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, 1998
OR

[ ]TRANSACTION 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

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 whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 [X].

Aggregate market value of voting stock held by non-affiliates of the registrant as of January 27, 1999: $668,845,570*

Number of shares of Common Stock outstanding as of January 27, 1999: 36,762,981

* In determining this figure, an aggregate of 11,875,704 shares of Common Stock beneficially owned by Floyd D. Gottwald, Jr., Bruce C. Gottwald, John D. Gottwald, William M. Gottwald and the members of their immediate families has been excluded because the shares are held by affiliates. The aggregate market value has been computed based on the closing price in the New York Stock Exchange Composite Transactions on January 27, 1999, as reported by The Wall Street Journal.

Documents Incorporated By Reference

Portions of the "Tredegar Industries, Inc., ("Tredegar") Proxy Statement for the 1999 Annual Meeting of Shareholders (the "Proxy Statement") are incorporated by reference into Part III of this Form 10-K. We expect to file our Proxy Statement with the Securities and Exchange Commission and mail it to shareholders around March 31.

Index to Annual Report on Form 10-K
Year Ended December 31, 1998

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

The Securities and Exchange Commission has not approved or disapproved of this report or passed upon its accuracy or adequacy.

PART I

Item 1. BUSINESS

Description of Business

Tredegar is engaged directly or through subsidiaries in the manufacture of plastic films, vinyl extrusions and aluminum extrusions. We also have interests in a variety of technology-based businesses.

Film Products

Film Products manufactures plastic films for disposable personal products (primarily feminine hygiene and diaper products) and packaging, medical, industrial and agricultural products. These products are produced at various locations throughout the United States and are sold both directly and through distributors. Film Products also has plants in the Netherlands, Brazil and Argentina, where it produces films for the European and Latin American markets. During 1998, Film Products began operating a production facility near Guangzhou, China. The China facility manufactures disposable films for hygiene products marketed in the Far East. Film Products has begun construction of a new production site near Budapest, Hungary, which should be operational in mid-1999. The Hungary facility will produce disposable films for hygiene products marketed in Eastern Europe. Film Products competes in all of its markets on the basis of product quality, price and service.

Film Products produces films for two major market categories: disposables and industrial.

Disposables. Film Products is one of the largest U.S. suppliers of permeable, embossed and breathable films for disposable personal products. In each of the last three years, this class of products accounted for more than 30% of Tredegar's consolidated revenues.

Film Products supplies permeable films for use as liners in feminine hygiene products and adult incontinent products. Film Products also supplies embossed, breathable and elastomeric films and nonwoven film laminates for use as backsheet and other components for hygienic products such as baby diapers, adult incontinent products and feminine hygiene products. Film Products' primary customer for permeable, embossed, breathable and elastomeric films and nonwoven film laminates is The Procter & Gamble Company ("P&G"), the leading global personal hygiene product manufacturer. Net sales by Tredegar's ongoing operations to P&G totaled $233.5 million in 1998, $242.2 million in 1997 and $206.9 million in 1996.

P&G and Tredegar have had a successful long-term relationship based on cooperation, product innovation and continuous process improvement. The loss or significant reduction of sales associated with P&G would have a material adverse effect on our business.

Industrial. Film Products produces coextruded and monolayer permeable films under the VisPore(R) name. These films are used to regulate fluid and vapor transmission in many industrial, medical, agricultural and packaging markets. Specific examples include filter plies for surgical masks and other medical applications, permeable ground cover, natural cheese mold release cloths and rubber bale wrap.

Film Products also produces differentially embossed monolayer and coextruded films. Some of these films are extruded in a Class 10,000 clean room and act as a disposable, protective coversheet for photopolymers used in the manufacture of circuit boards. Other films sold under the ULTRAMASK(R) name are used as masking films to protect polycarbonate, acrylics and glass from damage during fabrication, shipping and handling.

Film Products produces a line of oriented films for food packaging, in-mold labels and other applications under the name Monax(R)Plus. These are high-strength, high moisture barrier films that provide cost and source reduction benefits over competing packaging materials.

Raw Materials. The primary raw materials used by Film Products are low-density and linear low-density polyethylene resins, which are obtained from domestic and foreign suppliers at competitive prices. We believe there will be an adequate supply of polyethylene resins in the immediate future.

Research and Development. Film Products has a technical center in Terre Haute, Indiana, and holds 42 U.S. patents and 14 U.S. trademarks. Expenditures for research and development have averaged $5.4 million per year during the past three years.

Fiberlux

Fiberlux is a leading U.S. producer of rigid vinyl extrusions for windows and patio doors. Fiberlux products are sold to fabricators and directly to end-users. The primary raw material, polyvinyl chloride resin, is purchased in the open market and under contract. No critical shortages of polyvinyl chloride resins are expected. Fiberlux competes in all of its markets on the basis of product quality, price and service. Fiberlux holds one U.S. patent and three U.S. trademarks.

Aluminum Extrusions

Aluminum Extrusions is composed of The William L. Bonnell Company, Inc., Capitol Products Corporation, Bon L Campo Limited Partnership and Bon L Canada Inc. (together, "Aluminum Extrusions"), which produce soft alloy aluminum extrusions primarily for the building and construction, transportation, consumer durables, electrical and distribution markets. The operations associated with Bon L Campo Limited Partnership were acquired in 1997 and the operations associated with Bon L Canada Inc. were acquired in 1998 (see Note 2 on page 43).

Aluminum Extrusions manufactures mill (unfinished), anodized and painted aluminum extrusions for sale directly to fabricators and distributors that use aluminum extrusions to produce curtain walls, architectural shapes, tub and shower doors, window components, running boards, boat windshields, bus bars, tractor-trailer shapes, snowmobiles and furniture, among other products. Sales are made primarily in the United States and Canada, principally east of the Rocky Mountains.

The percentage concentration of aluminum extrusions shipped to the building and construction market has declined over the past several years due primarily to acquisitions (51% in 1998 compared to 71% in 1995). A breakdown of 1998 aluminum extrusion sales volume by market segment is shown below:

% of 1998 Aluminum Extrusion Sales Volume by Market Segment	
Building and construction	51
Transportation	15
Consumer durables	7
Electrical	7
Distribution	9
Other	11
Total	100

Raw materials for Aluminum Extrusions, consisting of aluminum ingot, aluminum scrap and various alloys, are purchased from domestic and foreign producers in open-market purchases and under short-term contracts. We do not expect critical shortages of aluminum or other required raw materials and supplies.

Aluminum Extrusions competes primarily on the basis of product quality, price and service.

Aluminum Extrusions holds two U.S. patents and nine U.S. trademarks.

Technology

Our technology interests include Molecumetics, Ltd., and Tredegar Investments, Inc. See Note 7 on page 46 for more information on Tredegar Investments. Also, see Note 17 on page 58 regarding the sale of APPX Software, Inc., in early 1998.

Our Molecumetics subsidiary operates its drug discovery research laboratory in Bellevue, Washington, where it uses patented chemistry to develop new drug candidates for licensing to pharmaceutical and biotech companies in exchange for up-front fees, research and development support payments, milestone-driven success payments and future royalties.

In 1998, Molecumetics entered into a research alliance with Bristol-Myers Squibb Company aimed at developing new drugs for the treatment of inflammatory and immunological diseases. The collaborative research is focused on the identification of small-molecule transcription factor inhibitors that interact with novel molecular targets identified by Molecumetics. Molecumetics also will supply MolecuSet(R), a collection of 150,000 of its proprietary compounds, to Bristol-Myers Squibb for broad-based screening against a wide variety of disease targets. Under terms of the agreement, Bristol-Myers Squibb provides Molecumetics with research funding, milestone payments and royalties on any resulting marketed products.

In 1998, Molecumetics also announced the signing of a two-year license and supply agreement with Choongwae Pharma Corporation, a Korean pharmaceutical company. Under the terms of the agreement, Choongwae will synthesize and deliver certain key chemical intermediates to Molecumetics. In exchange for supplying these intermediates, Choongwae will receive licensing rights to the jointly developed tryptase inhibitors in certain Asian countries. Molecumetics will retain rights to these compounds in all other countries. Tryptase inhibitors could be used to treat asthma, inflammatory bowel disease and psoriasis.

In 1997, Molecumetics signed research and marketing partnerships with two large Japanese pharmaceutical companies, Asahi Chemical Industry Co., Ltd. ("Asahi"), and Teijin Limited ("Teijin"). Both collaborations are aimed at developing therapeutics for treatment of blood-clotting disorders. Molecumetics is separately developing and optimizing drug lead compounds for each partner. In turn, Asahi and Teijin are responsible for preclinical and clinical development in Japan and other Asian countries. In each case, Molecumetics retains U.S. and European rights to any compounds developed under the agreement. The terms of the agreements provide Molecumetics with research funding, milestone payments and royalties on any resulting marketed products.

Molecumetics holds 11 U.S. patents and three U.S. trademarks, and has filed a number of other patent applications with respect to its technology. Businesses included in the Technology segment (primarily Molecumetics) spent $8.5 million in 1998, $7.2 million in 1997 and $6.8 million in 1996 for research and development.

Miscellaneous

Patents, Licenses and Trademarks. Tredegar considers patents, licenses and trademarks to be of significance for Film Products and Molecumetics. We routinely apply for patents on significant developments with respect to all of our businesses. Our patents have remaining terms ranging from 1 to 17 years. We also have licenses under patents owned by third parties.

Research and Development. Tredegar spent approximately $14.5 million in 1998, $13.2 million in 1997 and $11.1 million in 1996 on research and development activities.

Backlog. Backlogs are not material to our operations.

Government Regulation. Laws concerning the environment that affect or could affect our domestic operations include, among others, the Clean Water Act, the Clean Air Act, the Resource Conservation 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"), regulations promulgated under these acts, and any other federal, state or local laws or regulations governing environmental matters. We are in substantial compliance with all applicable laws, regulations and permits. In order to maintain substantial compliance with such standards, we may be required to incur 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.

From time to time the Environmental Protection Agency may identify us as a potentially responsible party with respect to a Superfund site under CERCLA. To date, we are indirectly potentially responsible with respect to three Superfund sites. As a result, we may be required to expend amounts on remedial investigations and actions at such Superfund sites. Responsible parties under CERCLA may be jointly and severally liable for costs at a site, although typically costs are allocated among the responsible parties.

In addition, we are indirectly potentially responsible for one New Jersey Spill Site Act location. Another New Jersey site is being investigated pursuant to the New Jersey Industrial Site Recovery Act.

