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 June 30, 2023

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 August 4, 2023: 34,384,677

Tredegar Corporation
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 21,193	$ 19,232
Accounts and other receivables, net	79,139	84,544
Income taxes recoverable	1,216	733
Inventories	86,692	127,771
Prepaid expenses and other	10,214	10,304
Total current assets	198,454	242,584
Property, plant and equipment, at cost	545,048	531,921
Less: accumulated depreciation	(355,156)	(345,510)
Net property, plant and equipment	189,892	186,411
Right-of-use leased assets	12,794	14,021
Identifiable intangible assets, net	10,785	11,690
Goodwill	55,195	70,608
Deferred income taxes	14,610	13,900
Other assets	3,139	2,879
Total assets	$ 484,869	$ 542,093
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 82,290	$ 114,938
Accrued expenses	23,501	31,603
Lease liability, short-term	2,163	2,035
Income taxes payable	579	1,137
Total current liabilities	108,533	149,713
Lease liability, long-term	11,991	12,738
Long-term debt	141,000	137,000
Pension and other postretirement benefit obligations, net	35,747	35,046
Other non-current liabilities	4,449	5,834
Total liabilities	301,720	340,331
Shareholders' equity:		
Common stock, no par value (authorized shares 150,000,000, issued and outstanding 34,363,845 shares at June 30, 2023 and 34,000,642 shares at December 31, 2022)	60,078	58,824
Common stock held in trust for savings restoration plan (116,336 shares at June 30, 2023 and 113,316 shares at December 31, 2022)	(2,218)	(2,188)
Accumulated other comprehensive income (loss):		
Foreign currency translation adjustment	(83,338)	(86,079)
Gain (loss) on derivative financial instruments	(843)	(2,480)
Pension and other postretirement benefit adjustments	(54,463)	(59,036)
Retained earnings	263,933	292,721
Total shareholders' equity	183,149	201,762
Total liabilities and shareholders' equity	$ 484,869	$ 542,093

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenues and other items:				
Sales	$ 178,167	$ 274,363	$ 369,289	$ 510,929
Other income (expense), net	(20)	1,342	260	1,041
	178,147	275,705	369,549	511,970
Costs and expenses:				
Cost of goods sold	153,267	218,088	312,792	401,348
Freight	7,199	11,036	13,243	19,118
Selling, general and administrative	16,889	18,862	35,894	40,143
Research and development	1,376	1,754	2,581	3,278
Amortization of identifiable intangibles	464	666	968	1,329
Pension and postretirement benefits	3,418	3,506	6,837	6,982
Interest expense	2,374	1,234	4,686	2,020
Asset impairments and costs associated with exit and disposal activities, net of adjustments	—	134	69	126
Goodwill impairment	15,413	—	15,413	—
Total	200,400	255,280	392,483	474,344
Income (loss) before income taxes	(22,253)	20,425	(22,934)	37,626
Income tax expense (benefit)	(3,331)	5,556	(3,000)	6,334
Net income (loss)	$ (18,922)	$ 14,869	$ (19,934)	$ 31,292
Earnings (loss) per share:				
Basic	$ (0.56)	$ 0.44	$ (0.59)	$ 0.93
Diluted	$ (0.56)	$ 0.44	$ (0.59)	$ 0.93
Shares used to compute earnings (loss) per share:				
Basic	34,079	33,814	33,988	33,734
Diluted	34,079	33,854	33,988	33,776

See accompanying notes to the condensed consolidated financial statements.

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

	Three Months Ended June 30,	
	2023	2022
Net income (loss)	$ (18,922)	$ 14,869
Other comprehensive income (loss):		
Unrealized foreign currency translation adjustment (net of tax expense of $179 in 2023 and net of tax benefit of $482 in 2022)	1,621	(5,230)
Derivative financial instruments adjustment (net of tax expense of $500 in 2023 and net of tax benefit of $3,359 in 2022)	368	(9,161)
Amortization of prior service costs and net gains or losses (net of tax expense of $637 in 2023 and net of tax expense of $712 in 2022)	2,286	2,556
Other comprehensive income (loss)	4,275	(11,835)
Comprehensive income (loss)	$ (14,647)	$ 3,034

	Six Months Ended June 30,	
	2023	2022
Net income (loss)	$ (19,934)	$ 31,292
Other comprehensive income (loss):		
Unrealized foreign currency translation adjustment (net of tax expense of $615 in 2023 and net of tax expense of $246 in 2022)	2,741	306
Derivative financial instruments adjustment (net of tax expense of $1,336 in 2023 and net of tax benefit of $443 in 2022)	1,637	(3,231)
Amortization of prior service costs and net gains or losses (net of tax expense of $1,274 in 2023 and net of tax expense of $1,424 in 2022)	4,573	5,094
Other comprehensive income (loss)	8,951	2,169
Comprehensive income (loss)	$ (10,983)	$ 33,461

See accompanying notes to the condensed consolidated financial statements.

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

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities:		
Net income (loss)	$ (19,934)	$ 31,292
Adjustments for noncash items:		
Depreciation	12,387	11,536
Amortization of identifiable intangibles	968	1,329
Reduction of right-of-use lease asset	1,075	1,072
Goodwill impairment	15,413	—
Deferred income taxes	(3,731)	2,516
Accrued pension and post-retirement benefits	6,837	7,013
Stock-based compensation expense	521	1,842
Gain on investment in kaléo	(262)	(1,406)
Changes in assets and liabilities:		
Accounts and other receivables	6,190	(24,172)
Inventories	43,013	(31,495)
Income taxes recoverable/payable	(1,060)	(6,129)
Prepaid expenses and other	2,976	(516)
Accounts payable and accrued expenses	(39,629)	47,388
Lease liability	(1,095)	(1,166)
Pension and postretirement benefit plan contributions	(279)	(50,314)
Other, net	(692)	1,781
Net cash provided by (used in) operating activities	22,698	(9,429)
Cash flows from investing activities:		
Capital expenditures	(15,907)	(13,514)
Proceeds from the sale of kaléo	262	1,406
Net cash provided by (used in) investing activities	(15,645)	(12,108)
Cash flows from financing activities:		
Borrowings	41,250	221,250
Debt principal payments	(37,250)	(192,750)
Dividends paid	(8,884)	(8,135)
Debt financing costs	—	(1,245)
Other	—	(396)
Net cash provided by (used in) financing activities	(4,884)	18,724
Effect of exchange rate changes on cash	(208)	(246)
Increase (decrease) in cash & cash equivalents	1,961	(3,059)
Cash and cash equivalents at beginning of period	19,232	30,521
Cash and cash equivalents at end of period	$ 21,193	$ 27,462

See accompanying notes to the condensed consolidated financial statements.

Tredegar Corporation
Condensed Consolidated Statements 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 June 30, 2023:

	Common Stock	Retained Earnings	Trust for Savings Restoration Plan	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance April 1, 2023	$ 59,423	$ 287,308	$ (2,203)	$ (142,919)	$ 201,609
Net income (loss)	—	(18,922)	—	—	(18,922)
Foreign currency translation adjustment	—	—	—	1,621	1,621
Derivative financial instruments adjustment	—	—	—	368	368
Amortization of prior service costs and net gains or losses	—	—	—	2,286	2,286
Cash dividends declared ($0.13 per share)	—	(4,468)	—	—	(4,468)
Stock-based compensation expense	655	—	—	—	655
Tredegar common stock purchased by trust for savings restoration plan	—	15	(15)	—	—
Balance June 30, 2023	$ 60,078	$ 263,933	$ (2,218)	$ (138,644)	$ 183,149

The following summarizes the changes in shareholders' equity for the six month period ended June 30, 2023:

	Common Stock	Retained Earnings	Trust for Savings Restoration Plan	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance January 1, 2023	$ 58,824	$ 292,721	$ (2,188)	$ (147,595)	$ 201,762
Net income (loss)	—	(19,934)	—	—	(19,934)
Foreign currency translation adjustment	—	—	—	2,741	2,741
Derivative financial instruments adjustment	—	—	—	1,637	1,637
Amortization of prior service costs and net gains or losses	—	—	—	4,573	4,573
Cash dividends declared ($0.26 per share)	—	(8,884)	—	—	(8,884)
Stock-based compensation expense	1,508	—	—	—	1,508
Repurchase of employee common stock for tax withholdings	(254)	—	—	—	(254)
Tredegar common stock purchased by trust for savings restoration plan	—	30	(30)	—	—
Balance June 30, 2023	$ 60,078	$ 263,933	$ (2,218)	$ (138,644)	$ 183,149

The following summarizes the changes in shareholders' equity for the three month period ended June 30, 2022:

	Common Stock	Retained Earnings	Trust for Savings Restoration Plan	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at April 1, 2022	$ 55,953	$ 293,563	$ (2,148)	$ (135,500)	$ 211,868
Net income (loss)	—	14,869	—	—	14,869
Foreign currency translation adjustment	—	—	—	(5,230)	(5,230)
Derivative financial instruments adjustment	—	—	—	(9,161)	(9,161)
Amortization of prior service costs and net gains or losses	—	—	—	2,556	2,556
Cash dividends declared ($0.12 per share)	—	(4,075)	—	—	(4,075)
Stock-based compensation expense	958	—	—	—	958
Tredegar common stock purchased by trust for savings restoration plan	—	13	(13)	—	—
Balance at June 30, 2022	$ 56,911	$ 304,370	$ (2,161)	$ (147,335)	$ 211,785

The following summarizes the changes in shareholders' equity for the six month period ended June 30, 2022:

	Common Stock	Retained Earnings	Trust for Savings Restoration Plan	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at January 1, 2022	$ 55,174	$ 281,187	$ (2,135)	$ (149,504)	$ 184,722
Net income (loss)	—	31,292	—	—	31,292
Foreign currency translation adjustment	—	—	—	306	306
Derivative financial instruments adjustment	—	—	—	(3,231)	(3,231)
Amortization of prior service costs and net gains or losses	—	—	—	5,094	5,094
Cash dividends declared ($0.24 per share)	—	(8,135)	—	—	(8,135)
Stock-based compensation expense	2,133	—	—	—	2,133
Repurchase of employee common stock for tax withholdings	(396)	—	—	—	(396)
Tredegar common stock purchased by trust for savings restoration plan	—	26	(26)	—	—
Balance at June 30, 2022	$ 56,911	$ 304,370	$ (2,161)	$ (147,335)	$ 211,785

See accompanying notes to the condensed consolidated financial statements.

TREDEGAR CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

In the opinion of management, the accompanying condensed 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 condensed consolidated financial position as of June 30, 2023, the condensed consolidated results of operations for the three and six months ended June 30, 2023 and 2022, the condensed consolidated cash flows for the six months ended June 30, 2023 and 2022, and the condensed consolidated changes in shareholders' equity for the six months ended June 30, 2023 and 2022, in accordance with U.S. generally accepted accounting principles ("GAAP"). All such adjustments, unless otherwise detailed in the notes to the condensed consolidated 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 second quarter for 2023 and 2022 for this segment references 13-week periods ended June 25, 2023 and June 26, 2022, 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 Company may fund or receive cash from the Aluminum Extrusions segment based on Aluminum Extrusion's cash flows from operations during the intervening period from Aluminum Extrusion's fiscal quarter end and the Company's fiscal quarter end. There was no intercompany funding with Aluminum Extrusions between June 25, 2023 and June 30, 2023.

The condensed consolidated financial statements as of December 31, 2022 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, 2022 ("2022 Form 10-K") but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the 2022 Form 10-K.

The results of operations for the three and six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the full year.

Impairment of Goodwill

The Company assesses goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis (December 1st of each year). As of June 30, 2023, the Company's reporting units with goodwill were Surface Protection in PE Films ("Surface Protection") and Futura in Aluminum Extrusions ("Futura"). No events or circumstances were identified during the second quarter of 2023 that indicate that Futura's fair value is more likely than not less than its carrying amount.

However, manufacturers in the supply chain for consumer electronics continue to experience reduced capacity utilization and inventory corrections. In light of the continued uncertainty about the timing of a recovery for this market and the expected adverse future impact to the Surface Protection business, the Company performed a Step 1 goodwill impairment analysis of the Surface Protection component of PE Films using projections that contemplate the expected market recovery and business conditions, as these events indicated Surface Protection's fair value is more likely than not less than its carrying amount.

The Company estimated the fair value of Surface Protection at June 30, 2023 by: (i) computing an estimated enterprise value ("EV") utilizing the discounted cash flow method (the "DCF Method"), (ii) applying adjustments for any surplus or deficient working capital, (iii) adding cash and cash equivalents, and (iv) subtracting interest-bearing debt. The DCF Method was used since Surface Protection's projections reflect the expected recovery from the weak market demand, competitive pricing and cash flows associated with new surface protection products, applications, customers, production efficiencies, and cost savings.

The analysis concluded that the fair value of Surface Protection was less than its carrying value, thus a non-cash partial goodwill impairment of $15.4 million ($11.9 million after deferred income tax benefits) was recognized during the second quarter of 2023.

Given the uncertain demand for Surface Protections products, it is reasonably possible that the cash flow estimates used in deriving such fair value measurements may change in the future. The Surface Protection reporting unit had goodwill of $41.9 million and $57.3 million as of June 30, 2023 and December 31, 2022, respectively.

Accounting Standards Adopted

No Accounting Standard Updates issued by the Financial Accounting Standards Board were adopted during the second quarter of 2023.

2. ACCOUNTS AND OTHER RECEIVABLES

As of June 30, 2023 and December 31, 2022, accounts receivable and other receivables, net include the following:

(In thousands)	June 30, 2023	December 31, 2022
Customer receivables	$ 79,112	$ 83,667
Other receivables	2,233	3,874
Total accounts and other receivables	81,345	87,541
Less: Allowance for bad debts	(2,206)	(2,997)
Total accounts and other receivables, net	$ 79,139	$ 84,544

3. INVENTORIES

The components of inventories are as follows:

(In thousands)	June 30, 2023	December 31, 2022
Finished goods	$ 29,677	$ 34,686
Work-in-process	12,678	15,604
Raw materials	23,897	58,262
Stores, supplies and other	20,440	19,219
Total	$ 86,692	$ 127,771

4. PENSION AND OTHER POSTRETIREMENT BENEFITS

Tredegar sponsors a noncontributory defined benefit (pension) plan covering certain current and former U.S. employees. 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. On February 10, 2022, Tredegar announced the initiation of a process to terminate and settle its frozen defined benefit pension plan. In connection therewith, on February 9, 2022, the Company contributed $50 million to the pension plan (the “Special Contribution”). The Company estimates that, with the Special Contribution, there will be no required minimum contributions to the pension plan until final settlement.

Tredegar also has a non-qualified supplemental pension plan covering certain employees. Effective December 31, 2005, further participation in this plan was terminated and benefit accruals for existing participants were frozen. Pension expense recognized for this plan was immaterial in the three and six months ended June 30, 2023 and 2022. This information has been included in the pension benefit table below.

The components of net periodic benefit cost for the pension and other postretirement benefit programs reflected in the condensed consolidated statements of income for the three and six months ended June 30, 2023 and 2022, are shown below:

	Pension Benefits		Other Post-Retirement Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Service cost	$ —	$ —	$ 3	$ 5
Interest cost	3,028	2,225	71	51
Expected return on plan assets	(2,607)	(2,043)	—	—
Amortization of prior service costs, (gains) losses and net transition asset	2,982	3,302	(59)	(34)
Net periodic benefit cost	$ 3,403	$ 3,484	$ 15	$ 22

	Pension Benefits		Other Post-Retirement Benefits	
	Six Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Service cost	$ —	$ —	$ 6	$ 10
Interest cost	6,056	4,450	142	102
Expected return on plan assets	(5,214)	(4,098)	—	—
Amortization of prior service costs, (gains) losses and net transition asset	5,965	6,586	(118)	(68)
Net periodic benefit cost	$ 6,807	$ 6,938	$ 30	$ 44

Pension and other postretirement liabilities were $36.4 million and $35.7 million at June 30, 2023 and December 31, 2022, respectively ($0.7 million included in “Accrued expenses” at June 30, 2023 and December 31, 2022, respectively, with the remainder included in “Pension and other postretirement benefit obligations, net” in the condensed consolidated balance sheets).

Tredegar funds its other postretirement benefits on a claims-made basis; for 2023, the Company anticipates the amount will be consistent with amounts paid for the year ended December 31, 2022, or approximately $0.5 million.

5. OTHER INCOME (EXPENSE), NET

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Gain on investment in kaléo[(a)]	$ —	$ 1,406	$ 262	$ 1,406
COVID-19-related expenses, net of relief [(b)]	—	(96)	—	(308)
Other	(20)	32	(2)	(57)
Total	$ (20)	$ 1,342	$ 260	$ 1,041

(a) In January 2023, additional cash consideration of $0.3 million was received related to the customary post-closing adjustments on the sale of the investment in kaleo, Inc ("kaléo"), which was sold in December 2021.

(b) Costs associated with operating under COVID-19 conditions include employee overtime expenses associated with absenteeism, personal protective equipment supplies and facility maintenance.

