

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 1996

OR

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

For the transition period from _____ to _____

Commission file number 1-10258

Tredegar Industries, Inc.

(Exact Name of Registrant as Specified in its Charter)

Virginia

54-1497771

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1100 Boulders Parkway
Richmond, Virginia

23225

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (804) 330-1000

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

The number of shares of Common Stock, no par value, outstanding as of April 30, 1996: 12,196,488

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	March 31, 1996	Dec. 31, 1995
	-----	-----
Assets		
Current assets:		
Cash and cash equivalents	\$ 63,721	\$ 2,145
Accounts and notes receivable	61,794	71,673
Inventories	17,516	33,148
Income taxes recoverable	--	2,179
Deferred income taxes	16,459	14,882
Prepaid expenses and other	2,792	2,375
Net assets of Brudi held for sale	18,192	--
	-----	-----
Total current assets	180,474	126,402
	-----	-----
Property, plant and equipment, at cost	256,392	326,526
Less accumulated depreciation and amortization	164,155	204,074
	-----	-----
Net property, plant and equipment	92,237	122,452
	-----	-----
Other assets and deferred charges	35,606	35,186
Goodwill and other intangibles	19,831	30,012

Total assets	=====	=====
	\$328,148	\$314,052
	=====	=====
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 28,101	\$ 31,105
Accrued expenses	36,392	38,648
Income taxes payable	6,868	--
	-----	-----
Total current liabilities	71,361	69,753
Long-term debt	35,000	35,000
Deferred income taxes	19,545	22,218
Other noncurrent liabilities	15,926	16,560
	-----	-----
Total liabilities	141,832	143,531
	-----	-----
Shareholders' equity:		
Common stock, no par value	113,119	112,908
Foreign currency translation adjustment	413	445
Retained earnings	72,784	57,168
	-----	-----
Total shareholders' equity	186,316	170,521
	-----	-----
Total liabilities and shareholders' equity	\$328,148	\$314,052
	=====	=====

See accompanying notes to financial statements.

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

	Three Months Ended March 31	
	----- 1996	1995 -----
Revenues:		
Net sales	\$ 141,387	\$ 151,083
Other income (expenses), net	(383)	(101)
	-----	-----
Total	141,004	150,982
	-----	-----
Costs and expenses:		
Cost of goods sold	113,734	128,005
Selling, general and administrative	11,220	12,421
Research and development	2,429	1,970
Interest	650	723
Unusual items	(10,747)	650
	-----	-----
Total	117,286	143,769
	-----	-----
Income before income taxes	23,718	7,213
Income taxes	7,371	2,768
	-----	-----
Net income	\$ 16,347	\$ 4,445
	=====	=====
Earnings per common and dilutive common equivalent share	\$ 1.27	\$ 0.33
	=====	=====
Shares used to compute earnings per common and dilutive common equivalent share	12,877	13,512
	=====	=====

See accompanying notes to financial statements.

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

	Three Months Ended March 31	
	1996	1995
Cash flows from operating activities:		
Net income	\$ 16,347	\$ 4,445
Adjustments for noncash items:		
Depreciation	6,047	5,755
Amortization of intangibles	143	148
Deferred income taxes	(2,623)	1,104
Accrued pension income and postretirement benefits	(401)	(453)
Pretax gain on the sale of Molded Products	(19,893)	--
Pretax loss on the expected sale of Brudi	9,146	--
Changes in assets and liabilities, net of effects from divestitures and acquisition:		
Accounts and notes receivable	(5,875)	(14,873)
Inventories	1,638	3,873
Income taxes recoverable	2,179	1,404
Prepaid expenses and other	(617)	(2,113)
Accounts payable	2,911	8,002
Accrued expenses and income taxes payable	6,805	269
Other, net	141	(997)
	-----	-----
Net cash provided by operating activities	15,948	6,564
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(7,817)	(3,970)
Acquisition (net of \$358 cash acquired)	--	(3,637)
Investments	(50)	(800)
Property disposals	43	175
Proceeds from the sale of Molded Products (net of transaction costs of \$3,527)	53,973	--
Other, net	28	155
	-----	-----
Net cash provided by (used in) investing activities	46,177	(8,077)
	-----	-----
Cash flows from financing activities:		
Dividends paid	(731)	(542)
Net decrease in borrowings	--	(2,500)
Other, net	182	520
	-----	-----
Net cash used in financing activities	(549)	(2,522)
	-----	-----
Increase (decrease) in cash and cash equivalents	61,576	(4,035)
Cash and cash equivalents at beginning of period	2,145	9,036
	=====	=====
Cash and cash equivalents at end of period	\$ 63,721	\$ 5,001
	=====	=====

