

Tredegar's Profile

Based in Richmond, Virginia, Tredegar Corporation is a global manufacturer of plastic films and aluminum extrusions. We also develop and market bone graft substitutes through our Therics subsidiary.

Tredegar Film Products manufactures specialty materials for personal care, packaging and specialty markets. Film Products is dedicated to providing innovative materials that make consumers' lives easier, safer and more enjoyable.

The William L. Bonnell Company produces high-quality, soft-alloy aluminum extrusions for a variety of markets. Bonnell is committed to being the most highly regarded extruder in North America.

Our Therics subsidiary develops and markets products for the orthobiologics segment of the orthopaedic and neurological markets. Therics' goal is to provide tissue-engineered products that promote healing and cost-effective patient care.

Tredegar employs over 3,000 people at more than 20 locations throughout North America, Europe, Asia and Latin America.

Tredegar Locations

Corporate Headquarters
Richmond, Virginia

Film Products

Division Headquarters
Richmond, Virginia

Technical Centers

Lake Zurich, Illinois
Terre Haute, Indiana
Chieti, Italy
Shanghai, China

Manufacturing Plants

LaGrange, Georgia
Lake Zurich, Illinois
New Bern, North Carolina
(closing in 2004)
Pottsville, Pennsylvania
Terre Haute, Indiana
Guangzhou, China
Kerkrade, The Netherlands
Rétság, Hungary
Roccamontepiano, Italy
San Juan, Argentina
São Paulo, Brazil
Shanghai, China

Aluminum Extrusions

Division Headquarters
Newnan, Georgia

Manufacturing Plants

Carthage, Tennessee
Kentland, Indiana
Newnan, Georgia
Aurora, Ontario
Pickering, Ontario
Richmond Hill, Ontario
Ste-Thérèse, Québec
Woodbridge, Ontario

Therics

Princeton, New Jersey

Financial Summary

Years Ended December 31	2003	2002
<i>(In thousands, except per-share amounts)</i>		
INCOME AND DILUTED EARNINGS PER SHARE		
Income from continuing operations as reported under generally accepted accounting principles (GAAP)	\$ 19,327	\$ 48,625
After-tax effects of:		
Loss (income) related to unusual items	694	(3,934)
Loss associated with plant shutdowns, asset impairments and restructurings	7,350	2,486
Loss from Therics ongoing operations	7,573	8,525
Gain on sale of other assets	(4,211)	—
Income from manufacturing operations ¹	\$ 30,733	\$ 55,702
Diluted earnings per share from continuing operations as reported under GAAP	\$.50	\$ 1.25
After-tax effects per diluted share of:		
Loss (income) related to unusual items	.02	(.10)
Loss associated with plant shutdowns, asset impairments and restructurings	.19	.06
Loss from Therics ongoing operations	.20	.22
Gain on sale of other assets	(.11)	—
Diluted earnings per share from manufacturing operations ¹	\$.80	\$ 1.43
ONGOING OPERATIONS		
Film Products:		
Net sales	\$365,501	\$376,904
Ongoing operating profit	45,676	72,307
Adjusted EBITDA ²	60,332	88,425
Depreciation and amortization	19,828	20,085
Capital expenditures	57,203	24,063
Aluminum Extrusions:		
Net sales	354,593	360,293
Ongoing operating profit	15,117	27,304
Adjusted EBITDA ²	23,899	36,296
Depreciation and amortization	10,883	10,506
Capital expenditures	8,293	4,799
Therics:		
Net sales	—	208
Ongoing operating loss	(11,651)	(13,116)
Adjusted EBITDA ²	(10,010)	(12,653)
Depreciation and amortization	1,641	463
Capital expenditures	219	1,621
FINANCIAL POSITION AND OTHER DATA		
Cash and cash equivalents	\$ 19,943	\$109,928
Income taxes recoverable from sale of venture capital investment portfolio	55,000	—
Debt outstanding	139,629	259,280
Shareholders' equity	447,399	462,932
Annualized dividends per share	.16	.16
Shares outstanding at end of period	38,177	38,323
Shares used to compute diluted earnings per share	38,441	38,869
CLOSING MARKET PRICE PER SHARE		
High	\$ 16.76	\$ 24.72
Low	10.60	12.25
End of year	15.53	15.00
Total return to shareholders	4.6%	(20.2)%

See appendix for footnotes.

