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

FORM 10-K

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

For the fiscal year ended December 31, 2013

OR

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

For the transition period from ______ to ______

Commission File Number 1-10258

TREDEGAR CORPORATION
(Exact name of registrant as specified in its charter)

Virginia	54-1497771
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1100 Boulders Parkway, Richmond, Virginia	23225
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 804-330-1000
Securities registered pursuant to Section 12(b) of the Act:

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

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

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

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

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

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 x No ☐

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	x	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 x

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 28, 2013 (the last business day of the registrant's most recently completed second fiscal quarter): $701,242,824*

Number of shares of Common Stock outstanding as of January 31, 2014: 32,305,145 (32,267,003 as of June 30, 2013)

* In determining this figure, an aggregate of 4,981,290 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 deemed to be held by affiliates. Effective September 2013, Common Stock beneficially owned Floyd D. Gottwald, Jr. was also included in the affiliate group. The aggregate market value has been computed based on the closing price in the New York Stock Exchange Composite Transactions on June 28, 2013.

Documents Incorporated By Reference

Portions of the Tredegar Corporation Proxy Statement for the 2014 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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Year Ended December 31, 2013

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

PART I

Item 1. BUSINESS

Description of Business

Tredegar Corporation (“Tredegar”), a Virginia corporation incorporated in 1988, is engaged, through its subsidiaries, in the manufacture of plastic films and aluminum extrusions. The financial information related to Tredegar’s film products and aluminum extrusions segments and related geographical areas included in Note 5 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 care products and surface protection and packaging applications. These products are manufactured at facilities in the United States (“U.S.”), The Netherlands, Hungary, China, Brazil and India. In October 2011, Film Products acquired Terphane Holdings LLC (“Terphane”), further expanding our films business in Latin America and the U.S. 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 laminate materials for use as topsheet in feminine hygiene products, baby diapers and adult incontinence products (including materials sold under the SoftQuilt™, ComfortQuilt™, ComfortAire™, ComfortFeel™, 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 ExtraFlex™, FabriFlex™, StretchTab™, FlexAire™ and FlexFeel™ brand names); and
- Absorbent transfer layers for baby diapers and adult incontinence products sold under the AquiDry®, AquiDry Plus™ and AquiSoft™ brand names.

In 2013, 2012 and 2011, personal care materials accounted for approximately 36%, 38% and 45% of Tredegar’s consolidated net sales (sales less freight) from continuing operations, respectively.

Flexible Packaging Films. Film Products produces specialized polyester (“PET”) films for use in packaging applications that have specialized properties, such as heat resistance, strength, barrier protection and the ability to accept high-quality print graphics. These differentiated, high-value films are primarily sold in Latin America and the U.S. under the Terphane® and Sealphane® brand names. Major end uses include food packaging and industrial applications. Flexible packaging films accounted for approximately 14% and 16% of Tredegar’s consolidated net sales from continuing operations in 2013 and 2012, respectively. Tredegar did not offer these films until the fourth quarter of 2011, so flexible packaging films only accounted for approximately 4% of consolidated net sales from continuing operations in 2011.

Surface Protection Films. Film Products produces single- and multi-layer surface protection films sold under the UltraMask®, ForceField™ and ForceField PEARL™ brand names. These films are used in high-technology applications, most notably protecting high-value components of flat panel displays used in televisions, monitors, notebooks, smart phones, tablets, e-readers and digital signage, during the manufacturing and transportation process. In 2013, 2012 and 2011, surface protection films accounted for approximately 10%, 8% and 9% of Tredegar’s consolidated net sales from continuing operations, respectively.

Polyethylene Overwrap & Polypropylene Films. Film Products produces various types of polyethylene and polypropylene overwrap films. Applications for polyethylene films include an emphasis on packaging for paper products. These products provide our customers with thin-gauge films that are readily printable and convertible on conventional processing equipment. Film Products also manufactures polypropylene films for packaging applications. Major end uses for polyethylene and polypropylene films include overwrap for bathroom tissue and paper towels as well as retort pouches.

Films for Other Markets. Film Products also makes a variety of specialty films and film-based products that provide tailored functionality for the illumination market as well as various other markets. By leveraging the combination of film capabilities and our patented microstructure technology, we are able to offer optical management products for a wide range of applications, including lighting, signage and durable goods.

The operations of Bright View Technologies Corporation ("Bright View") were incorporated into Film Products effective January 1, 2012 to better leverage efforts to produce films for new market segments. Bright View is a developer and producer of high-value microstructure-based optical films for the LED (light-emitting diode) and fluorescent lighting markets.

Raw Materials. The primary raw materials used by Film Products are low density, linear low density and high density polyethylene and polypropylene resins, Purified Terephthalic Acid ("PTA") and Monoethylene Glycol ("MEG"), which are obtained from domestic and foreign suppliers at competitive prices. Beginning in 2014, in addition to purchasing PTA and MEG to produce polyester resins used in our flexible packaging films, we will be increasing our purchasing of polyester resins directly from suppliers. We believe there will be an adequate supply of these raw materials in the foreseeable future. Film Products also buys polypropylene-based nonwoven fabrics based on the resins previously noted and styrenic block copolymers, and we believe there will be an adequate supply of these raw 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 $262 million in 2013, $264 million in 2012 and $280 million in 2011 (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 a successful long-term relationship based on cooperation, product innovation and continuous process improvement. For additional information on the relationship with P&G, see "Item 1A. Risk Factors" beginning on page 5.

Aluminum Extrusions

The William L. Bonnell Company, Inc. and its subsidiaries (together, "Aluminum Extrusions"), which is known as Bonnell Aluminum in the marketplace, produce high-quality, soft-alloy and medium-strength aluminum extrusions primarily for building and construction, distribution, transportation, electrical, consumer durables and machinery and equipment markets. Aluminum Extrusions manufactures mill (unfinished), anodized (coated) and painted and fabricated aluminum extrusions for sale directly to fabricators and distributors, and it competes primarily on the basis of product quality, service and price. Sales are made primarily in the U.S.

On October 1, 2012, Aluminum Extrusions acquired AACOA, Inc. ("AACOA"). AACOA produces aluminum extrusions and provides anodizing services to customers in the consumer durables, machinery and equipment and transportation markets. Our acquisition of AACOA allows us to add fabrication capabilities to Aluminum Extrusions' current array of products and services while providing AACOA with large press capabilities and enhanced geographic sales coverage in a variety of end-use markets.

The primary end-uses in each of Aluminum Extrusions' primary market segments include:

Major Markets	End-Uses
Building & construction - nonresidential	Commercial windows and doors, curtain walls, storefronts and entrances, walkway covers, ducts, louvers and vents, office wall panels, partitions and interior enclosures, acoustical walls and ceilings, point of purchase displays, pre-engineered structures and bus shelters
Building & construction - residential	Shower and tub enclosures, railing and support systems, venetian blinds, swimming pools and storm shutters
Consumer durables	Office and institutional furniture, pleasure boats, serving carts and refrigerators and freezers,
Machinery & equipment	Material handling equipment, conveyors and conveying systems, industrial erector sets, hospital patient lifts and office equipment
Automotive & other transportation	Automotive and light truck structural components, spare parts, after-market automotive accessories, travel trailers and recreation vehicles
Electrical	Lighting fixtures (LED housings and heat sinks), solar panels, electronic apparatus and rigid and flexible conduits
Distribution (metal service centers specializing in stock and release programs and custom fabrications to small manufacturers)	Various custom profiles including storm shutters, pleasure boat accessories, theatre set structures and various standard profiles (including rod, bar, tube and pipe)

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) *

	2013	2012	2011
Building and construction:			
Nonresidential	**60%**	70%	70%
Residential	**7%**	9%	12%
Consumer durables	**12%**	5%	2%
Machinery & equipment	**7%**	4%	2%
Transportation	**6%**	5%	6%
Distribution	**4%**	5%	6%
Electrical	**4%**	2%	2%
Total	**100%**	100%	100%

* Includes sales volumes for AACOA subsequent to our acquisition on October 1, 2012.

In 2013, 2012 and 2011, nonresidential building and construction accounted for approximately 19%, 19% and 21% of Tredegar's consolidated net sales (sales less freight) from continuing operations, respectively.

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 that we have adequate long-term supply agreements for aluminum and other required raw materials and supplies in the foreseeable future.

Other

Our operations previously included an additional segment, Other, comprised of the start-up operations of Bright View and Falling Springs, LLC ("Falling Springs"). As previously noted, the operations of Bright View were incorporated into Film Products effective January 1, 2012 to better leverage efforts to produce films for new market segments. Prior year balances for Bright View have been reclassified to Film Products to conform with the current presentation.

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. On November 20, 2012, we sold our membership interests in Falling Springs to Arc Ventures, LC, a Virginia limited liability company affiliated with John D. Gottwald, a member of Tredegar's Board of Directors, for cash and stock proceeds of $16.6 million. The corresponding loss on sale of $3.1 million and the results of operations related to Falling Springs have been classified as discontinued operations for all periods presented. With the sale of Falling Springs, there is no longer an Other segment to report.

General

Intellectual Property. We consider patents, licenses and trademarks to be significant to Film Products. We routinely apply for patents on significant developments in these businesses. As of December 31, 2013, Film Products held 305 issued patents (106 of which are issued in the U.S.) and 121 trademarks (12 of which are issued in the U.S.). Aluminum Extrusions held one U.S. patent and three U.S. trademark registrations. Our patents have remaining terms ranging from 1 to 20 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 2013, 2012 and 2011 was primarily related to Film Products. As of December 31, 2013, Film Products has technical centers in Bloomfield, New York; Morrisville, North Carolina; Richmond, Virginia; and Terre Haute, Indiana. R&D spending was approximately $12.7 million in 2013, $13.2 million in 2012 and $13.2 million in 2011.

Backlog. Backlogs are not material to our operations in Film Products. Overall backlog for continuing operations in Aluminum Extrusions at December 31, 2013 increased by approximately 6% compared with December 31, 2012. Volume for Aluminum Extrusions, which we believe is cyclical in nature, was 143.7 million pounds in 2013, 114.8 million pounds in 2012 and 108.0 million pounds in 2011.

Government Regulation. U.S. laws concerning the environment to which our domestic operations are or may be subject include, among others, the Clean Water Act, the Clean Air Act, the Resource Conservation and 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"), all as amended, regulations promulgated under these acts, and any other federal, state or local laws or regulations governing environmental matters. Compliance with these laws is an important consideration for us because we use hazardous materials in some of our operations, we are a generator of hazardous waste, and wastewater from our operations is discharged to various types of wastewater management systems. Under CERCLA and other laws, we may be subject to financial exposure for costs associated with waste management and disposal, even if we fully comply with applicable environmental laws.

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 or GHG and are subject to the current GHG regulations. Our compliance with these regulations has yet to require significant expenditures. The cost of compliance with any future GHG legislation or regulations is not presently determinable, but we do not anticipate compliance to have a material adverse effect on our financial condition or results of operations based on information currently available.

Tredegar is also subject to the governmental regulations in the countries where we conduct business.

At December 31, 2013, we believe that we were in substantial compliance with all applicable environmental laws, regulations and permits in the U.S. and other countries where we conduct business. Environmental standards tend to become more stringent over time. 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. Furthermore, our failure to comply with current or future laws and regulations could subject us to substantial penalties, fines, costs and expenses.

Employees. Tredegar employed approximately 2,700 people at December 31, 2013.

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 Securities and Exchange Commission ("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 consolidated financial condition and liquidity. The following risk factors should be considered, in addition to the other information included in this Annual Report on Form 10-K for the year ended December 31, 2013 ("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, PTA and MEG (the raw materials on which Film Products primarily depends), aluminum (the raw material on which Aluminum Extrusions primarily depends), natural gas (the principal fuel necessary for Aluminum Extrusions' plants to operate), electricity and diesel fuel. Resin, aluminum and natural gas prices are extremely volatile as shown in the charts on pages 32-33. We attempt to mitigate the effects of increased costs through price increases and contractual pass-through provisions, but there are no assurances that higher prices can effectively be passed through to our customers or that we will be able to offset fully or on a timely basis the effects of higher raw material and energy costs through price increases or pass-through arrangements. Further, our cost control efforts may not 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 their customers operate in highly competitive markets. Global market conditions continue to exacerbate 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 the introduction of new products, cost saving measures and manufacturing efficiency initiatives, but these efforts may not be sufficient to offset the impact of margin compression as a result of competitive pressure.

- ***Tredegar may not be able to successfully execute its acquisition strategy.*** New acquisitions, such as our October 2011 acquisition of Terphane and our October 2012 acquisition of AACOA, can provide meaningful opportunities to grow our business and improve profitability. Acquired businesses may not achieve expected levels of revenue, profit or 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, acquisitions may not be successful or accretive to earnings.

- ***Our noncompliance with any of the covenants in our $350 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 operational and financial flexibility. Our failure to comply with these covenants could result in an event of default, which if not cured or waived, would result in all outstanding debt under the credit facility at such time becoming due, which could have a material adverse effect on our financial condition and liquidity. Renegotiation of the covenant(s) through an amendment to our revolving credit facility may effectively cure the noncompliance, but may have a negative effect on our consolidated financial condition or liquidity depending upon how the amended covenant is renegotiated.

- ***Our failure to continue to attract, develop and retain 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 material adverse effect 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 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(s), 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.

- ***Tredegar could be required to make additional cash contributions to its defined benefit (pension) plan.*** We sponsor a pension plan that covers certain hourly and salaried employees in the U.S. Recent economic trends have resulted in a significant reduction in interest rates and plan asset investment returns. Cash contribution requirements for the pension plan are sensitive to changes in these market factors. We expect that we will be required to make a cash contribution of approximately $0.2 million to our underfunded pension plan in 2014, and we may be required to make additional cash contributions in future periods if current trends in interest rates continue, volatility in investment returns on plan assets persist or if our plan asset investment returns lag market performance.

- ***An information technology system failure may adversely affect our business.*** We rely on information technology systems to transact our businesses. An information technology system failure due to computer viruses, internal or external security breaches, power interruptions, hardware failures, fire, natural disasters, human error, or other causes could disrupt our operations and prevent us from being able to process transactions with our customers, operate our manufacturing facilities, and properly report those transactions in a timely manner. A significant, protracted information technology system failure may result in a material adverse effect on our financial condition, results of operations, or cash flows.

- ***Material disruptions at one of our major manufacturing facilities could negatively impact our financial results.*** We believe our facilities are operated in compliance with applicable local laws and regulations and that we have implemented measures to minimize the risks of disruption at our facilities. A material disruption in one of our operating locations could negatively impact production and our financial results. Such a disruption could be a result of any number of events, including but not limited to: an equipment failure with repairs requiring long lead times, labor stoppages or shortages, utility disruptions, constraints on the supply or delivery of critical raw materials, and severe weather conditions.

- ***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 kaléo and a $2.8 million net investment in Harbinger) have high risk.*** The value of our investment in a specialty pharmaceutical company, kaleo, Inc. ("kaléo"), which was formerly known as Intelliject, Inc., can fluctuate, primarily as a result of kaléo's ability to meet its developmental and commercialization milestones within an anticipated time frame. Commercial sales of kaléo's first licensed product commenced in the first quarter of 2013. As kaléo continues to invest in its product pipeline, it may require additional rounds of financing to have the opportunity to complete product pipeline development and bring its technology to market, which may never occur. The estimated fair value of our investment was $37.1 million at December 31, 2013.

  Harbinger Capital Partners Special Situations Fund, L.P. ("Harbinger Fund") is a private investment fund, and an investment in the fund involves risk and is subject to limitations on withdrawal. The amount of future installments of withdrawal proceeds is uncertain, and the timing of such payments is not known.

  There is no secondary market for selling our interests in either investment. As a result, we may be required to bear the risk of our investment in kaléo and the Harbinger Fund for an indefinite period of time.

<u>**Film Products**</u>

- ***Film Products is highly dependent on sales associated with one customer, P&G.*** P&G comprised approximately 28% of Tredegar's consolidated net sales from continuing operations in 2013, 31% in 2012 and 36% in 2011. The loss or significant reduction of sales associated with P&G could 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.

  P&G has informed us that we will lose certain babycare elastic laminate volumes by the middle of 2014 as it consolidates suppliers for its North American product needs. Net sales to P&G associated with these plastic films were $51 million in 2013, or approximately 19% of our net sales to P&G. While we continue our efforts to expand our customer base in order to create long-term growth and profitability by (1) actively competing for new business with various customers across our full product portfolio, (2) expanding capacity in emerging markets, (3) introducing new products and/or improvements to existing applications, and (4) investigating opportunities to diversify our customer and product offerings through additional acquisitions, there is no assurance that these efforts to expand our customer base and mitigate this or any future loss of sales and profits from P&G will be successful.

- ***Growth of Film Products depends on our ability to develop and deliver new products at competitive prices.*** Personal care materials, surface protection films and polyethylene overwrap and polypropylene films are now being made with a variety of new materials and the overall cycle for new product introduction has accelerated. While we have substantial technological 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, results of operations and cash flows. In the long term, growth will depend on our ability to provide innovative products at a price that meets our customers' needs.

- ***Failure of our customers, who are subject to cyclical downturns, to achieve success or maintain market share could adversely impact our 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. In addition, many of our customers are in industries that are cyclical in nature and sensitive to changes in general economic conditions. Downturns in the businesses that use our products can adversely affect our sales and operating margins.

- ***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 the need for protective films that currently utilize our surface protection applications could have a material adverse effect on our sales of protective films. Surface protection films accounted for approximately 10%, 8% and 9% of Tredegar's consolidated net sales from continuing operations in 2013, 2012 and 2011, respectively. Unanticipated changes in the demand for our customers' products, a decline in the rate of growth for flat panel displays or improvements in the durability of 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 or governmental policies, potential difficulty enforcing agreements and intellectual property rights, modifications in foreign tax laws and incentives, 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. In addition, while expanding operations into emerging foreign markets provides greater opportunities for growth, there are certain operating risks, as previously noted.

- ***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 an industry 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. Intellectual property litigation is very costly and could result in substantial expense and diversions of our resources, both of which could adversely affect our businesses and financial condition and results. In addition, there may be no effective legal recourse against infringement of our intellectual property by third parties, whether due to limitations on enforcement of rights in foreign jurisdictions or as a result of other factors. An unfavorable outcome in any intellectual property litigation or similar proceeding could have a material adverse effect on the financial condition and results of operations in Film Products.

- ***U.S. and global economic conditions could have an adverse effect on the operating results of some or all of our operations.*** As Films Products expands its business into new products and geographic regions, operating results and our financial condition could become more sensitive to changes in macroeconomic conditions, including fluctuations in exchange rates. Sales associated with new products and regions tend to more closely follow the cycles within the economy. Cost reductions and productivity improvements may not be sufficient to offset the adverse effects on profitability from lower customer demand in an economic downturn. Therefore, as such product offerings become a greater part of the film products business, our operating results and financial condition may be adversely impacted by seasonal slowdowns, cyclical downturns in the economy or changes in foreign currency rates.

- ***An unstable economic environment could have a disruptive impact on our supply chain.*** Certain raw materials used in manufacturing our products are sourced from single suppliers, and we may not be able to quickly or inexpensively re-source from other suppliers. 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. Failure to take adequate steps to effectively manage such events, which are intensified when a product is procured 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.

<u>Aluminum Extrusions</u>

- ***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.

  Although our sales volumes have improved in recent years, there is uncertainty surrounding the extent and timing of a full recovery in the building and construction sector. Therefore, the extent and timing of the recovery of sales volumes and profits for Aluminum Extrusions is uncertain, 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 1,500 customers that are in a variety of end-use markets within the broad categories of building and construction, distribution, automotive and other transportation, machinery and equipment, electrical and consumer durables. No single customer exceeds 3% 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.

In the past, imports into the U.S., primarily from China, represented an increasing portion of the U.S. aluminum extrusion market. However, following an affirmative determination by the U.S. International Trade Commission in April 2011 that dumped and subsidized imports of aluminum extrusion from China are a cause of material injury to the domestic industry, the U.S. Department of Commerce has applied duties to these imported products. As a result, aluminum extrusion imports from China have decreased significantly. While the risk to the domestic industry has been abated for the time being, efforts continue to address the challenges and circumvention issues that remain.

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 manufacturing facilities, warehouses and other properties and assets owned or leased by us to be in generally good condition. Capacity utilization at our various manufacturing facilities can vary with product mix and normal fluctuations in sales levels. We believe that our manufacturing facilities have sufficient capacity to meet our current production requirements. Our corporate headquarters, which is leased, is located at 1100 Boulders Parkway, Richmond, Virginia 23225.

Our principal plants and facilities are listed below:

Film Products

Locations in the U.S.	*Locations Outside the U.S.*	*Principal Operations*
Bloomfield, New York (technical center and production facility)	Cabo de Santo Agostinho, Brazil	Production of plastic films and laminate materials
Lake Zurich, Illinois	Guangzhou, China	
Morrisville, North Carolina (technical center and production facility) (leased)	Kerkrade, The Netherlands	
Pottsville, Pennsylvania	Pune, India	
Red Springs, North Carolina (leased) (to be closed in 2014)	Rétság, Hungary	
Richmond, Virginia (technical center) (leased)	São Paulo, Brazil	
Terre Haute, Indiana (technical center and production facility)	Shanghai, China	

Aluminum Extrusions

Locations in the U.S.	*Principal Operations*
Carthage, Tennessee	Production of aluminum extrusions, fabrication and finishing
Elkhart, Indiana	
Newnan, Georgia	
Niles, Michigan	

Item 3. LEGAL PROCEEDINGS

None.

Item 4. **MINE SAFETY DISCLOSURES**

None.

PART II

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

Market Prices of Common Stock and Shareholder Data

Our common stock is traded on the New York Stock Exchange ("NYSE") under the ticker symbol TG. We have no preferred stock outstanding. There were 32,305,145 shares of common stock held by 1,962 shareholders of record on December 31, 2013.

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

	2013		2012	
	High	**Low**	High	Low
First quarter	$ **30.70**	$ **21.06**	$ 26.29	$ 19.13
Second quarter	**30.16**	**24.23**	20.51	13.49
Third quarter	**30.73**	**22.22**	18.95	13.50
Fourth quarter	**29.74**	**23.86**	20.42	16.54

The closing price of our common stock on February 21, 2014 was $23.62.

Dividend Information

We have paid a dividend every quarter since becoming a public company in July 1989. We paid a quarterly dividend of 7 cents per share in 2013. We paid quarterly dividends of 4 $^{1}/_{2}$ cents per share in the first two quarters of 2012 and 6 cents per share in the final two quarters of 2012. We also paid a one-time dividend of 75 cents per share to all shareholders in December 2012. We paid a quarterly dividend of 4 $^{1}/_{2}$ cents per share in 2011.

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 revolving credit agreement and other such considerations as the Board deems relevant. See Note 11 beginning on page 63 for the restrictions contained in our revolving credit agreement related to minimum shareholders' equity required and aggregate dividends permitted.

Issuer Purchases of Equity Securities

On January 7, 2008, we announced that our Board of Directors approved a share repurchase program whereby management is authorized at its discretion to purchase, in the open market or in privately negotiated transactions, up to 5 million shares of Tredegar's outstanding common stock. The authorization has no time limit. We did not repurchase any shares in the open market or otherwise in 2013, 2012 or 2011 under this standing authorization.

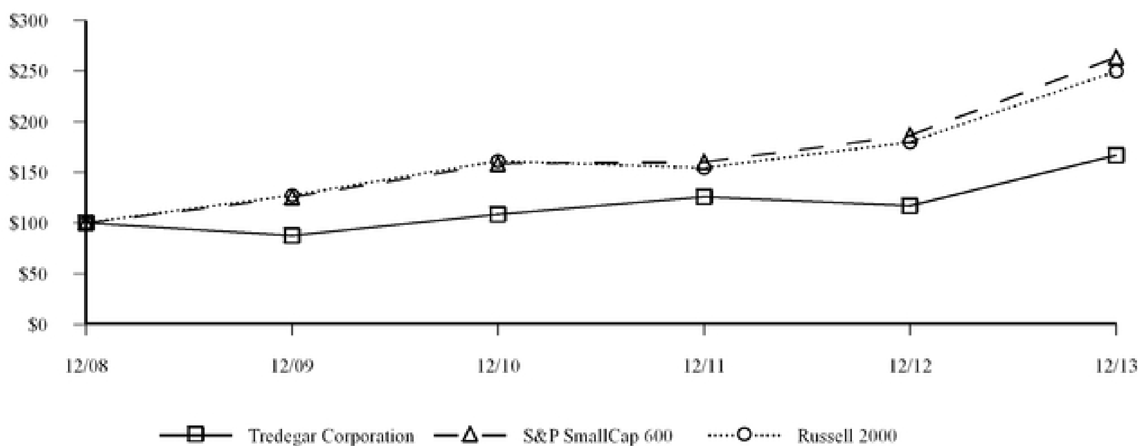
We received 209,576 shares in 2012 at a price of $17.70 per share as consideration from Arc Ventures, LC in connection with our divestiture of Falling Springs. Shares received from the sale of Falling Springs do not represent shares repurchased under the current approved program.

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, 2013. Tredegar is part of both the S&P SmallCap 600 Index and Russell 2000 Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Tredegar Corporation, the S&P SmallCap 600 Index, and the Russell 2000 Index



*$100 invested on 12/31/08 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
P.O. Box 30170
College Station, TX 77842-3170
Phone: 800-622-6757
www.computershare.com/investor/Contact

All other inquiries should be directed to:

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

Quarterly Information

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

Item 6. SELECTED FINANCIAL DATA

The tables that follow on pages 12-17 present certain selected financial and segment information for the five years ended December 31, 2013.

FIVE-YEAR SUMMARY

Tredegar Corporation and Subsidiaries

Years Ended December 31	**2013**		2012		2011		2010		2009	
(In Thousands, Except Per-Share Data)										
Results of Operations (a):										
Sales	**$ 959,346**		$ 882,188		$ 794,420		$ 738,200		$ 648,613	
Other income (expense), net	**1,776**	(c)	18,119	(d)	3,213	(e)	(1,182)	(f)	8,464	(g)
	961,122		900,307		797,633		737,018		657,077	
Cost of goods sold	**784,675**	(c)	712,660	(d)	654,087	(e)	594,987	(f)	516,933	(g)
Freight	**28,625**		24,846		18,488		17,812		16,085	
Selling, general & administrative expenses	**71,195**	(c)	73,717	(d)	67,808	(e)	67,729		60,481	
Research and development expenses	**12,669**		13,162		13,219		13,625		11,856	
Amortization of intangibles	**6,744**		5,806		1,399		466		120	
Interest expense	**2,870**		3,590		1,926		1,136		783	
Asset impairments and costs associated with exit and disposal activities	**1,412**	(c)	5,022	(d)	1,917	(e)	773	(f)	2,950	(g)
Goodwill impairment charge	—		—		—		—		30,559	(b)
	908,190		838,803		758,844		696,528		639,767	
Income from continuing operations before income taxes	**52,932**		61,504		38,789		40,490		17,310	
Income taxes	**16,995**	(c)	18,319	(d)	10,244	(e)	13,649	(f)	18,663	(g)
Income (loss) from continuing operations (a)	**35,937**		43,185		28,545		26,841		(1,353)	
Discontinued operations, net of tax (a)	**(13,990)**	(a)	(14,934)	(a)	(3,690)	(a)	186	(a)	—	
Net income (loss)	**$ 21,947**		$ 28,251		$ 24,855		$ 27,027		$ (1,353)	
Diluted earnings (loss) per share (a):										
Continuing operations	**$ 1.10**		$ 1.34		$ 0.89		$ 0.82		$ (0.04)	
Discontinued operations	**(0.43)**	(a)	(0.46)	(a)	(0.12)	(a)	0.01	(a)	—	
Net income (loss)	**$ 0.67**		$ 0.88		$ 0.77		$ 0.83		$ (0.04)	

Refer to notes to financial tables on page 17.

FIVE-YEAR SUMMARY

Tredegar Corporation and Subsidiaries

Years Ended December 31	2013	2012		2011	2010	2009
(In Thousands, Except Per-Share Data)						
Share Data:						
Equity per share	**$ 12.46**	$ 11.61		$ 12.38	$ 13.10	$ 12.66
Cash dividends declared per share	**0.28**	0.96	**(k)**	0.18	0.16	0.16
Weighted average common shares outstanding during the period	**32,172**	32,032		31,932	32,292	33,861
Shares used to compute diluted earnings (loss) per share during the period	**32,599**	32,193		32,213	32,572	33,861
Shares outstanding at end of period	**32,305**	32,069		32,057	31,883	33,888
Closing market price per share:						
High	**$ 30.73**	$ 26.29		$ 23.00	$ 20.19	$ 18.68
Low	**21.06**	13.49		13.92	14.93	12.79
End of year	**28.81**	$ 20.42		22.22	19.38	15.82
Total return to shareholders (h)	**42.5%**	(3.8)%		15.6%	23.5%	(12.1)%
Financial Position:						
Total assets	**$ 793,008**	$ 783,165		$ 780,610	$ 580,342	$ 596,279
Cash and cash equivalents	**52,617**	48,822		68,939	73,191	90,663
Debt	**139,000**	128,000		125,000	450	1,163
Shareholders’ equity (net book value)	**402,664**	372,252		396,907	417,546	429,072
Equity market capitalization (i)	**930,711**	654,857		712,307	617,893	536,108

Refer to notes to financial tables on page 17.

SEGMENT TABLES

Tredegar Corporation and Subsidiaries

Net Sales (j)

(In Thousands)	**2013**	2012	2011	2010	2009
Film Products	**$ 621,239**	$ 611,877	$ 535,540	$ 520,749	$ 455,007
Aluminum Extrusions	**309,482**	245,465	240,392	199,639	177,521
Total net sales	**930,721**	857,342	775,932	720,388	632,528
Add back freight	**28,625**	24,846	18,488	17,812	16,085
Sales as shown in Consolidated Statements of Income	**$ 959,346**	$ 882,188	$ 794,420	$ 738,200	$ 648,613

Identifiable Assets

(In Thousands)	**2013**	2012	2011	2010	2009
Film Products	**$ 556,873**	$ 551,842	$ 574,571	$ 368,853	$ 371,639
Aluminum Extrusions	**134,928**	129,279	78,661	81,731	82,429
AFBS (formerly Therics)	**—**	—	—	583	1,147
Subtotal	**691,801**	681,121	653,232	451,167	455,215
General corporate	**48,590**	53,222	40,917	41,833	50,401
Cash and cash equivalents	**52,617**	48,822	68,939	73,191	90,663
Identifiable assets from continuing operations	**793,008**	783,165	763,088	566,191	596,279
Discontinued operations (a):	**—**	—	17,522	14,151	—
Total	**$ 793,008**	$ 783,165	$ 780,610	$ 580,342	$ 596,279

Refer to notes to financial tables on page 17.

SEGMENT TABLES

Tredegar Corporation and Subsidiaries

Operating Profit

(In Thousands)	**2013**		2012		2011		2010		2009	
Film Products:										
Ongoing operations	**$ 70,966**		$ 69,950		$ 59,493		$ 66,718		$ 64,379	
Plant shutdowns, asset impairments, restructurings and other	**(671)**	(c)	(109)	(d)	(6,807)	(e)	(758)	(f)	(1,846)	(g)
Aluminum Extrusions:										
Ongoing operations	**18,291**		9,037		3,457		(4,154)		(6,494)	
Plant shutdowns, asset impairments, restructurings and other	**(2,748)**	(c)	(5,427)	(d)	58	(e)	493	(f)	(639)	(g)
Goodwill impairment charge	**—**		—		—		—		(30,559)	(b)
AFBS (formerly Therics):										
Gain on sale of investments in Theken Spine and Therics, LLC	**—**		—		—		—		1,968	(g)
Total	**85,838**		73,451		56,201		62,299		26,809	
Interest income	**594**		418		1,023		709		806	
Interest expense	**2,870**		3,590		1,926		1,136		783	
Gain on sale of corporate assets	**—**		—		—		—		404	
Gain (loss) on investment accounted for under the fair value method	**3,400**	(c)	16,100	(d)	1,600	(e)	(2,200)	(f)	5,100	(g)
Unrealized loss on investment property	**1,018**	(c)	—		—		—		—	
Stock option-based compensation costs	**1,155**		1,432		1,940		2,064		1,692	
Corporate expenses, net	**31,857**	(c)	23,443	(d)	16,169	(e)	17,118		13,334	(g)
Income from continuing operations before income taxes	**52,932**		61,504		38,789		40,490		17,310	
Income taxes	**16,995**	(c)	18,319	(d)	10,244	(e)	13,649	(f)	18,663	(g)
Income (loss) from continuing operations	**35,937**		43,185		28,545		26,841		(1,353)	
Income (loss) from discontinued operations, net of tax (a)	**(13,990)**	(a)	(14,934)	(a)	(3,690)	(a)	186		—	(a)
Net income (loss)	**$ 21,947**		$ 28,251		$ 24,855		$ 27,027		$ (1,353)	

Refer to notes to financial tables on page 17.

SEGMENT TABLES

Tredegar Corporation and Subsidiaries

Depreciation and Amortization

(In Thousands)	**2013**	2012	2011	2010	2009
Film Products	**$ 35,332**	$ 39,202	$ 36,315	$ 34,448	$ 32,360
Aluminum Extrusions	**9,202**	9,984	8,333	9,054	7,566
Subtotal	**44,534**	49,186	44,648	43,502	39,926
General corporate	**121**	73	75	74	71
Total continuing operations	**44,655**	49,259	44,723	43,576	39,997
Discontinued operations (a):	**—**	10	12	12	—
Total	**$ 44,655**	$ 49,269	$ 44,735	$ 43,588	$ 39,997

Capital Expenditures

(In Thousands)	**2013**	2012	2011	2010	2009
Film Products	**$ 64,867**	$ 30,484	$ 13,107	$ 15,839	$ 11,487
Aluminum Extrusions	**14,742**	2,332	2,697	4,339	22,530
Subtotal	**79,609**	32,816	15,804	20,178	34,017
General corporate	**52**	436	76	236	125
Capital expenditures for continuing operations	**79,661**	33,252	15,880	20,414	34,142
Discontinued operations (a):	**—**	—	—	4	—
Total capital expenditures	**$ 79,661**	$ 33,252	$ 15,880	20,418	34,142

Refer to notes to financial tables on page 17.

NOTES TO FINANCIAL TABLES

(a) On November 20, 2012, we sold our membership interests in Falling Springs. All historical results for this business have been reflected in discontinued operations. In 2012, discontinued operations also includes an after-tax loss of $2.0 million from the sale of Falling Springs in addition to operating results through the closing date. On February 12, 2008, we sold our aluminum extrusions business in Canada. All historical results for this business have been reflected as discontinued operations. In 2013, 2012 and 2011, discontinued operations include after-tax charges of $(14.0) million, $(13.4) million and $(4.4) million respectively, to accrue for indemnifications under the purchase agreement related to environmental matters.

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

(c) Plant shutdowns, asset impairments, restructurings and other for 2013 include a charge of $1.7 million related to expected future environmental costs at the aluminum extrusions manufacturing facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statement of income); charges of $0.6 million associated with the shutdown of our aluminum extrusions manufacturing facility in Kentland, Indiana; charges of $0.5 million associated with the shutdown of the film products manufacturing facility in Red Springs, North Carolina, which includes severance and other employee-related costs of $0.3 million and asset impairment charges of $0.2 million; charges of $0.4 million for severance and other employee-related costs in connection with restructurings in Aluminum Extrusions ($0.3 million) and Film Products ($0.1 million); charges of $0.2 million for integration-related expenses and other nonrecurring transactions (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions; and a loss of $0.1 million related to the sale of previously impaired machinery and equipment at our film products manufacturing facility in Shanghai, China (included in "Other income (expense), net" in the consolidated statements of income). The unrealized gain on our investment in kaléo of $3.4 million, the unrealized loss on our investment in Harbinger of $0.4 million and the unrealized loss on our investment property in Alleghany and Bath County, Virginia of $1.0 million in 2013 are included in "Other income (expense), net" in the consolidated statements of income. Income taxes for 2013 include the recognition of an additional valuation allowance of $0.4 million related to the expected limitations on the utilization of assumed capital losses on certain investments.

(d) Plant shutdowns, asset impairments, restructurings and other for 2012 include a net charge of $3.6 million associated with the shutdown of our aluminum extrusions manufacturing facility in Kentland, Indiana, which included accelerated depreciation for property and equipment of $2.4 million (included in "Cost of goods sold" in the consolidated statement of income), severance and other employee-related costs of $1.2 million and other shutdown-related charges of $2.3 million, partially offset by adjustments to inventories accounted for under the last-in, first-out method of $1.5 million (included in "Cost of goods sold" in the consolidated statements of income) and gains of $0.8 million (included in "Other income (expense), net" in the consolidated statements of income); a gain of $1.3 million in Film Products (included in "Other income (expense), net" in the consolidated statements of income) associated with an insurance recovery on idle equipment that was destroyed in a fire at an outside warehouse; charges of $1.3 million for acquisition-related expenses (included in "Selling, general and administrative expenses in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions; charges of $1.1 million for integration-related expenses and other nonrecurring transactions (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of Terphane by Film Products; gain of $1.1 million (included in "Other income (expense), net" in the consolidated statements of income) on the sale of a previously shutdown film products manufacturing facility in LaGrange, Georgia; losses of $0.8 million for asset impairments associated with a previously shutdown film products manufacturing facility in LaGrange, Georgia; charges of $0.5 million for severance and other employee-related costs in connection with restructurings in Film Products ($0.3 million) and Aluminum Extrusions ($0.2 million); charges of $0.2 million for asset impairments in Film Products; charges of $0.2 million for integration-related expenses and other nonrecurring transactions (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions; charges of $0.1 million associated with purchase accounting adjustments made to the value of inventory sold by Aluminum Extrusions after its acquisition of AACOA; and a charge of $0.1 million (included in "Costs of goods sold" in the consolidated statements of income) related to expected future environmental costs at the aluminum extrusions manufacturing facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statement of income). The unrealized gain on our investment in kaléo of $16.1 million and the unrealized loss on our investment in Harbinger of $1.1 million in 2012 are included in "Other income (expense), net" in the consolidated statements of income. Income taxes for 2012 include the recognition of an additional valuation allowance of $1.3 million related to the expected limitations on the utilization of assumed capital losses on certain investments.

(e) Plant shutdowns, asset impairments, restructurings and other for 2011 include charges of $4.8 million for acquisition-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of Terphane by Film Products; charges of $1.4 million for asset impairments in Films Products; a gain of $1.0 million on the disposition of our film products business in Roccamontepiano, Italy (included in "Other income (expense), net" in the consolidated statements of income), which includes the recognition of previously unrecognized foreign currency translation gains of $4.3 million that were associated with the business; charges of $0.7 million associated with purchase accounting adjustments made to the value of inventory sold by Films Products after its purchase of Terphane (included in "Cost of goods sold" in the consolidated statements of income); charges of $0.5 million for severance and other employee related costs in connection with restructurings in Film Products; charges of $0.4 million for integration-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of Terphane by Film Products; and gains of $0.1 million associated with Aluminum Extrusions for timing differences between the recognition of realized losses on aluminum futures contracts and related revenues from the delayed fulfillment by customers of fixed-price forward purchase commitments (included in "Cost of goods sold" in the consolidated statements of income). The unrealized gain on our investment in kaléo of $1.6 million and the unrealized loss on our investment in Harbinger of $0.6 million in 2011 are included in "Other income (expense), net" in the consolidated statements of income.

(f) Plant shutdowns, asset impairments, restructurings and other for 2010 include gains of $0.9 million associated with Aluminum Extrusions for timing differences between the recognition of realized losses on aluminum futures contracts and related revenues from the delayed fulfillment by customers of fixed-price forward purchase commitments (included in "Cost of goods sold" in the consolidated statements of income); asset impairment charges of $0.6 million related to Films Products; a charge of $0.4 million related to expected future environmental costs at the aluminum extrusions manufacturing facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statements of income); charges of $0.2 million for severance and other employee-related costs in connection with restructurings in Film Products; a gain of $0.1 million on the sale of previously impaired equipment (included in "Other income (loss), net" in the consolidated statements of income) at the film products manufacturing facility in Pottsville, Pennsylvania; and losses of $0.1 million on the disposal of equipment (included in "Other income (expense), net" in the consolidated statements of income) from a previously shutdown film products manufacturing facility in LaGrange, Georgia. The unrealized loss on our investment in kaléo of $2.2 million in 2010 is included in "Other income (expense), net" in the consolidated statements of income. Income taxes in 2010 include the recognition of an additional valuation allowance of $0.2 million related to the expected limitations on the utilization of assumed capital losses on certain investments.

(g) Plant shutdowns, asset impairments, restructurings and other for 2009 include a charge of $2.1 million for severance and other employee related costs in connection with restructurings for Film Products ($1.3 million), Aluminum Extrusions ($0.4 million) and corporate headquarters ($0.4 million, included in "Corporate expenses, net" in the operating profit by segment table); an asset impairment charge of $1.0 million in Films Products; losses of $1.0 million associated with Aluminum Extrusions for timing differences between the recognition of realized losses on aluminum futures contracts and related revenues from the delayed fulfillment by customers of fixed-price forward purchase commitments (included in "Cost of goods sold" in the consolidated statements of income); a gain of $0.6 million related to the sale of land at our aluminum extrusions facility in Newnan, Georgia (included in "Other income (expense), net" in the consolidated statements of income); a gain of $0.3 million on the sale of equipment (included in "Other income (expense), net" in the consolidated statements of income) from a previously shutdown film products manufacturing facility in LaGrange, Georgia; a gain of $0.2 million on the sale of a previously shutdown aluminum extrusions manufacturing facility in El Campo, Texas (included in "Other income (expense), net" in the consolidated statements of income); a gain of $0.1 million related to the reversal to income of certain inventory impairment accruals in Film Products; and a net charge of $0.1 million (included in "Costs of goods sold" in the consolidated statements of income) related to adjustments of future environmental costs expected to be incurred by Aluminum Extrusions. The gain from the write-up of an investment accounted for under the fair value method of $5.1 million in 2009 is included in "Other income (expense), net" in the consolidated statements of income. The gain on sale of investments in Theken Spine and Therics, LLC, which is also included in "Other income (expense), net" in the consolidated statements of income, includes the receipt of a contractual earn-out payment of $1.8 million and a post-closing contractual adjustment of $0.2 million. AFBS Inc. (formerly Therics, Inc.) received these investments in 2005, when substantially all of the assets of AFBS, Inc., a wholly-owned subsidiary of Tredegar, were sold or assigned to a newly created limited liability company, Therics, LLC, controlled and managed by an individual not affiliated with Tredegar. Income taxes in 2009 include the recognition of an additional valuation allowance of $2.1 million related to the expected limitations on the utilization of assumed capital losses on certain investments.

(h) Total return to shareholders is defined as the change in stock price during the year plus dividends per share, divided by the stock price at the beginning of the year.

