

TREDEGAR CORP
Form 10-K
March 04, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from _____ to _____

Commission File Number 1-10258

TREDEGAR CORPORATION

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1497771
(I.R.S. Employer
Identification No.)

1100 Boulders Parkway, Richmond, Virginia
(Address of principal executive offices)

23225
(Zip Code)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 No

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

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

Large accelerated filer Accelerated filer

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

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

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2010 (the last business day of the registrant's most recently completed second fiscal quarter): \$434,856,910*

Number of shares of Common Stock outstanding as of January 31, 2011: 31,884,723 (31,831,708 as of June 30, 2010)

* In determining this figure, an aggregate of 5,186,064 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, 2010.

Documents Incorporated By Reference

Portions of the Tredegar Corporation Proxy Statement for the 2011 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 13, 2011.

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

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PART I

Item 1. BUSINESS

Description of Business

Tredegar Corporation (Tredegar), a Virginia corporation incorporated in 1988, is primarily engaged, through its subsidiaries, in the manufacture of plastic films and aluminum extrusions. The financial information related to Tredegar s film products, aluminum extrusions and other segments and related 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 manufactured at locations in the United States (U.S.) and at plants in The Netherlands, Hungary, Italy, China, Brazil and India. 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 ComfortQuilt™, ComfortAire™, SoftAire™ and FreshFeel™ 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 FabriFlex™, StretchTab™, FlexAire™ and FlexFeel™ brand names); and

Absorbent transfer layers for baby diapers and adult incontinence products sold under the AquiDry™ and AquiSoft™ brand names. In 2010, 2009 and 2008, personal care products accounted for approximately 50%, 52% and 40% of Tredegar s consolidated net sales from continuing operations, respectively.

Protective Films. Film Products produces single and multi-layer surface protection films sold under the UltraMask™ and ForceField™ 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, notebooks, smart phones, tablets, e-readers and digital signage, during the manufacturing process. In 2010, 2009 and 2008, protective films accounted for approximately 12%, 10% and 7% of Tredegar s consolidated net sales from continuing operations, respectively.

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

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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 \$273 million in 2010, \$253 million in 2009 and \$283 million in 2008 (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.

Aluminum Extrusions

The William L. Bonnell Company, Inc. and its subsidiaries (together, Aluminum Extrusions) produce high-quality, soft-alloy aluminum extrusions primarily for building and construction, distribution, transportation, electrical, consumer durables and machinery and equipment 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 architectural curtain walls, storefronts, windows and doors, hurricane shutters, tub and shower enclosures, heatsinks and components for LED (light emitting diode) lighting and automotive and light truck aftermarket 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)

	2010	2009	2008
Building and construction:			
Nonresidential	68	71	72
Residential	14	14	13
Transportation	8	6	4
Distribution	5	4	5
Electrical	2	2	2
Consumer durables	2	2	2
Machinery and equipment	1	1	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.

Other

In February 2010, we added a new segment, Other, comprised of the start-up operations of Bright View Technologies Corporation (Bright View) and Falling Springs, LLC (Falling Springs).

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We acquired the assets of Bright View, a late-stage development company, on February 3, 2010. Bright View is a developer and producer of high-value microstructure-based optical films for the LED and fluorescent lighting markets.

Falling Springs develops, owns and operates multiple mitigation banks. Through the establishment of perpetual easements to restore, enhance and preserve wetlands, streams or other protected environmental resources, these mitigation banks create saleable credits that are used by the purchaser of credits to offset the negative environmental impacts from private and public development projects.

With Bright View's focus on the eco-efficient LED and fluorescent lighting markets and Falling Springs' work in environmental restoration, the two businesses that comprise this segment address environmental sustainability issues, which are of growing significance to us.

General

Intellectual Property. We consider patents, licenses and trademarks to be of significance for Film Products and Bright View. We routinely apply for patents on significant developments in this business. As of December 31, 2010, Film Products held 222 issued patents (76 of which are issued in the U.S.) and 95 trademarks (6 of which are issued in the U.S.). Bright View held 39 issued patents (26 of which are issued in the U.S.). Aluminum Extrusions held two U.S. trademark registrations. Our patents have remaining terms ranging from 1 to 17 years. We also have licenses under patents owned by third parties.

Research and Development. Tredegar's spending for research and development (R&D) activities in 2010, 2009 and 2008 was primarily related to Film Products. Film Products has technical centers in Richmond, Virginia; Terre Haute, Indiana; and Chieti, Italy. R&D spending was approximately \$13.6 million in 2010, \$11.9 million in 2009 and \$11.0 million in 2008.

