

See the executive summary beginning on page 17 for further discussion regarding the financial impact of our pension plans.

Income Taxes

On a quarterly basis, we review our judgments regarding uncertain tax positions and the likelihood that the benefits of a deferred tax asset will be realized. As circumstances change, we reflect in earnings any adjustments to unrecognized benefits for uncertain tax positions and valuation allowances for deferred tax assets.

For financial reporting purposes, we had unrecognized tax benefits on uncertain tax positions of \$2.6 million and \$3.3 million as of December 31, 2008 and 2007, respectively. Included in the 2008 and 2007 amounts were \$1.8 million and \$2.3 million, respectively, for tax positions for which ultimate deductibility is highly certain but for which the timing of deductibility is uncertain. Because of the impact of deferred income tax accounting, other than interest, penalties and deductions not related to timing, a longer deductibility period would not affect the total income tax expense or the annual effective tax rate shown for financial reporting purposes, but would accelerate payments to the taxing authority. Tax payments resulting from the successful challenge by the taxing authority for accelerated deductions taken by us would possibly result in the payment of interest and penalties. Accordingly, we also accrue for possible interest and penalties on uncertain tax positions. The balance of accrued interest and penalties on deductions taken relating to uncertain tax positions was approximately \$1.3 million and \$1.2 million at December 31, 2008 and 2007, respectively (\$827,000 and \$759,000, respectively, net of corresponding federal and state income tax benefits). Accruals for possible interest and penalties on uncertain tax positions are reflected in income tax expense for financial reporting purposes.

We anticipate that by December 31, 2009, we will settle several disputed issues raised by the Internal Revenue Service (the "IRS") during its examination of our U.S. income tax returns for 2001-2003, the most significant of which regards the recognition of our captive insurance subsidiary as an insurance company for U.S. income tax purposes. It is reasonably possible that a settlement with the IRS for the disputed issues would cost us \$1.3 million, which would be applied against the balance of unrecognized tax benefits and accrued interest and penalties.

Tredegar and its subsidiaries file income tax returns in U.S., state and foreign jurisdictions. Tredegar is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2001. With few exceptions, Tredegar and its subsidiaries are no longer subject to state or non-U.S. income tax examinations by tax authorities for years before 2005.

As of December 31, 2008 and 2007, we had valuation allowances relating to deferred tax assets of \$9.8 million and \$9.4 million, respectively. For more information on deferred income tax assets and liabilities, see Note 14 of the notes to financial statements.

Recently Issued Accounting Standards

The Financial Accounting Standards Board recently issued Statement of Financial Accounting Standards (“SFAS”) No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS No. 161), to enhance the current disclosure framework in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133). SFAS No. 161 addresses concerns that the disclosures required by SFAS No. 133 do not provide adequate information about the impact derivative instruments can have on an entity’s financial position, results of operations and cash flows. SFAS No. 161 amends and expands the disclosures required by SFAS No. 133 so that they provide an enhanced understanding of (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (iii) how derivative instruments affect an entity’s financial position, financial performance, and cash flows. The new disclosure guidance will apply to all interim and annual reporting periods for which a balance sheet and income statement are presented. SFAS No. 161 is effective for both interim and annual reporting periods beginning after November 15, 2008, with early application encouraged. SFAS No. 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We do not believe that the adoption of SFAS No. 161 will have a material impact on our financial statements and related disclosures.

Results of Continuing Operations

2008 versus 2007

Revenues. Sales in 2008 decreased by 4.2% compared with 2007 due to sales declines in both Film Products and Aluminum Extrusions. Net sales (sales less freight) decreased 1.5% in Film Products as competitive pressures led to lower volume, which was partially offset by higher selling prices from the pass-through of increased resin costs. Net sales decreased 8.5% in Aluminum Extrusions due to lower volume as shipments declined in most markets. For more information on net sales and volume, see the executive summary beginning on page 17.

Operating Costs and Expenses. Consolidated gross profit (sales minus cost of goods sold and freight) as a percentage of sales was 14.0% in 2008 and 15.3% in 2007. The gross profit margin decreased in Film Products and Aluminum Extrusions primarily due to lower sales volumes, partially offset by cost reduction efforts and the favorable impact of changes in the U.S. dollar value of currencies for operations outside the U.S. The benefit from currency rate changes was approximately \$3.6 million.

As a percentage of sales, selling, general and administrative and R&D expenses were 7.9% in 2008, down from 8.3% in 2007. The decrease is primarily due to lower selling, general and administrative expenses in Film Products from cost reduction efforts.

Losses associated with plant shutdowns, asset impairments and restructurings in 2008 totaled \$12.0 million (\$8.4 million after taxes) and included:

- A fourth quarter charge of \$7.2 million (\$5.0 million after taxes), a second quarter charge of \$854,000 (\$717,000 after taxes), and a first quarter charge of \$1.6 million (\$1.2 million after taxes) for asset impairments in Film Products;
- A second quarter charge of \$90,000 (\$83,000 after taxes) and a first quarter charge of \$2.1 million (\$1.4 million after taxes) for severance and other employee-related costs in connection with restructurings in Film Products;
- A second quarter charge of \$275,000 (\$169,000 after taxes) and a first quarter charge of \$235,000 (\$145,000 after taxes) for severance and other employee-related costs in connection with restructurings in Aluminum Extrusions;
- A fourth quarter pretax gain of \$583,000 (\$437,000 after taxes) related to the sale of land rights and related improvements at the Film Products facility in Shanghai, China (included in “Other income (expense), net” in the consolidated statements of income); and
- A fourth quarter charge of \$72,000 (\$44,000 after taxes) and a second quarter charge of \$105,000 (\$65,000 after taxes) related to expected future environmental costs at the Aluminum Extrusions facility in Newnan, Georgia (included in “Cost of goods sold” in the consolidated statements of income).