6. EARNINGS PER SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Weighted average shares outstanding used to compute basic earnings per share	34,079	33,814	33,988	33,734
Incremental dilutive shares attributable to stock options and restricted stock	—	40	—	42
Shares used to compute diluted earnings per share	34,079	33,854	33,988	33,776

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 and six months ended June 30, 2023, so there is no dilutive impact for such shares. If the Company had reported net income for the three and six months ended June 30, 2023, 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 would have been 3,019,333 and 2,830,849, respectively. The average out-of-the-money options to purchase shares that were excluded from the calculation of incremental shares attributable to stock options and restricted stock were 2,525,104 and 2,501,406 for the three and six months ended June 30, 2022, respectively.

7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) by component for the three months ended June 30, 2023.

(In thousands)	Foreign Currency Translation	Gain (Loss) on Derivative Financial Instruments	Pension & Other Postretirement Benefit Adjust	Total Accumulated Other Comprehensive Income (Loss)
Balance at April 1, 2023	$ (84,959)	$ (1,211)	$ (56,749)	$ (142,919)
Other comprehensive income (loss)	1,800	2,488	—	4,288
Income tax (expense) benefit	(179)	(945)	—	(1,124)
Other comprehensive income (loss), net of tax	1,621	1,543	—	3,164
Reclassification adjustment to net income (loss)	—	(1,621)	2,923	1,302
Income tax (expense) benefit	—	446	(637)	(191)
Reclassification adjustment to net income (loss), net of tax	—	(1,175)	2,286	1,111
Other comprehensive income (loss), net of tax	1,621	368	2,286	4,275
Balance at June 30, 2023	$ (83,338)	$ (843)	$ (54,463)	$ (138,644)

The changes in accumulated other comprehensive income (loss) by component for the six months ended June 30, 2023.

(In thousands)	Foreign Currency Translation	Gain (Loss) on Derivative Financial Instruments	Pension & Other Postretirement Benefit Adjust	Total Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2023	$ (86,079)	$ (2,480)	$ (59,036)	$ (147,595)
Other comprehensive income (loss)	3,356	5,565	—	8,921
Income tax (expense) benefit	(615)	(2,031)	—	(2,646)
Other comprehensive income (loss), net of tax	2,741	3,534	—	6,275
Reclassification adjustment to net income (loss)	—	(2,594)	5,847	3,253
Income tax (expense) benefit	—	697	(1,274)	(577)
Reclassification adjustment to net income (loss), net of tax	—	(1,897)	4,573	2,676
Other comprehensive income (loss), net of tax	2,741	1,637	4,573	8,951
Balance at June 30, 2023	$ (83,338)	$ (843)	$ (54,463)	$ (138,644)

The changes in accumulated other comprehensive income (loss) by component for the three months ended June 30, 2022.

(In thousands)	Foreign Currency Translation	Gain (Loss) on Derivative Financial Instruments	Pension & Other Postretirement Benefit Adjust	Total Accumulated Other Comprehensive Income (Loss)
Balance at April 1, 2022	$ (80,256)	$ 6,831	$ (62,075)	$ (135,500)
Other comprehensive income (loss)	(5,712)	(11,681)	—	(17,393)
Income tax (expense) benefit	482	3,110	—	3,592
Other comprehensive income (loss), net of tax	(5,230)	(8,571)	—	(13,801)
Reclassification adjustment to net income (loss)	—	(840)	3,268	2,428
Income tax (expense) benefit	—	250	(712)	(462)
Reclassification adjustment to net income (loss), net of tax	—	(590)	2,556	1,966
Other comprehensive income (loss), net of tax	(5,230)	(9,161)	2,556	(11,835)
Balance at June 30, 2022	$ (85,486)	$ (2,330)	$ (59,519)	$ (147,335)

The changes in accumulated other comprehensive income (loss) by component for the six months ended June 30, 2022.

(In thousands)	Foreign Currency Translation	Gain (Loss) on Derivative Financial Instruments	Pension & Other Postretirement Benefit Adjust	Total Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2022	$ (85,792)	$ 901	$ (64,613)	$ (149,504)
Other comprehensive income (loss)	552	(1,678)	—	(1,126)
Income tax (expense) benefit	(246)	(80)	—	(326)
Other comprehensive income (loss), net of tax	306	(1,758)	—	(1,452)
Reclassification adjustment to net income (loss)	—	(1,997)	6,518	4,521
Income tax (expense) benefit	—	524	(1,424)	(900)
Reclassification adjustment to net income (loss), net of tax	—	(1,473)	5,094	3,621
Other comprehensive income (loss), net of tax	306	(3,231)	5,094	2,169
Balance at June 30, 2022	$ (85,486)	$ (2,330)	$ (59,519)	$ (147,335)

The amounts reclassified out of accumulated other comprehensive income (loss) related to pension and other postretirement benefits is included in the computation of net periodic pension costs. See Note 4 for additional details.

8. DERIVATIVES

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 exists as part of ongoing business operations in Flexible Packaging Films. These derivative financial instruments are designated as and qualify as cash flow hedges and are recognized in the condensed consolidated balance sheet at fair value. 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 have durations generally no longer than 12 months. The notional amount of aluminum futures contracts that hedged future purchases of aluminum to meet fixed-price forward sales contract obligations was $17.0 million (11.1 million pounds of aluminum) at June 30, 2023 and $30.7 million (20.3 million pounds of aluminum) at December 31, 2022.

The table below summarizes the location and gross amounts of aluminum futures contract fair values (Level 2) in the condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022:

	June 30, 2023		December 31, 2022	
(In thousands)	Balance Sheet Account	Fair Value	Balance Sheet Account	Fair Value
Derivatives Designated as Hedging Instruments				
Asset derivatives: Aluminum futures contracts	Prepaid expenses and other	$ —	Prepaid expenses and other	$ 48
Liability derivatives: Aluminum futures contracts	Accrued expenses	(3,050)	Accrued expenses	(3,260)
Aluminum futures contracts	Other non-current liabilities	(255)	Other non-current liabilities	(369)
Net asset (liability)		$ (3,305)		$ (3,581)

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 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 for the Flexible Packaging Film's business unit in Brazil (“Terphane Ltda.”) of its sales and raw materials quoted or priced in U.S. Dollars and its variable conversion, fixed conversion and sales, general and administrative costs (before depreciation and amortization) quoted or priced in Brazilian Real ("R$") will result in an annual net cost of R$177 million for the full year of 2023.

Terphane Ltda. had the following outstanding foreign exchange average forward rate contracts to purchase Brazilian Real and sell U.S. Dollars as of June 30, 2023:

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
$2,154	5.6378	R$12,144	Jul-23	83%
$2,020	5.6831	R$11,480	Aug-23	78%
$2,071	5.7174	R$11,841	Sep-23	80%
$2,013	5.7556	R$11,586	Oct-23	79%
$2,018	5.7836	R$11,671	Nov-23	79%
$1,786	5.8312	R$10,414	Dec-23	71%
$659	5.7360	R$3,780	Jan-24	23%
$659	5.7562	R$3,793	Feb-24	23%
$659	5.7774	R$3,807	Mar-24	23%
$659	5.8000	R$3,822	Apr-24	23%
$659	5.8207	R$3,836	May-24	24%
$659	5.8419	R$3,850	Jun-24	24%
$659	5.8636	R$3,864	Jul-24	24%
$659	5.8872	R$3,880	Aug-24	24%
$659	5.9118	R$3,896	Sep-24	24%
$659	5.9350	R$3,911	Oct-24	24%
$659	5.9581	R$3,926	Nov-24	24%
$659	5.9813	R$3,942	Dec-24	24%
$19,970	5.7808	R$115,443		40%

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 condensed consolidated statements of income.

The table below summarizes the location and gross amounts of foreign currency forward contract fair values (Level 2) in the condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022:

	June 30, 2023		December 31, 2022	
(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	$ 2,974	Prepaid expenses and other	$ 781
Foreign currency forward contracts	Other assets	723	Other assets	33
Liability derivatives:				
Foreign currency forward contracts	Accrued expenses	—	Other non-current liabilities	(3)
Net asset (liability)		$ 3,697		$ 811

These derivative contracts involve elements of market risk that are not reflected on the condensed 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 pre-tax 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 and six month periods ended June 30, 2023 and 2022 is summarized in the table below:

	Cash Flow Derivative Hedges					
	Three Months Ended June 30,					
	Aluminum Futures Contracts		Foreign Currency Forwards			
(In thousands)	2023	2022	2023		2022	
Amount of pre-tax gain (loss) recognized in other comprehensive income (loss)	$ 557	$ (9,923)	$ —	$ 1,931	$ —	$ (1,758)
Location of gain (loss) reclassified from accumulated other comprehensive income (loss) into net income (effective portion)	Cost of goods sold	Cost of goods sold	Cost of goods sold	Selling, general & admin	Cost of goods sold	Selling, general & admin
Amount of pre-tax gain (loss) reclassified from accumulated other comprehensive income (loss) to net income (effective portion)	$ 885	$ 293	$ 15	$ 721	$ 15	$ 532
	Six Months Ended June 30,					
	Aluminum Futures Contracts		Foreign Currency Forwards			
	2023	2022	2023		2022	
Amount of pre-tax gain (loss) recognized in other comprehensive income (loss)	$ 1,959	$ (3,741)	$ —	$ 3,606	$ —	$ 2,063
Location of gain (loss) reclassified from accumulated other comprehensive income (loss) into net income (effective portion)	Cost of goods sold	Cost of goods sold	Cost of goods sold	Selling, general & admin	Cost of goods sold	Selling, general & admin
Amount of pre-tax gain (loss) reclassified from accumulated other comprehensive income (loss) to net income (effective portion)	$ 1,557	$ 1,298	$ 30	$ 1,007	$ 30	$ 669

As of June 30, 2023, the Company expects $1.8 million of unrealized after-tax losses on aluminum and foreign currency derivative instruments reported in accumulated other comprehensive income (loss) to be reclassified to earnings within the next 12 months. For the three and six month periods ended June 30, 2023 and 2022, net gains or losses realized, from previously unrealized net gains or losses on hedges that had been discontinued, were not material.

9. INCOME TAXES

Tredegar recorded tax benefit of $3.0 million on pre-tax loss of $22.9 million in the first six months of 2023. Therefore, the effective tax rate in the first six months of 2023 was 13.1%, compared to 16.9% in the first six months of 2022. The change in the effective tax rate is primarily due to a pre-tax loss in first six months of 2023 versus pre-tax income in first six months of 2022, lower Brazil tax incentives, a discrete charge in the second quarter of 2023 for a Brazil tax law change and a large discrete benefit recorded in the first quarter of 2022, resulting from the implementation of new U.S. tax regulations associated with foreign tax credits published by the U.S. Treasury and Internal Revenue Service on January 4, 2022. These regulations overhauled various components of the foreign tax credit regime including the determination of creditable foreign taxes and limit the amount of foreign taxes that are creditable against U.S. income taxes. As the result of these regulations, future Brazilian income tax under Brazil tax law in place at that time would have been deductible, but not creditable, in the U.S. The accounting rules require a reduction of the U.S. deferred tax liability previously established related to anticipated future income from Brazil. The tax effect of the reduction of the U.S. deferred tax liability resulted in the discrete tax benefit described above. In the second quarter of 2023, Brazil enacted new tax legislation which will likely cause the Brazil income tax to once again be creditable after 2023. This law change caused a partial reversal of the discrete tax benefit recognized in the first quarter of 2022 described above, which increased the deferred tax liability related to anticipated future income from Brazil. Total deferred tax assets increased during the second quarter of 2023 compared to December 31, 2022 primarily due to changes in other comprehensive income, increase in net operational loss and decrease in deferred tax liability related to the goodwill impairment that took place in second quarter of 2023.

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 10-year period, from the commencement date of January 1, 2015 and expiring at the end of 2024. The benefit from the tax incentives was $0.4 million and $2.6 million in the first six months of 2023 and 2022, 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 as of June 30, 2023 are no longer subject to U.S. federal, state or non-U.S. income tax examinations by tax authorities for years before 2018.

10. 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. 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 and six months ended June 30, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Net Sales				
Aluminum Extrusions	$ 121,827	$ 190,308	$ 255,197	$ 348,417
PE Films	15,918	31,424	36,099	62,555
Flexible Packaging Films	33,223	41,595	64,750	80,839
Total net sales	170,968	263,327	356,046	491,811
Add back freight	7,199	11,036	13,243	19,118
Sales as shown in the condensed consolidated statements of income (loss)	$ 178,167	$ 274,363	$ 369,289	$ 510,929
EBITDA from Ongoing Operations				
Aluminum Extrusions:				
Ongoing operations:				
EBITDA	$ 10,217	$ 21,895	$ 24,855	$ 45,814
Depreciation & amortization	(4,158)	(4,169)	(8,569)	(8,430)
EBIT	6,059	17,726	16,286	37,384
Plant shutdowns, asset impairments, restructurings and other	155	16	(339)	(89)
PE Films:				
Ongoing operations:				
EBITDA	814	7,065	2,663	14,112
Depreciation & amortization	(1,552)	(1,559)	(3,195)	(3,154)
EBIT	(738)	5,506	(532)	10,958
Plant shutdowns, asset impairments, restructurings and other	—	(50)	2	(153)
Goodwill impairment	(15,413)	—	(15,413)	—
Flexible Packaging Films:				
Ongoing operations:				
EBITDA	249	7,631	1,599	12,665
Depreciation & amortization	(711)	(583)	(1,411)	(1,132)
EBIT	(462)	7,048	188	11,533
Plant shutdowns, asset impairments, restructurings and other	(1)	(37)	(79)	(80)
Total	(10,400)	30,209	113	59,553
Interest income	30	3	74	32
Interest expense	2,374	1,234	4,686	2,020
Gain on investment in kaléo	—	1,406	262	1,406
Stock option-based compensation costs	—	251	231	882
Corporate expenses, net	9,509	9,708	18,466	20,463
Income (loss) before income taxes	(22,253)	20,425	(22,934)	37,626
Income tax expense (benefit)	(3,331)	5,556	(3,000)	6,334
Net income (loss)	$ (18,922)	$ 14,869	$ (19,934)	$ 31,292

The following table presents identifiable assets by segment at June 30, 2023 and December 31, 2022:

(In thousands)	June 30, 2023	December 31, 2022
Aluminum Extrusions	$ 266,426	$ 293,308
PE Films	82,191	102,431
Flexible Packaging Films	91,568	103,448
Subtotal	440,185	499,187
General corporate	23,491	23,674
Cash and cash equivalents	21,193	19,232
Total	$ 484,869	$ 542,093

The following tables disaggregate the Company's revenue by geographic area and product group for the three and six months ended June 30, 2023 and 2022:

Net Sales by Geographic Area (a)				
	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
United States	$ 133,417	$ 213,955	$ 284,027	$ 396,092
Exports from the United States to:				
Asia	5,477	14,680	11,209	27,145
Latin America	1,817	1,245	3,676	2,686
Canada	4,955	4,173	9,239	8,366
Europe	272	1,085	1,132	2,448
Operations outside the United States:				
Brazil	24,975	28,189	46,603	55,074
Asia	55	—	160	—
Total	$ 170,968	$ 263,327	$ 356,046	$ 491,811

(a) Export sales relate mostly to PE Films. Operations in Brazil relate to Flexible Packaging Films.

The Company's facilities in Pottsville, PA ("PV") and Guangzhou, China ("GZ") have a tolling arrangement whereby certain surface protection films are manufactured in GZ for a fee with raw materials supplied from PV that are then shipped by GZ directly to customers principally in the Asian market, but paid by customers directly to PV. Amounts associated with this intercompany tolling arrangement are reported in the table above as export sales from the U.S. to Asia, and include net sales of $3.4 million and $5.3 million in the second quarter of 2023 and 2022, respectively, and $6.8 million and $11.7 million in the first six months of 2023 and 2022, respectively.

Net Sales by Product Group				
	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2023	2022	2023	2022
Aluminum Extrusions:				
Nonresidential building & construction	$ 65,784	$ 99,302	$ 144,413	$ 180,223
Consumer durables	11,714	18,805	22,061	35,695
Automotive	11,769	14,473	23,891	28,314
Residential building & construction	10,056	20,948	21,659	37,413
Electrical	6,078	9,687	14,207	16,974
Machinery & equipment	11,082	15,929	21,806	28,874
Distribution	5,344	11,164	7,160	20,924
Subtotal	121,827	190,308	255,197	348,417
PE Films:				
Surface protection films	8,643	23,674	21,497	45,822
Overwrap packaging	7,275	7,750	14,602	16,733
Subtotal	15,918	31,424	36,099	62,555
Flexible Packaging Films	33,223	41,595	64,750	80,839
Total	$ 170,968	$ 263,327	$ 356,046	$ 491,811

11. SUPPLY CHAIN FINANCING

The Company has supply chain finance service agreements with third-party financial institutions to provide platforms that facilitate the ability of participating suppliers to finance payment obligations from the Company with the third-party financial institution. The Company’s obligations to its suppliers, including amounts due and scheduled payment dates, are not affected by suppliers’ decisions to finance amounts under the supply chain finance agreements. As of June 30, 2023 and December 31, 2022, $14.6 million and $25.9 million, respectively, of the Company’s accounts payable were financed by participating suppliers through third-party financial institutions.