Backlog. Backlogs are not material to our operations in Film Products. Overall backlog for continuing operations in Aluminum Extrusions at December 31, 2010 increased by approximately 25% compared with December 31, 2009. Demand for extruded aluminum shapes improved slightly in 2010 after declining in most market segments in recent years. Aluminum extrusion volume from continuing operations, which we believe is cyclical in nature, increased 3.7% in 2010 compared to 2009 after decreasing 32.8% in 2009 compared to 2008 and 12.6% in 2008 compared to 2007.

Government Regulation. Laws concerning the environment that affect or could affect our domestic operations include, among others, the Clean Water Act, the Clean Air Act, the Resource Conservation Recovery Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as amended, regulations promulgated under these acts, and any other federal, state or local laws or regulations governing environmental matters.

The U.S. Environmental Protection Agency has adopted regulations under the Clean Air Act relating to emissions of carbon dioxide and other greenhouse gases (GHG), including mandatory reporting and permitting requirements. Additional regulations are anticipated. Several of our manufacturing operations result in emissions of GHG and are subject to these new GHG regulations. Compliance with the newly adopted regulations has yet to require significant expenditures. The cost of compliance with any future GHG legislation or regulations is not presently determinable, but it is not anticipated to have a material adverse effect on our financial condition or results of operation based on information currently available.

At December 31, 2010, 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 additional 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.

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Employees. Tredegar employed approximately 2,000 people at December 31, 2010.

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 could have a material adverse 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 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 34-35. 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 and energy costs through price increases or pass-through arrangements. Further, there is no assurance that our cost control efforts will be sufficient to offset any additional future declines in revenue or increases in raw material, energy or other costs.

Tredegar and its customers operate in highly competitive markets. Tredegar and its businesses compete on product innovation, quality, price and service, and our businesses and its customers operate in highly competitive markets. Recent economic volatility has exacerbated our exposure to margin compression due to competitive forces, especially as certain products move into the later stages of their product life cycles. We attempt to mitigate the effects of this trend through cost saving measures and manufacturing efficiency initiatives, but there is no assurance that these efforts will be sufficient to offset the impact of margin compression as a result of competitive pressure.

Noncompliance with any of the covenants in our \$300 million credit facility could result in all debt under the agreement outstanding at such time becoming due and limiting our borrowing capacity, which could have a material adverse effect on our financial condition and liquidity. The credit agreement governing our revolving 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, 2010, our failure to comply with these covenants in a future period when we have borrowings outstanding could result in an event of default, which if not cured or waived, could have a material adverse effect on our financial condition and liquidity if such borrowings are material. Renegotiation of the covenant(s) through an amendment to our revolving credit facility may effectively cure the noncompliance, but may have an effect on financial condition or liquidity depending upon how the covenant is negotiated.

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Loss of certain key officers or employees could adversely affect our businesses. We depend on our senior executive officers and other key personnel to run our businesses. The loss of any of these officers or other key personnel could have a materially adverse affect on 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 highly skilled employees required for the operation and expansion of our businesses 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 economic uncertainty 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 deteriorating or in recession. In addition, Film Products' credit risk exposure could increase as efforts to expand its business may lead to a broader, more diverse customer base.

Tredegar may not be able to successfully execute its acquisition strategy. New acquisitions can provide meaningful opportunities to grow our business and improve profitability. Acquired businesses may not achieve the levels of revenue, profit, productivity, or otherwise perform as we expect. Acquisitions involve special risks, including, without limitation, diversion of management's time and attention from our existing businesses, the potential assumption of unanticipated liabilities and contingencies and potential difficulties in integrating acquired businesses and achieving anticipated operational improvements. While our strategy is to acquire businesses that will improve our competitiveness and profitability, we can give no assurance that acquisitions will be successful or accretive to earnings.

Tredegar is subject to various environmental laws and regulations and could become exposed to material liabilities and costs associated with such laws. We are subject to various environmental obligations and could become subject to additional obligations 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 obligations or matters could have a material adverse 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 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, which could result in strikes or work stoppages or higher labor costs. 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.

Our investments (primarily \$7.5 million of investments in a privately-held specialty pharmaceutical company and a \$6.4 million net investment in Harbinger) have high risk. The value of our investment in a specialty pharmaceutical company can fluctuate, primarily as a result of its ability to meet its developmental and commercialization milestones within an anticipated time frame. The specialty pharmaceutical company may require additional rounds of financing to have the opportunity to complete product development and bring its

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technology to market, which may never occur. The estimated fair value of our investment was \$16.0 million at December 31, 2010. There is no secondary market for selling our interests in the specialty pharmaceutical company. As a result, we may be required to bear the risk of our investment in the specialty pharmaceutical company for an indefinite period of time.

