TREDEGAR CORP
Form 10-K
March 04, 2010

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

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

OR

o 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 o No x

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 o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.
Yes o No o

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 o.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes o No x

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2009 (the last business day of the registrant’s most recently completed second fiscal quarter): $386,068,718*

Number of shares of Common Stock outstanding as of January 31, 2010: 33,686,100 (33,984,527 as of June 30, 2009)

* In determining this figure, an aggregate of 5,000,389 shares of Common Stock beneficially owned by 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, 2009.

Documents Incorporated By Reference

Portions of the Tredegar Corporation Proxy Statement for the 2010 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 6, 2010.

Index to Annual Report on Form 10-K
Year Ended December 31, 2009

* 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

Tredegar Corporation ("Tredegar"), 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 Tredegar'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 "Tredegar," "we," "us" or "our" are to Tredegar Corporation and its consolidated subsidiaries.

Film Products

Tredegar Film Products Corporation and its subsidiaries (together, "Film Products") manufacture plastic films, elastics and laminate materials primarily for personal and household care products and surface protection and packaging applications. These products are produced at locations in the United States ("U.S.") 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 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 incontinence products (including materials sold under the ComfortQuiltTM, ComfortAireTM, SoftAireTM and FreshFeelTM brand names);
- Breathable, embossed and elastic materials for use as components for baby diapers, adult incontinence products and feminine hygiene products (including elastic components sold under the FabriFlexTM, StretchTabTM, FlexAireTM, and FlexFeelTM brand names); and
- Absorbent transfer layers for baby diapers and adult incontinence products sold under the AquiDryTM and AquiSoftTM brand names.

In 2009, personal care products accounted for approximately 52% of Tredegar's consolidated net sales from continuing operations compared to approximately 40% of consolidated net sales from continuing operations in the preceding two years.

Protective Films. Film Products also produces single and multi-layer surface protection films sold under the UltraMaskTM and ForceFieldTM brand names. These films are used in high technology applications, most notably protecting components of flat panel displays, which include liquid crystal display ("LCD") televisions, monitors and notebooks, during the manufacturing process.

Packaging Films and Films for Other Markets. 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 as well as retort pouches.

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 filter layers for personal protective suits, facial masks, landscaping fabric and construction applications.

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 foreseeable 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 foreseeable 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 $253 million in 2009, $283 million in 2008, and $259 million in 2007 (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.

Intellectual Property. We consider patents, licenses and trademarks to be of significance for Film Products. We routinely apply for patents on significant developments in this business. As of December 31, 2009, Film Products holds 216 issued patents (69 of which are issued in the U.S.) and 108 trademarks (6 of which are issued in the U.S.). Our patents have remaining terms ranging from 1 to 17 years. We also have licenses under patents owned by third parties.

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)

	2009	2008	2007
Building and construction:			
Nonresidential	71	72	65
Residential	14	13	17
Transportation	6	4	4
Distribution	4	5	9
Electrical	2	2	2
Consumer durables	2	2	1
Machinery and equipment	1	2	2
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 foreseeable future.

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

General

Research and Development. Tredegar's spending for research and development ("R&D") activities in 2009, 2008 and 2007 was related to Film Products. Film Products has technical centers in Richmond, Virginia; Terre Haute, Indiana; and Chieti, Italy. R&D spending was approximately $11.9 million in 2009, $11.0 million in 2008 and $8.4 million in 2007.

Backlog. Backlogs are not material to our operations in Film Products. Overall backlog for continuing operations in Aluminum Extrusions at December 31, 2009 was down by approximately 24% compared with December 31, 2008. 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 91.5 million pounds in 2009, down 32.8% from 136.2 million pounds in 2008. Aluminum extrusion volume was down 12.6% in 2008 from 155.8 million pounds in 2007. Shipments declined in most markets. Shipments in non-residential construction, which comprised approximately 71% of total volume in 2009, declined by approximately 34% in 2009 compared to 2008.

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, 2009, we believe that we were in substantial compliance with all applicable environmental 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 2,000 people at December 31, 2009.

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. The following risk factors should be considered, in addition to the other information included in the Form 10-K, when evaluating Tredegar and our businesses:

General

Our future performance is influenced by costs incurred by our operating companies including, for example, the cost of raw materials and energy. 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 32-33. 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 raw material, energy or other costs.

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. Our five year, $300 million unsecured revolving credit facility expires in December 2010. Our ability to invest in our businesses and make acquisitions with funds in excess of the net cash flows generated from ongoing operations requires access to capital markets. In recent months, there has been uncertainty over how quickly the global economy will recover from its current recession. In addition, many banks and other financial institutions had to enter into forced liquidation sales and/or announced material write-downs related to their exposure to mortgage-backed securities, high leverage loans and other financial instruments in recent years. These events, along with other factors, have led to a tightening in the credit markets for many borrowers. Our ability to expand our operations and implement our growth strategies could be negatively impacted if we are unable to obtain financing at a reasonable cost.

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. While we had no outstanding borrowings on our $300 million credit facility at December 31, 2009, our failure to comply with these covenants in a future period could result in an event of default, which if not cured or waived, could have an adverse effect on our financial condition and liquidity if borrowings are material.

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 may 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.

Tredegar is subject to increased credit risk that is inherent with an economic downturn and efforts to increase market share as we attempt to broaden our customer base. In the event of the deterioration of operating cash flows or diminished borrowing capacity of our customers, the collection of trade receivable balances may be delayed or deemed unlikely. The operations of our customers for Aluminum Extrusions generally follow the cycles within the economy, resulting in greater credit risk from diminished operating cash flows and higher bankruptcy rates when the economy is in recession. In addition, Films Products' credit risk exposure could increase as efforts to expand its business may lead to a broader, more diverse customer base.

Tredegar is subject to various environmental laws and regulations and could become exposed to substantial liabilities and costs associated with such laws. We are subject to various environmental proceedings and could become subject to additional proceedings in the future. In the case of known potential liabilities, it is management's judgment that the resolution of ongoing and/or pending environmental remediation obligations is not expected to have a material adverse effect on our consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations. Changes in environmental laws and regulations, or their application, including, but not limited to, those relating to global climate change, could subject us to significant additional capital expenditures and operating expenses. Moreover, future developments in federal, state, local and international environmental laws and regulations are currently especially difficult to predict. Environmental laws have become and are expected to continue to become increasingly strict. As a result, we will be subject to new environmental laws and regulations. However, any such changes are uncertain and, therefore, it is not possible for us to predict with certainty the amount of additional capital expenditures or operating expenses that could be necessary for compliance with respect to any such changes.