To Our Shareholders



Last year, I described our strategies to create two “great” manufacturing businesses. These actions continue. Film Products is providing unique components for global personal care markets and high-performance products for packaging and specialty markets. Aluminum Extrusions is focusing on superior customer service and growth in attractive market segments. Both businesses are engaged in relentless cost reductions and are striving to achieve execution excellence.

Given our commitment to these actions, I expected that by late 2003 there would be significant improvement in our performance, reflecting effective implementation of these strategies. I am disappointed that both Film Products and Aluminum Extrusions results were well below 2002 and showed little momentum as 2003 closed.

Despite these unsatisfactory results, I assure you that our efforts to take Tredegar to a new level of exceptional performance continue unabated. Like most U.S. manufacturers, we face intrinsic competitive challenges. These include raw material, energy, insurance and employee-related cost increases, chronic overcapacity, and constant pressure on prices from global customers and competitors. To prosper in such an environment requires flexibility and strategic agility. I am confident that we can meet these challenges. We continue to build our

We continue to build our leadership team, refine and rethink our strategies and ways of doing business, invest aggressively in global markets, improve our processes and systems, and reduce costs.

leadership team, refine and rethink our strategies and ways of doing business, invest aggressively in global markets, improve our processes and systems, and reduce costs.

The Challenges Ahead

A major challenge for Film Products is the planned introduction of a number of new and innovative products to offset the loss of domestic backsheet business. These new product introductions not only have significant start-up costs, but also have been slower than anticipated for a number of reasons. We are just now beginning to see signs of success. An important part of Film Products’ strategy is the rollout of a new feminine pad topsheet for European markets, which began last year. Our progress to date has been good, and we are making additional investments to support this and other products. We are also making solid progress in our efforts to commercialize new topsheets, new elastic laminates and specialty products for customers in personal care and packaging markets. In fact, if you exclude domestic backsheet, sales in Film Products increased at a compounded annual rate of 9.5% between 2000 and 2003.

In Aluminum Extrusions, industry shipments of extruded shapes are down about 20% from three years ago. Our disappointing results reflect this trend. As the economy continues to recover, we anticipate a resumption of growth and increased profitability.

Therics, which launched its initial product line in early 2004, is now ready to demonstrate the benefits of its digital microfabrication technology. Our first products compete in the orthobiologics sector of orthopaedic and neurosurgical medicine. The U.S. market for such products is large (more than \$700 million in 2002) and is projected to grow to \$1.4 billion by 2006. We look forward to assessing the

Film Products and Aluminum Extrusions are sharply focused on their markets and have refined their sales efforts. We have a platform in place for future growth.

prospects for Therics as it continues to transform itself from a research-based organization into a results-driven company.

Additional actions taken during 2003 include:

- Sale of our venture capital portfolio which generated about \$75 million, including income taxes recoverable, and refinancing of our debt
- Capital expenditures in Film Products of \$57 million, primarily for new product development and project expansion, with plans to invest another \$40 million in 2004 on projects including the start-up of a new plant in Guangzhou, China, and implementation of a new global information system
- Announcement of the planned shutdown of Film Products' New Bern, North Carolina, plant and consolidation of capacity
- Cost reductions in Film Products and Aluminum Extrusions totaling approximately \$30 million, with about \$24 million resulting from enhanced and more focused purchasing practices and improvements in operational efficiencies

A Platform for Growth

These actions, combined with our opportunities to introduce new products, improve innovation, enhance productivity and reduce costs during 2004 lead me to be optimistic about our prospects. Film Products and Aluminum Extrusions are sharply focused on their markets and have refined their sales efforts. We have a platform in place for future growth, particularly if the aluminum extrusions market improves with the economy and Film Products introduces new products more quickly and efficiently. We also look forward to the opportunity to determine future prospects for Therics as the introduction of its initial product line progresses. More information on our businesses and their growth prospects is contained on the following pages.