Harbinger Capital Partners Special Situations Fund, L.P. (Harbinger) is a private investment fund and an investment in the fund involves risk and is subject to limitations on withdrawal. We are withdrawing from the fund, and we received the first installments of withdrawal proceeds in the third and fourth quarters of 2010. The timing and amount of future withdrawal proceeds are not known.

Film Products

Film Products is highly dependent on sales associated with one customer, P&G. P&G comprised approximately 38% of Tredegar's consolidated net sales from continuing operations in 2010, 40% in 2009 and 33% in 2008. 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 replace 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 price that meets our customers' needs.

Continued growth in Film Products' sale of 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 U.S., 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 material 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 materially adverse effect on results of operations in Film Products.

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An unstable economic environment 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 as different suppliers have consolidated their product portfolios or experienced financial distress due to recent uncertainty in the economy. 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 their 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 U.S., particularly in the construction sector. Our end-use markets can be 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 in the building and construction sector. 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 805 customers 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 in order to differentiate itself from competitors that focus on higher volume, standard extrusion applications.

Imports into the U.S., primarily from China, represent a portion of the U.S. aluminum extrusion market. Imports from China have the potential of further exacerbating a very competitive market, thereby amplifying market share and pricing pressures. While the industry submitted a petition to the Department of Commerce in March 2010 alleging Chinese extrusions are being imported through unfair trade practices, the results of this initiative and the impact that this may have on the volume of imports is unknown at this time.

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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

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

Aluminum Extrusions

<i>Locations in the U.S.</i>	<i>Principal Operations</i>
Carthage, Tennessee	Production of aluminum extrusions, fabrication and finishing

Kentland, Indiana

Newnan, Georgia

Other

<i>Locations in the U.S.</i>	<i>Principal Operations</i>
Morrisville, North Carolina (leased)	Development and production of optical films for LED and fluorescent lighting

We also have various mitigation banking properties in Virginia, Georgia and Florida.

Item 3. LEGAL PROCEEDINGS
None.

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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 31,883,173 shares of common stock held by 2,739 shareholders of record on December 31, 2010.

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

	2010		2009	
	High	Low	High	Low
First quarter	\$ 17.58	\$ 14.93	\$ 18.68	\$ 14.43
Second quarter	18.03	15.26	17.99	12.79
Third quarter	19.34	15.84	15.82	13.07
Fourth quarter	20.19	18.38	15.93	13.40

The closing price of our common stock on February 25, 2011 was \$19.11.

Dividend Information

We have paid a dividend every quarter since becoming a public company in July 1989. During 2010, 2009 and 2008, 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 62 for the restrictions contained in our credit agreement related to minimum shareholders equity required and aggregate dividends permitted.

Table of Contents**Issuer Purchases of Equity Securities**

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

Under these standing authorizations, we purchased approximately 2.1 million shares in 2010, 105,497 shares in 2009 and 1.1 million shares in 2008 of our stock in the open market at an average price of \$16.54, \$14.44 and \$14.88 per share, respectively. The table below summarizes share repurchase activity under the current program by month beginning in January 2010:

Period	Total Number of Shares Purchased	Average Price Paid Per Share Before Broker Commissions	Total Number of Shares Purchased Since Inception of Program (a)	Maximum Number of Shares at End of Period that May Yet be Purchased Under Program (a)
January 2010	201,600	\$ 15.81	1,344,697	3,655,303
February 2010	548,900	16.48	1,893,597	3,106,403
March 2010	380,338	17.16	2,273,935	2,726,065
April 2010	171,630	17.20	2,445,565	2,554,435
May 2010	537,302	16.28	2,982,867	2,017,133
June 2010	284,930	16.28	3,267,797	1,732,203
July 2010	200	15.74	3,267,997	1,732,003
August - December 2010			3,267,997	1,732,003

- (a) On January 7, 2008, our board of directors approved a share repurchase program authorizing management at its discretion to purchase, in the open market or in privately negotiated transactions, up to 5 million shares of our outstanding Common Stock. The authorization has no time limit.

Annual Meeting

Our annual meeting of shareholders will be held on May 24, 2011, 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 13, 2011.

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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, 2010. Tredegar is part of both the S&P SmallCap 600 Index and Russell 2000 Index.