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

(j) Net sales represent gross sales less freight. Net sales is the measure used by the chief operating decision maker of each segment for purposes of assessing performance.

(k) In addition to quarterly dividends of 4 1/2 cents per share in the first and second quarters and 6 cents per share in the third and fourth quarters of 2012, there was a special one-time dividend of 75 cents per share paid to shareholders in December 2012.

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

Forward-looking and Cautionary Statements

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

Executive Summary

General

Tredegar is a manufacturer of plastic films and aluminum extrusions. Descriptions of all of our businesses are provided on pages 1-9.

Sales from continuing operations were $959.3 million in 2013 compared to $882.2 million in 2012. Income from continuing operations was $35.9 million ($1.10 per diluted share) in 2013, compared with $43.2 million ($1.34 per diluted share) in 2012. Losses associated with plant shutdowns, assets impairments and restructurings and gains and losses on the sale of assets, gains or losses on investments accounted for under the fair value method and other items are described in results of continuing operations beginning on page 23. The business segment review begins on page 35.

Film Products

A summary of operating results for Film Products is provided below:

	Year Ended December 31		Favorable/ (Unfavorable)
(In thousands, except percentages)	2013	2012	% Change
Sales volume (pounds)	270,463	270,265	0.1%
Net sales	$ 621,239	$ 611,877	1.5%
Operating profit from ongoing operations	$ 70,966	$ 69,950	1.5%

Net sales for 2013 increased in comparison to 2012, primarily due to higher volumes, improved product mix and a favorable change in the U.S. dollar value of currencies for operations outside the U.S., partially offset by the negative impact of lower average selling prices. Higher sales volumes and improved product mix in Film Products had a favorable impact of approximately $14.5 million in 2013 compared to 2012. Higher volumes in surface protection films and personal care materials were partially offset by lower volumes in flexible packaging films, polyethylene overwrap films and films for other markets. The estimated change in average selling prices, net of cost pass-throughs, had an unfavorable impact on net sales of $6.6 million. Average selling prices decreased primarily due to competitive pressures in flexible packaging and polyethylene overwrap films, partially offset by the favorable impact of the contractual pass-through of certain costs, such as higher average resin prices. The change in the U.S. dollar value of currencies for operations outside the U.S. had a favorable impact on net sales of approximately $1.7 million in 2013 compared to 2012.

Operating profit from ongoing operations in 2013 increased in comparison to 2012. Higher sales volumes and a more favorable product mix in surface protection films and personal care materials, partially offset by the negative impact from lower volumes in flexible packaging films, had a favorable impact of approximately $10.3 million in 2013 compared to 2012. Price reductions that were not fully offset by related productivity gains had an estimated unfavorable impact of $10.0 million. Pricing pressures were primarily driven by global supply and demand dynamics in flexible packaging films. Higher production

costs and operational inefficiencies further reduced current year operating profit from ongoing operations by approximately $7.1 million. Increased production expenditures were primarily associated with flexible packaging films due to its spending to increase productivity on an existing production line, inflation and staffing for our new production line to expand capacity in Brazil. Selling, general and administrative expenses decreased by approximately $2.3 million in 2013, primarily as a result of lower depreciation and the timing of legal expenses.

The change in the U.S. dollar value of currencies for operations outside the U.S. had a favorable impact of approximately $7.0 million in 2013 compared to 2012. The estimated impact on operating profit from ongoing operations of the quarterly lag in the pass-through of average resin costs was approximately a negative $2.1 million in 2013 compared to a negative $0.5 million in 2012. The net impact on operating profit from ongoing operations for adjustments related to inventories accounted for under LIFO was a negative $0.3 million in 2013 compared to 2012.

P&G has informed us that we will lose certain babycare elastic laminate volumes due to P&G's plans to consolidate suppliers for its North American product needs. Net sales for this domestic product line were $50.9 million in 2013, and we expect that sales volumes for the elastic laminates sold to P&G will be fully eliminated by the middle of 2014. The total impact of the loss of this business with P&G on operating results will not be fully realized until 2015, and when realized, it is expected to negatively impact operating profit from ongoing operations on an annual basis by approximately $9 million, based upon operating results for the last twelve months ended. P&G remains an important customer to Film Products, and we do not expect the loss of the elastic laminate volumes to impact other business or initiatives underway with P&G. The loss of this business will result in the shutdown of our film products' manufacturing facility in Red Springs, North Carolina, a leased facility that is dedicated solely to this product line. We estimate that charges to be incurred related to the shutdown of our Red Springs manufacturing facility, which primarily consist of severance and other employee-related costs, will be approximately $1.3 million.

We will continue to produce elastic films and laminates used in baby diapers and adult incontinence for a variety of customers worldwide, and we are well positioned to capitalize on new growth opportunities for these materials. In addition, we are executing a strategy to position our Film Products business to more aggressively leverage its full product portfolio to compete for new business with new and existing customers, expand capacity in the emerging markets, develop new products with P&G and other customers, and achieve new cost savings and production efficiencies. We anticipate that our efforts to facilitate growth and drive cost savings in Film Products will offset the loss of this business with P&G by 2015. For additional information, see "Item 1A. Risk Factors" beginning on page 5.

As we execute on our strategy to build long-term value, we continue to focus on managing the dynamics within our control. In 2014, we expect to implement company-wide cost savings that will partially mitigate the impact of lower babycare elastic laminate volumes and continued market weakness in flexible packaging films. In addition to cost reduction efforts, we expect to continue to invest in projects that will facilitate profitable growth.

Capital expenditures in Film Products were $64.9 million in 2013 compared to $30.5 million in 2012, which included approximately $41.0 million in capital expenditures for a project that will expand our capacity at the manufacturing facility in Cabo de Santo Agostinho, Brazil. The additional capacity from the project is expected to be available by the end of the second quarter of 2014, and it will primarily serve flexible packaging films customers in Latin America. Film Products currently estimates that capital expenditures will be approximately $50 million in 2014, which includes approximately $15 million for routine capital expenditures required to support operations. Depreciation expense was $30.4 million in 2013 and $33.9 million in 2012, and is projected to be approximately $31 million in 2014. Amortization expense was $4.9 million in 2013 and $5.3 million in 2012, and is projected to be approximately $4.0 million in 2014.

Aluminum Extrusions

A summary of operating results for Aluminum Extrusions is provided below:

(In thousands, except percentages)	Year Ended December 31 2013	Year Ended December 31 2012	Favorable/ (Unfavorable) % Change
Sales volume (pounds)	143,684	114,845	25.1%
Net sales	$ 309,482	$ 245,465	26.1%
Operating profit from ongoing operations	$ 18,291	$ 9,037	102.4%

Net sales in 2013 increased versus 2012 primarily due to the addition of AACOA, Inc. (“AACOA”), which was acquired on October 1, 2012. Net sales associated with AACOA were $88.1 million in 2013 compared to $19.5 million subsequent to the acquisition in 2012. Excluding the impact of our acquisition of AACOA and the shutdown of our manufacturing facility in Kentland, Indiana, volume was relatively flat in 2013. More than half of the volume that was produced at our Kentland manufacturing facility has been transferred to our remaining facilities.

Operating profit from ongoing operations increased in 2013 versus 2012, primarily as a result of the addition of AACOA and cost savings associated with the 2012 shutdown of our Kentland manufacturing facility. The impact on operating profit from ongoing operations directly attributable to the acquisition of AACOA, including synergies, was approximately $4.8 million in 2013. Aluminum Extrusions closed its manufacturing facility in Kentland, Indiana in August 2012. The plant, whose core market was residential construction, previously employed 146 people. Charges associated with the Kentland shutdown were $0.6 million in 2013, which were primarily comprised of environmental assessments, estimated remediation costs and other miscellaneous plant shutdown charges. Estimated cash expenditures for shutdown-related activities that are expected to be recognized in 2014 are approximately $0.2 million. The shutdown of our Kentland manufacturing facility had a favorable impact on operating profit from ongoing operations of approximately $2.3 million in 2013 compared to 2012 and $2.5 million in 2012 compared to 2011. The combined estimated favorable impact on segment operating profit from ongoing operations from the closure of Kentland is consistent with previously disclosed full year estimates of approximately $4-5 million.

In addition to the favorable impact of the addition of AACOA and cost savings associated with the 2012 shutdown of our Kentland manufacturing facility, lower supplies and maintenance-related expenditures in 2013, which had a favorable impact on operating profit from ongoing operations of approximately $0.7 million, were offset by construction-related expenses associated with the new automotive press project at our manufacturing facility in Newnan, Georgia of $0.6 million. The remaining increase in operating profit from ongoing operations can be attributed to favorable pricing on value-added services, partially offset by an unfavorable sales mix and higher production costs.

Capital expenditures for Bonnell Aluminum were $14.7 million in 2013 compared with $2.3 million in 2012. Current year capital expenditures include approximately $11.5 million in capital expenditures for a previously announced project that will expand the capacity at our manufacturing facility in Newnan, Georgia. This additional capacity will serve the automotive industry. Capital expenditures are projected to be approximately $10 million in 2014, which includes approximately $5 million for routine capital expenditures required to support operations. Depreciation expense was $7.4 million in 2013 compared with $9.5 million in 2012, and is projected to be approximately $9 million in 2014. Higher depreciation expense in 2012 is primarily related to approximately $2.4 million in accelerated depreciation on property, plant and equipment at the Kentland manufacturing facility. Amortization expense was $1.8 million in 2013 and $0.5 million in 2012, and is projected to be approximately $1.6 million in 2014.

Other

The Other segment was previously comprised of Bright View and Falling Springs, LLC (“Falling Springs”). Falling Springs develops, owns and operates multiple mitigation banks. As previously noted, the operations of Bright View were incorporated into Film Products in 2012, and all prior year balances for Bright View have been reclassified to Film Products to conform with the current year presentation.

On November 20, 2012, Tredegar Real Estate Holdings, Inc., a wholly-owned subsidiary of Tredegar, sold its membership interests in Falling Springs to Arc Ventures, LC for cash and stock proceeds totaling $16.6 million. Arc Ventures, LC is a Virginia limited liability company affiliated with John D. Gottwald, a member of our Board of Directors. The purchase price paid to Tredegar was comprised of cash of $12.8 million and 209,576 shares of common stock of Tredegar owned by Arc Ventures, LC. The corresponding loss on sale of $3.1 million, which includes transaction-related expenses of $0.5 million, and the results of operations related to Falling Springs have been classified as discontinued operations for all periods presented.

Corporate Expenses, Interest and Income Taxes

Pension expense was $13.7 million in 2013, an unfavorable change of $5.6 million from pension expense recognized in 2012. Most of the change is reflected in “Corporate expenses, net” in the segment operating profit table presented on page 15. We contributed approximately $5.2 million to our pension plans in 2013. Minimum required contributions to our pension plans in 2014 are expected to be $0.2 million. Pension expense is estimated to be $7.5 million in 2014. Corporate expenses, net increased in 2013 in comparison to 2012 primarily due to the increase in pension expenses noted above and the timing of certain non-recurring corporate expenditures. In 2013, corporate expenses, net included $1.4 million in additional expenses related to responding to a Schedule 13D filed with the SEC by certain shareholders. Corporate expenses, net also included an

unrealized loss on our investment in the Harbinger Capital Partners Special Situations Fund, L.P. (“Harbinger Fund”) of $0.4 million in 2013 and $1.1 million in 2012.

Interest expense, which includes the amortization of debt issue costs, was $2.9 million in 2013 in comparison to $3.6 million in 2012 as a result of decrease in the average interest rate on borrowings under our revolving credit facility.

The effective income tax rate from continuing operations was 32.1% in 2013 compared with 29.8% in 2012. The effective tax rate used to compute income taxes from continuing operations increased in 2013 compared to 2012 due to a reduction in the benefit from foreign tax incentives. Significant differences between the effective tax rate for continuing operations and the U.S. federal statutory rate for 2013 and 2012 are further detailed in the effective income tax rate reconciliation provided in Note 17 beginning on page 72.

Our net debt balance (total debt of $139.0 million in excess of cash and cash equivalents of $52.6 million) at December 31, 2013 was $86.4 million, compared to a net debt balance (total debt of $128.0 million in excess of cash and cash equivalents of $48.8 million) at December 31, 2012 of $79.2 million. Net debt, a financial measure that is not calculated or presented in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), is not intended to represent debt as defined by U.S. GAAP, but is utilized by management in evaluating financial leverage and equity valuation. We believe that investors also may find net debt helpful for the same purposes. Consolidated net capitalization and other credit measures are provided in the financial condition section beginning on page 27.

Critical Accounting Policies

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

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

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

We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis (December 1st of each year). Our reporting units in Film Products include, but are not limited to, Polyethylene and Polypropylene Films and PET Films. As of December 31, 2013, each of the previously identified reporting units in Film Products was carrying a goodwill balance. We have two reporting units in Aluminum Extrusions, AACOA and Bonnell. All goodwill in Aluminum Extrusions is associated with the AACOA reporting unit.

In assessing the recoverability of goodwill and long-lived identifiable assets, we estimate fair value using discounted cash flow analysis and comparative enterprise value-to-EBITDA (earnings before interest, taxes, depreciation and amortization) multiples. These calculations require us to make assumptions regarding estimated future cash flows, discount rates and other factors to determine if an impairment exists. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges.

Based upon assessments performed as to the recoverability of long-lived identifiable assets, we recorded asset impairment losses for continuing operations of $1.0 million in 2012 and $1.4 million in 2011 (none in 2013).

Investment Accounted for Under the Fair Value Method

In August 2007 and December 2008, we made an aggregate investment of $7.5 million in kaléo (formerly Intelliject, Inc.), a privately held specialty pharmaceutical company. This investment is accounted for under the fair value method. At the time of our initial investment, we elected the fair value option over the equity method of accounting since our investment objectives were similar to those of venture capitalists, which typically do not have controlling financial interests (venture capital funds generally use the fair value method to account for their investment portfolios). At December 31, 2013, our ownership interest was approximately 20% on a fully diluted basis.

We disclose the level within the fair value hierarchy in which fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other

observable inputs (Level 2), and significant unobservable inputs (Level 3). On the dates of our investments, we believe that the amount we paid for our ownership interest and liquidation preferences was based on Level 2 inputs, including investments by other investors. Subsequent to the last round of financing, and until the next round of financing, we believe fair value estimates are based upon Level 3 inputs since there is no secondary market for our ownership interest. Accordingly, after the latest financing and until the next round of financing or any other significant financial transaction, fair value estimates will primarily be based on assumptions relating to meeting product development and commercialization milestones, cash flow projections (projections of development and commercialization milestone payments, sales, costs, expenses, capital expenditures and working capital investment) and discounting of these factors for the high degree of risk.

At December 31, 2013 and 2012, the fair value of our investment (the carrying value included in "Other assets and deferred charges" in our consolidated balance sheet) was $37.1 million and $33.7 million, respectively. The fair market valuation of our interest in kaléo is sensitive to changes in the weighted average cost of capital used to discount cash flow projections for the high degree of risk associated with meeting development and commercialization milestones as anticipated. At December 31, 2013, the effect of a 500 basis point decrease in the weighted average cost of capital assumption would have further increased the fair value of our interest in kaléo by approximately $5 million, and a 500 basis point increase in the weighted average cost of capital assumption would have decreased the fair value of our interest by approximately $5 million. Any future changes in the estimated fair value of our ownership interest will likely be attributed to a new round of financing, a merger or initial public offering or adjustments to the timing or magnitude of cash flows associated with development and commercialization milestones. Adjustments to the estimated fair value of our investment will be made in the period upon which such changes can be quantified.

Pension Benefits

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

The discount rate is used to determine the present value of future payments. The discount rate is the single rate that, when applied to expected benefit payments, provides a present value equal to the present value of expected benefit payments determined by using the AA-rated bond yield curve. In general, our liability increases as the discount rate decreases and vice versa. The weighted average discount rate utilized was 4.99% at the end of 2013, 4.21% at the end of 2012 and 4.95% at the end of 2011, with changes between periods due to changes in market interest rates. Based on plan changes announced in 2006, pay for active participants of the plan was frozen as of December 31, 2007. Beginning in the first quarter of 2014, with the exception of plan participants at two of our U.S. manufacturing facilities, the plan will no longer accrue benefits associated with crediting employees for service, thereby freezing all future benefits under the plan. A lower expected return on plan assets increases the amount of expense and vice versa. Decreases in the level of actual plan assets will also serve to increase the amount of pension expense. The total return on our plan assets, which is primarily affected by the change in fair value of plan assets, current year contributions and current year payments to participants, was 11.2% in 2013, 8.9% in 2012 and a negative 5.1% in 2011. Our expected long-term return on plan assets relating to continuing operations, which is estimated by asset class and generally based on inflation-adjusted historical returns, volatilities, risk premiums and managed asset premiums, was 7.75% in 2013, 8.0% in 2012 and 8.25% from 2009 to 2011. We anticipate that our expected long-term return on plan assets will be 7.75% for 2014. See page 69 for more information on expected long-term return on plan assets and asset mix.

See the executive summary beginning on page 18 for further discussion regarding the financial impact of our pension plans.

Income Taxes

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

For financial reporting purposes, we had unrecognized tax benefits on uncertain tax positions of $2.2 million, $0.9 million and $1.0 million as of December 31, 2013, 2012 and 2011, respectively. Tax payments resulting from the successful challenge by the taxing authority on uncertain tax positions taken by us would possibly result in the payment of interest and penalties. Accordingly, we also accrue for possible interest and penalties on uncertain tax positions. The balance of accrued interest and

penalties on deductions taken relating to uncertain tax positions was approximately $0.2 million, $60,000 and $0.4 million at December 31, 2013, 2012 and 2011, respectively ($96,000, $37,000 and $0.2 million, respectively, net of corresponding federal and state income tax benefits). Accruals for possible interest and penalties on uncertain tax positions are reflected in income tax expense for financial reporting purposes.

Tredegar and its subsidiaries file income tax returns in the U.S., various states, and jurisdictions outside the U.S. With few exceptions, Tredegar and its subsidiaries are no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2010.

As of December 31, 2013 and 2012, we had valuation allowances relating to deferred tax assets of $20.0 million and $18.6 million, respectively. For more information on deferred income tax assets and liabilities, see Note 17 of the notes to financial statements beginning on page 72.

Recently Issued Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued updated guidance to address the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date. Under the new guidance, an entity would measure its obligation from a joint and several liability arrangement as the sum of the amount the entity agreed with its co-obligors that it will pay, and any additional amount the entity expects to pay on behalf of its co-obligors. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013. Early application is permitted, and we do not expect the guidance to impact us.

In March 2013, the FASB issued updated guidance related to foreign currency matters. The updated guidance attempts to resolve the diversity in practice about the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, the amended guidance attempts to resolve the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The guidance is effective for the first annual period beginning after December 15, 2013, and we do expect the guidance to impact us.

In July 2013, the FASB issued new guidance regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless certain exceptions are met. The amendments are effective prospectively for fiscal and interim periods beginning after December 15, 2013. We are still assessing the applicability of this guidance in future periods.

Results of Continuing Operations

2013 versus 2012

Revenues. Sales in 2013 increased by 8.7% compared with 2012 due to higher sales in both Film Products and Aluminum Extrusions. Net sales (sales less freight) increased 1.5% in Film Products primarily due to higher volumes, improved product mix and a favorable change in the U.S. dollar value of currencies for operations outside the U.S., partially offset by the negative impact of lower average selling prices. Net sales increased 26.1% in Aluminum Extrusions primarily due to the impact of the acquisition of AACOA, which was acquired on October 1, 2012. For more information on net sales and volume, see the executive summary beginning on page 18.

Operating Costs and Expenses. Consolidated gross profit as a percentage of sales was 15.2% in 2013 and 16.4% in 2012. Gross profit as a percentage of sales was negatively impacted by higher pension expenses in 2013 compared to 2012. The gross profit margin in Film Products, which does not include higher pension expenses, decreased primarily due to competitive pricing pressures, the negative impact of the estimated impact of the quarterly lag in the pass-through of average resin costs, higher production costs and operational inefficiencies in flexible packaging films, partially offset by a more favorable sales mix. Gross profit margin in Aluminum Extrusions, which does not include higher pension expenses, increased due to more favorable pricing on value-added services, the impact of the acquisition of AACOA and lower fixed costs from the shutdown of our manufacturing facility in Kentland, Indiana, partially offset by higher maintenance and production costs. For more information on operating costs and expenses, see the executive summary beginning on page 18.

As a percentage of sales, selling, general and administrative and R&D expenses were 8.7% in 2013, which decreased from 9.8% in 2012. The decrease in selling, general and administrative and R&D expenses as a percentage of sales can be primarily attributed to lower depreciation and acquisition-related expenses and the timing of certain legal and administrative expenses.

Losses associated with plant shutdowns, asset impairments, restructurings and other charges in 2013 totaled $3.4 million ($2.2 million after taxes) and included:

- A fourth quarter charge of $1.5 million ($0.9 million after taxes), a third quarter charge of $0.1 million ($62,000 after taxes) and a second quarter charge of $85,000 ($53,000 after taxes) related to expected future environmental costs at our aluminum extrusions manufacturing facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statements of income);

- A third quarter charge of $45,000 ($28,000 after taxes), a second quarter charge of $0.4 million ($0.2 million after taxes) and a first quarter charge of $0.2 million ($94,000 after taxes) associated with the shutdown of the aluminum extrusions manufacturing facility in Kentland, Indiana;

- A fourth quarter charge of $0.3 million ($0.2 million after taxes) and a third quarter charge of $0.2 million ($83,000 after taxes) associated with the shutdown of the film products manufacturing facility in Red Springs, North Carolina, which includes severance and other employee related costs of $0.3 million and asset impairments of $0.2 million;

- A fourth quarter charge of $0.3 million ($0.2 million after taxes) in Aluminum Extrusions and a first quarter charge of $0.1 million ($67,000 after taxes) in Film Products associated with severance and other employee related costs in connection with restructurings;

- A second quarter charge of $90,000 ($54,000 after taxes) and a first quarter charge of $0.1 million ($63,000 after taxes) for integration-related expenses and other non-recurring transactions (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions; and

- A second quarter loss of $91,000 ($91,000 after taxes) related to the sale of previously impaired machinery and equipment at our film products manufacturing facility in Shanghai, China (included in "Other income (expense), net" in the consolidated statements of income).

On February 12, 2008, we sold our aluminum extrusions business in Canada for approximately $25.0 million to an affiliate of H.I.G. Capital. All historical results for this business have been reflected as discontinued operations. In 2013, an accrual of $14.0 million ($14.0 million after taxes) was made for indemnifications under the purchase agreement related to environmental matters.

Results in 2013 include an unrealized gain on our investment in kaléo (included in "Other income (expense), net" in the consolidated statements of income) of $3.4 million ($2.2 million after taxes; see further discussion beginning on page 21). An unrealized loss on our investment in the Harbinger Fund (included in "Other income (expense), net" in the consolidated statements of income and "Corporate expenses, net" in the statement of net sales and operating profit by segment) of $0.4 million ($0.3 million after taxes) was recorded in 2013 as a result of a reduction in the fair value of our investment that is not expected to be temporary. We also recorded an unrealized loss on our investment property in Alleghany and Bath County, Virginia of $1.0 million ($0.6 million after taxes) in the second quarter of 2013 as a result of a reduction in the estimated fair value of our investment that is not expected to be temporary. For more information on costs and expenses, see the executive summary beginning on page 18.

Interest Income and Expense. Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, was $0.6 million in 2013, compared to $0.4 million in 2012. Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year with the primary objectives being safety of principal and liquidity.

Interest expense, which includes the amortization of debt issue costs, was $2.9 million in 2013, compared to $3.6 million for 2012. Interest expense was lower in the current year as a result of a decrease in the average interest rate on borrowings under our revolving credit facility. Average debt outstanding and interest rates were as follows:

(In Millions)		2013		2012
Floating-rate debt with interest charged on a rollover				
basis at one-month LIBOR plus a credit spread:				
Average outstanding debt balance	**$**	**133.5**	$	112.1
Average interest rate		**1.9%**		2.1%
Fixed-rate and other debt:				
Average outstanding debt balance	**$**	**—**	$	—
Average interest rate		**n/a**		n/a
Total debt:				
Average outstanding debt balance	**$**	**133.5**	$	112.1
Average interest rate		**1.9%**		2.1%

Income Taxes. The effective income tax rate from continuing operations was 32.1% in 2013 compared with 29.8% in 2012. The effective tax rate used to compute income taxes from continuing operations increased in 2013 compared to 2012 due to a reduction in the benefit from foreign tax incentives. Factors impacting our effective tax rate for 2013 and 2012 are further detailed in the effective income tax rate reconciliation provided in Note 17 beginning on page 72.

2012 versus 2011

Revenues. Sales in 2012 increased by 11.0% compared with 2011 due to higher sales in both Film Products and Aluminum Extrusions. Net sales increased 14.3% in Film Products primarily due to the acquisition of Terphane, partially offset by lower volumes in the remaining product lines, the unfavorable change in the U.S. dollar value of currencies for operations outside the U.S. and a decrease in average selling prices. Net sales increased 2.1% in Aluminum Extrusions primarily due to the acquisition of AACOA, partially offset by a decrease in average selling prices driven by lower aluminum prices and lower volumes resulting from the shutdown of the Kentland manufacturing facility.

Operating Costs and Expenses. Consolidated gross profit (sales minus cost of goods sold and freight) as a percentage of sales were 16.4% in 2012 and 15.3% in 2011. The gross profit margin in Film Products was relatively flat primarily due to the favorable impact of the acquisition of Terphane and a reduction in impact of the lag in the pass-through of higher resin costs, offset by lower volumes and margin compression, primarily in personal care materials. Gross profit margin in Aluminum Extrusions increased primarily as a result of improved profitability from the shutdown of our Kentland manufacturing facility, better pricing and lower energy costs.

As a percentage of sales, selling, general and administrative and R&D expenses were 9.8% in 2012, which decreased from 10.2% in 2011. The decrease in selling, general and administrative and R&D expenses as a percentage of sales can be attributed to higher sales and lower acquisition-related expenditures in 2012. Acquisition-related expenses were $2.0 million in 2012 compared to $4.8 million in 2011.

Losses associated with plant shutdowns, asset impairments, restructurings and other charges in 2012 totaled $5.5 million ($3.6 million loss after taxes) and included:

- A fourth quarter charge of $0.9 million ($0.5 million after taxes), a third quarter charge of $0.8 million ($0.5 million after taxes), a second quarter charge of $1.0 million ($0.7 million after taxes) and a first quarter charge of $0.9 million ($0.5 million after taxes) associated with the shutdown of the aluminum extrusions manufacturing facility in Kentland, Indiana, which includes accelerated depreciation for property, plant and equipment of $2.4 million (included in "Cost of goods sold" in the consolidated statements of income), severance and other employee related expenses of $1.2 million and other shutdown-related charges of $2.3 million, partially offset by adjustments to inventories accounted for under the LIFO method of $1.5 million (included in "Cost of goods sold" in the consolidated statements of income) and gains on the sale of equipment of $0.8 million (included in "Other income (expense), net" in the consolidated statements of income);

- A fourth quarter gain of $1.3 million ($0.7 million after taxes) in Film Products (included in "Other income (expense), net" in the consolidated statements of income) associated with an insurance recovery on idle equipment that was destroyed in a fire at an outside warehouse;

- A fourth quarter charge of $0.9 million ($0.6 million after taxes) and a third quarter charge of $0.3 million ($0.2 million after taxes) for acquisition-related expenses (included in “Selling, general and administrative expenses” in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions (see discussion below for further detail);

- A fourth quarter charge of $0.1 million ($0.1 million after taxes), a third quarter charge of $0.1 million ($0.1 million after taxes), a second quarter charge of $0.6 million ($0.4 million after taxes) and a first quarter charge of $0.3 million ($0.2 million after taxes) for integration-related expenses (included in “Selling, general and administrative expenses” in the consolidated statements of income) associated with the Film Products acquisition of Terphane;

- A fourth quarter gain of $1.1 million ($0.6 million after taxes) related to the sale of a previously shutdown film products manufacturing facility in LaGrange, Georgia;

- A second quarter charge of $0.8 million ($0.5 million after taxes) for asset impairments associated with a previously shutdown film products manufacturing facility in LaGrange, Georgia;

- A fourth quarter charge of $0.2 million ($0.1 million after taxes) and a second quarter charge of $0.1 million ($46,000 after taxes) in Film Products and a first quarter charge of $0.2 million ($0.1 million after taxes) in Aluminum Extrusions for severance and other employee-related costs in connection with restructurings;

- A fourth quarter charge of $0.2 million ($0.2 million after taxes) for asset impairments in Film Products;

- A fourth quarter charge of $0.2 million ($0.1 million after taxes) for integration-related expenses (included in “Selling, general and administrative expenses” in the consolidated statements of income) associated with the Aluminum Extrusions’ acquisition of AACOA;

- A fourth quarter charge of $0.1 million ($0.1 million after taxes) associated with purchase accounting adjustments made to the value of inventory sold by Aluminum Extrusions after its acquisition of AACOA (included in “Cost of goods sold” in the consolidated statements of income); and

- A fourth quarter charge of $0.1 million ($49,000 after taxes) related to expected future environmental costs at our aluminum extrusions manufacturing facility in Newnan, Georgia (included in “Cost of goods sold” in the consolidated statements of income).

Business combination accounting principles under U.S. GAAP require that we adjust the inventory acquired in the acquisition of AACOA to fair value at the date of acquisition. In particular, finished goods inventory acquired was adjusted to reflect the cost of manufacturing plus a portion of the expected profit margin. The acquired inventory was sold in the fourth quarter of 2012. We believe that the adjustment included in “Cost of goods sold” in the fourth quarter of 2012 should be removed by investors as a means to determine profit and margins from ongoing operations, which reflect the operating trends of the acquired business.

As previously noted, on November 20, 2012, we sold Falling Springs to Arc Ventures, LC. The corresponding loss on sale of $3.1 million ($2.0 million after taxes), which includes transaction-related expenses of $0.5 million, and the results of operations related to Falling Springs (net income of $0.5 million in 2012) have been classified as discontinued operations.

In 2012, an accrual of $13.4 million ($13.4 million after taxes) was made for indemnifications under the purchase agreement associated with the 2008 sale of our aluminum extrusions business in Canada. These contractual indemnifications were related to environmental matters associated with our former aluminum extrusions operations in Canada.

Results in 2012 include an unrealized gain on our investment in kaléo of $16.1 million ($10.2 million after taxes; see further discussion beginning on page 21). An unrealized loss on our investment in the Harbinger Fund of $1.1 million ($0.7 million after taxes) was recorded in 2012 as a result of a reduction in the fair value of our investment that is not expected to be temporary.

Interest Income and Expense. Interest income, which is included in “Other income (expense), net” in the consolidated statements of income, was $0.4 million in 2012, compared to $1.0 million in 2011. Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year with the primary objectives being safety of principal and liquidity.

Interest expense, which includes the amortization of debt issue costs, was $3.6 million in 2012, compared to $1.9 million for 2011. In October 2011, we borrowed $125 million under our revolving credit agreement to help fund the acquisition of Terphane. In October 2012, we borrowed an additional $51 million under our revolving credit facility to fund the acquisition of AACOA.

Average debt outstanding and interest rates were as follows:

(In Millions)	2012	2011
Floating-rate debt with interest charged on a rollover		
basis at one-month LIBOR plus a credit spread:		
Average outstanding debt balance	$ 112.1	$ 23.6
Average interest rate	2.1%	2.3%
Fixed-rate and other debt:		
Average outstanding debt balance	$ —	$ 0.3
Average interest rate	n/a	4.3%
Total debt:		
Average outstanding debt balance	$ 112.1	$ 23.9
Average interest rate	2.1%	2.3%

Income Taxes. The effective income tax rate from continuing operations was 29.8% in 2012 compared with 26.4% in 2011. Income taxes from continuing operations in 2012 primarily reflect the benefit of current year foreign tax incentives. Income taxes for continuing operations in 2011 reflect the recognition of estimated tax benefits from the divestiture of the film products business in Italy, partially offset by nondeductible acquisition-related expenses associated with the acquisition of Terphane by Film Products. Factors impacting our effective tax rate for 2012 and 2011 are further detailed in the effective income tax rate reconciliation provided in Note 17 beginning on page 72.

Financial Condition

Assets and Liabilities

Significant changes in assets and liabilities from continuing operations from December 31, 2012 to December 31, 2013 are summarized below:

- Accounts and other receivables decreased $1.6 million (1.5%).
  - Accounts and other receivables in Film Products increased by $0.2 million due mainly to the timing of cash receipts.
  - Accounts and other receivables in Aluminum Extrusions decreased by $1.5 million primarily due to the timing of cash receipts.
  - Other receivables in corporate decreased by approximately $0.3 million due to the payment of contractual amounts due from Arc Ventures, LC from the sale of Falling Springs.
- Inventories decreased $4.0 million (5.4%).
  - Inventories in Film Products decreased by approximately $5.3 million primarily due to the timing of shipments.
  - Inventories in Aluminum Extrusions increased by approximately $1.3 million in preparation for the utilization of new capacity at our manufacturing facility in Newnan, Georgia and the timing of inventory purchases at our other aluminum extrusion manufacturing facilities.
- Net property, plant and equipment increased $29.1 million (11.5%) due primarily to capital expenditures of $79.7 million, partially offset by depreciation of $37.9 million, and a change in the value of the U.S. dollar relative to foreign currencies (a decrease of approximately $11.8 million).
- Goodwill and other intangibles decreased by $14.3 million (6.0%) primarily due to amortization expense of $6.7 million and a change in the value of the U.S. dollar relative to the Brazilian Real.
- Accounts payable increased by $0.7 million (0.9%).
  - Accounts payable in Film Products decreased by $6.8 million primarily due to the timing of payments.
  - Accounts payable in Aluminum Extrusions increased by $7.3 million, primarily due to higher inventory balances and the timing of payments.
  - Accounts payable in corporate increased by $0.2 million due to the normal volatility associated with the timing of payments.
- Accrued expenses decreased by $0.4 million (0.8%) from December 31, 2012.

- Other noncurrent liabilities decreased by $42.1 million (43.1%) due primarily to the change in the funded status of our defined benefit plans. As of December 31, 2013, the funded status of our defined benefit pension plan was a net liability of $42.5 million compared with $83.3 million as of December 31, 2012, and the liability associated with our other post-employment benefits plan was $7.9 million as of December 31, 2013 compared to $8.9 million as of December 31, 2012.

- Net deferred income tax liabilities in excess of assets increased by $10.0 million primarily due to numerous changes between years in the balance of the components shown in the December 31, 2013 and 2012 schedule of deferred income tax assets and liabilities provided in Note 17 beginning on page 72. Income taxes recoverable/payable was a receivable of $2.9 million at December 31, 2012 compared to a payable of $0.1 million at December 31, 2013. The change is primarily due to the timing of tax payments.

Net capitalization and indebtedness as defined under our revolving credit agreement as of December 31, 2013 were as follows:

Net Capitalization and Indebtedness as of December 31, 2013 (In Thousands)		
Net capitalization:		
Cash and cash equivalents	$	52,617
Debt:		
$350 million revolving credit agreement maturing April 23, 2017		139,000
Other debt		—
Total debt		139,000
Debt net of cash and cash equivalents		86,383
Shareholders’ equity		402,664
Net capitalization	$	489,047
Indebtedness as defined in revolving credit agreement:		
Total debt	$	139,000
Face value of letters of credit		2,683
Other		189
Indebtedness	$	141,872

Under the revolving credit agreement, borrowings are permitted up to $350 million, and approximately $165 million was available to borrow at December 31, 2013 based on the most restrictive covenants. The credit spread and commitment fees charged on the unused amount under the revolving credit agreement at various indebtedness-to-adjusted EBITDA levels are as follows:

Pricing Under Revolving Credit Agreement (Basis Points)		
Indebtedness-to-Adjusted EBITDA Ratio	Credit Spread Over LIBOR	Commitment Fee
> 2.0x but <= 3.0x	200	35
> 1.0x but <=2.0x	175	30
<= 1.0x	150	25

At December 31, 2013, the interest rate on debt borrowed under the revolving credit agreement was priced at one-month LIBOR plus the applicable credit spread of 175 basis points. Market exposure related to changes in one-month LIBOR (assuming that the applicable credit spread remains at 175 basis points) would not be material to our consolidated financial results.

As of December 31, 2013, we are in compliance with all financial covenants outlined in our revolving credit agreement. Noncompliance with any of the debt covenants may have a material adverse effect on financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders. Renegotiation of the covenant(s) through an amendment to the credit agreement may effectively cure the noncompliance, but may have an effect on financial condition or liquidity depending upon how the amended covenant is renegotiated.

The computations of adjusted EBITDA, adjusted EBIT, the leverage ratio and interest coverage ratio as defined in the credit agreement are presented below along with the related most restrictive covenants. Adjusted EBITDA and adjusted EBIT

as defined in the credit agreement are not intended to represent net income or cash flow from operations as defined by U.S. GAAP and should not be considered as either an alternative to net income or to cash flow.

Computations of Adjusted EBITDA, Adjusted EBIT, Leverage Ratio and Interest Coverage Ratio as Defined in the Credit Agreement Along with Related Most Restrictive Covenants

As of and for the Twelve Months Ended December 31, 2013 (In Thousands)

Computations of adjusted EBITDA and adjusted EBIT as defined in revolving credit agreement for the twelve months ended December 31, 2013:		
Net income	$	21,947
Plus:		
After-tax losses related to discontinued operations		13,990
Total income tax expense for continuing operations		16,995
Interest expense		2,870
Depreciation and amortization expense for continuing operations		44,655
All non-cash losses and expenses, plus cash losses and expenses not to exceed $10,000, for continuing operations that are classified as unusual, extraordinary or which are related to plant shutdowns, asset impairments and/or restructurings (cash-related of $2,949)		4,679
Charges related to stock option grants and awards accounted for under the fair value-based method		1,155
Losses related to the application of the equity method of accounting		—
Losses related to adjustments in the estimated fair value of assets accounted for under the fair value method of accounting		—
Minus:		
After-tax income related to discontinued operations		—
Total income tax benefits for continuing operations		—
Interest income		(594)
All non-cash gains and income, plus cash gains and income in excess of $10,000, for continuing operations that are classified as unusual, extraordinary or which are related to plant shutdowns, asset impairments and/or restructurings		—
Income related to changes in estimates for stock option grants and awards accounted for under the fair value-based method		—
Income related to the application of the equity method of accounting		—
Income related to adjustments in the estimated fair value of assets accounted for under the fair value method of accounting		(3,400)
Plus cash dividends declared on investments accounted for under the equity method of accounting		—
Plus or minus, as applicable, pro forma EBITDA adjustments associated with acquisitions and asset dispositions		—
Adjusted EBITDA as defined in revolving credit agreement		102,297
Less: Depreciation and amortization expense for continuing operations (including pro forma for acquisitions and asset dispositions)		(44,655)
Adjusted EBIT as defined in revolving credit agreement	$	57,642
Shareholders’ equity at December 31, 2013 as defined in revolving credit agreement	$	383,841
Computations of leverage and interest coverage ratios as defined in revolving credit agreement at December 31, 2013:		
Leverage ratio (indebtedness-to-adjusted EBITDA)		1.39x
Interest coverage ratio (adjusted EBIT-to-interest expense)		20.08x
Most restrictive covenants as defined in revolving credit agreement:		
Maximum permitted aggregate amount of dividends that can be paid by Tredegar during the term of the revolving credit agreement ($100,000 plus 50% of net income generated beginning January 1, 2012)	$	125,099
Minimum adjusted shareholders’ equity permitted ($320,000 plus 50% of net income generated, to the extent positive, beginning January 1, 2012)	$	345,099
Maximum leverage ratio permitted:		3.00x
Minimum interest coverage ratio permitted		2.50x

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

(In Millions)	Payments Due by Period						
	2014	2015	2016	2017	2018	Remainder	Total
Debt:							
Principal payments	$ —	$ —	$ —	$ 139.0	$ —	$ —	$ 139.0
Estimated interest expense	2.7	2.7	2.7	0.8	—	—	8.9
Estimated contributions required (1) :							
Defined benefit plans	0.2	9.0	7.7	6.2	5.0	2.5	30.6
Other postretirement benefits	0.5	0.5	0.5	0.5	0.5	5.3	7.8
Capital expenditure commitments	14.5	—	—	—	—	—	14.5
Operating leases	2.2	1.5	1.4	1.4	1.3	—	7.8
Utility contracts	4.4	—	—	—	—	—	4.4
Estimated obligations relating to uncertain tax positions (2)	—	—	—	—	—	1.7	1.7
Other (3)	4.2	1.8	—	—	—	—	6.0
Total	$ 28.7	$ 15.5	$ 12.3	$ 147.9	$ 6.8	$ 9.5	$ 220.7

(1) Estimated minimum required contributions for defined benefit plans and benefit payments for other postretirement plans are based on actuarial estimates using current assumptions for discount rates, long-term rate of return on plan assets, rate of compensation increases and health care cost trends. The expected defined benefit plan contribution estimates for 2014 through 2023 were determined under provisions of the Pension Protection Act of 2006 using the preliminary assumptions chosen by Tredegar for the 2014 plan year. Tredegar has determined that it is not practicable to present defined benefit contributions and other postretirement benefit payments beyond 2023.

(2) Amounts for which reasonable estimates about the timing of payments cannot be made are included in the remainder column.

(3) Includes contractual severance, the expected contingent earnout from our purchase of the assets of Bright View, and other miscellaneous contractual arrangements.

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

At December 31, 2013, we had cash and cash equivalents of $52.6 million, including funds held in locations outside the U.S. of $38.6 million. We accrue U.S. federal income taxes on unremitted earnings of all foreign subsidiaries except Terphane Ltda. (a subsidiary of Film Products). Deferred U.S. federal income taxes have not been provided on the undistributed earnings for Terphane Ltda. because of our intent to permanently reinvest these earnings. We have not recorded a deferred liability of approximately $7.1 million related to the U.S. federal income taxes and foreign withholding taxes on approximately $36.0 million of undistributed earnings indefinitely invested outside the U.S. at December 31, 2013. We believe that existing borrowing availability, our current cash balances and our cash flow from operations will be sufficient to satisfy our working capital, capital expenditure and dividend requirements for the foreseeable future.

Shareholders' Equity

At December 31, 2013, we had 32,305,145 shares of common stock outstanding and a total market capitalization of $930.7 million, compared with 32,069,370 shares of common stock outstanding and a total market capitalization of $654.9 million at December 31, 2012.

We received 209,576 shares in 2012 at a price of $17.70 per share as consideration from Arc Ventures, LC in connection with our divestiture of Falling Springs.

We did not repurchase any shares on the open market in 2013, 2012 or 2011 under our approved share repurchase program.

Cash Flows

The discussion in this section supplements the information presented in the consolidated statements of cash flows on page 45. Cash flows for discontinued operations have not been separately disclosed in the consolidated statements of cash flows.

Cash provided by operating activities was $76.7 million in 2013 compared with $82.6 million in 2012. The decrease is due primarily to normal volatility of working capital components (see the assets and liabilities section beginning on page 27 for discussion of changes in working capital).