An inability to renegotiate one of our collective bargaining agreements could adversely affect our financial results. Some of our employees are represented by labor unions under various collective bargaining agreements with varying durations and expiration dates. Tredegar may not be able to satisfactorily renegotiate collective bargaining agreements when they expire. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at our facilities in the future. Any such work stoppages (or potential work stoppages) could negatively impact our ability to manufacture our products and adversely affect results of operations.

Film Products

Film Products is highly dependent on sales associated with one customer, P&G. P&G comprised approximately 40% of Tredegar's consolidated net sales from continuing operations in 2009, 33% in 2008 and 29% in 2007. 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 or new technology that displaces flat panel displays that currently utilize our protective films could have a material adverse effect on our sales of protective films. Similarly, a decline in the rate of growth for flat panel displays could have a material adverse effect on protective film sales.

Our substantial international operations subject us to risks of doing business in countries outside the United States, 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 and the challenges of complying with a wide variety of laws and regulations, restrictions on international trade or investment, restrictions on the repatriation of income, fluctuations in exchange rates, imposition of additional taxes on our income generated outside the U.S., nationalization of private enterprises and unexpected adverse changes in international laws and regulatory requirements.

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.

The recent economic downturn could have a disruptive impact on our supply chain. Certain raw materials used in manufacturing our products are available from a single supplier, and we may not be able to quickly or inexpensively re-source to another supplier. The risk of damage or disruption to our supply chain has been exacerbated during the recent economic recession as different suppliers have consolidated their product portfolios or experienced financial distress. Failure to take adequate steps to effectively manage such events, which are intensified when a product is sourced from a single supplier or location, could adversely affect our business and results of operations, as well as require additional resources to restore our supply chain.

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.

Currently, there is uncertainty surrounding the extent and timing of recovery from the current economic recession. There can be no assurance as to the extent and timing of the recovery of sales volumes and profits for

Aluminum Extrusions, especially since there can be a lag in the recovery of its end-use markets in comparison to the overall economic recovery.

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 975 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. Future success and prospects depend on our ability to retain existing customers and participate in overall industry cross-cycle growth.

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.

Imports into the U.S., primarily from China, represent a portion of the U.S. aluminum extrusion market, and increased significantly in 2009. This trend has the potential of further exacerbating a very competitive market, amplifying market share and pricing pressures.

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 50-90% 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 U.S.	Locations Outside the U.S.	Principal Operations
Lake Zurich, Illinois Pottsville, Pennsylvania Red Springs, North Carolina (leased) Richmond, Virginia (technical center) (leased) Terre Haute, Indiana (technical center and production facility)	Chieti, Italy (technical center) (leased) Guangzhou, China Kerkrade, The Netherlands Pune, India (under construction) Rétság, Hungary Roccamontepiano, Italy São Paulo, Brazil Shanghai, China	Production of plastic films and laminate materials

Aluminum Extrusions

Locations in the U.S.	Locations in Canada	Principal Operations
Carthage, Tennessee Kentland, Indiana Newnan, Georgia	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)	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 33,887,550 shares of common stock held by 3,620 shareholders of record on December 31, 2009.

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

	2009		2008	
	High	Low	High	Low
First quarter	$ 18.68	$ 14.43	$ 18.56	$ 13.13
Second quarter	17.99	12.79	19.49	14.19
Third quarter	15.82	13.07	20.59	13.38
Fourth quarter	15.93	13.40	18.68	11.41

The closing price of our common stock on February 26, 2010 was $16.75.

Dividend Information

We have paid a dividend every quarter since becoming a public company in July 1989. During 2009, 2008 and 2007, 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 other such considerations as the Board deems relevant. See Note 8 beginning on page 61 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 105,497 shares in 2009 and approximately 1.1 million shares in 2008 of our stock in the open market at an average price of $14.44 and $14.88 per share, respectively.

The table below summarizes share repurchase activity under the current program by month during 2009 and 2008:

Period	Total Number of Shares Purchased	Average Price Paid Per Share Before Broker Commissions	Total Cumulative Number of Shares Purchased:	Maximum Number of Shares at End of Period that May Yet be Purchased:
January 2008	-	$ -	-	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 2008 - July 2009	-	-	1,037,600	3,962,400
August 2009	66,737	14.59	1,104,337	3,895,663
September 2009	38,760	14.13	1,143,097	3,856,903
October 2009 - December 2009	-	-	1,143,097	3,856,903

See page 31 of the Financial Condition section of Management's Discussion and Analysis of Financial Condition and Results of Operations for additional share repurchases from January 1, 2010 through February 26, 2010.

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Annual Meeting

Our annual meeting of shareholders will be held on May 18, 2010, beginning at 9:00 a.m. EDT at the Jepson Alumni Center of the University of Richmond, 49 Crenshaw Way, Richmond, Virginia. We expect to mail formal notice of the annual meeting, proxies and proxy statements to shareholders on or about April 6, 2010.

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, 2009. Tredegar is part of both the S&P SmallCap 600 Index and Russell 2000 Index.

Inquiries

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

Computershare Investor Services
250 Royall Street
Canton, MA 02021
Phone: 800-622-6757
E-mail: web.queries@computershare.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	Independent Registered Public Accounting Firm
Hunton & Williams LLP	PricewaterhouseCoopers LLP
Richmond, Virginia	Richmond, Virginia

Item 6. SELECTED FINANCIAL DATA

The tables that follow on pages 12-17 present certain selected financial and segment information for the five years ended December 31, 2009.