* \$100 invested on 12/31/05 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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Inquiries

Inquiries concerning stock transfers, dividends, dividend reinvestment, consolidating accounts, changes of address, or lost or stolen stock certificates should be directed to Computershare Investor Services, the transfer agent and registrar for our common stock:

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:

Tredegear Corporation

Investor Relations Department

1100 Boulders Parkway

Richmond, Virginia 23225

Phone: 800-411-7441

E-mail: invest@tredegear.com

Website: www.tredegear.com

Quarterly Information

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

Legal Counsel

Hunton & Williams LLP

Richmond, Virginia

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

Richmond, Virginia

Item 6. SELECTED FINANCIAL DATA

The tables that follow on pages 13-18 present certain selected financial and segment information for the five years ended December 31, 2010.

Table of Contents**FIVE-YEAR SUMMARY**

Tredegar Corporation and Subsidiaries

Years Ended December 31 (In Thousands, Except Per-Share Data)	2010	2009	2008	2007	2006
Results of Operations (a):					
Sales	\$ 740,475	\$ 648,613	\$ 883,899	\$ 922,583	\$ 937,561
Other income (expense), net	(940)(c)	8,464(d)	10,341(e)	1,782(f)	1,444(g)
	739,535	657,077	894,240	924,365	939,005
Cost of goods sold	596,330(c)	516,933(d)	739,721(e)	761,509(f)	779,376(g)
Freight	17,812	16,085	20,782	19,808	22,602
Selling, general & administrative expenses	68,610	60,481	58,699	68,501	64,082
Research and development expenses	13,625	11,856	11,005	8,354	8,088
Amortization of intangibles	466	120	123	149	149
Interest expense	1,136	783	2,393	2,721	5,520
Asset impairments and costs associated with exit and disposal activities	773(c)	2,950(d)	12,390(e)	4,027(f)	4,080(g)
Goodwill impairment charge		30,559(b)			
	698,752	639,767	845,113	865,069	883,897
Income from continuing operations before income taxes	40,783	17,310	49,127	59,296	55,108
Income taxes	13,756(c)	18,663(d)	19,486(e)	24,366	19,791(g)
Income (loss) from continuing operations (a)	27,027	(1,353)	29,641	34,930	35,317
Discontinued operations (a):					
Income (loss) from aluminum extrusions business in Canada			(705)	(19,681)	2,884
Net income (loss)	\$ 27,027	\$ (1,353)	\$ 28,936	\$ 15,249	\$ 38,201
Diluted earnings (loss) per share (a):					
Continuing operations	\$.83	\$ (.04)	\$.87	\$.90	\$.91
Discontinued operations			(.02)	(.51)	.07
Net income (loss)	\$.83	\$ (.04)	\$.85	\$.39	\$.98

Refer to notes to financial tables on page 18.

Table of Contents**FIVE-YEAR SUMMARY**

Tredegar Corporation and Subsidiaries

Years Ended December 31 (In Thousands, Except Per-Share Data)	2010	2009	2008	2007	2006
Share Data:					
Equity per share	\$ 13.10	\$ 12.66	\$ 12.40	\$ 14.13	\$ 13.15
Cash dividends declared per share	.16	.16	.16	.16	.16
Weighted average common shares outstanding during the period	32,292	33,861	33,977	38,532	38,671
Shares used to compute diluted earnings (loss) per share during the period	32,572	33,861	34,194	38,688	38,931
Shares outstanding at end of period	31,883	33,888	33,910	34,765	39,286
Closing market price per share:					
High	\$ 20.19	\$ 18.68	\$ 20.59	\$ 24.45	\$ 23.32
Low	14.93	12.79	11.41	13.33	13.06
End of year	19.38	15.82	18.18	16.08	22.61
Total return to shareholders (h)	23.5%	(12.1)%	14.1%	(28.2)%	76.6%
Financial Position:					
Total assets	\$ 580,342	\$ 596,279	\$ 610,632	\$ 784,478	\$ 781,787
Cash and cash equivalents	73,191	90,663	45,975	48,217	40,898
Debt	450	1,163	22,702	82,056	62,520
Shareholders' equity (net book value)	417,546	429,072	420,416	491,328	516,595
Equity market capitalization (i)	617,893	536,108	616,484	559,021	888,256

Refer to notes to financial tables on page 18.

