SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 1998

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 Industries, Inc.
(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

Indicate by check 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 the past 90 days.
Yes X No

The number of shares of Common Stock, no par value, outstanding as of October 31, 1998: 36,142,942.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Tredegar Industries, Inc.
Consolidated Balance Sheets
(In Thousands)
(Unaudited)

	Sept. 30, 1998	Dec. 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	$ 23,287	$120,065
Accounts and notes receivable	94,764	69,672
Inventories	32,526	20,008
Income taxes recoverable	-	294
Deferred income taxes	8,652	8,722
Prepaid expenses and other	3,596	4,369
Total current assets	162,825	223,130
Property, plant and equipment, at cost	349,391	283,995
Less accumulated depreciation and amortization	195,612	183,397
Net property, plant and equipment	153,779	100,598
Other assets and deferred charges	94,089	67,134

Goodwill and other intangibles	32,975	20,075
Total assets	$443,668	$410,937
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 51,013	$ 33,168
Accrued expenses	38,827	39,618
Income taxes payable	1,642	-
Total current liabilities	91,482	72,786
Long-term debt	25,000	30,000
Deferred income taxes	27,634	22,108
Other noncurrent liabilities	8,058	13,497
Total liabilities	152,174	138,391
Shareholders' equity:		
Common stock, no par value	93,874	115,291
Common stock held in trust for savings restoration plan	(1,212)	(1,020)
Unrealized gain on available-for-sale securities	688	5,020
Foreign currency translation adjustment	(3,031)	(37)
Retained earnings	201,175	153,292
Total shareholders' equity	291,494	272,546
Total liabilities and shareholders' equity	$443,668	$410,937

See accompanying notes to financial statements.

Tredegar Industries, Inc.
Consolidated Statements of Income
(In Thousands)
(Unaudited)

	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	1998	1997	1998	1997
Revenues:				
Net sales	$ 186,638	$ 155,058	$ 513,244	$433,372
Other income (expense), net	(246)	3,798	3,055	11,701
Total	186,392	158,856	516,299	445,073
Costs and expenses:				
Cost of goods sold	148,309	122,403	405,880	343,658
Selling, general and administrative	9,892	9,438	28,868	26,928
Research and development	3,374	3,220	10,321	9,667
Interest	266	456	952	1,598
Unusual items	-	-	(765)	(2,250)
Total	161,841	135,517	445,256	379,601
Income from continuing operations before income taxes	24,551	23,339	71,043	65,472
Income taxes	8,591	8,202	22,626	23,034
Income from continuing operations	15,960	15,137	48,417	42,438
Income from discontinued operations	3,421	-	3,421	-
Net income	$ 19,381	$ 15,137	$ 51,838	$ 42,438
Earnings per share:				
Basic:				
Continuing operations	$ .44	$ .41	$ 1.33	$ 1.15
Discontinued operations	.09	-	.09	-
Net income	$ .53	$ .41	$ 1.42	$ 1.15
Diluted:				
Continuing operations	$ .41	$ .38	$ 1.24	$ 1.08
Discontinued operations	.09	-	.09	-
Net income	$ .50	$ .38	$ 1.33	$ 1.08
Shares used to compute earnings per share:				
Basic	36,351	36,918	36,483	36,813
Diluted	38,582	39,762	38,966	39,474
Dividends per share	$ .04	$ .03	$ .11	$ .083

See accompanying notes to financial statements.

