UNITED STATES
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 March 31, 2020

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	Trading Symbol(s)	Name of each exchange on which registered
Common stock, no par value	TG	New York Stock Exchange

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 the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No ☐

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

Large accelerated filer	☐	Accelerated filer	x	Smaller reporting company	☐
Non-accelerated filer	☐			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of Common Stock, no par value, outstanding as of April 30, 2020: 33,510,714

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Tredegar Corporation
Consolidated Balance Sheets
(In Thousands, Except Share Data)
(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 35,059	$ 31,422
Accounts and other receivables, net of allowance for doubtful accounts and sales returns of $3,165 in 2020 and $3,036 in 2019	106,211	107,558
Income taxes recoverable	565	4,100
Inventories	84,215	81,380
Prepaid expenses and other	8,772	8,696
Total current assets	234,822	233,156
Property, plant and equipment, at cost	801,665	810,801
Less accumulated depreciation	(568,034)	(567,911)
Net property, plant and equipment	233,631	242,890
Right-of-use leased assets	18,559	19,220
Investment in kaléo (cost basis of $7,500)	69,400	95,500
Identifiable intangible assets, net	21,571	22,636
Goodwill	67,708	81,404
Deferred income taxes	13,218	13,129
Other assets	4,277	4,733
Total assets	$ 663,186	$ 712,668
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 105,066	$ 103,657
Accrued expenses	46,862	45,809
Lease liability, short-term	2,973	3,002
Total current liabilities	154,901	152,468
Lease liability, long-term	17,010	17,689
Long-term debt	43,000	42,000
Pension and other postretirement benefit obligations, net	105,265	107,446
Deferred income taxes	—	11,019
Other noncurrent liabilities	4,420	5,297
Total liabilities	324,596	335,919
Shareholders' equity:		
Common stock, no par value (issued and outstanding - 33,510,714 shares at March 31, 2020 and 33,365,039 shares at December 31, 2019)	46,054	45,514
Common stock held in trust for savings restoration plan (75,200 shares at March 31, 2020 and 74,798 shares at December 31, 2019)	(1,601)	(1,592)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	(112,192)	(100,663)
Gain (loss) on derivative financial instruments	(5,082)	(1,307)
Pension and other post-retirement benefit adjustments	(92,750)	(95,681)
Retained earnings	504,161	530,478
Total shareholders' equity	338,590	376,749
Total liabilities and shareholders' equity	$ 663,186	$ 712,668

See accompanying notes to financial statements.

Tredegar Corporation
Consolidated Statements of Income
(In Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Revenues and other items:		
Sales	$ 228,302	$ 248,466
Other income (expense), net	(26,211)	17,110
	202,091	265,576
Costs and expenses:		
Cost of goods sold	175,311	200,653
Freight	8,580	9,021
Selling, general and administrative	23,169	22,012
Research and development	4,855	4,485
Amortization of identifiable intangibles	758	891
Pension and postretirement benefits	3,567	2,415
Interest expense	555	1,232
Asset impairments and costs associated with exit and disposal activities, net of adjustments	461	1,056
Goodwill impairment	13,696	—
Total	230,952	241,765
Income (loss) before income taxes	(28,861)	23,811
Income tax expense (benefit)	(6,540)	4,026
Net income (loss)	$ (22,321)	$ 19,785
Earnings (loss) per share:		
Basic	$ (0.67)	$ 0.60
Diluted	$ (0.67)	$ 0.60
Shares used to compute earnings (loss) per share:		
Basic	33,313	33,123
Diluted	33,313	33,127
Dividends per share	$ 0.12	$ 0.11

See accompanying notes to financial statements.

Tredegar Corporation
Consolidated Statements of Comprehensive Income (Loss)
(In Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Net income (loss)	$ (22,321)	$ 19,785
Other comprehensive income (loss):		
Unrealized foreign currency translation adjustment (net of tax benefit of $1,283 in 2020 and tax of $0 in 2019)	(11,529)	(790)
Derivative financial instruments adjustment (net of tax benefit of $1,226 in 2020 and tax of $83 in 2019)	(3,775)	(353)
Amortization of prior service costs and net gains or losses (net of tax of $836 in 2020 and tax of $592 in 2019)	2,931	2,079
Other comprehensive income (loss)	(12,373)	936
Comprehensive income (loss)	$ (34,694)	$ 20,721

See accompanying notes to financial statements.

Tredegar Corporation
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Three Months Ended March 31, 2020	2019
Cash flows from operating activities:		
Net income (loss)	$ (22,321)	$ 19,785
Adjustments for noncash items:		
Depreciation	7,557	7,168
Amortization of identifiable intangibles	758	891
Reduction of right-of-use lease asset	696	632
Goodwill impairment	13,696	—
Deferred income taxes	(9,804)	2,410
Accrued pension and post-retirement benefits	3,567	2,415
(Gain) loss on investment in kaléo accounted for under the fair value method	26,100	(17,082)
(Gain) loss on asset impairments and divestitures	—	421
Net (gain) loss on disposal of assets	—	(385)
Changes in assets and liabilities:		
Accounts and other receivables	(2,849)	1,595
Inventories	(6,982)	(6,794)
Income taxes recoverable/payable	3,478	1,664
Prepaid expenses and other	(294)	1,078
Accounts payable and accrued expenses	3,588	(2,033)
Lease liability	(741)	(640)
Pension and postretirement benefit plan contributions	(1,967)	(1,724)
Other, net	595	1,727
Net cash provided by operating activities	15,077	11,128
Cash flows from investing activities:		
Capital expenditures	(4,854)	(12,879)
Proceeds from the sale of assets and other	—	22
Net cash used in investing activities	(4,854)	(12,857)
Cash flows from financing activities:		
Borrowings	16,500	23,750
Debt principal payments	(15,500)	(15,250)
Dividends paid	(4,005)	(3,652)
Repurchase of employee common stock for tax withholdings	(586)	(815)
Net cash (used in) provided by financing activities	(3,591)	4,033
Effect of exchange rate changes on cash	(2,995)	(399)
Increase in cash & cash equivalents	3,637	1,905
Cash and cash equivalents at beginning of period	31,422	34,397
Cash and cash equivalents at end of period	$ 35,059	$ 36,302

See accompanying notes to financial statements.

Tredegar Corporation
Consolidated Statement of Shareholders' Equity
(In Thousands, Except Share and Per Share Data)
(Unaudited)

The following summarizes the changes in shareholders' equity for the three month period ended March 31, 2020:

				Accumulated Other Comprehensive Income (Loss)			
	Common Stock	Retained Earnings	Trust for Savings Restoration Plan	Foreign Currency Translation	Gain (Loss) on Derivative Financial Instruments	Pension & Other Post-retirement Benefit Adjustment	Total Shareholders' Equity
Balance at January 1, 2020	$ 45,514	$ 530,478	$ (1,592)	$ (100,663)	$ (1,307)	$ (95,681)	$ 376,749
Net income (loss)	—	(22,321)	—	—	—	—	(22,321)
Other comprehensive income (loss):							
Foreign currency translation adjustment (net of tax benefit of $1,283)	—	—	—	(11,529)	—	—	(11,529)
Derivative financial instruments adjustment (net of tax benefit of $1,226)	—	—	—	—	(3,775)	—	(3,775)
Amortization of prior service costs and net gains or losses (net of tax of $836)	—	—	—	—	—	2,931	2,931
Cash dividends declared ($0.12 per share)	—	(4,005)	—	—	—	—	(4,005)
Stock-based compensation expense	1,126	—	—	—	—	—	1,126
Repurchase of employee common stock for tax withholdings	(586)	—	—	—	—	—	(586)
Tredegar common stock purchased by trust for savings restoration plan	—	9	(9)	—	—	—	—
Balance at March 31, 2020	$ 46,054	$ 504,161	$ (1,601)	$ (112,192)	$ (5,082)	$ (92,750)	$ 338,590

The following summarizes the changes in shareholders' equity for the three month period ended March 31, 2019:

	Common Stock	Retained Earnings	Trust for Savings Restoration Plan	Accumulated Other Comprehensive Income (Loss) Foreign Currency Translation	Accumulated Other Comprehensive Income (Loss) Gain (Loss) on Derivative Financial Instruments	Accumulated Other Comprehensive Income (Loss) Pension & Other Post-retirement Benefit Adjustment	Total Shareholders' Equity
Balance at January 1, 2019	$ 38,892	$ 497,511	$ (1,559)	$ (96,940)	$ (1,601)	$ (81,446)	$ 354,857
Net income (loss)	—	19,785	—	—	—	—	19,785
Other comprehensive income (loss):							
Foreign currency translation adjustment (net of tax of $0)	—	—	—	(790)	—	—	(790)
Derivative financial instruments adjustment (net of tax benefit of $83)	—	—	—	—	(353)	—	(353)
Amortization of prior service costs and net gains or losses (net of tax of $592)	—	—	—	—	—	2,079	2,079
Cash dividends declared ($0.11 per share)	—	(3,652)	—	—	—	—	(3,652)
Stock-based compensation expense	1,510	—	—	—	—	—	1,510
Repurchase of employee common stock for tax withholdings	(815)	—	—	—	—	—	(815)
Tredegar common stock purchased by trust for savings restoration plan	—	9	(9)	—	—	—	—
Balance at March 31, 2019	$ 39,587	$ 513,653	$ (1,568)	$ (97,730)	$ (1,954)	$ (79,367)	$ 372,621

See accompanying notes to financial statements.

1 BASIS OF PRESENTATION

In the opinion of management, the accompanying consolidated financial statements of Tredegar Corporation and its subsidiaries ("Tredegar," "the Company," "we," "us" or "our") contain all adjustments necessary to state fairly, in all material respects, Tredegar's consolidated financial position as of March 31, 2020, the consolidated results of operations for the three months ended March 31, 2020 and 2019, the consolidated cash flows for the three months ended March 31, 2020 and 2019, and the consolidated changes in shareholders' equity for the three months ended March 31, 2020 and 2019, in accordance with U.S. generally accepted accounting principles ("GAAP"). All such adjustments, unless otherwise detailed in the notes to the consolidated interim financial statements, are deemed to be of a normal, recurring nature.

The Company operates on a calendar fiscal year except for the Aluminum Extrusions segment, which operates on a 52/53-week fiscal year basis. As such, the fiscal first quarter for 2020 and 2019 for this segment references 13-week periods ended March 29, 2020 and March 31, 2019, respectively. The Company does not believe the impact of reporting the results of this segment as stated above is material to the consolidated financial results.

The financial position data as of December 31, 2019 that is included herein was derived from the audited consolidated financial statements provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 ("2019 Form 10-K") but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the 2019 Form 10-K. The results of operations for the three months ended March 31, 2020, are not necessarily indicative of the results to be expected for the full year. Certain prior year balances have been reclassified to conform with current year presentation.

Adoption of ASU 2016-13, Financial Instruments - Credit Losses

In the first quarter of 2020, the Company adopted ASU 2016-13 related to the measurement of credit losses on financial instruments. The pronouncement replaces the incurred loss methodology to record credit losses with a methodology that reflects the expected credit losses for financial assets not accounted for at fair value with gains and losses recognized through net income. The adoption of the updated guidance in the first quarter of 2020 resulted in an adjustment of less than $0.2 million and, therefore, did not have a material impact on the Company's consolidated financial statements. The Company's policy on *Accounts and Other Receivables* as described in the 2019 Form 10-K was revised to read as follows:

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 an assessment of probable losses taking into account past due amounts, customer credit profile, historical experience and current economic conditions. For receivables that do not have a specific allowance, the loss rate is computed by segment to apply to the remaining receivables balance, using each segment's historic loss rate. Other receivables include value-added taxes related to certain foreign subsidiaries and other miscellaneous receivables due within one year. For certain customers, the Company has arrangements in place with financial institutions whereby certain customer receivables are sold to the financial institution at a discount and without recourse. Upon sale, the associated receivable is unrecognized and the discount is recognized.

As of March 31, 2020 and December 31, 2019, accounts receivable and other receivables, net, were $106.2 million and $107.6 million, respectively, made up of the following:

(In thousands)	March 31, 2020	December 31, 2019
Customer receivables	$ 104,604	$ 106,153
Other accounts and notes receivable	4,772	4,441
Total accounts and other receivables	109,376	110,594
Less: Allowance for bad debts and sales returns	(3,165)	(3,036)
Total accounts and other receivables, net	$ 106,211	$ 107,558

2 LONG-LIVED ASSETS & GOODWILL IMPAIRMENT

The Company assesses its long-lived assets for impairment when events and circumstances indicate that the carrying amount of the assets may not be recoverable. Long-lived assets consist primarily of buildings, machinery and equipment. In light of the economic impacts from COVID-19, the Company evaluated whether an impairment trigger existed for its asset groups and determined that triggering events existed for two asset groups in Aluminum Extrusions resulting from acquisitions in 2012 ("AACOA") and in 2017 ("Futura"). The Company performed a recoverability test on the AACOA and Futura asset groups and determined that the sum of the related undiscounted cash flows exceeded their respective carrying values, thus the asset groups were not determined to be impaired as of March 31, 2020.

The Company assesses goodwill for impairment on an annual basis at a minimum (December 1st of each year) or when events or circumstances indicate that the carrying amount of a reporting unit that includes goodwill exceeds its fair value. In light of the economic impacts from COVID-19, the Company evaluated whether triggering events occurred for all reporting units that include goodwill and determined that triggering events occurred for the AACOA and Futura reporting units. The Company performed a goodwill impairment analysis for the AACOA and Futura reporting units using a combination of income and market approaches and determined that the fair value of the Futura reporting unit exceeded its carrying value.

The operations of the AACOA reporting unit, which includes the Niles, Michigan and Elkhart, Indiana facilities, have been severely impacted by the COVID-19 pandemic, with over 80% of the aluminum extrusions manufactured at these facilities sold to customers that make consumer durable products, such as recreational boating and power sports vehicles, as well as to customers serving building and construction and automotive markets. In the first quarter of 2020, a goodwill impairment charge of $13.7 million ($10.5 million after taxes) was recognized in Aluminum Extrusions, which represented the entire amount of goodwill associated with the acquisition of AACOA. The original 2020 plan for EBITDA from ongoing operations associated with AACOA before the pandemic was $9.7 million. The latest EBITDA from ongoing operations projection for 2020, which accounts for a significant downturn expected with reduced demand created by the pandemic, is less than $1 million. Based on this projection and further recession and recovery scenarios, the Company concluded that goodwill assigned to the AACOA reporting unit was fully impaired as of March 31, 2020.

Recent disruptions to the global economy from the COVID-19 pandemic make it at least reasonably possible that future interim tests for long-lived assets and goodwill may be required during 2020. As this is an evolving crisis, we expect to continue to monitor developments and perform updated analyses as necessary.

3 ASSET IMPAIRMENTS AND COSTS ASSOCIATED WITH EXIT AND DISPOSAL ACTIVITIES

In the March 2020, the Company shut down production at its PE Films manufacturing facility in Lake Zurich, Illinois ("Lake Zurich plant shutdown"). When this facility was shut down, the production of elastic materials it previously produced was transferred to the new elastic production line at Terre Haute, Indiana. As a result of the Lake Zurich plant shutdown, the Company expects to recognize pre-tax cash costs of $6.9 million comprised of (i) customer-related costs ($0.7 million), (ii) severance and other employee related costs ($1.1 million), and (iii) asset disposal and other cash costs ($5.1 million). In addition, the Company expects non-cash asset write-offs and accelerated depreciation of $1.7 million. Total expenses associated with the Lake Zurich plant shutdown are $3.1 million since project inception. Cash expenditures were $0.3 million in the three months ended March 31, 2020. The Company anticipates that the Lake Zurich plant shutdown will be completed by the end of 2020 and that the sale of real property will occur sometime thereafter.

A reconciliation of the beginning and ending balances of accrued expenses associated with exit and disposal activities and charges associated with asset impairments and reported as "Asset impairments and costs associated with exit and disposal activities, net of adjustments" in the consolidated statements of income for the three months ended March 31, 2020 is as follows.

(In thousands)	Severance	Asset Impairments	Other	Total
Balance at January 1, 2020	$ 1,294	$ —	$ 86	$ 1,380
Changes in 2020:				
Charges:				
Lake Zurich plant shutdown	128	239	19	386
Other restructuring charges	47	—	28	75
	175	239	47	461
Cash payments	(721)	—	(72)	(793)
Charges against assets	—	(239)	—	(239)
Balance at March 31, 2020	$ 748	$ —	$ 61	$ 809

4 INVENTORIES

The components of inventories are as follows:

(In thousands)	March 31, 2020	December 31, 2019
Finished goods	$ 23,116	$ 24,504
Work-in-process	13,939	12,328
Raw materials	27,079	24,735
Stores, supplies and other	20,081	19,813
Total	$ 84,215	$ 81,380

5 EARNINGS PER SHARE

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:

	Three Months Ended March 31,	
(In thousands)	2020	2019
Weighted average shares outstanding used to compute basic earnings per share	33,313	33,123
Incremental dilutive shares attributable to stock options and restricted stock	—	4
Shares used to compute diluted earnings per share	33,313	33,127

Incremental shares attributable to stock options and restricted stock are computed under the treasury stock method using the average market price during the related period. The Company had a net loss for the three months ended March 31, 2020, so there is no dilutive impact for such shares. If the Company had reported net income for the three months ended March 31, 2020, 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 were 682,696. For the three months ended March 31, 2019, 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 were 975,904.

