TREDEGAR CORP
Form 10-K
March 02, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

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 (State or other jurisdiction of incorporation or organization)	54-1497771 (I.R.S. Employer Identification No.)
1100 Boulders Parkway, Richmond, Virginia (Address of principal executive offices)	23225 (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	Name of Each Exchange on Which Registered
Common Stock	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 at least the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ¨.

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

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

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter): $585,612,317*

Number of shares of Common Stock outstanding as of January 30, 2015: 32,534,984 (32,387,008 as of June 30, 2014)

* In determining this figure, an aggregate of 7,371,531 shares of Common Stock beneficially owned by Floyd D. Gottwald, Jr., John D. Gottwald, William M. Gottwald and the members of their immediate families has been excluded because the shares are deemed to be held by affiliates. The aggregate market value has been computed based on the closing price in the New York Stock Exchange Composite Transactions on June 30, 2014.

Documents Incorporated By Reference
Portions of the Tredegar Corporation Proxy Statement for the 2015 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K.

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Year Ended December 31, 2014

*Items 11, 13 and 14 and portions of Items 10 and 12 are incorporated by reference from the Proxy Statement.

PART I

Item 1. BUSINESS

Description of Business

Tredegar Corporation ("Tredegar"), a Virginia corporation incorporated in 1988, is engaged, through its subsidiaries, in the manufacture of plastic films and aluminum extrusions. The financial information related to Tredegar's film products and aluminum extrusions segments and related geographical areas included in Note 5 to the Notes to Financial Statements is incorporated herein by reference. Unless the context requires otherwise, all references herein to "Tredegar," "the Company," "we," "us" or "our" are to Tredegar Corporation and its consolidated subsidiaries.

Film Products

Tredegar Film Products Corporation and its subsidiaries (together, "Film Products") manufacture plastic films, elastics and laminate materials primarily for personal care products and surface protection and packaging applications. These products are manufactured at facilities in the United States ("U.S."), The Netherlands, Hungary, China, Brazil and India. Film Products competes in all of its markets on the basis of product innovation, quality, price and service.

Personal Care Materials. Film Products is one of the largest global suppliers of apertured, breathable, elastic and embossed films, and laminate materials for personal care markets, including:

- Apertured film and laminate materials for use as topsheet in feminine hygiene products, baby diapers and adult incontinence products (including materials sold under the SoftQuilt™, ComfortQuilt™, ComfortAire™, ComfortFeel™, SoftAire™ and FreshFeel™ brand names);
- Breathable, embossed and elastic materials for use as components for baby diapers, adult incontinence products and feminine hygiene products (including elastic components sold under the ExtraFlex™, FabriFlex™, FlexAire™ and FlexFeel™ brand names); and
- Absorbent transfer layers for baby diapers and adult incontinence products sold under the AquiDry® and AquiDry Plus™ brand names.

In 2014, 2013 and 2012, personal care materials accounted for approximately 34%, 36% and 38% of Tredegar's consolidated net sales (sales less freight) from continuing operations, respectively.

Flexible Packaging Films. Film Products produces specialized polyester ("PET") films for use in packaging applications that have specialized properties, such as heat resistance, strength, barrier protection and the ability to accept high-quality print graphics. These differentiated, high-value films are primarily sold in Latin America and the U.S. under the Terphane® and Sealphane® brand names. Major end uses include food packaging and industrial applications. Flexible packaging films accounted for approximately 12%, 14% and 16% of Tredegar's consolidated net sales from continuing operations in 2014, 2013 and 2012, respectively.

Surface Protection Films. Film Products produces single- and multi-layer surface protection films sold under the UltraMask®, ForceField™ and ForceField PEARL™ brand names. These films are used in high-technology applications, most notably protecting high-value components of flat panel displays used in televisions, monitors, notebooks, smart phones, tablets, e-readers and digital signage, during the manufacturing and transportation process. In 2014, 2013 and 2012, surface protection films accounted for approximately 10%, 10% and 8% of Tredegar's consolidated net sales from continuing operations, respectively.

Polyethylene Overwrap & Polypropylene Films. Film Products produces various types of polyethylene and polypropylene overwrap films. Applications for polyethylene films include overwrap for bathroom tissue and paper towels as these products provide customers with thin-gauge films that are readily printable and convertible on conventional processing equipment. Film Products sells these overwrap films in a highly competitive environment, contending with other commodity-based films. Film Products also manufactures polypropylene films for various industrial applications, including tape and automotive protection.

Films for Other Markets. Film Products also makes a variety of specialty films and film-based products that provide tailored functionality for the illumination market as well as various other markets. Bright View Technologies Corporation ("Bright View"), a Film Products subsidiary, is a developer and producer of high-value microstructure-based optical films for the LED (light-emitting diode) and fluorescent lighting markets. By leveraging the combination of film capabilities and its patented microstructure technology, Bright View offers optical management products for a wide range of applications, including lighting, signage and durable goods.