Tredegar Industries, Inc.
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended Sept. 30	
	1998	1997
Cash flows from operating activities:		
Net income	$51,838	$ 42,438
Adjustments for noncash items:		
Depreciation	15,897	13,773
Amortization of intangibles	120	39
Deferred income taxes	2,043	40
Accrued pension income and postretirement benefits	(2,833)	(3,129)
Gain related to discontinued operations	(5,346)	-
Gain on sale of technology-related investments	(2,041)	(9,668)
Gain on divestitures	(765)	(2,250)
Changes in assets and liabilities, net of effects from acquisitions and divestitures:		
Accounts and notes receivable	(4,197)	(10,721)
Inventories	(2,010)	2,929
Income taxes recoverable	294	1,642
Prepaid expenses and other	921	(1,169)
Accounts payable	5,852	10,517
Accrued expenses and income taxes payable	(3,144)	5,569
Other, net	(1,870)	(227)
Net cash provided by operating activities	54,759	49,783
Cash flows from investing activities:		
Capital expenditures	(24,269)	(14,640)
Acquisitions (net of cash acquired of $1,097 in 1998; excludes equity issued of $11,219 in 1998)	(60,883)	(13,469)
Investments	(27,121)	(12,987)
Proceeds from the sale of investments	2,919	10,511
Proceeds from property disposals and divestitures	740	2,637
Other, net	(1,140)	(314)
Net cash used in investing activities	(109,754)	(28,262)
Cash flows from financing activities:		
Dividends paid	(3,955)	(3,069)
Repayments of debt	(5,000)	(5,000)
Repurchases of Tredegar common stock	(36,460)	(1,932)
Tredegar common stock purchased by trust for savings restoration plan	(192)	(744)
Proceeds from exercise of stock options (including related income tax benefits realized by Tredegar)	3,824	1,964
Net cash used in financing activities	(41,783)	(8,781)
(Decrease) increase in cash and cash equivalents	(96,778)	12,740
Cash and cash equivalents at beginning of period	120,065	101,261
Cash and cash equivalents at end of period	$23,287	$114,001

See accompanying notes to financial statements.

TREDEGAR INDUSTRIES, INC.
NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

1. In the opinion of management, the accompanying consolidated financial statements of Tredegar Industries, Inc. and Subsidiaries ("Tredegar") contain all adjustments necessary to present fairly, in all material respects, Tredegar's consolidated financial position as of September 30, 1998, and the consolidated results of their operations and their cash flows for the nine months ended September 30, 1998 and 1997. All such adjustments are deemed to be of a normal recurring nature. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Tredegar's Annual Report on Form 10-K for the year ended December 31, 1997. The results of operations for the nine months ended September 30, 1998, are not necessarily indicative of the results to be expected for the full year.

On May 20, 1998, Tredegar's Board of Directors declared a three-for-one stock split payable on July 1, 1998, to shareholders of record on June 15, 1998. Accordingly, all historical references to per-share amounts, shares repurchased and the shares used to compute earnings per share have been restated to reflect the split.

2. Unusual items in 1998 include a first-quarter pretax gain of $765,000 on the sale of APPX Software. Income taxes include a tax benefit of $2 million related to the sale, including a tax benefit for the excess of APPX Software's income tax basis over its financial reporting basis. Unusual items in 1997 include a gain of $2.25 million related to the redemption of preferred stock received in connection with the 1996 divestiture of Molded Products. Income and earnings per share from continuing operations, adjusted for unusual items and technology-related investment activities affecting the comparability of operating results, are presented below:

(In Thousands Except Per-Share Amounts)

	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	1998	1997	1998	1997
Income from continuing operations	$ 15,960	$ 15,137	$ 48,417	$ 42,438
After-tax effect of unusual items:				
Gain on sale of APPX Software	-	-	(2,766)	-
Redemption of preferred stock received in connection with the divestiture of Molded Products	-	-	-	(1,440)
Income from continuing operations as adjusted for unusual items	15,960	15,137	45,651	40,998
After-tax effect of technology-related net investment (gains) losses	395	(2,117)	(707)	(6,187)
Income from continuing operations as adjusted for unusual items and technology-related investment activities	$ 16,355	$ 13,020	$ 44,944	$ 34,811
Diluted earnings per share from continuing operations:				
As reported	$ .41	$ .38	$ 1.24	$ 1.08
As adjusted for unusual items	.41	.38	1.17	1.04
As adjusted for unusual items and technology-related investment activities	.42	.33	1.15	.88

3. Discontinued operations includes a net after-tax gain of $3.4 million related to the reversal of an accrued liability that was established to cover future payments to the United Mine Workers of America Combined Benefit Fund. Tredegar was relieved of this liability, which was incurred by its discontinued coal business, as a result of a recent U.S. Supreme Court ruling.