Employees. Tredegar employed approximately 3,400 people at December 31, 1998.

Item 2. PROPERTIES

General

Most of the improved real property and the other assets used in our operations are owned, and none of the owned property is subject to an encumbrance that is material to our consolidated operations. We consider the condition of the plants, warehouses and other properties and assets owned or leased by us to be generally good. We also consider the geographical distribution of our plants to be well-suited to satisfying the needs of our customers.

We believe that the capacity of our plants is adequate to meet our immediate needs. Our plants generally have operated at 65-95 percent of capacity. Our corporate headquarters offices are located at 1100 Boulders Parkway, Richmond, Virginia 23225.

Our principal plants and facilities are listed below:

Film Products		Principal Operations
Locations in the United States	Locations in Foreign Countries	
Carbondale, Pennsylvania	Budapest, Hungary (operational in 1999)	Production of plastic films
LaGrange, Georgia	Guangzhou, China (leased)	
Manchester, Iowa	Kerkrade, the Netherlands	
New Bern, North Carolina	San Juan, Argentina	
Tacoma, Washington (leased)	Sao Paulo, Brazil	
Terre Haute, Indiana (2) (technical center and production facility)		

Fiberlux Locations	Principal Operations
Pawling, New York	Production of vinyl extrusions for windows and patio doors
Purchase, New York (headquarters) (leased)	

Aluminum Extrusions		Principal Operations
Locations in the United States	Locations in Canada	
Carthage, Tennessee	Aurora, Ontario	Production of aluminum extrusions, fabrication and finishing
El Campo, Texas	Pickering, Ontario	
Kentland, Indiana	Richmond Hill, Ontario	
Newnan, Georgia	Ste. Therese, Quebec	

Technology

Molecumetics leases its laboratory space in Bellevue, Washington. Tredegar Investments leases office space in Seattle, Washington.

Item 3. LEGAL PROCEEDINGS

None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Prices of Common Stock and Shareholder Data

Our common stock is traded on the New York Stock Exchange under the ticker symbol TG. We have no preferred stock outstanding. There were 36,660,751 shares of common stock held by 6,246 shareholders of record on December 31, 1998.

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

	1998		1997	
	High	Low	High	Low
First quarter	$24.70	$19.00	$14.17	$12.54
Second quarter	30.67	23.81	18.79	13.42
Third quarter	29.94	16.13	24.08	17.54
Fourth quarter	26.25	19.00	24.65	21.06

Dividend Information

On May 20, 1998, we declared a three-for-one stock split payable on July 1, 1998, to shareholders of record on June 15, 1998. Accordingly, all historical references to per-share amounts, shares repurchased and the shares used to compute earnings per share have been restated to reflect the split.

During 1996, we paid a quarterly dividend of 2 cents per share. The quarterly dividend was increased to:

- 2.67 cents per share effective January 1, 1997
- 3 cents per share effective October 1, 1997
- 4 cents per share effective July 1, 1998

All decisions with respect to payment of dividends will be made by the Board of Directors based upon our earnings, financial condition, anticipated cash needs and such other considerations as the Board deems relevant. See Note 10 on page 48 for restriction on minimum shareholders' equity required.

Annual Meeting

Our annual meeting of shareholders will be held on May 20, 1999, beginning at 9:30 a.m. E.D.T. at The Jefferson Hotel in Richmond, Virginia. Formal notices of the annual meeting, proxies and proxy statements will be mailed to shareholders around March 31.

Inquiries

Inquiries concerning stock transfers, dividends, dividend reinvestment, consolidating accounts, changes of address, or lost or stolen stock certificates should be directed to:

American Stock Transfer & Trust Company
Shareholder Services Department
40 Wall Street - 46th Floor
New York, New York 10005
Phone: 800-937-5449
Web site: http://www.amstock.com

All other inquiries should be directed to:

Tredegar Industries, Inc.
Corporate Communications Department
1100 Boulders Parkway
Richmond, Virginia 23225
Phone: 804-330-1044
E-mail: invest@tredegar.com
Web site: http://www.tredegar.com

Quarterly Report Distribution

We do not distribute quarterly reports through brokerages or banks. If your Tredegar shares are held through a third party, such as a bank or brokerage, and you would like to receive quarterly reports, please write or call Corporate Communications at the above address.

Counsel	Independent Accountants
Hunton & Williams	PricewaterhouseCoopers LLP
Richmond, Virginia	Richmond, Virginia

Item 6. SELECTED FINANCIAL DATA

The tables that follow on pages 9-17 present certain selected financial and segment information for the eight years ended December 31, 1998.

EIGHT-YEAR SUMMARY

Tredegar Industries, Inc., and Subsidiaries

Years Ended December 31	1998	1997	1996	1995	1994	1993	1992	1991
(In thousands, except per-share data)								
Results of Operations (a)(b):								
Net sales	$699,796	$581,004	$523,551	$589,454	$502,208	$449,208	$445,229	$439,186
Other income (expense), net	4,015	17,015	4,248	(669)	(296)	(387)	226	745
	703,811	598,019	527,799	588,785	501,912	448,821	445,455	439,931
Cost of goods sold	553,389	457,946	417,270	490,510	419,823	379,286	370,652	373,429
Selling, general & administrative expenses	39,493	37,035	39,719	48,229	47,978	47,973	48,130	49,764
Research and development expenses	14,502	13,170	11,066	8,763	8,275	9,141	5,026	4,541
Interest expense (c)	1,318	1,952	2,176	3,039	4,008	5,044	5,615	7,489
Unusual items	(101)(d)	(2,250)(e)	(11,427)(f)	(78)(g)	16,494(h)	452(i)	90(j)	721(k
	608,601	507,853	458,804	550,463	496,578	441,896	429,513	435,944
Income from continuing operations before income taxes	95,210	90,166	68,995	38,322	5,334	6,925	15,942	3,987
Income taxes	31,054(d)	31,720	23,960	14,269	3,917	3,202	6,425	1,468
Income from continuing operations (a)(b)	64,156	58,446	45,035	24,053	1,417	3,723	9,517	2,519
Income from discontinued Energy segment operations (b)	4,713	-	-	-	37,218	6,784	5,795	3,104
Net income before extraordinary item and cumulative effect of accounting changes	68,869	58,446	45,035	24,053	38,635	10,507	15,312	5,623
Extraordinary item - prepayment premium on extinguishment of debt (net of tax)	-	-	-	-	-	(1,115)	-	-
Cumulative effect of accounting changes	-	-	-	-	-	150	-	-
Net income	$68,869	$58,446	$45,035	$24,053	$38,635	$ 9,542	$15,312	5,623
Diluted earnings per share:								
Continuing operations (a)(b)	1.66	1.48	1.15	.60	.03	.08	.19	.05
Discontinued Energy segment operations (b)	.12	-	-	-	.79	.14	.12	.06
Before extraordinary item and cumulative effect of accounting changes	1.78	1.48	1.15	.60	.82	.22	.31	.11
Net income	1.78	1.48	1.15	.60	.82	.19	.31	.11

Refer to notes to financial tables on pages 16-17.

Share Data:								
Equity per share	$ 8.46	$ 7.34	$ 5.79	$ 4.67	$ 4.25	$ 3.45	$ 3.31	$ 3.06
Cash dividends declared per share	.15	.11	.09	.06	.05	.05	.05	.05
Weighted average common shares outstanding during the period	36,286	36,861	36,624	38,748	46,572	49,029	49,023	49,023
Shares used to compute diluted earnings per share during the period	38,670	39,534	39,315	40,110	46,842	49,182	49,176	49,023
Shares outstanding at end of period	36,661	37,113	36,714	36,528	40,464	49,029	49,023	49,023
Closing market price per share:								
High	30.67	24.65	15.13	7.72	4.14	4.00	4.14	2.39
Low	16.13	12.54	6.83	3.86	3.11	2.78	2.22	1.42
End of year	22.50	21.96	13.38	7.17	3.86	3.33	3.44	2.22
Total return to shareholders (l)	3.1%	65.0%	87.8%	87.2%	17.4%	(1.7)%	57.4%	38.8%
Financial Position:								
Total assets	457,178	410,937	341,077	314,052	318,345	353,383	354,910	335,415
Working capital excluding cash and cash equivalents	52,050	30,279	31,860	54,504	53,087	62,064	56,365	60,341
Ending consolidated capital employed (m)	309,886	182,481	146,284	203,376	200,842	266,088	263,897	249,723
Current ratio	1.9:1	3.1:1	3.2:1	1.8:1	1.9:1	2.1:1	2.0:1	2.1:1
Cash and cash equivalents	25,409	120,065	101,261	2,145	9,036	-	-	500
Technology investments:								
Cost basis	60,617	25,826	6,048	3,410	2,200	800	200	-
Carrying value	60,024	33,513	6,048	3,410	2,200	800	200	-
Estimated fair value	70,841	40,757	15,000	5,700	2,300	800	200	-
Capital employed of divested and discontinued operations (Molded Products, Brudi and the Energy segment) (b)(m)	-	-	-	60,144	59,267	98,903	96,830	92,365
Debt	25,000	30,000	35,000	35,000	38,000	97,000	101,500	100,000
Shareholders' equity (net book value)	310,295	272,546	212,545	170,521	171,878	169,088	162,397	150,223
Equity market capitalization (n)	824,873	814,940	491,050	261,784	156,236	163,430	168,857	108,940
Net debt (cash) (debt less cash and cash equivalents) as a % of net capitalization	(0.1)%	(49.4)%	(45.3)%	16.2%	14.4%	36.5%	38.5%	39.8%

Refer to notes to financial tables on pages 16-17.

Other financial data excluding unusual items, technology-related investment activities and divested and discontinued operations (a)(b):								
Net sales	$699,796	$581,004	$489,040	$472,709	$396,738	$356,750	$344,296	$337,151
EBITDA (o)	115,977	89,443	71,914	56,283	45,684	31,734	36,334	36,203
Depreciation	22,239	18,364	18,451	17,553	17,089	17,550	16,373	16,566
Amortization of intangibles	205	50	56	26	463	1,712	3	3
Capital expenditures	34,016	22,655	22,698	17,778	11,985	12,729	17,431	18,072
Acquisitions	72,102	13,469	-	3,637	-	-	13,884	-
Ending capital employed (m)	249,649	151,734	140,236	139,822	138,625	165,635	163,117	154,208
Average capital employed (m)	214,846	145,985	140,029	139,224	152,130	164,376	158,663	157,964
Unleveraged after-tax earnings (p)	60,624	45,105	33,913	24,498	17,603	7,544	12,558	12,397
Return on average capital employed (q)	28.2%	30.9%	24.2%	17.6%	11.6%	4.6%	7.9%	7.8%
EBITDA as % of net sales	16.6%	15.4%	14.7%	11.9%	11.5%	8.9%	10.6%	10.7%
Effective income tax rate (excluding the effects of tax-exempt interest income)	35.2%	36.4%	36.5%	36.6%	37.1%	39.5%	36.7%	36.3%

Refer to notes to financial tables on pages 16-17.