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The severance in Film Products includes a reduction in workforce in the first quarter of 2008 (approximately 6% or 90 of Film Products' total employees) that is expected to save approximately \$4.2 million on an annualized basis.

We recognized a gain of \$1.5 million (\$965,000 after taxes) from the sale of our investments in Theken Spine and Therics, LLC. The gain is included in "Other income (expense), net" in the consolidated statements of income. AFBS Inc. (formerly Therics, Inc.) received these investments in 2005, when substantially all of the assets of AFBS, 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.

Results in 2008 include unrealized gains from the write-up of an investment accounted for under the fair value method of \$5.6 million (\$3.6 million after taxes; see further discussion on page 20). Gains on the sale of corporate assets in 2008 include realized gains of \$509,000 (\$310,000 after taxes) from the sale of equity securities and \$492,000 (\$316,000 after taxes) from the sale of corporate real estate. The pretax amounts for each of these items is included in "Other income (expense), net" in the consolidated statements of income and separately shown in the segment operating profit table on page 14.

For more information on costs and expenses, see the executive summary beginning on page 17.

Interest Income and Expense. Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, was \$1.0 million in 2008, down from \$1.2 million in 2007 due to lower average yield earned on cash equivalents. Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year with the primary objectives being safety of principal and liquidity.

Interest expense was \$2.4 million in 2008, a 12.0% decrease in comparison to \$2.7 million for 2007, as higher average debt levels during the year were offset by lower average interest rates. Average debt outstanding and interest rates were as follows:

(In Millions)	2008	2007
Floating-rate debt with interest charged on a rollover basis at one-month LIBOR plus a credit spread:		
Average outstanding debt balance	\$ 47.7	\$ 41.5
Average interest rate	3.8%	6.0%
Fixed-rate and other debt:		
Average outstanding debt balance	\$ 1.8	\$ 2.2
Average interest rate	4.1%	3.8%
Total debt:		
Average outstanding debt balance	\$ 49.5	\$ 43.7
Average interest rate	3.8%	5.9%

Income Taxes. The effective tax rate used to compute income taxes from continuing operations decreased to 39.7% in 2008 compared with 41.1% in 2007. The decrease in the effective tax rate for continuing operations, which had a favorable impact of 2 cents per share, was due to numerous factors as shown in the effective income tax rate reconciliation provided in Note 14 on page 66.

2007 versus 2006

Revenues. Overall, sales in 2007 decreased by 1.6% compared with 2006, primarily due to a decline in sales in Aluminum Extrusions. For more information on net sales and volume, see the executive summary beginning on page 17.

Operating Costs and Expenses. Consolidated gross profit (sales minus cost of goods sold and freight) as a percentage of sales was 15.3% in 2007 and 14.5% in 2006. The gross profit margin increased in Film Products but decreased in Aluminum Extrusions primarily because of the changes in sales and volume. In addition, gross profit improvement in

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Film Products was partially offset by an estimated negative impact in 2007 of \$2.5 million from the lag in the pass-through of changes in average resin costs and year-end adjustments for LIFO. In 2006, we estimated a favorable impact of \$4.5 million from the lag in the pass-through of changes in average resin costs and year-end adjustments for LIFO.

As a percentage of sales, selling, general and administrative and R&D expenses were 8.3% in 2007, up from 7.7% in 2006. The increase is primarily due to higher costs in Film Products, including costs associated with a new information system and a reorganization that resulted in the hiring of additional personnel.

Losses associated with plant shutdowns, asset impairments and restructurings in 2007 totaled \$4.1 million (\$2.8 million after taxes) and included:

- A fourth quarter charge of \$1.2 million (\$780,000 after taxes), a third quarter charge of \$1.2 million (\$793,000 after taxes) and a first quarter charge of \$366,000 (\$238,000 after taxes) related to the estimated loss on the sub-lease of a portion of the AFBS (formerly Therics) facility in Princeton, New Jersey;
- A fourth quarter charge of \$256,000 (\$256,000 after taxes) and a first quarter charge of \$338,000 (\$284,000 after taxes) for asset impairments in Film Products;
- A third quarter charge of \$493,000 (\$309,000 after taxes) and a second quarter charge of \$99,000 (\$62,000 after taxes) for severance and other employee-related costs in Aluminum Extrusions;
- A second quarter charge of \$26,000 (\$16,000 after taxes) and a first quarter charge of \$29,000 (\$17,000 after taxes) for costs related to the shutdown of the films manufacturing facility in LaGrange, Georgia; and
- A third quarter charge of \$42,000 (\$26,000 after taxes) related to expected future environmental costs at the aluminum extrusions facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statements of income).

Results in 2007 include a fourth-quarter gain of \$2.7 million (\$1.7 million after taxes) on the sale of corporate real estate (proceeds of \$3.8 million) and a third-quarter loss from the write-down of an investment of \$2.1 million (\$1.3 million after taxes). The pretax amounts for both of these items are included in "Other income (expense), net" in the consolidated statements of income and separately shown in the segment operating profit table on page 14. Income taxes in 2007 include the recognition of a valuation allowance against deferred tax assets of \$1.1 million in the third quarter for expected limitations on the utilization of certain assumed capital losses.

For more information on costs and expenses, see the executive summary beginning on page 17.

Interest Income and Expense. Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, was \$1.2 million in 2007 and \$1.2 million in 2006. Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year with the primary objectives being safety of principal and liquidity.