As I said last year, one of our accomplishments has been the development of appropriate measurements to tell us if we are on track or need to adjust our strategies. These measurements are part of a culture that encourages straight talk and strategic agility. As we work our way through 2004, we will be reviewing our options and opportunities to see what adjustments may be advisable. We are fortunate to have a solid balance sheet and a management team dedicated to resumption of growth and increased shareholder value.

I want to once again thank all of our employees for their outstanding efforts. I look forward to seeing you again on my plant visits. I have also had the opportunity to visit a number of customers over the past two years to thank them for their business and ask them how we are doing. These visits are invaluable.

After more than thirty years of service, Doug Monk, our Chief Operating Officer, has announced his retirement as of May 1. Most of Doug's career was spent in our Aluminum Extrusions division. Doug's contribution has been enormous. He has that rare ability to make complex issues simple and to focus on what is really important. We intend to honor Doug at our annual meeting and I urge all of his friends to attend.

Finally, I want to thank the Board for its continuing wise counsel during these difficult times. I believe that all of our shareholders will be rewarded for their patience.



Norman A. Scher
February 6, 2004

Film Products

Core Strengths

- Leader in apertured, elastic and laminate material technologies for personal care markets
- Thin-gauge and high-performance films for packaging and specialty markets
- Relationships with all major and most regional suppliers of diapers and feminine hygiene products
- Global infrastructure with regional centers in North America, Europe, Asia and Latin America

Growth Strategies

- Develop and commercialize new products
- Become supplier of choice by delivering consumer-noticeable innovation
- Further penetrate emerging markets, especially Asia and Eastern Europe
- Continue global expansion and realign capacity to support global growth
- Expand beyond personal care markets by leveraging technology into new applications

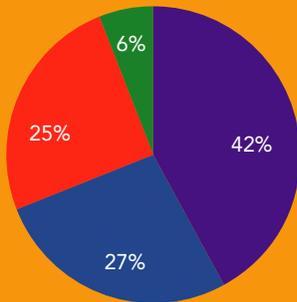
Recent Highlights

- Capital expenditures of \$57 million in 2003, plan to invest \$40 million in 2004
- New plant in Guangzhou, China; expanded capacity in Europe; announced closing of plant in New Bern, North Carolina

Film Products is a major supplier of value-added components used in personal care products throughout the world. We also make a variety of films used in packaging and specialty markets. These include tissue and towel overwrap, food packaging and protective masking for flat panel displays.

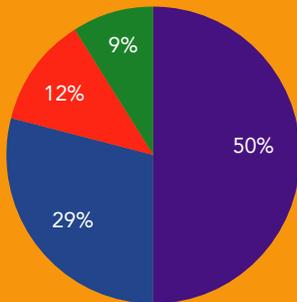


NET SALES BY MAJOR PRODUCT CATEGORY
(\$366 million in 2003)



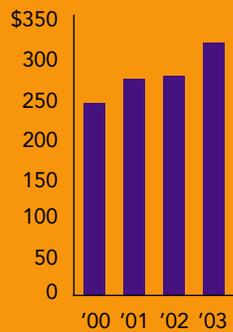
- Feminine Hygiene Components
- Baby Diaper Components
- Packaging & Specialty Components
- Adult Incontinent Components

NET SALES BY REGION
(\$366 million in 2003)

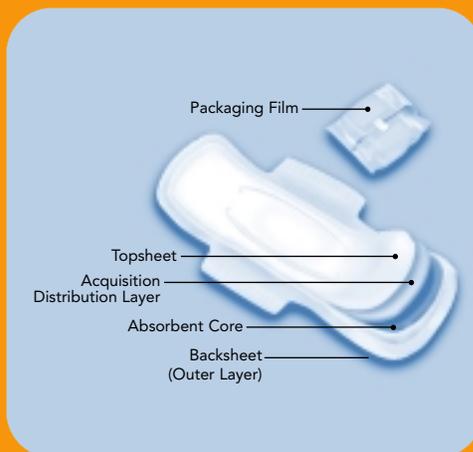
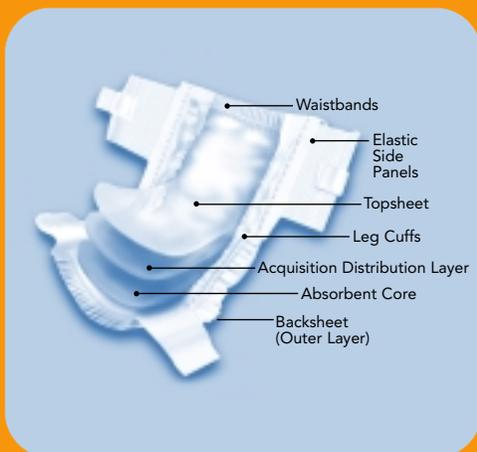