12. SUBSEQUENT EVENTS

Closure of PE Films Technical Center

On August 3, 2023, the Company adopted a plan to close the PE Films technical center in Richmond, VA and reduce its efforts to develop and sell films supporting the semiconductor market. Future research & development activities for PE Films will be performed at the facility in Pottsville, PA. PE Films continues to have new business opportunities primarily relating to surface protection films that protect components of flat panel and flexible displays. The Company anticipates all activities to cease at the PE Films technical center in Richmond, VA, by the end of 2023. The Company expects to recognize cash costs associated with exit activities of $1.8 million for: (i) severance and related costs ($0.9 million), (ii) vacating the facility lease ($0.6 million payable through June 2025), and (iii) building closure costs ($0.3 million). In addition, the Company expects non-cash asset write-offs and accelerated depreciation of up to $4.5 million. Net annual cash savings of $3.4 million are anticipated, beginning in the fourth quarter of 2023.

Entry into an Amendment to the Credit Agreement and Suspension of Regular Quarterly Dividend

Subsequent to June 30, 2023, to reduce the risk of potential violations of the primary financial restrictive covenants in its five-year, revolving, secured credit facility that matures on June 29, 2027 (the "Credit Agreement"), the Company (i) suspended its regular quarterly dividend (which had an annual cash outlay of approximately $17.7 million) and (ii) amended the Credit Agreement, effective August 3, 2023, to:

a. Change the fiscal quarter maximum Total Net Leverage Ratio covenant from 4.0x to: (i) 5.0x for the quarters ending September 30, 2023 through March 31, 2024, (ii) 4.75x for the quarter ending June 30, 2024, (iii) 4.25 for the quarter ending September 30, 2024, and (iv) 4.0x for the quarter ending December 31, 2024 and thereafter.

b. Change the fiscal quarter minimum Interest Coverage Ratio covenant from 3.0x to: (i) 2.50x for the quarters ending September 30, 2023 through June 30, 2024, (ii) 2.75x for the quarter ending September 30, 2024, and (iii) 3.0x for the quarter ending December 31, 2024 and thereafter.

c. Reduce the maximum borrowing availability from $375 million to $200 million.

d. Increase the drawn spread by 25 basis points across all levels of the interest rate pricing grid, beginning the quarter ending September 30, 2023.

e. Amend the restricted payments covenant to prohibit dividends and share repurchases during fiscal quarters ending September 30, 2023 through December 31, 2024.

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 the Company uses the words "believe," "estimate," "anticipate," "appear to," "expect," "project," "plan," "likely," "may" and similar expressions, it does so to identify forward-looking statements. Such statements are based on the Company's 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 the Company's 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. Accordingly, you should not place undue reliance on these forward-looking statements. Factors that could cause actual results to differ materially from expectations include, without limitation, the following:

- loss or gain of sales to significant customers on which the Company's 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 the Company's 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 international operations;
- political, economic, and regulatory factors concerning the Company's products;
- uncertain economic conditions in countries in which the Company does business, including continued high inflation and the effects of the Russian invasion of Ukraine;
- competition from other manufacturers, including manufacturers in lower-cost countries and manufacturers benefiting from government subsidies;
- impact of fluctuations in foreign exchange rates;
- movement of pension plan assets and liabilities relating to differences between the ultimate settlement benefit obligation and the projected benefit obligation, census data, administrative costs, and the effectiveness of hedging activities;
- an increase in the operating costs incurred by the Company's business units, including, for example, the cost of raw materials and energy;
- unanticipated problems or delays with the implementation of an enterprise resource planning and manufacturing executions systems, or security breaches and other disruptions to the Company's information technology infrastructure;
- 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;
- disruptions to the Company's manufacturing facilities, including those resulting from labor shortages;
- failure to continue to attract, develop and retain certain key officers or employees;
- noncompliance with any of the financial and other restrictive covenants in the Company's revolving credit facility;
- the impact of public health epidemics on employees, production and the global economy, such as the COVID-19 pandemic;
- an information technology system failure or breach;
- the impact of the imposition of tariffs and sanctions on imported aluminum ingot used by Bonnell Aluminum;
- the impact of new tariffs, duties or other trade restrictions imposed as a result of trade tensions between the U.S. and other countries;
- the termination of anti-dumping duties on products imported to Brazil that compete with products produced by Flexible Packaging;
- impairment of the Surface Protection reporting unit's goodwill;
- failure to establish and maintain effective internal control over financial reporting;

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 Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 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.

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. References to "Notes" are to notes to our condensed consolidated financial statements found in Part I, Item 1 of this Form 10-Q.

Critical Accounting Policies and Estimates

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 standards 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 and Estimates” in the 2022 Form 10-K have the greatest potential impact on our financial statements, so Tredegar considers these to be its critical accounting policies. Since December 31, 2022, there have been no changes in these policies or estimates that have had a material impact on our results of operations or financial position.

Business Overview

Tredegar Corporation is an industrial manufacturer with three primary businesses: custom aluminum extrusions for the North American building and construction ("B&C"), automotive and specialty end-use markets through its Aluminum Extrusions segment; surface protection films for high-technology applications in the global electronics industry through its PE Films segment; and specialized polyester films primarily for the Latin American flexible packaging market through its Flexible Packaging Films segment. With approximately 1,800 employees, the Company operates manufacturing facilities in North America, South America, and Asia.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") from ongoing operations is the measure of segment 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.

Earnings before interest and taxes ("EBIT") from ongoing operations is a non-GAAP financial measure included in the reconciliation of segment financial information to consolidated results for the Company in Note 10. It is not intended to represent the stand-alone results for Tredegar's ongoing operations under GAAP and should not be considered as an alternative to net income as defined by GAAP. We believe that EBIT is a widely understood and utilized metric that is meaningful to certain investors and that including this financial metric in the reconciliation of management’s performance metric, EBITDA from ongoing operations, provides useful information to those investors that primarily utilize EBIT to analyze the Company’s core operations.

Second quarter 2023 net income (loss) was $(18.9) million ($(0.56) per diluted share) compared with net income (loss) of $14.9 million ($0.44 per diluted share) in the second quarter of 2022.

Second Quarter Financial Results Highlights

- EBITDA from ongoing operations for Aluminum Extrusions was $10.2 million in the second quarter of 2023 versus $21.9 million in the second quarter of last year. EBITDA from ongoing operations during the last four quarters has been weak, in a range of $8.9 to $14.6 million.
    - Sales volume of 35.5 million pounds in the second quarter of 2023 was relatively consistent with the first quarter of 2023 and the fourth quarter of 2022 but declined significantly versus 49.0 million pounds in the second quarter of last year.
    - Open orders at the end of the second quarter of 2023 were 20 million pounds (versus 27 million pounds at the end of the first quarter of 2023), which is below the quarterly range of 21 to 27 million pounds in 2019 before pandemic-related disruptions that resulted in excessive open orders, which peaked in the first quarter of 2022 at approximately 100 million pounds.
    - While open orders have declined over the past year, Aluminum Extrusions has realized three sequential quarters of net booking growth.
- EBITDA from ongoing operations for PE Films was $0.8 million in the second quarter of 2023 versus $7.1 million in the second quarter of 2022 as very weak conditions persisted in the consumer electronics market. EBITDA from ongoing operations during the last four quarters has been low with a range of negative $2.6 million to positive $1.8 million.
- EBITDA from ongoing operations for Flexible Packaging Films was $0.2 million during the second quarter of 2023 versus $7.6 million in the second quarter of 2022 primarily due to lower sales volume, which the Company believes is mainly due to customer inventory corrections, lower margins and unfavorable cost variances.

The Company recognized a net loss for the second quarter of 2023, with all business segments and their respective markets experiencing depressed conditions, which the Company believes can be traced to the residual impact of the pandemic.

The timing of recovery for our businesses remains uncertain and has been slow in occurring. Debt, net of cash, declined during the quarter as a result of improvements in working capital, with further improvements anticipated by year end.

Other losses related to asset impairments and costs associated with exit and disposal activities were not material for the three and six months ended June 30, 2023 and 2022, respectively. Gains and losses associated with plant shutdowns, asset impairments, restructurings and other items are described in ***Results of Operations*** below.

Results of Operations

Second Quarter of 2023 Compared with the Second Quarter of 2022

The following table presents a bridge of consolidated net income (loss) from the second quarter of 2022 to the second quarter of 2023 with management's related discussion and analysis below the table.

(In thousands)		
Net income (loss) for the three months ended June 30, 2022	$	14,869
Income tax expense (benefit)		5,556
Income (loss) before income taxes for the three months ended June 30, 2022		20,425
Increase (decrease) in income from increases (decreases) in the following items:		
Sales		(96,196)
Other income (expense), net		(1,362)
Total		(97,558)
Increase (decrease) in income from (increases) decreases in the following items:		
Cost of goods sold		64,821
Freight		3,837
Selling, general and administrative		1,973
Goodwill impairment		(15,413)
Other		(338)
Total		54,880
Income (loss) before income taxes for the three months ended June 30, 2023		(22,253)
Income tax expense (benefit)		(3,331)
Net income (loss) for the three months ended June 30, 2023	$	(18,922)

Sales in the second quarter of 2023 decreased by $96.2 million compared with the second quarter of 2022. Net sales (sales less freight) in Aluminum Extrusions decreased $68.5 million, primarily due to lower sales volume and the pass-through of lower metal costs, partially offset by an increase in prices to cover higher operating costs. Net sales in PE Films decreased $15.5 million, primarily due to continuing weak market demand and unfavorable product mix. Net sales in Flexible Packaging Films decreased $8.4 million, primarily due to lower sales volume, lower selling prices from the pass-through of lower resin costs and unfavorable product mix. For more information on net sales and volume, see the ***Segment Operations Review*** below.

Other income (expense), net was $(20) thousand in the second quarter of 2023 compared to other income (expense), net of $1.3 million in the second quarter of 2022. The change in other income (expense), net is primarily due to cash consideration of $1.4 million received in May 2022 related to the customary post-closing adjustments on the sale of the investment in kaleo, Inc. ("kaléo"), which was sold in December 2021. See Note 5 for additional information.

Consolidated gross profit (sales minus cost of goods sold and freight) as a percentage of sales (gross profit margin) was 9.9% in the second quarter of 2023 compared to 16.5% in the second quarter of 2022. The gross profit margin in Aluminum Extrusions decreased primarily due to lower sales volume, higher labor and employee-related costs, lower labor productivity, lower pricing and higher supply expense associated with inflationary costs, partially offset by lower utility costs and lower freight rates. Additionally, the timing of the flow through under the first-in first-out method of aluminum raw material costs passed through to customers, previously acquired at higher prices in a quickly changing commodity pricing environment, resulted in a charge of $1.3 million in the second quarter of 2023 versus a charge of $1.6 million in the second quarter of 2022. The gross profit margin in PE Films decreased primarily due to a lower Surface Protection contribution margin associated with a market slowdown, customer inventory corrections and the pass-through lag associated with resin costs, partially offset by overwrap films favorable pricing and mix. The gross profit margin in Flexible Packaging Films decreased primarily due to lower selling prices from the pass-through of lower resin costs and margin pressures, lower sales volume, higher fixed costs, higher variable costs and unfavorable product mix, partially offset by lower raw material costs.

As a percentage of sales, selling, general and administrative ("SG&A") and research and development ("R&D") expenses were 10.3% in the second quarter of 2023 compared with 7.5% in the second quarter of 2022. While second quarter SG&A expenses and sales decreased year-over-year, R&D expenses remained relatively consistent with the prior year period. Lower SG&A spending is primarily due to lower accruals for employee-related compensation and lower stock-based compensation, partially offset by higher professional fees associated with business development activities.

In the second quarter of 2023, a non-cash partial goodwill impairment of $15.4 million was recognized, see the PE Films section in ***Segment Operations Review*** below for more information.

The effective tax rate used to compute income taxes for the second quarter of 2023 was 15.0%, compared to 27.3% in the second quarter of 2022. The change in the effective tax rate is primarily due to a pre-tax loss in the three months ending June 30, 2023 versus pre-tax income in the three months ending June 30, 2022, lower Brazil tax incentives and a discrete charge in the second quarter of 2023 for a Brazil tax law change. See Note 9 for additional information.

Pre-tax gains and losses associated with plant shutdowns, asset impairments, restructurings and other items for the second quarters of 2023 and 2022 detailed below are shown in the statements of net sales and EBITDA from ongoing operations by segment table in Note 10 and are included in "Asset impairments and costs associated with exit and disposal activities, net of adjustments" in the condensed consolidated statements of income, unless otherwise noted.

	Three Months Ended June 30,	
(In millions)	2023	2022
Aluminum Extrusions:		
(Gains) losses from sale of assets, investment writedowns and other items:		
Storm damage to the Newnan, Georgia plant[2]	$ (0.2)	$ —
Total for Aluminum Extrusions	$ (0.2)	$ —
PE Films:		
(Gains) losses from sale of assets, investment writedowns and other items:		
COVID-19-related expenses[1]	$ —	$ 0.1
Goodwill impairment	15.4	—
Total for PE Films	$ 15.4	$ 0.1
Corporate:		
(Gains) losses associated with plant shutdowns, asset impairments and restructurings:		
Other restructuring costs - severance	$ —	$ 0.1
(Gains) losses from sale of assets, investment writedowns and other items:		
Professional fees associated with business development activities[2]	1.6	0.1
Professional fees associated with remediation activities related to internal control over financial reporting[2]	0.5	0.8
Write-down of investment in Harbinger Capital Partners Special Situations Fund[1]	0.2	—
Stock-based compensation expense associated with the fair value remeasurement of awards granted at the time of the 2020 special dividend[2]	(0.1)	(0.2)
Net periodic benefit cost for the frozen defined benefit pension plan in process of termination[3]	3.4	3.5
Total for Corporate	$ 5.6	$ 4.3

1. Included in "Other income (expense), net" in the condensed consolidated statements of income.
2. Included in "Selling, general and administrative expenses" in the condensed consolidated statements of income.
3. See "Corporate Expenses, Interest, & Other" below and Note 4 for additional information.

Average debt outstanding and interest rates were as follows:

	Three Months Ended June 30,	
(In millions, except percentages)	2023	2022
Floating-rate debt with interest charged on a rollover basis plus a credit spread:		
Average outstanding debt balance	$ 150.0	$ 109.9
Average interest rate	6.9 %	2.4 %

First Six Months of 2023 Compared with the First Six Months of 2022

The following table presents a bridge of consolidated net income (loss) from the first six months of 2022 to the first six months of 2023 with management's related discussion and analysis below the table.

(In thousands)		
Net income (loss) for the six months ended June 30, 2022	$	31,292
Income tax expense (benefit)		6,334
Income (loss) before income taxes for the six months ended June 30, 2022		37,626
Increase (decrease) in income from increases (decreases) in the following items:		
Sales		(141,640)
Other income (expense), net		(781)
Total		(142,421)
Increase (decrease) in income from (increases) decreases in the following items:		
Cost of goods sold		88,556
Freight		5,875
Selling, general and administrative		4,249
Goodwill impairment		(15,413)
Other		(1,406)
Total		81,861
Income (loss) before income taxes for the six months ended June 30, 2023		(22,934)
Income tax expense (benefit)		(3,000)
Net income (loss) for the six months ended June 30, 2023	$	(19,934)

Sales in the first six months of 2023 decreased by $141.6 million compared with the first six months of 2022. Net sales (sales less freight) in Aluminum Extrusions decreased $93.2 million, primarily due to lower sales volume and the pass-through of lower metal costs, partially offset by an increase in prices to cover higher operating costs. Net sales in PE Films decreased $26.5 million, primarily due to continuing weak market demand and unfavorable product mix. Net sales in Flexible Packaging Films decreased $16.1 million, primarily due to lower sales volume and lower selling prices from the pass-through of lower resin costs, partially offset by favorable product mix. For more information on net sales and volume, see the ***Segment Operations Review*** below.

Other income (expense), net was $0.3 million in the first six months of 2023 compared to other income (expense), net of $1.0 million in the first six months of 2022. The change in other income (expense), net is primarily due to cash consideration of $0.3 million received in January 2023 compared to $1.4 million received in May 2022 related to the customary post-closing adjustments on the sale of the investment in kaléo, which was sold in December 2021. See Note 5 for additional information.

Consolidated gross profit (sales minus cost of goods sold and freight) as a percentage of sales (gross profit margin) was 11.7% in the first six months of 2023 compared to 17.7% in the first six months of 2022. The gross profit margin in Aluminum Extrusions decreased primarily due to lower sales volume, higher labor and employee-related costs, lower labor productivity and higher supply expense, including higher paint expense associated with a shift to more painted product in the first quarter of 2023 and inflationary costs for other supplies, partially offset by higher pricing and lower utility costs. Additionally, the timing of the flow through under the first-in first-out method of aluminum raw material costs passed through to customers, previously acquired at lower prices in a quickly changing commodity pricing environment, resulted in a benefit of $0.4 million in the first six months of 2023 versus a benefit of $5.5 million in the first six months of 2022. The gross profit margin in PE Films decreased primarily due to a lower Surface Protection contribution margin for previously disclosed customer product transitions and for non-transitioning products associated with a market slowdown and customer inventory corrections, partially offset by favorable pricing and mix for overwrap films. The gross profit margin in Flexible Packaging Films decreased primarily due to lower sales volume, lower selling prices from the pass-through of lower resin costs and margin pressures, higher fixed costs, higher variable costs and unfavorable product mix, partially offset by lower raw material costs.