6 ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the after-tax changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2020:

(In thousands)	Foreign currency translation adjustment	Gain (loss) on derivative financial instruments	Pension and other post-retirement benefit adjustments	Total
Beginning balance, January 1, 2020	$ (100,663)	$ (1,307)	$ (95,681)	$ (197,651)
Other comprehensive income (loss) before reclassifications	(11,529)	(4,888)	—	(16,417)
Amounts reclassified from accumulated other comprehensive income (loss)	—	1,113	2,931	4,044
Net other comprehensive income (loss) - current period	(11,529)	(3,775)	2,931	(12,373)
Ending balance, March 31, 2020	$ (112,192)	$ (5,082)	$ (92,750)	$ (210,024)

The following table summarizes the after-tax changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2019:

(In Thousands)	Foreign currency translation adjustment	Gain (loss) on derivative financial instruments	Pension and other post-retirement benefit adjustments	Total
Beginning balance, January 1, 2019	$ (96,940)	$ (1,601)	$ (81,446)	$ (179,987)
Other comprehensive income (loss) before reclassifications	(790)	(1,011)	—	(1,801)
Amounts reclassified from accumulated other comprehensive income (loss)	—	658	2,079	2,737
Net other comprehensive income (loss) - current period	(790)	(353)	2,079	936
Ending balance, March 31, 2019	$ (97,730)	$ (1,954)	$ (79,367)	$ (179,051)

Reclassifications of balances out of accumulated other comprehensive income (loss) into net income (loss) for the three months ended March 31, 2020 are summarized as follows:

(In Thousands)		Amount reclassified from other comprehensive income (loss)	Location of gain (loss) reclassified from accumulated other comprehensive income (loss) to net income (loss)
Gain (loss) on derivative financial instruments:			
Aluminum future contracts, before taxes	$	(640)	Cost of sales
Foreign currency forward contracts, before taxes		(794)	Selling, general & administrative
Foreign currency forward contracts, before taxes		15	Cost of sales
Total, before taxes		(1,419)	
Income tax expense (benefit)		(306)	Income taxes
Total, net of tax	$	(1,113)	
Amortization of pension and other post-retirement benefits:			
Actuarial gain (loss) and prior service costs, before taxes	$	(3,767)	(a)
Income tax expense (benefit)		(836)	Income taxes
Total, net of tax	$	(2,931)	

(a) This component of accumulated other comprehensive income (loss) is included in the computation of net periodic pension cost (see Note 9 for additional detail).

Reclassifications of balances out of accumulated other comprehensive income (loss) into net income for the three months ended March 31, 2019 are summarized as follows:

(In Thousands)		Amount reclassified from other comprehensive income (loss)	Location of gain (loss) reclassified from accumulated other comprehensive income (loss) to net income (loss)
Gain (loss) on derivative financial instruments:			
Aluminum future contracts, before taxes	$	(617)	Cost of sales
Foreign currency forward contracts, before taxes		(191)	Selling, general & administrative
Foreign currency forward contracts, before taxes		15	Cost of sales
Total, before taxes		(793)	
Income tax expense (benefit)		(135)	Income taxes
Total, net of tax	$	(658)	
Amortization of pension and other post-retirement benefits:			
Actuarial gain (loss) and prior service costs, before taxes	$	(2,671)	(a)
Income tax expense (benefit)		(592)	Income taxes
Total, net of tax	$	(2,079)	

(a) This component of accumulated other comprehensive income (loss) is included in the computation of net periodic pension cost (see Note 9 for additional detail).

7 INVESTMENTS

In August 2007 and December 2008, the Company made an aggregate investment of $7.5 million in Kaleo, Inc. ("kaléo"), a privately held specialty pharmaceutical company dedicated to building innovative solutions for serious and life-threatening medical conditions. Tredegar owns Series A-3 Preferred Stock and Series B Preferred Stock in kaléo that, taken together, represents on a fully-diluted basis an approximate 18.4% interest in kaléo. Tredegar accounts for its investment in kaléo under the fair value option. At the time of the initial investment, the Company elected the fair value option of accounting since its investment objectives were similar to those of venture capitalists, which typically do not have controlling financial interests.

The estimated fair value of the Company's investment was $69.4 million as of March 31, 2020 and $95.5 million as of December 31, 2019. The Company recognized a decrease in value on its investment in kaléo of $26.1 million ($20.4 million after taxes) in the first quarter of 2020. The net appreciation on its investment of $17.1 million ($14.3 million after taxes) in the first three months of 2019, included a pre-tax cash dividend of $17.6 million paid on April 30, 2019. Future dividends are subject to the discretion of kaléo's board of directors. Amounts recognized associated with the Company's investment in kaléo are included in "Other income (expense), net" in the consolidated statements of income and separately stated in the net sales and EBITDA from ongoing operations by segment table in Note 11.

The Company estimated the fair value of its investment in kaléo at March 31, 2020 by: (i) computing the weighted average estimated enterprise value ("EV") utilizing both the discounted cash flow method (the "DCF Method") and the application of a market multiple to earnings before interest, taxes, depreciation and amortization (the "EBITDA Multiple Method"), (ii) applying adjustments for any surplus or deficient working capital and estimates of contingent liabilities, (iii) adding cash and cash equivalents, (iv) subtracting interest-bearing debt, (v) subtracting a private company liquidity discount estimated at 20% at March 31, 2020 (versus 10% at December 31, 2019 and 15% at March 31, 2019) of the net result of (i) through (iv), and (vi) applying liquidation preferences and fully diluted ownership percentages to the estimated equity value computed in (i) through (v).

The Company's estimate of kaléo's EV as of March 31, 2020 was determined by weighting the EBITDA Multiple Method by 80% and the DCF Method by 20%, which was consistent with the weighting applied at December 31, 2019. The heavier weighting towards the EBITDA Multiple Method was due to its heuristic nature versus the hypothetical nature of the projections used in the DCF Method. The DCF Method projections rely on numerous assumptions and Level 3 inputs, including estimating market growth, market share, pricing, net margins (after allowances for temporary discounts, prompt pay discounts, product returns, wholesaler fees, chargebacks, rebates and copays), selling expenses, R&D expenses, general and administrative expenses, income taxes on unlevered pretax income, working capital, capital expenditures and the risk-adjusted discount rate. In addition, there are various regulatory and legal enforcement efforts, including an ongoing Department of Justice investigation related to kaléo's Evzio business, which could have a material adverse effect on kaléo's business that require assessment in any valuation method applied.

The table below provides a sensitivity analysis of the estimated fair value at March 31, 2020, of the Company's investment in kaléo for changes in the EBITDA multiple used in applying the EBITDA Multiple Method and the changes in the weighting of the DCF Method.

($ Millions)		EV-to-Adjusted EBITDA Multiple				
		5.0 x	6.0 x	7.0 x	8.0x	9.0x
Weighting to DCF Method	50 %	$ 58.2	$ 63.6	$ 69.0	$ 74.4	$ 79.8
	40 %	$ 56.1	$ 62.6	$ 69.1	$ 75.6	$ 82.1
	30 %	$ 54.1	$ 61.7	$ 69.3	$ 76.9	$ 84.4
	20 %	$ 52.1	$ 60.8	$ 69.4	$ 78.1	$ 86.7
	10 %	$ 50.1	$ 59.8	$ 69.6	$ 79.3	$ 89.0
	0 %	$ 48.0	$ 58.9	$ 69.7	$ 80.5	$ 91.3

The pretax decline of $26.1 million or 27.3% in estimated fair value from December 31, 2019 to March 31, 2020 was primarily due to: (i) a decline in enterprise value-to-EBITDA multiples for comparable companies, (ii) lower expectations for 2020 EBITDA and net cash flow associated with lower market demand for epinephrine delivery devices resulting from COVID-19-related stay-at-home guidelines, especially if such guidelines impact the peak back-to-school season, and (iii) a higher private company liquidity discount. The ultimate value of the Company's ownership interest in kaléo will be determined and realized only if and when a liquidity event occurs, and the ultimate value could be materially different from the $69.4 million estimated fair value reflected in the Company's financial statements at March 31, 2020.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Tredegar uses derivative financial instruments for the purpose of hedging margin exposure from fixed-price forward sales contracts in Aluminum Extrusions and exposure from currency volatility that exist as part of ongoing business operations (primarily in Flexible Packaging Films). These 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, the Company records the corresponding derivative fair values as a net asset or net liability.

In the normal course of business, Aluminum Extrusions enters 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 margin exposure created from the fixing of future sales prices relative to volatile raw material (aluminum) costs, Aluminum Extrusions enters 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. 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 $18.2 million (18.0 million pounds of aluminum) at March 31, 2020 and $20.2 million (19.6 million pounds of aluminum) at December 31, 2019.

The table below summarizes the location and gross amounts of aluminum futures contract fair values (Level 2) in the consolidated balance sheets as of March 31, 2020 and December 31, 2019:

	March 31, 2020		December 31, 2019	
(In thousands)	Balance Sheet Account	Fair Value	Balance Sheet Account	Fair Value
Derivatives Designated as Hedging Instruments				
Asset derivatives: Aluminum futures contracts	Accrued expenses	$ —	Accrued expenses	$ 6
Liability derivatives: Aluminum futures contracts	Accrued expenses	(2,207)	Accrued expenses	(1,259)
Net asset (liability)		$ (2,207)		$ (1,253)

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 Aluminum Extrusions for any losses on the related aluminum futures and/or forward contracts through the date of cancellation.

The table below summarizes the location and gross amounts of foreign currency forward contract fair values (Level 2) in the consolidated balance sheets as of March 31, 2020 and December 31, 2019:

	March 31, 2020			December 31, 2019		
(In Thousands)	Balance Sheet Account		Fair Value	Balance Sheet Account		Fair Value
Derivatives Designated as Hedging Instruments						
Asset derivatives: Foreign currency forward contracts	Prepaid expenses and other	$	—	Prepaid expenses and other	$	83
Liability derivatives: Foreign currency forward contracts	Accrued expenses		(5,222)	Accrued expenses		(935)
Net asset (liability)		$	(5,222)		$	(852)

The Company's earnings are exposed to foreign currency exchange risk primarily through the translation of the financial statements of subsidiaries that have a functional currency other than the U.S. Dollar. The Company estimates that the net mismatch translation exposure between Flexible Packaging Films business unit in Brazil, Terphane Ltda.'s ("Terphane Ltda.") U.S. Dollar quoted or priced sales and underlying Brazilian Real ("R$") quoted or priced operating costs (excluding depreciation and amortization) is annual net costs of R$137 million at March 31, 2020. Terphane Ltda. has the following outstanding foreign exchange average forward rate contracts to purchase Brazilian Real and sell U.S. Dollars:

USD Notional Amount (000s)	Average Forward Rate Contracted on USD/BRL	R$ Equivalent Amount (000s)	Applicable Month	Estimated % of Terphane Ltda. R$ Operating Cost Exposure Hedged
$2,200	3.9131	R$8,609	Apr-20	75%
$2,200	3.9188	R$8,621	May-20	76%
$2,200	3.9249	R$8,635	Jun-20	76%
$2,200	3.9326	R$8,652	Jul-20	76%
$2,200	3.9413	R$8,671	Aug-20	76%
$2,200	3.9495	R$8,689	Sep-20	76%
$2,200	3.9579	R$8,707	Oct-20	76%
$2,200	3.9660	R$8,725	Nov-20	76%
$2,050	3.9653	R$8,129	Dec-20	71%
$19,650	3.9409	R$77,438		75%

These foreign currency exchange contracts have been designated and qualify as cash flow hedges of Terphane Ltda.'s forecasted sales to customers quoted or priced in U.S. Dollars over that period. By changing the currency risk associated with these U.S. Dollar sales, the derivatives have the effect of offsetting operating costs quoted or priced in Brazilian Real and decreasing the net exposure to Brazilian Real in the consolidated statements of income. The pre-tax net fair value of the open forward contracts was a negative $4.8 million as of March 31, 2020.

These derivative contracts involve elements of market risk that are not reflected on the consolidated balance sheet, including the risk of dealing with counterparties and their ability to meet the terms of the contracts. The counterparties to any forward purchase commitments are major aluminum brokers and suppliers, and the counterparties to any aluminum futures contracts are major financial institutions. Fixed-price forward sales contracts are only made available to the best and most credit-worthy customers. The counterparties to the Company's foreign currency cash flow hedge 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 the three month periods ended March 31, 2020 and 2019 is summarized in the table below:

(In thousands)	Cash Flow Derivative Hedges					
	Three Months Ended March 31,					
	Aluminum Futures Contracts		Foreign Currency Forwards			
	2020	2019	2020	2020	2019	2019
Amount of pretax gain (loss) recognized in other comprehensive income (loss)	$ (1,594)	$ (246)	$ —	$ (4,824)	$ —	(816)
Location of gain (loss) reclassified from accumulated other comprehensive income (loss) into net income (effective portion)	Cost of sales	Cost of sales	Cost of sales	Selling, general & admin	Cost of sales	Selling, general & admin
Amount of pretax gain (loss) reclassified from accumulated other comprehensive income (loss) to net income effective portion)	$ (640)	$ (617)	$ 15	$ (794)	$ 15	(191)

As of March 31, 2020, the Company expects $1.6 million of unrealized after-tax losses on derivative instruments reported in accumulated other comprehensive income (loss) to be reclassified to earnings within the next 12 months. For the three month periods ended March 31, 2020 and 2019, net gains or losses realized, from previously unrealized net gains or losses on hedges that had been discontinued, were not material.

9 PENSION AND OTHER POSTRETIREMENT BENEFITS

Tredegar sponsors a noncontributory defined benefit (pension) plan covering certain current and former U.S. employees. The plan for salaried and hourly employees currently in effect is 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 pay for active plan participants for benefit calculations was frozen as of December 31, 2007. As of January 31, 2018, the plan no longer accrued benefits associated with crediting employees for service, thereby freezing all future benefits under the plan.

The components of net periodic benefit cost for the pension and other postretirement benefit programs reflected in the consolidated statements of income are shown below:

	Pension Benefits		Other Post-Retirement Benefits	
	Three Months Ended March 31,		Three Months Ended March 31,	
(In thousands)	2020	2019	2020	2019
Service cost	$ —	$ —	$ 9	$ 8
Interest cost	2,535	3,067	60	73
Expected return on plan assets	(2,804)	(3,404)	—	—
Amortization of prior service costs, (gains) losses and net transition asset	3,814	2,729	(47)	(58)
Net periodic benefit cost	$ 3,545	$ 2,392	$ 22	$ 23

Pension and other postretirement liabilities were $106.0 million and $108.1 million at March 31, 2020 and December 31, 2019, respectively ($0.7 million included in "Accrued expenses" at March 31, 2020 and December 31, 2019, with the remainder included in "Pension and other postretirement benefit obligations, net" in the consolidated balance sheets). The Company's required contributions are expected to be $12.3 million in 2020. Contributions to the pension plan during the first three months of 2020 were $2.0 million. Tredegar funds its other postretirement benefits (life insurance and health benefits) on a claims-made basis; for 2020, the Company anticipates the amount will be consistent with amounts paid for the year ended December 31, 2019, or $0.3 million.

10 OTHER INCOME (EXPENSE), NET

Other income (expense), net consists of the following:

	Three Months Ended March 31,	
(In thousands)	2020	2019
Gain (loss) on investment in kaléo accounted for under fair value method	$ (26,100)	$ 17,082
Other	(111)	28
Total	$ (26,211)	$ 17,110

The gain on investment in kaléo accounted for under fair value method shown above for the three months ended March 31, 2019, includes a cash dividend of $17.6 million from kaléo. See Note 7 for more details on the investment in kaléo.

11 BUSINESS SEGMENTS

The Company's business segments are Aluminum Extrusions, PE Films, and Flexible Packaging Films. Information by business segment is reported below. There are no accounting transactions between segments and no allocations to segments.

The Company's reportable segments are based on its method of internal reporting, which is generally segregated by differences in products. Accounting standards for presentation of segments require an approach based on the way the Company organizes the segments for making operating decisions and how the chief operating decision maker ("CODM") assesses performance. Earnings before interest, taxes, depreciation and amortization ("EBITDA") from ongoing operations is the key profitability measure used by the CODM (Tredegar's President and Chief Executive Officer) for purposes of assessing financial performance. The Company uses sales less freight ("net sales") as its measure of revenues from external customers at the segment level. This measure is separately included in the financial information regularly provided to the CODM.

The following table presents net sales and EBITDA from ongoing operations by segment for the three months ended March 31, 2020 and 2019:

(In thousands)	Three Months Ended March 31, 2020	2019
Net Sales		
Aluminum Extrusions	$ 117,887	$ 139,047
PE Films	71,261	66,779
Flexible Packaging Films	30,574	33,619
Total net sales	219,722	239,445
Add back freight	8,580	9,021
Sales as shown in the Consolidated Statements of Income	$ 228,302	$ 248,466
EBITDA from Ongoing Operations		
Aluminum Extrusions:		
Ongoing operations:		
EBITDA	11,677	16,166
Depreciation & amortization	(4,113)	(4,081)
EBIT	7,564	12,085
Plant shutdowns, asset impairments, restructurings and other (a)	(688)	(40)
Goodwill impairment	(13,696)	—
PE Films:		
Ongoing operations:		
EBITDA	14,189	6,543
Depreciation & amortization	(3,724)	(3,592)
EBIT	10,465	2,951
Plant shutdowns, asset impairments, restructurings and other (a)	(906)	(1,378)
Flexible Packaging Films:		
Ongoing operations:		
EBITDA	6,553	3,203
Depreciation & amortization	(428)	(344)
EBIT	6,125	2,859
Total	8,864	16,477
Interest income	52	59
Interest expense	555	1,232
Gain (loss) on investment in kaléo accounted for under fair value method	(26,100)	17,082
Stock option-based compensation costs	584	415
Corporate expenses, net	10,538	8,160
Income (loss) before income taxes	(28,861)	23,811
Income tax expense (benefit)	(6,540)	4,026
Net income (loss)	$ (22,321)	$ 19,785

The following table presents identifiable assets by segment at March 31, 2020 and December 31, 2019:

(In thousands)	March 31, 2020	December 31, 2019
Aluminum Extrusions	$ 252,844	$ 265,027
PE Films	224,987	230,415
Flexible Packaging Films	65,869	74,016
Subtotal	543,700	569,458
General corporate	84,427	111,788
Cash and cash equivalents	35,059	31,422
Total	$ 663,186	$ 712,668

The following tables disaggregate the Company's revenue by geographic area and product group for the three months ended March 31, 2020 and 2019:

Net Sales by Geographic Area (a)		
	Three Months Ended March 31,	
(In thousands)	2020	2019
United States	$ 146,183	$ 172,254
Exports from the United States to:		
Asia	22,164	13,493
Latin America	3,134	2,867
Canada	4,898	3,605
Europe	1,501	1,360
Operations outside the United States:		
Brazil	25,948	28,138
The Netherlands	7,885	9,587
Hungary	6,604	6,834
India	1,405	1,077
China	—	230
Total	$ 219,722	$ 239,445

Net Sales by Product Group		
	Three Months Ended March 31,	
(In thousands)	2020	2019
Aluminum Extrusions:		
Nonresidential building & construction	$ 63,139	$ 69,638
Consumer durables	12,549	15,545
Automotive	9,471	12,627
Residential building & construction	9,815	11,672
Electrical	7,239	11,069
Machinery & equipment	7,936	9,923
Distribution	7,738	8,573
Subtotal	117,887	139,047
PE Films:		
Personal care materials	41,230	44,855
Surface protection films	28,353	19,888
LED lighting products & other films	1,678	2,036
Subtotal	71,261	66,779
Flexible Packaging Films	30,574	33,619
	$ 219,722	$ 239,445

(a) Export sales relate primarily to PE Films. Operations outside the U.S. in The Netherlands, Hungary, China and India also relate to PE Films. Operations in Brazil are primarily related to Flexible Packaging Films, but also include PE Films operations. Sales from locations in The Netherlands and Hungary are primarily to customers located in Europe.