- North America
- Europe
- Asia
- Latin America

NET SALES EXCLUDING DOMESTIC BACKSHEET SALES
(\$ millions)



This graph demonstrates our progress in providing new and innovative products to offset the loss of domestic backsheet. Excluding domestic backsheet, revenues in Film Products grew at a compounded annual rate of 9.5% between 2000 and 2003.



Our leadership position in apertured, elastic and laminated material technologies provides the foundation for strong relationships with global and regional suppliers of diapers and feminine hygiene products. We make a variety of components that improve dryness, comfort and fit for today's demanding consumers.

Aluminum Extrusions

The William L. Bonnell Company

Core Strengths

- High-quality, low-cost manufacturing
- Superior customer service
- Strong, long-term customer relationships

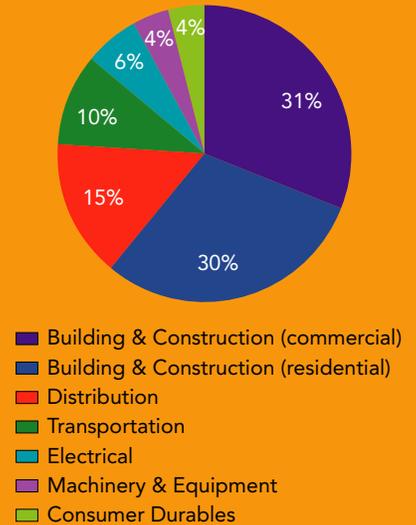
Growth Strategies

- Reinforce position as value leader by constantly upgrading quality and service
- Increase share in preferred end-use markets
- Reduce operating costs and improve productivity through process management

Recent Highlights

- Revamped sales organization to sharpen focus on preferred markets
- Injury rate declined 15% during 2003
- Acquired Apolo Tool and Die Manufacturing in Canada

VOLUME BY MARKET
(228 million pounds in 2003)



Bonnell's emphasis on quality and customer service enables us to be a leading supplier in a variety of North American markets including residential and commercial construction, transportation, distribution, electrical, machinery and equipment, and consumer durables.

Therics

Core Strengths

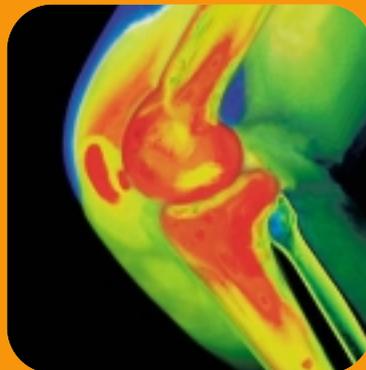
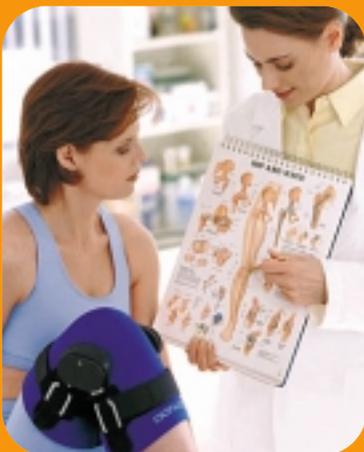
- Proprietary TheriForm® technology uses unique 3D digital fabrication process to create precise bone replacement and repair implants
- TheriForm implants provide scaffolds for conductive bone ingrowth
- Products in development include synthetic and human donor allograft implants
- Partnerships with MIT, Boston University, Massachusetts General Hospital/Harvard and Drexel University; collaborations with leading scientists and clinical testing centers

