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2005 Annual Report

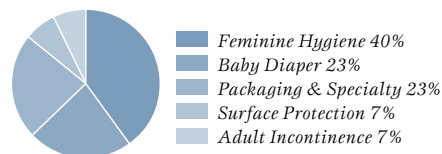
## Tredegar's Profile

Tredegar Corporation is a global manufacturer of plastic films and aluminum extrusions based in Richmond, Virginia. Tredegar Film Products is dedicated to providing innovative materials that make consumers' lives easier, safer and more enjoyable. The William L. Bonnell Company, our aluminum extrusions subsidiary, is committed to enhancing its value advantage by providing high quality products and superior service. Tredegar employs over 3,000 people at more than 20 locations throughout North America, Europe, Asia and Latin America.

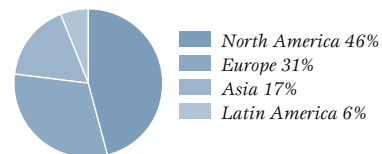
# Tredegar at a Glance

MAJOR MARKETS/PRODUCTS	END USES	CUSTOMERS	COMPETITORS	LOCATIONS
<p><b>Film Products</b></p> <p><b>Personal &amp; Household Care</b></p> <p>Apertured, breathable, elastic and embossed films, nonwovens and laminate materials</p>   	<p>Baby diapers, training pants, feminine hygiene and adult incontinence products</p>  <p>Facial wipes, disposable medical and protective apparel such as protective suits and facial masks, landscaping fabric, wet and dry wipes used in furniture and floor cleaners, cheese processing filters and housewrap</p>	  	<p>All major global and most regional producers of personal care products, including Johnson &amp; Johnson, P&amp;G, SCA and Unicharm</p> <p>Easy Gardener Products Ltd., Hygienic Fabrics &amp; Filters, Inc. and Pacon Manufacturing</p>	<p><b>Headquarters</b> Richmond, Virginia</p> <p><b>Technical Centers</b> Richmond, Virginia Terre Haute, Indiana Chieti, Italy</p> <p><b>Manufacturing Plants</b></p> <p><i>Asia</i> Guangzhou, China Shanghai, China</p> <p><i>Europe</i> Kerkrade, The Netherlands Rétság, Hungary Roccamontepiano, Italy</p> <p><i>Latin America</i> São Paulo, Brazil</p>
<p><b>Packaging &amp; Specialty</b></p> <p>Single and multi-layer films for industrial, medical and household applications</p> 	<p>Overwrap for bathroom tissue, paper towels and greeting cards; sealant films for food and medical laminations including retort sterilization</p> <p>Surface protection films, diaper tapes, autowrap, labels and transfer tapes</p>	 	<p>Alcan, Cello-Foil, Hallmark, P&amp;G, Sonoco and Superpac</p> <p>American Biltrite, Avery Dennison, Corning, ExxonMobil, GE and 3M</p>	<p><b>Headquarters</b> Newnan, Georgia</p> <p><b>Manufacturing Plants</b> Carthage, Tennessee Kentland, Indiana Newnan, Georgia Pickering, Ontario Richmond Hill, Ontario Ste-Thérèse, Quebec Woodbridge, Ontario</p>
<p><b>Aluminum Extrusions</b></p> <p>Mill finish, anodized, painted and fabricated aluminum extrusions for commercial and residential building and construction, machinery and equipment, transportation, electrical, distribution and consumer durables markets</p>	<p>Architectural curtain walls, storefronts, shower enclosures, windows and doors, hurricane protection products, ladders, autos/light trucks, recreational vehicles, snowmobiles and industrial and agricultural machinery</p>	 	<p>Algonquin Industries, Arch Aluminum, Bombardier, Central Steel &amp; Wire Company, Coastal Industries, Eastern Metal Supply, Jeld-Wen, Peachtree Protective Covers, Sundowner Trailers and Weather Shield</p>	<p><b>Headquarters</b> Newnan, Georgia</p> <p><b>Manufacturing Plants</b> Carthage, Tennessee Kentland, Indiana Newnan, Georgia Pickering, Ontario Richmond Hill, Ontario Ste-Thérèse, Quebec Woodbridge, Ontario</p>