As a percentage of sales, SG&A and R&D expenses were 10.4% in the first six months of 2023, compared with 8.5% in the first six months of 2022. While first half SG&A expenses and sales decreased year-over-year, R&D expenses remained relatively consistent with the prior year period. Lower SG&A spending was primarily due to lower accruals for employee-related compensation and lower stock-based compensation, partially offset by higher professional fees associated with business development activities.

In the first half of 2023, a non-cash partial goodwill impairment of $15.4 million was recognized, see the PE Films section in ***Segment Operations Review*** below for more information.

The effective tax rate used to compute income taxes for the first six months of 2023 was 13.1%, compared to 16.9% in the first six months of 2022. The change in the effective tax rate is primarily due to a pre-tax loss in first six months of 2023 versus pre-tax income in first six months of 2022, lower Brazil tax incentives, a discrete charge in the second quarter of 2023 for a Brazil tax law change and a large discrete benefit recorded in the first quarter of 2022, resulting from the implementation of new U.S. tax regulations associated with foreign tax credits published by the U.S. Treasury and Internal Revenue Service on January 4, 2022. See Note 9 for additional information.

Pre-tax gains and losses associated with plant shutdowns, asset impairments, restructurings and other items for the first six months of 2023 and 2022 detailed below are shown in the statements of net sales and EBITDA from ongoing operations by segment table in Note 10 and are included in "Asset impairments and costs associated with exit and disposal activities, net of adjustments" in the condensed consolidated statements of income, unless otherwise noted.

	Six Months Ended June 30,	
(In millions)	2023	2022
Aluminum Extrusions:		
(Gains) losses from sale of assets, investment writedowns and other items:		
Storm damage to the Newnan, Georgia plant[2]	$ 0.4	$ —
COVID-19-related expenses, net of relief[1]	—	0.1
Total for Aluminum Extrusions	$ 0.4	$ 0.1
PE Films:		
(Gains) losses from sale of assets, investment writedowns and other items:		
COVID-19-related expenses[1]	$ —	$ 0.2
Goodwill Impairment	15.4	—
Total for PE Films	$ 15.4	$ 0.2
Flexible Packaging Films:		
(Gains) losses associated with plant shutdowns, asset impairments and restructurings:		
Other restructuring costs - severance	$ 0.1	$ —
Total for Flexible Packaging Films	$ 0.1	$ —
Corporate:		
(Gains) losses associated with plant shutdowns, asset impairments and restructurings:		
Other restructuring costs - severance	$ —	$ 0.1
(Gains) losses from sale of assets, investment writedowns and other items:		
Professional fees associated with business development activities[2]	$ 1.9	$ 1.6
Professional fees associated with remediation activities related to internal control over financial reporting[2]	1.0	1.2
Write-down of investment in Harbinger Capital Partners Special Situations Fund[1]	0.2	—
Stock-based compensation expense associated with the fair value remeasurement of awards granted at the time of the 2020 special dividend[2]	(0.2)	(0.2)
Net periodic benefit cost for the frozen defined benefit pension plan in process of termination[3]	6.8	6.9
Total for Corporate	$ 9.7	$ 9.6

1. Included in "Other income (expense), net" in the condensed consolidated statements of income.
2. Included in "Selling, general and administrative expenses" in the condensed consolidated statements of income.
3. See "Corporate Expenses, Interest, & Other" below and Note 4 for additional information.

Average debt outstanding and interest rates were as follows:

	Six Months Ended June 30,	
(In millions, except percentages)	2023	2022
Floating-rate debt with interest charged on a rollover basis plus a credit spread:		
Average outstanding debt balance	$ 148.5	$ 106.9
Average interest rate	6.6 %	2.1 %

Segment Operations Review

Aluminum Extrusions

A summary of results for Aluminum Extrusions is provided below:

	Three Months Ended June 30,				Favorable/ (Unfavorable)	Six Months Ended June 30,				Favorable/ (Unfavorable)
(In thousands, except percentages)		2023		2022	% Change		2023		2022	% Change
Sales volume (lbs)		35,492		48,960	(27.5)%		73,054		91,970	(20.6)%
Net sales	$	121,827	$	190,308	(36.0)%	$	255,197	$	348,417	(26.8)%
Ongoing operations:										
EBITDA	$	10,217	$	21,895	(53.3)%	$	24,855	$	45,814	(45.7)%
Depreciation & amortization		(4,158)		(4,169)	0.3%		(8,569)		(8,430)	(1.6)%
EBIT*	$	6,059	$	17,726	(65.8)%	$	16,286	$	37,384	(56.4)%
Capital expenditures	$	5,631	$	3,989		$	13,373	$	6,870	

*See the table in Note 10 for a reconciliation of this non-GAAP measure to the most comparable measure calculated in accordance with GAAP.

Second Quarter 2023 Results vs. Second Quarter 2022 Results

Net sales (sales less freight) in the second quarter of 2023 decreased 36.0% versus the second quarter of 2022 primarily due to lower sales volume and the pass-through of lower metal costs, partially offset by an increase in prices to cover higher operating costs. Sales volume in the second quarter of 2023 declined 27.5% versus the second quarter of 2022. Nonresidential B&C sales volume, which represented 53% of 2022 volume, declined 23.8% in the second quarter of 2023 versus the second quarter of 2022. Sales volume in the specialty market, which represented 29% of total volume in 2022, decreased 32.7% in the second quarter of 2023 versus the second quarter of 2022. Sales volume in the automotive market, which represented 8% of total volume in 2022, decreased 7.8% in the second quarter of 2023 versus the second quarter of 2022.

Beginning in the third quarter of 2022, the Company observed slowing order input and order cancellations as customers continued to report high inventory levels, which carried into 2023. Open orders at the end of the second quarter of 2023 were 20 million pounds (versus 27 million pounds at the end of the first quarter of 2023 and 86 million pounds at the end of the second quarter 2022). This level is below the quarterly range of 21 to 27 million pounds in 2019 before pandemic-related disruptions that resulted in long lead times driving a peak in open orders of approximately 100 million pounds during the first quarter of 2022. In addition, data indicates that aluminum extrusion imports have increased significantly in recent years, and some of Bonnell Aluminum's customers may have sourced, and continue to source, aluminum extrusions from producers outside of the United States. The Company is closely monitoring the situation and is prepared to work with the U.S. Government to ensure a fairly traded market. Nonetheless, Bonnell Aluminum has experienced three sequential quarters of net booking growth. Net bookings were 16.9, 19.0, 20.4 and 28.2 million pounds in the third quarter of 2022 through the second quarter of 2023, respectively.

EBITDA from ongoing operations in the second quarter of 2023 decreased $11.7 million or 53.3% versus the second quarter of 2022 primarily due to:

- Lower volume ($11.9 million), higher labor and employee-related costs ($0.7 million), lower labor productivity ($0.5 million), lower pricing ($1.0 million) and higher supply expense associated with inflationary costs ($0.8 million), partially offset by lower utility costs ($1.0 million), lower freight rates ($0.3 million) and lower SG&A expenses ($1.6 million); and
- The timing of the flow-through under the first-in first-out method of aluminum raw material costs passed through to customers, previously acquired at higher prices in a quickly changing commodity pricing environment, resulted in a charge of $1.3 million in the second quarter of 2023 versus a charge of $1.6 million in the second quarter of 2022.

First Six Months of 2023 Results v. First Six Months of 2022 Results

Net sales in the first six months of 2023 decreased 26.8% versus the first six months of 2022 primarily due to lower sales volume and the pass-through of lower metal costs, partially offset by an increase in prices to cover higher operating costs. Sales volume in the first six months of 2023 decreased by 20.6% versus the first six months of 2022.

EBITDA from ongoing operations in the first six months of 2023 decreased $21.0 million or 45.7% in comparison to the first six months of 2022 primarily due to:

- Lower volume ($16.1 million), higher labor and employee-related costs ($2.4 million), lower labor productivity ($1.0 million) and higher supply expense, including higher paint expense associated with a shift to more painted product in the first six months of 2023, and inflationary costs for other supplies ($3.0 million), partially offset by higher pricing ($5.6 million), lower utility costs ($0.6 million) and lower SG&A expenses ($0.8 million); and

- The timing of the flow-through under the first-in first-out method of aluminum raw material costs passed through to customers, previously acquired at lower prices in a quickly changing commodity pricing environment, resulted in a benefit of $0.4 million in the first six months of 2023 versus a benefit of $5.5 million in the first six months of 2022.

Refer to Item 3. *Quantitative and Qualitative Disclosures About Market Risk* in this Form 10-Q for additional information on aluminum prices.

Projected Capital Expenditures and Depreciation & Amortization

Capital expenditures for Bonnell Aluminum are projected to be $19 million in 2023 versus the previously disclosed projection of $26 million. The Company has implemented stringent spending measures to control its financial leverage (see “Net Debt, Financial Leverage and Debt Covenants” section for more information). In this regard, Bonnell Aluminum has reduced projected capital expenditures in the second half of 2023 to $5 million to mainly support continuity of current operations versus broader spending of $14 million during the first half of the year. The most significant reduction relates to the multi-year implementation of new enterprise resource planning and manufacturing execution systems ("ERP/MES"). This project is being reorganized with an extended implementation period that increases the utilization of existing dedicated internal resources over a longer period in place of more costly external consultants. As a result, the earliest “go-live” date for the new ERP/MES is likely in 2025. The ERP/MES project commenced in 2022, with spending to-date of approximately $21 million. Depreciation expense is projected to be $15 million in 2023. Amortization expense is projected to be $2 million in 2023.

PE Films

A summary of results for PE Films is provided below:

(In thousands, except percentages)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Favorable/ (Unfavorable) % Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Favorable/ (Unfavorable) % Change
Sales volume (lbs)	6,245	9,639	(35.2)%	13,613	20,192	(32.6)%
Net sales	$ 15,918	$ 31,424	(49.3)%	$ 36,099	$ 62,555	(42.3)%
Ongoing operations:						
EBITDA	$ 814	$ 7,065	(88.5)%	$ 2,663	$ 14,112	(81.1)%
Depreciation & amortization	(1,552)	(1,559)	0.4%	(3,195)	(3,154)	(1.3)%
EBIT*	$ (738)	$ 5,506	(113.4)%	$ (532)	$ 10,958	(104.9)%
Capital expenditures	$ 360	$ 1,163		$ 1,075	$ 1,744	

* See the table in Note 10 for a reconciliation of this non-GAAP measure to the most comparable measure calculated in accordance with GAAP.

Second Quarter 2023 Results vs. Second Quarter 2022 Results

Net sales in the second quarter of 2023 decreased 49.3% compared to the second quarter of 2022. Sales volume in the second quarter of 2023 decreased in both Surface Protection and overwrap films versus the second quarter of 2022. Surface Protection sales volume in the second quarter of 2023 declined 54.2% versus the second quarter of 2022 and 26.9% versus the first quarter of 2023. Surface Protection sales continue to be adversely impacted by weak market demand for consumer electronics which began in the third quarter of last year. Manufacturers in the supply chain are experiencing reduced capacity utilization and inventory corrections. In addition, these market conditions are adversely impacting mix through reduced sales to our highest value-added customers. The timing of a recovery in Surface Protection remains uncertain.

EBITDA from ongoing operations in the second quarter of 2023 decreased $6.3 million versus the second quarter of 2022, primarily due to:

- A $7.7 million decrease from Surface Protection:
  - Lower contribution margin associated with a market slowdown and customer inventory corrections ($8.6 million), partially offset by lower SG&A and operating efficiencies ($0.7 million); and
  - The pass-through lag associated with resin costs ($0.1 million charge in the second quarter of 2023 versus a charge of $0.3 million in the second quarter of 2022).
- A $1.4 million increase from overwrap films primarily due to cost improvements.

First Six Months of 2023 Results v. First Six Months of 2022 Results

Net sales in the first six months of 2023 decreased 42.3% compared to the first six months of 2022 primarily due to a decrease in sales volume in Surface Protection, as a result of the factors noted above. Sales volume declined 45.4% in Surface Protection in the first six months of 2023.

EBITDA from ongoing operations in the first six months of 2023 decreased by $11.4 million versus the first six months of 2022, primarily due to:

- A $12.6 million decrease from Surface Protection:
  - Lower contribution margin for non-transitioning products associated with a market slowdown and customer inventory corrections ($12.7 million) and for previously disclosed customer product transitions ($0.7 million), partially offset by lower SG&A and other employee-related expenses and operating efficiencies ($1.2 million); and
  - The pass-through lag associated with resin costs ($0.2 million charge in the second quarter of 2023 versus a benefit of $0.2 million in the second quarter of 2022).
- A $1.1 million increase from overwrap films primarily due to cost improvements ($1.5 million), partially offset by the pass-through lag associated with resin costs (a charge of $0.2 million in the first six months of 2023 versus a benefit of $0.2 million in the first six months of 2022).

Refer to Item 3. *Quantitative and Qualitative Disclosures About Market Risk* in this Form 10-Q for additional information on resin prices.

Closure of PE Films Technical Center

On August 3, 2023, the Company adopted a plan to close the PE Films technical center in Richmond, VA and reduce its efforts to develop and sell films supporting the semiconductor market. Future research & development activities for PE Films will be performed at the facility in Pottsville, PA. PE Films continues to have new business opportunities primarily relating to surface protection films that protect components of flat panel and flexible displays. The Company anticipates all activities to cease at the PE Films technical center in Richmond, VA, by the end of 2023. The Company expects to recognize cash costs associated with exit activities of $1.8 million for: (i) severance and related costs ($0.9 million), (ii) vacating the facility lease ($0.6 million payable through June 2025), and (iii) building closure costs ($0.3 million). In addition, the Company expects non-cash asset write-offs and accelerated depreciation of up to $4.5 million. Net annual cash savings of $3.4 million are anticipated, beginning in the fourth quarter of 2023.

Goodwill Impairment in Surface Protection

Manufacturers in the supply chain for consumer electronics continue to experience reduced capacity utilization and inventory corrections. In light of the continued uncertainty about the timing of a recovery for this market and the expected adverse future impact to the Surface Protection business, the Company performed a goodwill impairment analysis of the Surface Protection component of PE Films using projections that contemplate the expected market recovery and business conditions. The analysis concluded that the fair value of Surface Protection was less than its carrying value, thus a non-cash partial goodwill impairment of $15.4 million ($11.9 million after deferred income tax benefits) was recognized during the second quarter of 2023.

Projected Capital Expenditures and Depreciation & Amortization

Capital expenditures for PE Films are projected to be $3 million in 2023, including $1 million for productivity projects and $2 million for capital expenditures required to support continuity of current operations. Depreciation expense is projected to be $6 million in 2023. There is no amortization expense for PE Films.

Flexible Packaging Films

A summary of results for Flexible Packaging Films is provided below:

	Three Months Ended June 30,		Favorable/ (Unfavorable)	Six Months Ended June 30,		Favorable/ (Unfavorable)
(In thousands, except percentages)	2023	2022	% Change	2023	2022	% Change
Sales volume (lbs)	23,724	27,315	(13.1)%	43,569	53,321	(18.3)%
Net sales	$ 33,223	$ 41,595	(20.1)%	$ 64,750	$ 80,839	(19.9)%
Ongoing operations:						
EBITDA	$ 249	$ 7,631	(96.7)%	$ 1,599	$ 12,665	(87.4)%
Depreciation & amortization	(711)	(583)	(22.0)%	(1,411)	(1,132)	(24.6)%
EBIT*	$ (462)	$ 7,048	(106.6)%	$ 188	$ 11,533	(98.4)%
Capital expenditures	$ 878	$ 3,264		$ 1,483	$ 4,809	

* See the table in Note 10 for a reconciliation of this non-GAAP measure to the most comparable measure calculated in accordance with GAAP.

Second Quarter 2023 Results vs. Second Quarter 2022 Results

Net sales in the second quarter of 2023 decreased 20.1% compared to the second quarter of 2022 primarily due to lower sales volume, lower selling prices from the pass-through of lower resin costs and unfavorable product mix. The Company believes that lower sales volume was primarily due to customer inventory corrections. While sales volume in the second quarter of 2023 was still below expected normalized levels, it improved 20% over the first quarter of the year.

EBITDA from ongoing operations in the second quarter of 2023 decreased $7.4 million versus the second quarter of 2022, primarily due to:

- Lower selling prices from the pass-through of lower resin costs and margin pressures ($2.9 million), lower sales volume ($1.9 million), higher fixed costs ($1.1 million, primarily due to under absorption from lower production volumes), higher variable costs ($1.8 million, including higher costs resulting from quality issues and other costs associated with the shutdown of production lines to adjust production volumes to sales levels) and unfavorable product mix ($0.6 million), partially offset by lower raw material costs ($1.3 million) and lower SG&A expenses ($0.1 million);
- Foreign currency transaction losses ($0.2 million) in the second quarter of 2023 compared to foreign currency transaction gains ($0.6 million) in the second quarter of 2022; and
- Net favorable foreign currency translation of Real-denominated operating costs ($0.2 million).

First Six Months of 2023 Results v. First Six Months of 2022 Results

Net sales in the first six months of 2023 decreased 19.9% compared to the first six months of 2022 primarily due to lower sales volume and lower selling prices from the pass-through of lower resin costs, partially offset by favorable product mix.