Interest expense decreased to \$2.7 million in 2007, a decline of \$2.8 million versus 2006 due to lower average debt outstanding. Average debt outstanding and interest rates were as follows:

(In Millions)	2007	2006
Floating-rate debt with interest charged on a rollover basis at one-month LIBOR plus a credit spread:		
Average outstanding debt balance	\$ 41.5	\$ 91.0
Average interest rate	6.0%	5.9%
Fixed-rate and other debt:		
Average outstanding debt balance	\$ 2.2	\$ 4.4
Average interest rate	3.8%	6.5%

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Total debt:		
Average outstanding debt balance	\$ 43.7	\$ 95.4
Average interest rate	5.9%	5.9%

Income Taxes. The effective tax rate increased to 41.1% in 2007 compared with 35.9% in 2006 mainly due to a valuation allowance for possible deferred tax benefits on capital loss carry-forwards and lower income tax benefits expected for the Extraterritorial Income Exclusion and Domestic Production Activities Deduction and the research and development (“R&D”) tax credit. For more information on the variances in our effective tax rate between years, see Note 14 of the notes to financial statements.

Financial Condition

Assets and Liabilities

Changes in assets and liabilities from continuing operations from December 31, 2007 to December 31, 2008 are summarized below:

- Accounts receivable decreased \$5.7 million (5.8%).
 - Accounts receivable in Film Products decreased by \$3.9 million due mainly to lower sales and the strengthening of the U.S. dollar relative to other foreign currencies. Days sales outstanding (“DSO”) remained consistent at 45 at December 31, 2008 and 2007.
 - Accounts receivable for continuing operations in Aluminum Extrusions decreased by \$1.8 million. DSO was 43 at December 31, 2008 compared with 40 at December 31, 2007, which was within the range experienced over the last twelve months.
- Inventories decreased \$11.9 million (24.4%).
 - Inventories in Film Products decreased by approximately \$9.9 million. Inventory days decreased to 36 at December 31, 2008 from 43 at December 31, 2007, primarily due to an overall effort to reduce inventory levels and a strengthening of the U.S. dollar relative to other foreign currencies.
 - Inventories for continuing operations of Aluminum Extrusions decreased by approximately \$2.0 million. Inventory days decreased to 30 at December 31, 2008 compared with 35 at December 31, 2007, primarily due to cyclical fluctuations and an overall effort to reduce inventory levels.
- Net property, plant and equipment decreased \$32.2 million (12.0%) with capital expenditures of \$20.9 million offset by depreciation of \$42.6 million, machinery and equipment asset impairments in Film Products of \$8.6 million, the appreciation of the U.S. dollar relative to foreign currencies (\$1.4 million decline) and \$544,000 for property disposals.
- Accounts payable decreased by \$12.2 million (18.1%).
 - Accounts payable in Film Products decreased by \$8.3 million due mainly to lower sales. Accounts payable days were 25 at December 31, 2008 compared with 30 at December 31, 2007, which was within the range experienced over the last twelve months.
 - Accounts payable for continuing operations in Aluminum Extrusions increased by \$199,000. Accounts payable days were 42 at December 31, 2008 compared with 37 days at December 31, 2007, primarily due to cyclical fluctuations and improved payable terms with suppliers.
 - Accounts payable decreased at corporate by \$4.1 million from the prior year primarily due to a \$3.4 million amount payable at December 31, 2007 to a securities broker relating to our repurchase of Tredegar common stock.
- Accrued expenses increased by \$4.7 million (13.9%) due primarily due to the increase in unrealized losses on future contracts that hedge fixed priced customer contracts in Aluminum Extrusions.
- Other noncurrent assets decreased and other noncurrent liabilities increased due primarily to the change in the funded status of our defined benefit pension plans. As of December 31, 2008, the funded status of our defined benefit pension plan was a net liability of \$17.1 million in “Other noncurrent liabilities” compared with an asset of \$86.3 million in “Other assets and deferred charges” and a liability of \$2.3 million in “Other noncurrent liabilities” as of December 31, 2007.

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- Net deferred income tax liabilities in excess of assets decreased by \$22.0 million due to numerous changes between years in the balance of the components shown in the December 31, 2008 and 2007 schedule of deferred income tax assets and liabilities provided in Note 14 on page 66. Income taxes recoverable increased by \$12.2 million due primarily to the tax benefits on certain net operating and capital losses that will be recovered through the carryback to prior years that had operating income and capital gains.

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Net capitalization and indebtedness as defined under our revolving credit agreement as of December 31, 2008 were as follows:

Net Capitalization and Indebtedness as of December 31, 2008 (In Thousands)	
Net capitalization:	
Cash and cash equivalents	\$ 45,975
Debt:	
\$300 million revolving credit agreement maturing December 15, 2010	21,000
Other debt	1,702
	22,702
Total debt	22,702
	23,273
Cash and cash equivalents net of debt	23,273
Shareholders' equity	420,416
	420,416
Net capitalization	\$ 397,143
	397,143
Indebtedness as defined in revolving credit agreement:	
Total debt	\$ 22,702
Face value of letters of credit	6,406
Liabilities relating to derivative financial instruments, net of cash deposits	7,085
	36,193
Indebtedness	\$ 36,193
	36,193

Under the revolving credit agreement, borrowings are permitted up to \$300 million, and \$233 million was available to borrow at January 1, 2009, the date our maximum leverage covenant dropped from 3.0x adjusted EBITDA to 2.75x adjusted EBITDA. The credit spread and commitment fees charged on the unused amount under the revolving credit agreement at various indebtedness-to-adjusted EBITDA levels are as follows:

Pricing Under Revolving Credit Agreement (Basis Points)		
Indebtedness-to-Adjusted EBITDA Ratio	Credit Spread Over LIBOR	Commitment Fee
> 2.50x but <= 3x	125	25
> 1.75x but <= 2.50x	100	20
> 1x but <= 1.75x	87.5	17.5
<= 1x	75	15

At December 31, 2008, the interest rate on debt under the revolving credit agreement was priced at one-month LIBOR plus the applicable credit spread of 75 basis points.