Cash used in investing activities was $77.6 million in 2013 compared with $75.6 million in 2012. Cash used in investing activities in 2013 primarily includes capital expenditures of $79.7 million. Cash used in investing activities in 2012 primarily includes the acquisition of AACOA ($54.6 million) and capital expenditures ($33.3 million), partially offset by net cash proceeds received from the sale of Falling Springs ($12.1 million).

Net cash flow provided by financing activities was $5.3 million in 2013, which is primarily due to the net borrowings on our revolving credit facility of $11.0 million and the proceeds from the exercise of stock options and other financing activities of approximately $3.3 million, partially offset by the payment of regular quarterly dividends of $9.0 million (28 cents per share).

Cash provided by operating activities was $82.6 million in 2012 compared with $71.8 million in 2011. The increase is due primarily to normal volatility of working capital components.

Cash used in investing activities was $75.6 million in 2012 compared with $195.2 million in 2011. Cash used in investing activities in 2012 primarily includes the acquisition of AACOA ($54.6 million) and capital expenditures ($33.3 million), partially offset by net cash proceeds received from the sale of Falling Springs ($12.1 million). Cash used in investing activities in 2011 primarily includes the purchase of Terphane ($181.0 million) and capital expenditures ($15.9 million).

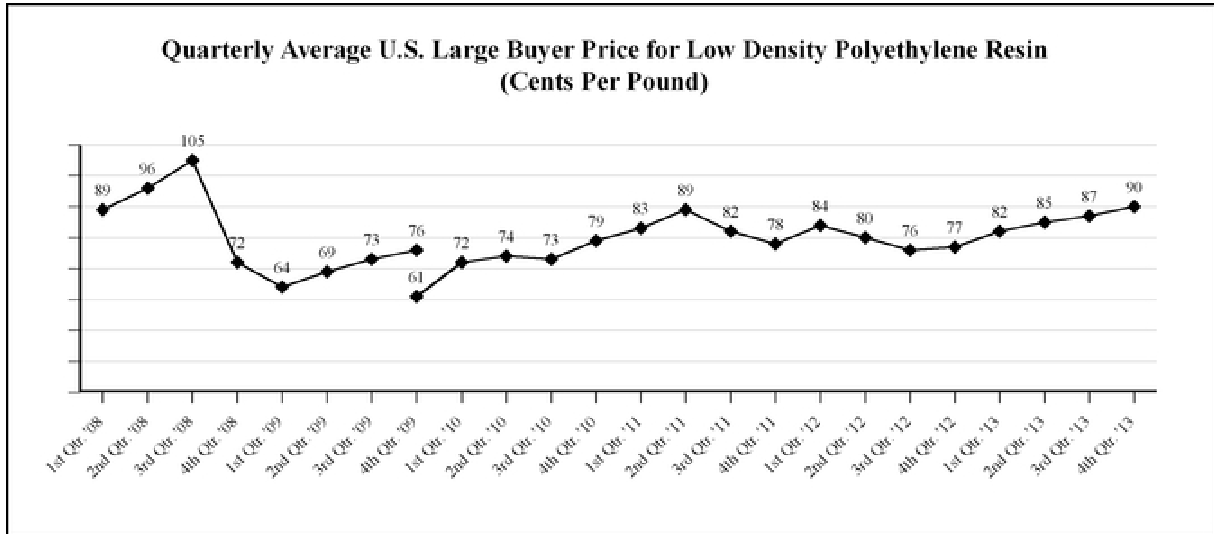
Net cash flow used in financing activities was $26.7 million in 2012, which is primarily due to the one-time dividend of $24.0 million in December 2012 and the payment of regular quarterly dividends of $6.8 million (4 1/2 cents per share per quarter in the first and second quarters and 6 cents per share in the third and fourth quarters). Net borrowings against our revolving credit facility were $3.0 million in 2012.

Quantitative and Qualitative Disclosures about Market Risk

Tredegar has exposure to the volatility of interest rates, polyethylene and polypropylene resin prices, Terephtalic Acid (“PTA”) and Monoethylene Glycol (“MEG”) prices, aluminum ingot and scrap prices, energy prices, foreign currencies and emerging markets. See the assets and liabilities section beginning on page 27 regarding interest rate exposures related to borrowings under the revolving credit agreement.

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

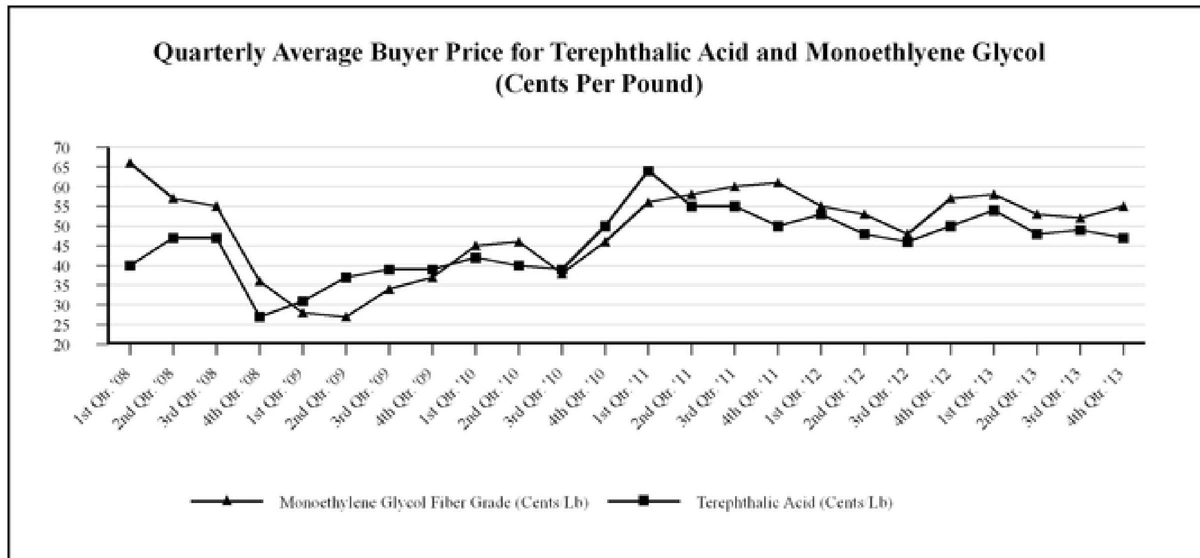
See the executive summary beginning on page 18 and the business segment review beginning on page 35 for discussion regarding the impact of the lag in the pass-through of resin price changes. The volatility of average quarterly prices of low density polyethylene resin in the U.S. (a primary raw material for Film Products) is shown in the chart below:



Source: Quarterly averages computed by Tredegar using monthly data provided by Chemical Data Inc. ("CDI"). In January 2010, CDI reflected a 15 cents per pound non-market adjustment based on their estimate of the growth of discounts over the 2005 to 2009 period. The 4th quarter 2009 average rate of 61 cents per pound is shown on a pro forma basis as if the non-market adjustment was made in October 2009.

Resin prices in Europe, Asia and South America have exhibited similar long-term trends. The price of resin is driven by several factors including supply and demand and the price of oil, ethylene and natural gas. To address fluctuating resin prices, Film Products has index-based pass-through raw material cost agreements for the majority of its business. However, under certain agreements, changes in resin prices are not passed through for an average period of 90 days (see the executive summary on page 18 and the business segment review on page 35 for more information). Pricing on the remainder of our business is based upon raw material costs and supply/demand dynamics within the markets that we compete.

The volatility of average quarterly prices of PTA and MEG (raw materials for Film Products) is shown in the chart below:

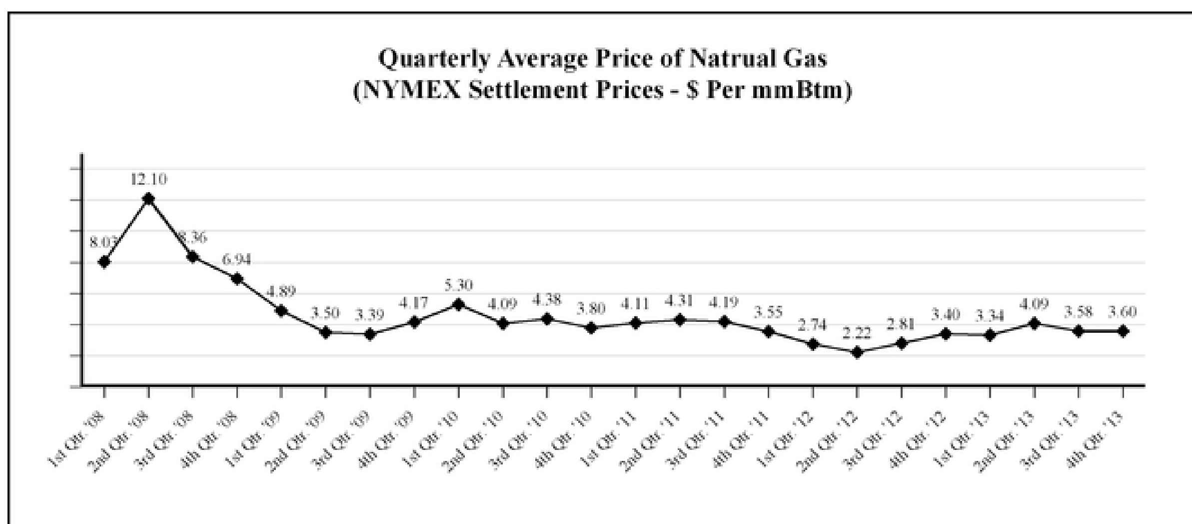


Source: Quarterly averages computed by Tredegar using monthly NYMEX settlement prices.

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our exposure to aluminum price volatility (see the chart below) under these fixed-price arrangements, which generally have a duration of not more than 12 months, we enter into a combination of forward purchase commitments and futures contracts to acquire or hedge aluminum, based on the scheduled deliveries. See Note 9 beginning on page 61 for more information. The volatility of quarterly average aluminum prices is shown in the chart below:

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

In Aluminum Extrusions, we hedge from time-to-time a portion of our exposure to natural gas price volatility by entering into fixed-price forward purchase contracts with our natural gas suppliers. We estimate that, in an unhedged situation, every $1 per mmBtu per month change in the market price of natural gas has an $80,000 impact on the continuing monthly operating profit for our U.S. operations in Aluminum Extrusions. We have an energy surcharge for our aluminum extrusions business in the U.S. that is applied when the previous quarter’s NYMEX natural gas average settlement price is in excess of $8.85 per mmBtu. The volatility of quarterly average natural gas prices is shown in the chart below:



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

We sell to customers in foreign markets through our foreign operations and through exports from U.S. plants. The percentage of sales and total assets for continuing operations related to foreign markets for 2013, 2012 and 2011 are as follows:

Tredegar Corporation—Continuing Operations
Percentage of Net Sales and Total Assets Related to Foreign Markets

	2013			2012			2011		
	% of Total Net Sales *		% Total Assets - Foreign Oper- ations *	% of Total Net Sales *		% Total Assets - Foreign Oper- ations *	% of Total Net Sales *		% Total Assets - Foreign Oper- ations *
	Exports From U.S.	Foreign Oper- ations		Exports From U.S.	Foreign Oper- ations		Exports From U.S.	Foreign Oper- ations	
Canada	5	—	—	5	—	—	6	—	—
Europe	1	12	6	1	13	7	1	16	7
Latin America	—	12	24	—	14	23	1	6	24
Asia	9	4	4	7	4	4	7	4	4
Total % exposure to foreign markets	15	28	34	13	31	34	15	26	35

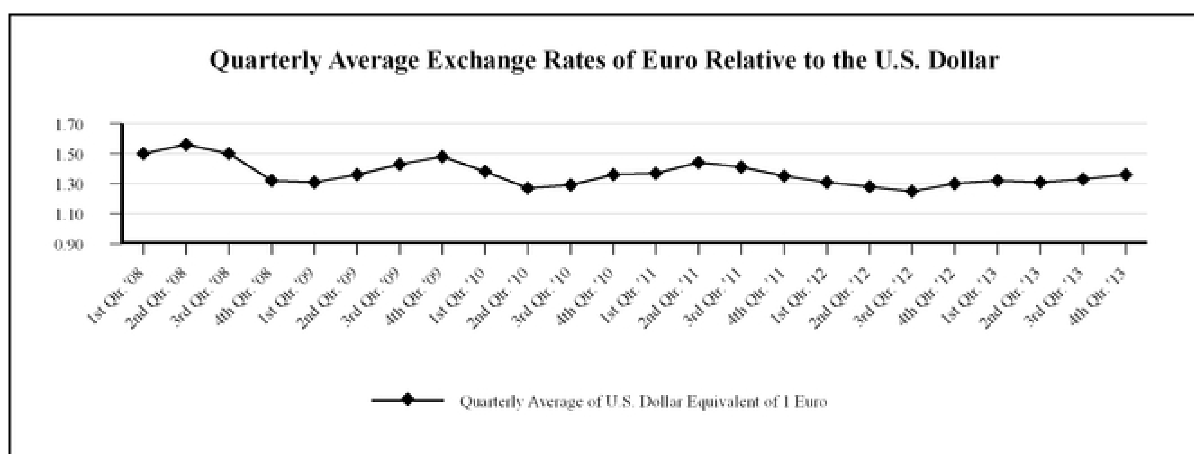
* The percentages for foreign markets are relative to Tredegar's consolidated net sales and total assets from continuing operations.

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

For flexible packaging films produced in Brazil, we price our products in U.S. Dollars, and key raw materials are also priced in U.S. Dollars. However, certain production costs, such as conversion costs and other fixed costs, are priced in Brazilian Real, which exposes our operating margins to some currency exposure. In general, when the U.S. Dollar is strengthening versus the Brazilian Real, operating results will benefit from relatively lower costs, and when the U.S. Dollar is weakening versus the Brazilian Real, operating results will be negatively impacted from relatively higher costs. We are primarily able to match the currency of our sales and costs for the remaining product lines within Film Products.

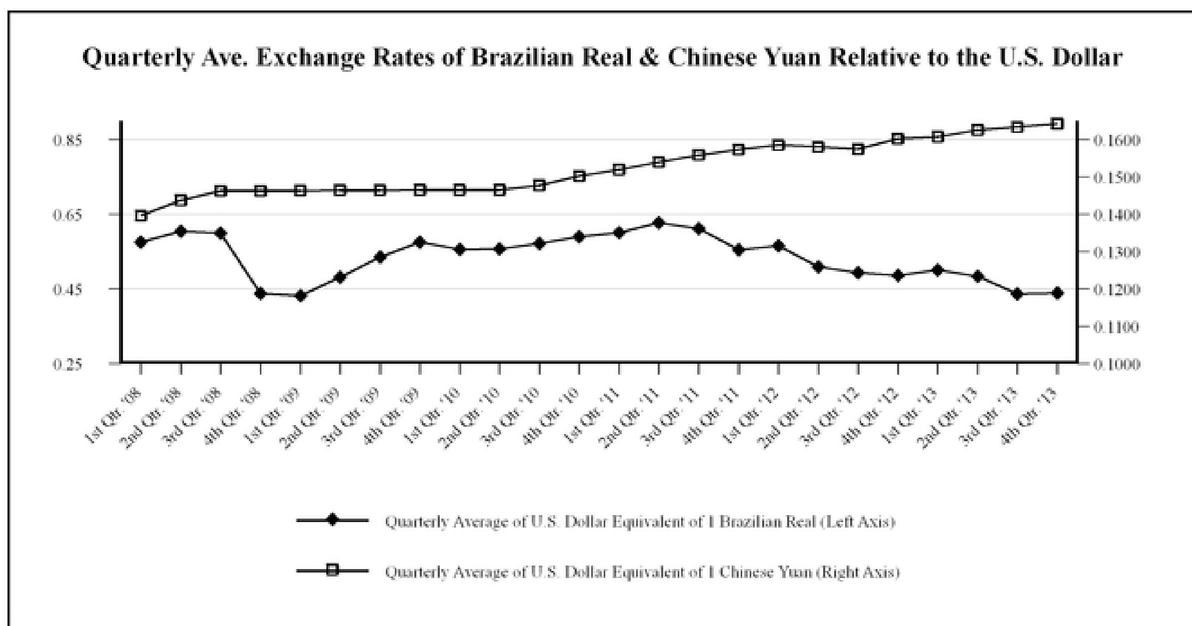
We estimate that the change in value of foreign currencies relative to the U.S. Dollar had a favorable impact on operating profit from ongoing operations of approximately $7.0 million in 2013 compared to 2012, an unfavorable impact on operating profit from ongoing operations of approximately $1.4 million in 2012 compared with 2011, a favorable impact of approximately $1.8 million in 2011 compared with 2010.

Trends for the Euro are shown in the chart below:



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

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



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

Business Segment Review

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

Film Products

Net Sales. See the executive summary beginning on page 18 for the discussion of net sales (sales less freight) in Film Products in 2013 compared with 2012.

In Film Products, net sales were $611.9 million in 2012, an increase of 14.3% from $535.5 million in 2011. Volume increased to 270.3 million pounds in 2012 from 218.7 million pounds in 2011. Net sales in 2012 increased compared to 2011 primarily due to the acquisition of Terphane. Net sales for Terphane were $138.0 million in 2012 compared to $28.3 million in 2011. Higher net sales from the addition of Terphane were primarily offset by lower volumes in the other product lines of approximately $18.7 million, the unfavorable change in the U.S. dollar value of currencies for operations outside the U.S. of approximately $10.1 million and a decrease in average selling prices of approximately $4.6 million. Lower net sales volumes are primarily related to lower volumes for personal care materials and polyethylene overwrap films, partially offset by improved performance in surface protection films in the fourth quarter of 2012. The decrease in the average selling prices in 2012 compared to 2011 can be primarily attributed to pricing pressures.

Operating Profit. See the executive summary beginning on page 18 for the discussion of operating profit in Film Products in 2013 compared with 2012.

Operating profit from ongoing operations was $70.0 million in 2012, an increase of 17.6% compared with $59.5 million in 2011. Operating profit from ongoing operations primarily due to the acquisition of Terphane, partially offset by lower volumes and compressed margins for personal care materials and the unfavorable impact of the change in the U.S. dollar value of currencies outside the U.S. The impact on operating profit from ongoing operations directly attributable to the acquisition of Terphane was $19.1 million in 2012, which includes amortization expense of $5.1 million. In 2011, operating profit from ongoing operations attributed to the addition of Terphane was approximately $3.0 million, which included $0.9 million in one-time reimbursements for custom duties and $0.9 million of amortization expense. Excluding the impact of the acquisition of Terphane, lower volumes in Film Products had an unfavorable impact of approximately $4.8 million in 2012 compared to 2011. Lower volumes in personal care materials were partially mitigated by higher sales volumes for surface protection films. The change in the U.S. dollar value of currencies for operations outside the U.S. had an unfavorable impact of approximately $1.4

million in 2012 compared to 2011. The estimated impact on operating profit from ongoing operations of the quarterly lag in the pass-through of average resin costs was approximately a negative $0.5 million in 2012 compared to a negative $0.8 million in 2011.

Identifiable Assets. Identifiable assets in Film Products increased to $556.9 million at December 31, 2013, from $551.8 million at December 31, 2012, primarily due to higher property, plant and equipment balances as a result of higher current year capital expenditures, partially offset by lower intangible asset balances, primarily due to current year amortization expense and the change in the U.S. dollar value of currencies for operations outside the U.S., and a reduction in inventory balances. Identifiable assets in Film Products decreased to $551.8 million at December 31, 2012, from $574.6 million at December 31, 2011, due primarily to the depreciation of property, plant and equipment and amortization of identifiable intangible assets, partially offset by current year capital expenditures.

Depreciation, Amortization and Capital Expenditures. Depreciation and amortization expense for Film Products was $35.3 million in 2013, $39.2 million in 2012 and $36.3 million in 2011. Depreciation and amortization expense decreased in 2013 compared to 2012 as certain assets became fully depreciated. The increase in depreciation and amortization in 2012 compared with 2011 is primarily related to the acquisition of Terphane ($10.2 million in 2012 compared to $2.1 million in 2011), partially offset by lower depreciation expense as certain assets became fully depreciated. We estimate depreciation and amortization expense for Film Products will be approximately $35 million in 2014.

Capital expenditures totaled $64.9 million in 2013, $30.5 million in 2012 and $13.1 million in 2011. Capital expenditures in 2013 and 2012 include approximately $41 million and $20 million, respectively, for the project to expand capacity at our manufacturing facility in Cabo de Santo Agosthino, Brazil. Capital expenditures in 2011 primarily included the normal replacement of machinery and equipment. Capital expenditures in 2014 are estimated to be approximately $50 million, which includes approximately $15 million for routine capital expenditures required to support operations. Capital expenditure in 2014 also includes capacity expansion projects in China, Brazil and India.

Aluminum Extrusions (Continuing Operations)

Net Sales and Operating Profit. See the executive summary beginning on page 18 for the discussion of net sales (sales less freight) and operating profit from ongoing operations of Aluminum Extrusions in 2013 compared with 2012.

Net sales in Aluminum Extrusions were $245.5 million in 2012, an increase of 2.1% from $240.4 million in 2011. The increase in net sales can be primarily attributed to the acquisition of AACOA, partially offset by a decrease in average selling prices driven by lower aluminum prices and lower volume resulting from the shutdown of the Kentland facility. AACOA, which was acquired on October 1, 2012, had net sales of $19.5 million in the fourth quarter of 2012. Excluding the impact of the acquisition of AACOA and the Kentland plant shutdown, sales volume in 2012 increased 0.6% in comparison to 2011.

Operating profit from ongoing operations was $9.0 million in 2012, a positive change of $5.5 million from operating profit from ongoing operations of $3.5 million in 2011. Operating profit from ongoing operations increased primarily due to improved profitability from the shutdown of our Kentland manufacturing facility, more favorable pricing, lower energy costs and the acquisition of AACOA. AACOA had operating profit from ongoing operations of approximately $0.8 million for the fourth quarter of 2012, which included amortization expense of $0.5 million.

Identifiable Assets. Identifiable assets in Aluminum Extrusions were $134.9 million at December 31, 2013, $129.3 million at December 31, 2012 and $78.7 million at December 31, 2011. Identifiable assets increased in 2013 compared to 2012 primarily due to higher property, plant and equipment balances as a result of higher current year capital expenditures. The increase in identifiable assets between December 31, 2011 and December 31, 2012 can be primarily attributed to the acquisition of AACOA.

Depreciation, Amortization and Capital Expenditures. Depreciation and amortization for Aluminum Extrusions was $9.2 million in 2013, $10.0 million in 2012 and $8.3 million in 2011. Depreciation expense decreased in 2013 primarily due to accelerated depreciation on property, plant and equipment at the Kentland manufacturing facility of approximately $2.4 million in 2012. The increase in 2012 compared to 2011 is primarily attributed to accelerated depreciation on property, plant and equipment associated with shutdown of the Kentland manufacturing facility and impact of the acquisition of AACOA ($1.0 million in additional depreciation and amortization expense in the fourth quarter of 2012), partially offset by certain assets becoming fully depreciated and lower than normal capital expenditures in 2012, 2011 and the second half of 2010. We estimate depreciation and amortization expense for Aluminum Extrusions to be approximately $11 million in 2014.

Capital expenditures totaled $14.7 million in 2013, $2.3 million in 2012 and $2.7 million in 2011. Capital expenditures in 2013 include approximately $11.5 million in capital expenditures for a previously announced project that will expand capacity

at our manufacturing facility in Newnan, Georgia. Capital expenditures are estimated to be approximately $10 million in 2014, which includes approximately $5 million for routine capital expenditures required to support operations.

Item 7A. **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See discussion of "Quantitative and Qualitative Disclosures about Market Risk" beginning on page 31 in Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. **FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See the index on page 41 for references to the report of the independent registered public accounting firm, the consolidated financial statements and selected quarterly financial data.

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

None.

Item 9A. **CONTROLS AND PROCEDURES**

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control Over Financial Reporting

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

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

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

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

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). Based on their evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of our internal control over financial reporting as of December 31, 2013 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included on page 41.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended December 31, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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

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

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

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

Name	Age	Title
Nancy M. Taylor	54	President and Chief Executive Officer
Mary Jane Hellyar	60	President, Tredegar Film Products Corporation and Corporate Vice President
A. Brent King	45	Vice President, General Counsel and Corporate Secretary
Kevin A. O’Leary	55	Vice President, Chief Financial Officer and Treasurer

Nancy M. Taylor. Ms. Taylor was elected President and Chief Executive Officer effective February 1, 2010. Prior to February 1, 2010, Ms. Taylor was President of Tredegar Film Products Corporation and Executive Vice President. She was elected Executive Vice President effective January 1, 2009. She was elected President of Tredegar Film Products Corporation effective April 5, 2005. She was elected Senior Vice President effective November 1, 2004. Ms. Taylor served as Senior Vice President, Strategy and Special Projects from November 1, 2004 until April 5, 2005.

Mary Jane Hellyar. Ms. Hellyar was elected Vice President of the Company and President of Tredegar Film Products Corporation on September 24, 2012. Ms. Hellyar served as Chief Executive Officer of TechnoCorp Energy OLED from September 2009 until returning to retirement in September 2010. She served as President of Eastman Kodak Company’s Film Photofinishing and Entertainment Group from September 2005 until retiring from Kodak in June 2009.

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

Kevin A. O'Leary. Mr. O'Leary was elected Vice President, Chief Financial Officer and Treasurer effective December 11, 2009. He was appointed Vice President, Finance, of Tredegar Film Products Corporation, effective January 1, 2009 until December 11, 2009 and served as Director, Finance, of Tredegar Film Products Corporation from October 2008 until January 2009. Mr. O'Leary previously served as Vice President, Finance—Mergers and Acquisitions of the Avery Dennison Retail Information Services Group ("Avery Dennison RIS"), a division of Avery Dennison Corporation from March 2007 through August 2008. He served as General Manager of the Printer Systems division of Avery Dennison RIS from February 2006 through February 2007 and as Director, Finance, of Avery Dennison RIS from August 2004 through January 2006.

We have adopted a Code of Conduct that applies to all of our directors, officers and employees (including our chief executive officer, chief financial officer and principal accounting officer) and have posted the Code of Conduct on our website. All amendments to or waivers from any provision of our Code of Conduct applicable to the chief executive officer, chief financial officer and principal accounting officer will be disclosed on our website. Our Internet address is www.tredegar.com. The information on or that can be accessed through our website is not, and shall not be deemed to be, a part of this report or incorporated into other filings we make with the SEC.

Item 11. EXECUTIVE COMPENSATION

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

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

The information to be included in the Proxy Statement under the heading "Stock Ownership" is incorporated herein by reference. The following table summarizes information with respect to equity compensation plans under which securities are authorized for issuance as of December 31, 2013.

Plan Category	Column (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Column (b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Column (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column (a)
Equity compensation plans approved by security holders	1,336,950	$ 19.06	2,361,926
Equity compensation plans not approved by security holders	—	—	—
Total	1,336,950	$ 19.06	2,361,926

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

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

The information to be included in the Proxy Statement under the headings "Certain Relationships and Related Transactions", "Tredegar's Board of Directors" and "Board Meetings, Meetings of Non-Management Directors and Board Committees" is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following is incorporated herein by reference:

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

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

(1) Financial statements:

Tredegar Corporation
Index to Financial Statements and Supplementary Data

	Page
Report of Independent Registered Public Accounting Firm	41
Financial Statements:	
Consolidated Balance Sheets as of December 31, 2013 and 2012	42
Consolidated Statements of Income for the Years Ended December 31, 2013, 2012 and 2011	43
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2013, 2012 and 2011	44
Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011	45
Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2013, 2012 and 2011	46
Notes to Financial Statements	47-79

(2) Financial statement schedules:

None.

(3) Exhibits:

See Exhibit Index on pages 81-83.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Tredegar Corporation:

In our opinion, the accompanying consolidated balance sheets and related consolidated statements of income, comprehensive income, cash flows and shareholders' equity, present fairly, in all material respects, the financial position of Tredegar Corporation and its subsidiaries (the "Company") at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework 1992* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Control Over Financial Reporting" appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP
Richmond, Virginia
February 28, 2014

CONSOLIDATED BALANCE SHEETS
Tredegar Corporation and Subsidiaries

December 31		**2013**		2012
(In Thousands, Except Share Data)				
Assets				
Current assets:				
Cash and cash equivalents	**$**	**52,617**	$	48,822
Accounts and other receivables, net of allowance for doubtful accounts and sales returns of $3,327 in 2013 and $3,552 in 2012		**99,246**		100,798
Income taxes recoverable		**—**		2,886
Inventories		**70,663**		74,670
Deferred income taxes		**5,628**		5,614
Prepaid expenses and other		**6,353**		6,780
Total current assets		**234,507**		239,570
Property, plant and equipment, at cost:				
Land and land improvements		**12,093**		12,537
Buildings		**109,125**		110,961
Machinery and equipment		**677,621**		625,655
Total property, plant and equipment		**798,839**		749,153
Less accumulated depreciation		**516,279**		495,736
Net property, plant and equipment		**282,560**		253,417
Goodwill and other intangibles		**226,300**		240,619
Other assets and deferred charges		**49,641**		49,559
Total assets	**$**	**793,008**	$	783,165
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	**$**	**82,795**	$	82,067
Accrued expenses		**42,158**		42,514
Income taxes payable		**114**		—
Total current liabilities		**125,067**		124,581
Long-term debt		**139,000**		128,000
Deferred income taxes		**70,795**		60,773
Other noncurrent liabilities		**55,482**		97,559
Total liabilities		**390,344**		410,913
Commitments and contingencies (Notes 3, 16 and 19)				
Shareholders' equity:				
Common stock (no par value):				
Authorized 150,000,000 shares;				
Issued and outstanding—32,305,145 shares in 2013 and 32,069,370 in 2012 (including restricted stock)		**20,641**		15,195
Common stock held in trust for savings restoration plan (65,332 shares in 2013 and 64,654 in 2012)		**(1,418)**		(1,401)
Accumulated other comprehensive income (loss):				
Foreign currency translation adjustment		**(19,205)**		131
Gain (loss) on derivative financial instruments		**765**		993
Pension and other postretirement benefit adjustments		**(71,848)**		(103,471)
Retained earnings		**473,729**		460,805
Total shareholders' equity		**402,664**		372,252
Total liabilities and shareholders' equity	**$**	**793,008**	$	783,165

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF INCOME
Tredegar Corporation and Subsidiaries

Years Ended December 31	**2013**	2012	2011
(In Thousands, Except Per-Share Data)			
Revenues and other:			
Sales	**$ 959,346**	$ 882,188	$ 794,420
Other income (expense), net	**1,776**	18,119	3,213
	961,122	900,307	797,633
Costs and expenses:			
Cost of goods sold	**784,675**	712,660	654,087
Freight	**28,625**	24,846	18,488
Selling, general and administrative	**71,195**	73,717	67,808
Research and development	**12,669**	13,162	13,219
Amortization of intangibles	**6,744**	5,806	1,399
Interest expense	**2,870**	3,590	1,926
Asset impairments and costs associated with exit and disposal activities	**1,412**	5,022	1,917
Total	**908,190**	838,803	758,844
Income from continuing operations before income taxes	**52,932**	61,504	38,789
Income taxes	**16,995**	18,319	10,244
Income from continuing operations	**35,937**	43,185	28,545
Income (loss) from discontinued operations, net of tax	**(13,990)**	(14,934)	(3,690)
Net income	**$ 21,947**	$ 28,251	$ 24,855
Earnings (loss) per share:			
Basic:			
Continuing operations	**$ 1.12**	$ 1.35	$ 0.89
Discontinued operations	**(0.44)**	(0.47)	(0.12)
Net income	**$ 0.68**	$ 0.88	$ 0.77
Diluted:			
Continuing operations	**$ 1.10**	$ 1.34	$ 0.89
Discontinued operations	**(0.43)**	(0.46)	(0.12)
Net income	**$ 0.67**	$ 0.88	$ 0.77

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Tredegar Corporation and Subsidiaries

Years Ended December 31		**2013**		2012		2011
(In Thousands, Except Per-Share Data)						
Net income	**$**	**21,947**	$	28,251	$	24,855
Other comprehensive income (loss):						
Foreign currency translation adjustment:						
Unrealized foreign currency translation adjustment (net of tax of $233 in 2013 and $897 in 2012 and tax benefit of $505 in 2011)		**(19,336)**		(11,562)		(9,098)
Reclassification adjustment of foreign currency translation gain included in income (net of tax of $1,497 in 2011)		**—**		—		(2,781)
Derivative financial instruments adjustment (net of tax benefit of $133 in 2013, tax of $818 in 2012 and tax benefit of $423 in 2011)		**(228)**		1,399		(686)
Pension & other post-retirement benefit adjustments						
Net gains (losses) and prior service costs (net of tax of $13,231 in 2013 and tax benefit of $11,145 in 2012 and $20,032 in 2011)		**22,203**		(19,285)		(34,664)
Amortization of prior service costs and net gains or losses (net of tax of $5,398 in 2013, $3,749 in 2012 and $2,232 in 2011)		**9,420**		6,486		3,863
Other comprehensive income (loss)		**12,059**		(22,962)		(43,366)
Comprehensive income (loss)	**$**	**34,006**	$	5,289	$	(18,511)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Tredegar Corporation and Subsidiaries

Years Ended December 31	**2013**	2012	2011
(In Thousands)			
Cash flows from operating activities:			
Net income	**$ 21,947**	$ 28,251	$ 24,855
Adjustments for noncash items:			
Depreciation	**37,911**	43,463	43,336
Amortization of intangibles	**6,744**	5,806	1,399
Deferred income taxes	**(5,268)**	(762)	2,108
Accrued pension and postretirement benefits	**13,911**	8,311	2,481
(Gain) loss on an investment accounted for under the fair value method	**(3,400)**	(16,100)	(1,600)
Loss on asset impairments	**1,639**	2,185	1,376
(Gain) loss on sale of assets	**—**	1,219	(653)
Changes in assets and liabilities, net of effects of acquisitions and divestitures:			
Accounts and notes receivables	**(1,763)**	9,454	(4,737)
Inventories	**1,727**	(9,913)	2,410
Income taxes recoverable	**3,063**	3,193	(1,254)
Prepaid expenses and other	**(651)**	1,883	(271)
Accounts payable and accrued expenses	**3,043**	9,105	(282)
Other, net	**(2,188)**	(3,509)	2,597
Net cash provided by operating activities	**76,715**	82,586	71,765
Cash flows from investing activities:			
Capital expenditures	**(79,661)**	(33,252)	(15,880)
Acquisitions, net of cash acquired	**561**	(57,936)	(180,975)
Net proceeds from the sale of Fallings Springs, LLC	**306**	12,071	—
Proceeds from the sale of assets and other	**1,190**	3,557	1,622
Net cash used in investing activities	**(77,604)**	(75,560)	(195,233)
Cash flows from financing activities:			
Borrowings	**87,000**	93,250	125,000
Debt principal payments and financing costs	**(76,000)**	(91,604)	(89)
Dividends paid	**(9,040)**	(30,782)	(5,761)
Proceeds from exercise of stock options and other	**3,317**	2,400	1,242
Net cash provided by (used in) financing activities	**5,277**	(26,736)	120,392
Effect of exchange rate changes on cash	**(593)**	(407)	(1,176)
Increase (decrease) in cash and cash equivalents	**3,795**	(20,117)	(4,252)
Cash and cash equivalents at beginning of period	**48,822**	68,939	73,191
Cash and cash equivalents at end of period	**$ 52,617**	$ 48,822	$ 68,939
Supplemental cash flow information:			
Interest payments	**$ 2,583**	$ 2,992	$ 1,966
Income tax payments (refunds), net	**19,480**	14,721	8,594

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Tredegar Corporation and Subsidiaries

	Common Stock				Accumulated Other Comprehensive Income (Loss)			
(In Thousands, Except Share and Per-Share Data)	Shares	Amount	Retained Earnings	Trust for Savings Restora-tion Plan	Foreign Currency Trans-lation	Gain (Loss) on Derivative Financial Instruments	Pension & Other Post-retirement Benefit Adjust.	Total Share-holders' Equity
Balance January 1, 2011	31,883,173	$ 10,724	$ 444,173	$ (1,332)	$ 23,572	$ 280	$ (59,871)	$ 417,546
Net income	—	—	24,855	—	—	—	—	24,855
Foreign currency translation adjustment (net of tax benefit of $2,002)	—	—	—	—	(11,879)	—	—	(11,879)
Derivative financial instruments adjustment (net of tax benefit of $423)	—	—	—	—	—	(686)	—	(686)
Net gains or losses and prior service costs (net of tax benefit of $20,032)	—	—	—	—	—	—	(34,664)	(34,664)
Amortization of prior service costs and net gains or losses (net of tax of $2,232)	—	—	—	—	—	—	3,863	3,863
Cash dividends declared ($.18 per share)	—	—	(5,761)	—	—	—	—	(5,761)
Stock-based compensation expense	119,698	2,897	—	—	—	—	—	2,897
Issued upon exercise of stock options (including related income tax benefit of $76) & other	54,410	736	—	—	—	—	—	736
Tredegar common stock purchased by trust for savings restoration plan	—	—	11	(11)	—	—	—	—
Balance December 31, 2011	32,057,281	14,357	463,278	(1,343)	11,693	(406)	(90,672)	396,907
Net income	—	—	28,251	—	—	—	—	28,251
Foreign currency translation adjustment (net of tax of $897)	—	—	—	—	(11,562)	—	—	(11,562)
Derivative financial instruments adjustment (net of tax of $818)	—	—	—	—	—	1,399	—	1,399
Net gains or losses and prior service costs (net of tax benefit of $11,145)	—	—	—	—	—	—	(19,285)	(19,285)
Amortization of prior service costs and net gains or losses (net of tax of $3,749)	—	—	—	—	—	—	6,486	6,486
Cash dividends declared ($.96 per share)	—	—	(30,782)					(30,782)
Stock-based compensation expense	78,299	2,516	—	—	—	—	—	2,516
Issued upon exercise of stock options (including related income tax benefit of $144) & other	143,366	2,031	—	—	—	—	—	2,031
Shares received from the sale of Falling Springs, LLC	(209,576)	(3,709)	—	—	—	—	—	(3,709)
Tredegar common stock purchased by trust for savings restoration plan	—	—	58	(58)	—	—	—	—
Balance December 31, 2012	32,069,370	15,195	460,805	(1,401)	131	993	(103,471)	372,252
Net income	—	—	21,947	—	—	—	—	21,947
Foreign currency translation adjustment (net of tax of $233)	—	—	—	—	(19,336)	—	—	(19,336)
Derivative financial instruments adjustment (net of tax benefit of $133)	—	—	—	—	—	(228)	—	(228)
Net gains or losses and prior service costs (net of tax of $13,231)	—	—	—	—	—	—	22,203	22,203
Amortization of prior service costs and net gains or losses (net of tax of $5,398)	—	—	—	—	—	—	9,420	9,420
Cash dividends declared ($.28 per share)	—	—	(9,040)	—	—	—	—	(9,040)
Stock-based compensation expense	72,125	2,572	—	—	—	—	—	2,572
Issued upon exercise of stock options (including related income tax benefit of $188) & other	163,650	2,874	—	—	—	—	—	2,874
Tredegar common stock purchased by trust for savings restoration plan	—		17	(17)	—	—	—	—
Balance December 31, 2013	32,305,145	$ 20,641	$ 473,729	$ (1,418)	$ (19,205)	$ 765	$ (71,848)	$ 402,664

See accompanying notes to financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations. Tredegar Corporation and subsidiaries (collectively "Tredegar," "we," "us" or "our") are primarily engaged in the manufacture of plastic films and aluminum extrusions. See Notes 10 and 18 regarding restructurings and Note 3 regarding discontinued operations.

Basis of Presentation. The consolidated financial statements include the accounts and operations of Tredegar and all of its majority-owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. On February 12, 2008, we sold our aluminum extrusions business in Canada, and on November 20, 2012, we sold our mitigation banking business, Falling Springs, LLC ("Falling Springs"). All historical results for these businesses have been reflected as discontinued operations in these financial statements; however, cash flows for discontinued operations have not been separately disclosed in the consolidated statements of cash flows. See Note 3 regarding discontinued operations.

The preparation of financial statements in conformity with United States ("U.S.") generally accepted accounting principles ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Foreign Currency Translation. The financial statements of subsidiaries located outside the U.S., where the local currency is the functional currency, are translated into U.S. Dollars using exchange rates in effect at the period end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from the translation of these financial statements are reflected as a separate component of shareholders' equity. We have no subsidiaries located outside the U.S. where the U.S. Dollar is the functional currency.

Transaction and remeasurement gains or losses included in income were not material in 2013, 2012 and 2011. These amounts do not include the effects between reporting periods that exchange rate changes have on income of our locations outside the U.S. that result from translation into U.S. Dollars.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand in excess of daily operating requirements and highly liquid investments with original maturities of three months or less. At December 31, 2013 and 2012, Tredegar had cash and cash equivalents of $52.6 million and $48.8 million, respectively, including funds held in locations outside the U.S. of $38.6 million and $28.6 million, respectively.

Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year. The primary objectives of the policy are safety of principal and liquidity.

Accounts and Other Receivables. Accounts receivable are stated at the amount invoiced to customers less allowances for doubtful accounts and sales returns. Accounts receivable are non-interest bearing and arise from the sale of product to customers under typical industry trade terms. Notes receivable are not significant. Past due amounts are determined based on established terms and charged-off when deemed uncollectible. The allowance for doubtful accounts is determined based on our assessment of probable losses taking into account past due amounts, customer credit profile, historical experience and current economic conditions. Other receivables include value-added taxes related to certain foreign subsidiaries and other miscellaneous receivables due within one year.

Inventories. Inventories are stated at the lower of cost or market, with cost determined on the last-in, first-out ("LIFO") basis, the weighted average cost or the first-in, first-out basis. Cost elements included in work-in-process and finished goods inventories are raw materials, direct labor and manufacturing overhead.

Property, Plant and Equipment. Accounts include costs of assets constructed or purchased, related delivery and installation costs and interest incurred on significant capital projects during their construction periods. Expenditures for renewals and betterments also are capitalized, but expenditures for repairs and maintenance are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Capital expenditures for property, plant and equipment include capitalized interest. Capitalized interest included in capital expenditures for property, plant and equipment were not material in 2013, 2012 and 2011.

Depreciation is computed primarily by the straight-line method based on the estimated useful lives of the assets, which except for certain isolated exceptions, range from 10 to 30 years for buildings and land improvements and 2 to 17 years for machinery and equipment. The average depreciation period for machinery and equipment is approximately 10 years in Film Products and for the continuing operations of Aluminum Extrusions.