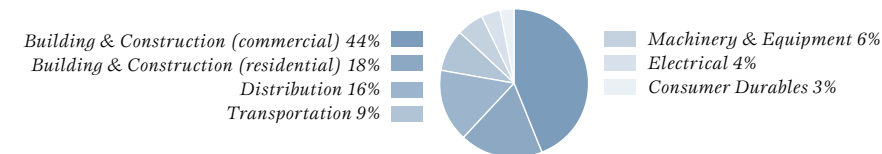
FILM PRODUCTS  
NET SALES BY MAJOR PRODUCT CATEGORY  
(\$460 million in 2005)



FILM PRODUCTS  
NET SALES BY REGION  
(\$460 million in 2005)



ALUMINUM EXTRUSIONS  
VOLUME BY END MARKET  
(246 million pounds in 2005)





# To Our Shareholders



I have assumed the position of President effective March 1, 2006. I thought you might be interested to know what I have been communicating throughout the company regarding my expectations and my priorities.

## Expectations

*Value Creation:* All businesses, divisions, strategic entities and regions must generate a return that supports the capital invested in it. The current level of performance is not acceptable. Tredegar's income from manufacturing operations has dropped from a high of \$65 million in 1999, to \$31 million in 2005. This decline has occurred despite large capital outlays. Continuous incremental improvements are very helpful, but the challenge requires more. Every manager in Tredegar must be focused on generating improved returns. We must reexamine our strategies and test all assumptions.

## Priorities

*Cost:* Tredegar, like many manufacturers, has been hit by a wave of unfavorable cost trends. Raw material and energy costs have soared over the past couple of years. Polyethylene resin is 100% higher than it was in 2002. Aluminum is at an 18-year high. In 2005, the spike in the price of natural gas added \$7 million to Bonnell's cost and the Canadian Dollar's appreciation adversely impacted operating profits in Bonnell by about \$3.5 million.

Our businesses have offset some of these cost pressures through cost reductions and pricing adjustments, but we must do more. Many market forces

are beyond our control, but we can address our costs and overhead. The management teams of our films and aluminum businesses have identified what they consider aggressive cost reduction plans for 2006. I will urge them to exceed these targets.

*Strategy:* All aspects of Tredegar are undergoing strategic assessments. We will identify areas where we have advantages and, consequently, warrant resources. There is no doubt that we will also identify areas where the current strategies are failing. In such cases we will explore alternative approaches. All non-value added activities will be targeted for elimination or minimization.

Tredegar has talented people. If we can focus our human capital on the products, markets and technologies that have the greatest impact on value creation, then we will succeed.

*Organizational Effectiveness:* Tredegar is like most organizations. We have great people who want to win. There are a few basics to winning. It starts with a vision of excellence. Priorities, strategy and expectations must be clear. Execution is the hard part. This is where the efforts of all employees come to bear. Performance is enhanced when a talented group of leaders efficiently organizes the work in a structure that aligns responsibility with strategy. In order for the contributors to maximize their potential, procedures must be clear and rigorously followed. Tredegar will continue to develop talent, improve processes, and exercise proper controls.

Improvement in our effectiveness over time will enhance our cost reduction activities and strategy execution.

## Summary

We will be leaders in the aluminum extrusion and plastic film industries with a focus on value creation. There is no doubt that the challenges are great, but I believe that our people can and will improve results for shareholders through aggressive cost reduction, well developed strategies and enhanced organizational effectiveness. Change may come slowly at first, but as execution improves so will confidence. Tredegar's customers will see the value we offer. Their level of satisfaction will increase. Accordingly, opportunities will increase as well. Employees will benefit from the success through growth, individual opportunity and being part of a winning team.

In closing, I'd like to express my personal appreciation for Norm Scher's service to Tredegar. At the age of 68 he has seen the merits of a less stressful life. While he will continue as our Vice Chairman and help us with several important projects, it is fitting that his dedication to Tredegar over the last 17 years be recognized and I thank him for his leadership.

Sincerely,

A handwritten signature in black ink that reads "John D. Gottwald". The signature is written in a cursive, flowing style.