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Film Products' net sales by market segment over the last three years is shown below:

% of Film Products Net Sales by Market Segment *

	2014		2013		2012	
Personal care materials	55	%	55	%	53	%
Flexible packaging films	20	%	20	%	23	%
Surface protection films	16	%	15	%	11	%
Polyethylene overwrap & polypropylene films	8	%	9	%	10	%
Films for other markets	1	%	1	%	3	%
Total	100	%	100	%	100	%

* See previous discussion by market segment for comparison of net sales to the Company's consolidated net sales for material market segments for each of the years presented.

Raw Materials. The primary raw materials used by Film Products in polyethylene and polypropylene films are low density, linear low density and high density polyethylene and polypropylene resins. Purified terephthalic acid ("PTA") and monoethylene glycol ("MEG") are the primary raw materials used by Film Products to produce the polyester resins utilized in PET films. Prospectively, Film Products will purchase additional polyester resins directly from suppliers. All of these raw materials are obtained from domestic and foreign suppliers at competitive prices, and Film Products believes that there will be an adequate supply of polyethylene, polypropylene, and polyester resins as well as PTA and MEG in the foreseeable future. Film Products also buys polypropylene-based nonwoven fabrics based on the resins previously noted and styrenic block copolymers, and it believes there will be an adequate supply of these raw materials in the foreseeable future.

Customers. Film Products sells to many branded product producers throughout the world. Its largest customer is The Procter & Gamble Company ("P&G"). Net sales to P&G totaled $221 million in 2014, $262 million in 2013 and $264 million in 2012 (these amounts include film sold to third parties that converted the film into materials used with products manufactured by P&G).

P&G and Tredegar have a successful long-term relationship based on cooperation, product innovation and continuous process improvement. For additional information on the relationship with P&G, see "Item 1A. Risk Factors" beginning on page 5.

Aluminum Extrusions

The William L. Bonnell Company, Inc. and its subsidiaries (together, "Aluminum Extrusions"), which is known as Bonnell Aluminum in the marketplace, produce high-quality, soft-alloy and medium-strength aluminum extrusions primarily for building and construction, automotive, consumer durables, machinery and equipment, electrical and distribution markets. Aluminum Extrusions manufactures mill (unfinished), anodized (coated) and painted and fabricated aluminum extrusions for sale directly to fabricators and distributors, and it competes primarily on the basis of product quality, service and price. Sales are made primarily in the U.S.

On October 1, 2012, Aluminum Extrusions acquired AACOA, Inc. ("AACOA"). AACOA produces aluminum extrusions and provides anodizing services to customers in the consumer durables, machinery and equipment and transportation markets. The acquisition of AACOA allows Aluminum Extrusions to add fabrication capabilities to its array of products and services while providing AACOA with large press capabilities and enhanced geographic sales coverage in a variety of end-use markets.

The primary end-uses in each of Aluminum Extrusions' primary market segments include:

Major Markets	End-Uses
Building & construction - nonresidential	Commercial windows and doors, curtain walls, storefronts and entrances, walkway covers, ducts, louvers and vents, office wall panels, partitions and interior enclosures, acoustical walls and ceilings, point of purchase displays and pre-engineered structures
Building & construction - residential	Shower and tub enclosures, railing and support systems, venetian blinds, swimming pools and storm shutters
Consumer durables	Furniture, pleasure boats, refrigerators and freezers, appliances and sporting goods
Machinery & equipment	Material handling equipment, conveyors and conveying systems, industrial modular assemblies and medical equipment
Automotive	Automotive and light truck structural components, spare parts, after-market automotive accessories, travel trailers and recreation vehicles
Distribution (metal service centers specializing in stock and release programs and custom fabrications to small manufacturers)	Various custom profiles including storm shutters, pleasure boat accessories, theater set structures and various standard profiles (including rod, bar, tube and pipe)
Electrical	Lighting fixtures, solar panels, electronic apparatus and rigid and flexible conduits

Aluminum Extrusions' net sales from continuing operations by market segment over the last three years is shown below:

% of Aluminum Extrusions Net Sales by Market Segment (Continuing Operations) *	2014		2013		2012	
Building and construction:						
Nonresidential	58	%	58	%	67	%
Residential	6	%	7	%	10	%
Consumer durables	13	%	13	%	5	%
Machinery & equipment	8	%	7	%	4	%
Automotive	6	%	6	%	5	%
Distribution	5	%	4	%	6	%
Electrical	4	%	5	%	3	%
Total	100	%	100	%	100	%

* Includes net sales for AACOA subsequent to being acquired on October 1, 2012.

In 2014, 2013 and 2012, nonresidential building and construction accounted for approximately 22%, 19% and 19% of Tredegar's consolidated net sales (sales less freight) from continuing operations, respectively.