EBITDA from ongoing operations in the first six months of 2023 decreased $11.1 million versus the first six months of 2022 primarily due to:

- Lower sales volume ($4.9 million), lower selling prices from the pass-through of lower resin costs and margin pressures ($3.6 million), higher fixed costs ($2.1 million, primarily due to under absorption from lower production volumes), higher variable costs ($0.7 million, including higher costs resulting from quality issues) and unfavorable product mix ($1.3 million), partially offset by lower raw material costs ($1.6 million) and lower SG&A expenses ($0.1 million);
- Net unfavorable foreign currency translation of Real-denominated operating costs ($0.1 million); and
- Foreign currency transaction losses ($0.2 million) in the second quarter of 2023 compared to foreign currency transaction losses ($0.3 million) in the second quarter of 2022.

Refer to Item 3. *Quantitative and Qualitative Disclosures About Market Risk* in this Form 10-Q for additional information on polyester fiber and component price trends.

Projected Capital Expenditures and Depreciation & Amortization

Capital expenditures for Flexible Packaging Films are projected to be $6 million in 2023, including $2 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 $3 million in 2023. Amortization expense is projected to be $0.1 million in 2023.

Corporate Expenses, Interest & Other

Corporate expenses, net in the first six months of 2023 decreased $2.0 million compared to the first six months of 2022 primarily due to lower accruals for employee-related compensation ($2.1 million) and lower stock-based compensation ($0.4 million), partially offset by higher professional fees associated with business development activities ($0.6 million).

Interest expense of $4.7 million in the first six months of 2023 increased $2.7 million compared to the first six months of 2022 due to higher average debt levels and interest rates.

Pension expense under GAAP of $6.8 million in the first six months of 2023 remained consistent with the first six months of 2022. In February 2022, Tredegar announced the initiation of a process to terminate and settle its frozen defined benefit pension plan. In connection therewith, the Company borrowed funds under its revolving credit agreement ("Credit Agreement") and made a $50 million contribution to the pension plan (the “Special Contribution”) to reduce its underfunding and as part of a program within the pension plan to hedge or fix the expected future contributions that will be needed by the Company through the settlement process. The funds borrowed for the Special Contribution were effectively made available with proceeds received in December 2021 from the sale of the Company’s investment in kaléo. In addition, the Company realized income tax cash benefits on the Special Contribution of $11 million in the fourth quarter of 2022.

During the second quarter of 2023, the Company received a favorable IRS determination letter, and government agencies and the Company expect the completion of the settlement process on or about October 31, 2023. Administrative costs for the entire settlement process with respect to the pension plan are estimated at $4 to $5 million.

The estimated underfunding of Tredegar’s frozen defined benefit pension plan was approximately $30 million at June 30, 2023. As of December 31, 2022, the estimated underfunding of $28 million was comprised of investments at fair value of $218 million and a projected benefit obligation (“PBO”) of $246 million. GAAP accounting requires adjustment for changes in values of assets and the PBO only at the end of each year, even though these values change daily. The ultimate underfunded amount at settlement may differ from the current amounts, depending on changes in market factors, including with respect to buyers of pension obligations at the time of settlement.

Prior to the Special Contribution, GAAP pension expense was a reasonable proxy for the Company’s required minimum cash contribution to the pension plan. The Company estimates that, with the Special Contribution, there will be no required minimum cash contributions until final settlement. Pension expense under GAAP is projected to be approximately $14 million in 2023, which is mainly comprised of non-cash amortization of deferred net actuarial losses reflected in the Company’s shareholders’ equity as accumulated other comprehensive losses. Beginning in 2022, and consistent with no expected required minimum cash contributions, no pension expense is included in calculating earnings before interest, taxes, depreciation and amortization as defined in the Company’s revolving Credit Agreement ("Credit EBITDA").

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

Liquidity and Capital Resources

The Company 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, 2022 to June 30, 2023 are summarized below.

- Accounts and other receivables decreased $5.4 million (6.4%).
    - Accounts and other receivables in Aluminum Extrusions decreased $6.8 million primarily due to lower sales volume and the pass-through of lower metal costs. DSO (represents trailing 12 months net sales divided by a rolling 12-month average of accounts and other receivables balances) was approximately 48.9 days for the 12 months ended June 30, 2023 and 48.7 days for the 12 months ended December 31, 2022.
    - Accounts and other receivables in PE Films remained relatively flat. DSO was approximately 28.8 days for the 12 months ended June 30, 2023, which was lower compared to 30.3 days for the 12 months ended December 31, 2022 due to shorter customer repayment terms associated with sales of lower margin product during the second quarter of 2023.
    - Accounts and other receivables in Flexible Packaging Films increased $1.0 million primarily due to sales to customers in 2023 that contain unfavorable terms. DSO was approximately 39.0 days for the 12 months ended June 30, 2023 and 41.1 days for the 12 months ended December 31, 2022.
- Inventories decreased $41.1 million (32.2%).
    - Inventories in Aluminum Extrusions decreased $23.9 million due to decreased raw material levels as a result of slowing order input and order cancellations as customers continue to report high inventory levels. 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 57.5 days for the 12 months ended June 30, 2023 and 53.6 days for the 12 months ended December 31, 2022.
    - Inventories in PE Films decreased $2.3 million due to lower raw materials and finished goods for overwrap films. DIO was approximately 68.3 days for the 12 months ended June 30, 2023 and 66.8 days for the 12 months ended December 31, 2022.
    - Inventories in Flexible Packaging Films decreased $14.8 million primarily due to lower raw material purchases and lower finished goods levels as a result of lower sales volume. DIO was approximately 122.8 days for the 12 months ended June 30, 2023 and 108.0 days for the 12 months ended December 31, 2022.
- Net property, plant and equipment increased $3.5 million primarily due to capital expenditures of $14.5 million and a $1.7 million favorable change in the value of the U.S. dollar relative to foreign currencies, partially offset by depreciation expense of $12.4 million.
- Identifiable intangible assets, net decreased $0.9 million (7.7%) due to amortization expense.
- Deferred income tax assets increased $0.7 million primarily due to changes in other comprehensive income, increase in net operational losses, and a decrease in the deferred tax liability related to the goodwill impairment. See Note 9 for additional information.
- Accounts payable decreased $32.6 million (28.4%).
    - Accounts payable in Aluminum Extrusions decreased $21.2 million primarily due to lower raw material purchases and favorable vendor terms. 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 56.8 days for the 12 months ended June 30, 2023 and 64.2 days for the 12 months ended December 31, 2022.
    - Accounts payable in PE Films remained relatively flat. DPO was approximately 43.9 days for the 12 months ended June 30, 2023 and 51.0 days for the 12 months ended December 31, 2022.
    - Accounts payable in Flexible Packaging Films decreased $11.4 million primarily due to lower raw material purchases. DPO was approximately 64.3 days for the 12 months ended June 30, 2023 and 72.4 days for the 12 months ended December 31, 2022.

Net cash provided by operating activities was $22.7 million in the first six months of 2023 compared to net cash used in operating activities of $9.4 million in the first six months of 2022. The change in operating activities is primarily due to the Special Contribution ($50 million) and improved working capital due to factors discussed earlier in this section relating to accounts and other receivables, inventories and accounts payable.

Net cash used in investing activities was $15.6 million in the first six months of 2023 compared to net cash used in investing activities of $12.1 million the first six months of 2022. The increase was due to higher capital expenditures ($2.4 million), partially offset by cash consideration of $0.3 million received in January 2023 compared to $1.4 million received in the May 2022 related to the customary post-closing adjustments on the sale of the investment in kaléo, which was sold in December 2021.

Net cash used in financing activities was $4.9 million in the first six months of 2023, compared to net cash provided by financing activities of $18.7 million in the first six months of 2022. The change in financing activities was primarily due to lower net borrowings ($24.5 million) under the Credit Agreement during the first six months of 2023 as compared to the first six months of 2022 when the Company borrowed funds and made a $50 million Special Contribution to the pension plan in February 2022 and lower deferred financing costs ($1.2 million).

The Company believes that existing borrowing availability, current cash balances and cash flow from operations will be sufficient to satisfy short term material cash requirements related to working capital, capital expenditures and debt repayments for at least the next twelve months. In the longer term, liquidity will depend on many factors, including results of operations, the timing and extent of capital expenditures, changes in operating plans or other events that would cause the Company to seek additional financing in future periods.

At June 30, 2023, the Company had cash and cash equivalents of $21.2 million, including cash and cash equivalents held in locations outside the U.S. of $13.9 million.

As of June 30, 2023, Tredegar had a five-year, revolving, secured credit facility that permits aggregate borrowings of $375 million and matures on June 29, 2027.

Net capitalization and indebtedness as defined under the Credit Agreement as of June 30, 2023 were as follows:

Net Capitalization and Indebtedness as of June 30, 2023 (In thousands)		
Net capitalization:		
Cash and cash equivalents	$	21,193
Debt:		
Credit Agreement		141,000
Debt, net of cash and cash equivalents		119,807
Shareholders' equity		183,149
Net capitalization	$	302,956
Indebtedness as defined in Credit Agreement:		
Total debt	$	141,000
Indebtedness	$	141,000

Borrowings under the Credit Agreement bear an interest rate equal to SOFR plus a credit spread adjustment of 10 basis points ("Adjusted Term SOFR Rate") and an amount depending on the type of borrowing and commitment fees charged on the unused amount under the Credit Agreement at various Total Net Leverage Ratio levels as follows:

Pricing Under the Credit Agreement (Basis Points)		
Total Net Leverage Ratio	Term Benchmark Spread	Commitment Fee
<= 1.0x	150.0	20
>1.0x but <=2.0x	162.5	25
>2.0x but <=3.0x	175.0	30
>3.0x but <=3.5x	187.5	35
>3.5x	200.0	40

At June 30, 2023, $141.0 million of the outstanding debt was principally priced at an interest rate equal to the Adjusted Term SOFR Rate plus the applicable credit spread of 175.0 basis points.

The primary financial restrictive covenants in the Credit Agreement include:

- Total Net Leverage Ratio of 4.00x;
- Interest Coverage Ratio of 3.00x; and
- Unlimited payments for dividends and stock repurchases during the term of the Credit Agreement so long as the Total Net Leverage Ratio is equal to or less than 2.00x, and otherwise restrictions on payments for dividends and stock repurchases for the term of the Credit Agreement at $75 million (provided that the $75 million basket will reset at the end of each fiscal quarter when the Total Net Leverage ratio is less than or equal to 2.00x).

Under the Credit Agreement:

- Total Net Leverage Ratio is defined as the ratio of (a)(i) total indebtedness minus (ii) liquidity (the lesser of $50,000,000 and the aggregate amount of cash and cash equivalents) to (b) Credit EBITDA; and
- Interest Coverage Ratio is defined as the ratio of Credit EBITDA to interest expense.

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. At June 30, 2023, based upon the restrictive covenants within the Credit Agreement, available credit under the Credit Agreement was approximately $33 million. Total debt outstanding was $141.0 million and $137.0 million as of June 30, 2023 and December 31, 2022, respectively.

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, the Total Net Leverage Ratio and Interest Coverage Ratio as defined in the Credit Agreement are presented below.

Computations of Credit EBITDA, Total Net Leverage Ratio and Interest Coverage Ratio (in each case, as Defined in the Credit Agreement) Along with Related Primary Restrictive Covenants as of and for the Twelve Months Ended June 30, 2023		
Computation of Credit EBITDA for the twelve months ended June 30, 2023 (In Thousands):		
Net income (loss)	$	(22,772)
Plus:		
After-tax losses related to discontinued operations		—
Total income tax expense for continuing operations		—
Interest expense		7,656
Depreciation and amortization expense for continuing operations		26,894
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 $6,399)		22,002
Charges related to stock option grants and awards accounted for under the fair value-based method		773
Losses related to the application of the equity method of accounting		—
Losses related to adjustments in the estimated fair value of assets accounted for under the fair value method of accounting		—
Minus:		
After-tax income related to discontinued operations		(27)
Total income tax benefits for continuing operations		(4,945)
Interest income		(99)
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		(262)
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		—
Plus or minus, as applicable, pro forma EBITDA adjustments to pension expense associated with the early payment of pension obligations		14,264
Credit EBITDA	$	43,484
Computations of Total Net Leverage Ratio and Interest Coverage Ratio at June 30, 2023:		
Total Net Leverage Ratio		2.76x
Interest Coverage Ratio		5.68x
Primary restrictive covenants:		
Unlimited payments for dividends and stock repurchases during the term of the Credit Agreement so long as the Total Net Leverage Ratio is equal to or less than 2.00x, and otherwise restrictions on payments for dividends and stock repurchases for the term of the Credit Agreement at $75 million	$	75,000
Maximum Total Net Leverage Ratio permitted		4.00x
Minimum Interest Coverage Ratio permitted		3.00x

The Company had Credit EBITDA and a Total Net Leverage Ratio of $43.5 million and 2.76x, respectively, at June 30, 2023, which had significantly deteriorated from the Credit EBITDA and Total Net Leverage Ratio at December 31, 2022 of $84.4 million and 1.39x, respectively.

Tredegar was in compliance with all of its debt covenants as of June 30, 2023. Noncompliance with any of the debt covenants could have a material adverse effect on its 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. Renegotiation of the covenant through an amendment to the Credit Agreement could effectively cure the noncompliance, but could have an effect on its financial condition or liquidity depending upon how the covenant is renegotiated. In addition, the Company’s projections indicate further deterioration of the Total Net Leverage Ratio without paying dividends to between 4.0x and 5.0x through the quarter ending March 31, 2024.

Subsequent to June 30, 2023, the Company amended the Credit Agreement. To reduce the risk of potential violations of the primary financial restrictive covenants in the Credit Agreement while the Company's businesses and markets are experiencing a downturn, the Company (i) suspended its regular quarterly dividend (which had an annual cash outlay of approximately $17.7 million) and (ii) amended the Credit Agreement, effective August 3, 2023, to:

a. Change the fiscal quarter maximum Total Net Leverage Ratio covenant from 4.0x to: (i) 5.0x for the quarters ending September 30, 2023 through March 31, 2024, (ii) 4.75x for the quarter ending June 30, 2024, (iii) 4.25 for the quarter ending September 30, 2024, and (iv) 4.0x for the quarter ending December 31, 2024 and thereafter.

b. Change the fiscal quarter minimum Interest Coverage Ratio covenant from 3.0x to: (i) 2.50x for the quarters ending September 30, 2023 through June 30, 2024, (ii) 2.75x for the quarter ending September 30, 2024, and (iii) 3.0x for the quarter ending December 31, 2024 and thereafter.

c. Reduce the maximum borrowing availability from $375 million to $200 million.

d. Increase the drawn spread by 25 basis points across all levels of the interest rate pricing grid, beginning the quarter ending September 30, 2023.

e. Amend the restricted payments covenant to prohibit dividends and share repurchases during fiscal quarters ending September 30, 2023 through December 31, 2024.

To further decrease the risk of a debt covenant violation during a severe cyclical downturn, the Company is investigating the replacement of the existing EBITDA-based credit facility by the end of 2023 with other financing alternatives, including borrowings that would be permitted based on the level of secured receivables, inventories and machinery and equipment and sale and leaseback of existing Company-owned property.

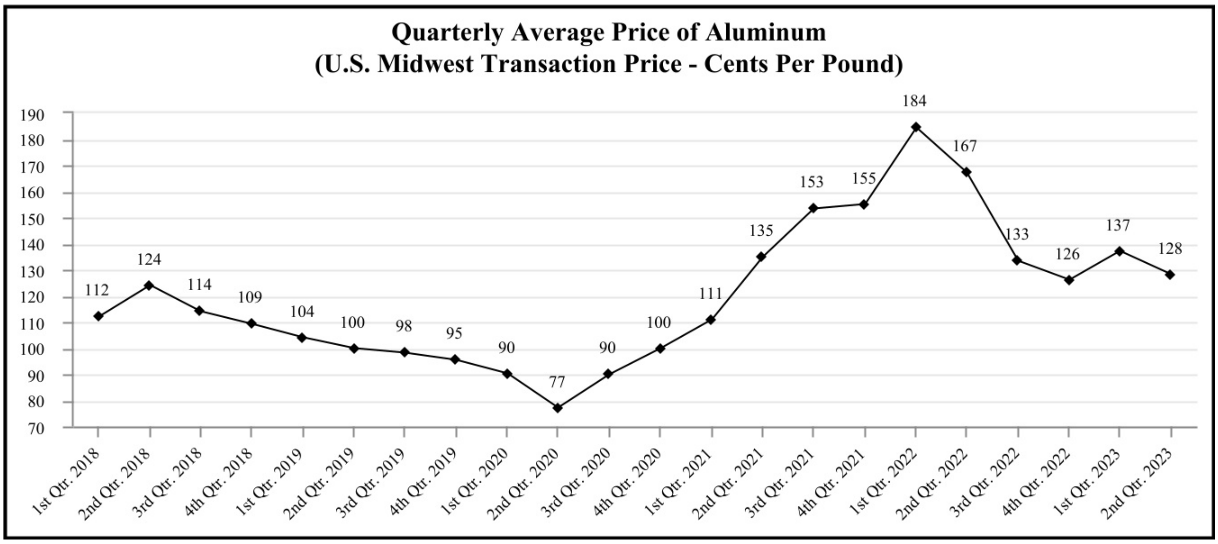
Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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*** above 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.