12 INCOME TAXES

Tredegar recorded a tax benefit of $6.5 million on a pretax loss of $28.9 million in the first three months of 2020. Therefore, the effective tax rate in the first three months of 2020 was 22.7%, compared to 16.9% in the first three months of 2019. The quarterly effective tax rate is an estimate based on a proration of the components of the Company’s estimated annual effective tax rate and discrete items recorded during the first three months of the year. The significant differences between the U.S. federal statutory rate and the effective income tax rate for the three months ended March 31, 2020 and 2019 are as follows:

(In thousands, except percentages)	2020		2019	
Three Months Ended March 31,	Amount	%	Amount	%
Income tax (benefit) expense at federal statutory rate	$ (6,061)	21.0	$ 5,000	21.0
Foreign tax incentives	(1,430)	5.0	(436)	(1.8)
Changes in estimates related to prior year tax provision	(601)	2.1	—	—
Research and development tax credit	(278)	1.0	(86)	(0.4)
State taxes, net of federal income tax benefit	(261)	0.8	180	0.8
Valuation allowance due to foreign losses and impairments	(136)	0.5	(253)	(1.1)
Tax impact of dividend received	—	—	(919)	(3.9)
Foreign Derived Intangible Income (FDII)	—	—	(194)	(0.8)
Valuation allowance for capital loss carry-forwards	40	(0.1)	—	—
Non-deductible expenses	232	(0.8)	73	0.3
Stock-based compensation	252	(0.9)	(133)	(0.6)
U.S. Tax on Foreign Branch Income	573	(2.0)	465	2.0
Foreign rate differences	1,130	(3.9)	329	1.4
Effective income tax rate	$ (6,540)	22.7	$ 4,026	16.9

Tredegar accrues U.S. federal income taxes on unremitted earnings of foreign subsidiaries where required. However, due to changes in the taxation of dividends under the U.S. Tax Cuts and Jobs Act of 2017, Tredegar will only record U.S. federal income taxes on unremitted earnings of its foreign subsidiaries where Tredegar cannot take steps to eliminate any potential tax on future distributions from its foreign subsidiaries.

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 Ltda.'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 to 15.25% levied on the operating profit on certain of its products. The incentives have been granted for a 13-year period, from the commencement date of January 1, 2015. The benefit from the tax incentives was $1.4 million and $0.4 million in the first three months of 2020 and 2019, respectively.

Tredegar and its subsidiaries file income tax returns in the U.S., various states, and jurisdictions outside the U.S. With exceptions for some U.S. states and non-U.S. jurisdictions, Tredegar and its subsidiaries are no longer subject to U.S. federal, state or non-U.S. income tax examinations by tax authorities for years before 2016.

During the three months ended March 31, 2020, new legislation was enacted and new IRS guidance was issued to provide relief to businesses in response to the COVID-19 pandemic. We have evaluated the tax provisions included in legislation such as the Coronavirus Aid, Relief, and Economic Security Act, as well as recent IRS guidance and we do not expect it to have a significant impact on our financial position, results of operations or cash flows.

13 NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements adopted in 2020:

ASU 2016-13, FINANCIAL INSTRUMENTS - CREDIT LOSSES (TOPIC 326)

See Note 1 for details on the adoption of ASU 2016-13.

ASU 2018-13, FAIR VALUE MEASUREMENT (TOPIC 820)

In August 2018, the FASB issued ASU 2018-13, which amended the fair value measurement guidance by removing and modifying certain disclosure requirements, while also adding new disclosure requirements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The amendments are effective for all companies for fiscal years, and interim periods within those years, beginning after December 15, 2019. The Company adopted all disclosure requirements in the first quarter of 2020, with no material impact on the Company's consolidated financial statements.

Accounting Standards Not Yet Implemented:

ASU 2019-12, INCOME TAXES (TOPIC 740)

In December 2019, the FASB issued ASU 2019-12, which simplifies the accounting for income taxes. The new guidance simplifies the accounting for income taxes by eliminating certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, hybrid taxes and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. The amendments are effective for fiscal years beginning after December 15, 2020 and interim periods therein, with early adoption permitted. The Company is currently evaluating the impact of this new guidance.

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

Forward-looking and Cautionary Statements

Some of the information contained in this Quarterly Report on Form 10-Q ("Form 10-Q") may constitute "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. When using the words "believe," "estimate," "anticipate," "appear to," "expect," "project," "plan," "likely," "may" and similar expressions, Tredegar does so to identify forward-looking statements. Such statements are based on 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 actual results and financial condition may differ, possibly materially, from the anticipated results and financial condition indicated in or implied by these forward-looking statements. In addition, our current projections for Tredegar's businesses could be materially affected by the highly uncertain impact of COVID-19 upon our businesses. As a consequence, our results could differ significantly from our projections, depending on, among other things, the duration of "shelter in place" orders and the ultimate impact of the pandemic on our employees, our supply chains, our customers and the U.S. and world economies. Accordingly, you should not place undue reliance on these forward-looking statements. Factors that could cause actual results to differ from expectations include, without limitation, the following:

- loss or gain of sales to significant customers on which our business is highly dependent;
- inability to achieve sales to new customers to replace lost business;
- inability to develop, efficiently manufacture and deliver new products at competitive prices;
- failure of our customers to achieve success or maintain market share;
- failure to protect our intellectual property rights;
- risks of doing business in countries outside the U.S. that affect our substantial international operations;
- political, economic, and regulatory factors concerning our products;
- uncertain economic conditions in countries in which we do business;
- competition from other manufacturers, including manufacturers in lower-cost countries and manufacturers benefiting from government subsidies;
- impact of fluctuations in foreign exchange rates;
- a change in the amount of our underfunded defined benefit pension plan liability;
- an increase in the operating costs incurred by our operating companies, including, for example, the cost of raw materials and energy;
- inability to successfully identify, complete or integrate strategic acquisitions; failure to realize the expected benefits of such acquisitions; and assumption of unanticipated risks in such acquisitions;
- disruption to our manufacturing facilities;
- the impact of public health epidemics on our employees, our production and the global economy, such as the coronavirus (COVID-19) currently impacting the global economy;
- the impact of public health epidemics on our employees, our production and the global economy, such as the coronavirus currently impacting a number of countries;
- an information technology system failure or breach;
- volatility and uncertainty of the valuation of the investment in kaléo;
- the impact of the imposition of tariffs and sanctions on imported aluminum ingot used in our aluminum extrusions;
- the impact of new tariffs or duties imposed as a result of rising trade tensions between the U.S. and other countries;
- failure to establish and maintain effective internal control over financial reporting;
- the termination of anti-dumping duties on products imported to Brazil that compete with products produced by Flexible Packaging;

and the other factors discussed in the reports Tredegar files with or furnishes to the Securities and Exchange Commission (the "SEC") from time to time, including the risks and important factors set forth in additional detail in Part I, Item 1A of Tredegar's 2019 Annual Report on Form 10-K (the "2019 Form 10-K") and Part II, Item 1A of this Form 10-Q. Readers are urged to review and consider carefully the disclosures Tredegar makes in its filings with the SEC, including the 2019 Form 10-K.

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, except as required by applicable law.

References herein to "Tredegar," "the Company," "we," "us" and "our" are to Tredegar Corporation and its subsidiaries, collectively, unless the context otherwise indicates or requires.

Unless otherwise stated or indicated, all comparisons are to the prior year period.

Executive Summary

Tredegar is a manufacturer of aluminum extrusions through its Aluminum Extrusions segment, polyethylene plastic films through its PE Films segment, and polyester films through its Flexible Packaging Films segment. Aluminum Extrusions produces high-quality, soft-alloy and medium-strength aluminum extrusions primarily for building and construction, automotive, and specialty, which consists of consumer durables, machinery and equipment, electrical and distribution end-use products. PE Films is composed of surface protection films, personal care materials, polyethylene overwrap films and films for other markets. Flexible Packaging Films produces polyester-based 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.

First quarter 2020 net loss was $22.3 million ($0.67 per share) compared with a net income of $19.8 million ($0.60 per share) in the first quarter of 2019.

First quarter 2020 results include:

- An after-tax loss on the Company's investment in Kaleo, Inc. ("kaléo") of $20.4 million ($0.61 per share), which is accounted for under the fair value method (see Note 7 for more details); and
- An impairment of the total goodwill balance of Aluminum Extrusions' reporting unit acquired in the AACOA acquisition in 2012 was recorded in the after-tax amount of $10.5 million ($0.32 per share).

First quarter 2019 results include:

- An after-tax gain on the Company's investment in kaléo of $14.3 million ($0.43 per share), which included an after-tax dividend received from kaléo of $14.7 million ($0.44 per share).

Other losses related to asset impairments and costs associated with exit and disposal activities are described in Note 3. Losses associated with plant shutdowns, asset impairments, restructurings and other items are described in ***Results of Operations***. Earnings before interest, taxes, depreciation and amortization ("EBITDA") from ongoing operations is the measure of profit and loss used by Tredegar's chief operating decision maker ("CODM") for purposes of assessing financial performance. The Company uses sales less freight ("net sales") as its measure of revenues from external customers at the segment level. This measure is separately included in the financial information regularly provided to the CODM.

THE IMPACT OF COVID-19

Essential Business and Employee Considerations

The Company's priorities during the COVID-19 pandemic have been to protect the health and safety of employees while keeping its manufacturing sites open due to the essential nature of many of its products. The Company's businesses have been deemed "essential services," "critical manufacturers," and "life sustaining industries" under applicable state or national stay-at-home orders and therefore remain operational as of the date of this communication. Within the limitations imposed by the health and safety procedures described below, the Company has continued to manufacture a broad range of products at its facilities, including components for end-uses that are essential, critical or life sustaining such as: (i) polyester-based materials for flexible food packaging, (ii) polyethylene-based film and laminate materials for personal hygiene and packaging products, (iii) aluminum extrusion parts for hospital beds, FEMA tents, temporary hospital structures and medical equipment, (iv) materials for face masks, and (v) polyethylene-based films used to protect components of flat panel displays during manufacturing and transportation processes, which are instrumental to allowing employees to work from home.

The Company's efforts to protect the health and well-being of its employees from COVID-19 began at the Company's Guangzhou, China facility. Protocols developed at Guangzhou guided our COVID-related efforts at other facilities as the outbreak spread beyond China. Those efforts continue to improve as COVID-19-informed work practices evolve and the Company responds to recommended and mandated actions of government and health authorities.

The Company has educated employees about COVID-19 symptoms and hygiene best practices. It has adopted COVID-19-related pay and sick leave policies that incentivize employees to stay home if they feel ill or have been exposed to others with the illness. The Company's policies include taking employee's temperature before entering production facilities; mandating handwashing; requiring social distancing and, where social distancing is difficult, requiring face coverings; streamlining onsite personnel to only those required for production and distribution; strongly encouraging and, where mandated, requiring remote work for all those who can work from home; and disinfecting facilities. In the U.S., the Company has educated employees on COVID-19-related benefits (including leave benefits) under the Families First Coronavirus Response Act ("FFCRA") and the Federal CARES Act. In addition, the Company is providing sickness- and childcare-related paid leave rights equivalent to those available under the FFCRA to employees at 500+ employee facilities who would not otherwise qualify for such paid leave rights under U.S. law. Based on the Company's understanding, it does not currently qualify for the U.S. government Paycheck Protection Program or Economic Injury Disaster Loan program.

On April 1, the Company began providing a weekly dashboard to its Board of Directors (the "Board") highlighting the impacts of COVID-19 on its employees, businesses and financial condition.

As of May 6, the Company was aware of twelve confirmed cases of COVID-19 for its employees, with additional employees absent, pending testing results or self-quarantined. The Personal Care facility in Pune, India was temporarily shut down by a nationwide lockdown from late March to early April. The only COVID-19-related employee layoffs to-date have occurred at Bonnell Aluminum.

Bonnell Aluminum continuously attempts to match its direct labor with demand, including declining demand associated with the pandemic. Its layoffs of full-time, temporary or contract workers through May 6 was approximately 240 people. The Company's Newnan, Georgia plant was temporarily shut down for disinfecting for 2 days in late March and 7.5 days again in April, which the Company estimates costs it approximately $300,000 per five-day week for paying direct labor not covered by programs under the FFCRA.

Financial Considerations

The 2020 annual plan for Bonnell Aluminum (pre-COVID-19) included sales volume of 201 million pounds and EBITDA from ongoing operations of $65 million, versus 2019 sales volume of 208 million pounds and EBITDA from ongoing operations of $65.7 million. Bonnell Aluminum's current projection for 2020, which accounts for the pandemic and is highly uncertain, includes sales volume of 173 million pounds and EBITDA from ongoing operations of $45 million. The latest projections assume no further downtime at Bonnell Aluminum facilities and the collection of approximately 98% of gross accounts receivable (consistent with historical levels), which totaled approximately $65 million at the end of the first quarter of 2020. There were approximately 790 accounts receivable at the end of the first quarter of 2020, averaging $82,000 per account, with 10 accounts exceeding $1 million each and the highest single balance of $3.7 million.

To date, Bonnell Aluminum's Niles, Michigan and Elkhart, Indiana facilities (which were acquired as "AACOA" in October 2012) have been the most severely impacted by the pandemic, with over 80% of the aluminum extrusions manufactured at these facilities sold to customers that make consumer durable products, such as recreational boating and power sports vehicles, as well as to customers serving building and construction and automotive markets. The original 2020 plan for EBITDA from ongoing operations associated with AACOA before the pandemic was $9.7 million. The latest EBITDA from ongoing operations projection for 2020, which accounts for a significant downturn expected with reduced demand created by the pandemic, is less than $1 million. Based on this projection and further recession and recovery scenarios, the Company concluded that the estimated fair value of the AACOA reporting unit was less than its carrying value, resulting in a write-off of its goodwill of $13.7 million ($10.5 million after related deferred income taxes).

Bonnell Aluminum's future sales volume, EBITDA from ongoing operations, collections, bad debts, employment level and net cash flow are highly dependent upon the time it takes to safely reopen the U.S. economy, the ability of its customers and consumers to access government programs providing liquidity and support during the crisis, and the depth and duration of the recession that COVID-19 causes.

Demand has been strong under COVID-19 conditions for the Company's flexible food packaging films produced by Terphane and the hygiene materials and tissue & towel overwrap films produced by the Personal Care component of PE Films. During the first quarter of 2020, the Surface Protection component of PE Films had its third highest profit quarter on record but is now expecting a slowdown for most of the balance of 2020, based on industry projections for products using flat panel displays. No significant issues have arisen to-date on the collection of accounts receivable at Terphane, Personal Care or Surface Protection.

Tredegar's defined benefit pension plan, which was frozen at the end of 2007, was underfunded on a GAAP basis by $100 million at December 31, 2019, comprised of investments at fair value of $218 million and a projected benefit obligation ("PBO") of $318 million. GAAP accounting requires adjustment for changes in values of assets and the PBO only at the end of each year, even though the value of these amounts changes daily. The Company estimates COVID-19-related changes to the values of pension plan assets and liabilities resulted in an increase in the underfunding from $100 million to $125 million at March 31, 2020.

Tredegar owns approximately 18.4% of Kaleo, Inc. ("kaléo"), which makes and sells an epinephrine delivery device under the name AUVI-Q®. The Company accounts for its investment in kaléo on a fair value basis. The Company's estimate of the fair value of its interest in kaléo at March 31, 2020 was $69.4 million ($57.6 million after deferred income taxes), a decline of $26.1 million ($20.4 million after deferred income taxes) since the previous December 31, 2019 valuation. The decline in estimated fair value was primarily due to: (i) a decline in enterprise value-to-EBITDA multiples for comparable companies, (ii) lower expectations for 2020 EBITDA and net cash flow associated with lower market demand for epinephrine delivery devices resulting from COVID-19-related stay-at-home guidelines, especially if such guidelines impact the peak back-to-school season, and (iii) a higher private company liquidity discount. Kaléo's stock is not publicly traded. The ultimate value of Tredegar's ownership interest in kaléo could be materially different from the $69.4 million estimated fair value reflected in the Company's financial statements at March 31, 2020.