FIVE-YEAR SUMMARY
Tredegar Corporation and Subsidiaries

Years Ended December 31 (In Thousands, Except Per-Share Data)		2009			2008			2007			2006			2005	
Results of Operations (a):															
Sales	$	648,613		$	883,899		$	922,583		$	937,561		$	808,464	
Other income (expense), net		8,464	(c)		10,341	(d)		1,782	(e)		1,444	(f)		(2,211)	(g)
		657,077			894,240			924,365			939,005			806,253	
Cost of goods sold		516,933	(c)		739,721	(d)		761,509	(e)		779,376	(f)		672,465	(g)
Freight		16,085			20,782			19,808			22,602			20,276	
Selling, general & administrative expenses		60,481			58,699			68,501			64,082			61,007	(g)
Research and development expenses		11,856			11,005			8,354			8,088			8,982	
Amortization of intangibles		120			123			149			149			299	
Interest expense		783			2,393			2,721			5,520			4,573	
Asset impairments and costs associated with exit and disposal activities		2,950	(c)		12,390	(d)		4,027	(e)		4,080	(f)		15,782	(g)
Goodwill impairment charge		30,559	(b)		-			-			-			-	
		639,767			845,113			865,069			883,897			783,384	
Income from continuing operations before income taxes		17,310			49,127			59,296			55,108			22,869	
Income taxes		18,663	(c)		19,486	(d)		24,366			19,791	(f)		9,497	
Income (loss) from continuing operations (a)		(1,353)			29,641			34,930			35,317			13,372	
Discontinued operations (a):															
Income (loss) from aluminum extrusions business in Canada		-			(705)			(19,681)			2,884			2,857	
Net income (loss)	$	(1,353)		$	28,936		$	15,249		$	38,201		$	16,229	
Diluted earnings (loss) per share:															
Continuing operations (a)	$	(.04)		$	.87		$	.90		$	.91		$	.35	
Discontinued operations (a)		-			(.02)			(.51)			.07			.07	
Net income (loss)	$	(.04)		$	.85		$	.39		$	.98		$	.42	

Refer to notes to financial tables on page 17.

FIVE-YEAR SUMMARY
Tredegar Corporation and Subsidiaries

Years Ended December 31 (In Thousands, Except Per-Share Data)	2009	2008	2007	2006	2005
Share Data:					
Equity per share	$ 12.66	$ 12.40	$ 14.13	$ 13.15	$ 12.53
Cash dividends declared per share	.16	.16	.16	.16	.16
Weighted average common shares outstanding during the period	33,861	33,977	38,532	38,671	38,471
Shares used to compute diluted earnings (loss) per share during the period	33,861	34,194	38,688	38,931	38,597
Shares outstanding at end of period	33,888	33,910	34,765	39,286	38,737
Closing market price per share:					
High	$ 18.68	$ 20.59	$ 24.45	$ 23.32	$ 20.19
Low	12.79	11.41	13.33	13.06	11.76
End of year	15.82	18.18	16.08	22.61	12.89
Total return to shareholders (h)	(12.1) %	14.1 %	(28.2) %	76.6 %	(35.4) %
Financial Position:					
Total assets	$ 596,279	$ 610,632	$ 784,478	$ 781,787	$ 781,758
Cash and cash equivalents	90,663	45,975	48,217	40,898	23,434
Debt	1,163	22,702	82,056	62,520	113,050
Shareholders' equity (net book value)	429,072	420,416	491,328	516,595	485,362
Equity market capitalization (i)	536,108	616,484	559,021	888,256	499,320

Refer to notes to financial tables on page 17.

SEGMENT TABLES
Tredegar Corporation and Subsidiaries

Net Sales (j)

Segment (In Thousands)	2009	2008	2007	2006	2005
Film Products	$455,007	$522,839	$530,972	$511,169	$460,277
Aluminum Extrusions	177,521	340,278	371,803	403,790	327,659
AFBS (formerly Therics)	-	-	-	-	252
Total net sales	632,528	863,117	902,775	914,959	788,188
Add back freight	16,085	20,782	19,808	22,602	20,276
Sales as shown in Consolidated Statements of Income	$648,613	$883,899	$922,583	$937,561	$808,464

Identifiable Assets

Segment (In Thousands)	2009	2008	2007	2006	2005
Film Products	$371,639	$399,895	$488,035	$498,961	$479,286
Aluminum Extrusions	82,429	112,259	115,223	128,967	130,448
AFBS (formerly Therics)	1,147	1,629	2,866	2,420	2,759
Subtotal	455,215	513,783	606,124	630,348	612,493
General corporate	50,401	50,874	74,927	30,113	61,905
Cash and cash equivalents	90,663	45,975	48,217	40,898	23,434
Identifiable assets from continuing operations	596,279	610,632	729,268	701,359	697,832
Discontinued operations (a):					
Aluminum extrusions business in Canada	-	-	55,210	80,428	83,926
Total	$596,279	$610,632	$784,478	$781,787	$781,758

Refer to notes to financial tables on page 17.

SEGMENT TABLES
Tredegar Corporation and Subsidiaries

Operating Profit

Segment (In Thousands)	2009		2008		2007		2006		2005	
Film Products:										
Ongoing operations	$ 64,379		$ 53,914		$ 59,423		$ 57,645		$ 44,946	
Plant shutdowns, asset impairments and restructurings, net of gains on sale of assets and related income from LIFO inventory liquidations	(1,846)	(c)	(11,297)	(d)	(649)	(e)	221	(f)	(3,955)	(g)
Aluminum Extrusions:										
Ongoing operations	(6,494)		10,132		16,516		18,302		17,084	
Plant shutdowns, asset impairments, restructurings and other	(639)	(c)	(687)	(d)	(634)	(e)	(1,434)	(f)	(993)	(g)
Goodwill impairment charge	(30,559)	(b)	-		-		-		-	
AFBS (formerly Therics):										
Ongoing operations	-		-		-		-		(3,467)	
Loss on investment in Therics, LLC	-		-		-		(25)		(145)	
Gain on sale of investments in Theken Spine and Therics, LLC	1,968	(c)	1,499	(d)	-		-		-	
Plant shutdowns, asset impairments, restructurings and other	-		-		(2,786)	(e)	(637)	(f)	(10,318)	(g)
Total	26,809		53,561		71,870		74,072		43,152	
Interest income	806		1,006		1,212		1,240		586	
Interest expense	783		2,393		2,721		5,520		4,573	
Gain on sale of corporate assets	404		1,001		2,699		56		61	
Gain from write-up of an investment accounted for under the fair value method	5,100	(c)	5,600	(d)	-		-		-	
Loss from write-down of an investment	-		-		2,095	(e)	-		5,000	(g)
Stock option-based compensation costs	1,692		782		978		970		-	
Corporate expenses, net	13,334		8,866		10,691		13,770		11,357	(g)

Income from continuing operations before income taxes		17,310			49,127			59,296			55,108			22,869
Income taxes		18,663	(c)		19,486	(d)		24,366			19,791	(f)		9,497
Income (loss) from continuing operations		(1,353	)		29,641			34,930			35,317			13,372
Income (loss) from discontinued operations (a)		-			(705	)		(19,681	)		2,884			2,857
Net income (loss)	$	(1,353	)	$	28,936		$	15,249		$	38,201		$	16,229

Refer to notes to financial tables on page 17.

