

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, 1995

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 (I.R.S. Employer
of incorporation or organization) 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 No

The number of shares of Common Stock, no par value, outstanding as of April 13, 1995: 9,035,697

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

TREDEGAR INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

ASSETS	March 31 1995	December 31 1994
Cash and cash equivalents	\$ 5,001	\$ 9,036
Accounts and notes receivable	91,458	73,248
Inventories	33,285	35,369
Income taxes recoverable	1,130	2,534
Deferred income taxes	14,778	14,014
Prepaid expenses and other	2,809	696
Total current assets	148,461	134,897
Property, plant and equipment	321,085	318,124
Less accumulated depreciation and amortization	198,225	194,505
Net property, plant and equipment	122,860	123,619

Other assets and deferred charges	32,508	29,073
Goodwill and other intangibles	30,573	30,756
Total assets	\$ 334,402	\$ 318,345
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable	\$ 42,070	\$ 31,486
Accrued expenses	42,131	41,288
Total current liabilities	84,201	72,774
Long-term debt	35,500	38,000
Deferred income taxes	21,682	20,336
Other noncurrent liabilities	16,419	15,357
Total liabilities	157,802	146,467
Shareholders' equity:		
Common stock, no par value	136,691	136,150
Foreign currency translation adjustment	605	327
Retained earnings	39,304	35,401
Total shareholders' equity	176,600	171,878
Total liabilities and shareholders' equity	\$ 334,402	\$ 318,345

See accompanying notes to financial statements.

TREDEGAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per-share amounts)
(Unaudited)

	Three Months Ended	
	March 31	
	1995	1994
Net sales	\$151,083	\$120,994
Other (expense) income, net	(101)	(231)
	150,982	120,763
Cost of goods sold	128,005	102,250
Selling, general & administrative expenses	12,421	11,295
Research & development expenses	1,970	1,839
Interest expense	723	1,177
Unusual items	650	9,521
	143,769	126,082
Income (loss) from continuing operations before income taxes	7,213	(5,319)
Income taxes	2,768	(226)
Income (loss) from continuing operations	4,445	(5,093)
Income from discontinued operations	-	8,693
Net income	\$ 4,445	\$ 3,600
Earnings (loss) per share:		
Continuing operations	\$.49	\$ (.47)
Discontinued operations	-	.80
Net income	\$.49	\$.33
Shares used to compute earnings (loss) per share	9,008	10,896

See accompanying notes to financial statements.

TREDEGAR INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months	
	Ended March 31	
	1995	1994
Cash flows from operating activities:		
Continuing operations:		
Income (loss) from continuing operations	\$ 4,445	\$(5,093)
Adjustments for noncash items:		
Depreciation	5,755	5,840
Amortization of intangibles	148	719
Write-off of intangibles	-	9,521
Deferred income taxes	1,104	(2,682)
Accrued pension income and postretirement benefits, net	(453)	298
Changes in assets and liabilities:		
Accounts and notes receivable	(14,873)	(6,339)
Inventories	3,873	3,107
Income taxes recoverable	1,404	-
Prepaid expenses and other	(2,113)	(539)
Accounts payable	8,002	2,210
Accrued expenses and income taxes payable	269	5,115
Other, net	(997)	(1,055)
Net cash provided by continuing operating activities	6,564	11,102
Net cash provided by discontinued operating activities	-	6,198
Net cash provided by operating activities	6,564	17,300
Cash flows from investing activities:		
Continuing operations:		
Capital expenditures	(3,970)	(3,824)
Acquisitions (net of \$358 cash acquired)	(3,637)	-
Investments	(800)	-
Property disposals	175	280
Other, net	155	(124)
Net cash used in investing activities of continuing operations	(8,077)	(3,668)
Discontinued operations:		
Capital expenditures	-	(10)
Property disposals		7,927
Net cash provided by investing activities of discontinued operations	-	7,917
Net cash (used in) provided by investing activities	(8,077)	4,249
Cash flows from financing activities:		
Dividends paid	(542)	(654)
Net decrease in borrowings	(2,500)	(19,000)
Other, net	520	(14)
Net cash used in financing activities	(2,522)	(19,668)
(Decrease) increase in cash and cash equivalents	(4,035)	1,881
Cash and cash equivalents at beginning of period	9,036	-
Cash and cash equivalents at end of period	\$ 5,001	\$ 1,881
Supplemental cash flow information:		
Interest payments (net of amount capitalized)	\$ 84	\$ 676
Income tax payments, net	\$ 1,810	\$ 1,662

See accompanying notes to financial statements.