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The computations of adjusted EBITDA, adjusted EBIT, the leverage ratio and interest coverage ratio as defined in the credit agreement are presented below along with the related most restrictive covenants. Adjusted EBITDA and adjusted EBIT as defined in the credit agreement are not intended to represent cash flow from operations as defined by GAAP and should not be considered as either an alternative to net income or to cash flow.

Computations of Adjusted EBITDA, Adjusted EBIT, Leverage Ratio and
Interest Coverage Ratio as Defined in Revolving Credit Agreement Along with Related Most
Restrictive Covenants
As of and for the Twelve Months Ended December 31, 2008 (In Thousands)

Computations of adjusted EBITDA and adjusted EBIT as defined in revolving credit agreement for the twelve months ended December 31, 2008:	
Net income	\$ 28,936
Plus:	
After-tax losses related to discontinued operations	705
Total income tax expense for continuing operations	19,486
Interest expense	2,393
Charges related to stock option grants and awards accounted for under the fair value-based method	782
Losses related to the application of the equity method of accounting	—
Depreciation and amortization expense for continuing operations	42,676
All non-cash losses and expenses, plus cash losses and expenses not to exceed \$10,000, for continuing operations that are classified as unusual, extraordinary or which are related to plant shutdowns, asset impairments and/or restructurings (cash-related of \$2,839)	12,723
Minus:	
After-tax income related to discontinued operations	—
Total income tax benefits for continuing operations	—
Interest income	(1,006)
All non-cash gains and income, plus cash gains and income not to exceed \$10,000, for continuing operations that are classified as unusual, extraordinary or which are related to plant shutdowns, asset impairments and/or restructurings (cash-related of \$3,083)	(8,683)
Plus or minus, as applicable, pro forma EBITDA adjustments associated with acquisitions and asset dispositions	—
	<hr/>
Adjusted EBITDA as defined in revolving credit agreement	98,012
Less: Depreciation and amortization expense for continuing operations (including pro forma for acquisitions and asset dispositions)	(42,676)
	<hr/>
Adjusted EBIT as defined in revolving credit agreement	\$ 55,336
	<hr/>
Shareholders' equity at December 31, 2008 as defined in revolving credit agreement	\$ 486,154
Computations of leverage and interest coverage ratios as defined in revolving credit agreement:	
Leverage ratio (indebtedness-to-adjusted EBITDA)	.37x
Interest coverage ratio (adjusted EBIT-to-interest expense)	23.12x
Most restrictive covenants as defined in revolving credit agreement:	
Maximum permitted aggregate amount of dividends that can be paid by Tredegar during the term of the revolving credit agreement (\$100,000 plus 50% of net income generated after October 1, 2005)	\$ 141,638
Minimum adjusted shareholders' equity permitted (\$315,000 plus 50% of net income generated, to the extent positive, after July 1, 2007)	\$ 336,147
Maximum leverage ratio permitted:	
Ongoing (2.75x effective January 1, 2009)	3.00x
Pro forma for acquisitions	2.50x

Minimum interest coverage ratio permitted

2.50x

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Noncompliance with any one or more of the debt covenants may have a material adverse effect on financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders. Renegotiation of the covenant(s) through an amendment to the credit agreement may effectively cure the noncompliance, but may have an effect on financial condition or liquidity depending upon how the covenant is renegotiated.

We are obligated to make future payments under various contracts as set forth below:

(In Millions)	Payments Due by Period							Total
	2009	2010	2011	2012	2013	Remainder		
Debt	\$.5	\$ 21.5	\$.3	\$.1	\$.3	\$ —	\$ 22.7	
Operating leases:								
AFBS (formerly Therics)	1.7	1.7	.4	—	—	—	3.8	
Other	1.3	1.3	1.4	1.3	.2	—	5.5	
Estimated contributions required ⁽¹⁾ :								
Defined benefit plans	4.4	5.4	6.3	5.7	4.9	1.4	28.1	
Other postretirement benefits	.5	.5	.5	.6	.6	3.3	6.0	
Capital expenditure commitments ⁽²⁾	17.5	—	—	—	—	—	17.5	
Estimated obligations relating to uncertain tax positions ⁽³⁾	2.2	—	—	—	—	1.6	3.8	
Total	\$ 28.1	\$ 30.4	\$ 8.9	\$ 7.7	\$ 6.0	\$ 6.3	\$ 87.4	

- (1) Estimated minimum required contributions for defined benefit plans and benefit payments for other postretirement plans are based on actuarial estimates using current assumptions for discount rates, long-term rate of return on plan assets, rate of compensation increases and health care cost trends. The expected defined benefit plan contribution estimates for 2009 through 2018 were determined under provisions of the Pension Protection Act of 2006 using the preliminary assumptions chosen by Tredegar for the 2008 plan year. Tredegar has determined that it is not practicable to present defined benefit contributions and other postretirement benefit payments beyond 2018. See Note 11 on page 60.
- (2) Represents contractual obligations for plant construction and purchases of real property and equipment primarily related to the capacity expansion project at our aluminum extrusions facility in Carthage, Tennessee. See Note 13 on page 65.
- (3) Amounts for which reasonable estimates about the timing of payments cannot be made are included in the remainder column. We believe that existing borrowing availability, our current cash balances and our cash flow from operations will be sufficient to satisfy our working capital, capital expenditure and dividend requirements for the foreseeable future.