Investments in Private Entities with Less Than or Equal to 50% Voting Ownership Interest. We account for our investments in private entities where our voting ownership is less than or equal to 50% based on the facts and circumstances surrounding the investment. We are required to account for investments under the consolidation method in situations where we are the primary beneficiary of a variable interest entity. The primary beneficiary is the party that has a controlling financial interest in a variable interest entity. We are deemed to have a controlling financial interest if we have (i) the power to direct activities of the variable interest entity that most significantly impact its economic performance and (ii) the obligation to absorb losses or the right to receive benefits from the variable interest entity that could potentially be significant to its operations.

If we are not deemed to be the primary beneficiary in an investment in a variable interest entity then we select either: (i) the fair value method or (ii) either (a) the cost method if we do not have significant influence over operating and financial policies of the investee or (b) the equity method if we do have significant influence.

For those investments measured at fair value, U.S. GAAP requires disclosure of the level within the fair value hierarchy in which fair value measurements in their entirety fall, segregating fair value measurements using quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2), and significant unobservable inputs (Level 3).

Goodwill and Other Intangibles. The excess of the purchase price over the fair value of identifiable net assets of acquired companies is allocated to goodwill. We assess goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis (December 1st of each year). Our significant reporting units in Film Products include Polyethylene and Polypropylene Films and PET Films. We have two reporting units in Aluminum Extrusions, Bonnell Aluminum and AACOA. Each of our reporting units has separately identifiable operating net assets (operating assets including goodwill and intangible assets net of operating liabilities).

All goodwill in Aluminum Extrusions is associated with the AACOA reporting unit. Based on the severity of the economic downturn and its impact on the sales volumes of our aluminum extrusions business, the resulting operating loss in the first quarter of 2009, possible future losses and the uncertainty in the amount and timing of an economic recovery, a goodwill impairment charge of $30.6 million ($30.6 million after taxes), which represented the entire goodwill balance in the Bonnell Aluminum reporting unit, was recognized in 2009.

We estimate the fair value of our reporting units using discounted cash flow analysis and comparative enterprise value-to-EBITDA (earnings before interest, taxes, depreciation and amortization) multiples. The goodwill of Polyethylene and Polypropylene Films reporting unit was tested for impairment at the annual testing date, with the estimated fair value of this reporting unit substantially exceeding the carrying value of its net assets. The goodwill of PET Films reporting unit was also tested for impairment at December 1, 2013, with the estimated fair value of this reporting unit exceeding the carrying value of its net assets by approximately 37%. The goodwill of AACOA is associated with the October 2012 acquisition of AACOA, Inc. ("AACOA"), and estimated fair value of this reporting unit exceeded the carrying value of its net assets by approximately 22% at December 1, 2013.

Impairment of Long-Lived Assets. We review long-lived assets for possible impairment when events indicate that an impairment may exist. For assets that are held and used in operations, if events indicate that an asset may be impaired, we estimate the future unlevered pre-tax cash flows expected to result from the use of the asset and its eventual disposition. Assets are grouped for this purpose at the lowest level for which there are identifiable and independent cash flows. If the sum of these undiscounted pre-tax cash flows is less than the carrying amount of the asset, an impairment loss is calculated. Measurement of the impairment loss is the amount by which the carrying amount exceeds the estimated fair value of the asset group.

Assets that are held for sale are reported at the lower of their carrying amount or estimated fair value less cost to sell, with an impairment loss recognized for any write-down required.

Pension Costs and Postretirement Benefit Costs Other than Pensions. Pension costs and postretirement benefit costs other than pensions are accrued over the period employees provide service to Tredegar. Liabilities and expenses for pension plans and other postretirement benefits are determined using actuarial methodologies and incorporate significant assumptions, including the rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions relating to the employee workforce. We recognize the funded status of our pension and other postretirement plans in the accompanying consolidated balance sheets. Our policy is to fund our pension plans at amounts not less than the

minimum requirements of the Employee Retirement Income Security Act ("ERISA") of 1974 and to fund postretirement benefits other than pensions when claims are incurred.

Revenue Recognition. Revenue from the sale of products, which is shown net of estimated sales returns and allowances, is recognized when title has passed to the customer, the price of the product is fixed and determinable, and collectability is reasonably assured. Amounts billed to customers related to freight have been classified as sales in the accompanying consolidated statements of income. The cost of freight has been classified as a separate line in the accompanying consolidated statements of income. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction between Tredegar and its customers (such as value-added taxes) are accounted for on a net basis and therefore excluded from revenues.

Research & Development ("R&D") Costs. R&D costs are expensed as incurred and include primarily salaries, wages, employee benefits, equipment depreciation, facility costs and the cost of materials consumed relating to R&D efforts. R&D costs include a reasonable allocation of indirect costs.

Income Taxes. Income taxes are recognized during the period in which transactions enter into the determination of income for financial reporting purposes, with deferred income taxes being provided at enacted statutory tax rates on the differences between the financial reporting and tax bases of assets and liabilities (see Note 17). Deferred U.S. federal income taxes have not been recorded for the undistributed earnings for Terphane Ltda. (a subsidiary of Film Products) because of our intent to permanently reinvest these earnings. We have not recorded a deferred liability of approximately $7.1 million related to the U.S. federal income taxes and foreign withholding taxes on approximately $36.0 million of undistributed earnings indefinitely invested outside the U.S. at December 31, 2013. We accrue U.S. federal income taxes on unremitted earnings of all other foreign subsidiaries. The benefit of an uncertain tax position is included in the accompanying financial statements when we determine that it is more likely than not that the position will be sustained, based on the technical merits of the position, if the taxing authority examines the position and the dispute is litigated. This determination is made on the basis of all the facts, circumstances and information available as of the reporting date.

Earnings Per Share. Basic earnings per share is computed using the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed using the weighted average common and potentially dilutive common equivalent shares outstanding, determined as follows:

	2013	2012	2011
Weighted average shares outstanding used to compute basic earnings per share	**32,171,751**	32,032,343	31,931,962
Incremental shares attributable to stock options and restricted stock	**427,528**	160,233	281,212
Shares used to compute diluted earnings per share	**32,599,279**	32,192,576	32,213,174

Incremental shares attributable to stock options and restricted stock are computed using the average market price during the related period. During 2013, 2012 and 2011, the average out-of-the-money options to purchase shares that were excluded from the calculation of incremental shares attributable to stock options and restricted stock was 31,167, 632,050 and 293,704, respectively.

Stock-Based Employee Compensation Plans. Compensation expense is recorded on all share-based awards based upon its calculated fair value over the requisite service period using the graded-vesting method. The fair value of stock option awards was estimated as of the grant date using the Black-Scholes options-pricing model. The fair value of restricted stock awards was estimated as of the grant date using our closing stock price on that date.

The assumptions used in this model for valuing Tredegar stock options granted in 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Dividend yield	**1.1%**	0.9%	0.9%
Weighted average volatility percentage	**48.3%**	48.7%	46.4%
Weighted average risk-free interest rate	**1.1%**	1.0%	2.5%
Holding period (years):			
Officers	**6.0**	6.0	6.0
Management	**5.0**	5.0	5.0
Weighted average exercise price at date of grant (also weighted average market price at date of grant):			
Officers	**$ 24.84**	$ 19.30	$ 19.84
Management	**25.10**	19.40	19.73

The dividend yield is the dividend yield on our common stock at the date of grant, which we believe is a reasonable estimate of the expected yield during the holding period. We calculate expected volatility based on the historical volatility of our common stock using a sequential period of historical data equal to the expected holding period of the option. We have no reason to believe that future volatility for this period is likely to differ from the past. The assumed risk-free interest rate is based on observed interest rates (zero coupon U.S. Treasury debt securities) appropriate for the expected holding period. The expected holding period and forfeiture assumptions are based on historical experience. Estimated forfeiture assumptions are reviewed through the vesting period. Adjustments are made if actual forfeitures differ from previous estimates. The cumulative effect of a change in estimated forfeitures is recognized in the period of the change.

Tredegar stock options granted during 2013, 2012 and 2011, and related estimated fair value at the date of grant, are as follows:

	2013	2012	2011
Stock options granted (number of shares):			
Officers	**94,400**	99,600	140,500
Management	**90,300**	82,500	95,300
Total	**184,700**	182,100	235,800
Estimated weighted average fair value of options per share at date of grant:			
Officers	**$ 10.37**	$ 8.07	$ 8.55
Management	**9.65**	7.81	8.03
Total estimated fair value of stock options granted (in thousands)	**$ 1,850**	$ 1,449	$ 1,966

Additional disclosure of Tredegar stock options is included in Note 13.

Financial Instruments. We use derivative financial instruments for the purpose of hedging aluminum price volatility and currency exchange rate exposures that exist as part of transactions associated with our ongoing business operations. Our derivative financial instruments are designated as and qualify as cash flow hedges and are recognized in the accompanying balance sheet at fair value. A change in the fair value of the derivative that is highly effective as and that is designated and qualifies as a cash flow hedge is recorded in other comprehensive income. Gains and losses reported in other comprehensive income (loss) are reclassified to earnings in the periods in which earnings are affected by the variability of cash flows of the hedged transaction. Such gains and losses are reported on the same line as the underlying hedged item, and the cash flows related to financial instruments are classified in the consolidated statements of cash flows in a manner consistent with those of the transactions being hedged. Any hedge ineffectiveness (which represents the amount by which the changes in the fair value of the derivative exceed the variability in the cash flows of the forecasted transaction) is recorded in current period earnings. The amount of gains and losses recognized for hedge ineffectiveness were not material in 2013, 2012 and 2011.

Our policy requires that we formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. We also formally assess (both at the hedge's inception and on an ongoing basis) whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to

remain highly effective in future periods. When it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, we discontinue hedge accounting prospectively.

As a policy, we do not engage in speculative or leveraged transactions, nor do we hold or issue financial instruments for trading purposes. Additional disclosure of our utilization of derivative hedging instruments is included in Note 9.

Comprehensive Income (Loss). Comprehensive income (loss) is defined as net income or loss and other comprehensive income or loss. Other comprehensive income (loss) includes changes in foreign currency translation adjustments, unrealized gains and losses on derivative financial instruments, prior service costs and net gains or losses from pension and other postretirement benefit plans arising during the period and amortization of these prior service costs and net gains or losses adjustments, all recorded net of deferred income taxes.

The following table summarizes the after-tax changes in accumulated other comprehensive income (loss) for the year ended December 31, 2013:

(In Thousands)	Foreign currency translation adjustment	Gain (loss) on derivative financial instruments	Pension and other post-retirement benefit adjustments	Total
Beginning balance, January 1, 2013	$ 131	$ 993	$ (103,471)	$ (102,347)
Other comprehensive income (loss) before reclassifications	(19,336)	134	22,203	3,001
Amounts reclassified from accumulated other comprehensive income (loss)	—	(362)	9,420	9,058
Net other comprehensive income (loss) - current period	(19,336)	(228)	31,623	12,059
Ending balance, December 31, 2013	$ (19,205)	$ 765	$ (71,848)	$ (90,288)

Reclassifications of balances out of accumulated other comprehensive income (loss) into net income during 2013 are summarized as follows:

(In Thousands)	Amount reclassified from other comprehensive income	Location of gain (loss) reclassified from accumulated other comprehensive income to net income
Gain (loss) on derivative financial instruments:		
Aluminum future contracts, before taxes	$ (583)	Cost of sales
Foreign currency forward contracts, before taxes	—	
Total, before taxes	(583)	
Income tax expense (benefit)	(221)	Income taxes
Total, net of tax	$ (362)	
Amortization of pension and other post-retirement benefits:		
Actuarial gain (loss) and prior service costs, before taxes	$ (14,818)	(a)
Income tax expense (benefit)	(5,398)	Income taxes
Total, net of tax	$ (9,420)	

(a) This component of accumulated other comprehensive income is included in the computation of net periodic pension cost (see Note 14 for additional detail).

Recently Issued Accounting Standards. In February 2013, the Financial Accounting Standards Board (“FASB”) issued updated guidance to address the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date. Under the new guidance, an entity would measure its obligation from a joint and several liability arrangement as the sum of the amount the entity agreed with its co-obligors that it will pay, and any additional amount the entity expects to pay on behalf of its co-obligors. The standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2013. Early application is permitted, and we do not expect the guidance to impact us.

In March 2013, the FASB issued updated guidance related to foreign currency matters. The updated guidance attempts to resolve the diversity in practice about the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. In addition, the amended guidance attempts to resolve the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The guidance is effective for the first annual period beginning after December 15, 2013, and we do expect the guidance to impact us.

In July 2013, the FASB issued new guidance regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless certain exceptions are met. The amendments are effective prospectively for fiscal and interim periods beginning after December 15, 2013. We are still assessing the applicability of this guidance in future periods.

2 ACQUISITIONS

On October 1, 2012, The William L. Bonnell Company, Inc. acquired 100% ownership of AACOA. AACOA operates production facilities in Elkhart, Indiana and Niles, Michigan. Its primary markets include consumer durables, machinery and equipment and transportation. The acquisition will add fabrication capabilities to Aluminum Extrusions' current array of products and services while providing AACOA with large press capabilities and enhanced geographic sales coverage in a variety of end-use markets.

All post-closing adjustments related to the purchase price for AACOA were resolved in 2013. Adjustments to the purchase price were made retrospectively as if the accounting had been completed on the acquisition date. After certain post-closing adjustments (primarily related to working capital transferred), the purchase price, net of cash acquired, was $54.1 million, which includes $0.6 million that was received from the seller in 2013. The purchase price was funded using financing secured from our existing $350 million revolving credit facility. Based upon management's valuation of the fair value of tangible and intangible assets acquired (net of cash acquired) and liabilities assumed, the preliminary estimated purchase price allocation is as follows:

(In Thousands)		
Accounts receivable	$	12,477
Inventories		4,708
Property, plant & equipment		15,116
Identifiable intangible assets:		
Customer relationships		4,800
Trade names		4,800
Proprietary technology		3,400
Noncompete agreements		1,600
Other assets (current & noncurrent)		42
Trade payables & accrued expenses		(6,574)
Total identifiable net assets		40,369
Purchase price, net of cash received		54,065
Goodwill	$	13,696

The goodwill and other intangible asset balances associated with this acquisition will be deductible for tax purposes. Intangible assets acquired in the purchase of AACOA are being amortized over the following periods:

Identifiable Intangible Asset	Useful Life (Yrs)
Customer relationships	10
Proprietary technology	6-10
Trade names	Indefinite
Noncompete agreements	2

On October 14, 2011, TAC Holdings, LLC (the "Buyer") and Tredegar Film Products Corporation, which are indirect and direct, respectively, wholly-owned subsidiaries of Tredegar, entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with Gaucho Holdings, B.V. (the "Seller") an indirect, wholly-owned subsidiary of Vision Capital Partners VII LP ("Vision Capital"). On October 24, under the terms of the Purchase Agreement, the Buyer acquired from the Seller 100% of the outstanding equity interests of Terphane Holdings, LLC ("Terphane").

Terphane operates manufacturing facilities in Cabo de Santo Agostinho, Brazil and Bloomfield, New York. It is a producer of thin polyester films in Latin America with a growing presence in strategic niches in the U.S. Polyester films have specialized properties, such as heat resistance and barrier protection, that make them uniquely suited for the flexible packaging market. We expect that the acquisition of Terphane will allow us to extend our product offerings into adjacent specialty films markets and to expand in Latin America.

All post-closing adjustments related to the purchase price for Terphane were resolved in 2012. Adjustments to the purchase price were made retrospectively as if the accounting had been completed on the acquisition date. Upon completing these post-closing adjustments, which were primarily related to working capital transferred, the total purchase price (net of cash acquired) was $182.7 million. The purchase price was funded using available cash (net of cash received) of approximately $57.7 million and financing of $125 million secured from Tredegar's former revolving credit facility. Based upon management's valuation of the fair value of tangible and intangible assets acquired (net of cash acquired) and liabilities assumed, the final estimated purchase price allocation was as follows:

(In Thousands)		
Accounts receivable	$	14,321
Inventories		23,437
Property, plant & equipment		86,963
Identifiable intangible assets:		
Customer relationships		32,600
Proprietary technology		14,700
Trade names		9,400
Noncompete agreements		2,300
Other assets (current & noncurrent)		3,680
Trade payables		(17,471)
Other liabilities (current & noncurrent)		(12,216)
Deferred taxes		(38,167)
Total identifiable net assets		119,547
Purchase price, net of cash received		182,761
Goodwill	$	63,214

None of the goodwill or other intangible assets will be deductible for tax purposes. Intangible assets acquired in the purchase of Terphane are being amortized over the following periods:

Identifiable Intangible Asset	Useful Life (Yrs)
Customer relationships	12
Proprietary technology	10
Trade names	Indefinite
Noncompete agreements	2

The financial position and results of operations for AACOA and Terphane have been consolidated with Tredegar subsequent to October 1, 2012. For the year ended December 31, 2012, the consolidated results of operations included sales of $19.9 million and net income from continuing operations of $1.0 million related to AACOA. The financial position and results of operations for Terphane have been consolidated with Tredegar subsequent to October 24, 2011. For the year ended December 31, 2011, the consolidated results of operations included sales of $29.2 million and net income from continuing operations of $2.0 million related to Terphane.

The following unaudited supplemental pro forma data presents our consolidated revenues and earnings as if the acquisitions of Terphane and AACOA had been consummated on January 1, 2011. The pro forma results are not necessarily indicative of our consolidated revenues and earnings if the acquisition and related borrowing had been consummated on January 1, 2011. Supplemental unaudited pro forma results for the years ended December 31, 2012 and 2011 are as follows:

(In Thousands, Except Per Share Data)		2012		2011
Sales	$	**946,594**	$	1,009,601
Income from continuing operations		**44,816**		43,407
Earnings per share from continuing operations:				
Basic	$	**1.40**	$	1.36
Diluted		**1.39**		1.35

The above supplemental unaudited pro forma amounts reflect the application of the following adjustments in order to present the consolidated results as if the acquisitions and related borrowings had occurred on January 1, 2011:

- Adjustment for additional depreciation and amortization expense associated with the adjustments to property, plant and equipment, and intangible assets associated with purchase accounting;
- Additional interest expense and financing fees associated with borrowing arrangements used to fund the acquisitions of Terphane and AACOA and the elimination of historical interest expense associated with historical borrowings of Terphane and AACOA that were not assumed by Tredegar;
- Adjustments to eliminate transactions-related expenses associated with the October 2011 acquisition of Terphane and the October 2012 acquisition of AACOA;
- Adjustments related to the elimination of foreign currency remeasurement gains associated with long-term borrowings of Terphane that were not assumed by Tredegar;
- Adjustments for the estimated net income tax benefit associated with the previously described adjustments; and
- Adjustments to income tax expense for AACOA as it had previously elected to be treated as an S-Corp for federal income tax purposes.

3 DISCONTINUED OPERATIONS

On November 20, 2012, Tredegar Real Estate Holdings, Inc., a wholly-owned subsidiary, sold its membership interests in Falling Springs to Arc Ventures, LC for $16.6 million. Arc Ventures, LC is a Virginia limited liability company affiliated with John D. Gottwald, a member of our Board of Directors. The purchase price was comprised of $12.8 million of cash and 209,576 shares of common stock of Tredegar owned by Arc Ventures, LC. The corresponding loss on sale of $3.1 million, which includes transaction-related expenses of $0.5 million, and the results of operations related to Falling Springs have been classified as discontinued operations for all periods presented. For the years ended December 31, 2012 and 2011, sales of $3.2 million and $3.2 million, respectively, have been reclassified to discontinued operations, and net income of $0.5 million and $0.7 million have been reclassified to discontinued operations in 2012 and 2011, respectively. Falling Springs was formerly a component of the Other segment.

On February 12, 2008, we sold our aluminum extrusions business in Canada for approximately $25.0 million to an affiliate of H.I.G. Capital. In 2013, 2012 and 2011, accruals of $14.0 million ($14.0 million net of tax), $13.4 million ($13.4 million net of tax) and $4.4 million ($4.4 million net of tax) were made for indemnifications under the purchase agreement related to environmental matters.

The historical results for these businesses, including any subsequent adjustments for contractual indemnifications, have been reflected as discontinued operations; however, cash flows for discontinued operations have not been separately disclosed in the consolidated statements of cash flows.

4 INVESTMENTS

In August 2007 and December 2008, we made an aggregate investment of $7.5 million in kaleo, Inc. ("kaléo"), a privately held specialty pharmaceutical company formerly known as Intelliject, Inc. The mission of kaléo is to set a new standard in life-saving personal medical products designed to enable superior treatment outcomes, improved cost effectiveness and intuitive patient administration. Our ownership interest on a fully diluted basis is approximately 20%, and the investment is accounted for under the fair value method. At the time of our initial investment, we elected the fair value option over the equity method of accounting since our investment objectives were similar to those of venture capitalists, which typically do not have controlling financial interests. We recognized a net unrealized gain of $3.4 million ($2.2 million after taxes) in 2013 that primarily related to favorable adjustments in the fair value for the passage of time as anticipated cash flows associated with achieving product development and commercialization milestones were discounted at 55% for their high degree of risk, partially offset by unfavorable adjustments in the fair value due to a reassessment of the amount and timing of projected receipt of royalty and milestone payments from commercial sales of kaléo's licensed product, which launched in early 2013, and unfavorable adjustments for higher development and commercialization expenses related to its product pipeline.

We recognized an unrealized gain of $16.1 million ($10.2 million after taxes) in 2012 attributed to various factors, most notably:

- a favorable adjustment to the timing and amount of anticipated cash flows derived from updated marketing research;
- the passage of time as anticipated cash flows associated with achieving product development commercialization milestones are discounted at 55% for their high degree of risk; and
- a reduction in the weighted average cost of capital used to discount cash flows in our valuation in the first quarter to reflect the completion of certain process testing and a reassessment of the risk associated with the timing for obtaining final marketing approval from the U.S. Food and Drug Administration ("FDA") for the company's first product.

In 2011, we recognized an unrealized gain of $1.6 million ($1.0 million after taxes) attributed to the appreciation of our interest upon changes in the market dynamics and pricing associated with an upcoming product introduction and the addition of projects to the product pipeline. Unrealized gains (losses) associated with this investment are included in "Other income (expense), net" in the consolidated statements of income and separately stated in the segment operating profit table in Note 5.

At December 31, 2013 and 2012, the estimated fair value of our investment (included in "Other assets and deferred charges" in the consolidated balance sheets) was $37.1 million and $33.7 million, respectively. Subsequent to our most recent investment (December 15, 2008), and until the next round of financing, we believe fair value estimates are based upon Level 3 inputs since there is no secondary market for our ownership interest. Accordingly, until the next round of financing or any other significant financial transaction, value estimates will primarily be based on assumptions relating to meeting product development and commercialization milestones, cash flow projections (projections of development and commercialization milestone payments, sales, costs, expenses, capital expenditures and working capital investment) and discounting of these factors for the high degree of risk. As a result, any future changes in the estimated fair value of our ownership interest will likely be attributed to a new round of financing, a merger or initial public offering or adjustments to the timing or magnitude of cash flows associated with development and commercialization milestones. If kaléo does not meet its development and commercialization milestones and there are indications that the amount or timing of its projected cash flows or related risks are unfavorable versus our most recent valuation, or a new round of financing or other significant financial transaction indicates a lower enterprise value, then our estimate of the fair value of our ownership interest in the company is likely to decline. Adjustments to the estimated fair value of our investment will be made in the period upon which such changes can be quantified.

The fair market valuation of our interest in kaléo is sensitive to changes in the weighted average cost of capital used to discount cash flow projections for the high degree of risk associated with meeting development and commercialization milestones as anticipated. The weighted average cost of capital used in the fair market valuation of our interest in kaléo was 55% at December 31, 2013 and 2012. At December 31, 2013, the effect of a 500 basis point decrease in the weighted average cost of capital assumption would have further increased the fair value of our interest in kaléo by approximately $5 million, and a 500 basis point increase in the weighted average cost of capital assumption would have decreased the fair value of our interest by approximately $5 million.

Had we not elected to account for our investment under the fair value method, we would have been required to use the equity method of accounting. The condensed balance sheets for kaléo at December 31, 2013 and 2012 and related condensed statements of operations for the last three years ended December 31, 2013, that were reported to us by kaléo, are provided below:

(In Thousands)	December 31, 2013	2012		December 31, 2013	2012
Assets:			Liabilities & Equity:		
Cash & cash equivalents	**$ 33,560**	$ 53,288	Long-term debt, net of discount, current portion	**$ 5,414**	$ —
Other current assets	**5,682**	686	Other current liabilities	**4,845**	13,405
Other long-term assets	**11,004**	4,278	Other noncurrent liabilities	**3,098**	1,449
Identifiable intangibles assets	**2,433**	2,152	Long-term debt, net of discount	**9,372**	14,696
			Redeemable preferred stock	**21,970**	20,995
			Equity	**7,980**	9,859
Total assets	**$ 52,679**	$ 60,404	Total liabilities & equity	**$ 52,679**	$ 60,404

	2013	2012	2011
Revenues & Expenses:			
Revenues	**$ 15,305**	$ 38,179	$ 8,839
Expenses and other, net	**(18,631)**	(13,073)	(10,474)
Income tax (expense) benefit	**1,586**	(9,642)	927
Net income (loss)	**$ (1,740)**	$ 15,464	$ (708)

The audited financial statements and accompanying footnotes of kaléo as of December 31, 2013 and 2012 and for the years ended December 31, 2013, 2012 and 2011 have been included as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2013 filed with the Securities and Exchange Commission.

On April 2, 2007, we invested $10.0 million in Harbinger Capital Partners Special Situations Fund, L.P. ("Harbinger"), a private investment fund that is subject to limitations on withdrawal. There is no secondary market for interests in the fund. Our investment in Harbinger, which represents less than 2% of its total partnership capital, is accounted for under the cost method. We recorded unrealized losses of $0.4 million ($0.3 million after taxes), $1.1 million ($0.7 million after taxes) and $0.6 million ($0.4 million after taxes) on our investment in Harbinger in 2013, 2012 and 2011, respectively, as a result of a reduction in the estimated fair value of our investment that is not expected to be temporary. The December 31, 2013 and 2012 carrying value in the consolidated balance sheets (included in "Other assets and deferred charges") was $2.8 million and $3.6 million, respectively. The carrying value at December 31, 2013 reflected Tredegar's cost basis in its investment in Harbinger, net of total withdrawal proceeds received and unrealized losses. Withdrawal proceeds were $0.4 million in 2013, $0.5 million in 2012 and $0.6 million in 2011. The timing and amount of future installments of withdrawal proceeds was not known as of December 31, 2013. There were no realized gains or losses associated with our investment in Harbinger in 2013, 2012 and 2011. Gains on our investment in Harbinger, if any, will be recognized when the amounts expected to be collected from our withdrawal from the investment are known, which will likely be when cash in excess of our remaining carrying value is received. Losses will be recognized if management believes it is probable that future withdrawal proceeds will not exceed the remaining carrying value.

We have investment property in Alleghany and Bath County, Virginia. We also recorded an unrealized loss on our investment property in Alleghany and Bath County, Virginia of $1.0 million ($0.6 million after taxes) in 2013 as a result of a reduction in the estimated fair value of our investment that is not expected to be temporary. Our carrying value in this investment property (included in "Other assets and deferred charges" on the consolidated balance sheets) was $5.9 million at December 31, 2013 and $6.9 million at December 31, 2012.

5 BUSINESS SEGMENTS

Our primary business segments are Film Products and Aluminum Extrusions. Beginning in February 2010, we started reporting an additional segment, Other, comprised of the start-up operations of Bright View and Falling Springs. Effective January 1, 2012, the operations and results of Bright View were incorporated into Film Products to leverage research and development efforts and accelerate new product development. Prior year balances for Bright View have been reclassified to

Film Products to conform with the current year presentation. As discussed in Note 3, Falling Springs was divested in November 2012. All historical results for this business have been reflected as discontinued operations. With the sale of Falling Springs, there is no longer an Other segment to report.

Information by business segment and geographic area for the last three years is provided below. There were no accounting transactions between segments and no allocations to segments. Net sales (sales less freight) and operating profit from ongoing operations are the measures of sales and operating profit used by the chief operating decision maker for purposes of assessing performance. Film Products' net sales to The Procter & Gamble Company ("P&G") totaled $261.9 million in 2013, $264.0 million in 2012 and $280.3 million in 2011. These amounts include plastic film sold to others that convert the film into materials used with products manufactured by P&G.

Net Sales

(In Thousands)	**2013**	2012	2011
Film Products	**$ 621,239**	$ 611,877	$ 535,540
Aluminum Extrusions	**309,482**	245,465	240,392
Total net sales	**930,721**	857,342	775,932
Add back freight	**28,625**	24,846	18,488
Sales as shown in consolidated statements of income	**$ 959,346**	$ 882,188	$ 794,420

Operating Profit

(In Thousands)	**2013**	2012	2011
Film Products:			
Ongoing operations	**$ 70,966**	$ 69,950	$ 59,493
Plant shutdowns, asset impairments, restructurings and other (a)	**(671)**	(109)	(6,807)
Aluminum Extrusions:			
Ongoing operations	**18,291**	9,037	3,457
Plant shutdowns, asset impairments, restructurings and other (a)	**(2,748)**	(5,427)	58
Total	**85,838**	73,451	56,201
Interest income	**594**	418	1,023
Interest expense	**2,870**	3,590	1,926
Gain (loss) on investment accounted for under the fair value method (a)	**3,400**	16,100	1,600
Unrealized loss on investment property	**1,018**	—	—
Stock option-based compensation expense	**1,155**	1,432	1,940
Corporate expenses, net (a)	**31,857**	23,443	16,169
Income from continuing operations before income taxes	**52,932**	61,504	38,789
Income taxes (a)	**16,995**	18,319	10,244
Income from continuing operations	**35,937**	43,185	28,545
Income (loss) from discontinued operations (a)	**(13,990)**	(14,934)	(3,690)
Net income (loss)	**$ 21,947**	$ 28,251	$ 24,855

(a) See Notes 1, 3, 4 and 18 for more information on losses associated with plant shutdowns, asset impairments and restructurings, unusual items, gains or losses from sale of assets, gains or losses on an investment accounted for under the fair value method and other items.

(b) We recognize in the balance sheets the funded status of each of our defined benefit pension and other postretirement plans. The funded status of our defined benefit pension plan was a net liability of $42.5 million, $83.3 million and $57.8 million in "Other noncurrent liabilities" as of December 31, 2013, 2012 and 2011, respectively. See Note 14 for more information on our pension and other postretirement plans.

(c) The difference between total consolidated sales as reported in the consolidated statements of income and segment and geographic net sales reported in this note is freight of $28.6 million in 2013, $24.8 million in 2012 and $18.5 million in 2011.

(d) Information on exports and foreign operations are provided on the next page. Cash and cash equivalents includes funds held in locations outside the U.S. of $38.6 million and $28.6 million at December 31, 2013 and 2012, respectively. Export sales relate almost entirely to Film Products. Operations outside the U.S. in The Netherlands, Hungary, China, Italy (sold in 2011), Brazil and India also relate to Film Products. Sales from our locations in The Netherlands, Hungary and Italy are primarily to customers located in Europe. Sales from our locations in China (Guangzhou and Shanghai) are primarily to customers located in China, but also include other customers in Asia. Sales activity at the new film products manufacturing facility in India was not significant in 2011.

Identifiable Assets		
(In Thousands)	**2013**	2012
Film Products	**$ 556,873**	$ 551,842
Aluminum Extrusions	**134,928**	129,279
Subtotal	**691,801**	681,121
General corporate (b)	**48,590**	53,222
Cash and cash equivalents (d)	**52,617**	48,822
Total	**$ 793,008**	$ 783,165

	Depreciation and Amortization			Capital Expenditures		
(In Thousands)	**2013**	2012	2011	**2013**	2012	2011
Film Products	**$ 35,332**	$ 39,202	$ 36,315	**$ 64,867**	$ 30,484	$ 13,107
Aluminum Extrusions	**9,202**	9,984	8,333	**14,742**	2,332	2,697
Subtotal	**44,534**	49,186	44,648	**79,609**	32,816	15,804
General corporate	**121**	73	75	**52**	436	76
Continuing operations	**44,655**	49,259	44,723	**79,661**	33,252	15,880
Discontinued operations	**—**	10	12	**—**	—	—
Total	**$ 44,655**	$ 49,269	$ 44,735	**$ 79,661**	$ 33,252	$ 15,880

Net Sales by Geographic Area (d)			
(In Thousands)	**2013**	2012	2011
United States	**$ 534,346**	$ 480,041	$ 462,479
Exports from the United States to:			
Asia	**82,235**	57,639	56,050
Canada	**46,481**	46,948	49,428
Europe	**6,984**	5,186	6,171
Latin America	**3,505**	3,145	4,413
Operations outside the United States:			
Brazil	**109,415**	121,373	43,528
The Netherlands	**68,471**	67,758	80,509
Hungary	**43,482**	41,285	33,824
China	**28,702**	30,636	32,740
India	**7,100**	3,331	—
Italy	**—**	—	6,790
Total (c)	**$ 930,721**	$ 857,342	$ 775,932

	Identifiable Assets by Geographic Area (d)		Property, Plant & Equipment, Net by Geographic Area (d)	
(In Thousands)	**2013**	2012	**2013**	2012
United States (b)	**$ 419,234**	$ 412,822	**$ 141,444**	$ 126,072
Operations outside the United States:				
Brazil	**191,415**	181,663	**99,956**	77,723
The Netherlands	**32,156**	37,076	**14,172**	19,443
China	**25,165**	25,167	**14,430**	16,584
Hungary	**17,681**	17,887	**7,461**	7,782
India	**6,150**	6,506	**4,007**	4,653
General corporate (b)	**48,590**	53,222	**1,090**	1,160
Cash and cash equivalents (d)	**52,617**	48,822	**n/a**	n/a
Total	**$ 793,008**	$ 783,165	**$ 282,560**	$ 253,417

See footnotes on prior page and a reconciliation of net sales to sales as shown in the consolidated statements of income.

Net Sales by Product Group			
(In Thousands)	**2013**	**2012**	**2011**
Film Products:			
Personal care materials	**$ 339,559**	$ 327,161	$ 352,376
Flexible packaging films	**125,712**	138,028	28,256
Surface protection films	**90,182**	69,627	69,452
Polyethylene overwrap and polypropylene films	**56,590**	63,796	67,282
Films for other markets	**9,196**	13,265	18,174
Subtotal	**621,239**	611,877	535,540
Aluminum Extrusions:			
Nonresidential building & construction	**179,437**	165,159	166,229
Consumer durables	**39,565**	12,259	4,784
Residential building & construction	**22,055**	23,555	31,444
Machinery & equipment	**21,936**	8,773	5,665
Transportation	**19,919**	11,757	13,176
Distribution	**13,115**	15,227	14,700
Electrical	**12,822**	6,140	4,394
Other	**633**	2,595	—
Subtotal	**309,482**	245,465	240,392
Total	**$ 930,721**	$ 857,342	$ 775,932

See footnotes on prior pages and a reconciliation of net sales to sales as shown in the consolidated statements of income.

6 ACCOUNTS AND OTHER RECEIVABLES

Accounts and other receivables consist of the following:

(In Thousands)	**2013**	2012
Trade, less allowance for doubtful accounts and sales returns of $3,327 in 2013 and $3,552 in 2012	**$ 94,684**	$ 96,686
Other	**4,562**	4,112
Total	**$ 99,246**	$ 100,798

A reconciliation of the beginning and ending balances of the allowance for doubtful accounts and sales returns for the three years ended December 31, 2013 is as follows:

(In Thousands)	**2013**	2012	2011
Balance, beginning of year	**$ 3,552**	$ 3,539	$ 5,286
Charges to expense	**1,874**	1,589	1,525
Recoveries	**(1,760)**	(1,076)	(1,489)
Write-offs	**(285)**	(588)	(2,508)
Foreign exchange and other	**(54)**	88	725
Balance, end of year	**$ 3,327**	$ 3,552	$ 3,539

7 INVENTORIES

Inventories consist of the following:

(In Thousands)		2013		2012
Finished goods	$	**14,953**	$	16,138
Work-in-process		**7,750**		7,451
Raw materials		**24,477**		28,758
Stores, supplies and other		**23,483**		22,323
Total	$	**70,663**	$	74,670

Inventories stated on the LIFO basis amounted to $10.0 million at December 31, 2013 and $10.9 million at December 31, 2012, which are below replacement costs by approximately $15.8 million at December 31, 2013 and $20.5 million at December 31, 2012. During 2013, 2012 and 2011, certain inventories accounted for on a LIFO basis declined, which resulted in cost of goods sold being stated at below current replacement costs, by approximately $0.9 million in Film Products in 2013, $2.7 million in 2012 ($1.1 million in Film Products and $1.6 million in Aluminum Extrusions) and $1.1 million in Film Products in 2011.

8 GOODWILL AND OTHER INTANGIBLE ASSETS

The components of goodwill and other intangibles at December 31, 2013 and 2012, and related amortization periods for continuing operations are as follows:

(In Thousands)		2013		2012	Amortization Periods
Goodwill	$	**172,788**	$	176,620	Not amortized
Other identifiable intangibles:					
Customer relationships (cost basis of $31,357 in 2013 and 34,135 in 2012)		**25,962**		31,163	10-12 years
Proprietary technology (cost basis of $18,851 in 2013 and $19,624 in 2012)		**14,356**		17,145	Not more than 15 years
Tradenames		**12,594**		13,332	Indefinite life
Non-compete agreements (cost basis of $4,154 in 2013 and 2012)		**600**		2,359	2 years
Total carrying value of other intangibles		**53,512**		63,999	
Total carrying value of goodwill and other intangibles	$	**226,300**	$	240,619	

A reconciliation of the beginning and ending balance of goodwill for each of the three years in the period ended December 31, 2013 is as follows:

(In Thousands)		2013		2012		2011
Net carrying value of goodwill, beginning of year	$	**176,620**	$	165,372	$	103,639
Acquisitions		**—**		13,695		63,214
Increase (decrease) due to foreign currency translation		**(3,832)**		(2,447)		(1,481)
Net carrying value of goodwill, end of year	$	**172,788**	$	176,620	$	165,372

At December 31, 2013, the goodwill balance was $159.1 million for Film Products and $13.7 million for Aluminum Extrusions.

Amortization expense for continuing operations over the next five years is expected to be as follows:

Year		Amount (In Thousands)
2014	$	5,643
2015		4,946
2016		4,906
2017		4,906
2018		4,773

9 FINANCIAL INSTRUMENTS

We use derivative financial instruments for the purpose of hedging margin exposure from fixed-price forward sales contracts in Aluminum Extrusions and currency exchange rate exposures that exist as part of ongoing business operations (primarily in Film Products). Our derivative financial instruments are designated as and qualify as cash flow hedges and are recognized in the consolidated balance sheet at fair value. The fair value of derivative instruments recorded on the consolidated balance sheets are based upon Level 2 inputs. If individual derivative instruments with the same counterparty can be settled on a net basis, we record the corresponding derivative fair values as a net asset or net liability.

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the future sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our margin exposure created from the fixing of future sales prices relative to volatile raw material (aluminum) costs, we enter into a combination of forward purchase commitments and futures contracts to acquire or hedge aluminum, based on the scheduled purchases for the firm sales commitments. In the event that a counterparty to an aluminum fixed-price forward sales contract chooses not to take delivery of its aluminum extrusions, the customer is contractually obligated to compensate us for any losses on the related aluminum futures and/or forward purchase contracts through the date of cancellation. The fixed-price firm sales commitments and related hedging instruments generally have durations of not more than 12 months, and the notional amount of aluminum futures contracts that hedged future purchases of aluminum to meet fixed-price forward sales contract obligations was $8.0 million (8.4 million pounds of aluminum) at December 31, 2013 and $6.2 million (6.7 million pounds of aluminum) at December 31, 2012.

The table below summarizes the location and gross amounts of aluminum derivative contract fair values in the consolidated balance sheets as of December 31, 2013 and 2012:

	December 31, 2013			December 31, 2012		
(In Thousands)	Balance Sheet Account		Fair Value	Balance Sheet Account		Fair Value
Derivatives Designated as Hedging Instruments						
Asset derivatives: Aluminum futures contracts	Accrued expenses	$	31	Prepaid expenses and other	$	226
Liability derivatives: Aluminum futures contracts	Accrued expenses	$	178	Prepaid expenses and other	$	88
Net asset (liability)		$	(147)		$	138

We have future fixed Euro-denominated contractual payments for equipment being purchased as part of our multi-year capacity expansion project at our film products manufacturing facility in Cabo de Santo Agostinho, Brazil. We are using fixed rate Euro forward contracts with various settlement dates through February 2014 to hedge exchange rate exposure on these obligations. We had fixed rate forward contracts with outstanding notional amounts of €2.1 million as of December 31, 2013 and €9.9 million as of December 31, 2012.

The table below summarizes the location and gross amounts of foreign currency forward contract fair values in the consolidated balance sheets as of December 31, 2013 and 2012:

(In Thousands)	December 31, 2013 Balance Sheet Account	December 31, 2013 Fair Value	December 31, 2012 Balance Sheet Account	December 31, 2012 Fair Value
Derivatives Designated as Hedging Instruments				
Asset derivatives:				
Foreign currency forward contracts	Prepaid expenses and other	$ 47	Prepaid expenses and other	$ 948
Net asset (liability)		$ 47		$ 948

We receive Euro-based royalty payments relating to our operations in Europe. From time to time we use zero-cost collar currency options to hedge a portion of our exposure to changes in cash flows due to variability in U.S. Dollar and Euro exchange rates. There were no outstanding notional amounts on these collars at December 31, 2013 and 2012 as there were no derivatives outstanding related to the hedging of royalty payments with currency options.

The counterparties to our forward purchase commitments are major aluminum brokers and suppliers, and the counterparties to our aluminum futures contracts are major financial institutions. Fixed-price forward sales contracts are only made available to our best and most credit-worthy customers. The counterparties to our foreign currency futures and zero-cost collar contracts are major financial institutions.

The pretax effect on net income (loss) and other comprehensive income (loss) of derivative instruments classified as cash flow hedges and described in the previous paragraphs for years ended December 31, 2013, 2012, and 2011 is summarized in the tables below:

(In Thousands)	Cash Flow Derivative Hedges					
	Aluminum Futures Contracts			Foreign Currency Forwards and Options		
Years Ended December 31,	2013	2012	2011	2013	2012	2011
Amount of pre-tax gain (loss) recognized in other comprehensive income	$ (868)	$ (232)	$ (802)	$ (77)	$ 1,421	$ —
Location of gain (loss) reclassified from accumulated other comprehensive income into net income (effective portion)	Cost of sales	Cost of sales	Cost of sales			
Amount of pre-tax gain (loss) reclassified from accumulated other comprehensive income to net income (effective portion)	$ (583)	$ (1,026)	$ 308	$ —	$ —	$ —

Gains and losses on the ineffective portion of derivative instruments or derivative instruments that were not designated as hedging instruments were not significant in 2013, 2012 and 2011. For the years ended December 31, 2013, 2012 and 2011, unrealized net losses from hedges that were discontinued were not significant. As of December 31, 2013, we expect $0.1 million of unrealized after-tax losses on derivative instruments reported in accumulated other comprehensive income to be reclassified to earnings within the next 12 months.