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

1. In the opinion of management, the accompanying consolidated financial statements of Tredegar Industries, Inc. and Subsidiaries ("Tredegar") contain all adjustments necessary to present fairly, in all material respects, Tredegar's consolidated financial position as of March 31, 1996, and the consolidated results of their operations and their cash flows for the three months ended March 31, 1996 and 1995. All such adjustments are deemed to be of a normal recurring nature. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in Tredegar's Annual Report on Form 10-K for the year ended December 31, 1995. The results of operations for the three months ended March 31, 1996, are not necessarily indicative of the results to be expected for the full year.
2. On March 29, 1996, Tredegar sold all of the outstanding capital stock of its injection molding subsidiary, Tredegar Molded Products Company, including Polestar Plastics Manufacturing Company (together "Molded Products"), to Precise Technology, Inc. ("Precise") for cash consideration of \$57.5 million. In addition, Tredegar received unregistered cumulative redeemable preferred stock of Precise with a face amount of \$2.5 million, which is not currently marketable. Dividends on the preferred stock are payable quarterly at an annual rate of 7% beginning June 30, 1996. The preferred stock is redeemable in full on March 29, 2007 or earlier upon the occurrence of certain events. Both dividends and redemption are subordinated to other outstanding debt of Precise.

No value has been assigned by Tredegar to the preferred stock received from Precise due to the uncertainty of redemption. Consistent therewith, dividend income on such stock will not be recognized by Tredegar until received.

Proceeds from the sale of Molded Products will be invested in cash equivalents until other opportunities, in existing businesses or elsewhere, are identified.

Tredegar recognized a gain of \$19.9 million (\$13.7 million after income taxes) on the sale of Molded Products in the first quarter of 1996. The gain was partially offset by a first-quarter charge of \$9.1 million (\$5.7 million after income tax benefits) related to an anticipated loss on Tredegar's divestiture of Brudi, Inc. and its subsidiaries (together "Brudi"), which is expected to occur during the second quarter of 1996. The Brudi charge includes a \$1 million loss accrued for payments remaining under a noncompetition and secrecy agreement entered into when Tredegar acquired Brudi on April 1, 1991. As of March 31, 1996, Brudi had net assets of \$18.2 million (stated at estimated proceeds from expected disposal less cost to sell).

Additional information on the sales and operating results for Molded Products and Brudi is provided in Note 3 on page 6 and the segment tables on page 9.

3. Historical and pro forma net income and earnings per common and dilutive common equivalent share, adjusted for unusual items affecting the comparability of operating results and the pro forma effects of the Molded Products sale and the expected divestiture of Brudi (see Note 2 on page 5), are presented below:

	(In Thousands Except Per-Share Amounts)		
	Three Months Ended March 31		Year Ended Dec. 31,
	1996	1995	1995
	-----	-----	-----
Historical net income as reported	\$ 16,347	\$ 4,445	\$ 24,053
After-tax effects of unusual items:			
Combined net gain on the sale of Molded Products and the expected divestiture of Brudi	(8,059)	--	--
Gain on sale of Regal Cinema shares	--	--	(451)
APPX Software restructuring charge	--	1,560	1,560
Recovery in connection with a Film Products product liability lawsuit	--	(1,068)	(1,068)
		-----	-----
Historical net income as adjusted for unusual items	8,288	4,937	24,094
Pro forma adjustments:			
Combined after-tax operating profit of Molded Products and Brudi	(737)	(17)	(1,696)
Reduction of Tredegar's after-tax cost for certain benefit plans due to the curtailment of participation by Molded Products employees	161	133	531
After-tax interest income on assumed investment in cash equivalents of expected after-tax divestiture proceeds at an annual rate of 5.40%, 5.95% and 5.90%, respectively	571	625	2,478
		-----	-----
Pro forma net income as adjusted for unusual items and the pro forma effects of the Molded Products sale and the expected divestiture of Brudi	\$ 8,283	\$ 5,678	\$ 25,407
		=====	=====

			=====
Earnings per common and dilutive common equivalent share (adjusted for 3-for-2 stock split effective January 1, 1996):			
As reported	\$ 1.27	\$ 0.33	\$ 1.80
As adjusted for unusual items	0.64	0.36	1.80
Pro forma as adjusted for unusual items and the pro forma effects of the Molded Products sale and the expected divestiture of Brudi	0.64	0.42	1.90

The pro forma operating results presented above assume that Tredegar sold Molded Products and Brudi at the beginning of the periods shown and invested related after-tax proceeds of approximately \$48 million and \$21 million, respectively, in cash equivalents. The pro forma financial information is unaudited and does not purport to be indicative of the future results or financial position of Tredegar or the net income and financial position that would actually have been attained had the divestitures occurred on the dates or for the period indicated.