Raw Materials. The primary raw materials used by Aluminum Extrusions consist of aluminum ingot, aluminum scrap and various alloys, which are purchased from domestic and foreign producers in open-market purchases and under short-term contracts. Aluminum Extrusions believes that it has adequate long-term supply agreements for aluminum and other required raw materials and supplies in the foreseeable future.

Other

Tredegar's operations previously included an additional segment, Other, comprised of the start-up operations of Bright View and Falling Springs, LLC ("Falling Springs"). The operations of Bright View were incorporated into Film Products effective January 1, 2012 to better leverage efforts to produce films for new market segments. Prior year balances for Bright View have been reclassified to Film Products to conform with the current presentation.

As a subsidiary of Tredegar, Falling Springs developed, owned and operated multiple mitigation banks. Through the establishment of perpetual easements to restore, enhance and preserve wetlands, streams or other protected environmental resources, these mitigation banks created saleable credits that were used by the purchaser of credits to offset the negative environmental impacts from private and public development projects. On November 20, 2012, the Company sold its membership interests in Falling Springs to Arc Ventures, LC, a Virginia limited liability company affiliated with John D. Gottwald, a member of Tredegar's Board of Directors, for cash and stock proceeds of $16.6 million. The corresponding loss on sale of $3.1 million and the results of operations related to Falling Springs have been classified as discontinued operations for all periods presented. With the sale of Falling Springs, there is no longer an Other segment to report.

General

Intellectual Property. Tredegar considers patents, licenses and trademarks to be significant to Film Products. As of December 31, 2014, Film Products held 273 issued patents (81 of which are issued in the U.S.) and 122 trademarks (14 of which are issued in the U.S.). Aluminum Extrusions held one U.S. patent and three U.S. trademark registrations. These patents have remaining terms ranging from 1 to 20 years. Tredegar also has licenses under patents owned by third parties.

Research and Development. Tredegar's spending for research and development ("R&D") activities in 2014, 2013 and 2012 was primarily related to Film Products. Film Products has technical centers in Bloomfield, New York; Durham, North Carolina; Richmond, Virginia; and Terre Haute, Indiana. R&D spending was approximately $12.1 million in 2014, $12.7 million in 2013 and $13.2 million in 2012.

Backlog. Backlogs are not material to the operations in Film Products. Overall backlog for continuing operations in Aluminum Extrusions at December 31, 2014 increased by approximately 54% compared with December 31, 2013. Volume for Aluminum Extrusions, which it believes is cyclical in nature, was 153.8 million pounds in 2014, 143.7 million pounds in 2013 and 114.8 million pounds in 2012.

Government Regulation. U.S. laws concerning the environment to which the Company's domestic operations are or may be subject include, among others, the Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), all as amended, regulations promulgated under these acts, and any other federal, state or local laws or regulations governing environmental matters. Compliance with these laws is an important consideration because Tredegar uses hazardous materials in some of its operations, is a generator of hazardous waste, and wastewater from the Company's operations is discharged to various types of wastewater management systems. Under CERCLA and other laws, Tredegar may be subject to financial exposure for costs associated with waste management and disposal, even if the Company fully complies with applicable environmental laws.

The U.S. Environmental Protection Agency has adopted regulations under the Clean Air Act relating to emissions of carbon dioxide and other greenhouse gases ("GHG"), including mandatory reporting and permitting requirements. Additional regulations are anticipated. Several of the Company's manufacturing operations result in emissions or GHG and are subject to the current GHG regulations. The Company's compliance with these regulations has yet to require significant expenditures. The cost of compliance with any future GHG legislation or regulations is not presently determinable, but Tredegar does not anticipate compliance to have a material adverse effect on its financial condition or results of operations based on information currently available.

Tredegar is also subject to the governmental regulations in the countries where it conducts business.

At December 31, 2014, the Company believes that it was in substantial compliance with all applicable environmental laws, regulations and permits in the U.S. and other countries where it conducts business. Environmental standards tend to become more stringent over time. In order to maintain substantial compliance with such standards, the

Company may be required to incur additional expenditures, the amounts and timing of which are not presently determinable but which could be significant, in constructing new facilities or in modifying existing facilities. Furthermore, failure to comply with current or future laws and regulations could subject Tredegar to substantial penalties, fines, costs and expenses.

Employees. Tredegar employed approximately 2,700 people at December 31, 2014.

Available Information and Corporate Governance Documents. Tredegar's Internet address is www.tredegar.com. The Company makes available, free of charge through its website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Information filed electronically with the SEC can be accessed on its website at www.sec.gov. In addition, the Company's Corporate Governance Guidelines, Code of Conduct and the charters of the Audit, Executive Compensation, Strategic Finance and Nominating and Governance Committees are available on Tredegar's website and are available in print, without charge, to any shareholder upon request by contacting Tredegar's Corporate Secretary at 1100 Boulders Parkway, Richmond, Virginia 23225. The information on or that can be accessed through the Company's website is not, and shall not be deemed to be, a part of this report or incorporated into other filings it makes with the SEC.