From time to time, we enter into transactions with third parties in connection with the sale of assets or businesses in which we agree to indemnify the buyers or third parties involved in the sale for certain liabilities or risks related to the assets or business. Also, in the ordinary course of our business, we may enter into agreements with third parties for the sale of goods or services that may contain indemnification provisions. In the event that an indemnification claim is asserted, liability for indemnification would be subject to an assessment of the underlying facts and circumstances under the terms of the applicable agreement. Further, any indemnification payments may be limited or barred by a monetary cap, a time limitation, or a deductible or basket. For these reasons, we are unable to estimate the maximum potential amount of the potential future liability under the indemnity provisions of these agreements. We do, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when future payment is probable. We disclose contingent liabilities if the probability of loss is reasonably possible and significant.

Shareholders' Equity

At December 31, 2008, we had 33,909,932 shares of common stock outstanding and a total market capitalization of \$616.5 million, compared with 34,765,450 shares of common stock outstanding and a total market capitalization of \$559.0 million at December 31, 2007.

We purchased 1.1 million shares in 2008 and 4.8 million shares in 2007 on the open market at an average price of \$14.88 and \$16.00 per share, respectively (no shares purchased in 2006). See the issuer purchases of equity securities section of Item 5 on page 8 regarding purchases of our common stock and our standing authorization permitting additional purchases.

Cash Flows

The discussion in this section supplements the information presented in the consolidated statements of cash flows on page 43. Cash flows for discontinued operations have not been separately disclosed in the consolidated statements of cash flows.

Cash provided by operating activities was \$75.4 million in 2008 compared with \$95.6 million in 2007. The decrease is due primarily to normal volatility of working capital components (see assets and liabilities section on page 25 for discussion of working capital trends) and lower income from continuing operations, partially offset by lower income tax payments (income tax payments were approximately \$8.8 million in 2008 compared with \$17 million in 2007).

Cash provided by investing activities was \$3.5 million in 2008 compared with cash used in investing activities of \$36.3 million in 2007. The improvement was primarily due to proceeds received in 2008 from the sale of our aluminum extrusions business in Canada of \$23.4 million and lower investments in 2008 compared with 2007. Capital expenditures in 2008 primarily included the normal replacement of machinery and equipment and the expansion of capacity at our aluminum extrusion facility Carthage, Tennessee. See the executive summary beginning on page 17 and the business segment review beginning on page 33 for more information on capital expenditures.

Net cash flow used in financing activities was \$80.7 million in 2008 and related to net repayments on our revolving credit facility with excess cash flow of \$59.5 million, the payment of regular quarterly dividends of \$5.4 million (4 cents per share per quarter) and repurchases of Tredegar common stock (\$19.8 million including settlement of \$3.4 million), partially offset by proceeds from the exercise of stock options of \$4.1 million.

Cash provided by operating activities was \$95.6 million in 2007 compared with \$104.6 million in 2006. The decrease is due primarily to higher income tax payments (income tax payments were approximately \$17.0 million in 2007 compared with \$7.8 million in 2006) and a decline in operating results in Aluminum Extrusions (mainly operations in Canada divested on February 12, 2008), partially offset by lower incremental working capital investment.

Cash used in investing activities declined to \$36.3 million in 2007 compared with \$40.6 million in 2006 due to lower capital expenditures and proceeds from property disposals and reimbursements from a customer for purchases of equipment, partially offset by higher investments. Capital expenditures in 2007 primarily included the normal replacement of machinery and equipment and continued expansion of capacity for surface protection films and elastic materials.

Net cash flow used in financing activities was \$54.1 million in 2007 and included the use of cash generated from operating activities in excess of investing activities, additional borrowings under our revolving credit facility and proceeds from the exercise of stock options to pay dividends and purchase Tredegar common stock.

Cash provided by operating activities was \$104.6 million in 2006 compared with \$53.7 million in 2005. The increase is due primarily to improved operating results, higher deferred income taxes and lower incremental working capital investment.

Cash used in investing activities was \$40.6 million in 2006 compared with \$55.0 million in 2005 due primarily to lower capital expenditures. Capital expenditures in 2006 in Film Products of \$33.2 million (down from \$50.5 million in 2005 and \$1.5 million in excess of 2006 depreciation) primarily included the continued expansion of capacity for surface protection films and elastic materials, a new information system and normal replacement of machinery and equipment. Capital expenditures in Aluminum Extrusions were \$7.4 million in 2006 compared to \$12 million in 2005 and depreciation in 2006 of \$12.3 million.

Net cash flow used in financing activities was \$47.0 million in 2006 and included the use of cash generated from operating activities in excess of investing activities to pay dividends and repay amounts outstanding under our revolving credit facility. In addition, financing activities in 2006 included proceeds from the exercise of stock options of \$9.7 million, including \$8.5 million in the fourth quarter of 2006 due to an increase in our stock price and certain stock option expiration dates in early 2007.

Quantitative and Qualitative Disclosures about Market Risk

Tredegear has exposure to the volatility of interest rates, polyethylene and polypropylene resin prices, aluminum ingot and scrap prices, energy prices, foreign currencies and emerging markets. See the assets and liabilities section beginning on page 25 regarding credit agreements and interest rate exposures.

Changes in resin prices, and the timing of those changes, could have a significant impact on profit margins in Film Products. Profit margins in Aluminum Extrusions are sensitive to fluctuations in aluminum ingot and scrap prices as well as natural gas prices (natural gas is the principal energy source used to operate our casting furnaces). There is no assurance of our ability to pass through higher raw material and energy costs to our customers.