4. The carrying value of technology-related investments (included in "Other assets" in the consolidated balance sheet) was $53 million ($52.7 million cost basis) at September 30, 1998, and $33.5 million ($25.8 million cost basis) at December 31, 1997. The excess of the carrying value over the cost basis is related to available-for-sale securities stated at their closing market price, with unrealized holding gains excluded from earnings and reported net of deferred income taxes in shareholders' equity until realized. The estimated fair value of technology-related investments was $61.4 million at September 30, 1998, and $40.8 million at December 31, 1997.

5. Comprehensive income, defined as net income and other comprehensive income, was $10.7 million for the third quarter of 1998 and $18.7 million for the third quarter of 1997. Comprehensive income was $44.5 million for the first nine months of 1998 and $45.6 million for the first nine months of 1997. Other comprehensive income includes changes in unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments recorded net of deferred income taxes directly in shareholders' equity.

6. The components of inventories are as follows:

	(In Thousands)	
	Sept. 30 1998	Dec. 31 1997
Finished goods	$4,723	$1,865
Work-in-process	3,778	2,340
Raw materials	16,181	9,297
Stores, supplies and other	7,844	6,506
Total	$32,526	$20,008

7. Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income by the weighted average common and potentially dilutive common equivalent shares outstanding, determined as follows:

	(In Thousands)			
	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	1998	1997	1998	1997
Weighted average shares outstanding used to compute basic earnings per share	36,351	36,918	36,483	36,813
Incremental shares issuable upon the assumed exercise of stock options	2,231	2,844	2,483	2,661
Shares used to compute diluted earnings per share	38,582	39,762	38,966	39,474

Incremental shares issuable upon the assumed exercise of outstanding stock options are computed using the average market price during the related period.

8. On February 13, 1998, Tredegar completed a "Dutch auction" tender offer in which it repurchased 1,508,772 shares of its common stock for $32.7 million or $21.67 per share (excluding transaction costs). Since becoming an independent company in 1989, Tredegar has repurchased a total of 20.2 million shares, or 36% of its issued and outstanding common stock, for $115.2 million ($5.69 per share). As of September 30, 1998, under a standing authorization from its board of directors, Tredegar may purchase an additional four million shares in the open market or in privately negotiated transactions at prices management deems appropriate.

9. On June 11, 1998, Tredegar acquired Canada-based Exal Aluminum Inc. ("Exal"). Exal operates two aluminum extrusion plants in Pickering, Ontario and Aurora, Ontario. Both facilities manufacture extrusions for distribution, transportation, electrical, machinery and equipment, and building and construction markets. The Pickering facility also produces aluminum logs and billet for internal use and for sale to customers.

On February 6, 1998, Tredegar acquired two Canada-based aluminum extrusion and fabrication plants from Reynolds Metals Company ("Reynolds"). The plants are located in Ste-Therese, Quebec, and Richmond Hill, Ontario. Both facilities manufacture products used primarily in building and construction, transportation, electrical, machinery and equipment, and consumer durables markets.

On May 30, 1997, Tredegar acquired an aluminum extrusion and fabrication plant in El Campo, Texas, from Reynolds. The El Campo facility extrudes and fabricates products used primarily in transportation, electrical and consumer durables markets.

These acquisitions were accounted for using the purchase method. No goodwill arose from the acquisitions of the former Reynolds plants since the estimated fair value of the identifiable net assets acquired equaled the purchase price. Goodwill (the excess of the purchase price over the estimated fair value of identifiable net assets acquired) of $13 million was recorded on the acquisition of Exal and is being amortized on a straight-line basis over 40 years. The operating results for the five plants have been included in the consolidated statements of income since the dates acquired.