10 ACCRUED EXPENSES

Accrued expenses consist of the following:

(In Thousands)		**2013**		2012
Vacation	**$**	**7,077**	$	6,124
Payrolls, related taxes and medical and other benefits		**5,679**		7,088
Incentive compensation		**4,148**		3,840
Workers' compensation and disabilities		**2,753**		2,457
Contractual indemnification claims (see note 3)		**2,604**		4,316
Taxes other than federal income and payroll		**2,153**		3,056
Deferred revenue		**1,660**		2,564
Other		**16,084**		13,069
Total	**$**	**42,158**	$	42,514

A reconciliation of the beginning and ending balances of accrued expenses associated with asset impairments and costs associated with exit and disposal activities for each of the three years in the period ended December 31, 2013 is as follows:

(In Thousands)		Severance		Asset Impairments		Other (a)		Total
Balance at January 1, 2011	$	237	$	—	$	1,593	$	1,830
For the year ended December 31, 2011:								
Charges		541		1,367		—		1,908
Cash spend		(581)		—		(1,593)		(2,174)
Charges against assets		—		(1,367)		—		(1,367)
Balance at December 31, 2011		197		—		—		197
For the year ended December 31, 2012:								
Charges		1,562		1,077		2,255		4,894
Cash spend		(1,463)		—		(1,670)		(3,133)
Charges against assets		—		(1,077)		—		(1,077)
Balance at December 31, 2012		296		—		585		881
For the year ended December 31, 2013:								
Charges		671		172		569		1,412
Cash spend		(636)		—		(798)		(1,434)
Charges against assets		—		(172)		—		(172)
Balance at December 31, 2013	$	331	$	—	$	356	$	687

(a) Other includes primarily accrued losses on a sub-lease at a facility in Princeton, New Jersey in 2011 and other shutdown-related costs associated with the shutdown of our aluminum extrusions manufacturing facility in Kentland, Indiana in 2013 and 2012.

See Note 18 for more information on plant shutdowns, asset impairments and restructurings of continuing operations.

11 DEBT AND CREDIT AGREEMENTS

On April 23, 2012, we entered into a $350 million five-year, unsecured revolving credit facility (the "Credit Agreement"), with an option to increase that amount by an additional $75 million. The Credit Agreement replaced our previous $300 million four-year, unsecured revolving credit facility that was due to expire on June 21, 2014. In connection with the refinancing, we borrowed $102 million under the Credit Agreement, which was used, together with available cash on hand, to repay all indebtedness under our previous revolving credit facility.

Borrowings under the Credit Agreement bear an interest rate of LIBOR plus a credit spread and commitment fees charged on the unused amount under the Credit Agreement at various indebtedness-to-adjusted-EBITDA levels as follows:

Pricing Under Credit Revolving Agreement (Basis Points)		
Indebtedness-to-Adjusted EBITDA Ratio	Credit Spread Over LIBOR	Commitment Fee
> 2.0x but <= 3.0x	200	35
> 1.0x but <=2.0x	175	30
<= 1.0x	150	25

At December 31, 2013, the interest cost on debt borrowed under the Credit Agreement was priced at one-month LIBOR plus the applicable credit spread of 175 basis points.

The most restrictive covenants in the Credit Agreement include:

- Maximum indebtedness-to-adjusted EBITDA of 3.0x;
- Minimum adjusted EBIT-to-interest expense of 2.5x;
- Maximum aggregate distributions to shareholders over the term of the Credit Agreement of $100 million plus, beginning with the fiscal quarter ended March 31, 2012, 50% of net income; and
- Minimum shareholders' equity at any point during the term of the Credit Agreement of at least $320 million increased on a cumulative basis at the end of each fiscal quarter, beginning with the fiscal quarter ended March 31, 2012, by an amount equal to 50% of net income (to the extent positive).

At December 31, 2013, based upon the most restrictive covenants within the Credit Agreement, available credit under the Credit Agreement was approximately $165 million. Total debt due and outstanding at December 31, 2013 is summarized below:

Debt Due and Outstanding at December 31, 2013 (In Thousands)			
Year Due	Credit Agreement	Other	Total Debt Due
2014	$ —	$ —	$ —
2015	—	—	—
2016	—	—	—
2017	139,000	—	139,000
2018	—	—	—
Total	$ 139,000	$ —	$ 139,000

We believe we were in compliance with all of our debt covenants as of December 31, 2013. Noncompliance with any of the debt covenants may have a material adverse effect on financial condition or liquidity in the event such noncompliance cannot be cured or should we be unable to obtain a waiver from the lenders. Renegotiation of the covenant through an amendment to the Credit Agreement may effectively cure the noncompliance, but may have an effect on financial condition or liquidity depending upon how the covenant is renegotiated.

12 SHAREHOLDER RIGHTS AGREEMENT

Pursuant to the Second Amended and Restated Rights Agreement (the "Rights Agreement"), dated as of November 18, 2013, with Computershare Trust Company, N.A., as Rights Agent, one purchase right (a "Right") is attached to each outstanding share of our Common Stock. All Rights previously issued under the original Rights Agreement, dated as of June 30, 1999, and the Amended and Restated Rights Agreement, dated as of June 30, 2009, that were appurtenant to shares of Common Stock outstanding at the effective time of the Rights Agreement remain outstanding.

Each Right entitles the registered holder to purchase from Tredegar one one-hundredth of a share of our Series A Participating Cumulative Preferred Stock (the "Preferred Stock") at an exercise price of $150, subject to adjustment (the "Purchase Price"). The Rights will become exercisable, if not earlier redeemed, only if a person or group (i) acquires beneficial ownership of 20% or more of the outstanding shares of our Common Stock or (ii) commences, or publicly discloses an intention to commence, a tender offer or exchange offer that would result in beneficial ownership by a person or group of 20%

or more of the outstanding shares of our Common Stock (in each case thereby becoming an “Acquiring Person”). Any person or group that beneficially owned 20% or more of the outstanding shares of our Common Stock as of the first date of public announcement of the adoption of the Rights Agreement will not become an Acquiring Person unless and until such person or group acquires beneficial ownership of additional shares of Common Stock (other than beneficial ownership of any Common Stock which is acquired, whether in the form of options, restricted stock or other equity-linked securities, as compensation for services as an officer or director of the Company) representing one percent (1%) or more of the Common Stock then outstanding.

The Rights Agreement provides that if any person or group becomes an Acquiring Person, each holder of a Right (other than Rights held by an Acquiring Person) will become entitled to receive, upon exercise and payment of the Purchase Price, Preferred Stock or, at the option of Tredegar, Common Stock (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to twice the amount of the Purchase Price. In addition, in the event that, at any time following the date that a person or group acquires beneficial ownership of 20% or more of the outstanding shares of our Common Stock, (i) Tredegar is acquired in a merger, statutory share exchange, or other business combination in which Tredegar is not the surviving corporation, or (ii) fifty percent (50%) or more of our assets or earning power is sold or transferred, each holder of a Right (other than Rights held by an Acquiring Person) shall thereafter have the right to receive, upon exercise and payment of the Purchase Price, common stock of the acquiring company (or comparable equity securities of an acquiring entity that is not a corporation) having a value equal to twice the Purchase Price.

The Rights were scheduled to expire on June 30, 2019. On February 19, 2014, our Board of Directors authorized the termination of the Rights Agreement and the redemption of all of the outstanding Rights, at a redemption price of $.01 per Right to be paid in cash to shareholders of record as of the close of business on March 3, 2014, with the payment date of such redemption price to be on March 7, 2014.

13 STOCK OPTION AND STOCK AWARD PLANS

We have one equity incentive plan under which stock options may be granted to purchase a specified number of shares of common stock at a price no lower than the fair market value on the date of grant and for a term not to exceed 10 years. In addition, we have one other equity incentive plan under which there are options that remain outstanding, but no future grants can be made. Prior to 2012, employee options ordinarily vest two years from the date of grant. Employee options granted in 2012 and thereafter ordinarily vest over a four year period, with a quarter of the options granted vesting on each year on the grant date anniversary. The option plans also permit the grant of stock appreciation rights (“SARs”), stock, restricted stock, stock unit awards and incentive awards. Restricted stock grants ordinarily vest three years from the date of grant based upon continued employment and/or the achievement of certain performance targets. No SARs have been granted since 1992 and none are currently outstanding.

A summary of our stock options outstanding at December 31, 2013, 2012 and 2011, and changes during those years, is presented below:

	Number of Options	Option Exercise Price/Share					
		Range				Weighted Average	
Outstanding at January 1, 2011	1,017,275	$	13.95	to $	19.52	$	16.64
Granted	235,800		16.87	to	19.84		19.79
Forfeited and Expired	(51,800)		13.95	to	19.84		16.78
Exercised	(79,775)		13.95	to	18.12		15.11
Outstanding at December 31, 2011	1,121,500		14.06	to	19.84		17.40
Granted	182,100		18.51	to	19.40		19.34
Forfeited and Expired	(50,300)		15.80	to	19.84		19.34
Exercised	(176,600)		14.72	to	18.12		16.33
Outstanding at December 31, 2012	1,076,700		14.06	to	19.84		17.81
Granted	184,700		24.84	to	30.01		24.97
Forfeited and Expired	(34,000)		15.11	to	24.84		21.10
Exercised	(180,600)		14.27	to	19.84		17.32
Outstanding at December 31, 2013	1,046,800	$	14.06	to $	30.01	$	19.06

The following table summarizes additional information about stock options outstanding and exercisable at December 31, 2013:

				Options Outstanding at December 31, 2013			Options Exercisable at December 31, 2013		
				Weighted Average					
Range of Exercise Prices			Shares	Remaining Contractual Life (Years)	Exercise Price	Aggregate Intrinsic Value (In Thousands)	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (In Thousands)
$ —	to	$ 15.00	26,000	1.9	$ 14.06	$ 384	26,000	$ 14.06	$ 384
15.01	to	17.50	346,300	2.2	16.56	4,243	346,300	16.56	4,243
17.51	to	20.00	503,200	4.3	19.02	4,928	397,525	18.93	3,926
20.01	to	25.00	166,800	9.1	24.84	662	—	—	—
25.01	to	30.01	4,500	9.6	30.01	—	—	—	—
Total			1,046,800	4.3	$ 19.06	$ 10,217	769,825	$ 17.70	$ 8,553

The following table summarizes additional information about non-vested restricted stock outstanding at December 31, 2013:

	Non-vested Restricted Stock			Maximum Non-vested Restricted Stock Units Issuable Upon Satisfaction of Certain Performance Criteria		
	Number of Shares	Weighted Avg. Grant Date Fair Value/Share	Grant Date Fair Value (In Thousands)	Number of Shares	Weighted Avg. Grant Date Fair Value/Share	Grant Date Fair Value (In Thousands)
Outstanding at January 1, 2011	93,850	$ 17.40	$ 1,633	150,925	$ 17.21	$ 2,598
Granted	51,360	19.42	997	88,900	19.32	1,718
Vested	(18,060)	17.20	(311)	(66,925)	17.68	(1,183)
Forfeited	(1,000)	17.13	(17)	(87,900)	16.93	(1,488)
Outstanding at December 31, 2011	126,150	18.25	2,302	85,000	19.35	1,645
Granted	94,949	19.06	1,810	87,200	18.79	1,638
Vested	(60,357)	18.01	(1,087)	—	—	—
Forfeited	(16,842)	18.82	(317)	(80,400)	19.31	(1,553)
Outstanding at December 31, 2012	143,900	18.82	2,708	91,800	18.85	1,730
Granted	93,425	25.45	2,378	77,200	27.82	2,148
Vested	(58,175)	20.15	(1,172)	—	—	—
Forfeited	(21,300)	20.70	(441)	(36,700)	19.83	(728)
Outstanding at December 31, 2013	157,850	$ 22.00	$ 3,473	132,300	$ 23.81	$ 3,150

The total intrinsic value of stock options exercised was $1.3 million in 2013, $0.5 million in 2012 and $0.4 million in 2011. The grant-date fair value of stock option-based awards vested was $1.7 million in 2013, $2.1 million in 2012 and $1.9 million in 2011. As of December 31, 2013, there was unrecognized compensation cost of $1.2 million related to stock option-based awards and $1.8 million related to non-vested restricted stock and other stock-based awards. This cost is expected to be recognized over the remaining weighted average period of 1.5 years for stock option-based awards and 1.5 years for non-vested restricted stock and other stock-based awards.

Stock options exercisable totaled 769,825 at December 31, 2013 and 714,800 shares at December 31, 2012. Stock options available for grant totaled 2,361,926 shares at December 31, 2013.

14 RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

We sponsor noncontributory defined benefit (pension) plans covering most employees. The plans for salaried and hourly employees currently in effect are based on a formula using the participant's years of service and compensation or using the participant's years of service and a dollar amount. The plan is closed to new participants, and based on plan changes announced in 2006, pay for active participants of the plan was frozen as of December 31, 2007. Beginning in the first quarter of 2014, with the exception of plan participants at two of our U.S. manufacturing facilities, the plan will no longer accrue benefits associated with crediting employees for service, thereby freezing all future benefits under the plan.

In addition to providing pension benefits, we provide postretirement life insurance and health care benefits for certain groups of employees. Tredegar and retirees share in the cost of postretirement health care benefits, with employees hired on or before January 1, 1993, receiving a fixed subsidy to cover a portion of their health care premiums. We eliminated prescription drug coverage for Medicare-eligible retirees as of January 1, 2006. Consequently, we are not eligible for any federal subsidies.

The following tables reconcile the changes in benefit obligations and plan assets in 2013 and 2012, and reconcile the funded status to prepaid or accrued cost at December 31, 2013 and 2012:

	Pension Benefits		Other Post-Retirement Benefits	
(In Thousands)	**2013**	2012	**2013**	2012
Change in benefit obligation:				
Benefit obligation, beginning of year	**$ 302,285**	$ 272,436	**$ 8,879**	$ 8,422
Service cost	**3,754**	3,657	**58**	58
Interest cost	**12,338**	13,084	**345**	385
Effect of actuarial (gains) losses related to the following:				
Discount rate change	**(26,848)**	26,843	**(746)**	549
Retirement rate assumptions and mortality table adjustments	**(144)**	—	**—**	—
Other	**(3,058)**	(1,372)	**(382)**	(243)
Benefits paid	**(13,161)**	(12,363)	**(296)**	(292)
Benefit obligation, end of year	**$ 275,166**	$ 302,285	**$ 7,858**	$ 8,879
Change in plan assets:				
Plan assets at fair value, beginning of year	**$ 219,035**	$ 214,647	**$ —**	$ —
Actual return on plan assets	**21,657**	14,455	**—**	—
Employer contributions	**5,174**	2,296	**296**	292
Benefits paid	**(13,161)**	(12,363)	**(296)**	(292)
Plan assets at fair value, end of year	**$ 232,705**	$ 219,035	**$ —**	$ —
Funded status of the plans	**$ (42,461)**	$ (83,250)	**$ (7,858)**	$ (8,879)
Amounts recognized in the consolidated balance sheets:				
Prepaid benefit cost	**$ —**	$ —	**$ —**	$ —
Accrued benefit liability	**(42,461)**	(83,250)	**(7,858)**	(8,879)
Net amount recognized	**$ (42,461)**	$ (83,250)	**$ (7,858)**	$ (8,879)

Assumptions used for financial reporting purposes to compute net benefit income or cost and benefit obligations for continuing operations, and the components of net periodic benefit income or cost for continuing operations, are as follows:

	Pension Benefits			Other Post-Retirement Benefits		
(In Thousands, Except Percentages)	**2013**	2012	2011	**2013**	2012	2011
Weighted-average assumptions used to determine benefit obligations:						
Discount rate	**4.99%**	4.21%	4.95%	**4.88%**	4.10%	4.90%
Weighted-average assumptions used to determine net periodic benefit cost:						
Discount rate	**4.21%**	4.95%	5.45%	**4.10%**	4.90%	5.35%
Expected long-term return on plan assets	**7.75%**	8.00%	8.25%	**n/a**	n/a	n/a
Components of net periodic benefit cost:						
Service cost	**$ 3,754**	$ 3,657	$ 3,361	**$ 58**	$ 58	$ 54
Interest cost	**12,338**	13,084	13,024	**345**	385	395
Expected return on plan assets	**(17,430)**	(19,108)	(20,448)	**—**	—	—
Amortization of prior service costs and gains or losses	**15,028**	10,377	6,359	**(210)**	(241)	(264)
Settlement/curtailment	**28**	99	—	**—**	—	—
Net periodic benefit cost	**$ 13,718**	$ 8,109	$ 2,296	**$ 193**	$ 202	$ 185

Net benefit income or cost is determined using assumptions at the beginning of each year. Funded status is determined using assumptions at the end of each year. Pension and other postretirement liabilities for continuing operations of $50.3 million and $92.1 million are included in “Other noncurrent liabilities” in the consolidated balance sheets at December 31, 2013 and 2012, respectively. The amount of our accumulated benefit obligation is the same as our projected benefit obligation.

At December 31, 2013, the effect of a 1% change in the health care cost trend rate assumptions would be immaterial.

Expected benefit payments for continuing operations over the next five years and in the aggregate for 2019-2023 are as follows:

(In Thousands)	Pension Benefits	Other Post-Retirement Benefits
2014	$ 14,398	$ 474
2015	15,193	495
2016	15,775	511
2017	16,334	521
2018	16,748	533
2019—2023	89,586	2,696

Amounts recognized in 2013, 2012 and 2011 before related deferred income taxes in accumulated other comprehensive income consist of:

	Pension			Other Post-Retirement		
(In Thousands)	**2013**	2012	2011	**2013**	2012	2011
Prior service cost (benefit)	**$ 270**	$ (887)	$ (1,890)	**$ —**	$ —	$ —
Net actuarial (gain) loss	**116,519**	167,009	148,364	**(1,773)**	(855)	(1,401)

As a result of the decrease in the discount rate and freezing all future service benefits for certain plan participants, pension expense is expected to be $7.5 million in 2014. The amounts before related deferred income taxes in accumulated other comprehensive income that are expected to be recognized as components of net periodic benefit or cost during 2014 are as follows:

(In Thousands)	Pension	Other Post-Retirement
Prior service cost (benefit)	$ 183	$ —
Net actuarial (gain) loss	11,153	(307)

The percentage composition of assets held by pension plans for continuing operations at December 31, 2013, 2012 and 2011 are as follows:

	% Composition of Plan Assets at December 31,		
	2013	2012	2011
Pension plans related to continuing operations:			
Fixed income securities	**14.0%**	14.7%	9.7%
Large/mid-capitalization equity securities	**13.8**	10.9	15.9
Small-capitalization equity securities	**4.8**	5.4	6.2
International and emerging market equity securities	**11.7**	10.0	14.3
Total equity securities	**30.3**	26.3	36.4
Private equity and hedge funds	**48.3**	50.0	41.8
Other assets	**7.4**	9.0	12.1
Total for continuing operations	**100.0%**	100.0%	100.0%

Our targeted allocation percentage for pension plan assets and the expected long-term rate of return on assets is as follows:

	Target % Composition of Plan Assets *	Expected Long-term Return %
Pension plans related to continuing operations:		
Fixed income securities	32.0%	5.5%
Large/mid-capitalization equity securities	10.0	9.2
Small-capitalization equity securities	4.0	10.5
International and emerging market equity securities	13.0	10.3
Total equity securities	27.0	9.9
Private equity and hedge funds	41.0	8.1
Total for continuing operations	100.0%	7.8%

*Target percentages for the composition of plan assets represents a neutral position within the approved range of allocations for such assets.

Expected long-term returns are estimated by asset class and generally are based on inflation-adjusted historical returns, volatilities, risk premiums and managed asset premiums. The portfolio of fixed income securities is structured with maturities that generally match estimated benefit payments over the next 1-2 years. Other assets are primarily comprised of cash and contracts with insurance companies. Our primary investment objective is to maximize total return with a strong emphasis on the preservation of capital. We believe that over the long term a diversified portfolio of fixed income securities, equity securities, hedge funds and private equity funds has a better risk-return profile than fixed income securities alone. The average remaining duration of benefit payments for our pension plans is about 11.4 years. We expect our required contributions to be approximately $0.2 million in 2014.

Estimates of the fair value of assets held by our pension plans are provided by third parties not affiliated with Tredegar. At December 31, 2013, the pension plan assets are categorized by level within the fair value measurement hierarchy as follows:

(In Thousands)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Balances at December 31, 2013:				
Large/mid-capitalization equity securities	**$ 32,134**	**$ 32,134**	**$ —**	**$ —**
Small-capitalization equity securities	**11,063**	**11,063**	**—**	**—**
International and emerging market equity securities	**27,271**	**13,488**	**13,783**	**—**
Fixed income securities	**32,601**	**17,770**	**14,831**	**—**
Private equity and hedge funds	**112,345**	**—**	**103,531**	**8,814**
Other assets	**7,871**	**7,871**	**—**	**—**
Total plan assets at fair value	**$ 223,285**	**$ 82,326**	**$ 132,145**	**$ 8,814**
Contracts with insurance companies	**9,420**			
Total plan assets, December 31, 2013	**$ 232,705**			
Balances at December 31, 2012:				
Large/mid-capitalization equity securities	$ 23,845	$ 23,845	$ —	$ —
Small-capitalization equity securities	11,914	11,914	—	—
International and emerging market equity securities	21,827	8,814	13,013	—
Fixed income securities	32,150	18,080	14,070	—
Private equity and hedge funds	109,690	—	101,334	8,356
Other assets	10,256	10,256	—	—
Total plan assets at fair value	$ 209,682	$ 72,909	$ 128,417	$ 8,356
Contracts with insurance companies	9,353			
Total plan assets, December 31, 2012	$ 219,035			

For fair value measurements of plan assets using significant unobservable inputs (Level 3), a reconciliation of the balances from January 1, 2012 to December 31, 2013 are as follows:

(In Thousands)	Private equity and hedge funds
Balance at January 1, 2012	$ 6,992
Purchases	3,767
Sales	—
Distributions	(2,094)
Actual return on plan assets still held at year end	(309)
Transfers in and/or out of Level 3	—
Balance at December 31, 2012	$ 8,356
Purchases	2,864
Sales	—
Distributions	(2,567)
Actual return on plan assets still held at year end	161
Transfers in and/or out of Level 3	—
Balance at December 31, 2013	$ 8,814

We also have a non-qualified supplemental pension plan covering certain employees. Effective December 31, 2005, further participation in this plan was terminated and benefit accruals for existing participants were frozen. The plan was designed to restore all or a part of the pension benefits that would have been payable to designated participants from our principal pension plans if it were not for limitations imposed by income tax regulations. The projected benefit obligation relating to this unfunded plan was $2.4 million at December 31, 2013 and $2.8 million at December 31, 2012. Pension expense recognized for this plan was $0.1 million in 2013, $0.1 million in 2012 and $0.1 million in 2011. This information has been included in the preceding pension benefit tables.

Approximately 98 employees at our films manufacturing facility in Kerkrade, The Netherlands are covered by a collective bargaining agreement that includes participation in a multi-employer pension plan. Pension expense recognized for participation in this plan, which is equal to required contributions, was $0.5 million in 2013, $0.5 million in 2012 and $0.6 million in 2011. This information has been excluded from the preceding pension benefit tables.

15 SAVINGS PLAN

We have a savings plan that allows eligible employees to voluntarily contribute a percentage of their compensation up to Internal Revenue Service ("IRS") limitations. Effective January 1, 2007, the provisions of the savings plan provided the following benefits for salaried and certain hourly employees:

- The company makes matching contributions to the savings plan of $1 for every $1 of employee contribution. The maximum matching contribution is currently 5% of base pay.

- The savings plan includes immediate vesting for active employees of past matching contributions as well as future matching contributions when made (compared with the previous 5-year graded vesting) and automatic enrollment at 3% of base pay unless the employee opts out or elects a different percentage.

We also have a non-qualified plan that restores matching benefits for employees suspended from the savings plan due to certain limitations imposed by income tax regulations. Charges recognized for these plans were $2.6 million in 2013, $2.5 million in 2012 and $2.5 million in 2011. Our liability under the restoration plan was $2.2 million at December 31, 2013 (consisting of 75,726 phantom shares of common stock) and $1.6 million at December 31, 2012 (consisting of 78,615 phantom shares of common stock) and valued at the closing market price on those dates.

The Tredegar Corporation Benefits Plan Trust (the "Trust") purchased 7,200 shares of our common stock in 1998 for $0.2 million and 46,671 shares of our common stock in 1997 for $1.0 million, as a partial hedge against the phantom shares held in the restoration plan. There have been no shares purchased since 1997 except for re-invested dividends. The cost of the shares held by the Trust is shown as a reduction to shareholders' equity in the consolidated balance sheets.

16 RENTAL EXPENSE AND CONTRACTUAL COMMITMENTS

Rental expense for continuing operations was $3.4 million in 2013, $3.6 million in 2012 and $3.2 million in 2011. Rental commitments under all non-cancelable operating leases for continuing operations as of December 31, 2013, are as follows:

Year	Amount (In Thousands)	
2014	$	2,205
2015		1,513
2016		1,393
2017		1,372
2018		1,327
Remainder		—
Total	$	7,810

Contractual obligations for plant construction and purchases of real property and equipment amounted to $14.5 million at December 31, 2013.

17 INCOME TAXES

Income from continuing operations before income taxes and income taxes are as follows:

(In Thousands)	2013	2012	2011
Income from continuing operations before income taxes:			
Domestic	**$ 37,380**	$ 35,488	$ 29,491
Foreign	**15,552**	26,016	9,298
Total	**$ 52,932**	$ 61,504	$ 38,789
Current income taxes:			
Federal	**$ 15,988**	$ 10,905	$ 2,958
State	**1,416**	796	639
Foreign	**4,737**	7,372	4,500
Total	**22,141**	19,073	8,097
Deferred income taxes:			
Federal	**(2,933)**	1,212	3,243
State	**(852)**	163	(211)
Foreign	**(1,361)**	(2,129)	(885)
Total	**(5,146)**	(754)	2,147
Total income taxes	**$ 16,995**	$ 18,319	$ 10,244

The significant differences between the U.S. federal statutory rate and the effective income tax rate for continuing operations are as follows:

	Percent of Income Before Income Taxes for Continuing Operations		
	2013	2012	2011
Income tax expense at federal statutory rate	**35.0**	35.0	35.0
Tax contingency accruals and tax settlements	**2.0**	(0.5)	0.3
Unremitted earnings from foreign operations	**0.9**	0.6	1.8
Valuation allowance for capital loss carry-forwards	**0.8**	1.9	0.9
Non-deductible expenses	**0.6**	0.3	0.8
Valuation allowance for foreign operating loss carry-forwards	**0.5**	(0.1)	1.4
State taxes, net of federal income tax benefit	**0.1**	1.1	1.7
Non-deductible acquisition expenses	**—**	—	3.5
Deduction for divestiture of subsidiary stock	**—**	—	(15.3)
Research and development tax credit	**(0.4)**	—	(1.0)
Changes in estimates related to prior year tax provision	**(0.6)**	(0.5)	(0.1)
Foreign rate differences	**(0.7)**	(0.6)	(0.7)
Domestic Production Activities Deduction	**(1.4)**	(0.6)	—
Tax incentive	**(4.7)**	(7.0)	(1.8)
Other	**—**	0.2	(0.1)
Effective income tax rate	**32.1**	29.8	26.4

The Brazilian federal statutory income tax rate is a composite of 34.0% (25.0% of income tax and 9.0% of social contribution on income). Terphane's manufacturing facility in Brazil is the beneficiary of certain income tax incentives that allow for a reduction in the statutory Brazilian federal income tax rate levied on the operating profit of its products. These incentives produce a current tax rate of 15.25% for Terphane Ltda. (6.25% of income tax and 9.0% social contribution on income). The current incentives will expire at the end of 2014, but we anticipate that we will qualify for additional incentives that will extend beyond 2014. The benefit from the tax incentives was $2.5 million (8 cents per share), $4.3 million (13 cents per share) and $0.7 million (2 cents per share) in 2013, 2012 and 2011, respectively.

Deferred tax liabilities and deferred tax assets at December 31, 2013 and 2012, are as follows:

(In Thousands)		2013		2012
Deferred tax liabilities:				
Amortization of goodwill	$	**47,521**	$	47,956
Depreciation		**29,994**		34,110
Foreign currency translation gain adjustment		**8,620**		8,795
Derivative financial instruments		**432**		568
Total deferred tax liabilities		**86,567**		91,429
Deferred tax assets:				
Pensions		**14,813**		30,488
Employee benefits		**11,124**		10,532
Excess capital losses and book/tax basis differences on investments		**4,316**		4,923
Asset write-offs, divestitures and environmental accruals		**3,734**		3,234
Inventory		**2,292**		2,086
Tax benefit on state and foreign NOL and credit carryforwards		**1,871**		1,676
Allowance for doubtful accounts		**639**		756
Timing adjustment for unrecognized tax benefits on uncertain tax positions, including portion relating to interest and penalties		**600**		236
Other		**2,030**		974
Deferred tax assets before valuation allowance		**41,419**		54,905
Less: Valuation allowance		**20,019**		18,635
Total deferred tax assets		**21,400**		36,270
Net deferred tax liability	$	**65,167**	$	55,159
Included in the balance sheet:				
Noncurrent deferred tax liabilities in excess of assets	$	**70,795**	$	60,773
Current deferred tax assets in excess of liabilities		**5,628**		5,614
Net deferred tax liability	$	**65,167**	$	55,159

Except as noted below, we believe that it is more likely than not that future taxable income will exceed future tax deductible amounts thereby resulting in the realization of deferred tax assets. A valuation allowance of $1.7 million at December 31, 2013 and $1.3 million at December 31, 2012, respectively, is recorded against the tax benefit on state and foreign net operating loss carryforwards for possible future tax benefits on domestic state and foreign operating losses generated by certain foreign and domestic subsidiaries that may not be recoverable in the carry-forward period. In addition, the valuation allowance for excess capital losses from investments and other related items was increased from $15.5 million at December 31, 2012 to $16.4 million at December 31, 2013 due to changes in the relative amounts of capital gains and losses generated during the year. The amount of the deferred tax asset considered realizable, however, could be adjusted in the near term if estimates of the fair value of certain investments during the carryforward period change. The valuation allowance for asset impairments in foreign jurisdictions where we believe it is more likely than not that the deferred tax asset will not be realized was $1.9 million in 2013 and 2012.

A reconciliation of our unrecognized uncertain tax positions since January 1, 2011, is shown below:

	Years Ended December 31,					
(In Thousands)		2013		2012		2011
Balance at beginning of period	$	**910**	$	1,025	$	1,065
Increase (decrease) due to tax positions taken in:						
Current period		**643**		432		185
Prior period		**686**		(21)		10
Increase (decrease) due to settlements with taxing authorities		**—**		(398)		—
Reductions due to lapse of statute of limitations		**—**		(128)		(235)
Balance at end of period	$	**2,239**	$	910	$	1,025

Additional information related to our unrecognized uncertain tax positions since January 1, 2011 is summarized below:

(In Thousands)	Years Ended December 31, 2013	2012	2011
Gross unrecognized tax benefits on uncertain tax positions (reflected in current income tax and other noncurrent liability accounts in the balance sheet)	**$ 2,239**	$ 910	$ 1,025
Deferred income tax assets related to unrecognized tax benefits on uncertain tax positions (reflected in deferred income tax accounts in the balance sheet)	**(540)**	(212)	(219)
Net unrecognized tax benefits on uncertain tax positions, which would impact the effective tax rate if recognized	**1,699**	698	806
Interest and penalties accrued on deductions taken relating to uncertain tax positions (approximately $100, $(300) and $200 reflected in income tax expense in the income statement in 2013, 2012 and 2011, respectively, with the balance shown in current income tax and other noncurrent liability accounts in the balance sheet)	**156**	60	373
Related deferred income tax assets recognized on interest and penalties	**(60)**	(23)	(141)
Interest and penalties accrued on uncertain tax positions net of related deferred income tax benefits, which would impact the effective tax rate if recognized	**96**	37	232
Total net unrecognized tax benefits on uncertain tax positions reflected in the balance sheet, which would impact the effective tax rate if recognized	**$ 1,795**	$ 735	$ 1,038

Tredegar and its subsidiaries file income tax returns in the U.S., various states and jurisdictions outside the U.S. With few exceptions, Tredegar and its subsidiaries are no longer subject to state or non-U.S. income tax examinations by tax authorities for years before 2010. We believe that it is reasonably possible that approximately $1.0 million of the balance of unrecognized state tax positions may be recognized within the next twelve months as a result of a lapse of the statute of limitations.

18 LOSSES ASSOCIATED WITH PLANT SHUTDOWNS, ASSET IMPAIRMENTS AND RESTRUCTURINGS, UNUSUAL ITEMS, GAINS FROM SALE OF ASSETS AND OTHER ITEMS

Losses associated with plant shutdowns, asset impairments, restructurings and other charges for continuing operations in 2013 (as shown in the segment operating profit table in Note 5) totaled $3.4 million ($2.2 million after taxes), and unless otherwise noted below, are also included in “Asset impairments and costs associated with exit and disposal activities” in the consolidated statements of income. Results in 2013 included:

- A fourth quarter charge of $1.5 million ($0.9 million after taxes), a third quarter charge of $0.1 million ($62,000 after taxes) and a second quarter charge of $85,000 ($53,000 after taxes) related to expected future environmental costs at our aluminum extrusions manufacturing facility in Newnan, Georgia (included in “Cost of goods sold” in the consolidated statements of income);

- A third quarter charge of $45,000 ($28,000 after taxes), a second quarter charge of $0.4 million ($0.2 million after taxes) and a first quarter charge of $0.2 million ($94,000 after taxes) associated with the shutdown of the aluminum extrusions manufacturing facility in Kentland, Indiana;

- A fourth quarter charge of $0.3 million ($0.2 million after taxes) and a third quarter charge of $0.2 million ($83,000 after taxes) associated with the shutdown of the film products manufacturing facility in Red Springs, North Carolina, which includes severance and other employee related costs of $0.3 million and asset impairments of $0.2 million;

- A fourth quarter charge of $0.3 million ($0.2 million after taxes) in Aluminum Extrusions and a first quarter charge of $0.1 million ($67,000 after taxes) in Film Products associated with severance and other employee related costs in connection with restructurings;

- A second quarter charge of $90,000 ($54,000 after taxes) and a first quarter charge of $0.1 million ($63,000 after taxes) for integration-related expenses and other non-recurring transactions (included in “Selling, general and administrative expenses” in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions; and

- A second quarter loss of $91,000 ($91,000 after taxes) related to the sale of previously impaired machinery and equipment at our film products manufacturing facility in Shanghai, China (included in "Other income (expense), net" in the consolidated statements of income).

Results in 2013 include an unrealized gain on our investment in kaléo (included in "Other income (expense), net" in the consolidated statements of income) of $3.4 million ($2.2 million after taxes). An unrealized loss on our investment in the Harbinger Fund (included in "Other income (expense), net" in the consolidated statements of income and "Corporate expenses, net" in the statement of net sales and operating profit by segment) of $0.4 million ($0.3 million after taxes) was recorded in 2013 as a result of a reduction in the fair value of our investment that is not expected to be temporary. We also recorded an unrealized loss on our investment property in Alleghany and Bath County, Virginia of $1.0 million ($0.6 million after taxes) in the second quarter of 2013 as a result of a reduction in the estimated fair value of our investment that is not expected to be temporary. See Note 4 for additional information on investments.

We have announced that we will be closing our film products manufacturing facility in Red Springs, North Carolina in June 2014. The plant, which is a leased facility, is solely dedicated to producing babycare elastic laminate films for P&G, and P&G has informed us that we will lose this volume when it consolidates its suppliers for North American product needs. The Red Springs manufacturing facility currently employs 66 people, and we estimate that charges incurred related to the shutdown, which primarily consist of severance and other employee-related costs, will be approximately $1.3 million.

Losses associated with plant shutdowns, asset impairments, restructurings and other charges for continuing operations in 2012 (as shown in the segment operating profit table in Note 5) totaled $5.5 million ($3.6 million after taxes), and unless otherwise noted below, are also included in "Asset impairments and costs associated with exit and disposal activities" in the consolidated statements of income. Results in 2012 included:

- A fourth quarter charge of $0.9 million ($0.5 million after taxes), a third quarter charge of $0.8 million ($0.5 million after taxes), a second quarter charge of $1.0 million ($0.7 million after taxes) and a first quarter charge of $0.9 million ($0.5 million after taxes) associated with the shutdown of the aluminum extrusions manufacturing facility in Kentland, Indiana, which includes accelerated depreciation for property, plant and equipment of $2.4 million (included in "Cost of goods sold" in the consolidated statements of income), severance and other employee related expenses of $1.2 million and other shutdown-related charges of $2.3 million, partially offset by adjustments to inventories accounted for under the LIFO method of $1.5 million (included in "Cost of goods sold" in the consolidated statements of income) and gains on the sale of equipment of $0.8 million (included in "Other income (expense), net" in the consolidated statements of income);

- A fourth quarter gain of $1.3 million ($0.7 million after taxes) in Film Products (included in "Other income (expense), net" in the consolidated statements of income) associated with an insurance recovery on idle equipment that was destroyed in a fire at an outside warehouse;

- A fourth quarter charge of $0.9 million ($0.6 million after taxes) and a third quarter charge of $0.3 million ($0.2 million after taxes) for acquisition-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions (see discussion below for further detail);

- A fourth quarter charge of $0.1 million ($0.1 million after taxes), a third quarter charge of $0.1 million ($0.1 million after taxes), a second quarter charge of $0.6 million ($0.4 million after taxes) and a first quarter charge of $0.3 million ($0.2 million after taxes) for integration-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the Film Products acquisition of Terphane;

- A fourth quarter gain of $1.1 million ($0.6 million after taxes) related to the sale of a previously shutdown film products manufacturing facility in LaGrange, Georgia;

- A second quarter charge of $0.8 million ($0.5 million after taxes) for asset impairments associated with a previously shutdown film products manufacturing facility in LaGrange, Georgia;

- A fourth quarter charge of $0.2 million ($0.1 million after taxes) and a second quarter charge of $0.1 million ($46,000 after taxes) in Film Products and a first quarter charge of $0.2 million ($0.1 million after taxes) in Aluminum Extrusions for severance and other employee-related costs in connection with restructurings;

- A fourth quarter charge of $0.2 million ($0.2 million after taxes) for asset impairments in Film Products;

- A fourth quarter charge of $0.2 million ($0.1 million after taxes) for integration-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the Aluminum Extrusions' acquisition of AACOA;

- A fourth quarter charge of $0.1 million ($0.1 million after taxes) associated with purchase accounting adjustments made to the value of inventory sold by Aluminum Extrusions after its acquisition of AACOA (included in "Cost of goods sold" in the consolidated statements of income); and

- A fourth quarter charge of $0.1 million ($49,000 after taxes) related to expected future environmental costs at our aluminum extrusions manufacturing facility in Newnan, Georgia (included in "Cost of goods sold" in the consolidated statements of income).

Total acquisition-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the acquisition of AACOA by Aluminum Extrusions were $2.0 million in 2012. Acquisition-related expenses of $0.8 million were recorded to "Corporate expenses, net" in the segment operating profit table in Note 5 during the first and second quarters of 2012, and as noted above, acquisitions-related expenses of $1.2 million were recorded to "Losses associated with plant shutdowns, asset impairments, restructurings and other charges" for Aluminum Extrusions in the segment operating profit table in Note 5 during the third and fourth quarters of 2012.

Results in 2012 include an unrealized gain from our investment in kaléo of $16.1 million ($10.2 million after taxes), which is accounted for under the fair value method. An unrealized loss on our investment in Harbinger of $1.1 million ($0.7 million after taxes) was recorded in 2012 as a result of a reduction in the fair value of our investment that is not expected to be temporary. See Note 4 for additional information on investments.

Aluminum Extrusions closed its manufacturing facility in Kentland, Indiana in August 2012. The plant, whose core market was residential construction, previously employed 146 people. We estimate that charges incurred related to the shutdown will be approximately $4.5 million, and include accelerated depreciation on property, plant and equipment of approximately $2.4 million, severance and other employee-related charges of approximately $1.2 million and other shutdown-related costs of approximately $1 million. Other shutdown-related costs are primarily comprised of equipment transfers and plant shutdown charges, partially offset by adjustment for inventories accounted for under the LIFO method. Most of these shutdown charges, which include cash expenditures of approximately $3.5 million, are expected to be recognized over a period of 18 months.

Losses associated with plant shutdowns, asset impairments, restructurings and other charges for continuing operations in 2011 (as shown in the segment operating profit table in Note 5) totaled $6.8 million ($0.3 million gain after taxes), and unless otherwise noted below, are also included in "Asset impairments and costs associated with exit and disposal activities" in the consolidated statements of income. Results in 2011 included:

- A fourth quarter charge of $2.5 million ($2.2 million after taxes) and a third quarter charge of $2.3 million ($2.2 million after taxes) for acquisition-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the Film Products acquisition of Terphane;

- A fourth quarter charge of $0.6 million ($0.4 million after taxes) and a second quarter charge of $0.8 million ($0.5 million after taxes) for asset impairments in Film Products;

- A third quarter gain of $1.0 million ($6.6 million after taxes) on the divestiture of our film products business in Roccamontepiano, Italy (included in "Other income (expense), net" in the consolidated statements of income), which includes the recognition of previously unrealized foreign currency translation gains of $4.3 million that were associated with the business;

- A fourth quarter charge of $0.7 million ($0.5 million after taxes) associated with purchase accounting adjustments made to the value of inventory sold by Film Products after its purchase of Terphane (included in "Cost of goods sold" in the consolidated statements of income);

- A fourth quarter charge of $0.1 million ($39,000 after taxes), a third quarter charge of $0.2 million ($0.1 million after taxes) and a second quarter charge of $0.3 million ($0.2 million after taxes) for severance and other employee-related costs in connection with restructurings in Film Products;

- A fourth quarter charge of $0.4 million ($0.3 million after taxes) for integration-related expenses (included in "Selling, general and administrative expenses" in the consolidated statements of income) associated with the Film Products acquisition of Terphane; and

- A fourth quarter benefit of $39,000 ($24,000 after taxes), a third quarter charge of $43,000 ($27,000 after taxes), a second quarter benefit of $0.1 million ($0.1 million after taxes), and a first quarter charge of $32,000 ($20,000 after taxes) for timing differences between the recognition of realized losses on aluminum futures contracts and related revenues from the delayed fulfillment by customers of fixed-price forward purchase commitments (included in "Cost of goods sold" in the consolidated statements of income).

Results in 2011 include an unrealized gain on our investment in kaléo of $1.6 million ($1.0 million after taxes), which is accounted for under the fair value method. An unrealized loss on our investment in Harbinger of $0.6 million ($0.4 million after taxes) was recorded in 2011 as a result of a reduction in the fair value of our investment that is not expected to be temporary. See Note 4 for additional information on investments.