Table of Contents**SEGMENT TABLES**

Tredegar Corporation and Subsidiaries

Net Sales (j)

Segment (In Thousands)	2010	2009	2008	2007	2006
Film Products	\$ 520,445	\$ 455,007	\$ 522,839	\$ 530,972	\$ 511,169
Aluminum Extrusions	199,639	177,521	340,278	371,803	403,790
Other	2,579				
Total net sales	722,663	632,528	863,117	902,775	914,959
Add back freight	17,812	16,085	20,782	19,808	22,602
Sales as shown in Consolidated Statements of Income	\$ 740,475	\$ 648,613	\$ 883,899	\$ 922,583	\$ 937,561

Identifiable Assets

Segment (In Thousands)	2010	2009	2008	2007	2006
Film Products	\$ 363,312	\$ 371,639	\$ 399,895	\$ 488,035	\$ 498,961
Aluminum Extrusions	81,731	82,429	112,259	115,223	128,967
AFBS (formerly Therics)	583	1,147	1,629	2,866	2,420
Other	19,701				
Subtotal	465,327	455,215	513,783	606,124	630,348
General corporate	41,824	50,401	50,874	74,927	30,113
Cash and cash equivalents	73,191	90,663	45,975	48,217	40,898
Identifiable assets from continuing operations	580,342	596,279	610,632	729,268	701,359
Discontinued operations (a):					
Aluminum extrusions business in Canada				55,210	80,428
Total	\$ 580,342	\$ 596,279	\$ 610,632	\$ 784,478	\$ 781,787

Refer to notes to financial tables on page 18.

Table of Contents**SEGMENT TABLES**

Tredegar Corporation and Subsidiaries

	0000000	0000000	0000000	0000000	0000000
Operating Profit					
Segment (In Thousands)	2010	2009	2008	2007	2006
Film Products:					
Ongoing operations	\$ 71,184	\$ 64,379	\$ 53,914	\$ 59,423	\$ 57,645
Plant shutdowns, asset impairments and restructurings, net of gains on sale of assets and related income from LIFO inventory liquidations	(505)(c)	(1,846)(d)	(11,297)(e)	(649)(f)	221(g)
Aluminum Extrusions:					
Ongoing operations	(4,154)	(6,494)	10,132	16,516	18,302
Plant shutdowns, asset impairments, restructurings and other	493(c)	(639)(d)	(687)(e)	(634)(f)	(1,434)(g)
Goodwill impairment charge		(30,559)(b)			
AFBS (formerly Therics):					
Loss on investment in Therics, LLC					(25)
Gain on sale of investments in Theken Spine and Therics, LLC		1,968(d)	1,499(e)		
Plant shutdowns, asset impairments, restructurings and other				(2,786)(f)	(637)(g)
Other					
Ongoing operations	(4,173)				
Plant shutdowns, asset impairments, restructurings and other	(253)(c)				
Total	62,592	26,809	53,561	71,870	74,072
Interest income	709	806	1,006	1,212	1,240
Interest expense	1,136	783	2,393	2,721	5,520
Gain on sale of corporate assets		404	1,001	2,699	56
Gain (loss) on investment accounted for under the fair value method	(2,200)(c)	5,100(d)	5,600(e)		
Loss from write-down of an investment				2,095(f)	
Stock option-based compensation costs	2,064	1,692	782	978	970
Corporate expenses, net	17,118	13,334	8,866	10,691	13,770
Income from continuing operations before income taxes	40,783	17,310	49,127	59,296	55,108
Income taxes	13,756(c)	18,663(d)	19,486(e)	24,366	19,791(g)
Income (loss) from continuing operations	27,027	(1,353)	29,641	34,930	35,317
Income (loss) from discontinued operations (a)			(705)	(19,681)	2,884
Net income (loss)	\$ 27,027	\$ (1,353)	\$ 28,936	\$ 15,249	\$ 38,201

Refer to notes to financial tables on page 18.

Table of Contents**SEGMENT TABLES**

Tredegar Corporation and Subsidiaries

Depreciation and Amortization

Segment (In Thousands)	2010	2009	2008	2007	2006
Film Products	\$ 33,765	\$ 32,360	\$ 34,588	\$ 34,092	\$ 31,847
Aluminum Extrusions	9,054	7,566	8,018	8,472	8,378
Other	695				
Subtotal	43,514	39,926	42,606	42,564	40,225
General corporate	74	71	70	91	111
Total continuing operations	43,588	39,997	42,676	42,655	40,336
Discontinued operations (a):					
Aluminum extrusions business in Canada			515	3,386	3,945
Total	\$ 43,588	\$ 39,997	\$ 43,191	\$ 46,041	\$ 44,281

Capital Expenditures and Investments

Segment (In Thousands)	2010	2009	2008	2007	2006
Film Products	\$ 15,664	\$ 11,487	\$ 11,135	\$ 15,304	\$ 33,168
Aluminum Extrusions	4,339	22,530	9,692	4,391	6,609
Other	179				
Subtotal	20,182	34,017	20,827	19,695	39,777
General corporate	236	125	78	6	24
Capital expenditures for continuing operations	20,418	34,142	20,905	19,701	39,801
Discontinued operations (a):					
Aluminum extrusions business in Canada			39	942	