Item 1A. RISK FACTORS

There are a number of risks and uncertainties that could have a material adverse effect on the operating results of the Company's businesses and consolidated financial condition and liquidity. The following risk factors should be considered, in addition to the other information included in this Annual Report on Form 10-K for the year ended December 31, 2014 ("Form 10-K"), when evaluating Tredegar and its businesses:

General

- Tredegar may not be able to successfully execute its acquisition strategy. New acquisitions, such as the October 2011 acquisition of Terphane Holdings LLC ("Terphane") and the October 2012 acquisition of AACOA, can provide meaningful opportunities to grow the Company's business and improve profitability. Acquired businesses may not achieve expected levels of revenue, profit or productivity, or otherwise perform as expected. Acquisitions involve special risks, including, without limitation, diversion of management's time and attention from existing businesses, the potential assumption of unanticipated liabilities and contingencies and potential difficulties in integrating acquired businesses and achieving anticipated operational improvements. While the Company's strategy is to acquire businesses that will improve its competitiveness and profitability, acquisitions may not be successful or accretive to earnings.
- Tredegar's performance is influenced by costs incurred by its operating companies, including, for example, the cost of raw materials and energy. These costs include, without limitation, the cost of resin, PTA and MEG (the raw materials on which Film Products primarily depends), aluminum (the raw material on which Aluminum Extrusions primarily depends), natural gas (the principal fuel necessary for Aluminum Extrusions' plants to operate), electricity and diesel fuel. Resin, aluminum and natural gas prices are extremely volatile as shown in the charts on pages 34-36. The Company attempts to mitigate the effects of increased costs through price increases and contractual pass-through provisions, but there are no assurances that higher prices can effectively be passed through to customers or that Tredegar will be able to offset fully or on a timely basis the effects of higher raw material and energy costs through price increases or pass-through arrangements. Further, the Company's cost control efforts may not be sufficient to offset any additional future declines in revenue or increases in raw material, energy or other costs.
- Noncompliance with any of the covenants in the Company's $350 million credit facility could result in all debt under the agreement outstanding at such time becoming due and limiting its borrowing capacity, which could have a material adverse effect on financial condition and liquidity. The credit agreement governing Tredegar's revolving credit facility contains restrictions and financial covenants that could restrict the Company's operational and financial flexibility. Failure to comply with these covenants could result in an event of default, which if not cured or waived, would result in all outstanding debt under the credit facility at such time becoming due, which could have a material adverse effect on the Company's financial condition and liquidity. Renegotiation of the covenant(s) through an amendment to the revolving credit facility may effectively cure the noncompliance, but may have a negative effect on the Company's consolidated financial condition or liquidity depending upon how the amended covenant is renegotiated.
- Failure to continue to attract, develop and retain certain key officers or employees could adversely affect Tredegar's businesses. The Company depends on its senior executive officers and other key personnel to run the businesses. The loss of any of these officers or other key personnel could have a material adverse effect on operations. Competition

for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees or an inability to attract, retain and motivate highly skilled employees required for the operation and expansion of Tredegar's businesses could hinder its ability to improve manufacturing operations, conduct research activities successfully and develop marketable products.

- Tredegar is subject to various environmental laws and regulations and could become exposed to material liabilities and costs associated with such laws. The Company is subject to various environmental obligations and could become subject to additional obligations in the future. In the case of known potential liabilities, it is management's judgment that the resolution of ongoing and/or pending environmental remediation obligations is not expected to have a material adverse effect on consolidated financial condition or liquidity. In any given period(s), however, it is possible such obligations or matters could have a material adverse effect on the results of operations. Changes in environmental laws and regulations, or their application, including, but not limited to, those relating to global climate change, could subject Tredegar to significant additional capital expenditures and operating expenses. Moreover, future developments in federal, state, local and international environmental laws and regulations are difficult to predict. Environmental laws have become and are expected to continue to become increasingly strict. As a result, Tredegar will be subject to new environmental laws and regulations. However, any such changes are uncertain and, therefore, it is not possible for the Company to predict with certainty the amount of additional capital expenditures or operating expenses that could be necessary for compliance with respect to any such changes.
- Material disruptions at one of the Company's major manufacturing facilities could negatively impact financial results. Tredegar believes its facilities are operated in compliance with applicable local laws and regulations and that the Company has implemented measures to minimize the risks of disruption at its facilities. A material disruption in one of the Company's operating locations could negatively impact production and financial results. Such a disruption could be a result of any number of events, including but not limited to: an equipment failure with repairs requiring long lead times, labor stoppages or shortages, utility disruptions, constraints on the supply or delivery of critical raw materials, and severe weather conditions.
- An information technology system failure may adversely affect the business. Tredegar relies on information technology systems to transact its businesses. An information technology system failure due to computer viruses, internal or external security breaches, power interruptions, hardware failures, fire, natural disasters, human error, or other causes could disrupt operations and prevent the Company from being able to process transactions with its customers, operate its manufacturing facilities, and properly report those transactions in a timely manner. A significant, protracted information technology system failure may result in a material adverse effect on the Company's financial condition, results of operations, or cash flows.
- Tredegar is subject to credit risk that is inherent with efforts to increase market share as the Company attempts to broaden its customer base. In the event of the deterioration of operating cash flows or diminished borrowing capacity of the Company's customers, the collection of trade receivable balances may be delayed or deemed unlikely. Film Products' credit risk exposure could increase as efforts to expand its business may lead to a broader, more diverse customer base. In addition, the operations of the customers for Aluminum Extrusions generally follow the cycles within the economy, resulting in greater credit risk from diminished operating cash flows and higher bankruptcy rates when the economy is deteriorating or in recession.
- Tredegar could be required to make additional cash contributions to its defined benefit (pension) plan. Tredegar sponsors a pension plan that covers certain hourly and salaried employees in the U.S. Tredegar has experienced a significant reduction in interest rates and fluctuations in plan asset investment returns in recent years. Cash contribution requirements for the pension plan are sensitive to changes in these market factors. Tredegar expects that it will be required to make a cash contribution of approximately $2.4 million to its underfunded pension plan in 2015, and the Company may be required to make additional cash contributions in future periods if current trends in interest rates continue, volatility in investment returns on plan assets persist or if plan asset investment returns lag market performance.
- Tredegar and its customers operate in highly competitive markets. Tredegar and its businesses compete on product innovation, quality, price and service, and its businesses and their customers operate in highly competitive markets. Global market conditions continue to exacerbate the Company's exposure to margin compression due to competitive forces, especially as certain products move into the later stages of their product life cycles. Tredegar attempts to mitigate the effects of this trend through the introduction of new products, cost saving measures and manufacturing efficiency initiatives, but these efforts may not be sufficient to offset the impact of margin compression as a result of competitive pressure.