SEGMENT TABLES
Tredegar Corporation and Subsidiaries

Depreciation and Amortization

Segment (In Thousands)	2009	2008	2007	2006	2005
Film Products	$32,360	$34,588	$34,092	$31,847	$26,673
Aluminum Extrusions	7,566	8,018	8,472	8,378	7,996
AFBS (formerly Therics)	-	-	-	-	437
Subtotal	39,926	42,606	42,564	40,225	35,106
General corporate	71	70	91	111	195
Total continuing operations	39,997	42,676	42,655	40,336	35,301
Discontinued operations (a):					
Aluminum extrusions business in Canada	-	515	3,386	3,945	3,488
Total	$39,997	$43,191	$46,041	$44,281	$38,789

Capital Expenditures and Investments

Segment (In Thousands)	2009	2008	2007	2006	2005
Film Products	$11,487	$11,135	$15,304	$33,168	$50,466
Aluminum Extrusions	22,530	9,692	4,391	6,609	5,750
AFBS (formerly Therics)	-	-	-	-	36
Subtotal	34,017	20,827	19,695	39,777	56,252
General corporate	125	78	6	24	73
Capital expenditures for continuing operations	34,142	20,905	19,701	39,801	56,325
Discontinued operations (a):					
Aluminum extrusions business in Canada	-	39	942	772	6,218
Total capital expenditures	34,142	20,944	20,643	40,573	62,543
Investments	-	5,391	23,513	542	1,095
Total	$34,142	$26,335	$44,156	$41,115	$63,638

Refer to notes to financial tables on page 17.

NOTES TO FINANCIAL TABLES

(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 $412,000 on the sale in addition to operating results through the closing date. In 2007, discontinued operations also include $11.4 million in cash income tax benefits from the sale that were realized in 2008.

(b) A goodwill impairment charge of $30.6 million ($30.6 million after taxes) was recognized in Aluminum Extrusions upon completion of an impairment analysis performed as of March 31, 2009. The non-cash charge, computed under U.S. generally accepted accounting principles, resulted from the estimated adverse impact on the business unit's fair value of possible future losses and the uncertainty of the amount and timing of an economic recovery.

(c) Plant shutdowns, asset impairments, restructurings and other for 2009 include a charge of $2.1 million for severance and other employee related costs in connection with restructurings for Film Products ($1.3 million), Aluminum Extrusions ($433,000) and corporate headquarters ($396,000, included in "Corporate expenses, net" in the operating profit by segment table), an asset impairment charge of $1.0 million in Films Products, pretax losses of $952,000 associated with Aluminum Extrusions for timing differences between the recognition of realized losses on aluminum futures contracts and related revenues from the delayed fulfillment by customers of fixed-price forward purchase commitments (included in "Cost of goods sold" in the consolidated statements of income), a gain of $640,000 related to the sale of land at our aluminum extrusions facility in Newnan, Georgia (included in "Other income (expense), net" in the consolidated statements of income), a gain of $275,000 on the sale of equipment (included in "Other income (expense), net" in the consolidated statements of income) from a previously shutdown film products manufacturing facility in LaGrange, Georgia, a gain of $175,000 on the sale of a previously shutdown aluminum extrusions manufacturing facility in El Campo, Texas (included in "Other income (expense), net" in the consolidated statements of income), a gain of $149,000 related to the reversal to income of certain inventory impairment accruals in Film Products, and a net charge of $69,000 (included in "Costs of goods sold" in the consolidated statement of income) related to adjustments of future environmental costs expected to be incurred by Aluminum Extrusions. The gain from the write-up of an investment accounted for under the fair value method of $5.1 million in 2009 is included in "Other income (expense), net" in the consolidated statement of income. The gain on sale of investments in Theken Spine and Therics, LLC, which is also included in "Other income (expense), net" in the consolidated statement of income, includes the receipt of a contractual earn-out payment of $1.8 million and a post-closing contractual adjustment of $150,000. 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. Income taxes in 2009 include the recognition of a valuation allowance of $2.1 million related to the expected limitations on the utilization of assumed capital losses on certain investments.

(d) Plant shutdowns, asset impairments, restructurings and other for 2008 include an asset impairment charge of $9.7 million for Film Products, a charge of $2.7 million for severance and other employee related costs in connection with restructurings for Film Products ($2.2 million) and Aluminum Extrusions ($510,000), a pretax gain of $583,000 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 $177,000 pretax 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 $1.5 million 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. The gain from the write-up of an investment accounted for under the fair value method of $5.6 million 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 $1.1 million that originally related to expected limitations on the utilization of assumed capital losses on certain investments.

(e) Plant shutdowns, asset impairments, restructurings and other for 2007 include a charge of $2.8 million related to the estimated loss on the sub-lease of a portion of the AFBS (formerly Therics) facility in Princeton, New Jersey, charges of $594,000 for asset impairments in Film Products, a charge of $592,000 for severance and other employee-related costs in Aluminum Extrusions, a charge of $55,000 related to the shutdown of the films manufacturing facility in LaGrange, Georgia, and a charge of $42,000 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 $2.1 million is included in "Other income (expense), net" in the consolidated statements of income.