Pro forma financial information with respect to these acquisitions for the first six months of 1998 and all of 1997 was filed on Form 8-K on August 19, 1998. Selected historical and pro forma results for the first nine months of 1998 and all of 1997 as if the acquisitions occurred at the beginning of 1997, are summarized below:

Tredegar Industries, Inc.
Selected Historical and Pro Forma Financial Information
(In Thousands Except Per-Share Amounts)
(Unaudited)

	Nine Months Ended Sept. 30, 1998		1997	
	Histor-ical	Pro Forma	Histor-ical	Pro Forma
Net sales	$ 513,244	$559,043	$581,004	$ 743,226
EBITDA	84,181	86,942	89,443	98,881
Depreciation	15,897	16,984	18,364	22,635
Amortization of intangibles	120	264	50	377
Capital expenditures	24,269	24,622	22,655	23,559
Net income from continuing operations as adjusted for unusual items and technology-related investment activities	44,944	45,234	48,124	48,613
Related diluted earnings per share	1.15	1.15	1.22	1.22
Shares used to compute diluted EPS	38,966	39,306	39,534	39,914

10. The Financial Accounting Standards Board has issued new standards affecting the accounting for derivative instruments and hedging activities and disclosures of information about business segments, pensions and other postretirement benefits. These standards are not expected to significantly change Tredegar's operating results, financial condition or disclosures when adopted. Each of the new standards will be adopted in the fourth quarter of 1998, except for the derivatives and hedging standard which will be adopted in the first quarter of 2000.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Results of Operations

Third Quarter 1998 Compared with Third Quarter 1997

Income from continuing operations for the third quarter of 1998 was $16 million or 41 cents per share, up from $15.1 million or 38 cents per share in the third quarter of 1997 (all per share amounts in this analysis are expressed on a diluted basis). Results for 1998 include net losses from technology-related investment activities of $618,000 ($395,000 after income taxes or 1 cent per share). Results for 1997 include net gains from technology-related investment activities of $3.3 million ($2.1 million after income taxes or 5 cents per share).

Income from continuing operations excluding unusual items and technology-related investment activities for the third quarter of 1998 was $16.4 million or 42 cents per share, up from $13 million or 33 cents per share in the third quarter of 1997. The improvement in quarterly earnings was driven by Tredegar's aluminum extrusions business, where profits were up 40% due to continued volume growth and acquisitions. Tredegar operates eight aluminum plants in the U.S. and Canada, five of which have been acquired since May 1997 (see Note 9 on page 7). Lower losses at Molecumetics, Tredegar's drug discovery subsidiary, also contributed to the improved results. Profits in the company's plastics operations were relatively flat due primarily to weakness in Asian markets and higher costs related to new product introductions. See Notes 2, 4, 8 and 9 on pages 5 through 7 for further information on items affecting the comparability of operating results and technology-related investments.

Third-quarter net sales increased 20% in 1998. Excluding revenue from aluminum companies acquired in 1998, sales were down 3.5% for the quarter due primarily to lower plastic film exports to Asian markets and lower selling prices. The lower selling prices reflect a decline in plastic resin and aluminum ingot costs and pricing pressure in Asia. Aluminum extrusion volume and contract research revenues at Molecumetics were up for the period. In addition to acquisitions, higher aluminum volume was driven by strength in all building and construction markets and sales to distributors.

The gross profit margin during the third quarter of 1998 decreased to 20.5% from 21.1% in 1997 due primarily to acquisitions in Aluminum Extrusions. The acquired businesses generally have lower margins than those realized in Film Products. Higher contract research revenues had a positive impact on margins.

Selling, general and administrative (SG&A) expenses in the third quarter of 1998 were $9.9 million, up from $9.4 million in 1997. As a percentage of sales, SG&A expenses declined to 5.3% in 1998 compared with 6.1% in 1997. The company's savings plan restoration charges were lower by $1.3 million due to a decrease in Tredegar's stock price during the third quarter of 1998 compared to an increase for the same period in 1997.

Research and development expenses increased by $154,000 or 5% due to higher spending at Molecumetics.

Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, decreased in the third quarter of 1998 by $1.1 million to $218,000 due to a lower average cash equivalents balance (see Liquidity and Capital Resources on page 13). The average tax-equivalent yield earned on cash equivalents was approximately 5.6% in 1998 and 5.7% in 1997. Interest expense decreased by $190,000 during the period due primarily to higher capitalized interest from higher capital expenditures and lower average debt outstanding.

The effective tax rate, excluding unusual items and technology-related investment activities, was approximately 35% in the third quarters of 1998 and 1997, as the impact of a decline in average tax-exempt investments was offset by a lower effective state income tax rate.

Nine Months 1998 Compared with Nine Months 1997

Income from continuing operations for the first nine months of 1998 was $48.4 million or $1.24 per share, up from $42.4 million or $1.08 per share in the first nine months of 1997. Results for 1998 include an unusual gain of $765,000 ($2.8 million after income taxes or 7 cents per share) on the sale of APPX Software on January 16, 1998. Results for 1997 include an unusual gain of $2.25 million ($1.4 million after income taxes or 4 cents per share) related to the redemption of preferred stock received in connection with the 1996 divestiture of Molded Products. In addition, results include net gains from technology-related investment activities of $1.1 million ($707,000 after income taxes or 2 cents per share) in 1998 and $9.7 million ($6.2 million after income taxes or 16 cents per share) in 1997.

Income from continuing operations excluding unusual items and technology-related investment activities for the first nine months of 1998 was $44.9 million or $1.15 per share, up from $34.8 million or 88 cents per share in the first nine months of 1997. Continued volume growth and acquisitions in Aluminum Extrusions, higher profits in Film Products and higher contract research revenues at Molecumetics drove the improved operating earnings. Film Products profit improved in most markets except Asia, where year-to-date profits have declined by approximately $3 million. See Notes 2, 4, 8 and 9 on pages 5 through 7 for further information on items affecting the comparability of operating results and technology-related investments.

Net sales increased 18% in the first nine months of 1998 compared to 1997. Excluding revenue from aluminum companies acquired in 1998, sales were down slightly for the period due primarily to lower plastic film exports to Asian markets and lower selling prices. The lower selling prices reflect a decline in plastic resin and aluminum ingot costs and pricing pressure in Asia. Aluminum extrusion volume and contract research revenues at Molecumetics were up for the period. In addition to acquisitions, higher aluminum volume was driven by strength in all building and construction markets and sales to distributors.

The gross profit margin during the first nine months of 1998 was 20.9%, up from 20.7% in 1997 due primarily to material efficiencies in nonwoven film laminates, partially offset by the impact of acquisitions in Aluminum Extrusions. The acquired businesses generally have lower margins than those generated by Film Products. Higher contract research revenues also had a positive impact on margins.

Selling, general and administrative (SG&A) expenses in the first nine months of 1998 were $28.9 million, up from $26.9 million in 1997. As a percentage of sales, SG&A expenses declined to 5.6% in 1998 compared with 6.2% in 1997. The company's savings plan restoration charges were lower by $1.2 million due to a decrease in Tredegar's stock price for the first nine months of 1998 compared to an increase for the same period in 1997.

Research and development expenses increased by $654,000 or 7% due to higher spending at Molecumetics.

Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, decreased in the first nine months of 1998 by $1.7 million or 46% due to a lower average cash equivalents balance (see Liquidity and Capital Resources on page 13). The average tax-equivalent yield earned on cash equivalents was approximately 5.7% in 1998 and 1997. Interest expense decreased by $646,000 during the period due primarily to higher capitalized interest from higher capital expenditures, the 1997 writeoff of deferred financing costs related to the refinancing of Tredegar's revolving credit facility, and lower average debt outstanding.

The effective tax rate, excluding unusual items and technology-related investment activities, was approximately 35% in the first nine months of 1998 and 1997, as the impact of a decline in average tax-exempt investments was offset by a lower effective state income tax rate.

Segment Results

The following tables present Tredegar's net sales and operating profit by segment for the third quarter and nine months ended September 30, 1998 and 1997.