- An inability to renegotiate one of the Company’s collective bargaining agreements could adversely affect financial results. Some of the Company’s employees are represented by labor unions under various collective bargaining agreements with varying durations and expiration dates. Tredegar may not be able to satisfactorily renegotiate collective bargaining agreements when they expire, which could result in strikes or work stoppages or higher labor costs. In addition, existing collective bargaining agreements may not prevent a strike or work stoppage at the Company’s facilities in the future. Any such work stoppages (or potential work stoppages) could negatively impact Tredegar’s ability to manufacture its products and adversely affect results of operations.

- Tredegar’s investments (primarily $7.5 million of investments in kaléo and a $1.8 million net investment in Harbinger) have high risk. The value of the Company’s investment in a specialty pharmaceutical company, kaleo, Inc. (“kaléo”), which was formerly known as Intelliject, Inc., can fluctuate, primarily as a result of kaléo’s ability to meet its developmental and commercialization milestones within an anticipated time frame. Commercial sales of kaléo’s first licensed product commenced in the first quarter of 2013, and commercial sales of its second product commenced in the third quarter of 2014. As kaléo continues to invest in its product pipeline, it may require additional rounds of financing to have the opportunity to complete product pipeline development and bring its technology to market, which may never occur. The estimated fair value of this investment was $39.1 million at December 31, 2014.

Harbinger Capital Partners Special Situations Fund, L.P. (“Harbinger Fund”) is a private investment fund, and an investment in the fund involves risk and is subject to limitations on withdrawal. The amount of future installments of withdrawal proceeds is uncertain, and the timing of such payments is not known.

There is no secondary market for selling the Company’s interests in either investment. As a result, Tredegar may be required to bear the risk of its investment in kaléo and the Harbinger Fund for an indefinite period of time.

Film Products

- Film Products is highly dependent on sales associated with one customer, P&G. P&G comprised approximately 24% of Tredegar’s consolidated net sales from continuing operations in 2014, 28% in 2013 and 31% in 2012. The loss or significant reduction of sales associated with P&G could have a material adverse effect on the Company’s business. Other P&G-related factors that could adversely affect the business include, by way of example, (i) failure by P&G to achieve success or maintain share in markets in which P&G sells products containing Film Products’ materials, (ii) operational decisions by P&G that result in component substitution, inventory reductions and similar changes, (iii) delays in P&G rolling out products utilizing new technologies developed by Film Products and (iv) P&G rolling out products utilizing technologies developed by others that replace Film Products’ business with P&G. While Film Products has undertaken efforts to expand its customer base, there can be no assurance that such efforts will be successful, or that they will offset any delay or loss of sales and profits associated with P&G.

In 2014, Film Products lost certain babycare elastic laminate volumes sold to P&G due to P&G’s consolidation of suppliers for its North American product needs. Annualized net sales to P&G associated with these plastic films were approximately $51 million. While it continues to identify new business opportunities with P&G, Film Products is also working to expand its customer base in order to create long-term growth and profitability by (1) actively competing for new business with various customers across its full product portfolio, (2) expanding capacity in emerging markets, (3) introducing new products and/or improvements to existing applications, and (4) investigating opportunities to diversify its customer and product offerings through additional acquisitions. There is no assurance that these efforts to expand the revenue base and mitigate this or any future loss of sales and profits from P&G will be successful.