See the executive summary beginning on page 17 and the business segment review beginning on page 33 for discussion regarding the impact of the lag in the pass-through of resin price changes. The volatility of average quarterly prices of low density polyethylene resin in the U.S. (a primary raw material for Film Products) is shown in the chart below.

Source: Quarterly averages computed by Tredegear using monthly data provided by Chemical Data Inc. ("CDI"). In January 2005, CDI reflected a 4 cents per pound non-market adjustment based on their estimate of the growth of discounts over the 2000 to 2003 period. The 4th quarter 2004 average rate of 67 cents per pound is shown on a pro forma basis as if the non-market adjustment was made in October 2004.

Resin prices in Europe, Asia and South America have exhibited similar trends. The price of resin is driven by several factors including supply and demand and the price of oil, ethylene and natural gas. To address fluctuating

resin prices, Film Products has index-based pass-through raw material cost agreements for the majority of its business. However, under certain agreements, changes in resin prices are not passed through for an average period of 90 days (see the executive summary on page 17 and the business segment review on page 33 for more information).

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our exposure to aluminum price volatility (see the chart below) under these fixed-price arrangements, which generally have a duration of not more than 12 months, we enter into a combination of forward purchase commitments and futures contracts to acquire or hedge aluminum, based on the scheduled deliveries. See Note 6 on page 55 for more information.

Source: Quarterly averages computed by Tredegar using daily closing data provided by Bloomberg.

In Aluminum Extrusions, we hedge from time-to-time a portion of our exposure to natural gas price volatility by entering into fixed-price forward purchase contracts with our natural gas suppliers. We estimate that, in an unhedged situation, every \$1 per mmBtu per month change in the market price of natural gas has a \$90,000 impact on the continuing monthly operating profit for our U.S. operations in Aluminum Extrusions. In September 2005, we announced an energy surcharge for our aluminum extrusions business in the U.S. to be applied when the previous quarter's NYMEX natural gas average settlement price is in excess of \$8.85 per mmBtu.

Source: Quarterly averages computed by Tredegar using monthly NYMEX settlement prices.

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We sell to customers in foreign markets through our foreign operations and through exports from U.S. plants. The percentage of sales and total assets for continuing manufacturing operations related to foreign markets for 2008 and 2007 are as follows:

Tredegear Corporation - Continuing Manufacturing Operations Percentage of Net Sales and Total Assets Related to Foreign Markets						
	2008			2007		
	% of Total Net Sales *		% Total Assets - Foreign Oper- ations *	% of Total Net Sales *		% Total Assets - Foreign Oper- ations *
	Exports From U.S.	Foreign Oper- ations		Exports From U.S.	Foreign Oper- ations	
Canada	5	—	—	5	—	—
Europe	1	18	15	1	17	16
Latin America	—	3	2	—	3	2
Asia	3	7	7	3	6	7
Total% exposure to foreign markets	9	28	24	9	26	25

* The percentages for foreign markets are relative to Tredegear's total net sales and total assets from manufacturing operations (consolidated net sales and total assets from continuing operations excluding cash and cash equivalents and AFBS (formerly Therics)).

We attempt to match the pricing and cost of our products in the same currency and generally view the volatility of foreign currencies (see trends for the Euro and Chinese Yuan in the chart below) and emerging markets, and the corresponding impact on earnings and cash flow, as part of the overall risk of operating in a global environment. Exports from the U.S. are generally denominated in U.S. Dollars. Our foreign currency exposure on income from continuing foreign operations relates to the Euro, the Chinese Yuan, the Hungarian Forint and the Brazilian Real.

In Film Products, where we are typically able to match the currency of our sales and costs, we estimate that the change in value of foreign currencies relative to the U.S. Dollar had a positive impact on operating profit of approximately \$3.6 million in 2008 compared with 2007, \$3 million in 2007 compared with 2006 and \$500,000 in 2006 compared with 2005.

Trends for the Euro and Chinese Yuan are shown in the chart below:

Source: Quarterly averages computed by Tredegear using daily closing data provided by Bloomberg.

Business Segment Review

Net sales (sales less freight) and operating profit from ongoing operations are the measures of sales and operating profit used by the chief operating decision maker for purposes of assessing performance.

Film Products

Net Sales. See the executive summary beginning on page 17 for the discussion of net sales (sales less freight) in Film Products in 2008 compared with 2007.

In Film Products, net sales were \$531.0 million in 2007, up 3.9% versus \$511.2 million in 2006. Operating profit from ongoing operations was \$59.4 million in 2007, up 3.1% compared with \$57.6 million in 2006. Volume decreased to 244.3 million pounds in 2007 from 253.5 million pounds in 2006. Volume was down in 2007 compared with 2006 primarily due to a decrease in sales of commodity barrier films and packaging films, partially offset by an increase in sales of elastic materials used in baby diapers and adult incontinence products and apertured materials used as topsheet in feminine hygiene products. Certain commodity barrier films were discontinued in conjunction with the shutdown in the second quarter of 2006 of the plant in LaGrange, Georgia. Net sales increased primarily due to appreciation of the U.S. dollar value of currencies for operations outside of the U.S., higher volume of elastic and apertured materials and improved product mix of surface protection films, partially offset by a decline in volume of commodity barrier films and a decline in volume and prices of certain packaging films. We estimate that the growth in net sales excluding the effects of the pass-through of resin price changes and foreign exchange rate changes was approximately 3.5% in 2007.

Operating Profit. See the executive summary beginning on page 17 for the discussion of operating profit in Film Products in 2008 compared with 2007.