Tredegar had debt (all under its revolving credit agreement) of $43 million and cash of $35.1 million at March 31, 2020. The revolving credit agreement allows borrowings of up to $500 million and matures in June 2024. The Company believes that its most restrictive covenant (computed quarterly) is the leverage ratio, which permits maximum borrowings of up to 4x EBITDA, as defined under the agreement for the trailing four quarters ("Credit EBITDA"). The Company had Credit EBITDA and a leverage ratio (calculated in the "*Liquidity and Capital Resources*" section of the Company's Form 10-Q) of $97.0 million and 0.44x respectively, at March 31, 2020. The Company's stress testing under a COVID-19-driven recession indicates a low probability that a future leverage ratio will exceed 4.0x, given the low leverage ratio that exists today. In any event, the Company is focused on conserving cash and borrowing capacity and has reduced its capital expenditures budget for 2020 from $47 million to $36 million and continues to optimize working capital. The Company's current quarterly dividend at 12 cents per share aggregates to quarterly dividend payments of approximately $4 million. All decisions with respect to the declaration and payment of dividends will be made by the Board based upon earnings, financial condition, anticipated cash needs, restrictions under the revolving credit agreement and other relevant considerations.

OPERATIONS REVIEW

Aluminum Extrusions

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

(In thousands, except percentages)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Favorable/ (Unfavorable) % Change
Sales volume (lbs)	47,317	53,616	(11.7)%
Net sales	$ 117,887	$ 139,047	(15.2)%
Ongoing operations:			
EBITDA	$ 11,677	$ 16,166	(27.8)%
Depreciation & amortization	$ (4,113)	$ (4,081)	(0.8)%
EBIT*	$ 7,564	$ 12,085	(37.4)%
Capital expenditures	$ 1,574	$ 4,367	

* See the net sales and EBITDA from ongoing operations by segment table in Note 11 for a reconciliation of this non-GAAP measure to GAAP.

<u>*First Quarter 2020 Results vs. First Quarter 2019 Results*</u>

Net sales (sales less freight) in the first quarter of 2020 decreased versus 2019 primarily due to lower sales volume and the passthrough of lower metal costs, partially offset by an increase in average selling prices to cover higher operating costs. Sales volume in the first quarter of 2020 decreased by 11.7% versus 2019.

EBITDA from ongoing operations in the first quarter of 2020 decreased by $4.5 million in comparison to the first quarter of 2019 due to lower volumes ($4.9 million), higher labor and employee-related costs and miscellaneous expenses ($1.1 million), partially offset by higher pricing ($1.6 million).

Lower sales volume and bookings for Bonnell Aluminum coupled with industry data reflecting, among other factors, the impact of COVID-19, appear to indicate a downturn is occurring across all key end-use markets, with double-digit declines in the automotive and specialty markets. See the "*The Impact of COVID-19*" section for more information on business conditions and projections, including the write-off of goodwill relating to AACOA.

<u>*Projected Capital Expenditures and Depreciation & Amortization*</u>

Capital expenditures for Bonnell Aluminum are projected to be $14 million in 2020, including the expected initial investment for a multi-year project to migrate to a new division-wide enterprise resource planning and manufacturing excellence system ($3 million, which could be delayed as a result of COVID-19), infrastructure upgrades at the Carthage, Tennessee and Newnan, Georgia facilities ($2 million), and approximately $9 million required to support continuity of current operations. Depreciation expense is projected to be $14 million in 2020. Amortization expense is projected to be $3 million in 2020.

PE Films

A summary of operating results for PE Films is provided below:

(In thousands, except percentages)	Three Months Ended March 31, 2020		Three Months Ended March 31, 2019		Favorable/ (Unfavorable) % Change
Sales volume (lbs)		27,529		25,846	6.5 %
Net sales	$	71,261	$	66,779	6.7 %
Ongoing operations:					
EBITDA	$	14,189	$	6,543	116.9 %
Depreciation & amortization	$	(3,724)	$	(3,592)	(3.7)%
EBIT*	$	10,465	$	2,951	254.6 %
Capital expenditures	$	2,416	$	6,704	

* See the net sales and EBITDA from ongoing operations by segment table in Note 11 for a reconciliation of this non-GAAP measure to GAAP.

First Quarter 2020 Results vs. First Quarter 2019 Results

Net sales in the first quarter of 2020 increased by $4.5 million versus 2019 primarily due to higher sales in Surface Protection. Surface Protection sales increased $8.5 million while Personal Care sales decreased $3.6 million.

Net sales in Surface Protection increased due to higher volume and favorable mix. Financial results in the first quarter of 2019 were unfavorably impacted by weak volume associated with a customer's inventory correction and a slowdown in the mobile phone market. As discussed further below, a possible customer product transition in Surface Protection continues to be delayed. Net sales decreased by $1.7 million in Personal Care as a result of lower volume in elastics and unfavorable pricing, partially offset by higher volume in acquisition distribution layer, tissue & towel overwrap and topsheet materials, which the Company believes all benefited from COVID-19. In addition, net sales were adversely impacted by the decline in the value of currencies for operations outside of the U.S. relative to the U.S. Dollar ($1.9 million).

EBITDA from ongoing operations in the first quarter of 2020 increased by $7.6 million versus the first quarter of 2019 primarily due to:

- A $5.4 million increase from Surface Protection, primarily due to higher volume and mix (net favorable impact of $5.6 million) and lower fixed costs ($0.9 million), partially offset by higher selling, general and administrative costs ($0.6 million) and lower productivity ($0.5 million); and
- A $2.6 million increase from Personal Care, primarily due to favorable production efficiencies ($1.0 million), lower fixed and selling, general and administrative costs ($0.8 million), the favorable impact of the timing of resin cost passthroughs ($0.9 million) and favorable net foreign exchange impact ($0.6 million), partially offset by unfavorable pricing ($0.6 million).

See the "The Impact of COVID-19" section for more information.

Customer Product Transitions in Personal Care and Surface Protection

The Company previously disclosed a significant customer product transition for the Personal Care component of PE Films. Annual sales for this product declined from approximately $70 million in 2018 to $30 million in 2019. The Company extended an arrangement with this customer that is expected to generate sales of this product at approximately 2019 levels through at least 2022.

Personal Care had approximately break-even EBITDA from ongoing operations in 2019 as competitive pressures resulted in missed sales and margin goals. Personal Care continues to focus on new business development and cost reduction initiatives in an effort to improve profitability.

The Surface Protection component of PE Films supports manufacturers of optical and other specialty substrates used in flat panel display products. These films are primarily used by customers to protect components of displays in the manufacturing and transportation processes and then discarded.

The Company previously reported the risk that a portion of its film products used in surface protection applications will be made obsolete by possible future customer product transitions to less costly alternative processes or materials. These transitions principally relate to one customer. The full transition continues to encounter delays, resulting in higher than expected sales to this customer in the last four quarters. The Company estimates that during the next four quarters the adverse impact on EBITDA from ongoing operations from this customer shift versus the last four quarters ended March 31, 2020 could possibly be $14 million. To offset the potential adverse impact, the Company is aggressively pursuing and making progress generating sales from new surface protection products, applications and customers.

Projected Capital Expenditures and Depreciation & Amortization

Capital expenditures for PE Films are projected to be $14 million in 2020 including: $1.5 million to complete a scale-up line in Surface Protection to improve development and speed to market for new products; $6 million for other development projects; and $6 million for capital expenditures required to support continuity of current operations. Depreciation expense is projected to be $15 million in 2020. There is no amortization expense for PE Films.

Flexible Packaging Films

A summary of operating results for Flexible Packaging Films, which is also referred to as Terphane, is provided below:

(In thousands, except percentages)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019	Favorable/ (Unfavorable) % Change
Sales volume (lbs)	25,779	25,462	1.2 %
Net sales	$ 30,574	$ 33,619	(9.1)%
Ongoing operations:			
EBITDA	$ 6,553	$ 3,203	104.6 %
Depreciation & amortization	$ (428)	$ (344)	(24.4)%
EBIT*	$ 6,125	$ 2,859	114.2 %
Capital expenditures	$ 848	$ 1,735	

* See the net sales and EBITDA from ongoing operations by segment table in Note 11 for a reconciliation of this non-GAAP measure to GAAP.

First Quarter 2020 Results vs. First Quarter 2019 Results

Net sales in the first quarter of 2020 decreased 9.1% versus the first quarter of 2019 primarily due to lower selling prices from the passthrough of lower raw material costs.

Terphane's EBITDA from ongoing operations in the first quarter of 2020 increased by $3.4 million versus the first quarter of 2019 primarily due to:

- A benefit from pricing and higher volume ($0.9 million), production efficiencies ($0.4 million) and lower fixed costs ($0.5 million);
- A benefit of $1.2 million resulting from the favorable settlement of a dispute related to value-added taxes;
- Net favorable foreign currency translation of Real-denominated operating costs ($0.2 million); and
- Foreign currency transaction gains of $0.1 million in 2020 versus minimal gains in the first quarter of 2019.

Terphane has experienced strong demand for food packaging materials during the COVID-19 environment. See the "*The Impact of COVID-19*" section for more information.

Projected Capital Expenditures and Depreciation & Amortization

Capital expenditures are projected to be $8 million in 2020, including $4 million for new capacity for value-added products and productivity projects and $4 million for capital expenditures required to support continuity of current operations. Depreciation expense is projected to be $2.0 million in 2020. Amortization expense is projected to be $0.4 million in 2020.

Corporate Expenses, Interest and Taxes

Pension expense was $3.5 million in the first three months of 2020, versus $2.4 million in the first three months of 2019. The impact on earnings from pension expense is reflected in "Corporate expenses, net" in the net sales and operating profit by segment table in Note 11. Pension expense is projected to be approximately $14.2 million in 2020, which is determined at the beginning of the year based on the funded status of the Company's defined benefit pension plan and actuarial assumptions at that time. See the "*The Impact of COVID-19*" section for the Company's estimate of the funded status of the pension plan at March 31, 2020. Corporate expenses, net, increased in the first three months of 2020 versus 2019 primarily due to higher stock-based employee compensation ($0.2 million), and consulting fees ($1.5 million) related to the identification and remediation of previously disclosed material weaknesses in the Company's internal control over financial reporting and to business development activities.

Interest expense was $0.6 million in the first three months of 2020 in comparison to $1.2 million in the first three months of 2019, primarily due to lower average debt levels.

The effective tax rate used to compute income taxes in the first three months of 2020 was 22.7% compared to 16.9% in the first three months of 2019. The differences between the U.S. federal statutory rate and the effective tax rate for the first three months of 2020 and 2019 are shown in the table provided in Note 12.

Net capitalization and other credit measures are provided in ***Liquidity and Capital Resources***.

Critical Accounting Policies

In the ordinary course of business, the Company makes 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 generally accepted accounting principles in the United States ("GAAP"). The Company believes the estimates, assumptions and judgments described in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" of the 2019 Form 10-K have the greatest potential impact on our financial statements, so Tredegar considers these to be its critical accounting policies. These policies include accounting for impairment of long-lived assets and goodwill, investment accounted for under the fair value method, pension benefits and income taxes. 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. Actual results could differ significantly from those estimates under different assumptions and conditions. The Company believes the consistent application of these policies enables it to provide readers of the financial statements with useful and reliable information about our operating results and financial condition. Since December 31, 2019, there have been no changes in these policies that have had a material impact on results of operations or financial position. For more information on new accounting pronouncements, see Note 13.

Results of Operations

First Quarter of 2020 Compared with the First Quarter of 2019

Overall, sales in the first quarter of 2020 decreased by 8.1% compared with the first quarter of 2019. Net sales decreased 15.2% in Aluminum Extrusions primarily due to lower sales volume and the pass-through of lower metal costs, partially offset by an increase in average selling prices to cover higher operating costs. Net sales increased 6.7% in PE Films. Net sales in Surface Protection increased due to higher volume and favorable mix, partially offset by a small decline in Personal Care. Net sales in Flexible Packaging Films decreased 9.1% primarily due to lower selling prices from the pass-through of lower raw material costs. For more information on net sales and volume, see the ***Executive Summary***.

Consolidated gross profit (sales minus cost of goods sold and freight) as a percentage of sales was 19.5% in the first quarter of 2020 compared to 15.6% in the first quarter of 2019. The gross profit margin in Aluminum Extrusions decreased primarily as a result of lower prices resulting from lower metal prices. The gross profit margin in PE Films increased primarily due to higher profits in Surface Protection as a result of higher sales volume and selling prices. The gross profit margin in Flexible Packaging Films increased due to higher sales volume, production efficiencies and lower fixed costs.

As a percentage of sales, selling, general and administrative ("SG&A") and research and development ("R&D") expenses were 12.3% in the first quarter of 2020, compared with 10.7% in the first quarter of last year. SG&A expenses were up year-over-year, while net sales decreased. Increased spending was due to consulting fees associated with remediation activities and other costs relating to the Company's material weaknesses in internal control over financial reporting and business development activities.

Pre-tax losses associated with plant shutdowns, asset impairments, restructurings and other items for continuing operations in the first quarter of 2020 and 2019 detailed below are shown in the statements of net sales and EBITDA from ongoing operations by segment table in Note 11 and are included in "Asset impairments and costs associated with exit and disposal activities, net of adjustments" in the consolidated statements of income, unless otherwise noted.

($ in millions)	Three months ended March 31, 2020	2019
Aluminum Extrusions:		
Losses from sale of assets, investment writedowns and other items:		
Consulting expenses for ERP feasibility study[2]	$ 0.7	$ —
PE Films:		
(Gains) losses associated with plant shutdowns, asset impairments and restructurings:		
Shanghai plant shutdown:		
Asset-related expenses	$ —	$ 0.2
Consolidation of Personal Care manufacturing facilities - U.S. and Europe:		
Product qualifications[1]	0.1	—
Lake Zurich, Illinois plant shutdown and transfer of production to new elastics lines in Terre Haute, Indiana:[4]		
Severance	0.1	—
Asset impairment	0.3	—
Other restructuring costs - severance	—	0.4
Write-off of Personal Care production line - Guangzhou, China facility	—	0.4
Subtotal for PE Films	0.5	1.0
Losses from sale of assets, investment writedowns and other items:		
Estimated excess costs associated with ramp-up of new product offerings and additional expenses related to strategic capacity expansion projects[1]	0.4	0.3
Total for PE Films	$ 0.9	$ 1.3
Corporate:		
Professional fees associated with: remediation activities and other costs relating to the Company's material weaknesses in internal control over financial reporting; business development activities; and implementation of new accounting guidance[2]	$ 2.3	$ 0.9
Write-down of investment in Harbinger Capital Partners Special Situations Fund[3]	0.2	—
Total for Corporate	$ 2.5	$ 0.9

1. Included in "Cost of goods sold" in the consolidated statements of income.
2. Included in "Selling, general and administrative" in the consolidated statements of income.
3. Included in "Other income (expense), net" in the consolidated statements of income.
4. See additional details in Note 3.

Interest expense was $0.6 million in the first quarter of 2020 compared to $1.2 million in the first quarter of 2019, primarily due to lower average debt levels. Average debt outstanding and interest rates were as follows:

(In Millions)	Three Months Ended March 31, 2020	2019
Floating-rate debt with interest charged on a rollover basis at one-month LIBOR plus a credit spread:		
Average outstanding debt balance	$ 43.2	$ 108.7
Average interest rate	3.3 %	4.1 %

Liquidity and Capital Resources

Tredegar's management continues to focus on improving working capital management. Measures such as days sales outstanding ("DSO"), days inventory outstanding ("DIO") and days payables outstanding ("DPO") are used to evaluate changes in working capital. Changes in operating assets and liabilities from December 31, 2019 to March 31, 2020 are summarized as follows:

- Accounts and other receivables decreased $1.3 million (1.3%).
  - Accounts and other receivables in Aluminum Extrusions increased by $0.3 million primarily due to the timing of cash receipts. DSO (represents trailing 12 months net sales divided by a rolling 12-month average of accounts and other receivables balances) was approximately 48.0 days for the 12 months ended March 31, 2020 and 48.5 days for the 12 months ended December 31, 2019.
  - Accounts and other receivables in PE Films decreased by $1.5 million primarily due to lower net sales for Personal Care products, a focus on collection efforts and the timing of cash receipts. DSO was approximately 41.4 days for the 12 months ended March 31, 2020 and 44.0 days for the 12 months ended December 31, 2019.
  - Accounts and other receivables in Flexible Packaging Films decreased by $0.1 million primarily due to the timing of cash receipts. DSO was approximately 39.8 days for the 12 months ended March 31, 2020 and 37.7 days for the 12 months ended December 31, 2019.
- Inventories increased $2.8 million (3.5%).
  - Inventories in Aluminum Extrusions increased by $3.8 million due to the timing of purchases. DIO (represents trailing 12 months costs of goods sold calculated on a first-in, first-out basis divided by a rolling 12-month average of inventory balances calculated on the first-in, first-out basis) was approximately 37.9 days for the 12 months ended March 31, 2020 and 38.6 days for the 12 months ended December 31, 2019.
  - Inventories in PE Films increased by $0.8 million primarily due to the timing of raw material purchases. DIO was approximately 55.5 days for the 12 months ended March 31, 2020 and 55.7 days for the 12 months ended December 31, 2019.
  - Inventories in Flexible Packaging Films decreased by approximately $1.8 million primarily due to a reduction in raw material levels. DIO was approximately 93.2 days for the 12 months ended March 31, 2020 and 94.3 days for the 12 months ended December 31, 2019.
- Net property, plant and equipment decreased $9.3 million (3.8%) primarily due to depreciation expenses of $7.6 million and a reduction from the effect of changes in foreign exchange rates of $6.5 million, partially offset by capital expenditures of $4.9 million.
- Other identifiable intangibles, net decreased by $1.1 million (4.7%) primarily due to amortization expense of $0.8 million.
- Accounts payable increased $1.4 million (1.4%).
  - Accounts payable in Aluminum Extrusions increased by $2.9 million primarily due to lower volume and the normal volatility associated with the timing of payments. DPO (represents trailing 12 months costs of goods sold calculated on a first-in, first-out basis divided by a rolling 12-month average of accounts payable balances) was approximately 51.0 days for the 12 months ended March 31, 2020 and 49.9 days for the 12 months ended December 31, 2019.
  - Accounts payable in PE Films decreased $0.4 million due to the normal volatility associated with the timing of payments. DPO was approximately 45.1 days for the 12 months ended March 31, 2020 and 44.9 days for the 12 months ended December 31, 2019.
  - Accounts payable in Flexible Packaging Films decreased $2.3 million due to lower inventory levels and the normal volatility associated with the timing of payments. DPO was approximately 57.1 days for the 12 months ended March 31, 2020 and 55.2 days for the 12 months ended December 31, 2019.
- Accrued expenses increased by $1.1 million (2.3%) from December 31, 2019 primarily due to to increased derivative liabilities due to currency and commodity fluctuations, and increased payroll accruals due to the timing of pay periods at quarter end, partially offset by the settlement of 2019 incentive compensation accruals which were paid during the quarter.