4. The components of inventories are as follows:

	(In Thousands)	
	March 31	Dec. 31
	1996	1995
	-----	-----
Finished goods	\$ 2,065	\$ 4,619
Work-in-process	1,324	4,217
Raw materials	7,728	17,946
Stores, supplies and other	6,399	6,366
	=====	=====
Total	\$17,516	\$33,148
	=====	=====

The decline in inventory during the period is due primarily to the sale of Molded Products on March 29, 1996, and the classification in current assets at March 31, 1996, of the net assets of Brudi expected to be sold during the second quarter of 1996 (see Note 2 on page 5).

5. Interest payments (net of amount capitalized) for the three months ended March 31, 1996 and 1995 were \$20,000 and \$84,000, respectively. Income tax payments (net) for the three months ended March 31, 1996 and 1995 were \$700,000 and \$1.8 million, respectively.

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

Results of Operations

First Quarter 1996 Compared with First Quarter 1995

Net income for the first quarter of 1996 was \$16.3 million or \$1.27 per share, up from \$4.4 million or 33 cents per share in the first quarter of 1995. Unusual items recognized in the first quarter of 1996 affecting the comparability of operating results include a gain of \$19.9 million (\$13.7 million after income taxes) on the sale of Molded Products on March 29, 1996, partially offset by a charge of \$9.1 million (\$5.7 million after income tax benefits) related to an anticipated loss on Tredegar's divestiture of Brudi, which is expected to occur during the second quarter of 1996 (see Note 2 on page 5 and Note 3 on page 6). Unusual items recognized in the first quarter of 1995 affecting the comparability of operating results include a charge of \$2.4 million (\$1.6 million after income tax benefits) for the restructuring of APPX Software and a recovery of \$1.75 million (\$1.1 million after income taxes) related to a final judgment in connection with a Film Products product liability lawsuit.

Net income excluding unusual items for the first quarter of 1996 was \$8.3 million or 64 cents per share, up from \$4.9 million or 36 cents per share in the first quarter of 1995. The improved results were driven primarily by higher volume in domestic and foreign disposable films (mainly films used in personal hygiene products), and cost reductions and quality improvements in Aluminum Extrusions.

First-quarter net sales decreased by 6.4% in 1996 due primarily to lower selling prices, reflecting lower plastic resin and aluminum costs, and lower volume in Aluminum Extrusions, partially offset by higher volume of disposable films.

The gross profit margin during the first quarter of 1996 increased to 19.6% from 15.3% in 1995 due to higher disposable films volume and lower plastic resin costs in Film Products, cost reductions and quality improvements in Aluminum Extrusions, and improved profitability at Brudi and Molded Products.

Selling, general and administrative expenses decreased by \$1.2 million or 9.7% due primarily to cost reductions at APPX Software and Molded Products and lower bad debt expenses and sales commissions in Aluminum Extrusions, partially offset by selling, general and administrative expenses from the plastics films business acquired in Argentina in March 1995.

Research and development expenses increased by \$459,000 or 23.3% due to higher product development spending at Film Products and higher spending at Molecumetics.

Interest expense declined due to lower revolving credit facility fees and slightly lower average debt outstanding.

The effective tax rate excluding unusual items declined to 36.1% from 37.2% due primarily to a lower effective state income tax rate from proportionally higher domestic income in states with lower tax rates, a reduction of certain losses not deductible for state income tax purposes and proportionally higher foreign income.

Segment Results

The following tables present Tredegar's net sales and operating profit by segment for the three months ended March 31, 1996 and 1995.