(f) Plant shutdowns, asset impairments, restructurings and other for 2006 include a net gain of $1.5 million associated with the shutdown of the films manufacturing facility in LaGrange, Georgia, including a gain of $2.9 million for related LIFO inventory liquidations (included in "Cost of goods sold" in the consolidated statements of income) and a gain of $261,000 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 $1.6 million and asset impairment charges of $130,000, charges of $1.0 million for asset impairments in Film Products, a charge of $920,000 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 $727,000 for severance and other employee-related costs in connection with restructurings in Film Products ($213,000) and Aluminum Extrusions ($514,000), and charges of $637,000 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 $577,000 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.

(g) Plant shutdowns, asset impairments, restructurings and other for 2005 include charges of $10.3 million related to the sale or assignment of substantially all of AFBS' assets, charges of $2.1 million related to severance and other employee-related costs in connection with restructurings in Film Products ($1.1 million), Aluminum Extrusions ($498,000) and corporate headquarters ($455,000, included in "Corporate expenses, net" in the operating profit by segment table), a charge of $2.1 million related to the planned shutdown of the films manufacturing facility in LaGrange, Georgia, a net gain of $1.7 million related to the shutdown of the films manufacturing facility in New Bern, North Carolina, including a gain on the sale of the facility ($1.8 million, included in "Other income (expense), net" in the consolidated statements of income), partially offset by shutdown-related expenses ($225,000), a charge of $1.0 million 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 $843,000 related to severance and other employee-related costs associated with the restructuring of the research and development operations in Film Products (of this amount, $1.4 million in charges for employee relocation and recruitment is included in "Selling, general & administrative expenses" in the consolidated statements of income), a gain of $653,000 related to the shutdown of the films manufacturing facility in Carbondale, Pennsylvania, including a gain on the sale of the facility ($630,000, included in "Other income (expense), net" in the consolidated statements of income), and the reversal to income of certain shutdown-related accruals ($23,000), charges of $583,000 for asset impairments in Film Products, a gain of $508,000 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 $495,000 in Aluminum Extrusions, including an asset impairment ($597,000), partially offset by the reversal to income of certain shutdown-related accruals ($102,000), charges of $353,000 for accelerated depreciation related to restructurings in Film Products, and a charge of $182,000 in Film Products related to the write-off of an investment. As of December 31, 2005, the investment in Novalux, Inc. of $6.1 million was written down to estimated fair value of $1.1 million. The loss from the write-down, $5.0 million, is included in "Other income (expense), net" in the consolidated statements of income.

(h) 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.

(i) Equity market capitalization is the closing market price per share for the period multiplied by the shares outstanding at the end of the period.

(j) 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.

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

Forward-looking and Cautionary Statements

Some of the information contained in this Form 10-K may constitute "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. When we use the words "believe," "estimate," "anticipate," "expect," "project," "likely," "may" and similar expressions, we do so to identify forward-looking statements. Such 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. It is possible that our actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in these forward-looking statements. For risks and important factors that could cause actual results to differ from expectations refer to "Risk Factors" in Part I, Item 1A of this Form 10-K. Readers are urged to review and consider carefully the disclosures Tredegar makes in the reports Tredegar files with or furnishes to the Securities and Exchange Commission. Tredegar does not undertake to update any forward-looking statement to reflect any change in management's expectations or any change in conditions, assumptions or circumstances on which such statements are based.

Executive Summary

General

Tredegar is a manufacturer of plastic films and aluminum extrusions. Descriptions of our businesses are provided on pages 1-7.

Losses from continuing operations were $1.4 million (4 cents per diluted share) in 2009 compared with income from continuing operations of $29.6 million (87 cents per diluted share) in 2008. Gains on the sale of assets, investment write-downs or write-ups and other items and losses related to plant shutdowns, assets impairments, restructurings and other charges are described in results of operations beginning on page 24. The business segment review begins on page 34.

Film Products

In Film Products, net sales were $455.0 million in 2009, down 13.0% versus $522.8 million in 2008. Operating profit from ongoing operations was $64.4 million in 2009, an increase of 19.4% compared with $53.9 million in 2008. Volume decreased to 206.7 million pounds in 2009 from 221.2 million pounds in 2008. Net sales declined compared to last year due to the impact on selling prices from the pass-through of lower resin costs, volume declines in personal care materials and packaging films and the unfavorable effect of changes in the U.S. dollar value of currencies for operations outside the U.S.

Operating profit from ongoing operations increased in 2009 compared to 2008 as cost reduction efforts, productivity gains, the positive impact of the change in product mix driven mostly by an increase in sales of high-value surface protection materials and the lag in the pass-through of reduced resin costs were partially offset by lower overall sales volumes and the unfavorable effects of foreign currency rates. 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 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 a positive $1.7 million in 2009 and a negative $600,000 in 2008. The estimated unfavorable impact from U.S. dollar value currencies for operations outside the U.S. was $1.9 million in 2009 compared with

2008.

Future operating profit levels within Film Products will depend upon our ability to deliver product innovations and cost reductions, to support growth in the sales of higher value surface protection materials and to address competitive pressures facing our personal care and packaging materials businesses.

Capital expenditures in Film Products were $11.5 million in 2009, up from $11.1 million in 2008, and are projected to be approximately $24 million in 2010 as spending returns to more normalized levels. Depreciation expense was $32.2 million in 2009, down from $34.5 million in 2008, and is projected to be approximately $36 million in 2010.

Aluminum Extrusions

Net sales from continuing operations in Aluminum Extrusions were $177.5 million in 2009, down 47.8% from $340.3 million in 2008. Operating losses from ongoing U.S. operations were $6.5 million, a negative change of $16.6 million from operating profits of $10.1 million in 2008. Volume from continuing operations was 91.5 million pounds in 2009, down 32.8% from 136.2 million pounds in 2008.

The decrease in net sales was mainly due to lower sales volume and a decrease in average selling prices driven by lower average aluminum costs. Weak market conditions led to decreased shipments in most markets. Shipments in nonresidential construction, which comprised 71% of total volume in 2009, declined by approximately 34% in 2009 compared with 2008. Operating losses from ongoing U.S. operations in 2009 were primarily driven by lower sales volume. Given the uncertainty as to the timing of a meaningful recovery in the nonresidential construction market, our short-term focus in Aluminum Extrusions continues to be reducing our breakeven point while strategically investing in the business to ensure continued improvement in product and service offerings to our customers.