Operating profit from ongoing operations in Film Products increased in 2007 versus 2006 primarily due to the net changes in sales noted above and appreciation of the U.S. dollar value of currencies for operations outside of the U.S. (the benefit from currency rate changes was approximately \$3.0 million), partially offset by an estimated negative impact in 2007 of \$2.5 million from the lag in the pass-through of changes in average resin costs and year-end adjustments for LIFO. In 2006, we estimated a favorable impact of \$4.5 million from the lag in the pass-through of changes in average resin costs and year-end adjustments for LIFO.

Identifiable Assets. Identifiable assets in Film Products decreased to \$400.0 million at December 31, 2008, from \$488.0 million at December 31, 2007, due primarily to the decline in prepaid pension assets of \$42.9 million as the funded status of our pension plans shifted from a net asset to a net liability, depreciation of \$34.5 million and machinery and equipment asset impairments of \$8.6 million, partially offset by capital expenditures of \$11.1 million and efforts to lower inventory levels (total inventory balances decreased \$9.9 million). See page 25 for further discussion on changes in assets and liabilities.

Identifiable assets in Film Products decreased to \$488.0 million at December 31, 2007, from \$499.0 million at December 31, 2006, due primarily to depreciation of \$33.9 million compared with capital expenditures of \$15.3 million and asset impairments during the year totaling \$594,000, partially offset by the effects of currency rate changes on property, plant and equipment and goodwill of approximately \$11.3 million.

Depreciation, Amortization and Capital Expenditures. Depreciation and amortization for Film Products was \$34.6 million in 2008, \$34.1 million in 2007 and \$31.8 million in 2006. The increase in 2008 compared with 2007 is primarily due to capital expenditures in 2007 and 2008 and appreciation of the U.S. Dollar value of currencies for operations outside of the U.S. The increase in 2007 compared with 2006 is primarily due to capital expenditures in 2006 and 2007 and appreciation of the U.S. Dollar value of currencies for operations outside of the U.S. We expect depreciation and amortization expense for Film Products to be approximately \$32 million in 2009.

Capital expenditures declined to \$11.1 million in 2008 compared with \$15.3 million in 2007. Capital expenditures in 2009 are expected to be approximately \$22 million. Capital expenditures in 2008 primarily included

the normal replacement of machinery.

Capital expenditures declined to \$15.3 million in 2007 compared with \$33.2 million in 2006. Capital expenditures in 2007 primarily included the normal replacement of machinery and equipment.

Aluminum Extrusions (Continuing Operations)

Net Sales and Operating Profit. See the executive summary beginning on page 17 for the discussion of net sales (sales less freight) and operating profit for the continuing operations of Aluminum Extrusions in 2008 compared with 2007.

Net sales from continuing operations in Aluminum Extrusions were \$371.8 million in 2007, down 7.9% from \$403.8 million in 2006. Operating profit from ongoing U.S. operations decreased to \$16.5 million in 2007, down 9.8% from \$18.3 million in 2006. Volume from continuing operations decreased to 155.8 million pounds in 2007, down 15.9% from 185.2 million pounds in 2006. The decreases in net sales and ongoing operating profit from continuing operations were mainly due to lower volume, partially offset by higher selling prices. Shipments declined in most markets, especially extrusions used in hurricane protection products and residential construction. In addition, we began experiencing a softening of markets for extrusions used in non-residential construction in the fourth quarter of 2007. Overall backlog for continuing operations in Aluminum Extrusions at December 31, 2007 was down by approximately 7% compared with December 31, 2006.

Identifiable Assets. Identifiable assets in Aluminum Extrusions were \$112.3 million at December 31, 2008, \$115.2 million at December 31, 2007 and \$129.0 million at December 31, 2006. The decline of \$13.8 million at the end of 2007 compared with 2006 is mainly due to lower accounts receivable of \$10.4 million and depreciation of \$8.5 million compared with capital expenditures of \$4.4 million.

Depreciation, Amortization and Capital Expenditures. Depreciation and amortization for Aluminum Extrusions was \$8.0 million in 2008, \$8.5 million in 2007 and \$8.4 million in 2006. We expect depreciation and amortization expense for Aluminum Extrusions to be approximately \$8.6 million in 2009.

Capital expenditures totaled \$9.7 million in 2008, \$4.4 million in 2007 and \$6.6 million in 2006, and reflect the normal replacement of machinery and equipment and in 2008, spending on the capacity expansion of our Carthage, Tennessee facility. Capital expenditures are expected to be approximately \$24 million in 2009. In January 2008, we announced plans to spend approximately \$24 million over the next 18 months to expand the capacity at our Carthage, Tennessee facility. Approximately 72% of our 2008 sales of aluminum extrusions from our U.S. operations are related to non-residential construction, and this additional capacity will increase our capabilities in this sector.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See discussion of quantitative and qualitative disclosures about market risk beginning on page 30 in Management's Discussion and Analysis.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the index on page 39 for references to the report of the independent registered public accounting firm, the consolidated financial statements and selected quarterly financial data.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation, with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined under Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with U.S. generally accepted accounting principles and includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorization of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices) and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on their evaluation under the framework in *Internal Control - Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2008.

The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included on pages 39-40.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2008, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning directors and persons nominated to become directors of Tredegar included in the Proxy Statement under the headings “Election of Directors” and “Tredegar’s Board of Directors” is incorporated herein by reference.

The information concerning corporate governance included in the Proxy Statement under the heading “Board Meetings, Meetings of Non-Management Directors and the Board Committees” and “Corporate Governance” is incorporated herein by reference.

The information included in the Proxy Statement under the heading “Section 16(a) Beneficial Ownership Reporting Requirements” is incorporated herein by reference.