Cash provided by operating activities was $15.1 million in the first three months of 2020 compared with $11.1 million in the first three months of 2019. The increase is primarily due to higher net segment EBITDA from ongoing operations ($6.5 million).

Cash used in investing activities was $4.9 million in the first three months of 2020 compared with $12.9 million in the first three months of 2019. Cash used in investing activities primarily represents capital expenditures, which were $4.9 million and $12.9 million in the first three months of 2020 and 2019, respectively.

Cash used in financing activities of $3.6 million in the first three months of 2020 was primarily related to net repayments of $1.0 million under the Credit Agreement (as defined below) and the payment of regular quarterly dividends of $4.0 million (12 cents per share). Cash provided by financing activities of $4.0 million in the first three months of 2019 was primarily related to net repayments of $8.5 million under the prior credit agreement and the payment of regular quarterly dividends of $3.7 million (11 cents per share).

Further information on cash flows for the three months ended March 31, 2020 and 2019 is provided in the consolidated statements of cash flows.

On June 28, 2019, Tredegar entered into a $500 million five-year, secured revolving credit agreement ("Credit Agreement"), with an option to increase that amount by $100 million.

Net capitalization and indebtedness as defined under the Credit Agreement as of March 31, 2020 were as follows:

Net Capitalization and Indebtedness as of March 31, 2020 (In thousands)		
Net capitalization:		
Cash and cash equivalents	$	35,059
Debt:		
Credit Agreement		43,000
Debt, net of cash and cash equivalents		7,941
Shareholders' equity		338,590
Net capitalization	$	346,531
Indebtedness as defined in Credit Agreement:		
Total debt	$	43,000
Other		—
Indebtedness	$	43,000

EBITDA as defined in the Credit Agreement is referred to in this Form 10-Q as Credit EBITDA. The credit spread and commitment fees charged on the unused amount under the Credit Agreement at various indebtedness-to-Credit EBITDA levels are as follows:

Pricing Under The Credit Agreement (Basis Points)		
Indebtedness-to-Credit EBITDA Ratio	Credit Spread Over LIBOR	Commitment Fee
> 3.5x but <= 4.0x	200.0	40
> 3.0x but <= 3.5x	187.5	35
> 2.0x but <= 3.0x	175.0	30
> 1.0x but <= 2.0x	162.5	25
<= 1.0x	150.0	20

At March 31, 2020, the interest rate on debt under the Credit Agreement existing at that date was priced at one-month LIBOR plus the applicable credit spread of 150 basis points. Under the Credit Agreement, borrowings are permitted up to $500 million, and approximately $345 million was available to borrow at March 31, 2020 based upon the most restrictive covenants within the Credit Agreement.

The most restrictive covenants in the Credit Agreement include:

- Maximum indebtedness-to-Credit EBITDA ("Leverage Ratio") of 4.00x;
- Minimum Credit EBITDA-to-interest expense of 3.00x; and
- Maximum aggregate distributions to shareholders over the term of the Credit Agreement of $130 million plus, beginning with the fiscal quarter ended June 30, 2019, 50% of net income and, at a Leverage Ratio of equal to or greater than 3.00x, a limitation on such payments for the succeeding quarter at the greater of (i) $4.75 million and (ii) 50% of consolidated net income for the most recent fiscal quarter.

The Credit Agreement is secured by substantially all of the Company's and its domestic subsidiaries' assets, including equity in certain material first-tier foreign subsidiaries.

Credit EBITDA is not intended to represent net income (loss) or cash flow from operations as defined by GAAP and should not be considered as an alternative to either net income (loss) or to cash flow. The computations of Credit EBITDA and the leverage ratio and interest coverage ratio as defined in the Credit Agreement are presented below.

Computations of Credit EBITDA and 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 March 31, 2020 (In Thousands)		
Computation of Credit EBITDA for the twelve months ended March 31, 2020:		
Net income (loss)	$	6,152
Plus:		
After-tax losses related to discontinued operations		—
Total income tax expense for continuing operations		—
Interest expense		3,374
Depreciation and amortization expense (excluding amortization of right-of-use lease assets) for continuing operations		44,540
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 $10,000)		24,831
Charges related to stock option grants and awards accounted for under the fair value-based method		4,378
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		14,700
Minus:		
After-tax income related to discontinued operations		—
Total income tax benefits for continuing operations		(653)
Interest income		(289)
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		—
Plus cash dividends declared on investments in an amount not to exceed $10,000 for such period		—
Plus or minus, as applicable, pro forma EBITDA adjustments associated with acquisitions and asset dispositions		—
Credit EBITDA		97,033
Computations of leverage and interest coverage ratios as defined in the Credit Agreement at March 31, 2020:		
Leverage ratio (indebtedness-to-Credit EBITDA)		.44x
Interest coverage ratio (Credit EBITDA-to-interest expense)		28.76x
Most restrictive covenants as defined in the Credit Agreement:		
Maximum permitted aggregate amount of dividends that can be paid by Tredegar during the term of the Credit Agreement ($130,000 plus 50% of net income generated for each quarter beginning April 1, 2019)	$	145,805
Maximum leverage ratio permitted		4.00 x
Minimum interest coverage ratio permitted		3.00 x

As of March 31, 2020, Tredegar was in compliance with all financial covenants in the Credit Agreement. Noncompliance with any one or more of the debt covenants may have a material adverse effect on the Company's financial condition or liquidity in the event such noncompliance cannot be cured or should the Company be unable to obtain a waiver from the lenders as we would not be permitted to borrow under the credit facility and any amounts outstanding would become due and payable. Renegotiation of the covenant(s) through an amendment to the Credit Agreement could effectively cure the noncompliance, but could have an effect on financial condition or liquidity depending upon how the covenant is renegotiated.

At March 31, 2020, the Company had cash and cash equivalents of $35.1 million, including funds held by locations outside the U.S. of $25.2 million.

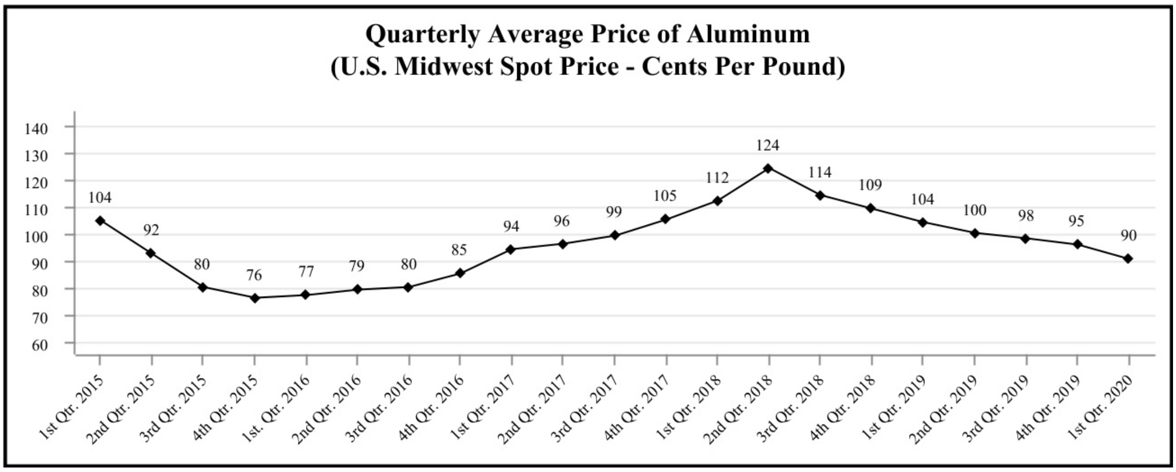
Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Tredegar has exposure to the volatility of interest rates, polyethylene and polypropylene resin prices, Terephthalic Acid (“PTA”) and Monoethylene Glycol (“MEG”) prices, aluminum ingot and scrap prices, energy prices, foreign currencies and emerging markets. See ***Liquidity and Capital Resources*** regarding interest rate exposures related to borrowings under the Credit Agreement.

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 its casting furnaces). Changes in polyethylene resin prices, and the timing of those changes, could have a significant impact on profit margins in PE Films. Changes in polyester resin, PTA and MEG prices, and the timing of those changes, could have a significant impact on profit margins in Flexible Packaging Films. There is no assurance of the Company’s ability to pass through higher raw material and energy costs to its customers.

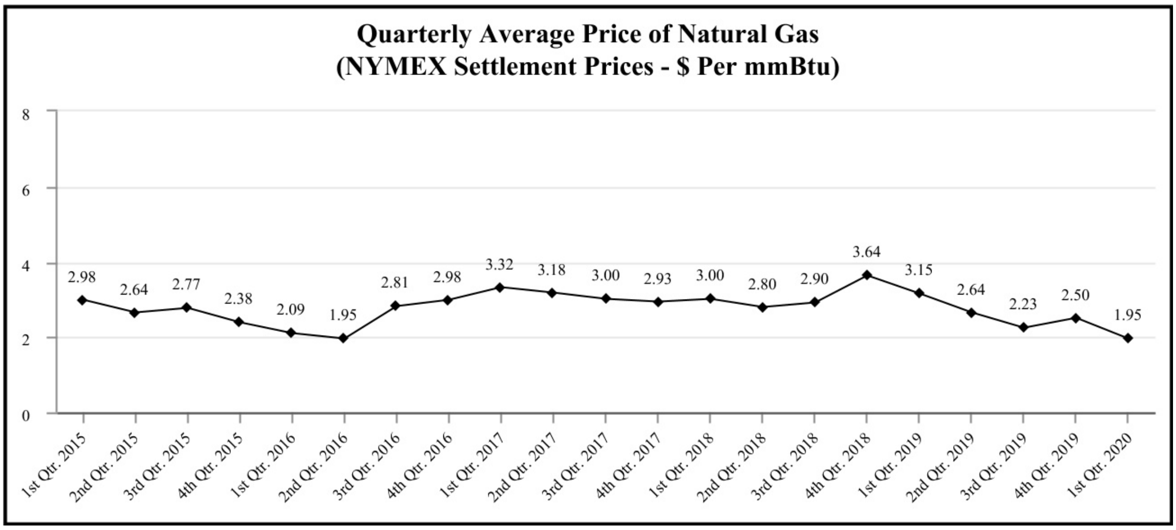
In the normal course of business, Aluminum Extrusions enters into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge its exposure to aluminum price volatility (see the chart below) under these fixed-price 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 or hedge aluminum, based on the scheduled deliveries. See Note 8 for additional information.

The volatility of quarterly average aluminum prices is shown in the chart below.



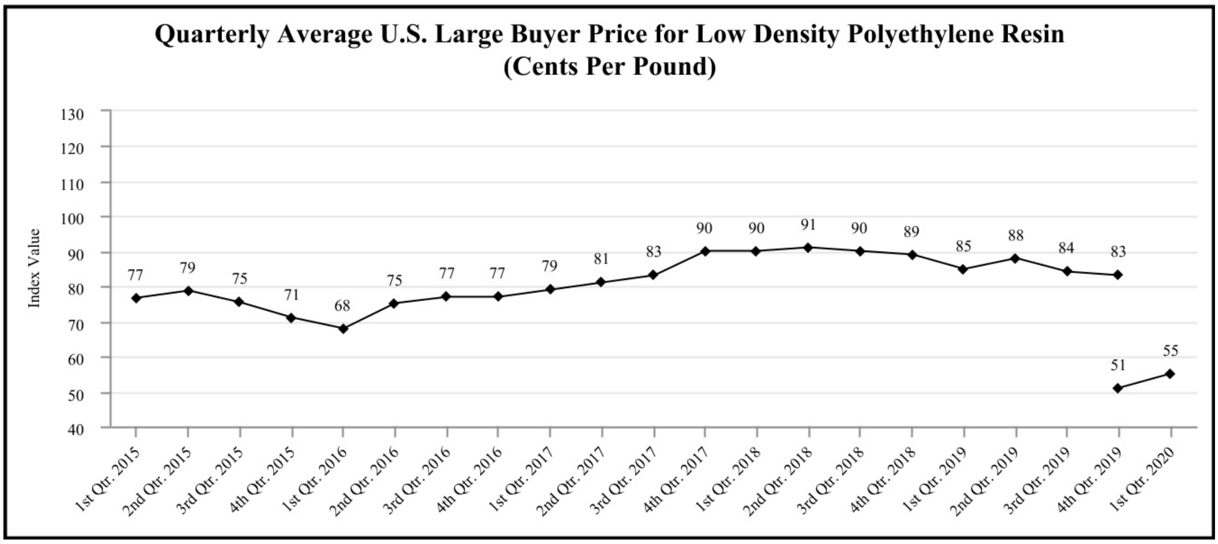
Source: Quarterly averages computed using daily Midwest average prices provided by Platts.

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.

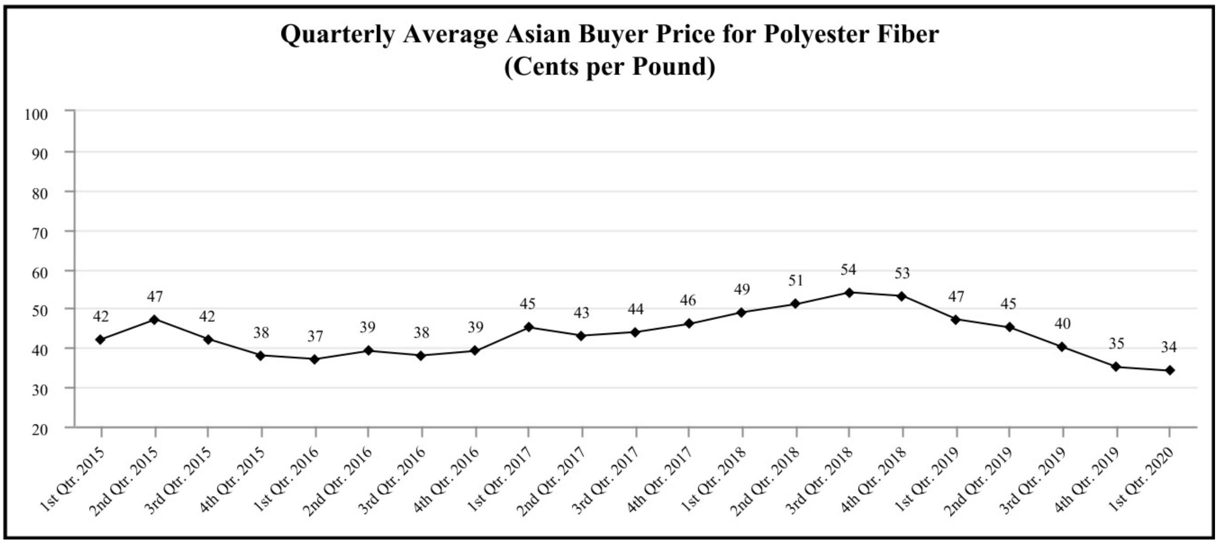
The volatility of average quarterly prices of low-density polyethylene resin in the U.S. (a primary raw material for PE Films) is shown in the chart below.



Source: Quarterly averages computed by Tredegar using monthly data provided by IHS, Inc. In February 2020, IHS reflected a 32 cents per pound non-market adjustment based on their estimate of the growth of discounts in prior periods. The 4th quarter 2019 average rate of $0.51 per pound is shown on a pro forma basis as if the non-market adjustment was made in the fourth quarter of 2019.

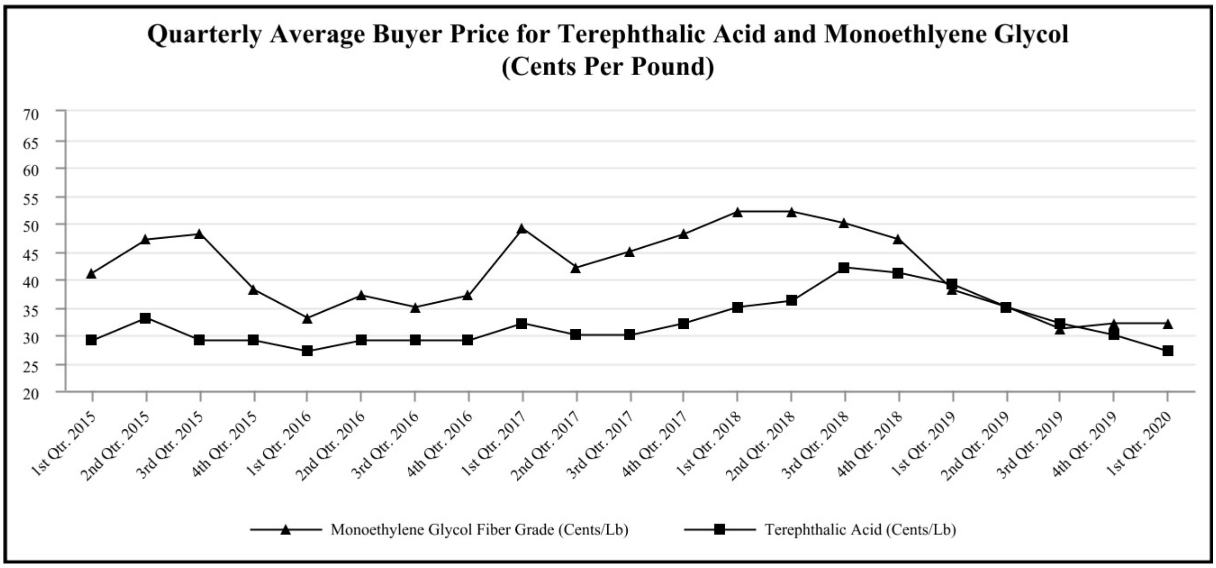
Polyethylene resin prices in Europe, Asia and South America have exhibited similar long-term trends. The price of resin is driven by several factors, including supply and demand and the price of oil, ethylene and natural gas. To address fluctuating resin prices, PE Films has index-based pass-through 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 ***Executive Summary*** for more information). Pricing on the remainder of the business is based upon raw material costs and supply/demand dynamics within the markets that the Company competes.