- Growth of Film Products depends on its ability to develop and deliver new products at competitive prices. Personal care materials, surface protection films and polyethylene overwrap and polypropylene films are now being made with a variety of new materials and the overall cycle for new product introduction has accelerated. While Film Products has substantial technological resources, there can be no assurance that its new products can be brought to market successfully, or if brought to market successfully, at the same level of profitability and market share of replaced films. A shift in customer preferences away from Film Products’ technologies, its inability to develop and deliver new profitable products, or delayed acceptance of its new products in domestic or foreign markets, could have a material adverse effect on the business, results of operations and cash flows. In the long term, growth will depend on Film Products’ ability to provide innovative products at a price that meets the customers’ needs.
- Failure of Film Products’ customers, who are subject to cyclical downturns, to achieve success or maintain market share could adversely impact its sales and operating margins. The Company’s plastic films serve as components for various consumer products sold worldwide. A customer’s ability to successfully develop, manufacture and market their products is integral to Film Products’ success. In addition, many customers are in industries that are cyclical in nature and sensitive to changes in general economic conditions. Downturns in the businesses that use the Company’s plastic film products can adversely affect sales and operating margins.
- Continued growth in Film Products’ sale of protective film products is not assured. A shift in customer preference to new or different products or new technology that displaces the need for protective films that

currently utilize Film Products' surface protection applications could have a material adverse effect on the sales of these protective films. Surface protection films accounted for approximately 10%, 10% and 8% of Tredegar's consolidated net sales from continuing operations in 2014, 2013 and 2012, respectively. Unanticipated changes in the demand for the products of Film Products' customers, a decline in the rate of growth for flat panel displays or improvements in the durability of flat panel displays could have a material adverse effect on protective film sales.

- Substantial international operations subject Film Products to risks of doing business in countries outside the U.S., which could adversely affect its business, financial condition and results of operations. Risks inherent in international operations include the following, by way of example: changes in general economic conditions or governmental policies, potential difficulty enforcing agreements and intellectual property rights, modifications in foreign tax laws and incentives, staffing and managing widespread operations and the challenges of complying with a wide variety of laws and regulations, restrictions on international trade or investment, restrictions on the repatriation of income, imposition of additional taxes on income generated outside the U.S., nationalization of private enterprises, unexpected adverse changes in international laws and regulatory requirements and fluctuations in exchange rates. In the countries where Film Products conducts its operations, significant fluctuations in the foreign currencies relative to the U.S. dollar could have a material impact on operating results. In addition, while expanding operations into emerging markets provides greater opportunities for growth, there are certain operating risks, as previously noted.
- The Company's inability to protect its intellectual property rights or its infringement of the intellectual property rights of others could have a material adverse impact on Film Products. Film Products operates in an industry where its significant customers and competitors have substantial intellectual property portfolios. The continued success of its business depends on its ability not only to protect its own technologies and trade secrets, but also to develop and sell new products that do not infringe upon existing patents or threaten existing customer relationships. Intellectual property litigation is very costly and could result in substantial expense and diversions of its resources, both of which could adversely affect its operations and financial condition and results. In addition, there may be no effective legal recourse against infringement of the Company's intellectual property by third parties, whether due to limitations on enforcement of rights in foreign jurisdictions or as a result of other factors. An unfavorable outcome in any intellectual property litigation or similar proceeding could have a material adverse effect on the financial condition and results of operations in Film Products.
- U.S. and global economic conditions could have an adverse effect on the operating results of some or all of Film Products' operations. As a global entity, the operating results and financial condition for Film Products could become more sensitive to changes in macroeconomic conditions, including fluctuations in exchange rates. Sales associated with new products and regions tend to more closely follow the cycles within the economy. Cost reductions and productivity improvements may not be sufficient to offset the adverse effects on profitability from lower customer demand in an economic downturn. Therefore, as such product offerings become a greater part of the film products business, the Company's operating results and financial condition may be adversely impacted by seasonal slowdowns, cyclical downturns in the economy or changes in foreign currency rates.
- An unstable economic environment could have a disruptive impact on Film Products' supply chain. Certain raw materials used in manufacturing the Company's products are sourced from single suppliers, and Film Products may not be able to quickly or inexpensively re-source from other suppliers. The risk of damage or disruption to its supply chain has been exacerbated as different suppliers have consolidated their product portfolios or experienced financial distress. Failure to take adequate steps to effectively manage such events, which are intensified when a product is procured from a single supplier or location, could adversely affect Film Products' business and results of operations, as well as require additional resources to restore its supply chain.
- Governmental failure to extend anti-dumping duties in Brazil on imported products or prevent competitors from circumventing such duties could adversely impact Film Products. In recent years, imports into Brazil, primarily from Asia, represented an increasing portion of the Brazilian flexible packaging films market. The Brazilian government currently applies anti-dumping duties on PET films imported from the UAE, Mexico, and Turkey, and these protective tariffs may be extended to other countries in Asia and the Middle East in the near future. In the absence of these anti-dumping duties, some suppliers may choose to sell excess inventory in Brazil, especially when markets for PET films in Europe and Asia are saturated. Additional supply in the Brazilian market could have a material adverse impact on pricing, thereby creating margin compression that Film Products may not be able to offset with cost savings measures and/or manufacturing efficiency initiatives. An inability to extend and/or expand anti-dumping duties on PET films in Brazil could have a material adverse effect on the operating results of Film Products.