Net Sales by Segment
(In Thousands)
(Unaudited)

	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	1998	1997	1998	1997
Film Products and Fiberlux	$ 72,878	$ 78,046	$ 223,990	$231,703
Aluminum Extrusions	112,440	75,401	285,238	198,938
Technology:				
Molecumetics	1,320	1,117	3,987	1,333
Other	-	494	29	1,398
Total net sales	$186,638	$155,058	$ 513,244	$433,372

Operating Profit by Segment
(In Thousands)
(Unaudited)

	Third Quarter Ended Sept. 30		Nine Months Ended Sept. 30	
	1998	1997	1998	1997
Film Products and Fiberlux	$ 13,131	$ 12,985	$ 40,263	$ 36,499
Aluminum Extrusions	13,557	9,690	35,150	25,461
Technology:				
Molecumetics	(995)	(609)	(2,460)	(3,768)
Investments	(618)	3,309	1,104	9,668
Other	-	(201)	(428)	(267)
Unusual items	-	-	765	-
	(1,613)	2,499	(1,019)	5,633
Divested operations:				
Unusual items	-	-	-	2,250
	-	-	-	2,250
Total operating profit	25,075	25,174	74,394	69,843
Interest income	218	1,276	1,962	3,636
Interest expense	266	456	952	1,598
Corporate expenses, net	476	2,655	4,361	6,409
Income from continuing operations before income taxes	24,551	23,339	71,043	65,472
Income taxes	8,591	8,202	22,626	23,034
Income from continuing operations	15,960	15,137	48,417	42,438
Income from discontinued operations	3,421	-	3,421	-
Net income	$ 19,381	$15,137	$51,838	$42,438

Results for 1998 include an unusual gain of $765,000 ($2.8 million after income taxes) on the sale of APPX Software on January 16, 1998. Results for 1997 include an unusual gain of $2.25 million ($1.4 million after income taxes) related to the redemption of preferred stock received in connection with the 1996 divestiture of Molded Products. The "Investments" category for 1998 and 1997 is comprised of net gains and losses from technology-related investment activities. See Note 2 on page 5 for further information on items affecting the comparability of operating results.

Sales in Film Products declined during the third quarter and first nine months of 1998 due to lower plastic film exports to The Procter & Gamble Company ("P&G") in Asia and lower selling prices reflecting lower plastic resin costs and pricing pressure in Asia, partially offset by:

- Sales of new products supplied to P&G and others in North America
- Higher volume of Vispore(R) film (primarily used for ground cover applications)
- Higher volume of plastic films manufactured and sold by the company's operations in Europe (primarily permeable film supplied to P&G for feminine pads)

Changes in operating profit for the third quarter and the first nine months of 1998 compared to 1997 were driven by the factors noted above, and were adversely impacted by:

- Higher costs related to new product introductions
- Start-up costs for a new production site in China

Profits in the first nine months of 1998 also improved for plastic film operations in Latin America. Operating profit increased at Fiberlux during the third quarter and first nine months of 1998 due to higher sales.

Sales in Aluminum Extrusions increased during the third quarter and first nine months of 1998 due to acquisition-related volume (see Note 9 on page 7) as well as strength in all building and construction markets and sales to distributors. Excluding acquisitions, volume was up 5% in the third quarter and 4% in the first nine months of the year. Operating profit increased during the third quarter and first nine months of 1998 due to higher volume, related lower unit conversion costs and acquisitions.

Excluding results of investment activities and unusual items, technology segment losses increased by $185,000 during the third quarter of 1998 due to start-up expenses relating to new contract research programs at Molecumetics. Technology segment losses decreased by $1.1 million during the first nine months of 1998 due to higher contract research revenues.

Liquidity and Capital Resources

Tredegar's total assets increased to $443.7 million at September 30, 1998, from $410.9 million at December 31, 1997, due mainly to the impact of the acquisitions in Canada, an increase in technology-related investments, partially offset by a decrease in cash and cash equivalents (see further discussion below). Total liabilities increased to $152.2 million at September 30, 1998, from $138.4 million at December 31, 1997, due primarily to acquisitions, partially offset by lower debt outstanding and the reversal of an accrued liability related to discontinued operations (see Note 3 on page 6).