SEGMENT TABLES
Tredegar Industries, Inc., and Subsidiaries

Net Sales

Segment	1998	1997	1996	1995	1994	1993	1992	1991
(In thousands)								
Film Products	$ 286,965	$298,862	$257,306	$237,770	$188,672	$177,052	$183,117	$184,448
Fiberlux	11,629	10,596	10,564	11,329	11,479	10,239	10,655	9,305
Aluminum Extrusions	395,455	266,585	219,044	221,657	193,870	166,465	150,524	143,398
Technology:								
Molecumetics	5,718	2,583	36	-	200	-	-	-
Other	29	2,378	2,090	1,953	2,517	2,994	-	-
Total ongoing operations (r)	699,796	581,004	489,040	472,709	396,738	356,750	344,296	337,151
Divested operations (b):								
Molded Products	-	-	21,131	84,911	76,579	68,233	80,834	87,860
Brudi	-	-	13,380	31,834	28,891	24,225	20,099	14,175
Total	$ 699,796	$581,004	$523,551	$589,454	$502,208	$449,208	$445,229	$439,186

Refer to notes to financial tables on pages 16-17.

Operating Profit

Segment	1998	1997	1996	1995	1994	1993	1992	1991
(In thousands)								
Film Products:								
Ongoing operations	$ 53,786	$ 50,463	$ 43,158	$ 36,019	$ 34,726	$ 22,320	$ 26,700	$ 32,189
Unusual items	-	-	680(f)	1,750(g)	-	(1,815) (i)	-	-
	53,786	50,463	43,838	37,769	34,726	20,505	26,700	32,189
Fiberlux:								
Ongoing operations	1,433	845	1,220	452	950	557	(127)	756
Unusual items	-	-	-	-	-	-	-	2,797(k)
	1,433	845	1,220	452	950	557	(127)	3,553
Aluminum Extrusions:								
Ongoing operations	47,091	32,057	23,371	16,777	11,311	7,964	4,180	(4,247)
Unusual items	(664)(d)	-	-	-	-	-	-	-
	46,427	32,057	23,371	16,777	11,311	7,964	4,180	(4,247)
Technology:								
Molecumetics	(3,504)	(4,488)	(6,564)	(4,769)	(3,534)	(3,324)	(1,031)	-
Investments	615	13,880	2,139	(695)	-	-	-	-
Other	(428)	(267)	(118)	(566)	(5,354)	(6,380)	(834)	-
Unusual items	765(d)	-	-	(1,672)(g)	(9,521)(h)	2,263(i)	(1,092)(j)	-
	(2,552)	9,125	(4,543)	(7,702)	(18,409)	(7,441)	(773)	-
Divested operations (b):								
Molded Products	-	-	1,011	2,718	(2,484)	(228)	1,176	(9,307)
Brudi	-	-	231	222	(356)	177	513	1,870
Unusual items	-	2,250(e)	10,747(f)	-	(6,973)(h)	-	(1,182)(j)	(3,518)(k
	-	2,250	11,989	2,940	(9,813)	(51)	507	(10,955)
Total operating profit	99,094	94,740	75,875	50,236	18,765	21,534	30,487	20,540
Interest income (t)	2,279	4,959	2,956	333	544	-	-	-
Interest expense (c)	1,318	1,952	2,176	3,039	4,008	5,044	5,615	7,489
Corporate expenses, net	4,845	7,581	7,660	9,208	9,967	9,565(i)	8,930	9,064
Income from continuing operations before income taxes	95,210	90,166	68,995	38,322	5,334	6,925	15,942	3,987
Income taxes	31,054(d)	31,720	23,960	14,269	3,917	3,202	6,425	1,468
Income from continuing operations (a)	64,156	58,446	45,035	24,053	1,417	3,723	9,517	2,519
Income from discontinued Energy segment operations (b)	4,713	-	-	-	37,218	6,784	5,795	3,104
Net income before extraordinary item and cumulative effect of accounting changes	$ 68,869	$ 58,446	$ 45,035	$ 24,053	$ 38,635	$ 10,507	$ 15,312	$ 5,623

Refer to notes to financial tables on pages 16-17.

Identifiable Assets

Segment	1998	1997	1996	1995	1994	1993	1992	1991
(In thousands)								
Film Products	$ 132,241	$123,613	$116,520	$118,096	$108,862	$109,916	$112,153	$102,453
Fiberlux	7,811	6,886	6,203	6,330	6,448	6,667	7,762	8,177
Aluminum Extrusions	201,518	101,855	83,814	80,955	89,406	89,498	93,365	95,000
Technology:								
Molecumetics	5,196	2,550	2,911	2,018	1,536	1,926	1,415	-
Investments and other (s)	61,098	34,611	7,760	5,442	5,780	13,321	15,441	3,334
Identifiable assets for ongoing operations	407,864	269,515	217,208	212,841	212,032	221,328	230,136	208,964
Nonoperating assets held for sale	-	-	-	6,057	5,018	3,605	4,330	13,600
General corporate	23,905	21,357	22,608	20,326	12,789	12,031	11,745	9,447
Cash and cash equivalents	25,409	120,065	101,261	2,145	9,036	-	-	500
Divested operations (b):								
Molded Products	-	-	-	44,173	48,932	54,487	50,151	52,132
Brudi	-	-	-	28,510	30,538	30,956	28,744	26,416
Net assets of discontinued Energy segment operations (b)	-	-	-	-	-	30,976	29,804	24,356
Total	$ 457,178	$410,937	$341,077	$314,052	$318,345	$353,383	$354,910	$335,415

Refer to notes to financial tables on pages 16-17.

Depreciation and Amortization

Segment	1998	1997	1996	1995	1994	1993	1992	1991
(In thousands)								
Film Products	$ 11,993	$ 10,947	$ 11,262	$ 9,766	$ 9,097	$ 9,200	$ 7,697	$ 6,837
Fiberlux	544	515	507	577	644	826	883	1,010
Aluminum Extrusions	8,393	5,508	5,407	5,966	5,948	6,240	7,093	8,033
Technology:								
Molecumetics	1,260	996	780	592	573	443	-	-
Investments and other	21	135	161	197	720	1,868	-	-
Subtotal	22,211	18,101	18,117	17,098	16,982	18,577	15,673	15,880
General corporate	254	313	390	481	570	685	703	689
Total ongoing operations	22,465	18,414	18,507	17,579	17,552	19,262	16,376	16,569
Divested operations (b):								
Molded Products	-	-	1,261	5,055	5,956	5,289	5,416	7,835
Brudi	-	-	550	1,201	1,337	1,272	1,085	798
Total	$ 22,465	$ 18,414	$ 20,318	$ 23,835	$ 24,845	$ 25,823	$ 22,877	$ 25,202

Capital Expenditures, Acquisitions and Investments

Segment	1998	1997	1996	1995	1994	1993	1992	1991
(In thousands)								
Film Products	$ 18,456	$ 15,354	$ 11,932	$ 10,734	$ 6,710	$ 6,561	$ 12,931	$ 9,996
Fiberlux	1,477	530	417	465	416	14	283	59
Aluminum Extrusions	10,407	6,372	8,598	5,454	4,391	1,870	2,487	7,594
Technology:								
Molecumetics	3,561	366	1,594	894	178	939	1,414	-
Investments and other	54	5	14	-	99	905	-	-
Subtotal	33,955	22,627	22,555	17,547	11,794	10,289	17,115	17,649
General corporate	115	28	143	231	191	2,440	316	423
Capital expenditures for ongoing operations	34,070	22,655	22,698	17,778	11,985	12,729	17,431	18,072
Divested operations (b):								
Molded Products	-	-	1,158	6,553	2,988	3,235	2,441	2,897
Brudi	-	-	104	807	606	516	833	391
Total capital expenditures	34,070	22,655	23,960	25,138	15,579	16,480	20,705	21,360
Acquisitions and other	72,102	13,469	-	3,637	-	5,099	17,422	25,654
Technology-related investments	35,399	20,801	3,138	1,904	1,400	600	200	-
Total	$ 141,571	$ 56,925	$ 27,098	$ 30,679	$ 16,979	$ 22,179	$ 38,327	$ 47,014

Refer to notes to financial tables on pages 16-17.

(a) Income and diluted earnings per share from continuing operations, adjusted for unusual items and technology-related investment gains/losses affecting the comparability of operating results between years, are presented below:

	1998	1997	1996	1995	1994	1993	1992	1991
Income from continuing operations as reported (b)	$64,156	$58,446	$45,035	$24,053	$ 1,417	$ 3,723	$ 9,517	$ 2,519
After-tax effects of unusual items related to continuing operations:								
Unusual (income) charge, net (d-k)	(2,341)	(1,440)	(8,479)	41	12,051	246	502	447
Impact on deferred taxes of 1% increase in federal income tax rate	-	-	-	-	-	348	-	-
Income from continuing operations as adjusted for unusual items	61,815	57,006	36,556	24,094	13,468	4,317	10,019	2,966
After-tax effect of technology-related investment (gains) losses	(394)	(8,882)	(1,369)	444	-	-	-	-
Income from continuing operations as adjusted for unusual items and technology-related investment gains/losses (b)	$61,421	$48,124	$35,187	$24,538	$13,468	$ 4,317	$10,019	$ 2,966
Diluted earnings per share from continuing operations (b):								
As reported	$ 1.66	$ 1.48	$ 1.15	$ .60	$ .03	$ .08	$ .19	$ .05
As adjusted for unusual items	1.60	1.44	.93	.60	.29	.09	.20	.06
As adjusted for unusual items and technology-related investment gains/losses	1.59	1.22	.90	.61	.29	.09	.20	.06

(b) On August 16, 1994, Tredegar completed the divestiture of its coal subsidiary, The Elk Horn Coal Corporation. On February 4, 1994, we sold our remaining oil and gas properties. As a result of these events, we report the Energy segment as discontinued operations. In 1998, discontinued operations includes gains for the reimbursement of payment made by us to the United Mine Workers of America Combined Benefit Fund (the "Fund") and the reversal of a related accrued liability established to cover future payments to the Fund (see Note 19 on page 59). On March 29, 1996, we sold Molded Products. During the second quarter of 1996, we completed the sale of Brudi. The operating results for Molded Products were historically reported as part of the Plastics segment on a combined basis with Film Products and Fiberlux. Likewise, results for Brudi were combined with Aluminum Extrusions and reported as part of the Metal Products segment. Accordingly, results for Molded Products and Brudi have been included in continuing operations. We began reporting Molded Products and Brudi separately in our segment disclosures in 1995 after announcing our intent to divest these businesses.