Growth Strategies

- Enter market with bone implant products in 2004
- Penetrate \$700 million orthobiologics sector of the orthopaedic market, which is projected to grow to \$1.4 billion by 2006
- Establish market leadership by developing new products that contain human tissue and other relevant materials that promote bone ingrowth

Recent Highlights

- Received FDA clearance for two products
- Launched initial product line in early 2004
- Contracted and trained a nationwide sales organization

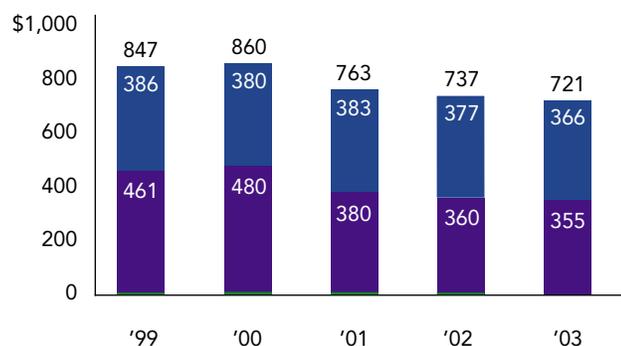


Aging baby boomers are a growing source of demand for trauma, knee and hip surgeries, spinal fusions and other treatments that require grafting and bone void-filling procedures. Therics develops and markets orthobiologic products that use biology and biochemistry to repair, replace or regenerate musculoskeletal structures.

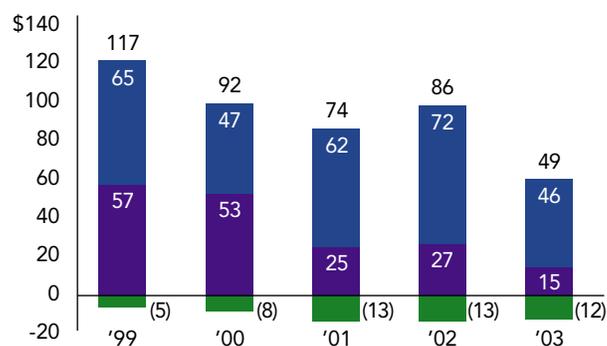
Tredegar At A Glance

MAJOR MARKETS/PRODUCTS	END USES	CUSTOMERS	COMPETITORS
Film Products Personal Care—apertured, breathable, elastomeric and embossed films, nonwovens and laminates Household Care Packaging & Specialty—single and multi-layer films that offer unique attributes including strength, thin-gauge, surface finish and adhesive-less protection	Topsheets and backsheets used in baby diapers, feminine hygiene and adult incontinent products; AquiDry™ acquisition distribution layers used in baby diapers and adult incontinent products; Fabriflex® side panels, side tabs and waistbands used in baby diapers, training pants and adult incontinent products; wet and dry wipes; disposable medical and protective apparel Landscaping fabric, wet and dry wipes (furniture and floor cleaners), and housewrap Overwrap for bathroom tissue, paper towels and greeting cards; Extrel® sealant films for food and medical laminations including retort sterilization Diaper tapes, ForceField™ and UltraMask® surface protection, autowrap, labels and transfer tapes	All major global producers, and most regional producers, of personal care products DuPont, Easy Gardener Products Ltd., Guy and O'Neill and Pacon Manufacturing Cello-Foil, Hallmark, NutraMax, P&G, Sonoco and Superpac American Biltrite, Avery Dennison, Corning, DuPont, ExxonMobil, GE, Pechiney and 3M	Clopay, Mitsui, Nordenia, Pliant, RKW and 3M BBA and PGI Bemis, Copol, Nordenia, Pliant and Printpack Copol, Ivex, Pliant, Tamapoly and Tyco
Aluminum Extrusions Plain, anodized, painted, and fabricated aluminum extrusions for residential and commercial construction, machinery and equipment, transportation, electrical, distribution and consumer durables markets	Architectural curtain walls, storefronts, shower enclosures, windows and doors, hurricane protection products, ladders, electrical conductor bars, truck trailers, automotive, snowmobiles and metal service centers	Algonquin Industries, Arch Aluminum, Bombardier, Coastal Industries, Eagle Window, Eastern Metal Supply, Jeld-Wen, Polaris Industries, Schneider Electric, Sun-downer Trailers and Weather Shield	Alcoa, Altex, CanArt, Extrudex, Hydro Aluminum, Indalex, Kaiser, Keymark and Western
Therics Proprietary microfabrication technology for the orthobiologics segment of the orthopaedic and neurological markets	Bone graft substitutes	Orthopaedic surgeons and neurosurgeons	IsoTis OrthoBiologics, Orthovita and Wright Medical