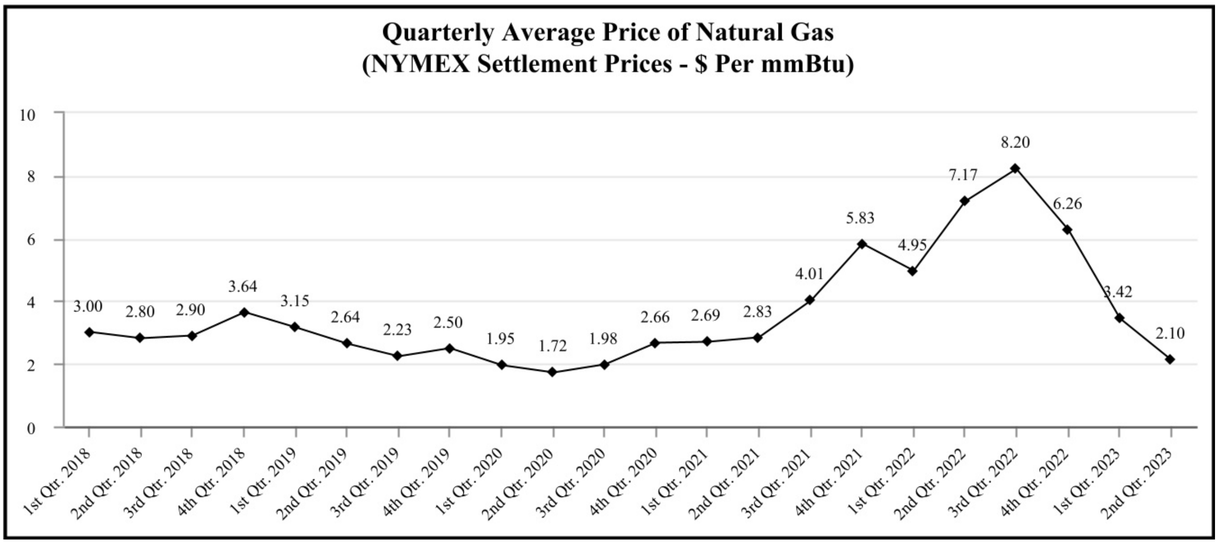
In the normal course of business, Aluminum Extrusions enters into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge its exposure to aluminum price volatility (see the chart below) under these fixed-price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



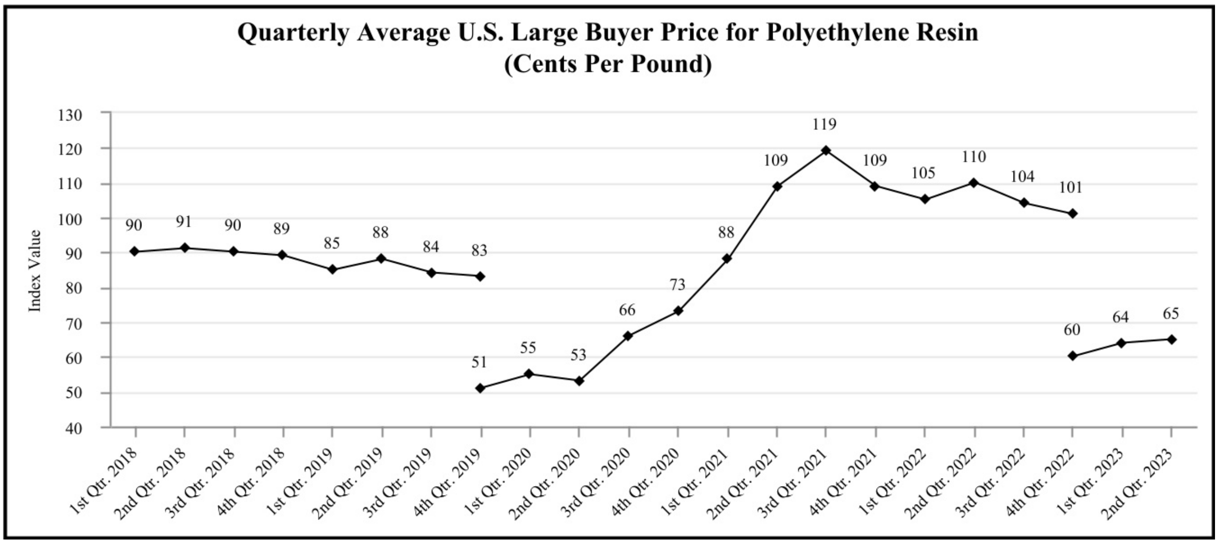
Source: Quarterly averages computed by the Company using daily Midwest average prices provided by Platts.

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.

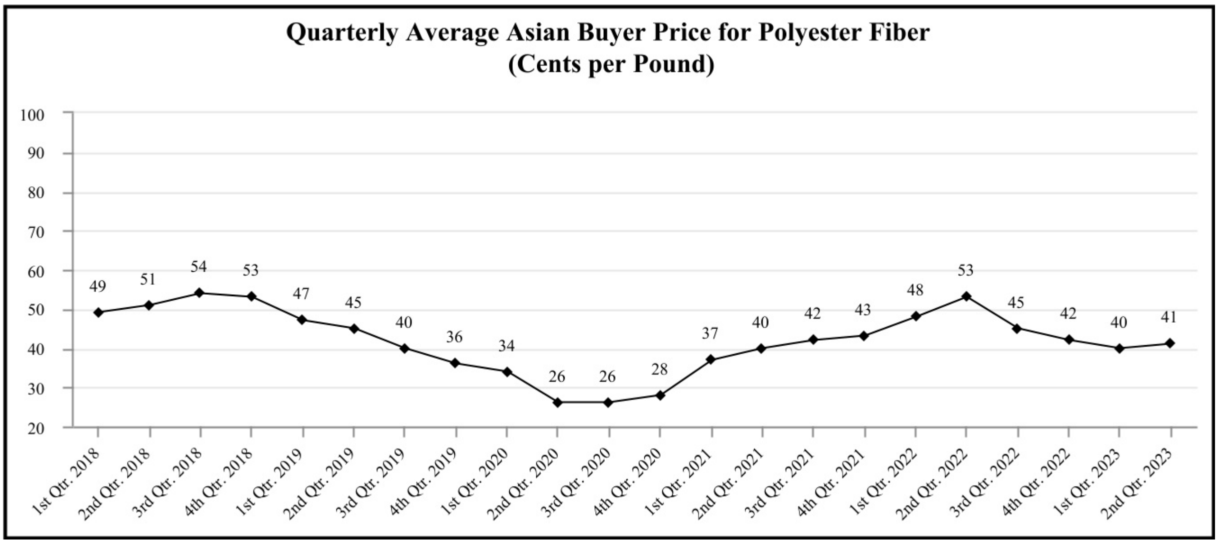
The volatility of average quarterly prices of polyethylene resin in the U.S. (a primary raw material for PE Films) is shown in the chart below.



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. In January 2023, IHS reflected a 41 cents per pound non-market adjustment based on their estimate of the growth of discounts in the prior periods. The 4th quarter 2022 average rate of $0.60 per pound is shown on a pro forma basis as if the non-market adjustment was made in the fourth quarter of 2022.

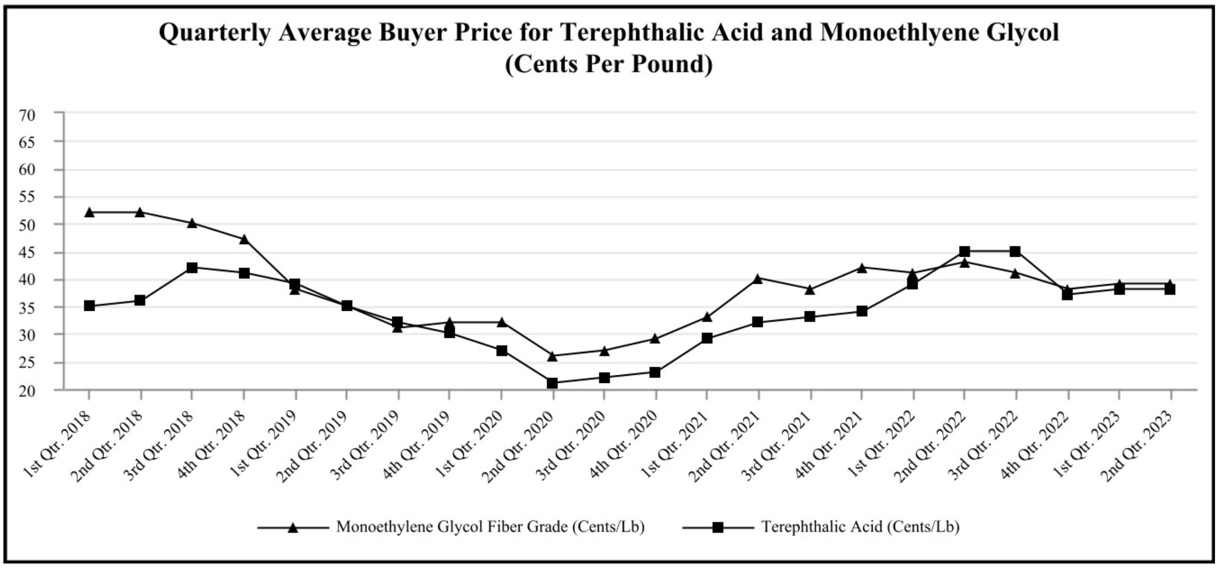
The price of resin is driven by several factors, including supply and demand and the price of oil, ethylene and natural gas. Selling prices to customers are set considering numerous factors, including the expected volatility of resin prices. PE Films has index-based pass-through raw material cost arrangements with customers. However, under certain agreements, changes in resin prices are not passed through for a period of 90 days. In response to unprecedented cost increases and supply issues for polyethylene and polypropylene resin, Tredegar Surface Protection implemented a quarterly resin cost pass-through mechanism, effective July 1, 2021, for all products and customers not previously covered by such arrangements. 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.

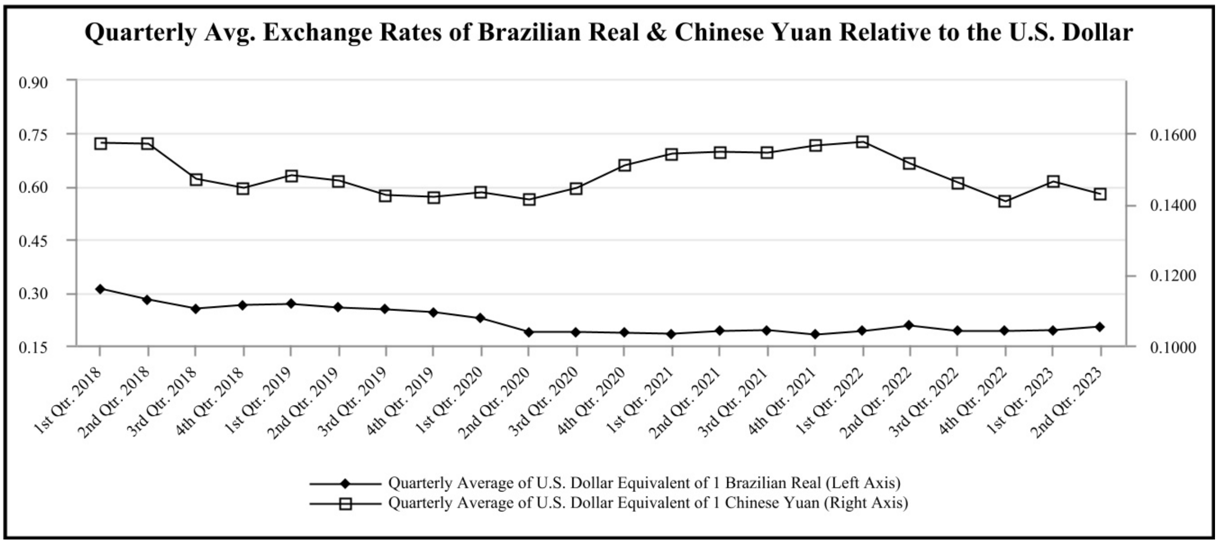
Tredegar attempts to match the pricing and cost of its products in the same currency and generally views the volatility of foreign currencies and the corresponding impact on earnings and cash flow as part of the overall risk of operating in a global environment (for additional information, see trends for the 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 foreign operations relates to the Chinese Yuan and the Brazilian Real.

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 and local and global competitive dynamics. Flexible Packaging Films is exposed to 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.") and substantially all of its related raw material costs are quoted or priced in U.S. Dollars while its variable conversion, fixed conversion and sales, general and administrative costs before depreciation & amortization (collectively "Terphane Ltda. Operating 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 EBITDA from ongoing operations for Flexible Packaging Films.

The Company estimates annual net costs of R$177 million for the net mismatch translation exposure between Terphane Ltda.'s U.S. Dollar quoted or priced sales and raw material costs and underlying Brazilian Real quoted or priced Terphane Ltda. Operating Costs. 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 for PE Films had no impact on EBITDA from ongoing operations for the second quarter of 2023 and an unfavorable impact on EBITDA from ongoing operations of $0.1 million in the first half of 2023 compared with the same periods of 2022.

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 2018 Form 8-K") to disclose certain material weaknesses in internal control over financial reporting. For further information, see the November 2018 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.

As of December 31, 2022, the results of management's testing of the design, implementation and operating effectiveness of controls identified that the Company continued to have material weaknesses in its internal control over financial reporting; however, the material weaknesses existing as of December 31, 2022 were limited to certain discrete items within the previously identified material weaknesses. As a result, management revised its original six step remediation plan that was designed with the assistance of management's outside consultant, an internationally recognized accounting firm. As of June 30, 2023, the Company continues to execute its revised remediation plan, including the implementation of the new and revised internal controls over financial reporting.

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Form 10-Q, pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (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 the design and operation of the Company's disclosure controls and procedures (as defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2023.

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 June 30, 2023, 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.

Management’s Report on Internal Control Over Financial Reporting

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 financial statements for external purposes in accordance with GAAP and includes policies and procedures that:

a. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets;

b. 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

c. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting 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”). Based on management’s assessment, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2022. The Company did not sufficiently attract, develop, and retain competent resources to fulfill internal control responsibilities and 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. As a consequence of these material weaknesses, the Company did not effectively design, implement and operate process-level controls across its financial reporting processes.

While these material weaknesses did not result in material misstatements of the Company’s consolidated financial statements as of and for the year ended December 31, 2022, 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, 2022.

The Company’s independent registered public accounting firm, KPMG LLP, which audited the 2022 consolidated financial statements included in the 2022 Form 10-K, expressed an adverse opinion on the operating effectiveness of the Company's internal control over financial reporting.

Remediation Plan and Efforts to Address the Identified Material Weaknesses

To remediate the material weaknesses described above, the Company, with the oversight of the Audit Committee of the Board of Directors (the “Audit Committee”), has been pursuing the revised remediation plan to implement new and revised internal controls over financial reporting.

Through the second quarter of 2023, the Company has completed certain steps in its revised remediation plan, including:

a. Conducted interviews with relevant parties and confirmed management’s understanding of the internal control activities, including information used in the recording of transactions within the Company's financial reporting processes;

b. Completed a comprehensive review and update to the documentation of relevant processes with respect to the Company’s internal control over financial reporting;

c. Developed internal control remediation plans to enhance controls for deficiencies associated with the material weaknesses above, including an assessment of personnel skills and experience related to the design and operation of internal control activities;

d. Substantially implemented all new and revised internal controls to address the previously identified deficiencies associated with the material weaknesses above;

e. Expanded the internal control compliance department with personnel that have appropriate internal control experience and identified resources for positions relevant to internal controls that had previously experienced turnover; and

f. Executed a targeted training program to educate control owners on the requirements of internal control activities, including maintaining adequate documentary evidence for internal control activities.

The design and implementation of certain new and revised internal controls associated with expenditure and revenue processes for one remaining manufacturing location of the Aluminum Extrusion business is scheduled for completion in the third quarter of 2023.

The material weaknesses cannot be considered 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. The Company is committed to the improvement of its internal control over financial reporting and management continues to work with its outside consultant to assist in those efforts, as necessary. The Company continues to monitor the impact of employee turnover and other external factors on its remediation plan and its assessment of internal control over financial reporting. The Company cannot assure you when it will remediate the identified material weaknesses, nor can it be certain whether additional actions will be required. 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. Except as noted above, there has been no change in the Company’s internal control over financial reporting during the quarter ended June 30, 2023, that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

PART II - OTHER INFORMATION

Item 1A. Risk Factors.

As disclosed in “Item 1A. Risk Factors” in the 2022 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 as set forth below, there are no material updates or changes to our risk factors previously disclosed in the 2022 Form 10-K.

Further impairment of the Surface Protection reporting unit’s goodwill could have a material non-cash adverse impact on our results of operations. The Company assesses goodwill for impairment when events or circumstances indicate that the carrying value may not be recoverable, or, at a minimum, on an annual basis (December 1st of each year). The valuation of goodwill depends on a variety of factors, including macroeconomic conditions, industry and market considerations, cost factors and overall financial performance, as well as Company and reporting unit factors, and goodwill impairment valuations can be sensitive to assumptions associated with such factors. Failure to successfully achieve projections could result in future impairments.