(c) Interest expense has been allocated between continuing and discontinued operations based on relative capital employed (see (b)).

(d) Unusual items for 1998 include a charge related to the shutdown of the powder-coat paint line in the production facility in Newnan, Georgia ($664) and a gain on the sale of APPX Software ($765). Income taxes include a tax benefit of $2,001 related to the sale, including a tax benefit for the excess of APPX Software's income tax basis over its financial reporting basis.

(e) Unusual items for 1997 include a gain of $2,250 related to the redemption of preferred stock received in connection with the 1996 divestiture of Molded Products (see Note 19 on page 59).

(f) Unusual items for 1996 include a gain on the sale of Molded Products ($19,893, see Note 19 on page 59), a gain on the sale of a former plastic films manufacturing site in Fremont, California ($1,968), a charge related to the loss on the divestiture of Brudi ($9,146, see Note 19 on page 59) and a charge related to the write-off of specialized machinery and equipment due to excess capacity in certain industrial packaging films ($1,288).

(g) Unusual items in 1995 include a gain on the sale of Regal Cinema shares ($728), a charge related to the restructuring of APPX Software ($2,400) and a recovery in connection with a Film Products product liability lawsuit ($1,750).

(h) Unusual items in 1994 include the write-off of certain goodwill and intangibles in APPX Software ($9,521), the write-off of certain goodwill in Molded Products ($4,873) and the estimated costs related to the closing of a Molded Products plant in Alsip, Illinois ($2,100).

(i) Unusual items in 1993 include estimated costs related to the sale of a Film Products plant in Flemington, New Jersey ($1,815), and the reorganization of corporate functions ($900), partially offset by the gain on the sale of our remaining investment in Emisphere Technologies, Inc. ($2,263).

(j) Unusual items in 1992 include the write-off of certain goodwill in Molded Products ($1,182), partially offset by the gain on the sale of a portion of an investment in Emisphere Technologies, Inc. ($1,092).

(k) Unusual items in 1991 include costs related to plant closings in Molded Products ($4,412) offset by a credit ($2,797) related to our decision to continue operating the vinyl extrusions business (Fiberlux), and the gain on the sale of Molded Products' beverage closure business ($894).

(l) Total return to shareholders is computed as the sum of the change in stock price during the year plus dividends per share, divided by the stock price at the beginning of the year.

(m) Consolidated capital employed is debt plus shareholders' equity minus cash and cash equivalents. Capital employed excluding technology-related investments (see Note 7 on page 46) and divested and discontinued operations (see (b)) is consolidated capital employed minus the carrying value of technology-related investments (net of related deferred income taxes) minus the capital employed of Molded Products, Brudi and the Energy segment.

(n) Equity market capitalization is the closing market price per share for the period times the shares outstanding at the end of the period.

(o) EBITDA excluding unusual items (see (d)-(k)), technology-related gains/losses and divested and discontinued operations (see (b)) is income before income taxes from operations plus depreciation and amortization plus interest expense minus interest income minus/plus unusual income/charges minus/plus technology-related investment gains/losses minus the EBITDA (excluding unusual items) for Molded Products and Brudi. EBITDA is not intended to represent cash flow from operations as defined by generally accepted accounting principles and should not be considered as an alternative to net income as an indicator of operating performance or to cash flow as a measure of liquidity.

(p) Unleveraged after-tax earnings excluding unusual items (see (d)-(k)), technology-related investment gains/losses and divested and discontinued operations (see (b)) is net income (loss) from continuing operations plus after-tax interest expense minus after-tax interest income minus/plus after-tax unusual income/charges minus/plus after-tax technology-related investment gains/losses minus the unleveraged after-tax earnings (excluding unusual items) for Molded Products and Brudi. Unleveraged after-tax earnings should not be considered as an alternative to net income as defined by generally accepted accounting principles.

(q) Return on average capital employed is unleveraged after-tax earnings divided by average capital employed.

(r) Net sales for ongoing operations include sales to P&G totaling $233,493 in 1998, $242,229 in 1997 and $206,926 in 1996.

(s) Included in the investments and other category of the Technology segment are APPX Software (sold in 1998 - see (d)) and technology-related investments in which our ownership is less than 20% (see Note 7 on page 46).

(t) Interest income was insignificant prior to 1994.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

1998 Summary

Tredegar's net income, diluted earnings per share and EBITDA for 1998 and 1997 are summarized below:

(In Millions, Except Per Share Data)	1998	1997	Percent Change
Net sales	$ 699.8	$581.0	20
Net income:			
Manufacturing and research operations	$ 61.4	$ 48.1	28
Technology investments, net	.4	8.9	(96)
Unusual items	2.4	1.4	71
Discontinued operations	4.7	-	-
Net income	$ 68.9	$ 58.4	18
Diluted earnings per share:			
Manufacturing and research operations	$ 1.59	$ 1.22	30
Technology investments, net	.01	.22	(95)
Unusual items	.06	.04	50
Discontinued operations	.12	-	-
Net income	$ 1.78	$ 1.48	20
EBITDA (see Note (o) on page 17)	$ 116.0	$ 89.4	30
As a % of net sales	16.6%	15.4%	
Pro forma information (assumes acquisitions occurred at the beginning of 1997 - see Note 2 on page 43)			
Net sales	$ 745.6	$743.2	-
Manufacturing and research operations:			
Net income	61.7	48.6	27
Diluted earnings per share	1.59	1.22	30
EBITDA	118.7	98.9	20
As a % of pro forma net sales	15.9%	13.3%	

Results for both years include technology-related investment activities, unusual items and discontinued operations that affect comparability between periods. Excluding the after-tax effects of these items, net income was up 28% and pro forma EBITDA was up 20% in 1998. The improvement in operating earnings and EBITDA was driven by:

- Continued volume growth and acquisitions in Aluminum Extrusions
- Higher profits in Film Products in most markets except Asia (profits in Asia declined by $3 million)

- - Higher pension income and lower costs for certain other employee benefits
- - Higher contract research revenues resulting in lower losses at Molecumetics

Pro forma net sales were flat for the year as higher pro forma sales in Aluminum Extrusions (up 3%), higher collaboration revenues at Molecumetics and higher sales at Fiberlux were offset by lower sales in Film Products (down 4%). For more discussion, see the business segment review on pages 26-30.

Unusual Items. Unusual income (net) affecting operations in 1998 totaled $101,000 ($2.4 million after income tax benefits) and included:

- - A fourth-quarter charge of $664,000 ($425,000 after taxes) related to the shutdown of the powder-coat paint line at the aluminum extrusion facility in Newnan, Georgia
- - A first-quarter gain of $765,000 ($2.8 million after tax benefits) on the sale of APPX Software

Income taxes for continuing operations include a tax benefit of $2 million related to the sale of APPX Software, reflecting a tax benefit for the excess of its income tax basis over its financial reporting basis.

Unusual income affecting operations in 1997 included a second-quarter gain of $2.3 million ($1.4 million after income taxes) related to the redemption of preferred stock received in connection with the 1996 divestiture of our molded plastics subsidiary.

Technology-Related Investment Activities. Net gains realized from technology-related investment activities totaled $615,000 ($394,000 after income taxes) in 1998 and $13.9 million ($8.9 million after income taxes) in 1997. These gains are included in "Other income (expense), net" in the consolidated statements of income on page 35 and "Investments" in the operating profit table on page 13.

Beginning April 1, 1998, we began classifying the stand-alone operating expenses for our technology-related investment activities with gains and losses in "Investments" in the operating profit table. Prior to that time they were classified in the "Other" category of the technology segment. These expenses, which continue to be reported in selling, general and administrative expenses (SG&A) in the consolidated statements of income, totaled $2.1 million for all of 1998, $1.7 million for the nine months ended December 31, 1998, and $1 million in 1997. More information on our technology-related investments is provided in Note 7 on page 46.

Discontinued Operations. Gains recognized in 1998 related to our discontinued coal operations include:

- - A third-quarter after-tax gain of $3.4 million for the reversal of an accrued liability established to cover future payments to the United Mine Workers of America Combined Benefit Fund (the "UMWA Fund")
- - A fourth-quarter after-tax gain of $1.2 million for the reimbursement of payments made by us to the UMWA Fund

We were relieved of any liability to the UMWA Fund as the result of a 1998 Supreme Court ruling.

1998 versus 1997

Revenues. Pro forma net sales were flat for the year as higher pro forma sales in Aluminum Extrusions (up 3%), higher collaboration revenues at Molecumetics and higher sales at Fiberlux were offset by lower sales in Film Products (down 4%). For more information, see the business segment review on pages 26-30.

Operating Costs and Expenses. The gross profit margin during 1998 decreased to 20.9% from 21.2% in 1997 due primarily to acquisitions in Aluminum Extrusions. The acquired businesses generally have lower margins than those realized in Film Products. Higher contract research revenues had a positive impact on margins.

SG&A expenses in 1998 were $39.5 million, up from $37 million in 1997. On a pro forma basis, including the impact of acquisitions, SG&A expenses were down by $2 million or 5%, due primarily to lower charges for the savings restoration plan and higher pension income. As a percentage of pro forma sales, pro forma SG&A expenses declined to 5.5% in 1998 compared with 5.8% in 1997.

Research and development expenses increased to $14.5 million in 1998 from $13.2 million in 1997 due to higher spending at Molecumetics in support of collaboration programs. Research and development spending at Film Products in 1998 was about the same as last year, with primary focus on breathable and elastomeric film technologies, which were commercialized in 1998.

Unusual income of $101,000 in 1998 is explained on page 19 under "Unusual Items".