Net cash provided by operating activities in excess of capital expenditures and dividends decreased to $26.5 million in the first nine months of 1998 from $32.1 million in 1997 due primarily to higher capital expenditures for manufacturing and research operations and higher dividends, partially offset by improved operating results. Higher capital expenditures in Film Products are related to the new facility near Guangzhou, China, capacity expansion in Brazil, and machinery and equipment purchased for the manufacture of new products. The China facility, which produces disposable films for hygiene products marketed in the region, began commercial production in the second quarter of 1998. Film Products is beginning construction of a new production site near Budapest, Hungary, which should be operational in mid-1999. The Hungary facility will produce disposable films for hygiene products marketed in Eastern Europe. Higher capital expenditures in Aluminum Extrusions relate to the second phase of a modernization program at the plant in Newnan, Georgia (the first phase was completed in 1996). Higher capital expenditures at Molecumetics relate to the expansion of its research lab in Bellevue, Washington.

The reasons for the decrease in cash and cash equivalents to $23.3 million at September 30, 1998, from $120.1 million at December 31, 1997, are summarized below:

	(In Thousands)
Cash and cash equivalents balance, December 31, 1997	$120,065
Cash provided by operating activities in excess of capital expenditures and dividends	26,535
Proceeds from the exercise of stock options (including related income tax benefits realized by Tredegar)	3,824
Acquisitions	(60,883)
Repurchases of Tredegar common stock	(36,460)
New technology-related investments, net of proceeds from disposals	(24,202)
Repayments of debt	(5,000)
Other, net	(592)
Net uses of cash	(96,778)
Cash and cash equivalents balance, September 30, 1998	$ 23,287

Quantitative and Qualitative Disclosures About Market Risk

Tredegar has exposure, among others, to the volatility of polyethylene resin prices, aluminum ingot and scrap prices, foreign currencies, emerging markets, interest rates and technology stocks. Changes in resin prices, and the timing thereof, could have a significant impact on profit margins in Film Products; however, such changes are generally followed by a corresponding change in selling prices. Profit margins in Aluminum Extrusions are sensitive to fluctuations in aluminum ingot and scrap prices but are also generally followed by a corresponding change in selling prices; however, there is no assurance that higher ingot costs can be passed along to customers.

In the normal course of business, Tredegar enters 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 its exposure to aluminum price volatility under these fixed-price arrangements, which generally have a duration of not more than 12 months, the company enters into a combination of forward purchase commitments and futures contracts to acquire aluminum, based on the scheduled deliveries.

Tredegar sells to customers in foreign markets through its foreign operations and through export sales from its plants in the U.S. Tredegar estimates that approximately $22 million and $21.7 million of its consolidated pretax income from continuing operations (excluding technology investment activities and unusual items) for the first nine months of 1998 and 1997, respectively, relates to such sales. Tredegar's estimate of the percentage of consolidated pretax income earned by geographic area for the first nine months of 1998 and 1997 is as follows:

Estimated % of Consolidated Pretax Income Earned by Geographic Area*

	Nine Months Ended Sept. 30	
	1998	1997
United States	68 %	60 %
Europe	11	12
Latin America	9	10
Canada	7	7
Asia	5	11
Total	100 %	100 %

*Based on consolidated pretax income from continuing operations excluding technology activities and unusual items.

Tredegar attempts to match the pricing and cost of its products in the same currency and generally views the volatility of foreign currencies and emerging markets and the corresponding impact on earnings and cash flow as part of the overall risk of operating in a global environment.

At September 30, 1998, Tredegar had cash and cash equivalents of $23.3 million and debt of $25 million. Debt outstanding consisted of a note with interest payable semi-annually at 7.2% per year. Annual principal payments of $5 million are due each June through 2003. Tredegar also has a revolving credit facility that permits borrowings of up to $275 million (no amounts borrowed at September 30, 1998). The facility matures on July 9, 2002.