Polyester resins, MEG and PTA used in flexible packaging films produced in Brazil are primarily purchased domestically, with other sources available mostly from Asia and the U.S. Given the nature of these products as commodities, pricing is derived from Asian pricing indexes. The volatility of the average quarterly prices for polyester fibers in Asia, which is representative of polyester resin (a primary raw material for Flexible Packaging Films) pricing trends, is shown in the chart below:



Source: Quarterly averages computed by Tredegar using monthly data from CMAI Global Index data.

The volatility of average quarterly prices of PTA and MEG in Asia (raw materials used in the production of polyester resins produced by Flexible Packaging Films) is shown in the chart below:



Source: Quarterly averages computed by Tredegar using monthly data from CMAI Global Index data.

The Company sells to customers in foreign markets through its foreign operations and through exports from U.S. plants. The percentage of sales for manufacturing operations related to foreign markets for the first three months of 2020 and 2019 are as follows:

Percentage of Net Sales from Ongoing Operations Related to Foreign Markets*				
	Three Months Ended March 31,			
	2020		2019	
	Exports From U.S.	Foreign Operations	Exports From U.S.	Foreign Operations
Canada	2 %	— %	2 %	— %
Europe	1	7	1	7
Latin America	1	12	1	12
Asia	10	1	6	1
Total	14 %	20 %	10 %	20 %

* The percentages for foreign markets are relative to Tredegar's total net sales from ongoing operations

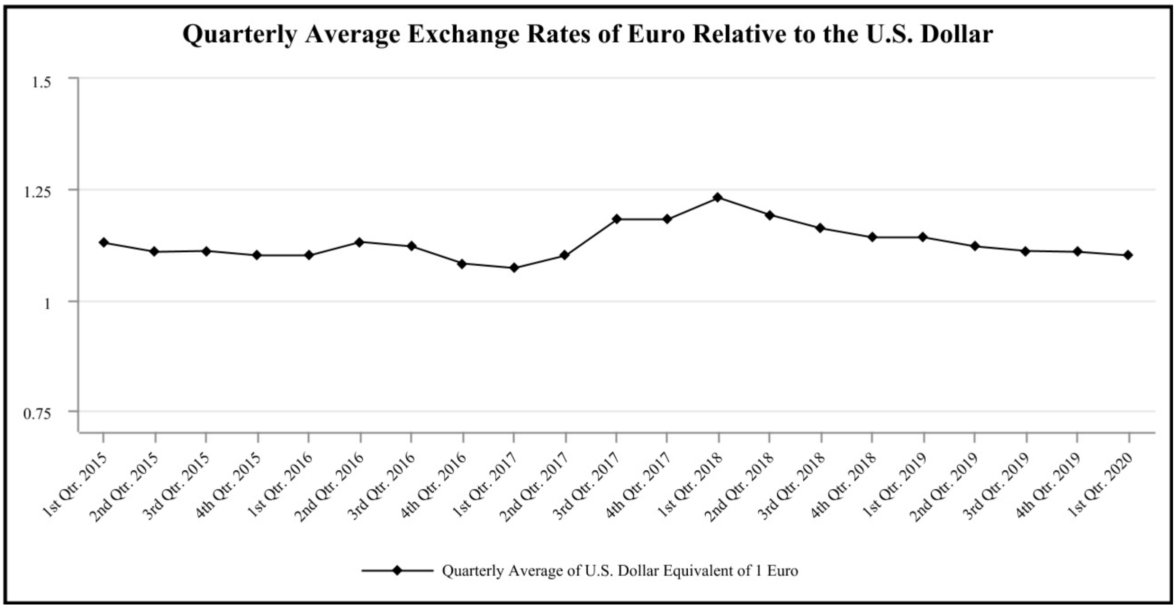
Tredegar attempts to match the pricing and cost of its products in the same currency and generally views the volatility of foreign currencies and emerging markets, and the corresponding impact on earnings and cash flow, as part of the overall risk of operating in a global environment (for additional information, see trends for the Euro, Brazilian Real and Chinese Yuan in the charts on the following page). Exports from the U.S. are generally denominated in U.S. Dollars. The Company's 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.

PE Films is generally able to match the currency of its sales and costs for its product lines. For flexible packaging films produced in Brazil, selling prices and key raw material costs are principally determined in U.S. Dollars and are impacted by local economic conditions. Competition in Brazil, Terphane's primary market, has been exacerbated by global overcapacity in the polyester industry generally, and by particularly acute overcapacity in Latin America. These factors have resulted in significant competitive pricing pressures and U.S. Dollar equivalent margin compression. Moreover, variable conversion, fixed conversion and sales, general and administrative costs for operations in Brazil have been adversely impacted by inflation in Brazil that is higher than in the U.S. Flexible Packaging Films is exposed to additional foreign exchange translation risk (its functional currency is the Brazilian Real) because almost 90% of the sales of Flexible Packaging Films business unit in Brazil ("Terphane Ltda.") are quoted or priced in U.S. Dollars while a large majority of its Brazilian costs are quoted or priced in Brazilian Real. This mismatch, together with a variety of economic variables impacting currency exchange rates, causes volatility that could negatively or positively impact operating profit for Flexible Packaging Films.

The Company estimates that the net mismatch translation exposure between Terphane Ltda.'s U.S. Dollar quoted or priced sales and underlying Brazilian Real quoted or priced operating costs (excluding depreciation and amortization) is annual net costs of R$137 million. Terphane Ltda. has outstanding foreign exchange average forward rate contracts to purchase Brazilian Real and sell U.S. Dollars to hedge its exposure. See Note 8 for more information on outstanding hedging contracts and this hedging program.

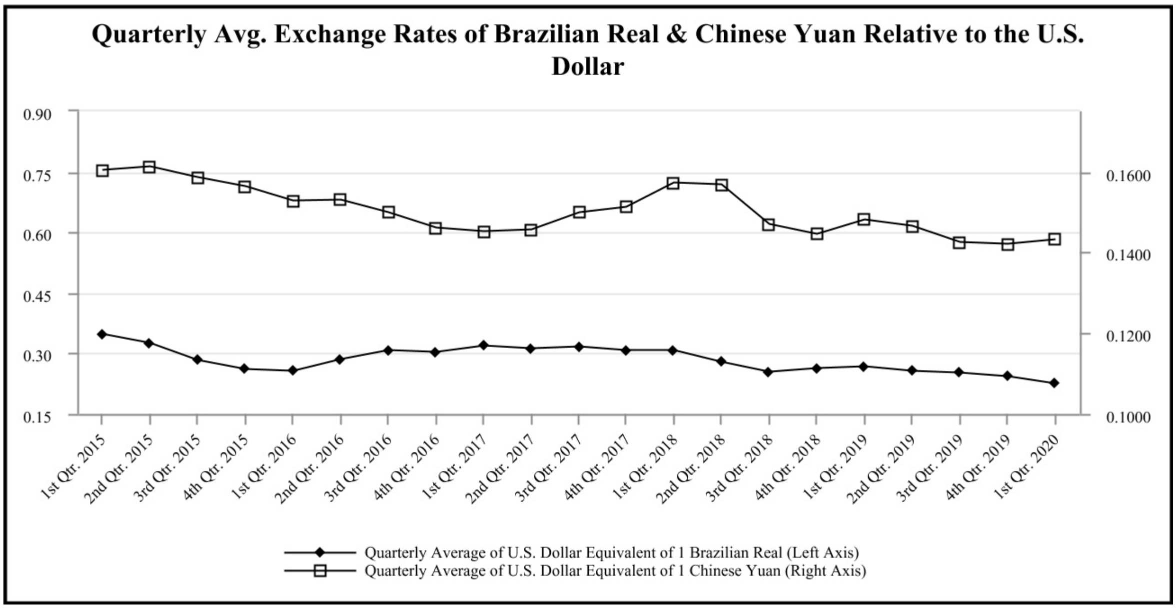
Tredegar estimates that the change in the value of foreign currencies relative to the U.S. Dollar on PE Films had a unfavorable impact on operating profit from ongoing operations in PE Films of $0.6 million in the first quarter of 2020 compared with the first quarter of 2019.

The trend for the Euro exchange rate relative to the U.S. Dollar is 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 exchange rates relative to the U.S. Dollar are shown in the chart below.



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

Item 4. Controls and Procedures.

On November 1, 2018, the Company filed a Current Report on Form 8-K (the "November Form 8-K") to disclose deficiencies in internal control over financial reporting. For further information, see the November Form 8-K and Item 4. "Controls and Procedures" of the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (the "2018 Third Quarter 10-Q").

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Form 10-Q, pursuant to Rule 13a-15(b) under the Exchange Act, the Company carried out an evaluation, with the participation of its management, including its Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2020.

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, because of the material weaknesses in internal control over financial reporting discussed below, the Company's disclosure controls and procedures were not effective as of March 31, 2020, to ensure: (i) that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, and overseen by the Board of Directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements for external purposes in accordance with GAAP 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 the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with the authorization of its management and directors; and
- 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 consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's consolidated financial statements would be prevented or detected. 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting using the criteria in *Internal Control - Integrated Framework 2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 COSO Framework"). As a result of this evaluation, management concluded, as disclosed in the 2019 Form 10-K, that the Company's internal control over financial reporting was not effective as of December 31, 2019, because of the material weaknesses in internal control over financial reporting discussed below.

- ***Control Environment***: The Company did not have a sufficient number of trained resources with assigned responsibility and accountability for the design, operation and documentation of internal control over financial reporting in accordance with the 2013 COSO Framework.
- ***Risk Assessment***: The Company did not have an effective risk assessment process that defined clear financial reporting objectives and evaluated risks, including fraud risks, and risks resulting from changes in the external environment and business operations, at a sufficient level of detail to identify all relevant risks of material misstatement across the entity.

- ***Information and Communication***: The Company did not have an effective information and communication process that identified and assessed the source of and controls necessary to ensure the reliability of information used in financial reporting and that communicates relevant information about roles and responsibilities for internal control over financial reporting.
- ***Monitoring Activities***: The Company did not have effective monitoring activities to assess the operation of internal control over financial reporting, including the continued appropriateness of control design and level of documentation maintained to support control effectiveness.
- ***Control Activities***: As a consequence of the material weaknesses described above, internal control deficiencies related to the design and operation of process-level controls and general information technology controls were determined to be pervasive throughout the Company’s financial reporting processes.

While these material weaknesses did not result in material misstatements of the Company’s financial statements as of and for the year ended December 31, 2019, these material weaknesses create a reasonable possibility that a material misstatement of account balances or disclosures in annual or interim consolidated financial statements may not be prevented or detected in a timely manner. Accordingly, the Company concluded that the deficiencies represent material weaknesses in its internal control over financial reporting and its internal control over financial reporting was not effective as of December 31, 2019.

The Company’s independent registered public accounting firm, KPMG LLP, which audited the 2019 consolidated financial statements included in the 2019 Form 10-K, expressed an adverse opinion on the operating effectiveness of the Company's internal control over financial reporting.

Remediation Plan

The Company’s remediation efforts are ongoing and it will continue its initiatives to implement and document policies and procedures, and strengthen the Company’s internal control environment. Remediation of the identified material weaknesses and strengthening the Company’s internal control environment will extend into 2021. In addition, the Company is monitoring the impact of COVID-19 on its remediation plan. Depending on the severity and length of the pandemic, the remediation timeline could be negatively impacted because of inefficiencies caused by COVID-related limitations on travel, meetings, on-site work and close collaboration and the related increase in time necessary to complete remediation projects.

The material weaknesses cannot be considered completely remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

To remediate the material weaknesses described above, the Company is pursuing the six remediation steps identified in the 2018 Third Quarter 10-Q. To date, the Company has accomplished the following as part of those remediation steps:

a. Identified material processes and significant locations for the purpose of identifying risks of material misstatement to the Company’s financial statements,

b. Conducted interviews with relevant parties to ensure our understanding of the activities involved in the recording of transactions within material processes,

c. Substantially completed a comprehensive review and update, as necessary, of the documentation of relevant processes with respect to the Company’s internal control over financial reporting,

d. Documented significant elements of a comprehensive risk assessment and internal control gap analysis and commenced the validation thereof with key stakeholders, and

e. Commenced the design of certain new or redesigned internal controls.

The Company continues to work with its outside consultant, an internationally recognized accounting firm, to assist in completing the remediation plan. The Company believes that its remediation plan will be sufficient to remediate the identified material weaknesses and strengthen its internal control over financial reporting. As the Company continues to evaluate, and works to improve, its internal control over financial reporting, management may determine that additional measures to address control deficiencies or modifications to the remediation plan are necessary. The Company cannot assure you, however, when it will remediate such weaknesses, nor can it be certain whether additional actions will be required or the costs of any such actions. Moreover, the Company cannot assure you that additional material weaknesses will not arise in the future.

Changes in Internal Control Over Financial Reporting

The Company is in the process of implementing certain changes in its internal controls to remediate the material weaknesses described above. The implementation of the material aspects of this plan began in the second quarter of 2019. Except as noted above with respect to the implementation of the remediation plan, there has been no change in the Company’s internal control over financial reporting during the quarter ended March 31, 2020, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1A. Risk Factors.

As disclosed in “Item 1A. Risk Factors” in the 2019 Form 10-K, there are a number of risks and uncertainties that can have a material effect on the operating results of our businesses and our financial condition. Except for the item shown below, there are no additional material updates or changes to our risk factors since the filing of the 2019 Form 10-K.

Our business and operations, and the operations of our customers, suppliers and others we do business with, may be adversely affected by epidemics such as the recent coronavirus (or COVID-19) pandemic, which could adversely affect our financial condition, results of operations and cash flows. We may face risks related to health epidemics or outbreaks of communicable diseases. The outbreak of such a communicable disease could result in a widespread health crisis that could adversely affect general commercial activity and the economies and financial markets of many countries. For example, COVID-19 has spread across the globe to every country in which the Company does business and is impacting worldwide economic activity. A public health epidemic, including COVID-19, poses the risk that we or our contractors, suppliers, customers and other business partners may be prevented or otherwise adversely affected in the conduct of business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities and by other government mandates or policy changes. For example, our PE Films Pune, India plant was temporarily shut by government mandate and our Aluminum Extrusions Newnan, Georgia plant was temporarily shut twice for disinfecting. We may also face staffing issues if our employees become ill from an epidemic, are subject to epidemic-related “stay-at- home” orders, or absenteeism increases because of fear of epidemic-related health risks. Some Company employees have tested positive for COVID-19, with additional employees absent, pending test results or self-quarantined. An epidemic may also cause a significant reduction in demand for one or more of our products as a result of a drop in product-specific demand, because of an epidemic’s impact on the world economy generally, or for other reasons. For example, our AACOA Aluminum Extrusions plants have seen a significant decline in demand for products they sell to customers who serve markets for consumer durable products, building, construction and automobiles. For more information on the effect of COVID-19 on our Bonnell Aluminum business, see “The Impact of COVID-19 – Financial Considerations” above. As a result of an epidemic, we may be unable to meet our supply commitments or otherwise fulfill our customers’ needs due to disruptions in our manufacturing and supply arrangements, including as a result of constrained workforce capacity, interruption of raw material supplies, transportation disruptions or a loss or disruption of other key elements of our manufacturing and distribution capability. An epidemic may cause the failure of, or default in performance by, third parties we rely on to supply our manufacturing operations, to process, transport or purchase our products, to finance our operations, and to otherwise provide products and services to the Company in support of our business and operations. While it is not possible at this time to estimate the impact that any particular epidemic, including COVID-19, could have on the Company’s business, the extent of that impact would likely be affected by factors outside of our control such as the severity, duration and spread of such an epidemic, the measures taken by the governments of countries affected and the ability of our customers and consumers to access government programs providing liquidity and support during the crisis. The impact of an epidemic on our employees, our customers, our supply chains, demand for our products, our ability to supply customers, our operating costs, and our other business activities, could adversely affect our financial condition, results of operations and cash flows.

Item 6. Exhibits.

Exhibit Nos.	
3.1	Amended and Restated Bylaws of Tredegar Corporation, as of March 26, 2020 (filed as Exhibit 3.1 to Tredegar's Current Report on Form 8-K (File No. 1-10258), filed March 30, 2020 and incorporated herein by reference).
10.18	Form of Notice of Stock Award and Stock Award Terms and Conditions.
10.19	Form of Notice of Stock Appreciation Right Grant and Stock Appreciation Right Terms and Conditions.
10.20	Form of Notice of Nonstatutory Stock Option Grant and Nonstatutory Stock Option Terms and Conditions.
31.1	Certification of 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 Vice President and Chief 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 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 Vice President and Chief 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.
101	XBRL Instance Document and Related Items.

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 Corporation (Registrant)
Date:	May 11, 2020	/s/ John M. Steitz
		John M. Steitz President and Chief Executive Officer (Principal Executive Officer)
Date:	May 11, 2020	/s/ D. Andrew Edwards
		D. Andrew Edwards Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	May 11, 2020	/s/ Frasier W. Brickhouse, II
		Frasier W. Brickhouse, II Corporate Treasurer and Controller (Principal Accounting Officer)

Exhibit 10.18

TREDEGAR CORPORATION

NOTICE OF STOCK AWARD

You have been granted the following Stock Award by the Executive Compensation Committee of the Board of Directors of Tredegar Corporation ("Tredegar"):

Name of Participant:

Date of Grant: March 18, 2020

Number of Shares:

Vesting: 100% as of March 17, 2023

Expiration Date: None.