Interest Income and Expense. Interest income, which is included in "Other income (expense), net" in the consolidated statements of income, decreased to $2.3 million in 1998 from $5 million in 1997 due to a lower average cash equivalents balance (see "Cash Flows" on page 23 for more information). The average tax-equivalent yield earned on cash equivalents was approximately 5.6% in 1998 and 5.7% in 1997. Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year. The primary objectives of our policy are safety of principal and liquidity.

Interest expense decreased to $1.3 million in 1998 from $2 million in 1997 due to higher capitalized interest from higher capital expenditures, the 1997 write-off of deferred financing costs related to the refinancing of our revolving credit facility, and lower average debt outstanding.

Income Taxes. The effective tax rate, excluding unusual items and technology-related investment activities, was approximately 35% in 1998 and 1997, as the impact of a decline in average tax-exempt investments was offset by a lower effective state income tax rate. See Note 16 on page 56 for additional tax rate information.

1997 versus 1996

Revenues. Excluding the effects of the Molded Products and Brudi divestitures, net sales increased 18.8% in 1997 due primarily to higher sales in Film Products and Aluminum Extrusions. The increase in Film Products was driven by higher volume of nonwoven film laminates, higher volume for foreign operations and higher selling prices (reflecting higher average plastic resin costs). Higher sales in Aluminum Extrusions reflected strength in residential and commercial windows and curtain walls and higher volume to distributors, as well as the acquisition of the aluminum extrusion and fabrication facility in El Campo, Texas. Contract research revenues at Molecumetics also increased. For more information, see the business segment review on pages 26-30.

Operating Costs and Expenses. The gross profit margin increased to 21.2% in 1997 from 20.3% in 1996 due primarily to higher volume and efficiencies in Film Products (particularly nonwoven film laminates) and Aluminum Extrusions, and contract research revenues supporting research and development projects at Molecumetics.

SG&A expenses decreased by $2.7 million or 6.8% due primarily to the Molded Products and Brudi divestitures and lower corporate overhead, partially offset by higher SG&A expenses supporting higher sales at Film Products and Aluminum Extrusions (including the acquisition of the El Campo facility). SG&A expenses, as a percentage of sales, declined to 6.4% in 1997 compared with 7.6% in 1996.

Research and development expenses increased by $2.1 million or 19% due to higher product development spending at Film Products and higher spending at Molecumetics.

Unusual income of $2.3 million in 1997 is explained on page 19 under "Unusual Items".

Interest Income and Expense. Interest income increased to $5 million in 1997 from $3 million in 1996 due to the investment of divestiture proceeds for a full year and cash generated from operations. The average tax-equivalent yield earned on cash equivalents was 5.7% in 1997 and 5.5% in 1996.

Interest expense decreased slightly due to lower average debt outstanding, partially offset by the second-quarter write-off of deferred financing costs related to the refinancing of our revolving credit facility. The average interest rate on debt was 7.2% in 1997 and 1996 (primarily fixed-rate debt).

Income Taxes. The effective tax rate increased to 35.2% from 34.7% due primarily to:

- Slightly lower income on export sales in the tax-advantaged Foreign Sales Corporation relative to significantly higher consolidated pre-tax income
- A higher effective state income tax rate due to an increase in income in states with higher tax rates

See Note 16 on page 56 for additional tax rate information.

Financial Condition

Assets

Total assets increased to $457.2 million at December 31, 1998, from $410.9 million at December 31, 1997, due mainly to:

- The aluminum extrusion acquisitions in Canada
- New technology-related investments
- Capital expenditures in excess of depreciation

The increase in assets related to these items was partially offset by a decrease in cash and cash equivalents (see discussion below).

Liabilities and Available Credit

Total liabilities were $146.9 million at December 31, 1998, up from $138.4 million at December 31, 1997, due primarily to acquisitions, partially offset by lower debt outstanding and the reversal of an accrued liability related to discontinued coal operations (see Note 19 on page 59).

Debt outstanding consisted of a note payable with a remaining balance at December 31, 1998 of $25 million ($30 million at December 31, 1997). Interest is payable on the note semi-annually at 7.2% per year. Annual principal payments of $5 million are due each June through 2003 (the $5 million due in June 1999 has been classified as long-term in accordance with our ability to refinance such obligation on a long-term basis). We also have a revolving credit facility that permits borrowings of up to $275 million (no amounts borrowed at December 31, 1998 and 1997). The facility matures on July 9, 2002, with an annual extension of one year permitted subject to the approval of participating banks. See Note 10 on page 48 for more information on debt and credit agreements.

Shareholders' Equity

At December 31, 1998, Tredegar had 36,660,751 shares of common stock outstanding and a total market capitalization of $824.9 million, compared with 37,113,735 shares outstanding and a total market capitalization of $814.9 million at December 31, 1997.

During 1998, we purchased 1,667,054 shares of our common stock for $36.8 million ($22.06 per share). During 1997, we purchased 166,989 shares of our common stock for $2.5 million ($15.15 per share). Since becoming an independent company in 1989, we have purchased a total of 20.2 million shares, or 36% of our issued and outstanding common stock, for $115.5 million ($5.70 per share). Under a standing authorization from our board of directors, we may purchase an additional four million shares in the open market or in privately negotiated transactions at prices management deems appropriate.

Cash Flows

The reasons for the changes in cash and cash equivalents during 1998, 1997 and 1996, are summarized below:

	(In Millions) 1998	1997	1996
Cash and cash equivalents, beginning of year	$ 120.1	$101.3	$ 2.1
Cash provided by continuing operating activities in excess of capital expenditures and dividends	33.2	39.5	18.1
Cash used by discontinued operations	(1.9)	-	-
Proceeds from the exercise of stock options (including related income tax benefits realized by Tredegar)	6.2	4.8	2.1
Acquisitions (all related to Aluminum Extrusions - see Note 2 on page 43)	(60.9)	(13.5)	-
Repurchases of Tredegar common stock	(36.8)	(2.5)	(2.0)
New technology-related investments, net of proceeds from disposals (see Note 7 on page 46)	(29.9)	(5.7)	(.5)
Repayments of debt	(5.0)	(5.0)	-
Proceeds from property disposals and divestitures	.7	2.6	81.5
Other, net	(.3)	(1.4)	-
Net (decrease) increase in cash and cash equivalents	(94.7)	18.8	99.2
Cash and cash equivalents, end of year	$ 25.4	$120.1	$101.3

Net cash provided by continuing operating activities in excess of capital expenditures and dividends was $33.2 million in 1998, down from $39.5 million in 1997 due primarily to higher capital expenditures for manufacturing and research operations and higher dividends, partially offset by improved operating results. Cash used by discontinued operations of $1.9 million was due to the recapture of tax deductions previously taken on the UMWA Fund liability, partially offset by reimbursements received from the UMWA Fund.

Higher capital expenditures in 1998 are related to:

- A new facility near Budapest, Hungary, which will produce disposable films for hygiene products marketed in Eastern Europe (this facility should be operational in mid-1999)
- Machinery and equipment purchased for the manufacture of breathable and elastomeric films (these films are replacing conventional diaper backsheet and other diaper components in order to improve comfort and fit)
- Expansion of diaper backsheet film capacity in Brazil
- The second phase of a modernization program at the aluminum extrusion plant in Newnan, Georgia (the first phase was completed in 1996)
- Expansion of Molecumetics' research lab in Bellevue, Washington.

Net cash provided by continuing operating activities in excess of capital expenditures and dividends was $39.5 million in 1997, up from $18.1 million in 1996 due primarily to:

- - Improved operating results
- - Lower capital expenditures in Aluminum Extrusions due to the completion of the modernization project at the Newnan plant in late 1996
- - Lower capital expenditures due to the 1996 Molded Products and Brudi divestitures (Molded Products and Brudi had combined capital expenditures of $1.3 million in 1996)

These items were partially offset in 1997 by:

- - Income taxes paid on technology-related net investment gains
- - Higher capital expenditures in Film Products reflecting normal replacement of machinery and equipment and permeable film additions, including expansion into China and Eastern Europe.

Net cash provided by continuing operating activities in excess of capital expenditures and dividends was $18.1 million in 1996, down from $22.2 million in 1995 due primarily to:

- - Higher working capital for ongoing operations to support higher sales volume
- - Income taxes paid on net gains realized from divestitures, property disposals and the sale of a technology-related investment

Normal operating cash requirements over the next three to five years are expected to be met from ongoing operations. Excess cash will be invested on a short-term basis, with the primary objectives of safety of principal and liquidity, until other opportunities are identified.

Quantitative and Qualitative Disclosures about Market Risk

Tredegar has exposure to the volatility of polyethylene resin prices, aluminum ingot and scrap prices, foreign currencies, emerging markets and technology stocks. At December 31, 1998, and during the last several years, we have been in a net cash position (cash and cash equivalents in excess of debt), and therefore our earnings have not been materially affected by interest rate volatility. See Note 10 on page 48 for information on debt and credit agreements.

Changes in resin prices, and the timing of those changes, could have a significant impact on profit margins in Film Products; however, those changes are generally followed by a corresponding change in selling prices. Profit margins in Aluminum Extrusions are sensitive to fluctuations in aluminum ingot and scrap prices but are also generally followed by a corresponding change in selling prices; however, there is no assurance that higher ingot costs can be passed along to customers.

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our exposure to aluminum price volatility under these fixed-price arrangements, which generally have a duration of not more than 12 months, we enter into a combination of forward purchase commitments and futures contracts to acquire aluminum, based on the scheduled deliveries. See Note 6 on page 45 for more information.

We sell to customers in foreign markets through our foreign operations and through exports from U.S. plants. The percentage of sales, income and total assets related to foreign markets for 1998 and 1997 are presented below:

Tredegar Industries, Inc.
Percentage of Net Sales, Pretax Income and Total Assets Related to Foreign Markets

	1998					1997				
	% of Total Net Sales		% of Total Pretax Income*		% Total Assets -	% of Total Net Sales		% of Total Pretax Income*		% Total Assets -
	Exports From U.S.	Foreign Oper-ations	Exports From U.S.	Foreign Oper-ations	Foreign Oper-ations	Exports From U.S.	Foreign Oper-ations	Exports From U.S.	Foreign Oper-ations	Foreign Oper-ations
Canada	3	15	6	7	20	4	-	7	-	-
Europe	1	4	1	10	3	1	5	1	11	2
Latin America	3	4	4	5	4	3	4	5	6	4
Asia	4	-	6	(1)	1	7	-	11	(1)	1
Total % exposure to foreign markets	11	23	17	21	28	15	9	24	16	7

* The percentages of pretax income for foreign markets are relative to Tredegar's total pretax income from manufacturing and research operations (consolidated pretax income from continuing operations excluding technology-related investment activities and unusual items).