Upon completing a goodwill impairment analysis as of March 31, 2009, a goodwill impairment charge of $30.6 million ($30.6 million after tax) was recognized in Aluminum Extrusions. This impairment charge represents the entire amount of goodwill associated with the Aluminum Extrusions reporting unit. For additional detail on this goodwill impairment charge, see Note 1 of the notes to the financial statements beginning on page 47.

Capital expenditures for continuing operations in Aluminum Extrusions were $22.5 million in 2009, a $12.8 million increase from $9.7 million in 2008, and are projected to be approximately $6.4 million in 2010. The 18-month project to expand capacity at our Carthage, Tennessee manufacturing facility, which will increase our capabilities in the nonresidential construction sector, accounted for $19.0 million of capital expenditures in 2009. Depreciation expense for continuing operations was $7.6 million in 2009, a decrease of 5.6% from $8.0 million in 2008, and is projected to be $9.5 million in 2010.

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 $3.1 million in 2009, an unfavorable change of $1.8 million from amounts recognized in 2008. Most of the change is reflected in "Corporate expenses, net" in the operating profit by segment table presented on page 15. We contributed approximately $129,000 to our pension plans for continuing operations in 2009, and minimum required contributions to our pension plans in 2010 are expected to be comparable. The projected benefit obligation of our pension plans at December 31, 2009 is approximately $235.0 million at a weighted average discount rate of 5.7%, and net pension expense in 2010 is estimated at $1.4 million. Corporate expenses, net in 2009 increased in comparison to 2008 primarily due to adjustments made to accruals for certain performance-based compensation programs and the unfavorable change in pension income noted above.

Interest expense, which includes the amortization of debt issue costs, was $783,000 in 2009, a $1.6 million decline versus 2008, primarily due to reduced average debt levels and lower average interest rates.

The effective tax rate used to compute income taxes from continuing operations was 107.8% in 2009 compared with 39.7 % in 2008. The change in the effective tax rate for continuing operations for 2009 versus 2008 was due to numerous factors as shown in the effective income tax rate reconciliation provided in Note 14 on page 69.

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, 2009, Harbinger reported our capital account value at $14.5 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 21.

In 2009, we repurchased 105,497 shares of our stock under a standing authorization from our board of directors at an average price of $14.44 per share, compared to 1.1 million shares of stock repurchased in 2008 at an average price of $14.88. Due to strong cash flows from operations, our net cash balance (cash and cash equivalents of $90.7 million in excess of total debt of $1.2 million) was $89.5 million at December 31, 2009, compared 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 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 27.

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).

In assessing the recoverability of long-lived identifiable assets and goodwill, we estimate fair value using discounted cash flow analysis and comparative enterprise value-to-EBITDA multiples. These calculations require us to 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 on the severity of the economic downturn and its impact on sales volumes of our aluminum extrusions business (a 36.8% decline in sales volume in the first quarter of 2009 compared with the first quarter of 2008), the resulting first quarter loss, possible future losses and the uncertainty in the amount and timing of an economic recovery, we determined that impairment indicators existed. Upon completing the impairment analysis as of March 31, 2009, a goodwill impairment charge of $30.6 million, which represents the entire amount of goodwill associated with Aluminum Extrusions, was recorded.

Based upon assessments performed as to the recoverability of long-lived identifiable assets, we have recorded asset impairment losses for continuing operations of $1.0 million in 2009, $8.6 million in 2008 and $594,000 in 2007. 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 company 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, 2009, our ownership interest was approximately 21% on a fully diluted basis.

U.S. generally accepted accounting principles (U.S. GAAP) 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 any other significant financial transaction, fair 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.

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. In the fourth quarter of 2009, we recognized an additional unrealized gain of $5.1 million for the appreciation of our ownership interest upon the investee entering into an exclusive licensing agreement that included an upfront payment, additional potential milestone payments and tiered royalties on sales of any products commercialized under the license. At December 31, 2009 and 2008, the fair value of our investment (the carrying value included in "Other assets and deferred charges" in our consolidated balance sheet) was $18.2 million and $13.1 million, respectively. The fair market valuation of our interest in the drug delivery company is sensitive to changes in the weighted average cost of capital used to discount cash flow projections for the high degree of risk associated with meeting development and commercialization milestones as anticipated. At December 31, 2009, the effect of a 500 basis point change in the weighted average cost of capital assumption would have increased or decreased the fair value of our interest in the drug delivery company by approximately $2-3 million. Any future changes in the estimated fair value of our ownership interest will likely be attributed to a new round of financing, a merger or initial public offering or adjustments to the timing or magnitude of cash flows associated with development and commercialization milestones. Adjustments to the estimated fair value of our investment will be made in the period upon which such changes can be quantified.

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 or expense 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 5.70% at the end of 2009, 6.5% at the end of 2008 and 6.25% at the end of 2007, 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 (not applicable in 2009 and 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 increased $34.4 million, or 17.7%, in 2009, partially recovering from an $89.6 million decline in 2008. The 31.5% asset value decline in 2008 was 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 8.25% in 2009, 8.5% from 2004 to 2008, 8.75% in 2003 and 9% in 2002 and prior years. We anticipate that our expected long-term return on plan assets will be 8.25% for fiscal year 2010. See page 66 for more information on expected long-term return on plan assets and asset mix.

See the executive summary beginning on page 18 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 $1.0 million, $2.6 million and $3.3 million as of December 31, 2009, 2008 and 2007, respectively. Included in the 2009, 2008 and 2007 amounts were $348,000, $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 $537,000, $1.3 million and $1.2 million at December 31, 2009, 2008 and 2007, respectively ($342,000, $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.

In 2009, we settled 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. The settlement with the IRS for the disputed issues cost us approximately $1.0 million, which is lower than the previous estimate of $1.3 million and was applied against the balance of unrecognized tax benefits.

Tredegar and its subsidiaries file income tax returns in the U.S., various states and jurisdictions outside the U.S. Generally, except for refund claims and amended returns, Tredegar is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2006. 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 2006.