Transferability: As provided in the attached Stock Award Terms and Conditions.

In addition to the foregoing terms, your Stock Award is subject to all of the terms and conditions contained in the attached Stock Award Terms and Conditions which are incorporated in this Notice of Stock Award by this reference. If any provision of this Notice of Stock Award is inconsistent with the aforementioned Stock Award Terms and Conditions, the Stock Award Terms and Conditions will control.

Please acknowledge your acceptance of this Stock Award and the attached Stock Award Terms and Conditions by signing and returning one copy of this Notice of Stock Award to Pat Thomas, Tredegar Corporation, 1100 Boulders Parkway, Richmond, Virginia, 23225**.**

TREDEGAR CORPORATION

By:________________________________

____

Participant

Date: ______________________________

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TREDEGAR CORPORATION

STOCK AWARD TERMS AND CONDITIONS

THESE STOCK AWARD TERMS AND CONDITIONS (“Terms and Conditions”) effective as of 18th day March, 2020, govern the Stock Award made by Tredegar Corporation, a Virginia corporation (the “Company”), to the participant (the “Participant”) named in the Notice of Stock Award to which these Terms and Conditions are attached (the “Grant Notice”), and are made in accordance with and subject to the provisions of the Tredegar Corporation 2018 Equity Incentive Plan (the “Plan”). A copy of the Plan has been made available to Participant. All terms used in these Terms and Conditions that are defined in the Plan have the same meaning given them in the Plan.

2. Grant of Stock Award. In accordance with the Plan, and effective as of the Date of Grant specified in the Grant Notice (the “Date of Grant”), the Company granted to Participant, subject to the terms and conditions of the Plan and these Terms and Conditions, the number of shares of Common Stock specified in the Grant Notice (the “Shares”). Subject to Section 2, the Shares shall be issued by the Company and registered in the name of the Participant on the stock transfer books of the Company.

3. Terms and Conditions. The Shares are subject to the following additional terms and conditions:

a. Rights as a Shareholder. Upon the issuance of the Shares, the Participant shall be entitled to vote the Shares, and shall be entitled to receive, free of all restrictions, ordinary cash dividends. Stock received as a dividend on, or in connection with a stock split of, the Shares shall be subject to the same restrictions as the Shares. The Participant’s right to receive any extraordinary cash dividends or other distributions with respect to the Shares prior to their becoming vested and nonforfeitable (“Vested”) shall be at the sole discretion of the Committee, but in the event of any such extraordinary cash dividends, the Committee shall take action appropriate to preserve the value of, and prevent the unintended enhancement of, the Shares.

As soon as practicable after the Vested Shares become transferable in accordance with paragraph 2(e), the Participant’s rights in the Shares shall not be restricted.

b. Vesting. Subject to the provisions of Sections 3, 4, 5 and 6, the Shares shall become Vested on the third anniversary of the Date of Grant.

c. Nontransferability. Shares that are not Vested are nontransferable. Vested shares may be transferred on and after the date prescribed in paragraph 2(e).

d. Grant of Stock Power. The Participant hereby appoints Patricia A. Thomas, or her successor, as the true and lawful attorney of the Participant, to endorse and execute for and in the name and stead of the Participant any certificates evidencing the Shares if any of the Shares are forfeited.

(e) Holding Requirement; Transfer Restriction. If Participant is subject to the Company's Amended and Restated Executive Ownership Policy (the "Policy") on the date that the Shares become Vested and is not in compliance with the ownership requirements of the Policy, fifty percent of the "Net Vested Shares" must be retained by the Participant, *i.e.*, those shares cannot be transferred, until the earlier of (i) the date that Participant is in compliance with the ownership requirements of the Policy, (ii) the date that Participant is not subject to the Policy or (iii) the date described in the following sentence. Notwithstanding the preceding sentence, the "Net Vested Shares" may be transferred upon the earlier of (i) a Control Change Date, (ii) the date of Participant's death or (iii) the date of Participant's Normal Retirement. For purposes of this Agreement, "Net Vested Shares" means the number of Shares that have become Vested minus the number of Shares, if any, surrendered by Participant or retained by the Company to satisfy tax withholding obligations in accordance with Section 9.

4. Lapse of Restrictions in the Event of Death. The restrictions on the Shares shall lapse, *i.e.*, the Shares shall be Vested and transferable, upon Participant's death if Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the Participant's death.

5. Vesting Upon Permanent and Total Disability. The Shares shall be Vested upon Participant's termination of employment on account of permanent and total disability (within the meaning of Section 22(e)(3) of the Code) if Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date of termination on account of permanent and total disability (as previously defined).

6. Effect of Other Terminations of Employment. Subject to the provisions of Sections 3, 4 and 6, Shares that have not become Vested on or before the date the Participant ceases to be employed by the Company or an Affiliate shall be forfeited.

7. Qualifying Termination Following a Change of Control. The restrictions on the Shares shall lapse, *i.e.*, the Shares shall be vested and transferable, upon the Participant's termination of employment with the Company and its Affiliates upon termination by the Company or an Affiliate without Cause or the Participant's resignation from employment with the Company and its Affiliates with Good Reason (each, a "Qualifying Termination"), in each case on or following a Control Change Date if the Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date of the Participant's Qualifying Termination.

8. Recoupment Policy. Participant acknowledges and agrees that the grant of this Stock Award and the Participant's rights in the Shares are subject to the terms and conditions of the Company's Executive Incentive-Based Compensation Recoupment Policy as in effect on the Date of Grant (the "Policy"). Participant also agrees that, notwithstanding any other provision of this Agreement, the Company is entitled to recover from the Participant all or part of any benefits or compensation received in connection with this Stock Award and the Shares (net of any income or employment taxes paid by the Participant on account of the vesting of the Stock Award or sale of the Shares, after giving effect to any tax benefit available to the Participant on account of the re

coupment), that are subject to recoupment under the Policy. Participant acknowledges that a copy of the Policy has been made available to the Participant.

9. Definitions. The following definitions shall apply to these Terms and Conditions:

a. Cause means (i) the Participant's persistent willful misconduct or gross negligence in the performance of the Participant's duties; (ii) the Participant's conviction of any crime (or entering a plea of guilty or *nolo contendere* to any crime) constituting a felony; or (iii) the Participant's willful and continuous nonperformance, lack of performance of or refusal to perform a reasonable order, policy or rule of the Company involving a material issue concerning the Company after written notice delivered to the Participant describing with specificity the elements of nonperformance, lack of performance or refusal to perform and the relevant order, policy or rule, and the Participant's failure to have cured such nonperformance, lack of performance or refusal to perform within thirty (30) days following receipt of such written notice.

b. Good Reason means, without the Participant's express written consent (i) a material change (other than in connection with a promotion) or diminution of the Participant's duties (excluding any change of the Participant's duties that is attributable to the Company no longer being a public company); (ii) a material reduction by the Company in the annual rate of the Participant's base salary; or (iii) a change in the location of the Participant's principal office to a different place that is more than fifty (50) miles from the Participant's principal office immediately prior to such change. A resignation shall not be with "Good Reason" unless the Participant gives the Company written notice specifying the event or condition that the Participant asserts constitutes Good Reason, the notice is given no more than ninety (90) days after the occurrence of the event or initial existence of the condition that the Participant asserts constitutes Good Reason and the Company has failed to remedy or cure the event or condition during the thirty (30) day period after such written notice is given to the Company.

c. Normal Retirement means the voluntary separation by Participant from the employment of the Company or an Affiliate on or after the date Participant has reached age sixty-five.

10. Withholding. The Participant shall pay the Company any amount of taxes as may be necessary in the opinion of the Company to satisfy tax withholding required under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gains taxes, transfer taxes, and social security contributions. In lieu thereof, the Company shall have the right to retain the number of shares of Common Stock whose Fair Market Value equals the minimum amount required to be withheld. In any event, the Company shall have the right to deduct from all amounts paid to a Participant in cash (whether under the Plan or otherwise) any taxes required to be withheld. The Participant shall promptly notify the Company of any election made pursuant of Section 83(b) of the Code.

11. No Right to Continued Employment. The award of the Shares does not give Participant any right with respect to continuance of employment by the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate his or her employment at any time.

12. Change in Capital Structure. The Shares shall be adjusted as the Committee determines is equitably required in the event the Company effects one or more stock dividends, stock split-ups subdivisions or consolidations of shares, other similar changes in capitalization or such other events as are described in the Plan.

13. Governing Law. These Terms and Conditions and the Grant Notice shall be governed by the laws of the Commonwealth of Virginia.

14. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and the provisions of these Terms and Conditions or the Grant Notice, the provisions of the Plan shall govern. All references herein to the Plan shall mean the plan as in effect on the Date of Grant.

15. Participant Bound by Plan. Participant hereby acknowledges that a copy of the Plan has been made available to him or her and agrees to be bound by all the terms and provisions of the Plan.

15. Binding Effect. Subject to the limitations stated above and in the Plan, these Terms and Conditions and the Grant Notice shall be binding upon Participant and his or her successors in interest and the successors of the Company.

TREDEGAR CORPORATION

NOTICE OF STOCK APPRECIATION RIGHT GRANT

You have been granted the following stock appreciation right or SAR by the Executive Compensation Committee of the Board of Directors of Tredegar Corporation ("Tredegar"):

Name of Participant:

Date of Grant: March 18, 2020

Number of Shares: _____ Shares of Common Stock

Initial Value: $14.41 per share

Type of Grant: Stock Appreciation Right

Vesting Schedule: You will vest in this stock appreciation right with respect to all of the shares of Common Stock subject to this stock appreciation right on March 18, 2022, if you remain in the continuous employ of Tredegar or an Affiliate from the Date of Grant until such date. The attached Stock Appreciation Right Terms and Conditions provide for accelerated vesting in certain circumstances

Expiration Date: March 18, 2027, unless terminated earlier in accordance with the attached Stock Appreciation Right Terms and Conditions. Please note that the event that most commonly triggers an early termination of your stock appreciation right is the termination of employment with Tredegar. There are, however, other triggering events, so be sure to review the attached Stock Appreciation Right Terms and Conditions carefully.

Transferability: This stock appreciation right is transferable by will or by the laws of descent and distribution. This stock appreciation right is also transferable in accordance with the provisions of Section 6.05 of the Plan, but any such transferee may not subsequently transfer this stock appreciation right except by will or by the laws of descent and distribution.

In addition to the foregoing terms, your stock appreciation right grant is subject to all of the terms and conditions contained in the attached Stock Appreciation Right Terms and Conditions which are incorporated in this Notice of Stock Appreciation Right Grant by this reference.

Please acknowledge your acceptance of this stock appreciation right grant and the attached Stock Appreciation Right Terms and Conditions by signing and returning one copy of this Notice of

Stock Appreciation Right Grant to Pat Thomas, Tredegar Corporation, 1100 Boulders Parkway, Richmond, Virginia, 23225**.**

TREDEGAR CORPORATION

By:_________________________________

____
Participant
Date: ______________________________

TREDEGAR CORPORATION

STOCK APPRECIATION RIGHT TERMS AND CONDITIONS

THESE STOCK APPRECIATION RIGHT TERMS AND CONDITIONS (“Terms and Conditions”) effective as of the 18th day of March, 2020, govern the stock appreciation right grant made by Tredegar Corporation, a Virginia corporation (the “Company”), to the participant (the “Participant”) named in the Notice of Stock Appreciation Right Grant to which these Terms and Conditions are attached (the “Grant Notice”), and are made in accordance with and subject to the provisions of the Company’s 2018 Equity Incentive (the “Plan”). A copy of the Plan has been made available to Participant. All terms used in these Terms and Conditions that are defined in the Plan have the same meaning given them in the Plan.

1. Grant of SAR. In accordance with the Plan, and effective as of the Date of Grant specified in the Grant Notice (the “Date of Grant”), the Company granted to Participant, subject to the terms and conditions of the Plan and these Terms and Conditions, a stock appreciation right or SAR with respect to the number of shares of Common Stock specified in the Grant Notice (the “SAR”) with the Initial Value specified in the Grant Notice (the “Initial Value”). The shares of Common Stock covered by this SAR that vest in accordance with paragraph 2(b) and that are exercisable under the SAR are referred to as the “Vested Shares.” This SAR may be exercised in accordance with these Terms and Conditions.

2. Terms and Conditions. This SAR is subject to the following additional terms and conditions:

(a) Expiration Date. The Expiration Date of this SAR shall be as specified in the Grant Notice.

(b) Vesting of SAR. All of the shares that are subject to this SAR shall be Vested Shares if Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the vesting date specified in the Grant Notice. If not sooner Vested, all of the shares that are subject to this SAR shall be Vested Shares if Participant remains in the continuous employ of the Company or an Affiliate until (i) the date of Participant’s death, (ii) the date that Participant’s employment with the Company and its Affiliates ends on account of Disability, (iii) with the consent of the Committee, the Participant’s Normal Retirement or (iv) a Control Change Date. This SAR may be exercised with respect to the Vested Shares, in whole or in part, until the earlier of the Expiration Date or the termination of Participant’s rights hereunder pursuant to paragraph 4, 5, 6, 7, 8 or 9. A partial exercise of this SAR shall not affect Participant’s right to exercise this SAR with respect to the remaining Vested Shares, subject to the conditions of the Plan and these Terms and Conditions.

(c) Method of Exercising. This SAR must be exercised by written notice delivered to the attention of the Company’s Secretary at the Company’s principal office in Richmond, Virginia. The exercise date shall be (i) in the case of notice by mail or nationally recognized courier, the date of postmark or (ii) in the case of notice by any other means, the date of receipt by the Company's Secretary. The notice must specify the number of Vested Shares for which this SAR is being exercised (the "Exercise Shares").

(d) Settlement of SAR. Within ten days after the written notice of exercise the Company will make a payment to Participant in settlement of the SAR. The payment will have a value equal to the excess of the Fair Market Value on the exercise date over the Initial Value, multiplied by the number of Exercise Shares. In the Committee's discretion, and without the need for Participant's consent, the payment may be made in a single cash payment, by the issuance of shares of Common Stock (with the number of shares determined based on the Fair Market Value on the exercise date) or a combination of cash and Common Stock. This SAR will be cancelled with respect to the Exercise Shares upon payment with respect to the Exercise Shares.

3. Termination Before Vesting. This SAR, if not vested in accordance with paragraph 2(b) on or before the date Participant's employment with the Company and its Affiliates ends, shall automatically expire with respect to the shares that are subject to this SAR that have not become Vested Shares in accordance with paragraph 2(b) on or before the date such employment ends. With respect to the shares that are subject to this SAR that have become Vested Shares in accordance with paragraph 2(b) on or before the date that Participant's employment with the Company and its Affiliates ends, this SAR may be exercised until the earlier of the Expiration Date or the termination of the Participant's rights hereunder pursuant to paragraph 4, 5, 6, 7 and 8.

4. Termination Generally. If Participant's employment with the Company and its Affiliates ends on or after this SAR has become vested in accordance with paragraph 2(b), Participant may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR until the earlier of (i) the Expiration Date or (ii) the date that is three months after the date of termination of Participant's employment with the Company and its Affiliates. If the preceding sentence applies to Participant and Participant dies after Participant's employment with the Company ends but before the termination of Participant's rights under the preceding sentence, Participant's Beneficiary may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR until the earlier of (i) the Expiration Date or (ii) the date that is three months after the date of termination of Participant's employment with the Company and its Affiliates. This paragraph shall not apply if Participant's employment ends on account of Participant's Normal Retirement, Early Retirement, death or Disability as provided in paragraphs 5, 6, 7 and 8, respectively.

5. Normal Retirement. If Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until Participant's Normal Retirement, Participant may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR until the Expiration Date. If the preceding sentence applies to Participant and Participant dies before the Expiration Date, Participant's Beneficiary may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR until the earlier of (i) the Expiration Date and (ii) the ninetieth day after Participant's death.

6. Early Retirement. If Participant (i) remains in the continuous employ of the Company or an Affiliate from the Date of Grant until Participant's Early Retirement and (ii) such Early Retirement becomes effective on or after the first anniversary of the Date of Grant, Participant may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR in accordance with paragraph 2 above until the Expiration Date. If the preceding sentence applies to Participant and Participant dies before the termination of Participant's rights under the preceding sentence, Participant's Beneficiary may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR until the earlier of (i) the Expiration Date and (ii) the ninetieth day after Participant's death.

7. Termination on Account of Death. If Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until Participant's death, Participant's Beneficiary may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR until the earlier of (i) the Expiration Date or (ii) the first anniversary of the date of Participant's death.

8. Termination on Account of Disability. If Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date Participant's employment with the Company and its Affiliates ends on account of Disability, Participant may exercise this SAR for all or part of the Vested Shares that remain subject to this SAR until the earlier of (i) the Expiration Date or (ii) the first anniversary of the date of Participant's termination of employment on account of Disability. If the preceding sentence applies to Participant and Participant dies before the termination of Participant's rights under the preceding sentence, Participant's Beneficiary may exercise this SAR until the earlier of (i) the Expiration Date or (ii) the first anniversary of the date of Participant's termination of employment on account of Disability. For purposes of this Agreement, a termination of employment shall be on account of Disability if Participant's employment with the Company and its Affiliates ends because Participant is permanently and totally disabled within the meaning of Section 22(e)(3) of the Code.

9. Cancellation or Substitution. Notwithstanding any other provision of this Agreement, upon a Change in Control the Company, in its discretion, may (i) cancel this SAR in exchange for a cash payment equal to the excess of the Fair Market Value on the Control Change Date over the Initial Value multiplied by the number of shares of Common Stock for which this SAR remains unexercised on the Control Change Date or (ii) provide that this SAR shall be assumed by, or replaced with a substitute option granted by, the Company's successor in the manner described in Section 424 of the Code.