We attempt to match the pricing and cost of our products in the same currency and generally view the volatility of foreign currencies and emerging markets, and the corresponding impact on earnings and cash flow, as part of the overall risk of operating in a global environment. Exports from the U.S. are denominated in U.S. dollars. Our foreign operations in emerging markets have agreements with certain customers that index the pricing of our products to the U.S. dollar or the German mark and the euro. Our foreign currency exposure on income from foreign operations in Europe primarily relates to the German mark and the euro. We believe that our exposure to the Canadian dollar has been substantially neutralized by U.S. dollar-based spread (the difference between selling prices and aluminum costs) generated from Canadian casting operations and exports from Canada to the U.S.

We have investments in private venture capital fund limited partnerships and early-stage technology companies, including the stock of privately-held companies and the restricted and unrestricted stock of companies that have recently registered shares in initial public offerings. Investments in non-public companies are illiquid and the investments in public companies are subject to the volatility of equity markets and technology stocks. See Note 7 on page 46 for more information.

Year 2000 Information Technology Issues

The century date compliance problem, which is commonly referred to as the "Year 2000" problem, will affect many computers and other electronic devices that are not programmed to properly recognize dates starting with January 1, 2000. This could result in system failures or miscalculations. The potential impact of such failures include, among others, an inability to secure raw materials, manufacture products, ship products and be paid for products on a timely basis.

Since 1996, we have been actively planning and responding to the Year 2000 problem. Year 2000 reviews have been and will continue to be made to our Executive Committee and senior management. Periodic reviews with the Board of Directors began in August 1998.

Our Year 2000 compliance efforts are focused on internal computer-based information systems, external electronic interfaces and communication equipment, shop floor machines and other manufacturing and research process control devices. Remediation of systems requiring changes was completed at the end of 1998, except for revisions to a small portion of certain software programs and the replacement of certain software for the four aluminum extrusion plants recently acquired in Canada (see Note 2 on page 43). Remediation efforts for the exceptions will extend into 1999. Testing of systems began in mid-1998 and will continue through 1999. We do not believe contingency plans are necessary for internal systems at this time. We are also actively evaluating the Year 2000 capabilities of parties with whom we have key business relationships (suppliers, customers and banks, for example). Contingency plans will be developed for these relationships as needed. Work to fix the Year 2000 problem is being performed largely by internal personnel and we do not track those costs. The incremental costs associated with correcting the problem are not expected to have a material adverse effect on our operating results, financial condition or cash flows.

While we believe that we are taking the necessary steps to resolve our Year 2000 issues in a timely manner, there can be no assurance that there will be no Year 2000 problems. If any such problems occur, we will work to solve them as quickly as possible. At present, we do not expect that any such problems will have a material adverse effect on our businesses. The failure, however, of a major customer or supplier to be Year 2000-compliant could have a material adverse effect on our businesses.

New Accounting Standards

The Financial Accounting Standards Board has issued a new standard affecting the accounting for derivative instruments and hedging activities. This standard is not expected to significantly change our operating results, financial condition or disclosures. The new standard will be adopted in the first quarter of 2000.

Business Segment Review

Film Products

Sales. Film Products sales decreased by 4% to $287 million in 1998 due to lower selling prices reflecting lower average plastic resin costs and lower volume of plastic film in Asia (primarily supplied to P&G), partially offset by:

- Sales of breathable backsheet and other new products to P&G
- Higher volume of VisPore(R) film (primarily used for ground cover applications)
- Higher volume of permeable film supplied to P&G in Europe
- Higher sales to new customers

Film Products sales were almost $300 million in 1997, up from $257 million in 1996 due to:

- - Higher volume of nonwoven film laminates supplied to P&G for diapers
- - Higher volume of permeable film supplied to P&G in Europe
- - Higher diaper backsheet and packaging film volume in South America
- - Higher selling prices, which reflected higher average plastic resin costs

Operating Profit. Film Products operating profit was $53.8 million in 1998, up from $50.5 million in 1997 due to higher volume in the areas noted above and material efficiencies in nonwoven film laminates, partially offset by:

- - Lower volume and operating profits relating to Asia (profits down $3 million)
- - Higher costs related to new product introductions
- - Start-up costs for the new permeable film production sites in China and Hungary

Film Products operating profit was $50.5 million in 1997, up from $43.2 million in 1996 due mainly to improved production efficiencies for nonwoven film laminates and higher volume in the areas noted in the sales discussion above. These positive factors were partially offset by higher new product development expenses and start-up costs for the new permeable film production site in China.

Identifiable Assets. Identifiable assets in Film Products were $132.2 million in 1998, up from $123.6 million in 1997 due primarily to capital expenditures in excess of depreciation and amortization.

Identifiable assets in Film Products were $123.6 million in 1997, up from $116.5 million in 1996 due mainly to higher accounts receivable supporting higher sales, capital expenditures in excess of depreciation and an increase in prepaid pension expense.

Depreciation, Amortization and Capital Expenditures. Depreciation and amortization for Film Products was $12 million in 1998, up from $10.9 million in 1997 due to higher capital expenditures. Depreciation and amortization for Film Products decreased slightly in 1997.

Capital expenditures in Film Products for 1998 reflect the normal replacement of machinery and equipment and:

- - A new facility near Budapest, Hungary, which will produce disposable films for hygiene products marketed in Eastern Europe (this facility should be operational in mid-1999)
- - Machinery and equipment purchased for the manufacture of breathable and elastomeric films (these films are replacing conventional diaper backsheet and other components in order to improve comfort and fit)
- - Expansion of diaper backsheet film capacity in Brazil

Capital expenditures in Film Products for 1997 reflect the normal replacement of machinery and equipment and permeable film additions, including the expansion into China and machinery and equipment purchased for the Hungary facility.

Fiberlux

Fiberlux operating results improved during 1998, but are currently not material to the consolidated results of operations.

Aluminum Extrusions

Acquisitions and Related Pro Forma Results. On June 11, 1998, Tredegar acquired Canadian-based Exal Aluminum Inc. ("Exal"). Exal operates two aluminum extrusion plants in Pickering, Ontario and Aurora, Ontario. Both facilities manufacture extrusions for distribution, transportation, electrical, machinery and equipment, and building and construction markets. The Pickering facility also produces aluminum logs and billet for internal use and for sale to customers.

On February 6, 1998, we acquired two Canadian-based aluminum extrusion and fabrication plants from Reynolds Metals Company ("Reynolds"). The plants are located in Ste-Therese, Quebec, and Richmond Hill, Ontario. Both facilities manufacture products used primarily in building and construction, transportation, electrical, machinery and equipment, and consumer durables markets.

On May 30, 1997, we acquired an aluminum extrusion and fabrication plant in El Campo, Texas, from Reynolds. The El Campo facility extrudes and fabricates products used primarily in transportation, electrical and consumer durables markets.

The operating results for the five plants have been included in the consolidated statements of income since the dates acquired. Pro forma financial information with respect to these acquisitions for the first six months of 1998 and all of 1997 was filed on Form 8-K on August 19, 1998. The cost of these acquisitions and selected pro forma and historical results on a consolidated basis for Tredegar are provided in Note 2 on page 43. Selected historical and pro forma results for Aluminum Extrusions for 1998 and 1997, which assume the acquisitions occurred at the beginning of 1997, are summarized below:

Aluminum Extrusions
Selected Historical and Pro Forma Financial Information

(In Millions)

	Historical		Pro Forma	
	1998	1997	1998	1997
Net sales	$ 395.5	$ 266.6	$ 441.3	$ 428.8
Operating profit (excluding unusual items)	47.1	32.1	48.6	36.9
Identifiable assets	201.5	101.9	201.5	198.9
Depreciation	8.2	5.5	9.3	9.8
Amortization of intangibles	.2	-	.3	.3
Capital expenditures	10.4	6.4	10.8	7.3

Sales. Pro forma sales in Aluminum Extrusions increased by 3% in 1998 due to strength in all building and construction markets and higher sales to distributors.

Aluminum Extrusions sales in 1997 increased 21.7% due primarily to higher volume, reflecting continued strength in residential and commercial windows and curtain walls and higher volume to distributors. The acquisition of the El Campo facility also had a positive impact on volume. Excluding the acquisition, sales were up 10% and volume was up 12% for the year.

Operating Profit. Pro forma operating profit increased by 32% in 1998 due to higher volume, related lower unit conversion costs and improved performance by recently acquired operations. Conversion costs were also reduced by an insurance recovery of $791,000 related to expenses incurred in 1997 for repairs to the casting furnaces at the Newnan, Georgia, plant.

Aluminum Extrusions operating profit increased 37.2% in 1997 due to higher volume, related lower unit conversion costs and the acquisition of the El Campo facility, partially offset by expenses associated with repairs to the casting furnaces at the Newnan plant. Conversion costs also improved due to a modernization program completed late in 1996 at the Newnan facility. This capital project cost $4.8 million, most of which was spent in 1996. Improvements in productivity, scrap rates and sales returns are currently being realized as a result of this project.

Identifiable Assets. Identifiable assets in Aluminum Extrusions were $201.5 million in 1998, up from pro forma assets of $198.9 million in 1997, due primarily to capital expenditures in excess of depreciation and amortization.

Identifiable assets in Aluminum Extrusions were $101.9 million in 1997, up from $83.8 million in 1996 due primarily to the acquisition of the El Campo facility, higher accounts receivable supporting higher sales and capital expenditures in excess of depreciation.

Depreciation, Amortization and Capital Expenditures. Pro forma depreciation and amortization for Aluminum Extrusions was $9.6 million in 1998, down from $10.1 million in 1997 due to the full depreciation of certain assets in 1997.

Depreciation and amortization for Aluminum Extrusions increased in 1997 due to the acquisition of the El Campo facility and the modernization program completed in late 1996 at the Newnan plant, partially offset by the full depreciation of certain assets in 1996.

Capital expenditures in 1998 reflect the normal replacement of machinery and equipment, and expenditures for the second phase of a modernization program at the aluminum extrusion plant in Newnan, Georgia (the first phase was completed in 1996). Like the first phase, improvements in productivity, scrap rates and sales returns are anticipated. Total capital outlays for this project are expected to be $10 million, of which $1.3 million was spent in 1998.