Net Sales by Segment (In Thousands) (Unaudited)

	Three Months Ended March 31		Favorable (Unfav.) % Change
	1996	1995	
Plastics:			
Film Products and Fiberlux	\$ 59,457	\$ 60,907	(2.4)
Molded Products	21,131	21,727	(2.7)
Metal Products:			
Aluminum Extrusions	52,916	59,547	(11.1)
Brudi	7,512	8,524	(11.9)
Technology	371	378	(1.9)
	=====	=====	=====
Total net sales	\$141,387	\$151,083	(6.4)
	=====	=====	=====

Operating Profit by Segment (In Thousands) (Unaudited)

	Three Months Ended March 31		Favorable (Unfav.) % Change
	1996	1995	
Plastics:			
Film Products and Fiberlux	\$ 11,045	\$ 8,897	24.1
Molded Products	1,011	398	154.0
Unusual items (a)	19,893	1,750	1,036.7
	-----	-----	-----
	31,949	11,045	189.3
	-----	-----	-----
Metal Products:			
Aluminum Extrusions	4,976	3,627	37.2
Brudi	223	(302)	--
Unusual items (b)	(9,146)	--	--
	-----	-----	-----
	(3,947)	3,325	--
	-----	-----	-----
Technology:			
Ongoing operations	(1,245)	(1,655)	24.8
Unusual items (c)	--	(2,400)	100.0
	-----	-----	-----
	(1,245)	(4,055)	69.3
	-----	-----	-----
Total operating profit	26,757	10,315	159.4
Interest expense	650	723	10.1
Corporate expenses, net	2,389	2,379	(0.4)
	-----	-----	-----
Income before income taxes	23,718	7,213	228.8
Income taxes	7,371	2,768	(166.3)
	=====	=====	=====
Net income (d)	\$ 16,347	\$ 4,445	267.8
	=====	=====	=====

Notes to Segment Tables:

- (a) Includes a pretax gain recognized in the first quarter of 1996 on the sale of Molded Products and a recovery recognized in the first quarter of 1995 related to a final judgment in connection with a Film Products product liability lawsuit (see Note 2 on page 5 and Note 3 on page 6)
- (b) Represents a pretax charge for the anticipated loss on Tredegar's divestiture of Brudi, which is expected to occur during the second quarter of 1996 (see Note 2 on page 5 and Note 3 on page 6).
- (c) Represents a pretax charge for the restructuring of APPX Software (see Note 3 on page 6).
- (d) See Note 3 on page 6 for historical and pro forma net income and earnings per common and dilutive common equivalent share adjusted for unusual items affecting the comparability of operating results and the pro forma effects of the Molded Products sale and the expected divestiture of Brudi.

Sales in Film Products decreased during the first quarter of 1996 due to lower selling prices, reflecting lower plastic resin costs, partially offset by higher volume in domestic and foreign disposable films. Operating profit improved in Film Products due to higher disposable films volume and lower resin costs, partially offset by startup costs associated with nonwoven film laminate (cloth-like) backsheet production. Sales also declined in Molded Products and Fiberlux, reflecting lower selling prices and raw material costs, while operating profits and margins improved.

Sales in Aluminum Extrusions declined during the first quarter of 1996 by 11.1% due to lower volume (down 7.1%) and lower selling prices, which reflected lower aluminum costs. Operating profit increased by \$1.3 million or 37.2% due to higher margins resulting from lower aluminum costs, sales commissions and bad debt expenses and quality improvements. Brudi sales declined while operating profit improved due to lower bad debt expenses and higher margins.

Ongoing Technology segment losses declined by \$410,000 during the first quarter of 1996 due to the restructuring of APPX Software, partially offset by higher research and development spending at Molecumetics.

Liquidity and Capital Resources

Tredegar's total assets increased to \$328.1 million at March 31, 1996, from \$314.1 million at December 31, 1995, due to the sale of Molded Products for cash consideration of \$57.5 million, which was \$13.3 million greater than the book value of its assets at December 31, 1995. Accounts payable, accrued expenses, deferred income taxes and other noncurrent liabilities declined from December 31, 1995 to March 31, 1996, due to the sale of Molded Products and the classification in current assets at March 31, 1996, of the net assets of Brudi expected to be sold during the second quarter of 1996. Income taxes payable of \$6.9 million primarily reflects the income taxes due on the gain from the sale of Molded Products, which are expected to be paid by June 15, 1996.

Debt at March 31, 1996 and December 31, 1995, consisted of a \$35 million, 7.2% note maturing in June 2003 (annual principal payments of \$5 million will begin in June 1997). At March 31, 1996, Tredegar had cash and cash equivalents in excess of debt of \$28.7 million, compared to net debt (debt in excess of cash and cash equivalents) of \$32.9 million at December 31, 1995.