NET SALES³
(\$ millions)



ONGOING OPERATING PROFIT³
(\$ millions)



■ Film Products ■ Aluminum Extrusions ■ Therics

See appendix for footnotes.

Corporate Information

DIRECTORS

John D. Gottwald¹
Chairman
Tredegar Corporation
Richmond, Virginia

Norman A. Scher¹
President and Chief Executive Officer
Tredegar Corporation
Richmond, Virginia

Austin Brockenbrough, III^{3, 4, 5}
Managing Director and President
Lowe, Brockenbrough & Company, Inc.
Richmond, Virginia

Phyllis Cothran^{2, 3}
*Retired President and
Chief Operating Officer*
Trigon Blue Cross Blue Shield
Richmond, Virginia

Donald T. Cowles^{2, 4}
Consultant
*Former Senior Vice President
Construction and Distribution*
Reynolds Metals Company
Richmond, Virginia

Richard W. Goodrum¹
*Retired Executive Vice President and
Chief Operating Officer*
Tredegar Corporation
Richmond, Virginia

Floyd D. Gottwald, Jr.
Vice Chairman
Albemarle Corporation
Richmond, Virginia

William M. Gottwald
Chairman
Albemarle Corporation
Richmond, Virginia

Richard L. Morrill^{3, 4, 5}
Chancellor
University of Richmond
Richmond, Virginia

Thomas G. Slater, Jr.
Partner
Hunton & Williams LLP
Richmond, Virginia

R. Gregory Williams^{2, 4, 5}
President
CCA Financial Services, LLC
Richmond, Virginia

1 Executive Committee

2 Audit Committee

3 Executive Compensation Committee

4 Nominating and Governance Committee

5 Investment Policy Committee

CORPORATE OFFICERS AND OPERATING MANAGEMENT

Norman A. Scher
President and Chief Executive Officer

Douglas R. Monk
*Executive Vice President and
Chief Operating Officer*
President, the William L.
Bonnell Company

Thomas G. Cochran
*President, Tredegar Film Products and
Corporate Vice President*

Tammy H. Cummings
Vice President, Human Resources

D. Andrew Edwards
*Vice President, Chief Financial Officer
and Treasurer*

Michael W. Giancaspro
Vice President, Business Development

Lawrence J. Scott
Vice President, Audit

Thomas S. Stribling
President, Therics

W. Hildebrandt Surgner, Jr.
*Vice President, General Counsel and
Corporate Secretary*

Nancy M. Taylor
*Managing Director European
Operations, Tredegar Film Products and
Corporate Vice President*

SHAREHOLDER INFORMATION

Annual Meeting

The annual meeting of shareholders of Tredegar Corporation will be held on April 29, 2004, beginning at 9:30 AM EDT at the University of Richmond's Jepson Alumni Center in Richmond, Virginia. Formal notices of the annual meeting, proxies and proxy statements will be mailed to shareholders on or before March 8.

Corporate Headquarters
1100 Boulders Parkway
Richmond, Virginia 23225
Phone: 804-330-1000
Web Site: www.tredegar.com

Number of Employees
Approximately 3,000

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

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

Web Site: www.tredegar.com

Counsel

Hunton & Williams LLP
Richmond, Virginia

Independent Auditors
PricewaterhouseCoopers LLP
Richmond, Virginia

Stock Listing

New York Stock Exchange

Ticker Symbol: TG

Tredegar[®]
CORPORATION

1100 Boulders Parkway
Richmond, Virginia 23225
www.tredegar.com