John D. Gottwald  
President and Chief Executive Officer



When I reflect over the last four years as President and CEO, there have been a few bumps in the road. It has been a rocky ride replete with the loss of a major piece of films business, lack of consistency in our aluminum operations, and the inability to develop our biotech units. Over the period it became apparent that significant challenges were affecting our films and aluminum businesses that were changing the basic landscape. These included ever increasing raw material and energy costs, chronic overcapacity, and constant price pressure from customers and competitors. The strong Canadian Dollar added another challenge to our aluminum business. To return to profitable growth, these challenges had to be overcome.

The resulting need for change, flexibility and strategic agility required effective execution through rapid new product introductions at films and more focused business efforts at aluminum. Cost reductions in all aspects of our operations became an absolute necessity. In our films business, we successfully introduced new elastics for baby diapers and adult incontinence products, surface protection films for flat panel displays, and apertured topsheets for feminine hygiene products, including a new feminine pad topsheet for P&G. However, the cost of capital, product rollout delays, and high start-up costs have suppressed growth at films. In aluminum, the success of our more focused efforts to grow profits is still to be determined.

During 2005, significant changes were made in the leadership of films and aluminum. I believe these units are effectively engaging their difficult business challenges. They are building their teams and should thrive under the proven leadership of John Gottwald and the priorities and expectations he has announced.

While many changes continue at Tredegar, I'm glad to say that our fundamental culture of honesty, integrity and quality remains intact. I've been fortunate to have met many of our employees throughout the world. I thank them for their continued hard work and dedication. I thank the Board and John for the opportunity to lead the company over the last few years. I'm confident we now have in place the leadership and are putting in place the strategies that can move us well beyond the current state. I look forward to my continued involvement as a member of the Board and to providing continuing support to John and his team.

Sincerely,

A handwritten signature in black ink that reads "Norman A. Scher". The signature is written in a cursive, flowing style.

Norman A. Scher  
*Vice Chairman*

# Financial Summary

Years Ended December 31 2005 2004

(In Thousands, Except Per-Share Data)

## NET INCOME AND DILUTED EARNINGS PER SHARE

Income from continuing operations as reported under generally accepted accounting principles (GAAP)	<b>\$ 16,229</b>	\$ 26,260
After-tax effects of:		
Loss associated with plant shutdowns, asset impairments and restructurings	<b>11,909</b>	15,193
Loss from AFBS (formerly Therics) ongoing operations	<b>2,348</b>	6,346
Gains from sale of assets, investment write-down and other items	<b>874</b>	(13,660)
<b>Income from manufacturing operations<sup>1</sup></b>	<b>\$ 31,360</b>	\$ 34,139
Diluted earnings per share from continuing operations as reported under GAAP	<b>\$ .42</b>	\$ .68
After-tax effects per diluted share of:		
Loss associated with plant shutdowns, asset impairments and restructurings	<b>.31</b>	.39
Loss from AFBS (formerly Therics) ongoing operations	<b>.06</b>	.16
Gains from sale of assets, investment write-down and other items	<b>.02</b>	(.35)
<b>Diluted earnings per share from manufacturing operations<sup>1</sup></b>	<b>\$ .81</b>	\$ .88

## ONGOING OPERATIONS

Film Products:		
Net sales <sup>3</sup>	<b>\$460,277</b>	\$413,257
Ongoing operating profit	<b>44,946</b>	43,259
Adjusted EBITDA <sup>2</sup>	<b>63,776</b>	58,997
Depreciation and amortization	<b>26,673</b>	21,967
Capital expenditures	<b>50,466</b>	44,797
Aluminum Extrusions:		
Net sales <sup>3</sup>	<b>471,749</b>	425,130
Ongoing operating profit	<b>19,302</b>	22,637
Adjusted EBITDA <sup>2</sup>	<b>27,414</b>	30,347
Depreciation and amortization	<b>11,484</b>	10,914
Capital expenditures	<b>11,968</b>	10,007

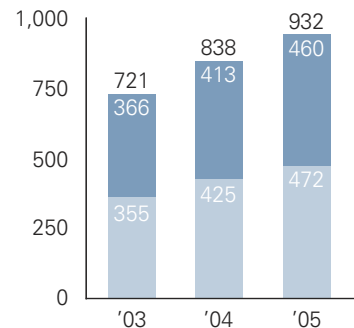
## FINANCIAL POSITION AND OTHER DATA

Cash and cash equivalents	<b>\$ 23,434</b>	\$ 22,994
Debt outstanding	<b>113,050</b>	103,452
Shareholders' equity	<b>485,362</b>	480,442
Annualized dividends per share	<b>.16</b>	.16
Shares outstanding at end of period	<b>38,737</b>	38,598
Shares used to compute diluted earnings per share	<b>38,597</b>	38,507