Manufacturers in the supply chain for consumer electronics continue to experience reduced capacity utilization and inventory corrections. In light of the continued uncertainty about the timing of a recovery for this market and the expected adverse future impact to the Surface Protection business, as of June 30, 2023 the Company performed a goodwill impairment analysis of the Surface Protection component of PE Films using projections that contemplate the expected market recovery and business conditions. The analysis concluded that the fair value of Surface Protection was less than its carrying value, thus a non-cash partial goodwill impairment of $15.4 million ($11.9 million after deferred income tax benefits) was recognized during the second quarter of 2023.

Further impairment to the Surface Protection reporting unit’s goodwill may be caused by factors outside the Company’s control, such as increasing competitive pricing pressures, continued weak consumer electronic market demand, lower than expected sales and profit growth rates, and various other factors. Significant and unanticipated changes could require an additional non-cash charge for impairment in a future period, which may significantly affect the Company's results of operations in the period of such charge.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company's Credit Agreement contains financial and other restrictive covenants, including a restriction on the Company's ability to pay dividends to shareholders. For more information on the Credit Agreement, see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Item 5. Other Information.

Director and Officer Trading Arrangements

During the three months ended June 30, 2023, no director or officer of the Company adopted, terminated or modified a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Entry into a Material Definitive Agreement

On August 3, 2023, the Company, as borrower, entered into Amendment No. 2 (the "Second Amendment") to the Second Amended and Restated Credit Agreement with the lenders named therein, JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A. and PNC Bank, National Association, as co-syndication agents, and Bank of America, N.A., U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents, and the other lenders party thereto (collectively, the "Lenders").

The following sets forth a description of the material terms of the Second Amendment:

a. Changed the fiscal quarter maximum Total Net Leverage Ratio covenant from 4.0x to: (i) 5.0x for the quarters ending September 30, 2023 through March 31, 2024, (ii) 4.75x for the quarter ending June 30, 2024, (iii) 4.25 for the quarter ending September 30, 2024, and (iv) 4.0x for the quarter ending December 31, 2024 and thereafter.

b. Changed the fiscal quarter minimum Interest Coverage Ratio covenant from 3.0x to: (i) 2.50x for the quarters ending September 30, 2023 through June 30, 2024, (ii) 2.75x for the quarter ending September 30, 2024, and (iii) 3.0x for the quarter ending December 31, 2024 and thereafter.

c. Reduced the maximum borrowing availability from $375 million to $200 million.

d. Increased the drawn spread by 25 basis points across all levels of the interest rate pricing grid, beginning the quarter ending September 30, 2023.

e. Amended the restricted payments covenant to prohibit dividends and share repurchases during fiscal quarters ending September 30, 2023 through December 31, 2024.

The Company and its affiliates regularly engage the Lenders to provide other banking services. All of these engagements are negotiated at arm's length.

The foregoing description of the Second Amendment is not complete and is qualified in its entirety by reference to the entire Second Amendment, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

Closure of PE Films Technical Center

On August 3, 2023, the Company adopted a plan to close the PE Films technical center in Richmond, VA and reduce its efforts to develop and sell films supporting the semiconductor market. Future research & development activities for PE Films will be performed at the facility in Pottsville, PA. PE Films continues to have new business opportunities primarily relating to surface protection films that protect components of flat panel and flexible displays. The Company anticipates all activities to cease at the PE Films technical center in Richmond, VA, by the end of 2023. The Company expects to recognize cash costs associated with exit activities of $1.8 million for: (i) severance and related costs ($0.9 million), (ii) vacating the facility lease ($0.6 million payable through June 2025), and (iii) building closure costs ($0.3 million). In addition, the Company expects non-cash asset write-offs and accelerated depreciation of up to $4.5 million. Net annual cash savings of $3.4 million are anticipated, beginning in the fourth quarter of 2023.

Item 6. Exhibits.

10.1	Amendment No. 1 to Second Amended and Restated Credit Agreement, dated as of November 29, 2022, among Tredegar Corporation, as borrower, the lenders named therein, JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A. and PNC Bank, National Association, as co-syndication agents, and Bank of America, N.A., U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents, and the other lenders party thereto.
10.2	Amendment No. 2 to Second Amended and Restated Credit Agreement, dated as of August 3, 2023, among Tredegar Corporation, as borrower, the lenders named therein, JPMorgan Chase Bank, N.A., as administrative agent, Citizens Bank, N.A. and PNC Bank, National Association, as co-syndication agents, and Bank of America, N.A., U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents, and the other lenders party thereto.
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 Executive 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 Executive 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.
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101).

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:	August 9, 2023	/s/ John M. Steitz John M. Steitz President and Chief Executive Officer (Principal Executive Officer)
Date:	August 9, 2023	/s/ D. Andrew Edwards D. Andrew Edwards Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date:	August 9, 2023	/s/ Frasier W. Brickhouse, II Frasier W. Brickhouse, II Corporate Treasurer and Controller (Principal Accounting Officer)

AMENDMENT NO. 1

Dated as of November 29, 2022

to

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 29, 2022

THIS AMENDMENT NO. 1 (this "Amendment") is made as of November 29, 2022 by and among TREDEGAR CORPORATION, a Virginia corporation (the "Borrower"), the financial institutions listed on the signature pages hereof and JPMORGAN CHASE BANK, N.A., as Administrative Agent (the "Administrative Agent'), under that certain Second Amended and Restated Credit Agreement dated as of June 29, 2022 by and among the Borrower, the Lenders and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrower has requested that the requisite Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement;

WHEREAS, the Borrower, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendment to the Credit Agreement. The parties hereto agree that, effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows (the Credit Agreement as so amended, the "Amended Credit Agreement"):

    a. Section 1.01 of the Credit Agreement is hereby amended to add the below language to the end of the definition of "Consolidated EBITDA" appearing therein:

"Notwithstanding the manner in which operations are classified under GAAP, no operations will be classified as discontinued due to the fact that they are subject to an agreement to dispose of such operations, and with respect to any calculation or determination for any period under Consolidated EBITDA, such operations will only be classified as discontinued when and to the extent such operations are actually disposed of."

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

    a. The Administrative Agent (or its counsel) shall have received counterparts of (i) this Amendment duly executed by the Borrower, the Required Lenders and the Administrative Agent and (ii) the Consent and Reaffirmation attached hereto duly executed by the Subsidiary Guarantors.

    b. The Administrative Agent shall have received payment of the Administrative Agent's and its affiliates' fees and reasonable and documented out-of-pocket expenses (including reasonable fees, charges and expenses of counsel for the Administrative Agent) in connection with this Amendment and the other Loan Documents to the extent provided for in Section 9.03 of the Amended Credit Agreement.

3. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants as follows:

    a. This Amendment and the Amended Credit Agreement have been duly authorized by all requisite organizational action and, if required, stockholder action, and this Amendment has been duly executed and delivered by the Borrower.

    b. This Amendment and the Amended Credit Agreement constitute legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally.

    c. As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default has occurred and is continuing and (ii) the representations and warranties of the Borrower set forth in the Amended Credit Agreement are true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) as of such earlier date.

4. Reference to and Effect on the Credit Agreement.

   a. Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Amended Credit Agreement.

   b. Each Loan Document and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

   c. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement, the other Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

   d. This Amendment is a Loan Document.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

7. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment and/or any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures (as defined below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. As used herein, "Electronic Signatures" means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

TREDEGAR CORPORATION,
as the Borrower

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

JPMORGAN CHASE BANK, N.A.,
individually as a Lender and as Administrative Agent

By: /s/James Knight
Name: James Knight
Title: Executive Director

CITIZENS BANK, N.A.,
as a Lender

By: /s/A. Paul Dawley
Name: A. Paul Dawley
Title: Senior Vic President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ David Notaro
Name: David Notaro
Title: Senior Vice President

U.S. BANK NATIONAL ASSOCIATION,
as a Lender

By: /s/ Michael H Troutman
Name: Michael H Troutman
Title: Senior Vice President, Commercial Banking

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ Nancy A. Old
Name: Nancy A. Old
Title: SVP

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Timothy Favinger
Name: Timothy Favinger
Title: Director

CITIBANK, N.A.,
as a Lender

By: /s/Andrew Stella
Name: Andrew Stella
Title: Vice President

FIRST HORIZON BANK,
as a Lender

By: /s/Todd Warrick
Name: Todd Warrick
Title: EVP

THE HUNTINGTON NATIONAL BANK,
as a Lender

By: /s/ Greg Ryan
Name: Greg Ryan
Title: Managing Director

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 1 to the Second Amended and Restated Credit Agreement dated as of June 29, 2022 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement") by and among Tredegar Corporation, a Virginia corporation, the financial institutions from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), which Amendment No. 1 is dated as of November 29, 2022 (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Credit Agreement and any other Loan Document executed by it and acknowledges and agrees that such Credit Agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment.

Dated: November 29, 2022

[Signature Page Follows]

IN WITNESS WHEREOF, this Consent and Reaffirmation has been duly executed as of the day and year first above written.

TREDEGAR PERFORMANCE FILMS INC.

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

TERPHANE HOLDINGS LLC

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

BONNELL ALUMINUM, INC.

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

BONNELL ALUMINUM (NILES), LLC

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

BONNELL ALUMINUM (CORPORATE), INC.

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

BONNELL ALUMINUM (CLEARFIELD), INC.

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

TREDEGAR SURFACE PROTECTION, LLC

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

TREDEGAR FAR EAST CORPORATION

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

TREDEGAR FILM PRODUCTS (LATIN AMERICA), INC.

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

TAC HOLDINGS, LLC

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

BONNELL ALUMINUM (ELKHART), INC.

By: /s/ Kevin C. Donnelly
Name: Kevin C. Donnelly
Title: Vice President and Secretary

Exhibit 10.2

AMENDMENT NO. 2

Dated as of August 3, 2023

to

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of June 29, 2022

THIS AMENDMENT NO. 2 (this "Amendment") is made as of August 3, 2023 by and among TREDEGAR CORPORATION, a Virginia corporation (the "Borrower"), the financial institutions listed on the signature pages hereof and JPMORGAN CHASE BANK, N.A., as Administrative Agent (the "Administrative Agent'), under that certain Second Amended and Restated Credit Agreement dated as of June 29, 2022 by and among the Borrower, the Lenders and the Administrative Agent (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrower has requested that the requisite Lenders and the Administrative Agent agree to make certain amendments to the Credit Agreement; and

WHEREAS, the Borrower, the Lenders party hereto and the Administrative Agent have so agreed on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Lenders party hereto and the Administrative Agent hereby agree to enter into this Amendment.

1. Amendment to the Credit Agreement. The parties hereto agree that, effective as of the date of satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement (including Schedule 2.01A thereto, but excluding all other Exhibits and Schedules thereto) is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~**stricken text**~~) and to add the double-underlined text (indicated textually in the same manner as the following example: **double-underlined text**) as set forth in the pages of the Credit Agreement (including Schedule 2.01A thereto, but excluding all other Exhibits and Schedules thereto) attached as Annex A hereto (the Credit Agreement as so amended, the "Amended Credit Agreement").

2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

    a. The Administrative Agent (or its counsel) shall have received counterparts of (i) this Amendment duly executed by the Borrower, the Required Lenders and the Administrative Agent and (ii) the Consent and Reaffirmation attached hereto duly executed by the Subsidiary Guarantors.

    b. The Administrative Agent shall have received (i) for the account of each Lender that delivers its executed signature page to this Amendment by no later than the date and time specified by the Administrative Agent, a consent fee in an amount equal to the amount previously disclosed to the Lenders and (ii) payment of the Administrative Agent's and its affiliates' fees and reasonable and documented out-of-pocket expenses (including reasonable fees, charges and expenses of counsel for the Administrative Agent) in connection with this Amendment and the other Loan Documents to the extent provided for in Section 9.03 of the Amended Credit Agreement.

    c. The Administrative Agent shall have made such reallocations of each Lender's Applicable Percentage of the Revolving Credit Exposure under the Amended Credit Agreement as are necessary in order that the Revolving Credit Exposure with respect to such Lender reflects such Lender's Applicable Percentage of the Revolving Credit Exposure and modified Revolving Commitment under the Amended Credit Agreement. It is understood and agreed that the Borrower will not be obligated to compensate any Lender for any and all losses, costs and expenses incurred by such Lender in connection with the sale and assignment of any Term Benchmark Loans and RFR Loans and the reallocation described in this clause (c) pursuant to Section 2.16 of the Amended Credit Agreement.

3. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants as follows:

    a. This Amendment and the Amended Credit Agreement have been duly authorized by all requisite organizational action and, if required, stockholder action, and this Amendment has been duly executed and delivered by the Borrower.

b. This Amendment and the Amended Credit Agreement constitute legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditor's rights generally.

c. As of the date hereof and after giving effect to the terms of this Amendment, (i) no Default has occurred and is continuing and (ii) the representations and warranties of the Borrower set forth in the Amended Credit Agreement are true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects), except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct in all material respects (or, in the case of any representation or warranty qualified by materiality or Material Adverse Effect, in all respects) as of such earlier date.

4. Reference to and Effect on the Credit Agreement.

a. Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Amended Credit Agreement.

b. Each Loan Document and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

c. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement, the other Loan Documents or any other documents, instruments and agreements executed and/or delivered in connection therewith.

d. This Amendment is a Loan Document.

5. Governing Law. This Amendment shall be construed in accordance with and governed by the law of the State of New York.

6. Headings. Section headings used herein are for convenience of reference only, are not part of this Amendment and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

7. Counterparts. This Amendment may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. The words "execution," "signed," "signature," "delivery," and words of like import in or relating to this Amendment and/or any document to be signed in connection with this Amendment and the transactions contemplated hereby shall be deemed to include Electronic Signatures (as defined below), deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be. As used herein, "Electronic Signatures" means any electronic symbol or process attached to, or associated with, any contract or other record and adopted by a person with the intent to sign, authenticate or accept such contract or record.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

TREDEGAR CORPORATION,
as the Borrower

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, N.A.,
individually as a Lender and as Administrative Agent

By: /s/ James A. Knight
Name: James A. Knight
Title: Executive Director

CITIZENS BANK, N.A.,
as a Lender

By: /s/ A. Paul Dawley
Name: A. Paul Dawley
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Oscar M. Trejo
Name: Oscar M. Trejo
Title: Vice President

BANK OF AMERICA, N.A.,
as a Lender

By: /s/ Nancy A. Old
Name: Nancy A. Old
Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

By: /s/ Timothy Favinger
Name: Timothy Favinger
Title: Director

CITIBANK, N.A.,
as a Lender

By: /s/ Andrew Stella
Name: Andrew Stella
Title: Vice President

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 2 to the Second Amended and Restated Credit Agreement dated as of June 29, 2022 (as amended, restated, supplemented or otherwise modified, the "Credit Agreement") by and among Tredegar Corporation, a Virginia corporation, the financial institutions from time to time party thereto (the "Lenders") and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Administrative Agent"), which Amendment No. 2 is dated as of August 3, 2023 (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Credit Agreement and any other Loan Document executed by it and acknowledges and agrees that such Credit Agreement and each and every such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment.

Dated: August 3, 2023

[Signature Page Follows]

IN WITNESS WHEREOF, this Consent and Reaffirmation has been duly executed as of the day and year first above written.

TREDEGAR PERFORMANCE FILMS INC.

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

TERPHANE HOLDINGS LLC

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

BONNELL ALUMINUM, INC.

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

BONNELL ALUMINUM (NILES), LLC

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

BONNELL ALUMINUM (CORPORATE), INC.

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

BONNELL ALUMINUM (CLEARFIELD), INC.

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

TREDEGAR SURFACE PROTECTION, LLC

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

TREDEGAR FAR EAST CORPORATION

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

TREDEGAR FILM PRODUCTS (LATIN AMERICA), INC.

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

TAC HOLDINGS, LLC

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

BONNELL ALUMINUM (ELKHART), INC.

By: /s/ D. Andrew Edwards
Name: D. Andrew Edwards
Title: Executive Vice President and Chief Financial Officer

ANNEX A

[See attached.]

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SCHEDULES:

EXHIBITS:

"Adjusted Daily Simple RFR" means, (i) with respect to any RFR Borrowing denominated in Pounds Sterling, an interest rate per annum equal to (a) the Daily Simple RFR for Pounds Sterling, plus (b) 0.0326%, (ii) with respect to any RFR Borrowing denominated in Swiss Francs, an interest rate per annum equal to (a) the Daily Simple RFR for Swiss Francs, plus (b) negative 0.0571%, and (iii) with respect to any RFR Borrowing denominated in Dollars, an interest rate per annum equal to (a) the Daily Simple RFR for Dollars, plus (b) 0.10%; provided that if the Adjusted Daily Simple RFR as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for the purposes of this Agreement.

"Adjusted EURIBO Rate" means, with respect to any Term Benchmark Borrowing denominated in euro for any Interest Period, an interest rate per annum equal to (a) the EURIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate; provided that if the Adjusted EURIBO Rate as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for the purposes of this Agreement.

"Adjusted Term SOFR Rate" means, with respect to any Term Benchmark Borrowing denominated in Dollars for any Interest Period, an interest rate per annum equal to (a) the Term SOFR Rate for such Interest Period, plus (b) 0.10%; provided that if the Adjusted Term SOFR Rate as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for the purposes of this Agreement.