10. Participant's Misconduct. Notwithstanding any other provision in these Terms and Conditions to the contrary, this SAR may not be exercised after Participant's termination of employment with the Company and its Affiliates if during such employment or thereafter, Participant has engaged in actions or conduct that are harmful or in any way contrary to the best interests of the Company or an Affiliate.

11. Recoupment Policy. Participant acknowledges and agrees that the grant of this SAR and the Participant's rights under this SAR are subject to the terms and provisions of the Company's Executive Incentive-Based Compensation Recoupment Policy as in effect on the Date of Grant (the "Policy"). Participant also agrees that, notwithstanding any other provision of this Agreement, the Company is entitled to recover from the Participant all or part of any benefits or compensation received in connection with this SAR (net of any income or employment taxes paid by the Participant on account of the exercise of the SAR or the sale of Common Stock acquired under the SAR, after giving effect to any tax benefit available to the Participant on account of the recoupment), that are subject to recoupment under the Policy. Participant acknowledges that a copy of the Policy has been made available to the Participant.

12. Withholding. Participant shall pay the Company any amount of taxes as may be necessary in the opinion of the Company to satisfy tax withholding required under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gains taxes, transfer taxes and social security contributions. In lieu thereof, the Company shall have the right to retain, from the shares of Common Stock to be issued upon exercise of the SAR, the number of shares of Common Stock whose Fair Market Value equals the minimum amount required to be withheld. In any event, the Company shall have the right to deduct from all amounts paid to Participant in cash (whether paid under paragraph 2(d) or otherwise), any taxes required to be withheld.

13. Definitions. The following definitions shall apply to these Terms and Conditions:

(a) Beneficiary means Participant's estate or the person or persons or entity or entities to whom Participant's rights under this SAR pass by will or the laws of descent and distribution.

(b) Early Retirement means the voluntary separation by Participant from the employment with the Company or an Affiliate on or after the date Participant has attained age fifty-five and has ten years of service with the Company or an Affiliate but before the date Participant has reached age sixty-five.

(c) Normal Retirement means the voluntary separation by Participant from the employment with the Company or an Affiliate on or after the date Participant has reached age sixty-five.

14. Fractional Shares. Fractional shares shall not be issuable hereunder, and when any provision hereof may entitle Participant to a fractional share a cash payment shall be made in lieu thereof.

15. No Right to Continued Employment. This SAR does not give Participant any right with respect to continuance of employment by the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate his or her employment at any time.

16. Change in Capital Structure. The terms of this SAR shall be adjusted as the Committee determines is equitably required in the event the Company effects one or more stock dividends, stock split-ups subdivisions, consolidations of shares, special cash dividends, other similar changes in capitalization or such other events as are described in the Plan.

17. Governing Law. These Terms and Conditions and the Grant Notice shall be governed by the laws of the Commonwealth of Virginia.

18. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and the provisions of these Terms and Conditions or the Grant Notice, the provisions of the Plan shall govern. All references herein to the Plan shall mean the plan as in effect on the Date of Grant.

19. Participant Bound by Plan. Participant hereby acknowledges that a copy of the Plan has been made available to him or her and agrees to be bound by all the terms and provisions of the Plan.

20. Binding Effect. Subject to the limitations stated above and in the Plan, these Terms and Conditions and the Grant Notice shall be binding upon Participant and his or her successors in interest and the successors of the Company.

21. Effectiveness. These Terms and Conditions and the Grant Notice shall be of no force or effect and no option shall be granted unless Participant is an employee of the Company or an Affiliate on the Date of Grant.

Exhibit 10.20

TREDEGAR CORPORATION

NOTICE OF STOCK OPTION GRANT

You have been granted the following stock option by the Executive Compensation Committee of the Board of Directors of Tredegar Corporation (“Tredegar”):

Name of Participant: «Name»

Date of Grant: March 18, 2020

Number of Shares: «Options» Shares of Common Stock

Option Price: $14.41 per share

Type of Grant: Nonstatutory Stock Option

Vesting Schedule: You will vest in this Option with respect to all of the shares of Common Stock subject to this Option on March 18, 2022, if you remain in the continuous employ of Tredegar or an Affiliate from the Date of Grant until such date. The attached Nonstatutory Stock Option Terms and Conditions provide for accelerated vesting in certain circumstances
.

Expiration Date: March 18, 2027, unless terminated earlier in accordance with the attached Nonstatutory Stock Option Terms and Conditions. Please note that the event that most commonly triggers an early termination of your option is the termination of employment with Tredegar. There are, however, other triggering events, so be sure to review the attached Nonstatutory Stock Option Terms and Conditions carefully.

Transferability: This Option is transferable by will or by the laws of descent and distribution. This Option is also transferable in accordance with the provisions of Section 6.05 of the Plan, but any such transferee may not subsequently transfer this Option except by will or by the laws of descent and distribution.

In addition to the foregoing terms, your stock option grant is subject to all of the terms and conditions contained in the attached Nonstatutory Stock Option Terms and Conditions which are incorporated in this Notice of Nonstatutory Stock Option Grant by this reference.

Please acknowledge your acceptance of this stock option grant and the attached Nonstatutory Stock Option Terms and Conditions by signing and returning one copy of this Notice of

Nonstatutory Stock Option Grant to Pat Thomas, Tredegar Corporation, 1100 Boulders Parkway, Richmond, Virginia, 23225**.**

TREDEGAR CORPORATION

By:__________________________________

____
Participant
Date: ________________________________

TREDEGAR CORPORATION

NONSTATUTORY STOCK OPTION TERMS AND CONDITIONS

THESE NONSTATUTORY STOCK OPTION TERMS AND CONDITIONS ("Terms and Conditions") effective as of the 18th day of March, 2020, govern the nonstatutory stock option grant made by Tredegar Corporation, a Virginia corporation (the "Company"), to the participant (the "Participant") named in the Notice of Stock Option Grant to which these Terms and Conditions are attached (the "Grant Notice"), and are made in accordance with and subject to the provisions of the Company's 2018 Equity Incentive (the "Plan"). A copy of the Plan has been made available to Participant. All terms used in these Terms and Conditions that are defined in the Plan have the same meaning given them in the Plan.

1. Grant of Option. In accordance with the Plan, and effective as of the Date of Grant specified in the Grant Notice (the "Date of Grant"), the Company granted to Participant, subject to the terms and conditions of the Plan and these Terms and Conditions, including paragraph 2(d), the right and option to purchase from the Company all or part of the number of shares of Common Stock specified in the Grant Notice (the "Option") at the option price specified in the Grant Notice (the "Option Price"). The shares of Common Stock that vest in accordance with paragraph 2(b) are referred to as the "Vested Shares." This Option is not an "incentive stock option" under Section 422 of the Code. This Option may be exercised in accordance with these Terms and Conditions. "Exercising" this Option means purchasing all or part of the shares of Common Stock specified in the Grant Notice at the Option Price.

2. Terms and Conditions. This Option is subject to the following additional terms and conditions:

(a) Expiration Date. The Expiration Date of this Option shall be as specified in the Grant Notice.

(b) Vesting of Option. All of the shares that are subject to this Option shall be Vested Shares if Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the vesting date specified in the Grant Notice. If not sooner Vested, all of the shares that are subject to this Option shall be Vested Shares if Participant remains in the continuous employ of the Company or an Affiliate until (i) the date of Participant's death, (ii) the date that Participant's employment with the Company and its Affiliates ends on account of Disability, (iii) with the consent of the Committee, the Participant's Normal Retirement or (iv) a Control Change Date. This Option may be exercised with respect to the Vested Shares, in whole or in part, until the earlier of the Expiration Date or the termination of Participant's rights hereunder pursuant to paragraph 4, 5, 6, 7, 8 or 9. A partial exercise of this Option shall not affect Participant's right to exercise this Option with respect to the remaining Vested Shares, subject to the conditions of the Plan and these Terms and Conditions.

(c) Method of Exercising and Payment for Shares. This Option must be exercised by written notice delivered to the attention of the Company's Secretary at the Company's principal office in Richmond, Virginia. The notice shall indicate the number of Vested Shares as to which this Option is being then exercised. The exercise date shall be (i) in the case of notice by mail or nationally recognized courier, the date of postmark or (ii) in the case of notice by any other means, the date of receipt by the Company's Secretary. The notice must be accompanied by payment of the Option Price in full, in cash or cash equivalent acceptable to the Committee, by the surrender of shares of Common Stock (either by actual surrender or by attestation of ownership) with an aggregate Fair Market Value (determined as of the exercise date), that together with any cash or cash equivalent paid to exercise the Option, is not less than the Option Price for the number of shares of Common Stock for which the Option is exercised or by a "net exercise" in accordance with the Plan.

(d) Cash Settlement of Option. Upon receipt of Participant's written notice of exercise, the Committee, in its discretion and without the need for Participant's consent, may direct that the written notice of exercise shall be treated as a written notice to exercise a SAR for the same number of Vested Shares that Participant directed be exercised under this Option (the "Exercise Shares"). In that event (i) within ten days of the written notice of exercise the Company will pay Participant a single cash payment equal to the excess of the aggregate Fair Market Value of the Exercise Shares on the exercise date over the aggregate Option Price of the Exercise Shares; (ii) any amount that Participant paid or tendered as payment of the Option Price will be returned to Participant and (iii) the Option shall be cancelled with respect to the number of Exercise Shares.

3. Termination Before Vesting. This Option shall automatically expire and be of no force or effect on the date that Participant's employment with the Company and its Affiliates ends with respect to the shares that are subject to this Option that have not become Vested Shares in accordance with paragraph 2(b) on or before the date such employment ends. With respect to the shares that are subject to this Option that have become Vested Shares in accordance with paragraph 2(b) on or before the date that Participant's employment with the Company and its Affiliates ends, this Option may be exercised until the earlier of the Expiration Date or the termination of Participant's rights hereunder pursuant to paragraph 4, 5, 6, 7, 8 or 9.

4. Termination Generally. If Participant's employment with the Company and its Affiliates ends on or after this Option has become vested in accordance with paragraph 2(b), Participant may exercise this Option for all or part of the Vested Shares that remain subject to this Option until the earlier of (i) the Expiration Date or (ii) the date that is three months after the date of termination of Participant's employment with the Company and its Affiliates. If the preceding sentence applies to Participant and Participant dies after Participant's employment with the Company ends but before the termination of Participant's rights under the preceding sentence, Participant's Beneficiary may exercise this Option for all or part of the Vested Shares that remain subject to this Option until the earlier of (i) the Expiration Date or (ii) the date that is three months after the date of termination of Participant's employment with the Company and its Affiliates. This paragraph shall not apply if Participant's employment ends on account of

Participant’s Normal Retirement, Early Retirement, death or Disability as provided in paragraphs 5, 6, 7 and 8, respectively.

5. Normal Retirement. If Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date of Participant’s Normal Retirement, Participant may exercise this Option for all or part of the Vested Shares that remain subject to this Option until the Expiration Date. If the preceding sentence applies to Participant and Participant dies before the termination of Participant’s rights under the preceding sentence, Participant’s Beneficiary may exercise this Option for all or part of the Vested Shares that remain subject to this Option until the earlier of (i) the Expiration Date and (ii) the ninetieth day after Participant’s death.

6. Early Retirement. If Participant (i) remains in the continuous employ of the Company or an Affiliate from the Date of Grant until Participant’s Early Retirement and (ii) such Early Retirement becomes effective on or after the first anniversary of the Date of Grant, Participant may exercise this Option for all or part of the Vested Shares that remain subject to this Option in accordance with paragraph 2 above until the Expiration Date. If the preceding sentence applies to Participant and Participant dies before the termination of Participant’s rights under the preceding sentence, Participant’s Beneficiary may exercise this Option for all or part of the Vested Shares that remain subject to this Option until the earlier of (i) the Expiration Date and (ii) the ninetieth day after Participant’s death.

7. Termination on Account of Death. If Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until Participant’s death, Participant’s Beneficiary may exercise this Option for all or part of the Vested Shares that remain subject to this Option until the earlier of (i) the Expiration Date or (ii) the first anniversary of the date of Participant’s death.

8. Termination on Account of Disability. If Participant remains in the continuous employ of the Company or an Affiliate from the Date of Grant until the date Participant’s employment with the Company and its Affiliates ends on account of Disability, Participant may exercise this Option for all or part of the Vested Shares that remain subject to this Option until the earlier of (i) the Expiration Date or (ii) the first anniversary of the date of Participant’s termination of employment on account of Disability. If the preceding sentence applies to Participant and Participant dies before the termination of Participant’s rights under the preceding sentence, Participant’s Beneficiary may exercise this Option until the earlier of (i) the Expiration Date or (ii) the first anniversary of the date of Participant’s termination of employment on account of Disability. For purposes of this Agreement, a termination of employment shall be on account of Disability if Participant’s employment with the Company and its Affiliates ends because Participant is permanently and totally disabled within the meaning of Section 22(e)(3) of the Code.

9. Cancellation or Substitution. Notwithstanding any other provision of this Agreement, upon a Change in Control the Company, in its discretion, may (i) cancel this Option in exchange for a cash payment equal to the excess of the Fair Market Value on the Control

Change Date over the Option Price multiplied by the number of shares of Common Stock for which this Option remains unexercised on the Control Change Date or (ii) provide that this Option shall be assumed by, or replaced with a substitute option granted by, the Company's successor in the manner described in Section 424 of the Code.

10. Participant's Misconduct. Notwithstanding any other provision in these Terms and Conditions to the contrary, this Option may not be exercised after Participant's termination of employment with the Company and its Affiliates if during such employment or thereafter, Participant has engaged in actions or conduct that are harmful or in any way contrary to the best interests of the Company or an Affiliate.

11. Recoupment Policy. Participant acknowledges and agrees that the grant of this Option and the Participant's rights under this Option are subject to the terms and provisions of the Company's Executive Incentive-Based Compensation Recoupment Policy as in effect on the Date of Grant (the "Policy"). Participant also agrees that, notwithstanding any other provision of this Agreement, the Company is entitled to recover from the Participant all or part of any benefits or compensation received in connection with this Option (net of any income or employment taxes paid by the Participant on account of the exercise of the Option or the sale of Common Stock acquired under the Option, after giving effect to any tax benefit available to the Participant on account of the recoupment), that are subject to recoupment under the Policy. Participant acknowledges that a copy of the Policy has been made available to the Participant.

12. Withholding. Participant shall pay the Company any amount of taxes as may be necessary in the opinion of the Company to satisfy tax withholding required under the laws of any country, state, province, city or other jurisdiction, including but not limited to income taxes, capital gains taxes, transfer taxes and social security contributions. In lieu thereof, the Company shall have the right to retain, from the shares of Common Stock to be issued upon exercise of the Option, the number of shares of Common Stock whose Fair Market Value equals the minimum amount required to be withheld. In any event, the Company shall have the right to deduct from all amounts paid to Participant in cash (whether paid under paragraph 2(d) or otherwise), any taxes required to be withheld.

13. Definitions. The following definitions shall apply to these Terms and Conditions:

(a) Beneficiary means Participant's estate or the person or persons or entity or entities to whom Participant's rights under this Option pass by will or the laws of descent and distribution.

(b) Early Retirement means the voluntary separation by Participant from the employment with the Company or an Affiliate on or after the date Participant has attained age fifty-five and has ten years of service with the Company or an Affiliate but before the date Participant has reached age sixty-five.

(c) Normal Retirement means the voluntary separation by Participant from the employment with the Company or an Affiliate on or after the date Participant has reached age sixty-five.

14. Fractional Shares. Fractional shares shall not be issuable hereunder, and when any provision hereof may entitle Participant to a fractional share such fraction shall be disregarded.

15. No Right to Continued Employment. This Option does not give Participant any right with respect to continuance of employment by the Company or an Affiliate, nor shall it interfere in any way with the right of the Company or an Affiliate to terminate his or her employment at any time.

16. Change in Capital Structure. The terms of this Option shall be adjusted as the Committee determines is equitably required in the event the Company effects one or more stock dividends, special cash dividends, stock split-ups subdivisions or consolidations of shares, other similar changes in capitalization or such other events as are described in the Plan.

17. Governing Law. These Terms and Conditions and the Grant Notice shall be governed by the laws of the Commonwealth of Virginia.

18. Conflicts. In the event of any conflict between the provisions of the Plan as in effect on the Date of Grant and the provisions of these Terms and Conditions or the Grant Notice, the provisions of the Plan shall govern. All references herein to the Plan shall mean the plan as in effect on the Date of Grant.

19. Participant Bound by Plan. Participant hereby acknowledges that a copy of the Plan has been made available to him or her and agrees to be bound by all the terms and provisions of the Plan.

20. Binding Effect. Subject to the limitations stated above and in the Plan, these Terms and Conditions and the Grant Notice shall be binding upon Participant and his or her successors in interest and the successors of the Company.

21. Effectiveness. These Terms and Conditions and the Grant Notice shall be of no force or effect and no option shall be granted unless Participant is an employee of the Company or an Affiliate on the Date of Grant.

EXHIBIT 31.1

Section 302 Certification

I, John M. Steitz, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, 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; and

(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: May 11, 2020

/s/ John M. Steitz

John M. Steitz
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Section 302 Certification

I, D. Andrew Edwards, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, 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; and

(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: May 11, 2020

/s/ D. Andrew Edwards

D. Andrew Edwards
Vice President and Chief Financial Officer
(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 Quarterly Report on Form 10-Q of Tredegar Corporation (the “Company”) for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John M. Steitz, 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/ John M. Steitz

John M. Steitz
President and Chief Executive Officer
(Principal Executive Officer)
May 11, 2020

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 Quarterly Report on Form 10-Q of Tredegar Corporation (the "Company") for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Andrew Edwards, Vice President and Chief Financial 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/ D. Andrew Edwards

D. Andrew Edwards
Vice President and Chief Financial Officer
(Principal Financial Officer)
May 11, 2020