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

1. In the opinion of management, the accompanying consolidated financial statements of Tredegar Industries, Inc. and Subsidiaries ("Tredegar") contain all adjustments necessary to present fairly, in all material respects, Tredegar's consolidated financial position as of March 31, 1995, and the consolidated results of their operations and their cash flows for the three months ended March 31, 1995 and 1994. 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, 1994. The results of operations for the three months ended March 31, 1995 are not necessarily indicative of the results to be expected for the full year.
2. On April 11, 1995, Tredegar's Board of Directors authorized a "Dutch Auction" tender offer for up to one million shares of Tredegar's common stock at a price range of \$20 to \$23 per share. The offer will be funded with available cash and cash equivalents and borrowings under Tredegar's revolving credit facilities. Additional information (including pro forma data) concerning the offer is contained in Tredegar's tender offer statement on Schedule 13E-4 filed with the Securities and Exchange Commission on April 17, 1995.

During the first quarter of 1995, Tredegar granted stock options to purchase 146,000 shares of Tredegar common stock at prices not less than the fair market value on the date of grant (\$17.375 to \$18.75) and for a term not to exceed 10 years.

3. The components of inventories are as follows:

	(In thousands)	
	March 31	December 31
	1995	1994
Finished goods	\$ 4,761	\$ 4,970
Work-in-process	3,885	5,243
Raw materials	16,600	18,004
Stores, supplies and other	8,039	7,152
Total	\$33,285	\$35,369

4. Unusual items in 1995 include a charge of \$2.4 million (\$1.6 million after income tax benefits or 17 cents per share) related to the restructuring of APPX Software ("APPX") aimed at eliminating operating losses and a recovery of \$1.75 million (\$1.1 million after income taxes or 12 cents per share) related to a final judgment in connection with a Film Products product liability lawsuit. The APPX charge includes

estimated losses on the disposal of assets (\$1,100,000), severance costs (\$600,000) and costs for the termination of leases and certain contracts (\$700,000). Product development efforts have been curtailed while APPX continues to support its existing products. APPX incurred operating losses (excluding unusual items) in 1994 of \$4.7 million (\$3.1 million after income tax benefits) on revenues of \$2.5 million. APPX operating losses (excluding unusual items) and revenues in the first quarter of 1995 were \$478,000 and \$378,000, respectively, compared to \$1,636,000 and \$379,000, respectively, in the first quarter of 1994.

Unusual items in 1994 include the write-off of goodwill and other intangibles in APPX totalling \$9.5 million (\$7.6 million after income tax benefits or 70 cents per share).

Net income and earnings per share from continuing operations, adjusted for unusual items affecting the comparability of operating results, are presented below:

	(In thousands, except per-share amounts)	
	Three Months Ended March 31	
	1995	1994
Net income (loss) from continuing operations	\$ 4,445	\$(5,093)
After-tax effects of unusual items:		
Restructuring charges associated with APPX	1,560	-
Recovery in connection with a Film Products' product liability lawsuit	(1,068)	-
Write-off of APPX intangibles	-	7,642
Income from continuing operations as adjusted for unusual items	\$ 4,937	\$ 2,549
Earnings (loss) per share from continuing operations:		
As reported	\$.49	\$ (.47)
As adjusted for unusual items	.54	.23

5. Tredegar is reporting its former Energy segment, which was divested in 1994, as discontinued operations.

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

Results of Operations

First Quarter 1995 Compared with First Quarter 1994

Net income from continuing operations for the first quarter of 1995 was \$4.4 million, or 49 cents per share, compared with a loss of \$5.1 million, or 47 cents per share, in the first quarter of 1994. 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 or 17 cents per share) for the restructuring of APPX Software ("APPX") and a recovery of \$1.75 million (\$1.1 million after income taxes or 12 cents per share) related to a final judgment in connection with a Film Products product liability lawsuit. Unusual items in the first quarter of 1994 affecting the comparability of operating results includes a charge of \$9.5 million (\$7.6 million after income tax benefits or 70 cents per share) for the write-off of goodwill and other intangibles in APPX.

First quarter 1995 net income from continuing operations excluding unusual items was \$4.9 million, or 54 cents per share, compared with \$2.5 million, or 23 cents per share, in the first quarter of 1994. Overall, this significant increase was driven primarily by higher profits from volume growth in Aluminum Extrusions. Other factors include a decrease in losses at APPX due to restructuring, favorable performance in Molded Products due to higher sales volume, lower interest expense from lower average debt outstanding and accretion in earnings per share from share repurchases in 1994. Film Products operating profits declined primarily from lower domestic backsheet film volume and margins.

First quarter net sales increased 25% in 1995 due primarily to higher selling prices reflecting higher aluminum and plastic resin costs. Sales volume growth at Aluminum Extrusions, Molded Products and Brudi also contributed to the increase (see Segment Results on page 9 for further discussion).