Set forth below are the names, ages and titles of our executive officers:

<u>Name</u>	<u>Age</u>	<u>Title</u>
John D. Gottwald	54	President and Chief Executive Officer
Nancy M. Taylor	49	President, Tredegar Film Products and Corporate Executive Vice President
Duncan A. Crowdis	56	President, Aluminum Extrusions and Corporate Vice President
D. Andrew Edwards	50	Vice President, Chief Financial Officer and Treasurer
A. Brent King	40	Vice President, General Counsel and Corporate Secretary
Larry J. Scott	58	Vice President, Audit

John D. Gottwald. On January 16, 2006, Mr. Gottwald was elected President and Chief Executive Officer effective March 1, 2006. Mr. Gottwald had served as Chairman of the Board of Directors since September 10, 2001. Mr. Gottwald served as President and Chief Executive Officer from July 10, 1989 until September 10, 2001.

Nancy M. Taylor. Ms. Taylor was appointed Executive Vice President effective January 1, 2009. She was elected President of Tredegar Film Products effective April 5, 2005. She was elected Senior Vice President effective November 1, 2004. Ms. Taylor served as Senior Vice President, Strategy and Special Projects from November 1, 2004 until April 5, 2005. Ms. Taylor served as Managing Director, European Operations, of Tredegar Film Products from January 1, 2003 until November 1, 2004. Ms. Taylor served as Vice President, Administration and Corporate Development from September 10, 2001 until February 12, 2003. Ms. Taylor served as Secretary from February 24, 1994 until February 12, 2003. She served as Vice President, Law, from November 18, 1998 until September 10, 2001, and served as General Counsel from May 22, 1997 until July 25, 2000.

Duncan A. Crowdis. On January 6, 2009, Mr. Crowdis was appointed Vice President effective January 1, 2009. Mr. Crowdis was elected President of Tredegar’s Aluminum Extrusions subsidiaries on June 13, 2005, and continues to serve in such capacity. Mr. Crowdis served as Plant Manager of Aluminum Extrusions from March 2005 until June 2005. He previously served as Chief Process Officer of Aluminum Extrusions from December 2002 until March 2005.

D. Andrew Edwards. Mr. Edwards was elected Vice President, Chief Financial Officer and Treasurer on August 28,

2003. Mr. Edwards has served as Vice President, Finance since November 18, 1998. Mr. Edwards has served as Treasurer since May 22, 1997. From October 19, 1992 until July 10, 2000, Mr. Edwards served as Controller.

A. Brent King. Mr. King was elected Vice President, General Counsel and Corporate Secretary on October 20, 2008, the date that he joined Tredegar. From October 2005 until October 2008, he served as General Counsel at Hilb Rogal & Hobbs. Mr. King was Vice President and Assistant Secretary for Hilb Rogal & Hobbs from 2001 to 2008. He served as Associate General Counsel for Hilb Rogal & Hobbs from 2001 to 2005.

Larry J. Scott. Mr. Scott was elected Vice President, Audit, on May 24, 2000. Mr. Scott served as Director of Internal Audit from February 24, 1994 until May 24, 2000.

We have adopted a Code of Conduct that applies to all of our directors, officers and employees (including our Chief Executive Officer, Chief Financial Officer and principal accounting officer) and have posted the Code of Conduct on our web site. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K relating to amendments to or waivers from any provision of our Code of Conduct applicable to Chief Executive Officer, Chief Financial Officer and principal accounting officer by posting this information on our website. Our Internet address is www.tredegar.com. The information on or that can be accessed through our website is not, and shall not be deemed to be, a part of this report or incorporated into other filings we make with the SEC.

Because our common stock is listed on the NYSE, our chief executive officer is required to make, and he has made, an annual certification to the NYSE stating that he was not aware of any violation by us of the corporate governance listing standards of the NYSE. Our chief executive officer made his annual certification to that effect to the NYSE as of May 23, 2008. In addition, we have filed, as exhibits to this Annual Report on Form 10-K, the certifications of our principal executive officer and principal financial officer required under Section 302 of the Sarbanes Oxley Act of 2002 to be filed with the SEC regarding the quality of our public disclosure.

Item 11. EXECUTIVE COMPENSATION

The information included in the Proxy Statement under the headings “Compensation of Directors”, “Board Meetings of Non-Management Directors and Board Committees - Executive Compensation Committee Interlocks and Insider Participation”, “Compensation Discussion and Analysis”, “Executive Compensation Committee Report” and “Compensation of Executive Officers” is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information included in the Proxy Statement under the heading “Stock Ownership” is incorporated herein by reference. The following table summarizes information with respect to equity compensation plans under which securities are authorized for issuance as of December 31, 2008.

Column (a)	Column (b)	Column (c)	Column (d)
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column
Equity compensation plans approved by security holders	*955,631	\$ 15.92	1,009,210
Equity compensation plans not approved by security holders	—	—	—
Total	955,631	\$ 15.92	1,009,210

* Includes performance stock units that give the holder the right to receive shares of Tredegar common stock upon the satisfaction of certain performance criteria.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information included in the Proxy Statement under the headings “Certain Relationships and Related Transactions” and “Tredegar’s Board of Directors” is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following is incorporated herein by reference:

- Information on accounting fees and services included in the Proxy Statement under the heading “Audit Fees;” and
- Information on the Audit Committee’s procedures for pre-approving certain audit and non-audit services included in the Proxy Statement under the heading “Board Meetings, Meetings of Non-Management Directors and Board Committees - Audit Committee Matters”.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) List of documents filed as a part of the report:

(1) Financial statements:

Tredegar Corporation

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