Aluminum Extrusions

- Sales volume and profitability of Aluminum Extrusions is cyclical and highly dependent on economic conditions of end-use markets in the U.S., particularly in the construction sector. Aluminum Extrusions' end-use markets can be subject to seasonal slowdowns. Because of the high degree of operating leverage inherent in its operations (generally constant fixed costs until full capacity utilization is achieved), the percentage drop in operating profits in a cyclical downturn will likely exceed the percentage drop in volume. Any benefits associated with cost reductions and productivity improvements may not be sufficient to offset the adverse effects on profitability from pricing and margin pressure and higher bad debts (including a greater chance of loss associated with customers defaulting on fixed-price forward sales contracts) that usually accompany a downturn. In addition, higher energy costs can further reduce profits unless offset by price increases or cost reductions and productivity improvements.
- The markets for Aluminum Extrusions' products are highly competitive with product quality, service, delivery performance and price being the principal competitive factors. Aluminum Extrusions has approximately 1,500 customers that are in a variety of end-use markets within the broad categories of building and construction, distribution, automotive and other transportation, machinery and equipment, electrical and consumer durables. No single customer exceeds 3% of Aluminum Extrusions' net sales. Due to the diverse customer mix across many end-use markets, the Company believes the industry generally tracks the real growth of the overall economy. Future success and prospects depend on its ability to retain existing customers and participate in overall industry cross-cycle growth.

During improving economic conditions, excess industry capacity is absorbed and pricing pressure becomes less of a factor in many of its end-use markets. Conversely, during an economic slowdown, excess industry capacity often drives increased pricing pressure in many end-use markets as competitors protect their position with key customers. Because the business is susceptible to these changing economic conditions, Aluminum Extrusions targets complex, customized, service-intensive business with more challenging requirements in order to differentiate itself from competitors that focus on higher volume, standard extrusion applications.

- Aluminum Extrusions' efforts to expand into new market segments may not be successful. Aluminum Extrusions has made significant capital investments in recent years to execute on its market diversification strategy. Investments in new aluminum extrusion presses dedicated to serve automotive and light truck tier suppliers are intended to provide meaningful opportunities to grow Aluminum Extrusions and improve profitability. Efforts to expand product offerings and broaden the customer base are tied to successfully substituting the Company's aluminum extrusions for current market alternatives. Additional volume and/or alternative products offered by Aluminum Extrusions may not be demanded or accepted by market participants. If customer purchases do not meet expectations, Aluminum Extrusions' market diversification strategy may not be successful, which could have a material adverse effect on the operating results of Aluminum Extrusions.
- Failure to extend duties on imported products or prevent competitors from circumventing such duties could adversely impact Aluminum Extrusions. In previous years, imports into the U.S., primarily from China, represented an increasing portion of the U.S. aluminum extrusion market. However, due to an affirmative determination by the U.S. International Trade Commission in April 2011 that asserted that dumped and subsidized imports of aluminum extrusion from China unfairly and negatively impacted the domestic industry, the U.S. Department of Commerce has applied duties to these imported products. As a result, aluminum extrusion imports from China have decreased significantly. While the risk to the domestic industry has been abated for the time being, these protective duties are scheduled to expire in 2016. There are ongoing efforts within the U.S. aluminum extrusions industry to extend these protective duties. An unfavorable outcome could have a material adverse effect on the operating results of Aluminum Extrusions.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

General

Most of the improved real property and the other assets used in the Company's operations are owned, and none of the owned property is subject to an encumbrance that is considered to be material to its consolidated operations. Tredegar considers the manufacturing facilities, warehouses and other properties and assets that it owns or leases to be in generally good condition. Capacity utilization at its various manufacturing facilities can vary with product mix and normal fluctuations in sales levels. The Company believes that its manufacturing facilities have sufficient capacity to meet its current production requirements. Tredegar’s corporate headquarters, which is leased, is located at 1100 Boulders Parkway, Richmond, Virginia 23225.