The estimated fair value of machinery and equipment that was evaluated for impairment was primarily based on our estimates of the proceeds that we would receive if and/or when assets are sold. Our estimates of the remaining fair value for the related machinery and equipment were based on both Level 2 and 3 inputs as defined under U.S. GAAP.

The impairment charges in Film Products were recognized to write down the machinery and equipment to the lower of their carrying value or estimated fair value. The estimated fair value of machinery and equipment that was evaluated for impairment was primarily based on our estimates of the proceeds that we would receive if and/or when assets are sold. Our estimates of the remaining fair value for the related machinery and equipment were based on both Level 2 and 3 inputs as defined under U.S generally accepted accounting principles.

19 CONTINGENCIES

We are involved in various stages of investigation and remediation relating to environmental matters at certain current and former plant locations. Where we have determined the nature and scope of any required environmental remediation activity, estimates of cleanup costs have been obtained and accrued. As we continue efforts to maintain compliance with applicable environmental laws and regulations, additional contingencies may be identified. If additional contingencies are identified, our practice is to determine the nature and scope of those contingencies, obtain and accrue estimates of the cost of remediation, and perform remediation. We do not believe that additional costs that could arise from those activities will have a material adverse effect on our financial position. However, those costs could have a material adverse effect on quarterly or annual operating results at that time.

We are involved in various other legal actions arising in the normal course of business. After taking into consideration information we deemed relevant, we believe that we have sufficiently accrued for probable losses and that the actions will not have a material adverse effect on our financial position. However, the resolution of the actions in a future period could have a material adverse effect on quarterly or annual operating results at that time.

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

In November 2009, the 3M Company ("3M") filed a patent infringement complaint in the United States District Court for the District of Minnesota ("Minnesota District Court") against our film products business. The complaint alleges infringement upon elastic film technology patents held by 3M and seeks unspecified compensatory and enhanced damages associated with our sales of certain elastic film product lines, which include our FabriFlex™ and FlexFeel™ family of products.

Following the issuance of a "Markman" Memorandum Opinion by the Minnesota District Court in November 2011, 3M filed a stipulation of non-infringement related to this matter in February 2012. 3M then filed an appeal with the U.S. Federal Circuit Court of Appeals regarding the "Markman" Memorandum Opinion. In August 2013, the U.S. Federal Circuit Court of Appeals issued an opinion that remanded this patent infringement complaint back to the Minnesota District Court for further consideration. Despite this ruling, we believe that we have sufficient defenses to prevail, and we intend to defend our position vigorously. In the event that we do not prevail in this matter, we do not anticipate that any damages awarded to 3M, which would be in the form of a lump sum payment, will be material to our consolidated financial position. We expect to incur legal expenses of approximately $3 million in the next 12 to 18 months as we defend against this matter.

In 2011, we were notified by U.S. Customs and Border Protection ("U.S. Customs") that certain film products exported by Terphane to the U.S. since November 6, 2008 could be subject to duties associated with an antidumping duty order on imported PET films from Brazil. We contested the applicability of these antidumping duties to the films exported by Terphane, and we filed a request with the U.S. Department of Commerce ("Commerce") for clarification about whether the film products at issue are within the scope of the antidumping duty order. On January 8, 2013, Commerce issued a scope ruling confirming that the films are not subject to the order, provided that Terphane can establish to the satisfaction of U.S. Customs that the performance enhancing layer on those films is greater than 0.00001 inches thick. The films at issue are manufactured to specifications that exceed that threshold. On February 6, 2013, certain U.S. producers of PET film filed a summons with the U.S. Court of International Trade to appeal the scope ruling from Commerce. If U.S. Customs ultimately were to require the collection of antidumping duties because Commerce's scope ruling was overturned on appeal, or otherwise, indemnifications for related liabilities are specifically provided for under the Purchase Agreement.

20 SELECTED QUARTERLY FINANCIAL DATA

Tredegar Corporation and Subsidiaries
(In Thousands, Except Per-Share Amounts)
(Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
For the year ended December 31, 2013				
Sales	**$ 241,526**	**$ 243,530**	**$ 243,194**	**$ 231,096**
Gross profit	**36,836**	**37,540**	**37,253**	**34,417**
Income from continuing operations	**9,517**	**9,590**	**7,428**	**9,402**
Income (loss) from discontinued operations	**(5,240)**	**(8,300)**	**(450)**	**—**
Net income	**$ 4,277**	**$ 1,290**	**$ 6,978**	**$ 9,402**
Earnings (loss) per share:				
Basic				
Continuing operations	**$ 0.30**	**$ 0.30**	**$ 0.23**	**$ 0.29**
Discontinued operations	**(0.16)**	**(0.26)**	**(0.01)**	**—**
Net income	**$ 0.14**	**$ 0.04**	**$ 0.22**	**$ 0.29**
Diluted				
Continuing operations	**$ 0.29**	**$ 0.29**	**$ 0.23**	**$ 0.29**
Discontinued operations	**(0.16)**	**(0.25)**	**(0.02)**	**—**
Net income	**$ 0.13**	**$ 0.04**	**$ 0.21**	**$ 0.29**
Shares used to compute earnings (loss) per share:				
Basic	**32,076**	**32,187**	**32,201**	**32,222**
Diluted	**32,480**	**32,635**	**32,658**	**32,622**
For the year ended December 31, 2012				
Sales	$ 216,644	$ 215,859	$ 216,648	$ 233,038
Gross profit	35,450	33,435	38,087	37,710
Income from continuing operations	7,737	7,388	14,210	13,850
Income (loss) from discontinued operations	(4,739)	(35)	(6,783)	(3,377)
Net income (loss)	$ 2,998	$ 7,353	$ 7,427	$ 10,473
Earnings (loss) per share:				
Basic				
Continuing operations	$ 0.24	$ 0.23	$ 0.44	$ 0.43
Discontinued operations	(0.15)	—	(0.21)	(0.10)
Net income (loss)	$ 0.09	$ 0.23	$ 0.23	$ 0.33
Diluted				
Continuing operations	$ 0.24	$ 0.23	$ 0.44	$ 0.43
Discontinued operations	(0.15)	—	(0.21)	(0.10)
Net income (loss)	$ 0.09	$ 0.23	$ 0.23	$ 0.33
Shares used to compute earnings (loss) per share:				
Basic	32,010	32,051	32,052	32,016
Diluted	32,393	32,101	32,101	32,176

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TREDEGAR CORPORATION
(Registrant)

Dated: February 28, 2014

By /s/ Nancy M. Taylor
Nancy M. Taylor
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2014.

Signature	Title
/s/ Nancy M. Taylor (Nancy M. Taylor)	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Kevin A. O'Leary (Kevin A. O'Leary)	Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)
/s/ Frasier W. Brickhouse, II (Frasier W. Brickhouse, II)	Corporate Controller and Assistant Treasurer (Principal Accounting Officer)
/s/ R. Gregory Williams (R. Gregory Williams)	Chairman of the Board of Directors
/s/ William M. Gottwald (William M. Gottwald)	Vice Chairman of the Board of Directors
/s/ Austin Brockenbrough, III (Austin Brockenbrough, III)	Director
/s/ Donald T. Cowles (Donald T. Cowles)	Director
/s/ George C. Freeman, III (George C. Freeman, III)	Director
/s/ John D. Gottwald (John D. Gottwald)	Director
/s/ George A. Newbill (George A. Newbill)	Director
/s/ Thomas G. Snead, Jr. (Thomas G. Snead, Jr.)	Director

EXHIBIT INDEX

2.1	Stock Purchase Agreement, made as of October 1, 2012, by and among The William L. Bonnell Company, Inc., AACOA, Inc., the shareholders of AACOA, Inc., and Daniel G. Formsma, as the representative of the shareholders of AACOA, Inc. (filed as Exhibit 2.1 to Tredegar Corporation's ("Tredegar's") Current Report on Form 8-K (File No. 1-10258), filed on October 3, 2012, and incorporated herein by reference). (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Tredegar agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibit or schedule upon request)
2.2	Membership Interest Purchase Agreement, dated as of October 14, 2011, by and among TAC Holdings, LLC, Gaucho Holdings B.V. and Tredegar Film Products Corporation (filed as Exhibit 2.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on October 19, 2011, and incorporated herein by reference). (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Tredegar agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibit or schedule upon request)
3.1	Amended and Restated Articles of Incorporation of Tredegar (filed as Exhibit 3.1 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
3.1.1	Articles of Amendment to Amended and Restated Articles of Incorporation of Tredegar, as of May 24, 2013 (filed as Exhibit 3.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on May 29, 2013 and incorporated herein by reference
3.2	Amended and Restated Bylaws of Tredegar (filed as Exhibit 3.2 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 20, 2014, and incorporated herein by reference)
3.3	Articles of Amendment (filed as Exhibit 3.3 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
4.1	Form of Common Stock Certificate (filed as Exhibit 4.1 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
4.2	Second Amended and Restated Rights Agreement, dated as of November 18, 2013, by and between Tredegar and Computershare Trust Company, N.A., as Rights Agent (filed as Exhibit 1 to Amendment No. 4 to Tredegar's Registration Statement on Form 8-A/A (File No. 1-10258) filed on November 19, 2013, and incorporated herein by reference)
4.3	Credit Agreement, dated as of April 23, 2012, among Tredegar Corporation, as borrower, the lenders named therein, JPMorgan Chase Bank, N.A., as administrative agent, SunTrust Bank, as syndication agent, and Citizens Bank of Pennsylvania, HSBC Bank USA, National Association, PNC Bank, National Association, and U.S. Bank National Association, as co-documentation agents (filed as Exhibit 4.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on April 26, 2012, and incorporated herein by reference)
4.3.1	Guaranty, dated as of April 23, 2012, by and among the subsidiaries of Tredegar Corporation listed on the signature pages thereto in favor of JPMorgan Chase Bank, N.A., as administrative agent, for the ratable benefit of the Holders of Guaranteed Obligations (filed as Exhibit 4.2 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on April 26, 2012, and incorporated herein by reference)
4.4	Credit Agreement, dated as of June 21, 2010, among Tredegar, as borrower, the lenders named therein, JPMorgan Chase Bank, N.A., as administrative agent, SunTrust Bank, as syndication agent, and Bank of America, N.A., HSBC Bank USA, National Association and U.S. Bank National Association, as co-documentation agents (filed as Exhibit 4.3 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on June 22, 2010, and incorporated herein by reference)
10.1	Reorganization and Distribution Agreement, dated as of June 1, 1989, between Tredegar and Ethyl Corporation (filed as Exhibit 10.1 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
*10.2	Employee Benefits Agreement, dated as of June 1, 1989, between Tredegar and Ethyl Corporation (filed as Exhibit 10.2 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
10.3	Tax Sharing Agreement, dated as of June 1, 1989, between Tredegar and Ethyl Corporation (filed as Exhibit 10.3 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
10.4	Indemnification Agreement, dated as of June 1, 1989, between Tredegar and Ethyl Corporation (filed as Exhibit 10.4 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)

*10.5	Tredegar Industries, Inc. Retirement Benefit Restoration Plan (filed as Exhibit 10.7 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
*10.5.1	Amendment to the Tredegar Industries, Inc. Retirement Benefit Restoration Plan (filed as Exhibit 10.7.1 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2004, and incorporated herein by reference)
+*10.6	Tredegar Industries, Inc. Savings Plan Benefit Restoration Plan
*10.6.1	Resolutions of the Executive Committee of the Board of Directors of Tredegar Corporation adopted on December 28, 2004 (effective as of December 31, 2004) amending the Tredegar Corporation Retirement Savings Plan Benefit Restoration Plan (filed as Exhibit 10.9.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on December 30, 2004, and incorporated herein by reference)
*10.7	Tredegar Amended and Restated Incentive Plan (filed as Exhibit 10.9 to Tredegar's Annual Report on Form 10-K (File No. 1-10258) for the year ended December 31, 2005, and incorporated herein by reference)
*10.8	Tredegar 2004 Equity Incentive Plan as Amended and Restated Effective March 27, 2009 (filed as Annex 1 to Tredegar's Definitive Proxy Statement on Schedule 14A (File No. 1-10258) filed on April 14, 2009 and incorporated herein by reference)
*10.9	Transfer Agreement, by and between AFBS, Inc. and Therics, LLC, dated as of June 30, 2005 (filed as Exhibit 10.17 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on July 1, 2005, and incorporated herein by reference)
10.10	Intellectual Property Transfer Agreement, by and between AFBS, Inc. and Therics, LLC, dated as of June 30, 2005 (filed as Exhibit 10.18 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on July 1, 2005, and incorporated herein by reference)
10.11	Unit Purchase Agreement, by and between Therics, Inc., AFBS, LLC and Randall R. Theken, dated as of June 30, 2005 (filed as Exhibit 10.19 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on July 1, 2005, and incorporated herein by reference)
10.12	Payment Agreement, by and between AFBS, Inc. and Therics, LLC, dated as of June 30, 2005 (filed as Exhibit 10.20 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on July 1, 2005, and incorporated herein by reference)
*10.13	Form of Notice of Stock Award and Stock Award Terms and Conditions (filed as Exhibit 10.2 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 27, 2013, and incorporated herein by reference)
*10.14	Form of Notice of Stock Unit Award and Stock Unit Award Terms and Conditions (filed as Exhibit 10.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 27, 2013, and incorporated herein by reference)
*10.15	Form of Notice of Nonstatutory Stock Option Grant and Nonstatutory Stock Option Terms and Conditions (filed as Exhibit 10.3 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 27, 2013, and incorporated herein by reference)
*10.16	Amended and Restated Severance Agreement, effective as of February 3, 2014, between Tredegar and Nancy M. Taylor (filed as Exhibit 10.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed February 10, 2014, and incorporated herein by reference)
*10.17	Consulting Agreement, dated May 21, 2013, between Tredegar and Duncan A. Crowdis (filed as Exhibit 10.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on May 22, 2013, and incorporated herein by reference)
*10.18	Consulting Agreement, dated May 21, 2013, between Tredegar and Larry J. Scott (filed as Exhibit 10.2 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on May 22, 2013, and incorporated herein by reference)
10.19	Consulting Agreement, dated March 28, 2012, between the Company and MOMO Partners LLC and Monica Moretti (filed as Exhibit 10.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on March 29, 2012, and incorporated herein by reference)
*10.20	Amended and Restated Severance Agreement, effective February 3, 2014, between the Company and Kevin A. O'Leary (filed as Exhibit 10.3 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 10, 2014, and incorporated herein by reference)
*10.21	Amended and Restated Severance Agreement, effective February 3, 2014, between the Company and A. Brent King (filed as Exhibit 10.4 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 10, 2014, and incorporated herein by reference)

*10.22	Amended and Restated Severance Agreement, effective February 3, 2014, between the Company and Mary Jane Hellyar (filed as Exhibit 10.2 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 10, 2014, and incorporated herein by reference)
+*10.23	Summary of Director Compensation for Fiscal 2013
10.24	Agreement, dated as of February 19, 2014, by and amoung Tredegar Corporation, John D. Gottwald, William M. Gottwald and Floyd D. Gottwald, Jr. (filed as Exhibit 10.1 to to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed on February 20, 2014, and incorporated herein by reference)
21	Subsidiaries of Tredegar
23.1	Consent of PricewaterhouseCoopers, LLC, Independent Registered Public Accounting Firm
23.2	Consent of Dixon Hughes Goodman, LLP, Independent Registered Public Accounting Firm
31.1	Certification of Nancy M. Taylor, President and Chief Executive Officer of Tredegar Corporation, pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Kevin A. O'Leary, Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) of Tredegar Corporation, pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Nancy M. Taylor, President and Chief Executive Officer of Tredegar Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Kevin A. O'Leary, Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) of Tredegar Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99	kaléo, Inc., separate financial statements and Report of Independent Registered Accounting Firm
101	XBRL Instance Document and Related Items

* Denotes compensatory plans or arrangements or management contracts.

\+ Filed herewith

SAVINGS PLAN BENEFIT RESTORATION PLAN FOR EMPLOYEES

OF

TREDEGAR CORPORATION

Part I

Effective As Of January 1, 2005

Savings Plan Benefit Restoration Plan for Employees
of
Tredegar Corporation
Part I
Effective As Of January 1, 2005

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Savings Plan Benefit Restoration Plan for Employees
of
Tredegar Corporation
Part I
Effective As Of January 1, 2005

INTRODUCTION

The Savings Plan Benefit Restoration Plan for Employees of Tredegar Corporation was adopted effective October 1, 1993. The purpose of the Plan is to supplement the benefits payable to certain employees under the Savings Plan for the Employees of Tredegar Industries, Inc. by restoring benefits that would be available to such employees but for the application of certain Internal Revenue Code limitations. The Company has determined that the adoption of the Benefit Restoration Plan will assist it in attracting and retaining those employees whose abilities and experience will contribute to its continued success.

The Plan was amended in 2004 on account of the enactment of Code section 409A. The 2004 amendment authorized dividing the Plan into this Part I (which governs benefits that were vested and accrued as of December 31, 2004, as adjusted for bookkeeping investment gains and losses) and Part II (which governs benefits that are subject to Code section 409A, *i.e.*, benefits that vest after 2004 and benefits that are accrued after 2004, both as adjusted for bookkeeping investment gains and losses).

The Company intends for the Benefit Restoration Plan to be an individual account plan within the meaning of section 3(34) of the Employee Retirement Income Security Act of 1974, as amended. The Company further intends for the Plan to be funded through a trust to which Company contributions are deductible. All questions arising in the construction and administration of the Plan must be resolved in a manner that is consistent with that intent.

Savings Plan Benefit Restoration Plan for Employees
of
Tredegar Corporation
Part I
Effective As Of January 1, 2005

ARTICLE I
DEFINITIONS

1.01.**Account**

Account means the account or bookkeeping record reflecting a Member's interest in the Plan. A Member may have several Accounts in the Plan and the Account maintained under this Part I of the Plan reflects the Member's vested interest in the Plan as of December 31, 2004, as adjusted for bookkeeping investment gains and losses.

SEE ALSO: Bookkeeping Account and Distribution Account.

1.02.**Affiliate**

Affiliate means any corporation which, when considered with Tredegar Corporation, would constitute a controlled group of corporations within the meaning of Code section 1563(a), determined without regard to Code sections 1563(a)(4) and 1563(e)(3)(C) or any entity, whether or not incorporated which, when considered with the Tredegar Corporation, would constitute a controlled group in accordance with Code section 414(c) and regulations promulgated thereunder.

1.03.**Alternate Payee**

Alternate Payee, for purposes of Plan sections 1.22 and 6.03, means a Member's spouse, former spouse, child, or other dependent who is recognized by a domestic relations order as having a right to receive all or a portion of the benefits payable under the Plan with respect to such Member.

1.04.**Beneficiary**

Beneficiary means the Member's Surviving Spouse unless such spouse has consented or does consent in writing to the Member's election of a different Beneficiary. The spouse's consent must be in writing, must acknowledge the effect of the Member's designation or change in designation, and must be witnessed by a notary public. If spousal consent is not obtained, such Member's Beneficiary shall be his spouse. If the Company is satisfied that spousal consent may not be obtained because the Member has no spouse, because the spouse cannot be located, or because of such other circumstances as applicable regulations may prescribe, the Member may name any Beneficiary he desires and from time to time change his designated Beneficiary without such Beneficiary's consent. With the Member's Surviving Spouse's consent, Beneficiary means the person or entity specified by a Member on forms prescribed by the Company for that purpose. If a Member does not designate a Beneficiary or if the designated Beneficiary should predecease the Member or is not in existence on the date of the Member's death, then Beneficiary shall mean the first surviving class of the following successive preference Beneficiaries: The Member's (a) widow or widower; (b) surviving children equally; (c) surviving parents equally; (d) surviving brothers and sisters equally; or (e) the executor(s) or administrator(s) of the Member's estate. The preceding sentences to the contrary notwithstanding, Beneficiary means an Alternate Payee to the extent that a Qualified Domestic Relations Order recognizes the Alternate Payee as having a right to receive all or a portion of any benefits payable under the Plan.

1.05.**Board of Directors**

Board of Directors means the Board of Directors of Tredegar Corporation.

1.06.**Code**

Code means the Internal Revenue Code of 1986, as amended. References to specific sections of the Code shall include those sections and any comparable sections of future legislation that modify, amend, supplement, supersede or recodify such sections.

1.07.**Committee**

Committee means the Employee Savings Plan Committee appointed under the Savings Plan as described in Plan section 7.03.

1.08.**Company**

Company means Tredegar Corporation, and all of its Affiliates, subsidiaries and divisions except for those Affiliates, subsidiaries and divisions whose employees or segments thereof have not been designated to be included in this Plan. Where only a segment of an Affiliate's, subsidiary's or division's employees has been designated for coverage hereunder, "Company" shall apply to such Affiliate, subsidiary or division only as it relates to such entity's employees eligible for coverage. Any action required to be taken by a Company may be taken by the Board of Directors or by the Executive Committee of the Board of Directors.

1.09.**Company Contribution**

Company Contribution means the Company's contribution to a Member's Distribution Account as provided in Plan section 4.01.

1.10.**Earnings**

Earnings means for purposes of Plan section 1.14, for any relevant period, an individual's wages, salaries for personal services (such as professional services), and other amounts received from the Company for personal services actually rendered. Earnings include, but are not limited to, commissions paid to salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, and other amounts permissibly included according to Treasury regulations. Earnings do not include deferred compensation, gain from the exercise of stock options, and distributions that receive special tax benefits and are excluded from the base for computing those statutory limits.

1.11.**Employee**

Employee means any individual who is paid from the Company's payroll and eligible to participate in the Savings Plan, excluding any individual retained by the Company as an independent contractor or consultant or any individual described in Code section 414 (leased employees) and any individual employed by the Company on a temporary or casual basis.

1.12.**ERISA**

ERISA means the Employee Retirement Income Security Act of 1974, as amended. References to specific sections of ERISA shall include those sections and any comparable sections of future legislation that modify, amend, supplement, supersede or recodify such sections.

1.13.**Family Member**

Family Member means a member of the family of a five-percent owner or of a Highly Compensated Employee in the group consisting of the ten Highly Compensated Employees paid the greatest Earnings from the Company during the Plan Year. For purposes of this section, the term "family" means, with respect to any Employee, such Employee's spouse and lineal ascendants or descendants and the spouse of such lineal ascendants or descendants. Except as otherwise specified in regulations, a Family Member is not considered to be an Employee separate from the Employee whose status under this Plan cause the individual to be a Family Member.

1.14.**Highly Compensated**

Highly Compensated refers to an Employee who is a highly compensated employee under Code section 414(q).

1.15.**Matching Contribution**

Matching Contribution means the Company's Contribution to the Savings Plan on behalf of a Member as described in sections 3.08 and 3.11(d) of the Savings Plan.

1.16.**Matching Contribution Account**

Matching Contribution Account means the portion of a Member's account attributable to Matching Contributions under the Savings Plan as described in section 3.01 of the Savings Plan.

1.17.**Member**

Member means, as to this Part I of the Plan, an individual who had a vested Account in the Plan on December 31, 2004.

1.18.**Payroll Period**

Payroll Period means the interval of employment for which a Member's periodic pay checks are normally issued.

1.19.**Permanent and Total Disability**

Permanent and Total Disability means the incapacity of an Employee as described in section 1.36 of the Savings Plan.

1.20.**Plan**

Plan means the Savings Plan Benefit Restoration Plan for Employees of Tredegar Corporation (which is comprised of this Part I and Part II).

1.21.**Plan Year**

Plan Year means the annual period beginning on January 1st and ending on the following December 31st.

1.22.**Qualified Domestic Relations Order**

Qualified Domestic Relations Order means a "qualified domestic relations order" as defined in Section 206 of ERISA.

1.23.**Savings Plan**

Savings Plan means the Savings Plan for the Employees of Tredegar Corporation as in effect from time to time. References to specific sections of the Savings Plan shall include those sections and any successor provisions of the Savings Plan.

1.24.**Surviving Spouse**

Surviving Spouse means the person to whom a Member was married on his death.

1.25.**Trust Agreement**

Trust Agreement means the Trust Agreement entered into between the Company and a Trustee in conjunction with the Plan.

1.26.**Trust Fund**

Trust Fund means the assets of the Plan held by the Trustee.

1.27.**Trustee**

Trustee means a bank or trust company designated by the Board of Directors.

1.28.**Valuation Date**

Valuation Date means the last business day of a calendar month.

ARTICLE II
ELIGIBILITY AND MEMBERSHIP

2.01.**Eligibility Requirements**

(a) Each individual who was a Highly Compensated Employee and a participant in the Savings Plan on October 1, 1993, shall, without further requirement, be a Member in Part I of the Plan.

(b) Each individual who became a Highly Compensated Employee after October 1, 1993, and before January 1, 2005, became a Member in Part I of the Plan on the date that he became a participant in the Savings Plan.

(c) No individual shall become a Member in this Part I of the Plan after 2004.

2.02.**Membership in the Plan**

(a) An application to enroll in the Plan is not required, but each Employee and Member must correctly disclose to the Administrator all requested information necessary for the administration of the Plan.

(b) A Member shall continue to be a Member of this Part I of the Plan until the date that (i) he is no longer a Highly Compensated Employee, (ii) he is no longer eligible to participate in the Savings Plan and (iii) he is no longer entitled to benefits under the Plan.

2.03.**Reemployment**

A Member who terminated his employment with the Company and its Affiliates and was reemployed as an Employee before 2005 may become a Member in the Plan immediately upon his reemployment, subject to the provisions of Article II of this Part I of the Plan.

ARTICLE III
ALLOCATION

3.01.**Establishment of Accounts**

The Administrator shall establish and maintain a separate Bookkeeping Account and Distribution Account for each Member of the Plan. As required for appropriate record-keeping, the Administrator may establish and name additional Accounts or sub-accounts for each Member. The records of the Plan shall distinguish the portion of the Account related to this Part I of the Plan from the portion of the Account related to Part II of the Plan.

3.02.**Crediting of Company Contributions**

For Plan Years ending before 2005, as soon as practicable after the end of each Payroll Period, the Company shall credit to the Member's Bookkeeping Account an amount equal to the difference between (a) and (b) below:

(a) The Matching Contribution that would have been allocated to the Member's account under the Savings Plan for the Payroll Period based on the Member's actual Pre-Tax and After-Tax Elections under the Savings Plan for that Payroll Period without regard to the following limitations:

(1) The limitations imposed by Code section 401(a)(17) on the amount of the Member's Base Pay that may be taken into account under the Savings Plan as provided in section 1.09 of the Savings Plan.

(2) The limitations imposed by Code sections 401(k) and 401(m) on the Member's Actual Deferral Percentages and Contribution Percentages, respectively, under the Savings Plan as described in sections 3.07 and 3.11 of the Savings Plan.

(3) The limitations imposed by Code section 415 on the amount of Annual Additions that may be allocated to the Member's account under the Savings Plan as provided in Article VIII of the Savings Plan.

(b) The Matching Contributions that are actually allocated to the Member's account under the Savings Plan for the Payroll Period based on his After-Tax and Pre-Tax Contributions made to the Plan for that payroll period.

For purposes of this subsection, the terms "Base Pay," "After-Tax Contributions," "Pre-Tax Contributions" "Actual Deferral Percentages," "Contribution Percentages" and "Annual Additions" shall have the meanings set forth in Article I of the Savings Plan.

3.03.**Allocation of Company Contributions**

Company Contributions made on behalf of a Member shall be allocated to the Member's Distribution Account as soon as practicable after such contributions are made as provided in Article IV.

ARTICLE IV
CONTRIBUTIONS

4.01.**Company Contributions**

(c) As soon as practicable after a Member's account balance under the Savings Plan is distributed pursuant to Section 7.02, 7.03 or 7.04 of the Savings Plan, the Company shall contribute to the Plan on behalf of the Member an amount equal to the balance of his vested Bookkeeping Account under this Part I, valued as of the Valuation Date coincident with or immediately preceding the date of distribution to the Member or his Beneficiary, as the case may be, under the Savings Plan.

(d) In the event that the Plan is required to make payments to an Alternate Payee pursuant to a Qualified Domestic Relations Order prior to the date that the Member terminates employment, the Company shall contribute to the Plan an amount equal to the value of the Member's vested Bookkeeping Account under this Part I awarded to the Alternate Payee under the Qualified Domestic Relations Order as of the Valuation Date immediately preceding the date of payment specified in the order. The value of the Member's vested Bookkeeping Account under this Part I as of the applicable Valuation Date shall be reduced by any amounts contributed by the Company on behalf of the Alternate Payee.

(e) If the Plan is terminated, the Company shall contribute on behalf of each Member an amount equal to the balance of his Bookkeeping Account under this Part I valued as of the Valuation Date coincident with or immediately preceding the date the Plan termination becomes effective.

4.02.**Member Contributions**

Members shall not be required or permitted to make contributions to the Plan.

ARTICLE V
VALUATION AND ACCOUNTING

5.01.**Credits to Bookkeeping Accounts**

Amounts shall be credited to a Member's Bookkeeping Account under this Part I in whole and fractional shares of Tredegar Corporation common stock based on the shares that would have been purchased with such amounts and allocated to the Member's Matching Contribution Account under the Savings Plan. Additional amounts shall be credited to the Member's Bookkeeping Account under this Part I to the extent that cash dividends paid on such shares of stock would have been reinvested in Tredegar Common Stock Fund under the Savings Plan.

5.02.**Valuation of Bookkeeping Accounts**

(a) Each Member's Bookkeeping Account under this Part I shall be valued, pursuant to the provisions of Plan section 5.01 as of each Valuation Date, using the fair market value of the investment funds under the Savings Plan as reported in writing by the trustee for the Savings Plan.

(b) As of each Valuation Date, the value of a Member's Bookkeeping Account under this Part I shall be adjusted to reflect what would have been its share of income, gains and losses under the Savings Plan based on the investment of Matching Contributions allocated to the Member's account under the Savings Plan. The value of the Member's Bookkeeping Account under this Part I shall be adjusted to reflect cash dividends that would have been accrued or paid on shares of Tredegar Corporation common stock credited to such Bookkeeping Account as if held in the Member's Matching Contribution Account under the Savings Plan as well as charges, expenses and realized gains or losses that would have been allocated to such shares of stock under the Savings Plan.

ARTICLE VI
DISTRIBUTION

6.01.**Plan Termination, Death, Permanent and Total Disability**

In the event of termination of the Savings Plan or a Member's termination of employment by reason of death, Permanent and Total Disability, or retirement, the Plan shall pay the Member or his Beneficiary, as the case may be, the total value of the Member's Distribution Account under this Part I as of the Valuation Date next following the date that the Member's account balance under the Savings Plan is distributed pursuant to Section 7.02, 7.03 or 7.04 of the Savings Plan.

6.02.**Other Separation**

(a) In the event a Member terminates employment for reasons other than death, retirement, or Permanent and Total Disability, the Plan shall pay the Member the value of his Distribution Account that represents the value of his vested Bookkeeping Account under this Part I as of the Valuation Date next following the date that such Member receives his vested account balance under the Savings Plan pursuant to Savings Plan section 7.03.

(b) A Member shall become vested in his Bookkeeping Account under this Part I at the same time and in the same manner as he becomes vested in his Matching Contribution Account under the terms of the Savings Plan.

(c) A distribution cannot be made pursuant to this section if, at the time of the distribution, the Member is again employed by the Company, unless the distribution is by reason of Plan termination.

6.03.**Qualified Domestic Relations Order Distributions**

Despite any other Plan provisions to the contrary, the Administrator must comply with the terms of a Qualified Domestic Relations Order. Payment will be made to the Alternate Payee in the manner specified by the Qualified Domestic Relations Order and as soon as practicable after the payment date specified in the Qualified Domestic Relations Order; provided, however, that in no event shall a distribution pursuant to this section exceed the value of the Member's vested Distribution Account under this Part I as of the Valuation Date coincident with or immediately preceding the date of distribution. Unless a contrary result is specified by the Qualified Domestic Relations Order, if the amount awarded to the Alternate Payee pursuant to a Qualified Domestic Relations Order does not exceed $3,500 as of the Valuation Date coincident with or immediately preceding the date such amount becomes payable, that amount will be paid to the Alternate Payee from the Member's vested Distribution Account under this Part I as soon as practicable following the date the Administrator determines that the domestic relations order is a Qualified Domestic Relations Order.

6.04.**Form of Distribution**

Payment shall be made from Part I of the Plan to a Member, Beneficiary or Alternate Payee in single cash sums.

6.05.**Federal Income Tax Withholding**

Members and, if applicable, Beneficiaries shall be provided with proper notice and election forms for the purpose of withholding Federal income tax from distributions from Part I of the Plan in accordance with Code section 3405.

6.06.**Discharge of Obligation**

Payment of all or a portion of the value of the Member's vested Distribution Account under this Article shall discharge the Company's obligation to the Member, his Beneficiary or Alternate Payee with respect to the corresponding value of the Member's vested Bookkeeping Account under the Plan.

ARTICLE VI
ADMINISTRATION

7.01.**Appointment of Named Fiduciary and Plan Administrator**

Tredegar Corporation shall be the Administrator and Named Fiduciary of the Plan and shall be responsible for the operation and administration of the Plan except to the extent its duties are allocated to and assumed by persons or entities hereunder.

7.02.**Plan Administrator**

(a) To the extent required by law, the Administrator shall establish a funding policy and method to carry out the objectives of the Plan.

(b) The Administrator shall prepare such reports at such times and file such reports at such places as may be required by Federal statutes and regulations.

(c) Upon written request of any Member or Beneficiary eligible to receive benefits under the Plan, the Administrator shall furnish him a copy of the latest updated summary plan description, latest annual report and a copy of the Plan. The Administrator may make a reasonable charge for the costs of furnishing such copies.

(d) The Administrator shall maintain, on a plan or calendar year basis, employee and other such records as are necessary for the successful operation of the Plan and shall supply such full and timely information for all matters relating to the Plan as the Committee or Trustee may require for the effective discharge of their respective duties.

(e) The Administrator shall receive all applications for benefits and shall establish rules and procedures to be followed by Members and Beneficiaries in filing such applications and for furnishing and verifying all data which may be required in order to establish their rights to benefits in accordance with the Plan. Upon receipt of an application for benefits, the Administrator shall determine all facts which are necessary to establish the right of an applicant to benefits and the amount thereof. All approved benefits shall be paid at the direction of the Administrator. Such payments shall be made in accordance with the Administrator’s written directions setting forth the amount of such payments and the specific manner in which such payments are to be made. In carrying out its duties hereunder, the Administrator shall at all times rely on the construction and specific interpretations of the Plan as determined by the Committee.\

7.03.**Employee Savings Plan Committee**

(a) The Employee Savings Plan Committee appointed by, and serving at the pleasure of, the Board of Directors of Tredegar Corporation, pursuant to section 9.03 of the Savings Plan shall have the powers and duties with respect to the Plan as described in this Plan section.

(b) The Committee shall make such rules and regulations as it deems necessary for operation of the Plan, shall determine all questions arising in the administration, interpretation and application of the Plan, review claims for benefits which have been denied, and shall perform all other functions which may be assigned to it by the Plan or the Administrator. Notwithstanding the powers granted hereunder, the Committee shall have no power to modify in any way any provision of the Plan.

(c) A member of the Committee who is also a Member of the Plan shall abstain from any action which specifically affects him as a Member of the Plan other than an action which affects all Members of the Plan. In the event of abstention, matters shall be decided by the remaining members of the Committee. Nothing herein shall prevent any member of the Committee who is also a Member of the Plan from receiving any benefit to which he may be entitled, so long as the benefit is computed and paid on a basis that is consistently applied to all other Members. The Committee may engage agents to assist it in its duties, and may consult with counsel, who may be counsel for the Company, with respect to the meaning or construction of this document and its obligations hereunder, or with respect to any action, proceeding, or question of law related thereto.

7.04.**Trustee**

The Board of Directors shall have the power to appoint one or more Trustees, to remove a Trustee at its discretion upon sixty (60) days’ written notice unless a shorter period is agreed to, to appoint a successor to any Trustee who has resigned, has been removed, or has ceased to serve for any other reason, and to appoint a co-Trustee with the consent of the Trustee then serving. The Trustee may resign at any time upon sixty (60) days’ written notice to the Company unless a shorter period is agreed to. The appointment of any Trustee or co-Trustee shall become effective upon the Trustee’s or co-Trustee’s acceptance of the appointment in writing. Each Trustee shall hold and invest the assets of the Plan under a Trust established pursuant to a Trust Agreement between the Company and the Trustee. Each Trustee shall further carry out all duties assigned to it by the Plan or the applicable Trust Agreement.

7.05.**Benefit Claims Review Procedure**

(a) Claims for benefits under the Plan may be submitted to the Administrator or such person as the Administrator may designate in writing who shall have the initial responsibility for determining the eligibility of any Member or Beneficiary for benefits. Such claims for benefits shall be made in writing and shall set forth the facts which such Member or Beneficiary believes to be sufficient to entitle him to the benefit claimed. The Administrator may adopt forms for the submission of claims for benefits in which case all claims for benefits shall be filed on such forms.

(b) Upon receipt of a claim, the Administrator must respond in writing within ninety (90) days. If necessary, the Administrator's first notice must indicate any special circumstances requiring an extension of time for the Administrator's decision. The extension notice must indicate the date by which the Administrator expects to give a decision. An extension of time for processing may not exceed ninety (90) days after the end of the initial ninety (90) day period.

(c) If the written claim for a Plan benefit is wholly or partially denied or the claimant has had no response, the claimant or his duly authorized representative, at the sole expense of the claimant, may appeal the denial within sixty (60) days of the date of the denial or the expiration of the time period provided in subsection (b) to the:

Manager of Employee Benefits
Tredegar Corporation
1100 Boulders Parkway
Richmond, Virginia 23225

An adverse notice must be written in a manner calculated to be understood by the claimant and must include (i) each reason for denial; (ii) specific references to the pertinent provisions of the Plan or related documents on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why that material or information is needed; and (iv) appropriate information about the steps to be taken if the claimant wishes to submit the claim for review.

(d) In pursuing his appeal the claimant or his representative:

(1) may request in writing that the Employee Savings Plan Committee review the denial;

(2) may review pertinent documents; and

(3) may submit issues and comments in writing.

(e) The decision on review shall be made within sixty (60) days; provided that the sixty (60) day period may be extended for an additional sixty (60) days by written notice to the claimant setting forth the reasons for the extension. The decision on review shall be made in writing, shall include specific reasons for the decision, shall be written in a manner calculated to be understood by the claimant and shall contain specific references to the pertinent Plan provisions on which the decision is based.

7.06.**Administrative Costs**

All reasonable costs incurred in the administration of the Plan, excluding legal fees and recordkeeping charges, shall be paid from the Trust Fund. No Employee of the Company or an Affiliate shall be entitled to compensation for his services with respect to the Plan other than his normal compensation received as an employee of the Company or an Affiliate, but he shall be entitled to reimbursement for his reasonable expenses incurred in the administration of the Plan.

7.07.**Fiduciary Discretion**

In discharging the duties assigned to it under the Plan, the Committee and each other fiduciary with respect to the Plan has the discretion to interpret the Plan; adopt, amend and rescind rules and regulations pertaining to its duties under the Plan; and to make all other determinations necessary or advisable for the discharge of its duties under the Plan. Each fiduciary's discretionary authority is absolute and exclusive if exercised in a uniform and nondiscriminatory manner with respect to similarly situated individuals. The express grant in the Plan of any specific power to a fiduciary with respect to any duty assigned to it under the Plan must not be construed as limiting any power or authority of the fiduciary to discharge its duties. A fiduciary's decision is final and conclusive unless it is established that the fiduciary's decision constituted an abuse of its discretion.

ARTICLE VIII
AMENDMENT AND TERMINATION OF THE PLAN

8.01.**Amendment of the Plan**

The Company shall have the right by action of the Board of Directors to modify, alter or amend the Plan in whole or in part to the extent allowed by law; provided that the duties, powers and liabilities of the Trustee shall not be increased without its written consent; provided further that any such action shall not, in any way, adversely affect the benefits of individuals who have terminated their employment under the Plan prior to the effective date of such action, or of their Beneficiaries, nor shall it adversely affect amounts credited to Members prior to the effective date of such action. No amendment, modification or alteration shall have the effect of revesting in the Company any part of the principal or income of the Trust Fund.

8.02.**Termination of the Plan**

The Company expects to continue this Plan indefinitely, but continuance is not assumed as a contractual obligation and the Company reserves the right to terminate the Plan at any time. Upon termination of the Plan, the rights of the then Members in their Bookkeeping Accounts shall be nonforfeitable and, as soon as practicable thereafter the Company shall contribute on behalf of each Member an amount equal to the value of his Bookkeeping Account in this Part I. Each Member shall be entitled to receive the value of his Distribution Account in this Part I in the manner described in Plan section 6.01.

ARTICLE IX
MERGER AND CONSOLIDATION OF THE PLAN

In the event of a merger or consolidation of the Plan with another plan or the transfer of assets or liabilities from the Plan to another plan, the balance in each Member’s Account immediately after such event shall be equal to the balance in his Account immediately prior to such event.

ARTICLE X
GENERAL PROVISIONS

10.01.**Return of Company Contributions**

This Plan has been created for, where applicable, the exclusive purpose of providing benefits to the Members and their Beneficiaries. The Plan shall be interpreted in a manner consistent with applicable provisions of ERISA. Company contributions to the Plan may be returned to the Company (1) within one year of the date such funds are contributed if the contribution is made by reason of a mistake of fact or (2) to the extent of the disallowance of a tax deduction for such contribution and within one year of such disallowance, if the contribution is conditioned on its deductibility.

10.02.**No Guaranty of Employment**

The Plan shall not be deemed to constitute a contract between the Company and any Member or to be consideration or an inducement for the employment of any Member of the Company. Nothing contained in the Plan shall be deemed to give any Member the right to be retained in the service of the Company or to interfere with the rights of the Company to discharge or to terminate the service of any Member at any time without regard to the effect such discharge or termination may have on any rights under the Plan.

10.03.**Payments to Minors and Incompetents**

If a Member or Beneficiary entitled to receive any benefits hereunder is a minor or is deemed so by the Administrator or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, benefits will be paid to such person as the Administrator might designate. Such payments shall, to the extent made, be deemed a complete discharge of any liability for such payment under the Plan.

10.04.**Non-Alienation of Benefits**

(a) To the extent permitted by law, no benefit payable under the Plan will be subject in any manner to anticipation, assignment, garnishment, or pledge; and any attempt to anticipate, assign, garnish or pledge the same will be void and no such benefits will be made in any manner liable for or subject to the debts, liabilities, engagements or torts of any Members.

(b) Despite any other Plan provisions to the contrary, the Administrator must comply with the terms of a Qualified Domestic Relations Order. The Plan is not liable for any payments pursuant to a domestic relations order until the Administrator has received the order and determined that it is a Qualified Domestic Relations Order. The Administrator must establish reasonable written procedures for determining the qualified status of a domestic relations order and for administering distributions under a Qualified Domestic Relations Order. The Administrator must promptly notify the Member and each Alternate Payee of the receipt of a domestic relations order and of the procedures for determining its qualified status.