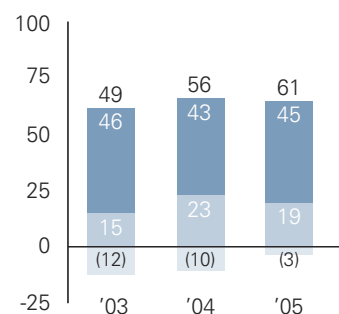
## CLOSING MARKET PRICE PER SHARE

High	<b>\$ 20.19</b>	\$ 20.25
Low	<b>11.76</b>	13.00
End of year	<b>12.89</b>	20.21
Total return to shareholders	<b>(35.4)%</b>	31.2%

NET SALES<sup>3</sup>  
(\$ millions)



ONGOING OPERATING PROFIT  
(\$ millions)



ADJUSTED EBITDA<sup>2</sup>  
(\$ millions)



■ Film Products  
■ Aluminum Extrusions  
■ AFBS (formerly Therics)

See appendix for footnotes.

## APPENDIX - FOOTNOTES

- 1 The after-tax effects of unusual items, plant shutdowns, asset impairments and restructurings, AFBS' (formerly Therics, Inc.) ongoing operations, and gains from the sale of assets, investment write-down and other items have been presented separately and removed from income and earnings per share from continuing operations as reported under GAAP to determine Tredegar's presentation of income and earnings per share from manufacturing operations. Income and earnings per share from manufacturing operations are key financial and analytical measures used by Tredegar to gauge the operating performance of its manufacturing businesses. They are not intended to represent the stand-alone results for Tredegar's manufacturing businesses under GAAP and should not be considered as an alternative to net income or earnings per share as defined by GAAP. They exclude items that we believe do not relate to Tredegar's ongoing manufacturing operations. They also exclude AFBS. On June 30, 2005, substantially all of the assets of AFBS were sold or assigned to a newly-created limited liability company, Therics LLC, controlled and managed by an individual not affiliated with Tredegar.
- 2 Adjusted EBITDA represents income from continuing operations before interest, taxes, depreciation, amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings, gains from the sale of assets, investment write-down and other items. Adjusted EBITDA is not intended to represent cash flow from operations as defined by GAAP and should not be considered as either an alternative to net income (as an indicator of operating performance) or to cash flow (as a measure of liquidity). Tredegar uses Adjusted EBITDA as a measure of unlevered (debt-free) operating cash flow. We also use it when comparing relative enterprise values of manufacturing companies and when measuring debt capacity. When comparing the valuations of a peer group of manufacturing companies, we express enterprise value as a multiple of Adjusted EBITDA. We believe Adjusted EBITDA is preferable to operating profit and other GAAP measures when applying a comparable multiple approach to enterprise valuation because it excludes interest, taxes, depreciation, amortization, unusual items and losses associated with plant shutdowns, asset impairments and restructurings, gains from the sale of assets, investment write-down and other items, measures of which may vary among peer companies. A reconciliation of ongoing operating profit to Adjusted EBITDA is shown below.

(In Millions)

	Film Products	Aluminum Extrusions	AFBS (formerly Therics)	Total
<b>2005</b>				
Operating profit from ongoing operations	\$ 44.9	\$ 19.3	\$ (3.4)	\$ 60.8
Allocation of corporate overhead	(7.8)	(3.4)	-	(11.2)
Add back depreciation and amortization	26.7	11.5	0.4	38.6
Adjusted EBITDA	\$ 63.8	\$ 27.4	\$ (3.0)	\$ 88.2
<b>2004</b>				
Operating profit from ongoing operations	\$ 43.3	\$ 22.6	\$ (9.8)	\$ 56.1
Allocation of corporate overhead	(6.2)	(3.2)	-	(9.4)
Add back depreciation and amortization	22.0	10.9	1.3	34.2
Adjusted EBITDA	\$ 59.1	\$ 30.3	\$ (8.5)	\$ 80.9
<b>2003</b>				
Operating profit from ongoing operations	\$ 45.6	\$ 15.1	\$ (11.6)	\$ 49.1
Allocation of corporate overhead	(5.2)	(2.1)	-	(7.3)
Add back depreciation and amortization	19.8	10.9	1.6	32.3
Adjusted EBITDA	\$ 60.2	\$ 23.9	\$ (10.0)	\$ 74.1

- 3 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. Net sales is reconciled in the Quarterly Operating Results by Segment report on our website at [www.tredegar.com](http://www.tredegar.com) in the Investor Relations section.