The gross profit margin decreased to 15.3% in 1995 from 15.5% in 1994 due to lower margins in Film Products, partially offset by relatively lower conversion costs on higher sales volume in Aluminum Extrusions and Molded Products.

Selling, general and administrative expenses increased 10% over 1994 primarily in support of higher levels of sales. However, such expenses as a percentage of sales declined from 9.3% in the first quarter of 1994 to 8.2% in the first quarter of 1995.

Research and development expenses increased 7% due to higher spending at Molecumetics and higher product development spending at Film Products, partially offset by the curtailment of product development spending at APPX.

Interest expense for continuing operations decreased 39% as a result of significantly lower average debt levels. The average interest rate on debt outstanding during the first quarter of 1995 was 7.2% (all fixed-rate debt) compared with 5.5% in 1994 (a mix of fixed and floating-rate debt). Interest expense of \$136,000 was allocated to discontinued operations in the first quarter of 1994, based on relative capital employed.

The effective tax rate for continuing operations, excluding special items, decreased to 37.2% in 1995 from 39.3% in 1994. The higher rate in 1994 reflects the combined effects of higher nondeductible goodwill amortization and significantly lower income. A significant portion of the nondeductible goodwill amortization was eliminated at the end of the first quarter of 1994 with the write-off of APPX intangibles.

Segment Results

The following tables present Tredegar's net sales and operating profit by segment for the three months ended March 31, 1995 and 1994.

Net Sales by Segment (In thousands) (Unaudited)

	Three Months Ended March 31	
	1995	1994
	Plastics	\$ 82,634
Metal Products	68,071	51,777
Technology	378	379
Total	\$151,083	\$120,994

Operating Profit by Segment (In thousands) (Unaudited)

	Three Months Ended March 31	
	1995	1994
	Plastics:	
Ongoing operations	\$ 9,295	\$ 8,995
Unusual items (a)	1,750	-
	11,045	8,995
Metal Products	3,325	1,664
Technology:		
Ongoing operations	(1,655)	(2,377)
Unusual items (b)	(2,400)	(9,521)
	(4,055)	(11,898)
Total	\$ 10,315	\$ 1,239

Notes:

- (a) Plastics segment unusual items consist of a recovery related to a final judgment in connection with a Film Products product liability lawsuit.
- (b) Technology segment unusual items consist of a charge for restructuring APPX in 1995 and a write-off of goodwill and other intangibles in APPX in 1994.

Tredegar Film Products sales increased in 1995 due primarily to higher average selling prices resulting from rising raw material costs. A decline in domestic (which includes U.S. export business) backsheet film volume from record levels in the first quarter of 1994 was partially offset by higher volume in domestic permeable films, specialty films and at

foreign operations. Ongoing operating profit declined on lower volume and margins in domestic backsheet film and lower margins in domestic permeable films, partially offset by higher profits in specialty films and at foreign operations. Lower margins in domestic backsheet and permeable films were primarily driven by the combined effects of substantially higher selling prices (reflecting higher plastic resin costs) and lower profit per unit sold.

Tredegear Molded Products sales increased in 1995 due to higher prices and volumes in all lines of business. Operating profit improved primarily as a result of higher volume on relatively flat conversion costs.

Sales at Fiberlux improved over last year reflecting primarily higher raw material costs. Operating results declined slightly.

Metal Products sales increased 31% over 1994 due primarily to higher prices in Aluminum Extrusions reflecting higher aluminum costs and improved sales at Brudi. Volume and profit improvements in Aluminum Extrusions (volume increased 4.8%) were driven by growth in construction and automotive markets and ongoing cost and quality improvements. Despite higher sales at Brudi, operating profit declined due to accruals for bad debt and warranty costs.

Sustaining the upward trend in Aluminum Extrusions' volume and profit growth, which began in the first quarter of 1993, depends, in large measure, on construction and automotive activity. A softening of these markets, as evidenced recently by lower housing starts and continued uncertainty regarding interest rates, could have an unfavorable impact on growth and earnings.

Technology segment results for the first quarter of 1995 include a charge of \$2.4 million related to the restructuring of APPX aimed at eliminating operating losses. Product development efforts have been curtailed while APPX continues to support its existing products. APPX incurred operating losses (excluding unusual items) in 1994 of \$4.7 million (\$3.1 million after income tax benefits) on revenues of \$2.5 million. APPX operating losses (excluding unusual items) and revenues in the first quarter of 1995 were \$478,000 and \$378,000, respectively, compared to \$1,636,000 and \$379,000, respectively, in the first quarter of 1994.