10.05.**Headings and Subheadings**

The headings and subheadings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

10.06.**Use of Masculine and Feminine; Singular and Plural**

In the construction of the Plan the masculine shall include the feminine and the singular the plural in all cases where such meanings are indicated by the context.

10.07.**Unclaimed Benefits**

If the Administrator, or the Trustee with the assistance of the Administrator, cannot make payment of any amount to a Member or Beneficiary within five (5) years after such amount becomes payable because the identity or whereabouts of such individual cannot be ascertained, the Administrator, at the end of such five (5) year period, will direct that the amounts which would have been payable to such Member or Beneficiary be segregated by the Trustee and thereafter dealt with according to the laws of the Commonwealth of Virginia relating to abandoned intangible personal property held in a fiduciary capacity.

10.08.**Beneficiary Designation**

At the time of enrollment in the Plan, each Member, with the consent of his spouse pursuant to Plan section 1.04, if applicable, must designate a Beneficiary to receive settlement of his Plan account in the event of his death during employment. A Member, with the consent of his spouse pursuant to Plan section 1.04, if applicable, may, from time to time, change a Beneficiary or Beneficiaries under the Plan. In the event that no designated Beneficiary is surviving at the time of the Member’s death, settlement under the Plan will be made as provided in Plan section 1.04.

10.09.**Errors and Omissions**

It shall be the responsibility of those individuals and entities charged with the administration of the Plan to see that it is administered in accordance with its terms so long as it is not in conflict with ERISA. In the event an innocent error or omission is discovered in the operation or administration of the Plan, which in the judgment of the Committee would cost more to correct than is warranted by the error or omission and which in such Committee’s judgment did not result

in discrimination in operation, in favor of the prohibited group of officers, shareholders, and highly compensated employees, then, to the extent such adjustment will not in such Committee’s judgment result in such prohibited group, the Committee deems necessary or desirable to correct the error or omission, including but not limited to the authorization of additional Company contributions designed, in a manner consistent with the goodwill intended to be engendered by the Plan, to put Members in the same relative position they would have been in but for such error or omission.

SAVINGS PLAN BENEFIT RESTORATION PLAN FOR EMPLOYEES

OF

TREDEGAR CORPORATION

Part II

Effective As Of January 1, 2005

Savings Plan Benefit Restoration Plan for Employees
of
Tredegar Corporation
Part II
Effective As Of January 1, 2005

INTRODUCTION

The Savings Plan Benefit Restoration Plan for Employees of Tredegar Corporation was adopted effective October 1, 1993. The purpose of the Plan is to supplement the benefits payable to certain employees under the Savings Plan for the Employees of Tredegar Industries, Inc. by restoring benefits that would be available to such employees but for the application of certain Internal Revenue Code limitations. The Company has determined that the adoption of the Benefit Restoration Plan will assist it in attracting and retaining those employees whose abilities and experience will contribute to its continued success.

The Plan was amended in 2004 on account of the enactment of Code section 409A. The 2004 amendment authorized dividing the Plan into Part I (which governs benefits that were vested and accrued as of December 31, 2004, as adjusted for bookkeeping investment gains and losses) and this Part II (which governs benefits that are subject to Code section 409A, *i.e.*, benefits that vest after 2004 and benefits that are accrued after 2004, both as adjusted for bookkeeping investment gains and losses).

The Company intends for the Benefit Restoration Plan to be an individual account plan within the meaning of section 3(34) of the Employee Retirement Income Security Act of 1974, as amended. The Company further intends for the Plan to be funded through a trust to which Company contributions are deductible. All questions arising in the construction and administration of the Plan must be resolved in a manner that is consistent with that intent.

Savings Plan Benefit Restoration Plan for Employees
of
Tredegar Corporation
Part II
Effective As Of January 1, 2005

ARTICLE I
DEFINITIONS

1.29.**Account**

Account means the account or bookkeeping record reflecting a Member's interest in the Plan. A Member may have several Accounts in the Plan and the Account maintained under this Part II of the Plan reflects the Member's interest that vested after 2004 or is credited after 2004, as adjusted for bookkeeping investment gains and losses.

SEE ALSO: Bookkeeping Account and Distribution Account.

1.30.**Affiliate**

Affiliate means any corporation which, when considered with Tredegar Corporation, would constitute a controlled group of corporations within the meaning of Code section 1563(a), determined without regard to Code sections 1563(a)(4) and 1563(e)(3)(C) or any entity, whether or not incorporated which, when considered with the Tredegar Corporation, would constitute a controlled group in accordance with Code section 414(c) and regulations promulgated thereunder.

1.31.**Alternate Payee**

Alternate Payee, for purposes of Plan sections 1.22 and 6.03, means a Member's spouse, former spouse, child, or other dependent who is recognized by a domestic relations order as having a right to receive all or a portion of the benefits payable under the Plan with respect to such Member.

1.32.**Beneficiary**

Beneficiary means the Member's Surviving Spouse unless such spouse has consented or does consent in writing to the Member's election of a different Beneficiary. The spouse's consent must be in writing, must acknowledge the effect of the Member's designation or change in designation, and must be witnessed by a notary public. If spousal consent is not obtained, such Member's Beneficiary shall be his spouse. If the Company is satisfied that spousal consent may not be obtained because the Member has no spouse, because the spouse cannot be located, or because of such other circumstances as applicable regulations may prescribe, the Member may name any Beneficiary he desires and from time to time change his designated Beneficiary without such Beneficiary's consent. With the Member's Surviving Spouse's consent, Beneficiary means the person or entity specified by a Member on forms prescribed by the Company for that purpose. If a Member does not designate a Beneficiary or if the designated Beneficiary should predecease the Member or is not in existence on the date of the Member's death, then Beneficiary shall mean the first surviving class of the following successive preference Beneficiaries: The Member's (a) widow or widower; (b) surviving children equally; (c) surviving parents equally; (d) surviving brothers and sisters equally; or (e) the executor(s) or administrator(s) of the Member's estate. The preceding sentences to the contrary notwithstanding, Beneficiary means an Alternate Payee to the extent that

a Qualified Domestic Relations Order recognizes the Alternate Payee as having a right to receive all or a portion of any benefits payable under the Plan.

1.33.**Board of Directors**

Board of Directors means the Board of Directors of Tredegar Corporation.

1.34.**Code**

Code means the Internal Revenue Code of 1986, as amended. References to specific sections of the Code shall include those sections and any comparable sections of future legislation that modify, amend, supplement, supersede or recodify such sections.

1.35.**Committee**

Committee means the Employee Savings Plan Committee appointed under the Savings Plan as described in Plan section 7.03.

1.36.**Company**

Company means Tredegar Corporation, and all of its Affiliates, subsidiaries and divisions except for those Affiliates, subsidiaries and divisions whose employees or segments thereof have not been designated to be included in this Plan. Where only a segment of an Affiliate's, subsidiary's or division's employees has been designated for coverage hereunder, "Company" shall apply to such Affiliate, subsidiary or division only as it relates to such entity's employees eligible for coverage. Any action required to be taken by a Company may be taken by the Board of Directors or by the Executive Committee of the Board of Directors.

1.37.**Company Contribution**

Company Contribution means the Company's contribution to a Member's Distribution Account as provided in Plan section 4.01.

1.38.**Earnings**

Earnings means for purposes of Plan section 1.14, for any relevant period, an individual's wages, salaries for personal services (such as professional services), and other amounts received from the Company for personal services actually rendered. Earnings include, but are not limited to, commissions paid to salesmen, compensation for services on the basis of a percentage of profits, commissions on insurance premiums, tips, bonuses, and other amounts permissibly included according to Treasury regulations. Earnings do not include deferred compensation, gain from the exercise of stock options, and distributions that receive special tax benefits and are excluded from the base for computing those statutory limits.

1.39.**Employee**

Employee means any individual who is paid from the Company's payroll and eligible to participate in the Savings Plan, excluding any individual retained by the Company as an independent contractor or consultant or any individual described in Code section 414 (leased employees) and any individual employed by the Company on a temporary or casual basis.

1.40.**ERISA**

ERISA means the Employee Retirement Income Security Act of 1974, as amended. References to specific sections of ERISA shall include those sections and any comparable sections of future legislation that modify, amend, supplement, supersede or recodify such sections.

1.41.**Family Member**

Family Member means a member of the family of a five-percent owner or of a Highly Compensated Employee in the group consisting of the ten Highly Compensated Employees paid the greatest Earnings from the Company during the Plan Year. For purposes of this section, the term "family" means, with respect to any Employee, such Employee's spouse and lineal ascendants or descendants and the spouse of such lineal ascendants or descendants. Except as otherwise specified in regulations, a Family Member is not considered to be an Employee separate from the Employee whose status under this Plan cause the individual to be a Family Member.

1.42.**Highly Compensated**

Highly Compensated refers to an Employee who is a highly compensated employee under Code section 414(q).

1.43.**Matching Contribution**

Matching Contribution means the Company's Contribution to the Savings Plan on behalf of a Member as described in sections 3.08 and 3.11(d) of the Savings Plan.

1.44.**Matching Contribution Account**

Matching Contribution Account means the portion of a Member’s account attributable to Matching Contributions under the Savings Plan as described in section 3.01 of the Savings Plan.

1.45.**Member**

Member means, as to this Part II of the Plan, an eligible Employee who satisfies the requirements of Article II.

1.46.**Payroll Period**

Payroll Period means the interval of employment for which a Member’s periodic pay checks are normally issued.

1.47.**Permanent and Total Disability**

Permanent and Total Disability means the incapacity of an Employee as described in section 1.36 of the Savings Plan.

1.48.**Plan**

Plan means the Savings Plan Benefit Restoration Plan for Employees of Tredegar Corporation (which is comprised of Part I and this Part II).

1.49.**Plan Year**

Plan Year means the annual period beginning on January 1st and ending on the following December 31st.

1.50.**Qualified Domestic Relations Order**

Qualified Domestic Relations Order means a “qualified domestic relations order” as defined in Section 206 of ERISA.

1.51.**Savings Plan**

Savings Plan means the Savings Plan for the Employees of Tredegar Corporation as in effect from time to time. References to specific sections of the Savings Plan shall include those sections and any successor provisions of the Savings Plan.

1.52.**Specified Employee**

Specified Employee means a Member who is a “specified employee” as defined in Code section 409A.

1.53.**Surviving Spouse**

Surviving Spouse means the person to whom a Member was married on his death.

1.54.**Trust Agreement**

Trust Agreement means the Trust Agreement entered into between the Company and a Trustee in conjunction with the Plan.

1.55.**Trust Fund**

Trust Fund means the assets of the Plan held by the Trustee.

1.56.**Trustee**

Trustee means a bank or trust company designated by the Board of Directors.

1.57.**Valuation Date**

Valuation Date means the last business day of a calendar month.

ARTICLE II
ELIGIBILITY AND MEMBERSHIP

2.04.**Eligibility Requirements**

(a) Each individual who is a Highly Compensated Employee and a participant in the Savings Plan on January 1, 2005, shall, without further requirement, be a Member in Part II of the Plan effective as of such date.

(b) Each individual who is or becomes a Highly Compensated Employee after January 1, 2005 shall become a Member in Part II of the Plan on the date that he becomes a participant in the Savings Plan.

2.05.**Membership in the Plan**

(c) An application to enroll in the Plan is not required, but each Employee and Member must correctly disclose to the Administrator all requested information necessary for the administration of the Plan.

(d) A Member shall continue to be a Member of the Plan until the date that (i) he is no longer a Highly Compensated Employee, (ii) he is no longer eligible to participate in the Savings Plan and (iii) he is no longer entitled to benefits under the Plan.

2.06.**Reemployment**

A Member who terminates his employment with the Company and its Affiliates and is reemployed as an Employee may become a Member in the Plan immediately upon his reemployment, subject to the provisions of Article II of this Part II of the Plan.

ARTICLE III
ALLOCATION

3.04.**Establishment of Accounts**

The Administrator shall establish and maintain a separate Bookkeeping Account and Distribution Account for each Member of the Plan. As required for appropriate record-keeping, the Administrator may establish and name additional Accounts or sub-accounts for each Member. The records of the Plan shall distinguish the portion of the Account related to Part II of the Plan from the portion of the Account related to Part I of the Plan.

3.05.**Crediting of Company Contributions**

As soon as practicable after the end of each Payroll Period, the Company shall credit to the Member's Bookkeeping Account an amount equal to the difference between (a) and (b) below:

(d) The Matching Contribution that would have been allocated to the Member's account under the Savings Plan for the Payroll Period based on the Member's actual Pre-Tax and After-Tax Elections under the Savings Plan as in effect on the immediately preceding December 31 without regard to the following limitations:

(1) The limitations imposed by Code section 401(a)(17) on the amount of the Member's Base Pay that may be taken into account under the Savings Plan as provided in section 1.09 of the Savings Plan.

(2) The limitations imposed by Code sections 401(k) and 401(m) on the Member's Actual Deferral Percentages and Contribution Percentages, respectively, under the Savings Plan as described in sections 3.07 and 3.11 of the Savings Plan.

(3) The limitations imposed by Code section 415 on the amount of Annual Additions that may be allocated to the Member's account under the Savings Plan as provided in Article VIII of the Savings Plan.

(e) The Matching Contributions that would have been allocated to the Member's account under the Savings Plan for the Payroll Period (taking into account the Limitations described in clauses (1), (2) and (3) of Plan section 3.02(a)), based on his After-Tax and Pre-Tax elections under the Savings Plan as in effect on the immediately preceding December 31.

For purposes of this subsection, the terms "Base Pay," "After-Tax Contributions," "Pre-Tax Contributions" "Actual Deferral Percentages," "Contribution Percentages" and "Annual Additions" shall have the meanings set forth in Article I of the Savings Plan.

3.06.**Allocation of Company Contributions**

Company Contributions made on behalf of a Member shall be allocated to the Member's Distribution Account as soon as practicable after such contributions are made as provided in Article IV.

ARTICLE IV
CONTRIBUTIONS

4.03.**Company Contributions**

(e) As soon as practicable after a Member's termination of employment with the Company and its Affiliates for any reason, the Company shall contribute to the Plan on behalf of the Member an amount equal to the balance of his vested Bookkeeping Account under this Part II, valued as of the Valuation Date coincident with or immediately preceding the date of distribution to the Member or his Beneficiary, as the case may be, under the Savings Plan. The preceding sentence to the contrary notwithstanding, the Company's contribution shall be made as of the first day of the seventh month beginning after the Member's termination of employment with the Company and its Affiliates for any reason if the Member is a Specified Employee and the termination is not because of the Member's death or because the Member is "disabled" as defined in Code section 409A.

(f) In the event that the Plan is required to make payments to an Alternate Payee pursuant to a Qualified Domestic Relations Order prior to the date that the Member terminates employment, the Company shall contribute to the Plan an amount equal to the value of the Member's vested Bookkeeping Account under this Part II awarded to the Alternate Payee under the Qualified Domestic Relations Order as of the Valuation Date immediately preceding the date of payment specified in the order. The value of the Member's vested Bookkeeping Account under this Part II as of the applicable Valuation Date shall be reduced by any amounts contributed by the Company on behalf of the Alternate Payee.

(g) If the Plan is terminated, and if Code section 409A allows the distribution of benefits on account of the termination, the Company shall contribute on behalf of each Member an amount equal to the balance of his Bookkeeping Account under this Part II valued as of the Valuation Date coincident with or immediately preceding the date the Plan termination becomes effective.

4.04.**Member Contributions**

Members shall not be required or permitted to make contributions to the Plan.

ARTICLE V
VALUATION AND ACCOUNTING

5.03.**Credits to Bookkeeping Accounts**

Amounts shall be credited to a Member's Bookkeeping Account under this Part II in whole and fractional shares of Tredegar Corporation common stock based on the shares that would have been purchased with such amounts and allocated to the Member's Matching Contribution Account under the Savings Plan. Additional amounts shall be credited to the Member's Bookkeeping Account under this Part II to the extent that cash dividends paid on such shares of stock would have been reinvested in Tredegar Common Stock Fund under the Savings Plan.

5.04.**Valuation of Bookkeeping Accounts**

(f) Each Member's Bookkeeping Account under this Part II shall be valued, pursuant to the provisions of Plan section 5.01 as of each Valuation Date, using the fair market value of the investment funds under the Savings Plan as reported in writing by the trustee for the Savings Plan.

(g) As of each Valuation Date, the value of a Member's Bookkeeping Account under this Part II shall be adjusted to reflect what would have been its share of income, gains and losses under the Savings Plan based on the investment of Matching Contributions allocated to the Member's account under the Savings Plan. The value of the Member's Bookkeeping Account under this Part II shall be adjusted to reflect cash dividends that would have been accrued or paid on shares of Tredegar Corporation common stock credited to such Bookkeeping Account as if held in the Member's Matching Contribution Account under the Savings Plan as well as charges, expenses and realized gains or losses that would have been allocated to such shares of stock under the Savings Plan.

ARTICLE VI
DISTRIBUTION

6.07.**Death, Permanent and Total Disability**

In the event of a Member's termination of employment by reason of death, Permanent and Total Disability, or retirement, the Plan shall pay the Member or his Beneficiary, as the case may be, the total value of the Member's Distribution Account under this Part II as of the Valuation Date next following the Member's termination of employment. The preceding sentence to the contrary notwithstanding, the distribution shall be made as of the first day of the seventh month beginning after the Member's termination of employment if the Member is a Specified Employee and the termination is not on account of the member's death or because the Member is "disabled" as defined in Code section 409A.

6.08.**Other Separation**

(c) In the event a Member terminates employment for reasons other than death, retirement, or Permanent and Total Disability, the Plan shall pay the Member the value of his Distribution Account that represents the value of his vested Bookkeeping Account under this Part II as of the Valuation Date next following the Member's termination of employment or, in the case of a Member who is a Specified Employee, the first day of the seventh month beginning after the Member's termination of employment.

(d) A Member shall become vested in his Bookkeeping Account at the same time and in the same manner as he becomes vested in his Matching Contribution Account under the terms of the Savings Plan.

6.09.**Qualified Domestic Relations Order Distributions**

Despite any other Plan provisions to the contrary, the Administrator must comply with the terms of a Qualified Domestic Relations Order. Payment will be made to the Alternate Payee in the manner specified by the Qualified Domestic Relations Order and as soon as practicable after the payment date specified in the Qualified Domestic Relations Order; provided, however, that in no event shall a distribution pursuant to this section exceed the value of the Member's vested Distribution Account under this Part II as of the Valuation Date coincident with or immediately preceding the date of distribution. Unless a contrary result is specified by the Qualified Domestic Relations Order, if the amount awarded to the Alternate Payee pursuant to a Qualified Domestic Relations Order does not exceed $3,500 as of the Valuation Date coincident with or immediately preceding the date such amount becomes payable, that amount will be paid to the Alternate Payee from the Member's vested Distribution Account under this Part II as soon as practicable following the date the Administrator determines that the domestic relations order is a Qualified Domestic Relations Order.

6.10.**Form of Distribution**

Payment shall be made from Part II of the Plan to a Member, Beneficiary or Alternate Payee in single cash sums.

6.11.**Federal Income Tax Withholding**

Members and, if applicable, Beneficiaries shall be provided with proper notice and election forms for the purpose of withholding Federal income tax from distributions from Part II of the Plan in accordance with Code section 3405.

6.12.**Discharge of Obligation**

Payment of all or a portion of the value of the Member’s vested Distribution Account under this Article shall discharge the Company’s obligation to the Member, his Beneficiary or Alternate Payee with respect to the corresponding value of the Member’s vested Bookkeeping Account under the Plan.

ARTICLE VII
ADMINISTRATION

7.08.**Appointment of Named Fiduciary and Plan Administrator**

Tredegar Corporation shall be the Administrator and Named Fiduciary of the Plan and shall be responsible for the operation and administration of the Plan except to the extent its duties are allocated to and assumed by persons or entities hereunder.

7.09.**Plan Administrator**

(a) To the extent required by law, the Administrator shall establish a funding policy and method to carry out the objectives of the Plan.

(b) The Administrator shall prepare such reports at such times and file such reports at such places as may be required by Federal statutes and regulations.

(c) Upon written request of any Member or Beneficiary eligible to receive benefits under the Plan, the Administrator shall furnish him a copy of the latest updated summary plan description, latest annual report and a copy of the Plan. The Administrator may make a reasonable charge for the costs of furnishing such copies.

(d) The Administrator shall maintain, on a plan or calendar year basis, employee and other such records as are necessary for the successful operation of the Plan and shall supply such full and timely information for all matters relating to the Plan as the Committee or Trustee may require for the effective discharge of their respective duties.

(e) The Administrator shall receive all applications for benefits and shall establish rules and procedures to be followed by Members and Beneficiaries in filing such applications and for furnishing and verifying all data which may be required in order to establish their rights to benefits in accordance with the Plan. Upon receipt of an application for benefits, the Administrator shall determine all facts which are necessary to establish the right of an applicant to benefits and the amount thereof. All approved benefits shall be paid at the direction of the Administrator. Such payments shall be made in accordance with the Administrator’s written directions setting forth the amount of such payments and the specific manner in which such payments are to be made. In carrying out its duties hereunder, the Administrator shall at all times rely on the construction and specific interpretations of the Plan as determined by the Committee.

7.10.**Employee Savings Plan Committee**

(a) The Employee Savings Plan Committee appointed by, and serving at the pleasure of, the Board of Directors of Tredegar Corporation, pursuant to section 9.03 of the Savings Plan shall have the powers and duties with respect to the Plan as described in this Plan section.

(b) The Committee shall make such rules and regulations as it deems necessary for operation of the Plan, shall determine all questions arising in the administration, interpretation and application of the Plan, review claims for benefits which have been denied, and shall perform all other functions which may be assigned to it by the Plan or the Administrator. Notwithstanding the powers granted hereunder, the Committee shall have no power to modify in any way any provision of the Plan.

(c) A member of the Committee who is also a Member of the Plan shall abstain from any action which specifically affects him as a Member of the Plan other than an action which affects all Members of the Plan. In the event of abstention, matters shall be decided by the remaining members of the Committee. Nothing herein shall prevent any member of the Committee who is also a Member of the Plan from receiving any benefit to which he may be entitled, so long as the benefit is computed and paid on a basis that is consistently applied to all other Members. The Committee may engage agents to assist it in its duties, and may consult with counsel, who may be counsel for the Company, with respect to the meaning or construction of this document and its obligations hereunder, or with respect to any action, proceeding, or question of law related thereto.

7.11.**Trustee**

The Board of Directors shall have the power to appoint one or more Trustees, to remove a Trustee at its discretion upon sixty (60) days’ written notice unless a shorter period is agreed to, to appoint a successor to any Trustee who has resigned, has been removed, or has ceased to serve for any other reason, and to appoint a co-Trustee with the consent of the Trustee then serving. The Trustee may resign at any time upon sixty (60) days’ written notice to the Company unless a shorter period is agreed to. The appointment of any Trustee or co-Trustee shall become effective upon the Trustee’s or co-Trustee’s acceptance of the appointment in writing. Each Trustee shall hold and invest the assets of the Plan under a Trust established pursuant to a Trust Agreement between the Company and the Trustee. Each Trustee shall further carry out all duties assigned to it by the Plan or the applicable Trust Agreement.

7.12.**Benefit Claims Review Procedure**

(a) Claims for benefits under the Plan may be submitted to the Administrator or such person as the Administrator may designate in writing who shall have the initial responsibility for determining the eligibility of any Member or Beneficiary for benefits. Such claims for benefits shall be made in writing and shall set forth the facts which such Member or Beneficiary believes to be sufficient to entitle him to the benefit claimed. The Administrator may adopt forms for the submission of claims for benefits in which case all claims for benefits shall be filed on such forms.

(b) Upon receipt of a claim, the Administrator must respond in writing within ninety (90) days. If necessary, the Administrator's first notice must indicate any special circumstances requiring an extension of time for the Administrator's decision. The extension notice must indicate the date by which the Administrator expects to give a decision. An extension of time for processing may not exceed ninety (90) days after the end of the initial ninety (90) day period.

(c) If the written claim for a Plan benefit is wholly or partially denied or the claimant has had no response, the claimant or his duly authorized representative, at the sole expense of the claimant, may appeal the denial within sixty (60) days of the date of the denial or the expiration of the time period provided in subsection (b) to the:

Manager of Employee Benefits
Tredegar Corporation
1100 Boulders Parkway
Richmond, Virginia 23225

An adverse notice must be written in a manner calculated to be understood by the claimant and must include (i) each reason for denial; (ii) specific references to the pertinent provisions of the Plan or related documents on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why that material or information is needed; and (iv) appropriate information about the steps to be taken if the claimant wishes to submit the claim for review.

(d) In pursuing his appeal the claimant or his representative:

(1) may request in writing that the Employee Savings Plan Committee review the denial;

(2) may review pertinent documents; and

(3) may submit issues and comments in writing.

(e) The decision on review shall be made within sixty (60) days; provided that the sixty (60) day period may be extended for an additional sixty (60) days by written notice to the claimant setting forth the reasons for the extension. The decision on review shall be made in writing, shall include specific reasons for the decision, shall be written in a manner calculated to be understood by the claimant and shall contain specific references to the pertinent Plan provisions on which the decision is based.

7.13.**Administrative Costs**

All reasonable costs incurred in the administration of the Plan, excluding legal fees and recordkeeping charges, shall be paid from the Trust Fund. No Employee of the Company or an Affiliate shall be entitled to compensation for his services with respect to the Plan other than his normal compensation received as an employee of the Company or an Affiliate, but he shall be entitled to reimbursement for his reasonable expenses incurred in the administration of the Plan.

7.14.**Fiduciary Discretion**

In discharging the duties assigned to it under the Plan, the Committee and each other fiduciary with respect to the Plan has the discretion to interpret the Plan; adopt, amend and rescind rules and regulations pertaining to its duties under the Plan; and to make all other determinations necessary or advisable for the discharge of its duties under the Plan. Each fiduciary's discretionary authority is absolute and exclusive if exercised in a uniform and nondiscriminatory manner with respect to similarly situated individuals. The express grant in the Plan of any specific power to a fiduciary with respect to any duty assigned to it under the Plan must not be construed as limiting any power or authority of the fiduciary to discharge its duties. A fiduciary's decision is final and conclusive unless it is established that the fiduciary's decision constituted an abuse of its discretion.

ARTICLE VIII
AMENDMENT AND TERMINATION OF THE PLAN

8.01.**Amendment of the Plan**

The Company shall have the right by action of the Board of Directors to modify, alter or amend the Plan in whole or in part to the extent allowed by law; provided that the duties, powers and liabilities of the Trustee shall not be increased without its written consent; provided further that any such action shall not, in any way, adversely affect the benefits of individuals who have terminated their employment under the Plan prior to the effective date of such action, or of their Beneficiaries, nor shall it adversely affect amounts credited to Members prior to the effective date of such action. No amendment, modification or alteration shall have the effect of revesting in the Company any part of the principal or income of the Trust Fund.

8.02.**Termination of the Plan**

The Company expects to continue this Plan indefinitely, but continuance is not assumed as a contractual obligation and the Company reserves the right to terminate the Plan at any time. Upon termination of the Plan, the rights of the then Members in their Bookkeeping Accounts shall be nonforfeitable and, if Code section 409A allows a distribution of benefits on account of the Plan’s termination, as soon as practicable thereafter the Company shall (i) contribute on behalf of each Member an amount equal to the value of his Bookkeeping Account and (ii) distribute that amount to the Member as soon as practicable after the contribution is made. Any amount that Code section 409A does not allow to be distributed upon Plan termination shall be paid to each Member in the manner described in Plan section 6.01.

ARTICLE IX
MERGER AND CONSOLIDATION OF THE PLAN

In the event of a merger or consolidation of the Plan with another plan or the transfer of assets or liabilities from the Plan to another plan, the balance in each Member's Account immediately after such event shall be equal to the balance in his Account immediately prior to such event.

ARTICLE X
GENERAL PROVISIONS

10.10.**Return of Company Contributions**

This Plan has been created for, where applicable, the exclusive purpose of providing benefits to the Members and their Beneficiaries. The Plan shall be interpreted in a manner consistent with applicable provisions of ERISA. Company contributions to the Plan may be returned to the Company (1) within one year of the date such funds are contributed if the contribution is made by reason of a mistake of fact or (2) to the extent of the disallowance of a tax deduction for such contribution and within one year of such disallowance, if the contribution is conditioned on its deductibility.

10.11.**No Guaranty of Employment**

The Plan shall not be deemed to constitute a contract between the Company and any Member or to be consideration or an inducement for the employment of any Member of the Company. Nothing contained in the Plan shall be deemed to give any Member the right to be retained in the service of the Company or to interfere with the rights of the Company to discharge or to terminate the service of any Member at any time without regard to the effect such discharge or termination may have on any rights under the Plan.

10.12.**Payments to Minors and Incompetents**

If a Member or Beneficiary entitled to receive any benefits hereunder is a minor or is deemed so by the Administrator or is adjudged to be legally incapable of giving valid receipt and discharge for such benefits, benefits will be paid to such person as the Administrator might designate. Such payments shall, to the extent made, be deemed a complete discharge of any liability for such payment under the Plan.

10.13.**Non-Alienation of Benefits**

(a) To the extent permitted by law, no benefit payable under the Plan will be subject in any manner to anticipation, assignment, garnishment, or pledge; and any attempt to anticipate, assign, garnish or pledge the same will be void and no such benefits will be made in any manner liable for or subject to the debts, liabilities, engagements or torts of any Members.

(b) Despite any other Plan provisions to the contrary, the Administrator must comply with the terms of a Qualified Domestic Relations Order. The Plan is not liable for any payments pursuant to a domestic relations order until the Administrator has received the order and determined that it is a Qualified Domestic Relations Order. The Administrator must establish reasonable written procedures for determining the qualified status of a domestic relations order and for administering distributions under a Qualified Domestic Relations Order. The Administrator must promptly notify the Member and each Alternate Payee of the receipt of a domestic relations order and of the procedures for determining its qualified status.

10.14.**Headings and Subheadings**

The headings and subheadings in this Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

10.15.**Use of Masculine and Feminine; Singular and Plural**

In the construction of the Plan the masculine shall include the feminine and the singular the plural in all cases where such meanings are indicated by the context.

10.16.**Unclaimed Benefits**

If the Administrator, or the Trustee with the assistance of the Administrator, cannot make payment of any amount to a Member or Beneficiary within five (5) years after such amount becomes payable because the identity or whereabouts of such individual cannot be ascertained, the Administrator, at the end of such five (5) year period, will direct that the amounts which would have been payable to such Member or Beneficiary be segregated by the Trustee and thereafter dealt with according to the laws of the Commonwealth of Virginia relating to abandoned intangible personal property held in a fiduciary capacity.

10.17.**Beneficiary Designation**

At the time of enrollment in the Plan, each Member, with the consent of his spouse pursuant to Plan section 1.04, if applicable, must designate a Beneficiary to receive settlement of his Plan account in the event of his death during employment. A Member, with the consent of his spouse pursuant to Plan section 1.04, if applicable, may, from time to time, change a Beneficiary or Beneficiaries under the Plan. In the event that no designated Beneficiary is surviving at the time of the Member’s death, settlement under the Plan will be made as provided in Plan section 1.04.

10.18.**Errors and Omissions**

It shall be the responsibility of those individuals and entities charged with the administration of the Plan to see that it is administered in accordance with its terms so long as it is not in conflict with ERISA. In the event an innocent error or omission is discovered in the operation or administration of the Plan, which in the judgment of the Committee would cost more to correct than is warranted by the error or omission and which in such Committee’s judgment did not result in discrimination in operation, in favor of the prohibited group of officers, shareholders, and highly

compensated employees, then, to the extent such adjustment will not in such Committee's judgment result in such prohibited group, the Committee deems necessary or desirable to correct the error or omission, including but not limited to the authorization of additional Company contributions designed, in a manner consistent with the goodwill intended to be engendered by the Plan, to put Members in the same relative position they would have been in but for such error or omission.

ARTICLE XI
ADOPTION OF PLAN

As evidence of its adoption of the Plan herein constituted, Tredegar Corporation has caused this instrument to be signed by its duly authorized officer this 7th day of May, 2007.

TREDEGAR CORPORATION

By: /s/ Lynn B. Firebaugh

Lynn B. Firebaugh

Exhibit 10.23

Summary of Director Compensation for Fiscal 2013

Each member of the Board of Directors who is not an employee of Tredegar or any of its subsidiaries receives the following annual retainers, payable in equal quarterly installments in arrears:

Non-Employee Director	$	113,000
Chairman of the Board	$	65,000
Audit Committee Chairperson	$	16,000
Non-Chair Member of the Audit Committee	$	9,500
Executive Compensation Committee Chairperson	$	11,000
Non-Chair Member of the Executive Compensation Committee	$	7,000
Nominating and Governance Committee Chairperson	$	7,500
Non-Chair Member of the Nominating and Governance Committee	$	4,500
Executive Committee Chairperson	$	9,000
Non-Chair Member of the Executive Committee	$	4,500
Member of the Investment Policy Committee	$	625

The retainer paid to non-employee directors is paid in cash of $56,500 and in the form of a stock award of $56,500. The retainer paid to the Chairman of the Board is paid in cash of $32,500 and in the form of a stock award of $32,500. The stock award is determined based on the closing price of Tredegar common stock as reported on the New York Stock Exchange composite on the date of grant.

Exhibit 21

Tredegar Corporation

Entity	State of Incorporation
Tredegar Corporation	Virginia
AACOA, Inc.	Michigan
AACOA Extrusions, Inc.	Michigan
AFBS, Inc.	Virginia
Bon L Aluminum LLC	Virginia
Bon L Campo Limited Partnership	Virginia
Bon L Holdings LLC	Virginia
Bon L Manufacturing Company	Virginia
The William L Bonnell Company, Inc.	Georgia
Bright View Technologies Corporation	Virginia
El Campo GP, LLC	Virginia
Guangzhou Tredegar Film Products Company Limited	China
Idlewood Properties, Inc.	Virginia
Jackson River Mountain Properties, LLC	Virginia
TAC Holdings LLC	Virginia
Terphane Acquisition Corp. II	Cayman Islands
Terphane Holdings LLC	Delaware
Terphane Inc.	Delaware
Terphane Limitada	Brazil
Tredegar Brasil Industria de Plasticos Ltda.	Brazil
Tredegar Capital Holdings, LLC	Virginia
Tredegar Far East Corporation	Virginia
Tredegar Film Products B.V.	The Netherlands
Tredegar Film Products Company Shanghai, Limited	China
Tredegar Film Products Corporation	Virginia
Tredegar Film Products (Europe), Inc.	Virginia
Tredegar Film Products India Private Limited	India
Tredegar Film Products Kft.	Hungary
Tredegar Film Products (Korea), Inc.	Korea
Tredegar Film Products - Lake Zurich, LLC	Virginia
Tredegar Film Products (Latin America), Inc.	Virginia
Tredegar Film Products (U.S.) LLC	Virginia
Tredegar Films Development, Inc.	Virginia
Tredegar Films RS Converting, LLC	Virginia
Tredegar Investments, Inc.	Virginia
Tredegar Investments II, Inc.	Virginia
Tredegar Performance Films Inc.	Virginia
Tredegar Real Estate Holdings, Inc.	Virginia

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 33-31047, File No. 33-50276, File No. 333-12985, File No. 333-63487, File No. 333-88177, File No. 333-120132, File No. 333-115423, File No. 33-64647, File No. 333-66562, File No. 33-57268) of Tredegar Corporation of our report dated February 28, 2014 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Richmond, Virginia
February 28, 2014

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (File No. 33-31047, File No. 33-50276, File No. 333-12985, File No. 333-63487, File No. 333-88177, File No. 333-120132, File No. 333-115423, File No. 33-64647, File No. 333-66562, File No. 33-57268) of Tredegar Corporation of our report dated February 11, 2014, relating to the financial statements of kaleo, Inc. as of December 31, 2013 and 2012, and for each of the years in the three-year period ended December 31, 2013, which is included as an exhibit in the Form 10-K of Tredegar Corporation for the year ended December 31, 2013.

/s/ Dixon Hughes Goodman LLP

Richmond, Virginia
February 27, 2014

EXHIBIT 31.1

Section 302 Certification

I, Nancy M. Taylor, certify that:

(1) I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2013, of Tredegar Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Nancy M. Taylor

Nancy M. Taylor
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Section 302 Certification

I, Kevin A. O'Leary, certify that:

(1) I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2013, of Tredegar Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ Kevin A. O'Leary

Kevin A. O'Leary,
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Tredegar Corporation (the “Company”) for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nancy M. Taylor, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nancy M. Taylor

Nancy M. Taylor
President and Chief Executive Officer
(Principal Executive Officer)
February 28, 2014

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Tredegar Corporation (the “Company”) for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin A. O’Leary, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin A. O’Leary

Kevin A. O’Leary
Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)
February 28, 2014

Financial Statements
Years Ended
December 31, 2013, 2012, and 2011

kaleo, Inc.

kaleo, Inc. (formerly known as Intelliject, Inc.)

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Report of Independent Registered Public Accounting Firm

Board of Directors
kaleo, Inc.

We have audited the accompanying financial statements of ***kaleo, Inc., (formerly known as Intelliject, Inc.),*** which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***kaleo, Inc.*** as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

/s/ Dixon Hughes Goodman LLP

Richmond, Virginia
February 11, 2014

kaleo, Inc.

Balance Sheets

December 31,		2013		2012
Assets				
Current assets				
Cash and cash equivalents	$	33,560,082	$	53,288,171
Accounts receivable royalties		2,886,068		—
Other receivables		—		4,427
Income taxes receivable		2,635,502		—
Prepaid expenses		159,879		681,763
Total current assets		39,241,531		53,974,361
Property and equipment				
Furniture and equipment		191,255		147,266
Manufacturing equipment		6,449,555		1,180,901
Leasehold improvements		130,651		34,993
Construction in progress		5,073,840		3,348,426
		11,845,301		4,711,586
Less - accumulated depreciation and amortization		(1,286,300)		(689,707)
Property and equipment - net		10,559,001		4,021,879
Other assets				
Security and other deposits		15,492		57,339
Patents - net		2,432,688		2,151,442
Other long-term assets		430,055		198,961
Total other assets		2,878,235		2,407,742
Total assets	$	52,678,767	$	60,403,982

	2013	2012
Liabilities, Redeemable Preferred Stock, and Shareholders' Equity		
Current liabilities		
Accounts payable - trade	$ 1,256,367	$ 1,259,042
Accrued expenses	3,588,248	2,754,439
Current portion of long-term debt - net of discount	5,414,282	—
Income taxes payable	—	9,391,475
Total current liabilities	10,258,897	13,404,956
Long-term liabilities		
Other long-term liabilities	979,709	522,920
Long-term debt - net of current portion and discount	9,371,513	14,695,603
Deferred tax liability	1,676,431	484,694
Deferred compensation	441,989	441,989
Total long-term liabilities	12,469,642	16,145,206
Total liabilities	22,728,539	29,550,162
Commitments and contingencies - see Note 8		
Redeemable preferred stock		
Series B-1 Preferred Stock, redeemable and convertible		
($0.001 par value; 1,988,780 shares authorized; issued and outstanding-none)		
Series A-4 Preferred Stock, redeemable and convertible		
($0.001 par value; 3,689,840 shares authorized; issued and outstanding-none)		
Series B Preferred Stock, redeemable and convertible		
($0.001 par value; 1,988,780 shares authorized; issued and outstanding 1,906,254)	6,521,622	6,217,459
Series A-3 Preferred Stock, redeemable and convertible		
($0.001 par value; 3,689,840 shares authorized; issued and outstanding 3,689,840)	11,071,312	10,585,168
Series A-2 Preferred Stock, redeemable and convertible		
($0.001 par value; 2,737,380 shares authorized; issued and outstanding 2,737,380)	4,377,273	4,192,036
Total redeemable preferred stock	21,970,207	20,994,663
Shareholders' equity		
Series A-1 Preferred Stock		
($0.001 par value; 462,000 shares authorized; issued and outstanding 462,000, with aggregate liquidation preferences of $607,502)	462	462
Common stock		
($0.001 par value; 16,939,140 shares authorized; issued and outstanding 6,527,851 and 5,522,035 at December 31, 2013 and 2012, respectively)	6,528	5,522
Paid-in capital	(8,836,717)	(9,672,393)
Retained earnings	16,809,748	19,525,566
Total shareholders' equity	7,980,021	9,859,157
Total liabilities, redeemable preferred stock, and shareholders' equity	$ 52,678,767	$ 60,403,982

The accompanying notes are an integral part of these financial statements.

Statements of Operations

Year Ended December 31,	2013	2012	2011
Revenues			
Milestones and up-front licensing fees	$ —	$ 38,179,348	$ 8,839,100
Royalties	15,305,235	—	—
Total revenues	15,305,235	38,179,348	8,839,100
Costs and expenses			
Research and development	9,058,602	6,559,676	4,834,825
General and administrative	8,009,823	5,333,875	5,652,471
Total costs and expenses	17,068,425	11,893,551	10,487,296
Operating income (loss)	(1,763,190)	26,285,797	(1,648,196)
Other income (expense)			
Loss on disposal of equipment	(2,985)	(49)	—
Interest expense	(1,559,656)	(1,181,360)	—
Interest income	—	1,466	13,010
Other income (expense), net	(1,562,641)	(1,179,943)	13,010
Income (loss) before income taxes	(3,325,831)	25,105,854	(1,635,186)
Income tax (expense) benefit	1,585,557	(9,642,141)	926,865
Net income (loss)	$ (1,740,274)	$ 15,463,713	$ (708,321)

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Shareholders' Equity

Years ended December 31, 2013, 2012, and 2011

	Series A-1 Preferred Stock	Common Stock	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Total
Balance (deficit) - December 31, 2010	$ 462	$ 5,286	$ (10,127,095)	$ 6,723,935	$ (3,397,412)
Dividends accrued on redeemable preferred stock	—	—	—	(975,544)	(975,544)
Stock compensation	—	—	183,930	—	183,930
Proceeds from exercise of stock options/warrants	—	84	35,652	—	35,736
Net loss	—	—	—	(708,321)	(708,321)
Balance (deficit) - December 31, 2011	$ 462	$ 5,370	$ (9,907,513)	$ 5,040,070	$ (4,861,611)
Dividends accrued on redeemable preferred stock	—	—	—	(978,217)	(978,217)
Stock compensation	—	—	150,678	—	150,678
Proceeds from exercise of stock options/warrants	—	152	84,442	—	84,594
Net income	—	—	—	15,463,713	15,463,713
Balance (deficit) - December 31, 2012	$ 462	$ 5,522	$ (9,672,393)	$ 19,525,566	$ 9,859,157
Dividends accrued on redeemable preferred stock	—	—	—	(975,544)	(975,544)
Stock compensation	—	—	204,676	—	204,676
Proceeds from exercise of stock options/warrants, including related excess tax benefits of $138,080	—	1,006	631,000	—	632,006
Net loss	—	—	—	(1,740,274)	(1,740,274)
Balance (deficit) - December 31, 2013	$ 462	$ 6,528	$ (8,836,717)	$ 16,809,748	$ 7,980,021

The accompanying notes are an integral part of these financial statements.

kaleo, Inc.