# Corporate Information

## Corporate Officers and Operating Company Management

### **John D. Gottwald**

*President and Chief Executive Officer*

### **Nancy M. Taylor**

*President, Tredegar Film Products  
and Corporate Senior Vice President*

### **Duncan A. Crowdis**

*President,  
The William L. Bonnell Company*

### **Tammy H. Cummings**

*Vice President, Human Resources*

### **D. Andrew Edwards**

*Vice President, Chief Financial Officer  
and Treasurer*

### **Larry J. Scott**

*Vice President, Audit*

### **W. Hildebrandt Surgner, Jr.**

*Vice President, General Counsel  
and Corporate Secretary*

## Directors

### **Richard L. Morrill**<sup>3,4,5,6</sup>

*Chairman  
Tredegar Corporation  
Chancellor  
University of Richmond*

### **Horst R. Adam**<sup>3,6</sup>

*Chief Executive Officer  
Light Dimensions, Inc*

### **Austin Brockenbrough, III**<sup>2,4,5,6</sup>

*Managing Director and President  
Lowe, Brockenbrough & Company, Inc.*

### **Donald T. Cowles**<sup>2,3,5,6</sup>

*Executive Director  
Initiatives of Change, Inc*

### **John D. Gottwald**<sup>1</sup>

*President and Chief Executive Officer  
Tredegar Corporation*

### **William M. Gottwald**<sup>1</sup>

*Vice Chairman  
Tredegar Corporation  
Chairman  
Albemarle Corporation*

### **Norman A. Scher**<sup>1</sup>

*Vice Chairman  
Tredegar Corporation*

### **Thomas G. Slater, Jr.**

*Partner  
Hunton & Williams LLP*

### **R. Gregory Williams**<sup>2,4,6</sup>

*President  
CCA Financial Services, LLC*

*1 Executive Committee*

*2 Audit Committee*

*3 Executive Compensation Committee*

*4 Nominating and Governance Committee*

*5 Investment Policy Committee*

*6 Independent Director*

## Shareholder Information

### **Annual Meeting**

The annual meeting of shareholders of Tredegar Corporation will be held on May 18, 2006, beginning at 8:30 AM EDT at Lewis Ginter Botanical Garden in Richmond, Virginia. Formal notices of the annual meeting, proxies and proxy statements will be mailed to shareholders on or about March 23.

### **Corporate Headquarters**

1100 Boulders Parkway  
Richmond, Virginia 23225  
Phone: 804-330-1000  
Website: [www.tredegar.com](http://www.tredegar.com)

### **Number of Employees**

Approximately 3,000

### **Counsel**

Hunton & Williams LLP  
Richmond, Virginia

### **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
Richmond, Virginia

### **Stock Listing**

New York Stock Exchange  
Ticker Symbol: TG

### **Transfer Agent and Registrar**

National City Bank  
Cleveland, Ohio

### **Inquiries**

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

National City Bank  
Dept. 5352  
Corporate Trust Operations  
P.O. Box 92301  
Cleveland, Ohio 44193-0900  
Phone: 800-622-6757  
E-mail:  
[shareholder.inquiries@nationalcity.com](mailto:shareholder.inquiries@nationalcity.com)

All other inquiries should be directed to:

Tredegar Corporation  
Investor Relations Department  
1100 Boulders Parkway  
Richmond, Virginia 23225  
Phone: 800-411-7441  
or 804-330-1044  
E-mail: [invest@tredegar.com](mailto:invest@tredegar.com)  
Website: [www.tredegar.com](http://www.tredegar.com)

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**Tredegar**<sup>®</sup>  
CORPORATION

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