As of December 31, 2009 and 2008, we had valuation allowances relating to deferred tax assets of $11.7 million and $9.8 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

In June 2009, the Financial Accounting Standards Board (the "FASB") issued guidance that clarifies the information that an entity must provide in its financial statements surrounding a transfer of financial assets and the effect of the transfer on its financial position, financial performance, and cash flows. These new accounting rules are effective as of the beginning of the annual period beginning after November 15, 2009. We do not expect these FASB rules to have a material impact on our financial statements and disclosures.

The FASB also provided guidance in June 2009 that clarifies and improves financial reporting by entities involved with variable interest entities. The revised statement amends previous guidance to require an enterprise to perform a qualitative analysis to determine whether it has a controlling financial interest in a variable interest entity, to eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity, and to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. This new accounting standard is effective for annual periods beginning after November 15, 2009. We do not expect these FASB rules to have a material impact on our financial statements and disclosures.

In October 2009, the FASB Emerging Issues Task Force issued a consensus updating accounting standards for revenue recognition for multiple-deliverable arrangements. The stated objective of the accounting standards update was to address the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. The revision of current FASB guidance provides amended methodologies for separating consideration in multiple-deliverable arrangements and expands disclosure requirements. The accounting standards update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We do not expect these FASB rules to have a material impact on our financial statements and disclosures.

The FASB issued guidance in January 2010 that requires new disclosures for fair value measurements and provides clarification for existing disclosure requirements. More specifically, this update will require (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update also clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for disclosures about the purchase, sale, issuance and settlement activity of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for the interim periods in that year. We do not anticipate that the adoption of this statement will materially expand our consolidated financial statement footnote disclosures.

Results of Continuing Operations

2009 versus 2008

Revenues. Sales in 2009 decreased by 26.6% compared with 2008 due to sales declines in both Film Products and Aluminum Extrusions. Net sales (sales less freight) decreased 13.0% in Film Products due to the impact of lower selling prices from the pass-through of reduced resin prices, volume declines in personal care materials and packaging films and the unfavorable effect of foreign currency rates. Net sales decreased 47.8% in Aluminum Extrusions due to lower sales volumes and a decrease in average selling prices driven by lower aluminum prices. Volumes in Aluminum Extrusions were 91.5 million pounds in 2009, down 32.8% from 136.2 million pounds in 2008. For more information on net sales and volume, see the executive summary beginning on page 18.

Operating Costs and Expenses. Consolidated gross profit (sales minus cost of goods sold and freight) as a percentage of sales was 17.8% in 2009 and 14.0% in 2008. The gross profit margin increased in Film Products primarily due to cost reduction efforts, productivity gains, a change in product mix mostly driven by sales of high value surface protection materials and the lag in the pass-through of substantially higher average resin costs in 2008. Gross profit margins in Aluminum Extrusions decreased as a result of volume declines noted above.

As a percentage of sales, selling, general and administrative and R&D expenses were 11.2% in 2009, an increase from 7.9% in 2008. The increase in selling, general and administrative expenses as a percentage of net sales was primarily due to the decline in sales noted above and adjustments made to accruals for certain performance-based compensation programs.

Losses associated with plant shutdowns, asset impairments, restructurings and other charges in 2009 totaled $2.9 million ($2.3 million after taxes) and included:

A fourth quarter charge of $181,000 ($121,000 after taxes) and a first quarter charge of $1.1 million ($806,000 after taxes) for severance and other employee-related costs in connection with restructurings in Film Products;
A fourth quarter charge of $1.0 million ($1.0 million after taxes) for asset impairments in Film Products;
A fourth quarter benefit of $547,000 ($340,000 after taxes), a third quarter charge of $111,000 ($69,000 after taxes), a second quarter charge of $779,000 ($484,000 after taxes), and a first quarter charge of $609,000 ($378,000 after taxes) for timing differences between the recognition of realized losses on aluminum futures contracts and related revenues from the delayed fulfillment by customers of fixed-price forward purchase commitments (included in “Cost of goods sold” in the consolidated statements of income, see Note 6 starting on page 57 for additional detail);
A fourth quarter gain of $640,000 ($398,000 after taxes) related to the sale of land at our aluminum extrusions manufacturing facility in Newnan, Georgia (included in “Other income (expense), net” in the consolidated statements of income);
A fourth quarter charge of $64,000 ($40,000 after taxes) and a first quarter charge of $369,000 ($232,000 after taxes) for severance and other employee-related costs in connection with restructurings in Aluminum Extrusions;
A fourth quarter charge of $218,000 ($139,000 after taxes) and a first quarter charge of $178,000 ($113,000 after taxes) for severance and other employee-related costs in connection with restructurings at corporate headquarters (included in “Corporate expenses, net” in the segment operating profit table in Note 3 on page 55);
A first quarter gain of $275,000 ($162,000 after taxes) on the sale of equipment (included in “Other income (expense), net” in the consolidated statements of income) from a previously shutdown films manufacturing facility in LaGrange, Georgia;
A second quarter gain of $175,000 ($110,000 after taxes) on the sale of previously shutdown aluminum extrusions manufacturing facility in El Campo, Texas (included in “Other income (expense), net” in the consolidated statements

of income);

- A second quarter gain of $149,000 ($91,000 after taxes) related to the reversal to income of certain inventory impairment accruals in Film Products; and
- A fourth quarter charge of $345,000 ($214,000 after taxes) and a second quarter benefit of $276,000 ($172,000 after taxes) related to adjustments of future environmental costs expected to be incurred by Aluminum Extrusions (included in “Cost of goods sold” in the consolidated statements of income).

The severance in Film Products includes reduction in workforce in 2009 (approximately 50 employees) that is expected to save approximately $2.0 million on an annualized basis.

We recognized gains of $1.8 million ($1.2 million after taxes) from the receipt of a contractual earn-out payment and $150,000 ($96,000 after taxes) from a post-closing contractual adjustment from the sale in 2008 of our investments in Theken Spine and Therics, LLC. These gains are 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 2009 include unrealized gains from the write-up of an investment accounted for under the fair value method of $5.1 million ($3.2 million after taxes; see further discussion on page 21). Gains on the sale of corporate assets in 2009 include realized gains of $404,000 ($257,000 after taxes) from the sale of corporate real estate. The pretax amounts for each 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 15.

For more information on costs and expenses, see the executive summary beginning on page 18.