The Company’s principal manufacturing plants and facilities are listed below:

Film Products

Locations in the U.S.	Locations Outside the U.S.	Principal Operations
Bloomfield, New York (technical center and production facility) Lake Zurich, Illinois Durham, North Carolina (technical center and production facility) (leased) Pottsville, Pennsylvania Richmond, Virginia (technical center) (leased) Terre Haute, Indiana (technical center and production facility)	Cabo de Santo Agostinho, Brazil Guangzhou, China Kerkrade, The Netherlands Pune, India Rétság, Hungary São Paulo, Brazil Shanghai, China	Production of plastic films and laminate materials

Aluminum Extrusions

Locations in the U.S.	Principal Operations
Carthage, Tennessee Elkhart, Indiana Newnan, Georgia Niles, Michigan	Production of aluminum extrusions, fabrication and finishing

Item 3. LEGAL PROCEEDINGS

None.

Item 4. MINE SAFETY DISCLOSURES

None.

PART II

Item 5. MARKET FOR TREDEGAR’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Prices of Common Stock and Shareholder Data

Tredegar’s common stock is traded on the New York Stock Exchange (“NYSE”) under the ticker symbol TG. The Company has no preferred stock outstanding. There were 32,422,082 shares of common stock held by 2,343 shareholders of record on December 31, 2014.

The following table shows the reported high and low closing prices of Tredegar’s common stock by quarter for the past two years.

	2014		2013	
	High	Low	High	Low
First quarter	$28.45	$22.48	$30.70	$21.06
Second quarter	25.08	19.65	30.16	24.23
Third quarter	24.07	18.41	30.73	22.22
Fourth quarter	22.49	16.76	29.74	23.86

The closing price of Tredegar’s common stock on February 20, 2015 was $21.65.

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Dividend Information

Tredegar has paid a dividend every quarter since becoming a public company in July 1989. During the past three years, the Company paid quarterly dividends as follows:

- 9 cents per share in each of the final three quarters of 2014;
- 7 cents per share in the first quarter of 2014 and each of the quarters of 2013;
- 6 cents per share in each of the final two quarters of 2012; and
- 4 1/2 cents per share in each of the first two quarters of 2012.

Tredegar also paid a one-time dividend of 75 cents per share to all shareholders in December 2012.

All decisions with respect to the declaration and payment of dividends will be made by the Board of Directors in its sole discretion based upon earnings, financial condition, anticipated cash needs, restrictions in the Company's revolving credit agreement and other such considerations as the Board deems relevant. See Note 11 beginning on page 67 for the restrictions contained in the Company's revolving credit agreement related to minimum shareholders' equity required and aggregate dividends permitted.

Issuer Purchases of Equity Securities

On January 7, 2008, Tredegar announced that its Board of Directors approved a share repurchase program whereby management is authorized at its discretion to purchase, in the open market or in privately negotiated transactions, up to 5 million shares of the Company's outstanding common stock. The authorization has no time limit. Tredegar did not repurchase any shares in the open market or otherwise in 2014, 2013 and 2012 under this standing authorization. The maximum number of shares remaining under this standing authorization was 1,732,003 at December 31, 2014. Tredegar received 209,576 shares in 2012 at a price of $17.70 per share as consideration from Arc Ventures, LC in connection with the Company's divestiture of Falling Springs. Shares received from the sale of Falling Springs do not represent shares repurchased under the current approved share repurchase program.

Comparative Tredegar Common Stock Performance

The following graph compares cumulative total shareholder returns for Tredegar, the S&P SmallCap 600 Stock Index (an index comprised of companies with market capitalizations similar to Tredegar) and the Russell 2000 Index for the five years ended December 31, 2014. Tredegar is part of both the S&P SmallCap 600 Index and Russell 2000 Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Tredegar Corporation, the S&P SmallCap 600 Index, and the Russell 2000 Index
*$100 invested on 12/31/09 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

Inquiries

Inquiries concerning stock transfers, dividends, dividend reinvestment, consolidating accounts, changes of address, or lost or stolen stock certificates should be directed to Computershare Investor Services, the transfer agent and registrar for the Company's common stock:

Computershare Investor Services
P.O. Box 30170
College Station, TX 77842-3170
Phone: 800-622-6757
www.computershare.com/investor/Contact

All other inquiries should be directed to:

Tredegar Corporation
Investor Relations Department
1100 Boulders Parkway
Richmond, Virginia 23225
Phone: 800-411-7441
E-mail: invest@tredegar.com
Website: www.tredegar.com

Quarterly Information

Tredegar does not generate or distribute quarterly reports to its shareholders. Information on quarterly results can be obtained from the Company's website. In addition, Tredegar files quarterly, annual and other information electronically with the SEC, which can be accessed on its website at www.sec.gov.

Item 6. SELECTED FINANCIAL DATA

The tables that follow on pages 13-18 present certain selected financial and segment information for the five years ended December 31, 2014.

FIVE-YEAR SUMMARY

Tredegar Corporation and Subsidiaries

Years Ended December 31 (In Thousands, Except Per-Share Data)	2014	2013	2012	2011	2010
Results of Operations (a):					
Sales	$951,826	$959,346	$882,188	$794,420	$738,200