Tredegar has investments in private venture capital fund limited partnerships and early-stage technology companies, including the stock of privately held companies and the restricted and unrestricted stock of companies that have recently registered shares in initial public offerings. Investments in non-public companies are illiquid and the investments in public companies are subject to the volatility of equity markets and technology stocks.

Year 2000 Information Technology Issues

The century date compliance problem, which is commonly referred to as the "Year 2000" problem, will affect many computers and other electronic devices that are not programmed to properly recognize dates starting with January 1, 2000. This could result in system failures or miscalculations. The potential impact of such failures include, among others, an inability to order raw materials, manufacture products, ship products and be paid for the products on a timely basis.

Since 1996, Tredegar has been actively planning and responding to the Year 2000 problem. Year 2000 reviews have and will continue to be made to Tredegar's Executive Committee and senior management. Periodic reviews with the Board of Directors began in August 1998.

Tredegar's Year 2000 compliance efforts are focused on internal computer-based information systems, external electronic interfaces and communication equipment, shop floor machines and other manufacturing and research process control devices. Remediation of systems requiring changes should be completed by the end of 1998, except for revisions to a small portion of certain software programs and the replacement of certain software for the four aluminum extrusion plants recently acquired in Canada (see Note 9 on page 7). Remediation efforts for the exceptions will extend into 1999. Testing of systems began in mid-1998 and will continue through 1999. Tredegar does not believe contingency plans are necessary for internal systems at this time. The company is also actively evaluating the Year 2000 capabilities of parties with whom Tredegar has key business relationships (suppliers, customers and banks, for example). Contingency plans will be developed for these relationships as needed. Work to fix the Year 2000 problem is being performed largely by internal personnel and Tredegar does not track those costs. The incremental costs associated with correcting the problem are not expected to have a material adverse effect on the company's operating results or financial condition.

While Tredegar believes that it is taking the necessary steps to resolve its Year 2000 issues in a timely manner, there can be no assurance that there will be no Year 2000 problems. If any such problems occur, Tredegar will work to solve them as quickly as possible. At present, Tredegar does not expect that any such problems will have a material adverse effect on its business. The failure, however, of a major customer or supplier to be Year 2000 compliant could have a material adverse effect on Tredegar.

New Accounting Standards

The Financial Accounting Standards Board has issued new standards affecting the accounting for derivative instruments and hedging activities and disclosures of information about business segments, pensions and other postretirement benefits. These standards are not expected to significantly change Tredegar's operating results, financial condition or disclosures when adopted. Each of the new standards will be adopted in the fourth quarter of 1998, except for the derivatives and hedging standard which will be adopted in the first quarter of 2000.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibit No.

27 Financial Data Schedule

(b) Reports on Form 8-K. Registrant filed a Form 8-K on June 23, 1998, and an amended current report on Form 8-K on August 19, 1998, with respect to the acquisition of Exal Aluminum Inc. (see further information regarding this acquisition in Note 9 on page 7).

SIGNATURES

Pursuant to the requirements 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 Industries, Inc.
(Registrant)

Date: November 13, 1998 /s/ N. A. Scher

Norman A. Scher
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: November 13, 1998 /s/ D. Andrew Edwards

D. Andrew Edwards
Corporate Controller and Treasurer
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
27	Financial Data Schedule

THE SCHEDULE CONTAINS UNAUDITED SUMMARY FINANCIAL INFORMATION FOR TREDEGAR INDUSTRIES, INC. AND SUBSIDIARIES EXTRACTED FROM THE BALANCE SHEET FOR THE PERIOD ENDED SEPTEMBER 30, 1998 AND THE STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS
DEC-31-1998
SEP-30-1998
23,287
0
98,490
3,726
32,526
162,825
349,391
195,612
443,668
91,482
25,000
0
0
93,875
197,619
443,668
513,244
516,299
405,880
405,880
38,160
264
952
71,043
22,626
48,417
3,421
0
0
51,838
1.42
1.33