Excluding unusual items, Technology segment operating losses were \$1.7 million and \$2.4 million in the first quarters of 1995 and 1994, respectively. Losses decreased as a result of cost reductions at APPX due to the restructuring and the elimination of APPX intangibles amortization with the write-off of such intangibles at the end of the first quarter of 1994, partially offset by higher research and development spending in Molecumetics.

Liquidity and Capital Resources

Tredegear's total assets at March 31, 1995 were \$334.4 million, an increase of \$16.1 million over December 31, 1994. The increase is due to higher accounts receivable resulting from higher sales in Plastics and Metal Products and the acquisition of a films business in Argentina, partially offset by depreciation in excess of capital

expenditures of \$1.8 million. Higher accounts payable reflect higher raw material costs not fully reflected in inventories as a result of the LIFO pricing method, and the recent acquisition in Argentina. The ratio of current assets to current liabilities was 1.8 to 1 at March 31, 1995, compared with 1.9 to 1 at December 31, 1994.

Debt was \$35.5 million and \$38 million at March 31, 1995, and December 31, 1994, respectively (including debt of \$35 million at a fixed rate of 7.2% with an average remaining maturity of 5.25 years). Net debt (debt less cash and cash equivalents) as a percentage of net capitalization was 14.7% at March 31, 1995, compared with 14.4% at December 31, 1994.

On April 11, 1995, Tredegar's Board of Directors authorized a "Dutch Auction" tender offer for up to one million shares of Tredegar's common stock at a price range of \$20 to \$23 per share. The offer will be funded with available cash and cash equivalents and borrowings under Tredegar's revolving credit facilities. Additional information (including pro forma data) concerning the offer is contained in Tredegar's tender offer statement on Schedule 13E-4 filed with the Securities and Exchange Commission on April 17, 1995.

Net cash provided by continuing operating activities declined to \$6.6 million in 1995 from \$11.1 million in 1994 due to additional working capital needed to support a higher level of sales activity. Despite this working capital funding, cash from continuing operating activities exceeded capital expenditures and dividends by \$2 million. This excess cash combined with the \$9 million cash and cash equivalents balance at December 31, 1994, was used primarily for the films acquisition in Argentina (\$3.6 million) and repayment of debt (\$2.5 million), leaving approximately \$5 million of cash and cash equivalents on hand at March 31, 1995.

PART II - OTHER INFORMATION

Item 5. Other Information.

On April 11, 1995, Tredegar's Board of Directors authorized a "Dutch Auction" tender offer for up to one million shares of Tredegar's common stock at a price range of \$20 to \$23 per share. The offer will be funded with available cash and cash equivalents and borrowings under Tredegar's revolving credit facilities. Additional information (including pro forma data) concerning the offer is contained in Tredegar's tender offer statement on Schedule 13E-4 filed with the Securities and Exchange Commission on April 17, 1995.

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. No reports on Form 8-K have been filed for the quarter ended March 31, 1995.

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: April 17, 1995

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

Date: April 17, 1995

/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	
	1995	1994
Income (loss) from continuing operations	\$ 4,445	\$(5,093)
Income from discontinued operations	-	8,693
Net income	\$ 4,445	\$ 3,600
Earnings (loss) per share as reported:		
Income (loss) from continuing operations	\$.49	\$ (.47)
Income from discontinued operations	-	.80
Net income	\$.49	\$.33
PRIMARY EARNINGS PER SHARE:		
Shares issuable upon the assumed exercise of outstanding stock options (1)	153	37
Weighted average common shares outstanding during period	9,008	10,896
Weighted average common shares and common stock equivalents	9,161	10,933
Primary earnings per share (2)	\$.49	\$.33
FULLY DILUTED EARNINGS PER SHARE:		
Shares issuable upon the assumed exercise of outstanding stock options (3)	208	37
Weighted average common shares outstanding during period	9,008	10,896
Weighted average common shares and common stock equivalents	9,216	10,933
Fully diluted earnings per share (2)	\$.48	\$.33

- (1) Computed using the average market price during the related period.
(2) Common stock equivalents had an immaterial dilutive effect.
(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.

The schedule contains summary financial information extracted from the Balance Sheet for the period ended March 31, 1995 and the Statement of Income for the 3 months ended March 31, 1995 and is qualified in its entirety by reference to such financial statements.

1,000

3-MOS	
DEC-31-1995	MAR-31-1995
	5,001
	0
	96,557
	5,099
	33,285
148,461	321,085
	198,225
	334,402
84,201	35,500
	136,691
0	0
	39,909
334,402	151,083
	128,005
150,982	128,005
	14,410
	631
	723
	7,213
	2,768
4,445	0
	0
	0
	4,445
	.49
	0