Capital expenditures in 1997 reflect the normal replacement of machinery and equipment and costs capitalized for rebuilding the casting furnaces at the Newnan plant.

Technology

Excluding net investment gains (see below), technology segment losses decreased by $823,000 in 1998 and by $1.9 million in 1997 due to revenues generated at Molecumetics from drug development partnerships, partially offset by higher research and development spending.

Changes in Technology segment identifiable assets over the last three years are summarized below:

	(In Millions) 1998	1997	1996
Technology segment identifiable assets, beginning of year	$ 37.2	$ 10.7	$ 7.5
Molecumetics:			
Capital expenditures, primarily expansion of its research lab in Bellevue, Washington	3.6	.4	1.6
Depreciation	(1.3)	(1.1)	(.9)
Tredegar Investments (see Note 7 on page 46):			
New investments	35.4	20.8	3.1
Proceeds from the sale of investments	(5.5)	(15.1)	(2.6)
Realized gains	4.6	14.3	2.1
Realized losses, write-offs and write-downs	(2.3)	(.4)	-
(Decrease) increase in unrealized gain on available-for-sale securities	(5.7)	7.8	-
Other	.3	(.2)	(.1)
Net increase in Technology segment identifiable assets	29.1	26.5	3.2
Technology segment identifiable assets, end of year	$ 66.3	$ 37.2	$ 10.7

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the index on page 33 for references to the report of independent accountants, management's report on the financial statements, the consolidated financial statements and selected quarterly financial data.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF TREDEGAR

The information concerning directors and persons nominated to become directors of Tredegar included in the Proxy Statement under the heading "Election of Directors" is incorporated herein by reference.

The information included in the Proxy Statement under the heading "Stock Ownership" is incorporated herein by reference.

Set forth below are the names, ages and titles of our executive officers:

Name	Age	Title
John D. Gottwald	44	President and Chief Executive Officer
Douglas R. Monk	53	Executive Vice President and Chief Operating Officer
Norman A. Scher	61	Executive Vice President and Chief Financial Officer
Anthony J. Rinaldi	60	Senior Vice President and President, Film Products
D. Andrew Edwards	39	Vice President, Treasurer and Controller
Michael W. Giancaspro	43	Vice President, Corporate Development
Nancy M. Taylor	38	Vice President, General Counsel and Secretary
Frederick P. Woods	54	Vice President, Personnel

Except as described below, each of these officers has served in such capacity since July 10, 1989. Each will hold office until his successor is elected or until his earlier removal or resignation.

Douglas R. Monk. Mr. Monk was elected Executive Vice President and Chief Operating Officer on November 18, 1998, and is responsible for our manufacturing operations. Mr. Monk has served as a Vice President since August 29, 1994, and served as President of The William L. Bonnell Company, Inc. and Capitol Products Corporation since February 23, 1993. He also served as Director of Operations for our Aluminum Division.

Anthony J. Rinaldi. Mr. Rinaldi was elected Senior Vice President on November 18, 1998. Mr. Rinaldi continues to serve as President of Film Products, a position he has held since April 23, 1993. Mr. Rinaldi has served as a Vice President since February 27, 1992. Mr. Rinaldi also served as General Manager of Tredegar Film Products and as Managing Director of European operations. Mr. Rinaldi served as Director of Sales and Marketing for Tredegar Film Products from July 10, 1989 to June, 1991.

D. Andrew Edwards. Mr. Edwards was elected Vice President on November 18, 1998. Mr. Edwards served as Controller from October 19, 1992, until May 22, 1997, when he was elected Treasurer and Controller.

Nancy M. Taylor. Ms. Taylor was elected Vice President on November 18, 1998. Ms. Taylor has served as General Counsel and Secretary since May 22, 1997. From February 25, 1994 until May 22, 1997, Ms. Taylor served as Corporate Counsel and Secretary. She served as Assistant General Counsel from September 1, 1991 until February 25, 1994.

Michael W. Giancaspro. Mr. Giancaspro served as Director of Corporate Planning from March 31, 1989, until February 27, 1992, when he was elected Vice President, Corporate Planning. On January 1, 1998, his position was changed to Vice President, Corporate Development.

Frederick P. Woods. Mr. Woods served as Vice President, Employee Relations from July 10, 1989 until December, 1993, when his position was changed to Vice President, Personnel.

Item 11. EXECUTIVE COMPENSATION

The information included in the Proxy Statement under the heading "Compensation of Executive Officers and Directors" is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information included in the Proxy Statement under the heading "Stock Ownership" is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) List of documents filed as a part of the report:

(1) Financial statements:

Tredegar Industries, Inc.
Index to Financial Statements and Supplementary Data

(2) Financial statement schedules:

None

(3) Exhibits:

See Exhibit Index on page 63.

(b) Reports on Form 8-K

We did not file or amend any reports on Form 8-K during the last quarter of the year ended December 31, 1998.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Tredegar Industries, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, cash flows and shareholders' equity present fairly, in all material respects, the financial position of Tredegar Industries, Inc., and Subsidiaries ("Tredegar") at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP
Richmond, Virginia
January 12, 1999

MANAGEMENT'S REPORT ON THE FINANCIAL STATEMENTS

Tredegar's management has prepared the financial statements and related notes appearing on pages 35-59 in conformity with generally accepted accounting principles. In so doing, management makes informed judgments and estimates of the expected effects of events and transactions. Financial data appearing elsewhere in this report are consistent with these financial statements.

Tredegar maintains a system of internal controls to provide reasonable, but not absolute, assurance of the reliability of the financial records and the protection of assets. The internal control system is supported by written policies and procedures, careful selection and training of qualified personnel and an extensive internal audit program.

These financial statements have been audited by PricewaterhouseCoopers LLP, independent certified public accountants. Their audit was made in accordance with generally accepted auditing standards and included a review of Tredegar's internal accounting controls to the extent considered necessary to determine audit procedures.

The Audit Committee of the Board of Directors, composed of outside directors only, meets with management, internal auditors and the independent accountants to review accounting, auditing and financial reporting matters. The independent accountants are appointed by the Board on recommendation of the Audit Committee, subject to shareholder approval.

CONSOLIDATED STATEMENTS OF INCOME

Tredegar Industries, Inc., and Subsidiaries

Years Ended December 31	1998	1997	1996
(In thousands, except per-share amounts)			
Revenues:			
Net sales	$ 699,796	$ 581,004	$523,551
Other income (expense), net	4,015	17,015	4,248
Total	703,811	598,019	527,799
Costs and expenses:			
Cost of goods sold	553,389	457,946	417,270
Selling, general and administrative	39,493	37,035	39,719
Research and development	14,502	13,170	11,066
Interest	1,318	1,952	2,176
Unusual items	(101)	(2,250)	(11,427)
Total	608,601	507,853	458,804
Income from continuing operations before income taxes	95,210	90,166	68,995
Income taxes	31,054	31,720	23,960
Income from continuing operations	64,156	58,446	45,035
Income from discontinued operations	4,713	0	0
Net income	$ 68,869	$ 58,446	$ 45,035
Earnings per share:			
Basic:			
Continuing operations	$ 1.77	$ 1.59	$ 1.23
Discontinued operations	.13	-	-
Net income	$ 1.90	$ 1.59	$ 1.23
Diluted:			
Continuing operations	$ 1.66	$ 1.48	$ 1.15
Discontinued operations	.12	-	-
Net income	$ 1.78	$ 1.48	$ 1.15

See accompanying notes to financial statements.

CONSOLIDATED BALANCE SHEETS

Tredegar Industries, Inc., and Subsidiaries

December 31	1998	1997
(In thousands, except share amounts)		
Assets		
Current assets:		
Cash and cash equivalents	$ 25,409	$ 120,065
Accounts and notes receivable	94,341	69,672
Inventories	34,276	20,008
Income taxes recoverable	-	294
Deferred income taxes	8,762	8,722
Prepaid expenses and other	3,536	4,369
Total current assets	166,324	223,130
Property, plant and equipment, at cost:		
Land and land improvements	9,162	5,001
Buildings	51,633	35,366
Machinery and equipment	295,616	243,628
Total property, plant and equipment	356,411	283,995
Less accumulated depreciation	200,380	183,397
Net property, plant and equipment	156,031	100,598
Other assets and deferred charges	101,910	67,134
Goodwill and other intangibles	32,913	20,075
Total assets	$457,178	$ 410,937
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 47,551	$ 33,168
Accrued expenses	41,071	39,618
Income taxes payable	243	-
Total current liabilities	88,865	72,786
Long-term debt	25,000	30,000
Deferred income taxes	24,914	22,108
Other noncurrent liabilities	8,104	13,497
Total liabilities	146,883	138,391
Commitments and contingencies (Notes 7, 13 and 18)		
Shareholders' equity:		
Common stock (no par value): Authorized 150,000,000 shares; Issued and outstanding - 36,660,751 shares in 1998 and 37,113,735 in 1997	95,893	115,291
Common stock held in trust for savings restoration plan (53,871 shares in 1998 and 46,671 in 1997)	(1,212)	(1,020)
Accumulated other comprehensive income (loss):		
Unrealized gain on available-for-sale securities	1,376	5,020
Foreign currency translation adjustment	(2,519)	(37)
Retained earnings	216,757	153,292
Total shareholders' equity	310,295	272,546
Total liabilities and shareholders' equity	$457,178	$ 410,937

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Tredegar Industries, Inc., and Subsidiaries