Net cash provided by operating activities in excess of capital expenditures and dividends increased to \$7.4 million in the first quarter of 1996 from \$2.1 million in 1995 due to improved operating results and the timing of income tax payments (including income taxes due on the gain from the sale of Molded Products), partially offset by higher capital expenditures. For the quarter ended March 31, 1996, capital expenditures of \$7.8 million exceeded depreciation and prior-period capital expenditures by \$1.8 million and \$3.9 million, respectively, due to capital additions for new nonwoven film laminate capacity, expansion of permeable film capacity in Europe and Brazil, and the initial phases of a modernization program to upgrade certain areas of the aluminum extrusions facility in Newnan, Georgia. Approximately \$4.2 million is expected to be spent on the Newnan program in 1996 and 1997, most of which will occur in 1996.

The \$7.4 million of excess cash generated during the first quarter of 1996 combined with the \$2.1 million cash and cash equivalents balance at December 31, 1995, the proceeds from the sale of Molded Products (\$54 million after transaction costs) and cash from property disposals and other sources (\$200,000), resulted in a \$63.7 million cash and cash equivalents balance at March 31, 1996.

PART II - OTHER INFORMATION

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

(a) Exhibit No.

11 Statement re computation of earnings per share

27 Financial Data Schedule

(b) Reports on Form 8-K.

On March 29, 1996, Tredegar sold all of the outstanding capital stock of its injection molding subsidiary, Tredegar Molded Products Company, including Polestar Plastics Manufacturing Company (together "Molded Products"), to Precise Technology, Inc. ("Precise") for cash consideration of \$57.5 million. In addition, Tredegar received unregistered cumulative redeemable preferred stock of Precise with a face amount of \$2.5 million, which is not currently marketable. Dividends on the preferred stock are payable quarterly at an annual rate of 7% beginning June 30, 1996. Included in the Form 8-K was pro forma financial information reflecting the divestiture of Molded Products.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Tredegar Industries, Inc.
(Registrant)

Date: May 10, 1996

/s/ N. A. Scher

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

Date: May 10, 1996

/s/ D. Andrew Edwards

D. Andrew Edwards
Corporate Controller
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
11	Statement re computation of earnings per share
27	Financial Data Schedule

Exhibit 11 - Computations of Earnings Per Share
 Tredegar Industries, Inc. and Subsidiaries
 (In Thousands, Except Per-Share Amounts)
 (Unaudited)

	Three Months Ended March 31	
	1996	1995
	-----	-----
Net income	\$16,347 =====	\$ 4,445 =====
Earnings per common and dilutive common equivalent share as reported (1)	\$ 1.27 =====	\$ 0.33 =====
PRIMARY EARNINGS PER SHARE:		
Shares issuable upon the assumed exercise of outstanding stock options (2)	690	230
Weighted average common shares outstanding during period	12,187 -----	13,512 -----
Weighted average common and dilutive common equivalent shares	12,877 =====	13,742 =====
Primary earnings per share (1)	\$ 1.27 =====	\$ 0.32 =====
FULLY DILUTED EARNINGS PER SHARE:		
Shares issuable upon the assumed exercise of outstanding stock options (3)	690	312
Weighted average common shares outstanding during period	12,187 -----	13,512 -----
Weighted average common and dilutive common equivalent shares	12,877 =====	13,824 =====
Fully diluted earnings per share (3)	\$ 1.27 =====	\$ 0.32 =====

Notes to Exhibit 11:

- (1) Shares used to compute earnings per common and dilutive common equivalent share include common stock equivalents for the first quarter ended March 31, 1996. Common stock equivalents were not dilutive by 3% or more during the first quarter ended March 31, 1995, and therefore were excluded from the computation of earnings per common and dilutive common equivalent share reported in the consolidated statements of income for that period.
- (2) Computed using the average market price during the related period.
- (3) Computed using the higher of the average market price during the related period and the market price at the end of the related period. Fully diluted earnings per common and dilutive common equivalent share is not materially different (dilutive by 3% or more) from earnings per common and dilutive common equivalent share reported in the consolidated statements of income.

THE SCHEDULE CONTAINS UNAUDITED SUMMARY FINANCIAL INFORMATION OR TREDEGAR INDUSTRIES, INC. AND SUBSIDIARIES EXTRACTED FROM THE BALANCE SHEET FOR THE PERIOD ENDED MARCH 31, 1996 AND THE STATEMENT OF INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

3-MOS	
DEC-31-1996	MAR-31-1996
	63,721
	0
65,699	
3,905	
17,516	
180,474	256,392
164,155	
328,148	
71,361	35,000
0	0
	113,119
328,148	73,197
	141,387
141,004	113,734
113,734	
2,816	
86	
650	
23,718	7,371
16,347	0
	0
	0
16,347	
1.27	
0.00	