Interest Income and Expense. Interest income, which is included in “Other income (expense), net” in the consolidated statements of income, was $806,000 in 2009, compared to $1.0 million in 2008. 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, which includes the amortization of debt issue costs, was $783,000 in 2009, a 67.3% decrease in comparison to $2.4 million for 2008 due to lower average debt levels and lower average interest rates during 2009. Average debt outstanding and interest rates were as follows:

(In Millions)		2009			2008	
Floating-rate debt with interest charged on a rollover basis at one-month LIBOR plus a credit spread:						
Average outstanding debt balance	$	5.0		$	47.7	
Average interest rate		1.2	%		3.8	%
Fixed-rate and other debt:						
Average outstanding debt balance	$	1.5		$	1.8	
Average interest rate		3.5	%		4.1	%
Total debt:						
Average outstanding debt balance	$	6.5		$	49.5	
Average interest rate		1.8	%		3.8	%

Income Taxes. The effective tax rate used to compute income taxes from continuing operations was 107.8% in 2009 compared with 39.7% in 2008. The differences between the U.S. federal statutory rate and the effective tax rate for continuing operations are shown in the effective income tax rate reconciliation provided in Note 14 on page 69.

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 18.

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 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).

The severance in Film Products includes a reduction in workforce in the first quarter of 2008 (approximately 90 or 6% 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 21). 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 15.

For more information on costs and expenses, see the executive summary beginning on page 18.

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.

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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 was due to numerous factors as shown in the effective income tax rate reconciliation provided in Note 14 on page 69.

Financial Condition

Assets and Liabilities

Changes in assets and liabilities from continuing operations from December 31, 2008 to December 31, 2009 are summarized below:

Accounts receivable decreased $17.4 million (19.0%).

- Accounts receivable in Film Products decreased by $4.2 million due mainly to lower sales and improved cash collections. Days sales outstanding ("DSO") were 43 at December 31, 2009 compared to 45 at December 31, 2008.
- Accounts receivable in Aluminum Extrusions decreased by $13.2 million due to lower sales volumes in 2009. DSO was 44 at December 31, 2009 compared with 43 at December 31, 2008, which was within the range experienced over the last twelve months.

Inventories decreased $1.3 million (3.5%).

- Inventories in Film Products increased by approximately $568,000 as a result of the effect of changes in the U.S. dollar value of currencies for operations outside the U.S. Inventory days were relatively consistent at 36 at December 31, 2009 and 2008, respectively, which is within the range experience over the past twelve months.
- Inventories in Aluminum Extrusions decreased by approximately $1.9 million. Inventory days increased to 42 at December 31, 2009 compared with 30 at December 31, 2008. Lower inventories at Aluminum Extrusions can be primarily attributed to a decrease in inventory levels as a result of reduced customer demand.

Net property, plant and equipment decreased $6.0 million (2.5%) due primarily to depreciation of $39.9 million and asset impairments and property disposals of $2.7 million, partially offset by capital expenditures of $34.1 million and a change in the value of the U.S. dollar relative to foreign currencies ($2.5 million increase).

Goodwill and other intangibles decreased by $30.5 million (22.6%) primarily due to the goodwill impairment charge of $30.6 million related to our aluminum extrusions business (see Note 1 beginning on page 47).

Other assets increased by $6.6 million (17.0%) primarily due to the $5.1 million write-up of an investment accounted for under the fair value method.

Accounts payable decreased by $1.2 million (2.2%).

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Accounts payable in Film Products increased by $1.0 million primarily due to normal volatility associated with the timing of payments.

– Accounts payable in Aluminum Extrusions decreased by $2.3 million, or 8.5%, primarily due to lower sales volumes.

– Accounts payable increased at corporate by $128,000.

Accrued expenses decreased by $3.4 million (8.9%) due primarily due to the decrease in unrealized losses on future contracts that are used to hedge fixed-priced forward sales contracts with certain customer in Aluminum Extrusions, partially offset by higher accruals for certain performance-based incentive programs.

Other noncurrent liabilities decreased by $10.7 million (37.0%) due primarily to the change in the funded status of our defined benefit pension plans. As of December 31, 2009, the funded status of our defined benefit pension plan was a net liability of $6.0 million compared with $17.1 million as of December 31, 2008.

Net deferred income tax liabilities in excess of assets increased by $15.8 million primarily due to numerous changes between years in the balance of the components shown in the December 31, 2009 and 2008 schedule of deferred income tax assets and liabilities provided in Note 14 on page 70. Income taxes recoverable decreased by $8.5 million primarily due to tax benefits on certain net operating and capital losses in 2008 that were recovered through the carryback to prior years that had operating income and capital gains.

Net capitalization and indebtedness as defined under our revolving credit agreement as of December 31, 2009 were as follows:

Net Capitalization and Indebtedness as of Dec. 31, 2009
(In Thousands)

Net capitalization:		
Cash and cash equivalents	$	90,663
Debt:		
$300 million revolving credit agreement maturing December 15, 2010		-
Other debt		1,163
Total debt		1,163
Cash and cash equivalents net of debt		(89,500)
Shareholders' equity		429,072
Net capitalization	$	339,572
Indebtedness as defined in revolving credit agreement:		
Total debt	$	1,163
Face value of letters of credit		7,030
Liabilities relating to derivative financial instruments, net of cash deposits		255
Indebtedness	$	8,448

Under the revolving credit agreement, borrowings are permitted up to $300 million, and $222 million was available to borrow at December 31, 2009 based on the most restrictive covenants (no amounts borrowed at December 31, 2009). 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, 2009, the interest rate on debt borrowed under the revolving credit agreement would have been priced at one-month LIBOR plus the applicable credit spread of 75 basis points.

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, 2009 (In Thousands)

Computations of adjusted EBITDA and adjusted EBIT as defined in revolving credit agreement for the twelve months ended December 31, 2009:			
Net loss	$	(1,353	)
Plus:			
After-tax losses related to discontinued operations		-	
Total income tax expense for continuing operations		18,663	
Interest expense		783	
Charges related to stock option grants and awards accounted for			
under the fair value-based method		1,692	
Losses related to the application of the equity method of accounting		-	
Depreciation and amortization expense for continuing operations		39,997	
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,			