"Adjusted TIBO Rate" means, with respect to any Term Benchmark Borrowing denominated in Japanese Yen for any Interest Period, an interest rate per annum equal to (a) the TIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate; provided that if the Adjusted TIBO Rate as so determined would be less than the Floor, such rate shall be deemed to be equal to the Floor for the purposes of this Agreement.

"Administrative Agent" means JPMorgan Chase Bank, N.A. (or any of its designated branch offices or affiliates), in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affected Financial Institution" means (a) any EEA Financial Institution or (b) any UK Financial Institution.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Agent-Related Person" has the meaning assigned to such term in Section 9.03(c). "Aggregate Commitment" means the aggregate of the Commitments of all of the Lenders, as reduced or increased from time to time pursuant to the terms and conditions hereof. The ~~initial~~ Aggregate Commitment as of the **Amendment No. 2** Effective Date is $~~375,000,000~~**200,000,000**.

"Agreed Currencies" means (i) Dollars, (ii) euro, (iii) Pounds Sterling, (iv) Swiss Francs, (v) Japanese Yen and (vi) any other currency (other than Dollars) (x) that is a lawful currency that is readily available and freely transferable and convertible into Dollars and (y) that is agreed to by the Administrative Agent and each of the Lenders.

"Agreement" has the meaning assigned to such term in the introductory paragraph.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the NYFRB Rate in effect on such day plus ½ of 1% and (c) the Adjusted Term SOFR Rate for a one month Interest Period as published two U.S. Government Securities Business Days prior to such day (or if such day is not a U.S. Government Securities Business Day, the immediately preceding U.S. Government Securities Business Day) plus 1%; provided that for the purpose of this definition, the Adjusted Term SOFR Rate for any day shall be based on the Term SOFR Reference Rate at approximately 5:00 a.m., Chicago time, on such day (or any amended publication time for the Term SOFR Reference Rate, as specified by the CME Term SOFR Administrator in the Term SOFR Reference Rate methodology). Any change in the Alternate Base Rate due to a change in the Prime Rate, the NYFRB Rate or the Adjusted Term SOFR Rate shall be effective from and including the effective date of such change in the Prime Rate, the NYFRB Rate or the Adjusted Term SOFR Rate, respectively. If the Alternate Base Rate is being used as an alternate rate of interest pursuant to Section 2.14 (for the avoidance of doubt, only until the Benchmark Replacement has been determined pursuant to Section 2.14(b)), then the Alternate Base Rate shall be the greater of clauses (a) and (b) above and shall be determined without reference to clause (c) above. For the avoidance of doubt, if the Alternate Base Rate as determined pursuant to the foregoing would be less than 1.00%, such rate shall be deemed to be 1.00% for purposes of this Agreement.

"Amendment No. 2 Effective Date" means August 3, 2023.

"Ancillary Document" has the meaning assigned to such term in Section 9.06.

"Anti-Corruption Laws" means all laws, rules, and regulations of any jurisdiction applicable to the Borrower and its affiliated companies concerning or relating to bribery or corruption.

"Applicable Party" has the meaning assigned to such term in Section 8.03(c).

"Applicable Percentage" means, with respect to any Lender, the percentage of them Aggregate Commitment represented by such Lender's Commitment; provided that, in the case of Section 2.22 when a Defaulting Lender shall exist, "Applicable Percentage" shall mean the percentage of the Aggregate Commitment (disregarding any Defaulting Lender's Commitment) represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender's status as a Defaulting Lender at the time of determination.

"Applicable Pledge Percentage" means 100% but 65% in the case of a pledge by the Borrower or any Domestic Subsidiary of its Equity Interests in a Foreign Subsidiary.

"Applicable Rate" means, for any day, with respect to any Term Benchmark Loan, any RFR Loan or any ABR Loan or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Term Benchmark Spread", "RFR Spread", "ABR Spread" or "Commitment Fee Rate", as the case may be, based upon the Total Net Leverage Ratio applicable on such date:

	Total Net Leverage Ratio	Term Benchmark Spread	RFR Spread	ABR Spread	Commitment Fee Rate
Category 1:	≤ 1.00 to 1.00	~~1.50~~**1.750**%	~~1.50~~**1.750**%	~~0.50~~**0.750**%	0.20%
Category 2:	> 1.00 to 1.00 ≤ 2.00 to 1.00	~~1.625~~**1.875**%	~~1.625~~**1.875**%	~~0.625~~**0.875**%	0.25%
Category 3:	> 2.00 to 1.00 ≤ 3.00 to 1.00	~~1.75~~**2.000**%	~~1.75~~**2.000**%	~~0.75~~**1.000**%	0.30%
Category 4:	> 3.00 to 1.00 ≤ 3.50 to 1.00	~~1.875~~**2.125**%	~~1.875~~**2.125**%	~~0.875~~**1.125**%	0.35%
Category 5:	> 3.50 to 1.00	~~2.00~~**2.250**%	~~2.00~~**2.250**%	~~1.00~~**1.250**%	0.40%

For purposes of the foregoing,

i. if at any time the Borrower fails to deliver the Financials on or before the date the Financials are due pursuant to Section 5.04, Category 5 shall be deemed applicable for the period commencing three (3) Business Days after the required date of delivery and ending on the date which is three (3) Business Days after the Financials are actually delivered, after which the Category shall be determined in accordance with the table above as applicable;

ii. adjustments, if any, to the Category then in effect shall be effective three (3) Business Days after the Administrative Agent has received the applicable Financials (it being understood and agreed that each change in Category shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change); and

iii. notwithstanding the foregoing, **on and after the Amendment No. 2 Effective Date,** Category ~~1~~**3** shall be deemed to be applicable until the Administrative Agent's receipt of the applicable Financials for the Borrower's first ~~full~~ fiscal quarter ending after the **Amendment No. 2** Effective Date (unless such Financials demonstrate that Category **1,** 2~~, 3~~, 4 or 5 should have been applicable during such period, in which case such other Category shall be deemed to be applicable during such period) and adjustments to the Category then in effect shall thereafter be effected in accordance with the preceding paragraphs.

"Applicable Time" means, with respect to any Borrowings and payments in any Foreign Currency, the local time in the place of settlement for such Foreign Currency as may be determined by the Administrative Agent or the applicable Issuing Bank, as the case may be, to be necessary for timely settlement on the relevant date in accordance with normal banking procedures in the place of payment.

"Approved Bank" shall have the meaning set forth in the definition of Cash Equivalents.

"Approved Electronic Platform" has the meaning assigned to such term in Section 8.03(a).

"Approved Fund" has the meaning assigned to such term in Section 9.04(b).

"Arranger" means each of JPMorgan Chase Bank, N.A., Citizens Bank, N.A. and PNC Capital Markets LLC in its capacity a joint bookrunner and a joint lead arranger hereunder.

"Asset Disposition" means the disposition of any or all of the assets (including, without limitation, a business segment, an operation within a business segment, the capital stock of a Subsidiary under GAAP, less (b) the Borrower's treasury stock and minority interest in Subsidiaries at such time, all determined in accordance with GAAP.

"Consolidated Total Assets" means, as of the date of any determination thereof, total assets of the Borrower and its Subsidiaries calculated in accordance with GAAP on a consolidated basis as of such date.

"Consolidated Total Debt" means, at any time, all Indebtedness of the Borrower and its consolidated Subsidiaries at such time, computed and consolidated in accordance with GAAP. For the avoidance of doubt, Consolidated Total Debt shall exclude Indebtedness (if any) arising from any Permitted Supplier Financing.

"Continuing Director" means (a) any member of the Board of Directors of the Borrower on the date of this Agreement and (b) any Person whose subsequent nomination for election or election to the Board of Directors was recommended or approved by a majority of the Continuing Directors serving as such at the time of such nomination or election.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Corresponding Tenor" with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

"Co-Syndication Agent" means each of Citizens Bank, N.A. and PNC Bank, National Association in its capacity as co-syndication agent for the credit facility evidenced by this Agreement.

"Covenant Relief Period" means the period commencing on the Amendment No. 2 Effective Date and ending on the first date (if any) on which the Borrower delivers to the Administrative Agent the Financials in respect of the fiscal year ending December 31, 2024 under Section 5.04(a) and the compliance certificate in respect of such fiscal year under Section 5.04(d) demonstrating that the Borrower was in compliance with Sections 6.08 and 6.09 as of the end of such fiscal year.

"Covered Entity" means any of the following:

i. a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

ii. a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

iii. a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Covered Party" has the meaning assigned to it in Section 9.19.

"Credit Event" means a Borrowing, the issuance, amendment or extension of a Letter of Credit, an LC Disbursement or any of the foregoing.

any Subsidiary from the sale of such assets and (iii) the ~~sale of the~~ Securities Held and the Non-Operating Property Held;

d. sales of Permitted Receivables Related Assets and any related assets pursuant to any Permitted Supplier Financing;

e. any Internal Financing Transaction;

f. any Loan Party or any of its Subsidiaries from dissolving or disposing of any Subsidiary (other than Significant Subsidiaries);

g. leases entered into in the ordinary course of business and subleases to the extent that such sublease does not materially and adversely affect the Borrower's business;

h. Permitted Investments; and

i. the disposition of any real estate no longer used or useful in the Borrower's business with a net book value of less than $6,000,000 in the aggregate.

SECTION 6.05 Dividends and Distributions. Declare or make, directly or indirectly, any Restricted Payment; provided, however, that (a) any Subsidiary may declare and pay dividends or make other distributions to the Borrower, and any Internal Financing Subsidiary may declare and pay dividends or make other distributions to the Borrower or other wholly-owned Subsidiaries, (b) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries, (c) **solely to the extent that the Covenant Relief Period is not in effect,** the Borrower may make Restricted Payments so long as no Default or Event of Default has occurred and is continuing prior to making such Restricted Payment or would arise after giving effect (including giving effect on a Pro Forma Basis) thereto in an aggregate amount of all such Restricted Payments made pursuant to this clause (c) not to exceed $75,000,000 during the term of this Agreement (the "Fixed RP Basket") (provided, it being understood and agreed that, regardless of any previous usage of the Fixed RP Basket, if the Total Net Leverage Ratio is less than or equal to 2.00 to 1.00 at the end of any fiscal quarter of the Borrower, the Fixed RP Basket shall be reset to an amount of $75,000,000 at the time that the Borrower delivers to the Administrative Agent the applicable Financials in respect of such fiscal quarter under Section 5.04(a) or Section 5.04(b), as applicable, and the compliance certificate in respect of such fiscal quarter under Section 5.04(d) demonstrating such Total Net Leverage Ratio of less than or equal to 2.00 to 1.00) and (d) **solely to the extent that the Covenant Relief Period is not in effect,** the Borrower may make unlimited Restricted Payments so long as, at the time of the making of such Restricted Payment and immediately after giving effect (including giving effect on a Pro Forma Basis) thereto, (x) no Default or Event of Default shall have occurred and be continuing and (y) the Total Net Leverage Ratio is equal to or less than 2.00 to 1.00.

SECTION 6.06 Transactions with Affiliates. Sell or transfer any property or assets to, or purchase or acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except that as long as no Default or Event of Default shall have occurred and be continuing, the Borrower or any Subsidiary may engage in any of the foregoing transactions (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) in connection with Internal Financing Transactions, (c) any dividends or distributions permitted by Section 6.05, (d) reasonable and customary fees paid to members of the board of directors (or similar governing body) of the Borrower and its Subsidiaries and compensation arrangements for officers and other employees of the Borrower and its Subsidiaries entered into in the ordinary course of business or (e) transactions between or among the Borrower and its Subsidiaries (or an entity that becomes a Subsidiary of the Borrower as a result of such transaction) (or any combination thereof) not involving any other Affiliate.

SECTION 6.07 [Intentionally Omitted].

SECTION 6.08 Total Net Leverage Ratio. Permit the Total Net Leverage Ratio, determined as of the end of each fiscal quarter, to be greater than ~~4.00 to 1.00.~~ **the level set forth below for such fiscal quarter:**

Fiscal Quarter Ending	**Maximum Total Net Leverage Ratio**
September 30, 2023, December 31, 2023 and March 31, 2024	**5.00 to 1.00**
June 30, 2024	**4.75 to 1.00**

September 30, 2024	4.25 to 1.00
December 31, 2024 and each fiscal quarter thereafter	4.00 to 1.00

SECTION 6.09 Interest Coverage Ratio. Permit the Interest Coverage Ratio, determined as of the end of each fiscal quarter, to be less than ~~3.00 to 1.00.~~the level set forth below for such fiscal quarter:

Fiscal Quarter Ending	Minimum Interest Coverage Ratio
September 30, 2023, December 31, 2023, March 31, 2024 and June 30, 2024	2.50 to 1.00
September 30, 2024	2.75 to 1.00
December 31, 2024 and each fiscal quarter thereafter	3.00 to 1.00

SECTION 6.10 No Further Negative Pledges. Enter into, assume or become subject to any agreement of Indebtedness (but only Indebtedness of the type described in clauses (a) or (b) of the definition thereof) that prohibits or otherwise restricts the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for such obligation if security is given for some other obligation, except:

a. pursuant to this Agreement and the other Loan Documents; and

b. pursuant to any document or instrument governing Indebtedness incurred pursuant to Section 6.03 (excluding subsection (a) thereof).

SECTION 6.11 Advances, Investments and Loans. Make any Investment except for Permitted Investments.

SECTION 6.12 Limitation on Restricted Actions. Directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any such Person to (a) pay dividends or make any other distributions to any Loan Party or any Subsidiary on its capital stock or with respect to any other interest or participation in, or measured by, its profits, (b) pay any Indebtedness or other obligation owed to any Loan Party or any Subsidiary, (c) make loans or advances to any Loan Party or any Subsidiary, (d) sell, lease or transfer any of its properties or assets to any Loan Party or any Subsidiary, or (e) act as a Subsidiary Guarantor and pledge its assets pursuant to the Loan Documents or any renewals, refinancings, exchanges, refundings or extension thereof, except (x) in respect of any of the matters referred to in clauses (a)-(d) above for such encumbrances or restrictions existing under or by reason of (i) this Agreement and the other Loan Documents, (ii) applicable law and (iii) any Permitted Lien of the type described in clauses (a) or (h) of Section 6.01 or any document or instrument governing any such Permitted Lien; provided that any such restriction contained therein relates only to the asset or assets subject to such Permitted Lien and (y) in respect of any matters referred to in clauses (d) and (e) above, for such customary encumbrances or restrictions under or by reason of any document or agreement related to joint ventures or other similar arrangements permitted by this Agreement and (z) in respect of matters referred to in clause (d) above, for such customary encumbrances or restrictions arising under or by reason of any document or agreement evidencing a Permitted Supplier Financing with respect to the sale, lease or transfer of any accounts receivable and related assets that are the subject of such Permitted Supplier Financing.

SECTION 6.13 Anti-Corruption Laws and Sanctions. Request any Borrowing or Letter of Credit or use (or permit their respective directors, officers, employees and agents to use) the proceeds of any Borrowing or Letter of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

ARTICLE VII

Events of Default

SECTION 7.01 Events of Default. In case of the happening of any of the following events ("Events of Default"):

a. any representation or warranty made or deemed made in or in connection with any Loan Document or the borrowings hereunder, or any representation, warranty, statement or information contained in any report, certificate, financial statement or other instrument furnished in connection with or pursuant to any Loan Document, shall prove to have been false or misleading in any material respect when so made, deemed made or furnished;

b. default shall be made in the payment of any principal of any Loan when and as the same shall become due and payable, or the Borrower shall fail to reimburse any Issuing Bank for any LC Exposure when due in accordance with the terms hereof, whether at the due date thereof or at a date fixed for prepayment thereof or by acceleration thereof or otherwise (or any Subsidiary Guarantor shall fail to pay on the Subsidiary Guaranty in respect of any of the foregoing or in respect of any other Guaranty Obligations thereunder within the aforesaid period of time);

SCHEDULE 2.01A COMMITMENTS

LENDER	COMMITMENT
JPMORGAN CHASE BANK, N	$~~55,000,000~~29,333,333.34
CITIZENS BANK, N.	$~~55,000,000~~29,333,333.33
PNC BANK, NATIONAL ASSOCIAT	$~~55,000,000~~29,333,333.33
BANK OF AMERICA, N	$~~40,000,000~~21,333,333.34
U.S. BANK NATIONAL ASSOCIAT	$~~40,000,000~~21,333,333.33
WELLS FARGO BANK, NATIONAL ASSOCIA	$~~40,000,000~~21,333,333.33
CITIBANK, N.A	$~~30,000,000~~16,000,000.00
FIRST HORIZON BA	$~~30,000,000~~16,000,000.00
THE HUNTINGTON NATIONAL B	$~~30,000,000~~16,000,000.00
AGGREGATE COMMITMEN	**$~~375,000,000~~200,000,000**

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 June 30, 2023, 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: August 9, 2023

/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 June 30, 2023, 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: August 9, 2023

/s/ D. Andrew Edwards

D. Andrew Edwards
Executive 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 June 30, 2023 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)
August 9, 2023

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 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, D. Andrew Edwards, Executive 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
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
August 9, 2023