Statements of Cash Flows

Year Ended December 31,	2013	2012	2011
Cash flows from operating activities			
Net income (loss)	$ (1,740,274)	$ 15,463,713	$ (708,321)
Adjustments to reconcile to net cash from operating activities:			
Depreciation	669,438	240,157	168,261
Amortization of patents	189,580	106,673	180,162
Amortization of rent inducement	(26,979)	(2,041)	(299)
Amortization of debt discount	90,192	56,370	—
Amortization of debt issuance costs	58,952	36,845	—
Loss on disposal of equipment	2,985	49	—
Deferred taxes	1,191,737	215,319	3,579,000
Stock compensation	204,676	150,678	183,930
Change in:			
Accounts receivable royalties	(2,886,068)	—	—
Other receivables	4,427	61,913	127,872
Prepaid expenses	521,884	(259,160)	(86,465)
Security and other deposits	41,847	24,432	237,000
Other long-term assets	(290,046)	—	—
Accrued expenses	860,788	2,428,676	(354,743)
Accounts payable- trade	(2,675)	401,856	52,131
Income taxes (receivable)/ payable	(12,026,977)	13,796,349	(3,070,258)
Other long-term liabilities	456,789	135,174	(795)
Deferred revenue	—	—	(8,839,100)
Net cash from operating activities	(12,679,724)	32,857,003	(8,531,625)
Cash flows from investing activities			
Proceeds from disposal of equipment	803	—	—
Patent costs	(470,826)	(389,739)	(398,351)
Purchase of property and equipment	(7,210,348)	(3,653,267)	(299,775)
Net cash from investing activities	(7,680,371)	(4,043,006)	(698,126)
Cash flows from financing activities			
Proceeds from exercise of stock options/warrants, including related excess tax benefits of $138,080 for 2013	632,006	84,594	35,736
Proceeds from long-term borrowings	—	15,000,000	—
Costs incurred for debt issuance	—	(235,806)	—
Net cash from financing activities	632,006	14,848,788	35,736
Net change in cash and cash equivalents	(19,728,089)	43,662,785	(9,194,015)
Cash and cash equivalents - beginning of year	53,288,171	9,625,386	18,819,401
Cash and cash equivalents - end of year	$ 33,560,082	$ 53,288,171	$ 9,625,386
Supplemental disclosure of cash flow information			
Cash paid for interest (net of amounts capitalized)	$ 969,869	$ 805,437	$ —
Cash paid for income taxes	$ 9,111,577	$ 35,347	$ 55,833
Cash received from refunds of income taxes paid	$ —	$ 4,404,874	$ 1,491,440
Supplemental disclosure of noncash investing and financing activities			
Allocation of long-term debt proceeds to warrant	$ —	$ 360,767	$ —

The accompanying notes are an integral part of these financial statements.

1. Organization and Nature of Business

kaleo, Inc. (Company), headquartered in Richmond, Virginia, is a pharmaceutical company dedicated to developing and commercializing a new generation of life-saving personal medical products to meet patient's needs. The Company believes patients are experts on their medical condition and are an integral part of the Company's product development process. Each of the Company's products combines an established drug with an innovative delivery platform with the goal of achieving superiority, cost effectiveness and patient preference.

The Company changed its name from Intelliject, Inc. to kaleo, Inc. in 2013 following a rebranding effort to better communicate the future and vision of the Company. In addition, the Company effected a reincorporation from Delaware into Virginia pursuant to which the Virginia corporation was deemed to be the same entity as the Delaware corporation that existed prior to the reincorporation. There were no changes to the capitalization, business, assets or liabilities of the Company.

The Company uses "kaléo" as the form of its name for branding and marketing purposes. The name kaléo is from the Greek word meaning a calling or a purpose. The Company believes that this meaning is quite fitting for "why we do what we do." The Company's name has changed, but its focus on patients and patient-led innovation has not. The kaléo team is the same team committed to pursuing its passion of empowering patients to gain freedom from their medical conditions.

The Company continues to develop additional products for targeted therapeutic areas that leverage its intellectual property and know-how with the goal of creating personal medical products that provide superiority over the existing standards of care, improved cost effectiveness and superior patient preference. The Company has a late stage product pipeline in multiple therapeutic areas. The Company plans to self-commercialize certain of its pipeline products and to partner with companies on other pipeline products. For the next product in its pipeline, the Company completed the submission of its New Drug Application (NDA) to the U.S. Food and Drug Administration (FDA) in 2013.

For its first product, the Company executed a license and development agreement with sanofi-aventis U.S. LLC (Sanofi) in 2009 licensing the commercialization rights in North America to a novel epinephrine auto-injector utilizing certain of the Company's technology platforms (see Note 3). Under the terms of the agreement, the Company led the development and regulatory approval efforts associated with the epinephrine auto-injector.

In 2012, the Company received notice of approval by the FDA and by Health Canada of the applications related to the epinephrine auto-injector, which is commercialized by Sanofi in the United States and Canada under the brand names of Auvi-Q® and Allerject™, respectively. The Company retains full commercial rights to the epinephrine auto-injector in all rest of world territories. The Company assisted Sanofi in achieving manufacturing start-up activities (Sanofi is responsible for manufacturing and commercialization). In January 2013, Sanofi commenced commercial sales of Auvi-Q and Allerject in the U.S. and Canada, respectively. Under the terms of the license and development agreement, the Company is receiving double digit tiered royalties on the net sales of these products. The Company has earned and received milestones and royalties as further described in Note 3 in connection with fulfilling its obligations under the agreement.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand in excess of daily operating requirements and highly liquid investments purchased with original maturities of three months or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Concentrations

At times, the Company may have cash and cash equivalents at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. In previous years, the Company utilized the Certificate of Deposit Account Registry Service (CDARS) program to minimize this risk. Since May 2012, the Company has placed its cash and cash equivalents with financial institutions where the Company's management periodically monitors the credit ratings of those financial institutions based on publicly available data. On January 1, 2013, the Transaction Account Guarantee program, which provided unlimited FDIC backing of non-interest bearing transaction accounts, expired such that the FDIC standard maximum insurance amount per depositor per account returned to $250,000. At December 31, 2013, the Company's cash balance in excess of the $250,000 limit was not covered by FDIC insurance and at December 31, 2012, there were no balances of cash and cash equivalents in excess of insured limits.

Based on the Company's operations at December 31, 2013, the primary sources of revenue applicable to the Company are derived from the license and development agreement with Sanofi for the epinephrine auto-injector (see Notes 1 and 3). The Company continues to develop additional products for other targeted therapeutic areas and has a late stage product pipeline in certain areas (see Note 1).

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments reflected in the balance sheets for cash and cash equivalents, receivables, prepaid expenses, other current assets, accounts payable and accrued expenses approximate their fair values due to their short maturities.

Property and Equipment

Property and equipment includes costs of assets constructed or purchased, related delivery and installation costs and interest incurred on significant capital projects during their construction periods. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of operations. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method for financial statement purposes and on the modified accelerated cost recovery method for income tax purposes.

The estimated useful lives for property and equipment are as follows:

Furniture and equipment	3-5 years
Manufacturing equipment	5 years
Leasehold improvements	3-7 years

Accounting for the Impairment of Long-Lived Assets

The Company reviews long-lived assets for possible impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future undiscounted cash flows are less than the carrying amount. If the undiscounted cash flow is less than the carrying amount of the asset, an impairment loss is recognized and such loss is computed based on the estimated fair value of the asset, generally determined on a discounted cash flow basis. For the periods ended December 31, 2013, 2012, and 2011, respectively, no impairment losses were recorded.

Patents

As a result of the Company's research and development efforts, the Company has obtained, applied for, or is applying for, a number of patents to protect proprietary technology and inventions. The Company capitalizes direct and incremental costs paid to third parties to create or protect patents. Patents are carried at cost less accumulated amortization which is calculated on a straight-line basis over the remaining life of the patent class which approximates its remaining useful life.

Accrued Expenses

As part of the process of preparing financial statements, management is required to estimate accrued expenses. This process involves identifying services that have been performed on the Company's behalf and estimating the level of service performed and the associated cost incurred for such service where the Company has not been invoiced or otherwise notified of the actual cost. Examples of estimated accrued expenses include, but are not limited to, professional service fees; contract clinical service fees; fees for the development, manufacture and supply of the Company's products which includes: (i) long-term supply agreements with third-party manufacturers, (ii) research and development fees (including those related to clinical trials) for new and existing products, (iii) fees for capital expenditures (including assembly lines for components and final products); fees for contract sales organization services for commercial activities for the next product in the Company's pipeline; and fees paid to third party data collection organizations and investigators in conjunction with clinical trials.

In connection with such fees, management's estimates are most affected by its projections of the timing of services provided relative to the actual level of services incurred by such service providers. The majority of the Company's service providers invoice monthly in arrears for services performed. In the event that management does not identify certain costs that have begun to be incurred, or under or over estimates the level of services performed, or the costs of such services, actual expenses could differ from such estimates. The date on which certain services commence, the level of services performed on or before a given date, and the cost of such services are often subjective determinations. Management makes these judgments based upon the facts and circumstances known to it and accrues for such costs in accordance with generally accepted accounting practices in the United States (GAAP). This is done as of each balance sheet date in the financial statements.

Research and Development Expenses

Research and development expenses include costs directly attributable to the conduct of research and development programs, including the cost of salaries and benefits, materials, supplies, costs related to research collaboration, and the costs of services provided by outside contractors. All costs associated with research and development are expensed as incurred.

Revenue Recognition

Based on the Company's current operations and license agreement, the primary sources of revenue applicable to the Company include upfront license payments, milestone payments and royalties on product sales. Revenue arrangements with multiple deliverables are reviewed to determine the appropriate method of revenue recognition

taking into consideration a number of factors, including whether the various elements can be considered separate units of accounting, whether there is objective and reliable evidence of fair value for these elements, and whether there is a separate earnings process associated with a particular element of an agreement. Specifically, the Company accounts for each of these items as follows:

- Upfront, licensing-type fees. Upfront, licensing-type payments are assessed to determine whether or not the licensee is able to obtain any stand-alone value from the license. Where this is not the case, the Company does not consider the license deliverable to be a separate unit of accounting, and the revenue is deferred with revenue recognition for the license fee being assessed in conjunction with the other deliverables that constitute the combined unit of accounting.

- Milestone payments. Milestone payments are assessed on an individual basis and revenue is recognized from these milestone payments when earned provided that (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement, (ii) the milestone represents the culmination, or progress towards the culmination, of an earnings process and (iii) the milestone payment is non-refundable. Where separate milestones do not meet these criteria, the Company would default to a performance-based model, with revenue recognition following delivery of effort as compared to an estimate of total expected effort.

- Royalties. The Company recognizes revenue from royalties based on licensees' sales of products or services using the Company's licensed products under the respective licensing agreement. Royalties are recognized as earned in accordance with the contract terms when royalties from licensees can be reasonably estimated and collectibility is reasonably assured. If the collectibility of a royalty amount is not reasonably assured, royalties are recognized as revenue when the cash is received.

- Combined units of accounting. Where there are multiple deliverables combined as a single unit of accounting, revenues are deferred and recognized over the period during which the Company remains obligated to perform services or deliver product. The specific methodology for the recognition of the revenue (e.g., straight-line or according to specific performance criteria) is determined on a case-by-case basis according to the facts and circumstances applicable to a given contract.

Payments received in excess of revenues recognized are recorded as deferred revenue until such time as the revenue recognition criteria have been met.

Share-Based Compensation

The Company measures the share-based compensation cost at grant date, based on the estimated fair value of the award, and recognizes the cost as expense on a straight-line basis (net of estimated forfeitures) over the requisite service period, if any, which generally is the vesting period. Fair value is determined based on a valuation performed by an independent third party firm to establish the exercise price for equity awards at the time of the grant. The Company uses the Black-Scholes formula to value the shares or options awarded.

Income Taxes

Income taxes are recognized during the period in which transactions enter into the determination of income for financial reporting purposes and the Company accounts for income taxes using the liability method. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. The Company provides a valuation allowance against net deferred tax assets unless, based upon the available evidence, it is more likely than not that the deferred tax asset will be realized.

In order for the Company to record the benefit of a tax position in its financial statements, it must determine that it is more likely than not that the position will be sustained, based on the technical merits of the position, if the taxing authority examines the position and the dispute is litigated. The determination is made on the basis of all the facts, circumstances and information available as of the reporting date. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2013. Tax years ending on or after December 31, 2009 remain subject to examination by federal and state tax authorities, with the exception that the Company's federal tax return for the year ended December 31, 2011 was audited in 2012. The Company's practice is to recognize interest and penalties related to income tax matters as a component of income tax expense. To date, there have been de minimis interest or penalties charged to the Company in relation to the underpayment of income taxes.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Subsequent Events

The Company evaluated all subsequent events through February 11, 2014, the date the financial statements were available to be issued.

3. Licensing Agreement

In November 2009, the Company entered into a license and development agreement granting Sanofi exclusive rights to develop and commercialize a novel epinephrine auto-injector in North America (License Agreement) utilizing certain of the Company's intellectual property. In exchange for these rights, the Company received a non-refundable upfront payment of $25 million and eligibility to receive development and commercialization milestones of up to $205 million as well as double digit tiered royalties on the net sales of the epinephrine auto-injector commercialized under the License Agreement in the defined field of use and territory. In addition to the non-refundable upfront payment, the Company has also received non-refundable milestones totaling $53.2 million and earned royalties of $15.3 million cumulatively through December 31, 2013. The Company remains eligible to receive additional non-refundable milestone payments of up to $150 million, as well as continued double digit tiered royalties on the net sales of the epinephrine auto-injector products. Under the License Agreement, the Company was responsible for development and for obtaining regulatory approval, while Sanofi has responsibility for manufacturing and commercialization. The Company also retained certain co-promotion rights in the territory.

The Company received a non-refundable upfront payment of $25 million upon execution of the License Agreement. The License Agreement contains multiple elements and was evaluated in accordance with arrangements containing multiple deliverables. The License Agreement, the execution of which represented one deliverable, requires that members of the Company participate on several joint-planning committees covering aspects of development, manufacturing and commercialization. The Company concluded that its participation on certain joint-planning committees until certain regulatory approval and commercial readiness activities were completed was a deliverable rather than only protective of the Company's interests. In addition, the Company determined that completion of its development and pre-commercialization efforts during the time prior to regulatory approval and commercial readiness of the epinephrine auto-injector was also part of the same deliverable under the License Agreement. Further, the Company concluded that the upfront license payment did not have value to Sanofi on a stand-alone basis without the benefit of the specified development activities that the Company was to perform and its participation on joint-planning committees. Therefore, the Company determined that these multiple deliverables were properly combined as a single unit of accounting and that the $25 million upfront payment should be deferred and recognized as revenue on a straight-line basis from the time of execution of the License Agreement through the period the Company had

the substantial performance obligations described above, which resulted in the recognition of revenue of approximately $8.8 million, $14.1 million, and $2.1 million during the years ended December 31, 2011, 2010 and 2009, respectively.

The Company received a $15 million payment in 2010 upon achieving a development milestone, which was contingent upon the issuance of certain valid patents under specified U.S. patent applications filed by the Company covering specified claims within those patent applications. Management determined that the issuance of the specified claims within the patents, and thus the achievement of the milestone, enhanced the value of the Company's intellectual property licensed under the License Agreement. The payment related to past performance and the culmination of an earnings process and was reasonable relative to other deliverables and payment terms in the License Agreement. In addition, the milestone payment was non-refundable and its achievability was not reasonably assured at the inception of the License Agreement. Therefore, the Company recognized the entire $15 million as revenue in 2010.

The Company received a $38.2 million payment in 2012 upon achieving a development milestone, which was contingent upon obtaining final approval from the FDA and assisting Sanofi in achieving certain manufacturing scale up activities. The payment related to past performance and the culmination of an earnings process and was reasonable relative to other deliverables and payment terms in the License Agreement. In addition, the milestone payment was non-refundable and its achievability was not reasonably assured at the inception of the License Agreement. Therefore, the Company recognized the entire $38.2 million as revenue in 2012.

In January 2013, Sanofi commenced commercial sales of Auvi-Q and Allerject in the U.S. and Canada, respectively. Under the terms of the License Agreement, the Company is entitled to double digit tiered royalties on the net sales of these products. Royalties are payable to the Company on a quarterly basis in the quarter after such royalty is earned. The Company recognized $15.3 million in royalties for the year ended December 31, 2013.

During the years ended December 31, 2013, 2012 and 2011, the Company recognized approximately $15.3 million, $38.2 million and $8.8 million, respectively, of revenue in connection with the items described above.

4. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2013	2012
Furniture and equipment	$ 191,255	$ 147,266
Manufacturing equipment	6,449,555	1,180,901
Leasehold improvements	130,651	34,993
Construction in progress	5,073,840	3,348,426
	11,845,301	4,711,586
Less – accumulated depreciation and amortization	(1,286,300)	(689,707)
	$ 10,559,001	$ 4,021,879

5. Patents

Patents consisted of the following as of December 31:

	2013	2012
Patents	$ 3,382,624	$ 2,911,798
Less – accumulated amortization	(949,936)	(760,356)
	$ 2,432,688	$ 2,151,442

Based on the net patent balance at December 31, 2013, the amortization expense for the next five years is estimated to be approximately $206,500 for each of the years ending December 31, 2014, 2015, 2016, 2017 and 2018 for a combined total of approximately $1,032,500 over the five year period.

6. Debt

As part of its capital strategy and in order to accelerate the development of certain of its pipeline products in 2012, the Company explored options to raise capital in a manner that would not be dilutive to shareholders such as would occur if additional equity capital was raised. In May 2012, the Company entered into a Loan and Security Agreement (Loan Agreement) with Hercules Technology Growth Capital, Inc. (Hercules). Under the terms of the Loan Agreement, the Company borrowed $15 million at an interest rate of the greater of (i) 11.0% or (ii) 11.0% plus the prime rate reported in the Wall Street Journal minus 5.25%, and issued to Hercules a secured term promissory note evidencing the loan. The loan is secured by all of the Company's assets, excluding intellectual property, as to which the security interest is in the proceeds of the sale of the intellectual property. The Company may be required to prepay the loan in the event of a change of control. The loan specifies certain reporting requirements to Hercules and contains customary covenants, including certain restrictions on borrowing, asset transfers, placing liens or security interests on the Company's assets including its intellectual property, mergers and acquisitions, and distributions to shareholders, including payment of dividends and the redemption or repurchase of stock. The Company was in compliance with its covenants under the Loan Agreement as of December 31, 2013.

Based on the terms of the Loan Agreement and the achievement of certain defined milestone events, the Company made interest only payments from the date of the Loan Agreement for a period of 18 months through December 1, 2013. Following this interest only period, the Company is scheduled to repay the principal and interest in 30 equal monthly installments. The term loan maturity date is June 1, 2016.

The Company will be obligated to pay an end of term charge of $900,000 at the earlier of the loan maturity date, the date the Company prepays the obligations, or the date the obligations become due and payable for any other reason. This end of term fee will be accrued on the balance sheet in other long-term liabilities and expensed to interest expense over the term of the Loan Agreement. The Company may prepay the loan subject to certain prepayment charges which decline over the term of the loan. The Company also incurred certain debt issuance costs related to the Loan Agreement of approximately $236,000 which are recorded on the balance sheet in other long-term assets and are being expensed to interest expense over the term of the Loan Agreement.

In conjunction with the loan, the Company issued to Hercules a warrant to purchase preferred stock of the Company. The warrant is currently exercisable for 82,500 shares of Series B Preferred Stock with an exercise price of $5.00 per share. The warrant is immediately exercisable and expires the earlier to occur of (i) ten years after the date of issuance (expiration in May 2022), or (ii) 5 years after the Company's initial public offering, if applicable. If the Company is acquired, the warrant will terminate upon the acquisition subject to certain conditions and levels of cash

consideration. Under certain conditions, if the Company has a future round of equity financing, the warrant could be modified to represent the right to purchase certain shares of the future preferred stock class.

The Company estimated the fair value of the warrant using the Black-Scholes option valuation model with the following assumptions: expected term of ten years, a risk-free interest rate of 1.77%, and an expected volatility of 60%. The Company applied the relative fair value method to allocate the $15 million proceeds received under the Loan Agreement between the loan and warrant. The carrying amount assigned to the loan was approximately $14.6 million and was recorded as long term debt on the Company's balance sheet. The Company believes the amortized book value of the loan at December 31, 2013 represents the approximate fair value of the outstanding debt as of such date. The fair value allocated to the warrant of approximately $0.4 million was recorded as a liability in other long-term liabilities on the Company's balance sheet since a warrant to acquire redeemable equity which is puttable at the option of the holder must be reported as a liability. Over the term of the warrant, changes in the fair value of the warrant liability will result in increases or decreases in interest expense. The initial fair value allocated to the warrant of $0.4 million was recorded as a debt discount to the loan and consequently a reduction to the carrying value of the $15 million par value loan and is being amortized as additional interest expense over the term of the loan. At December 31, 2013, this warrant remained outstanding and exercisable.

Total debt as of December 31, 2013 consisted of:

Total debt - net of discount	$	14,785,795
Less current portion – net of discount		(5,414,282)
Long term debt – net of current portion and discount	$	9,371,513

The amount of interest expense reflected on the statement of operations related to the loan includes the stated interest rate on the loan as well as amounts which are being recorded in interest expense over the term of the loan for debt issuance costs, end of term fee, changes in the fair value of the warrant liability, and the discount recorded on the debt in the computation of its fair value.

The amount of interest cost incurred during the years ended December 31, 2013 and 2012 totaled approximately $2,262,700 and $1,278,600, respectively, of which approximately $703,000 and $97,300, respectively was capitalized.

7. Income Taxes

The components of income tax expense (benefit) for the years ended December 31, 2013, 2012 and 2011 were as follows:

	2013	2012	2011
Current income taxes:			
Federal	$ (2,596,915)	$ 8,205,979	$ (3,849,673)
State	(180,379)	1,220,843	(656,192)
Total	(2,777,294)	9,426,822	(4,505,865)
Deferred income taxes:			
Federal	1,122,404	175,854	3,036,193
State	69,333	39,465	542,807
Total	1,191,737	215,319	3,579,000
Total income taxes	$(1,585,557)	$ 9,642,141	$(926,865)

The following is a reconciliation between the U.S. federal statutory income tax rate and the effective income tax rate on a year-to-date basis as of:

	2013	2012	2011
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit	3.5	3.3	3.3
Federal tax credits	15.8	-	12.3
Changes in estimates related to state tax provision	-	-	6.2
Other, principally share-based compensation and warrants	(6.6)	0.1	(0.1)
Effective income tax rate	47.7 %	38.4 %	56.7 %

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted which, among other things, reinstated retroactively to January 1, 2012 the research tax credit for qualified research as stated in Section 41 of the Internal Revenue Code. Since GAAP accounting and financial reporting requires the effects of tax law changes to be recognized in the period in which the new legislation is enacted, the Company recorded a research credit related to operations for the year ended December 31, 2012 of approximately $0.3 million for GAAP purposes in the year ended December 31, 2013; however, the research tax credit was recognized in the Company's 2012 income tax return. In addition, the Company recorded a research credit of approximately $0.2 million related to operations for the year ended December 31, 2013 which is reflected in 2013 for both GAAP and income tax return purposes.

Deferred income taxes reflect the net tax effects of net operating loss and tax credit carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company had no net deferred tax asset as of December 31, 2013 and 2012. The Company had a net deferred tax liability of approximately $1,676,400 and $484,700 recorded in long-term liabilities at December 31, 2013 and 2012, respectively, which resulted primarily from temporary differences principally related to depreciation, amortization, compensation expense related to stock options, and deferred compensation.

8. Commitments and Contingencies

The following table sets forth a summary of the Company's estimated contractual cash obligations as of December 31, 2013. Certain of these contractual obligations are reflected on the balance sheet, while others are disclosed as future obligations in accordance with GAAP. Except for the current portion of long-term debt, this table does not include amounts already recorded on the balance sheet as current liabilities at December 31, 2013. The Company has other long-term liabilities reflected on the balance sheet, including deferred income taxes and deferred compensation. The payment obligations associated with these liabilities are not reflected in the table below due to the absence of scheduled maturities. In addition, the table below does not reflect amounts associated with potential redemption obligations related to the redeemable preferred stock (see Note 10). Accordingly, this table is not meant to represent a forecast of total cash expenditures for any of the periods presented.

	Payments Due by Period (undiscounted)				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
Operating leases (1)	$ 1,327,400	$ 102,700	$ 385,000	$ 407,400	$ 432,300
Debt obligations (2)	18,161,500	6,890,100	11,271,400	—	—
Purchase and other obligations (3)	30,911,700	10,288,100	11,525,200	8,777,800	320,600
Total contractual obligations	$ 50,400,600	$ 17,280,900	$ 23,181,600	$ 9,185,200	$ 752,900

(1) The Company leases property and equipment for use in its operations. In June 2013 the Company executed a new lease agreement for approximately 10,000 square feet of office space in Richmond, Virginia which replaced the existing lease, for which appropriate early termination steps were completed. The new lease began on October 1, 2013 with an initial term through December 31, 2020; however, the new lease also provides for early termination on March 31, 2018 provided that the Company gives the required notice, pays defined early termination fees, and meets certain other requirements. In addition to rent, the lease requires the Company to pay additional amounts for taxes, insurance, maintenance and other customary operating expenses.

Rent expense incurred for the years ended December 31, 2013, 2012 and 2011 for the lease totaled approximately $157,000, $111,100 and $111,500, respectively, which includes an early termination expense for the prior lease in 2013. Approximately $38,000 and $27,000 was included in liabilities on the balance sheets as deferred rent at December 31, 2013 and 2012, respectively.

	2014	2015	2016	2017	2018	Beyond 2018
Future Minimum Lease Payments	$ 101,200	$ 189,200	$ 194,900	$ 200,700	$ 206,700	$ 432,300

(2) Debt obligations include contractual interest payments, principal repayment and an end of term fee, but exclude the unamortized amount of debt discount related to the detachable warrants (see Note 6).

(3) Purchase and other obligations relate primarily to agreements for the development, manufacture and supply of the Company's products which includes: (i) long-term supply agreements with third-party manufacturers, which are based on firm commitments for the purchase of production capacity; (ii) research and development commitments (including those related to clinical trials) for new and existing products; (iii) capital expenditures (including assembly lines for components and final products); and (iv) open purchase orders for the acquisition of goods and services in the ordinary course of business, including amounts in connection with services for a contract sales organization for commercial activities. The Company's contracts include termination provisions that allow the Company to end the agreements early; however, the table above reflects amounts for the full term of each contract.

Employee Agreements

The Company has entered into various employment agreements with its management team that generally provide for certain terms, including among other things, certain levels of compensation, bonuses, fringe benefits, severance pay, equity awards, options to purchase common shares and covenants not to compete and that extend for various periods of time subject to earlier termination or renewal per the agreements. In addition, the Company entered into deferred compensation agreements in 2006 with certain then current officers of the Company. The deferred compensation payable represents unfunded, nonqualified deferred compensation for services rendered by the officers prior to July 21, 2006. The deferred compensation liability will be payable upon a change in control, as defined in the deferred compensation agreements.

Indemnification of Officers and Directors

The Company indemnifies its officers and directors for certain events or occurrences, subject to certain limits, while the officer or director is or was serving at the Company's request in such capacity. The Company has a director and officer insurance policy that limits its exposure and may enable it to recover some or all of any future amounts paid.

Contingencies

From time to time, the Company may be involved in claims and other legal matters arising in the ordinary course of business, including patent litigation, product liability, and commercial litigation. At December 31, 2013, management was not aware of any matters, individually or in the aggregate, that were expected to have a material adverse effect on the financial position, results of operations or cash flows of the Company.

9. Defined Contribution Retirement Plan

In 2011, the Company adopted a 401(k) defined contribution plan which permits eligible employees to voluntarily contribute a portion of their compensation up to limits established by the Internal Revenue Service. The plan permits the Company to make discretionary contributions; however, the Company has made no employer contributions to the plan to date.

10. Redeemable Preferred Stock

Certain key rights and terms of each class of redeemable preferred stock are outlined below followed by information related to the required Securities and Exchange Commission (SEC) classification of these securities. See Note 11 for additional information regarding the rights of shareholders and provisions that relate to the redeemable preferred stock. The terms that have been capitalized below are defined in the Articles of Incorporation of kaleo, Inc.

Redeemable & Convertible Preferred Stock Series (1) (2)	Original Issue Price	Accrued Cumulative Dividends Rate (per annum)	Redemption Percentage (3)	Conversion Percentage (4)	Accrued Dividends (5) December 31, 2013	Accrued Dividends (5) December 31, 2012
B/B-1 (6)	$2.62293	6%	80.00%	65.0%	$ 1,521,651	$ 1,217,488
A-3/A-4 (7)	$2.16579	6%	> 50.00%	65.0%	3,079,872	2,593,728
A-2 (8)	$1.11241	6%	66.67%	65.0%	1,332,278	1,147,041
					$ 5,933,801	$ 4,958,257

(1) Effective December 3, 2013, the Company completed a reincorporation from Delaware into Virginia and changed its name from Intelliject, Inc. to kaleo, Inc. The Virginia corporation was deemed to be the same entity as the Delaware corporation that existed prior to the reincorporation; there were no changes to the capitalization, business, assets or liabilities of the Company.

(2) At the option of the holder, the holder's Preferred may be converted at any time into shares of Common on a one for one basis adjusted for any stock dividends, splits, and recapitalizations. No share of Preferred acquired by the Company by reason of redemption, purchase, conversion or otherwise may be reissued.

(3) At any time on or after January 1, 2013 but prior to January 1, 2016, the holders of at least the percentage noted of the then outstanding shares of each series of Preferred shall have the right to cause the Company to purchase and redeem all, but not less than all, of the Preferred in three equal installments for a per share purchase price equal to the Original Issue Price plus accrued dividends. The Series A-3/A-4 Preferred may not be redeemed

prior to redemption of the Series B/B-1 Preferred without the prior written consent of at least 80% of the then outstanding shares of Series B/B-1 Preferred. The Series A-2 Preferred may not be redeemed prior to redemption of the Series B/B-1 and Series A-3/A-4 Preferred without the prior written consent of at least 80% of the then outstanding shares of Series B/B-1 Preferred and greater than 50% of the then outstanding shares of Series A-3/A-4 Preferred, respectively.

(4) All outstanding shares of Series B/B-1, A-3/A-4, and A-2 Preferred will automatically convert into Common at the then applicable conversion price (i) if holders of the percentage noted of the outstanding shares of Series B/B-1, A-3/A-4 and A-2 Preferred voting together as a single class elect to effect such conversion or (ii) upon the closing of a firmly underwritten public offering under the Securities Act of 1933, as amended, subject to certain requirements.

(5) The accrued dividends reflected in the table above have been recorded in shareholders' equity as charges to retained earnings, but not paid. The amount reported on the balance sheet for each of these series of Preferred represents the proceeds from the original issuance of the applicable series of Preferred plus the amount of accrued but unpaid cumulative dividends since such issuance, which equals the redemption amount.

(6) Subject to certain exceptions, if the Company issues or sells additional shares of Common or Common deemed to be issued for an effective price less than the then effective Series B Preferred Conversion Price, the then existing Series B Preferred Conversion Price shall be reduced based on a weighted average formula. In the event any holder of shares of Series B Preferred does not participate in a financing triggering a reduction in the Series B Preferred Conversion Price, then each share of Series B Preferred shall automatically be converted into one share of Series B-1 Preferred and the Series B-1 Preferred Conversion Price shall not be reduced. No Series B-1 Preferred Stock has been issued.

(7) Subject to certain exceptions, if the Company issues or sells additional shares of Common or Common deemed to be issued for an effective price less than the then effective Series A-3 Preferred Conversion Price, the then existing Series A-3 Preferred Conversion Price shall be reduced based on a weighted average formula. If any holder of shares of Series A-3 Preferred does not participate in a financing triggering a reduction in the Series A-3 Preferred Conversion Price, then each share of Series A-3 Preferred held by such holder shall automatically be converted into a share of Series A-4 Preferred and the Series A-4 Preferred Conversion Price shall not be reduced. No Series A-4 Preferred Stock has been issued.

(8) The Series A-2 Preferred has no price based anti-dilution rights.

Required SEC Classification

In 2012, the Company became subject to certain additional financial reporting requirements as a result of the reporting requirements of one of the Company's publicly-traded shareholders in connection with that shareholder's investment in the Company. The Company's financial statements must be included as an exhibit to the shareholder's financial statements filed with the SEC pursuant to Rule 3-09 of Regulation S-X, which requires the Company to report certain amounts in its financial statements in accordance with SEC rules that differ in form and content from that otherwise required of private companies that comply with GAAP, including the classification of the Company's redeemable preferred stock on the balance sheet.

The Company's redeemable preferred stock contains provisions which give the holders of those securities the right to cause the Company to purchase and redeem such securities for cash under certain circumstances at the Original Issue Price plus accrued dividends as described above. Therefore, these securities are redeemable, or puttable to the Company, at the option of the holders and outside the control of the Company during the defined time period of January 1, 2013 to December 31, 2015. In years prior to 2012, the redeemable preferred stock was reported as an element of permanent shareholders' equity in accordance with GAAP.

Since the SEC has specific guidance related to the classification of redeemable equity securities which contain redemption provisions that are outside the control of the Company, the Company must distinguish such redeemable preferred stock from permanent equity and report these securities on the face of the balance sheet in the mezzanine

section between liabilities and shareholders' equity without regard to any assessment by management as to the likelihood of such redemption feature ever being exercised. As such, solely due to the SEC reporting requirements noted above, the amounts have been reported in the mezzanine section of the balance sheet.

The changes in the balance for each series of redeemable preferred stock are presented in the chart below.

Redeemable Preferred Stock	Series B Preferred Stock	Series A-3 Preferred Stock	Series A-2 Preferred Stock	Total Redeemable Preferred Stock
Balance at December 31, 2010	$5,608,298	$9,611,548	$3,821,056	$19,040,902
Dividends accrued	304,164	486,144	185,236	975,544
Balance at December 31, 2011	5,912,462	10,097,692	4,006,292	20,016,446
Dividends accrued	304,997	487,476	185,744	978,217
Balance at December 31, 2012	6,217,459	10,585,168	4,192,036	20,994,663
Dividends accrued	304,163	486,144	185,237	975,544
Balance at December 31, 2013	$6,521,622	$11,071,312	$4,377,273	$21,970,207

11. Shareholders' Equity and Rights of Shareholders

In May 2012, following shareholder approval, the Company increased the number of authorized Common Stock of the Company by 82,500 shares to 16,939,140 shares, the number of Preferred Stock by 165,000 shares to 14,556,620 shares, the number of designated Series B Preferred Stock by 82,500 shares to 1,988,780 shares and the number of designated Series B-1 Preferred Stock by 82,500 shares to 1,988,780 shares. These changes were required to authorize the issuance of a warrant for 82,500 shares of Series B Preferred Stock to Hercules Technology Growth Capital, Inc. (see Note 6).

Under the terms of the Company's stock incentive plan, as amended, the maximum aggregate number of Common Stock shares that may be granted under the plan is 3,306,000 shares. At December 31, 2013, those shares were designated as follows: outstanding options and warrants granted to purchase a total of 1,391,023 shares of Common Stock, commitments to issue additional options to purchase 17,500 shares of Common Stock upon the achievement of specific performance milestones, and shares available for future issuance totaling 586,766 shares of Common Stock. At December 31, 2013, a total of 1,310,711 options and warrants had been exercised.

See Note 10 for additional information about the terms and rights of redeemable preferred stock, as well as its classification on the balance sheet. The rights and terms of each class of non-redeemable preferred stock are outlined below. The terms that have been capitalized below are defined in the Articles of Incorporation of kaleo, Inc.

Series A-1 Preferred Stock

Series A-1 Preferred Stock will not be entitled to any dividends under any circumstances. In addition, so long as any shares of Series B/B-1 Preferred, Series A-3/A-4 Preferred, or Series A-2 Preferred are outstanding, the Company shall not make any distribution on or redeem the Series A-1 Preferred Stock, except in certain limited circumstances as described in the Articles of Incorporation. Shares of Series A-1 Preferred are not convertible into any other shares of stock. The Company shall have the right, the Series A-1 Call Right, to purchase all of the Series A-1 Preferred Shares in one installment for a per share purchase price equal to two times the Series A-1 Original Issue Price, $0.65747 per share. No shares of Series A-1 Preferred acquired by the Company shall be reissued.

Liquidation Rights

Upon any liquidation, dissolution, or winding up of the Company, before any distribution or payment shall be made to the holders of any Series A-3/A-4 Preferred, Series A-2 Preferred, Series A-1 Preferred, or Common Stock, the holders of Series B/B-1 Preferred shall be entitled to be paid out of the assets of the Company, for each share of Series B/B-1 Preferred held by them, an amount per share equal to the Series B/B-1 Original Issue Price plus any unpaid accrued dividends. After payment of the full liquidation preference amount to each holder of Series B/B-1 Preferred, before any distribution or payment shall be made to the holders of any Series A-2 Preferred, Series A-1 Preferred, or Common Stock, the holders of the Series A-3/A-4 Preferred shall be entitled to be paid out of the assets of the Company, for each share of Series A-3/A-4 Preferred held by them, an amount per share equal to the Series A-3/A-4 Original Issue Price plus any unpaid accrued dividends. After the payment of the full liquidation preference amounts to the holders of the Series B/B-1 Preferred and the holders of the Series A-3/A-4 Preferred, before any distribution or payment shall be made to the holders of any Series A-1 Preferred or Common Stock, the holders of Series A-2 Preferred shall be entitled to be paid out of the assets of the Company, for each share of Series A-2 Preferred held by them, an amount per share equal to the Series A-2 Original Issue Price plus any unpaid accrued dividends. After the payment of the full liquidation preference amounts to the holders of the Series B/B-1 Preferred, Series A-3/A-4 Preferred, and Series A-2 Preferred, before any distribution or payment shall be made to the holders of the Common Stock, the holders of the Series A-1 Preferred shall be entitled to be paid out of the assets of the Company, for each share of Series A-1 Preferred held by them, an amount equal to two times the Series A-1 Original Issue Price. After the payment of the full liquidation preference amounts to the holders of the Series B/B-1 Preferred, Series A-3/A-4 Preferred, Series A-2 Preferred and Series A-1 Preferred, the assets of the Company shall be distributed ratably to the holders of the Common Stock, Series B/B-1 Preferred, Series A-3/A-4 Preferred, and Series A-2 Preferred on an as-if-converted to Common Stock basis.

Voting and Change of Control Agreement

The preferred shareholders and the common shareholders have entered into a Voting and Change of Control Agreement with the Company, which places certain restrictions on the voting of the shares, and if a Change of Control has been approved, requires the holders to take all necessary actions in connection with the consummation of a change of control transaction.

Right of First Refusal Agreement

The preferred shareholders and the common shareholders have entered into a Right of First Refusal Agreement with the Company in order to provide certain restrictions on the transfer of capital stock, to grant first refusal and co-sale rights to the Company and to certain of the preferred shareholders, and to provide for obligations to participate in certain sales of capital stock of the Company.

Investor Rights Agreement

The holders of Series A-2 Preferred, Series A-3/A-4 Preferred, and Series B/B-1 Preferred have entered into an Investor Rights Agreement with the Company which grants certain information and preemptive rights to these holders.

Amended and Restated Registration Rights Agreement

The Company and two major investors have entered into an Amended and Restated Registration Rights Agreement which under certain specified conditions requires the Company to register the Common Stock issuable or issued upon the conversion of the Series A-3/A-4 Preferred Stock and the Common Stock issuable or issued upon the conversion of the Series B/B-1 Preferred Stock.

12. Share-Based Compensation

The Company has a stock option plan under which stock options may be granted to purchase a specified number of shares of common stock. Option awards are granted with an exercise price equal to the Company's estimate of fair value of its common stock at the date of grant, based on a valuation performed by an independent third party firm. Options vest over various periods of time and generally may be exercised within ten years of the date of grant.

A summary of outstanding vesting shares, options and warrants is as follows:

	Shares		Weighted Average Exercise Price		Weighted Average Fair Value
Nonvested – December 31, 2010	1,197,607	$	0.74	$	0.39
Granted	77,297	$	1.52	$	0.79
Vested	(579,894)	$	0.66	$	0.35
Nonvested – December 31, 2011	695,010	$	0.89	$	0.47
Granted	45,000	$	1.85	$	0.94
Vested	(455,031)	$	0.70	$	0.37
Cancelled	(43,297)	$	1.52	$	0.79
Nonvested – December 31, 2012	241,682	$	1.31	$	0.69
Granted	251,000	$	3.71	$	2.05
Vested	(209,033)	$	1.67	$	0.89
Nonvested – December 31, 2013	283,649	$	3.17	$	1.74

	Shares		Weighted Average Exercise Price		Weighted Average Fair Value
Vested – December 31, 2013	1,523,374	$	1.00	$	0.68
Vested – December 31, 2012	2,320,157	$	0.72	$	0.48

A cumulative total of 1,310,711 and 304,895 vested shares had been exercised as of December 31, 2013 and 2012, respectively. The weighted average exercise price of shares exercised during the years ended December 31, 2013 and 2012 was $0.49 and $0.55, respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2013 and 2012 was approximately $3,237,700 and $197,500, respectively.

A total of 1,107,374 and 1,904,157 vested warrant and option shares were available for exercise at December 31, 2013 and 2012, respectively. The grant-date fair value of stock option based awards vested during the years ended December 31, 2013 and 2012 was approximately $186,200 and $167,600, respectively. Included in the vested table above is a grant of 416,000 shares of common stock which became fully vested in 2010.

Total compensation expense in connection with the shares in the table above in the amount of approximately $204,676, $150,678, and $183,930 was recorded for the years ended December 31, 2013, 2012, and 2011 respectively. The Company anticipates recording additional compensation expense of approximately $457,700 as these shares vest over the weighted average period of 2.92 years.

The following table summarizes additional information about stock options outstanding and exercisable at December 31, 2013:

Options Outstanding				**Options Exercisable**		
Range of Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares Vested and Exercisable	Weighted Average Exercise Price of Shares Vested and Exercisable	Weighted Average Remaining Contractual Life (Years)
$ 0.37 to $ 3.71	1,391,023	6.28	$ 1.41	1,107,374	$ 0.95	5.67

The fair value of each award is estimated on the date of grant using the Black-Scholes formula that uses the assumptions noted below. The risk-free rate is the United States Treasury daily yield for the expected term of the award. The volatility was based on a range of small capitalized publicly traded medical device and drug delivery companies.

Expected volatility	60%
Expected term	5 - 6 years
Risk-free rate	0.8% - 2.9%

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