Years Ended December 31	1998	1997	1996
(In thousands)			
Cash flows from operating activities:			
Net income from continuing operations	$64,156	$58,446	$45,035
Adjustments for noncash items:			
Depreciation	22,260	18,364	20,062
Amortization of intangibles	205	50	256
Write-off of intangibles	-	7	-
Deferred income taxes	431	3,341	1,771
Accrued pension income and postretirement benefits	(3,931)	(2,975)	(2,582)
Gains on technology-related investments, net	(2,267)	(13,880)	(2,139)
Gains on divestitures, net	(101)	(2,250)	(11,427)
Changes in assets and liabilities, net of effects from acquisitions and divestitures:			
Accounts and notes receivable	(4,271)	(1,937)	(4,894)
Inventories	(4,035)	994	1,257
Income taxes recoverable and other prepaid expenses	1,263	280	(763)
Accounts payable and accrued expenses	665	8,010	(471)
Other, net	(1,691)	(2,130)	(840)
Net cash provided by continuing operating activities	72,684	66,320	45,265
Net cash used by discontinued operating activities	(1,910)	-	-
Net cash provided by operating activities	70,774	66,320	45,265
Cash flows from investing activities:			
Capital expenditures	(34,070)	(22,655)	(23,960)
Acquisitions (net of cash acquired of $1,097 in 1998; excludes equity issued of $11,219 in 1998)	(60,883)	(13,469)	-
Technology-related investments	(35,399)	(20,801)	(3,138)
Proceeds from the sale of technology-related investments	5,462	15,060	2,639
Proceeds from property disposals and divestitures	747	2,637	81,478
Other, net	(74)	(359)	(74)
Net cash (used) provided by investing activities	(124,217)	(39,587)	56,945
Cash flows from financing activities:			
Dividends paid	(5,404)	(4,181)	(3,176)
Repayments of debt	(5,000)	(5,000)	-
Repurchases of Tredegar common stock	(36,774)	(2,531)	(2,034)
Tredegar common stock purchased by trust for savings restoration plan	(192)	(1,020)	-
Proceeds from exercise of stock options (including related income tax benefits realized)	6,157	4,803	2,145
Other, net	-	-	(29)
Net cash used in financing activities	(41,213)	(7,929)	(3,094)
(Decrease) increase in cash and cash equivalents	(94,656)	18,804	99,116
Cash and cash equivalents at beginning of period	120,065	101,261	2,145
Cash and cash equivalents at end of period	$25,409	$120,065	$101,261
Supplemental cash flow information:			
Interest payments (net of amount capitalized)	$ 1,333	$ 1,968	$ 2,178
Income tax payments, net	$34,464	$24,485	$19,399

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Tredegar Industries, Inc., and Subsidiaries

	Common Stock Shares	Common Stock Amount	Retained Earnings	Trust for Savings Restoration Plan	Accumulated Other Comprehensive Income (Loss): Unrealized Gain on Available-for-Sale Securities	Accumulated Other Comprehensive Income (Loss): Foreign Currency Translation	Total Shareholders' Equity
(In thousands, except share and per-share data)							
Balance December 31, 1995	36,528,885	$ 112,908	$ 57,168	$ -	$ -	$ 445	$ 170,521
Comprehensive income:							
Net income	-	-	45,035	-	-	-	45,035
Other comprehensive income:							
Foreign currency translation adjustment (net of tax provision of $29)	-	-	-	-	-	54	54
Comprehensive income							45,089
Cash dividends declared ($.087 per share)	-	-	(3,176)	-	-	-	(3,176)
Repurchases of Tredegar common stock	(206,841)	(2,034)	-	-	-	-	(2,034)
Issued upon exercise of stock options (including related income tax benefits realized by Tredegar of $800)	392,115	2,145	-	-	-	-	2,145
Balance December 31, 1996	36,714,159	113,019	99,027	-	-	499	212,545
Comprehensive income:							
Net income	-	-	58,446	-	-	-	58,446
Other comprehensive income (loss):							
Available-for-sale securities adjustment, net of reclassification adjustment (net of tax provision of $2,824)	-	-	-	-	5,020	-	5,020
Foreign currency translation adjustment (net of tax benefit of $289)	-	-	-	-	-	(536)	(536)
Comprehensive income							62,930
Cash dividends declared ($.113 per share)	-	-	(4,181)	-	-	-	(4,181)
Repurchases of Tredegar common stock	(166,989)	(2,531)	-	-	-	-	(2,531)
Issued upon exercise of stock options (including related income tax benefits realized by Tredegar of $2,042)	566,565	4,803	-	-	-	-	4,803
Tredegar common stock purchased by trust for savings restoration plan	-	-	-	(1,020)	-	-	(1,020)
Balance December 31, 1997	37,113,735	115,291	153,292	(1,020)	5,020	(37)	272,546
Comprehensive income:							
Net income	-	-	68,869	-	-	-	68,869
Other comprehensive loss:							
Available-for-sale securities adjustment, net of reclassification adjustment (net of tax benefit of $2,049)	-	-	-	-	(3,644)	-	(3,644)
Foreign currency translation adjustment (net of tax benefit of $1,336)	-	-	-	-	-	(2,482)	(2,482)
Comprehensive income							62,743
Cash dividends declared ($.15 per share)	-	-	(5,404)	-	-	-	(5,404)
Shares issued for acquisition	380,172	11,219	-	-	-	-	11,219
Repurchases of Tredegar common stock	(1,667,054)	(36,774)	-	-	-	-	(36,774)
Issued upon exercise of stock options (including related income tax benefits realized by Tredegar of $2,470)	833,898	6,157	-	-	-	-	6,157
Tredegar common stock purchased by trust for savings restoration plan	-	-	-	(192)	-	-	(192)
Balance December 31, 1998	36,660,751	$ 95,893	$216,757	$ (1,212)	$ 1,376	$ (2,519)	$ 310,295

See accompanying notes to financial statements.

Tredegar Industries, Inc., and Subsidiaries
(In thousands, except share and per-share amounts)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations. Tredegar Industries, Inc. and subsidiaries ("Tredegar") is engaged in the manufacture of plastic films, vinyl extrusions and aluminum extrusions. We also have interests in a variety of technology-based businesses. For more information on our products, principal markets and customers, see the "Description of Business" on pages 1-4 and the segment tables on pages 12-17.

During 1996-1998, we made several acquisitions (see Note 2) and completed several divestitures (see Note 19).

Basis of Presentation. The consolidated financial statements include the accounts and operations of Tredegar and all of its subsidiaries. Intercompany accounts and transactions within Tredegar have been eliminated. Certain previously reported amounts have been reclassified to conform to the 1998 presentation.

On May 20, 1998, we declared a three-for-one stock split payable on July 1, 1998, to shareholders of record on June 15, 1998. All historical references to shares, per-share amounts, stock option data and market prices of our common stock have been restated to reflect the split.

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

The Financial Accounting Standards Board has issued a new standard affecting the accounting for derivative instruments and hedging activities. This standard is not expected to significantly change our operating results, financial condition or disclosures. The new standard will be adopted in the first quarter of 2000.

Revenue Recognition. Revenue from the sale of products is recognized when title and risk of loss have transferred to the buyer, which is generally when product is shipped. Contract research programs at Molecumetics are accounted for under the percentage-of-completion method based on costs incurred relative to total estimated costs. Full provision is made for anticipated losses.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand in excess of daily operating requirements and highly liquid investments with maturities of three months or less when purchased. At December 31, 1998 and 1997, Tredegar had approximately $25,000 and $120,000, respectively, invested in securities with maturities of two months or less.

Our policy permits investment of excess cash in marketable securities that have the highest credit ratings and maturities of less than one year. The primary objectives of the policy are safety of principal and liquidity.

Inventories. Inventories are stated at the lower of cost or market, with cost principally determined on the last-in, first-out ("LIFO") basis. Other inventories are stated on either the weighted average cost or the first-in, first-out basis. Cost elements included in work-in-process and finished goods inventories are raw materials, direct labor and manufacturing overhead.

Aluminum Forward Sales, Purchase and Futures Contracts. In the normal course of business, we enter into a combination of forward purchase commitments and futures contracts to acquire aluminum. Gains and losses on these contracts are designated and effective as hedges of aluminum price and margin exposure on forward sales contracts and, accordingly, are recorded as adjustments to the cost of inventory (see Note 6).

Property, Plant and Equipment. Accounts include costs of assets constructed or purchased, related delivery and installation costs and interest incurred on significant capital projects during their construction periods. Expenditures for renewals and betterments also are capitalized, but expenditures for repairs and maintenance are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts, and gains or losses thereon are included in income.

Property, plant and equipment includes capitalized interest of $915 in 1998, $751 in 1997 and $730 in 1996.

Depreciation is computed primarily by the straight-line method based on the estimated useful lives of the assets.

Investments. See Note 7.

Goodwill and Other Intangibles. Goodwill acquired prior to November 1, 1970 ($19,484 at December 31, 1998 and 1997), is not being amortized and relates to our aluminum extrusion business. Goodwill subject to amortization was $12,899 at December 31, 1998, and arose from the acquisition of Exal Aluminum Inc. in 1998 (see Note 2). This goodwill is being amortized over 40 years. There was no goodwill subject to amortization at December 31, 1997. Other intangibles ($530 at December 31, 1998 and $591 at December 31, 1997, net of accumulated amortization) consist primarily of patent rights and licenses acquired which are being amortized on a straight-line basis over a period of not more than 17 years.

Impairment of Long-Lived Assets. We review long-lived tangible and intangible assets for possible impairment on a quarterly basis. For assets to be held and used in operations, if events indicate that an asset may be impaired, we estimate the future unlevered cash flows expected to result from the use of the asset and its eventual disposition. Assets are grouped for this purpose at the lowest level for which there are identifiable and independent cash flows. If the sum of these undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of the impairment loss is based on the estimated fair value of the asset.

Assets to be disposed of are reported at the lower of their carrying amount or estimated fair value less cost to sell, with an impairment loss recognized for any write-downs required.

Pension Costs and Postretirement Benefit Costs Other Than Pensions. Pension costs and postretirement benefit costs other than pensions are accrued over the period employees provide service to the company. Our policy is to fund our pension plans at amounts not less than the minimum requirements of the Employee Retirement Income Security Act of 1974 and to fund postretirement benefits other than pensions when claims are incurred.

Postemployment Benefits. We periodically provide certain postemployment benefits purely on a discretionary basis. Related costs for these programs are accrued when it is probable that benefits will be paid. All other postemployment benefits are either accrued under current benefit plans or are not material to our financial position or results of operations.

Income Taxes. Income taxes are recognized during the period in which transactions enter into the determination of income for financial reporting purposes, with deferred income taxes being provided at enacted statutory tax rates on the differences between the financial reporting and tax bases of assets and liabilities (see Note 16). We accrue U.S. federal income taxes on undistributed earnings of our foreign subsidiaries.

Foreign Currency Translation. The financial statements of foreign subsidiaries, where the local currency is the functional currency, are translated into U.S. dollars using exchange rates in effect at the period end for assets and liabilities and average exchange rates during each reporting period for results of operations. Adjustments resulting from the translation of these financial statements are reflected as a separate component of shareholders' equity.

The financial statements of foreign subsidiaries where the U.S. dollar is the functional currency, and which have certain transactions in a local currency, are remeasured as if the functional currency were the U.S. dollar. The remeasurement of local currencies into U.S. dollars creates translation adjustments which are included in income.

Transaction and remeasurement exchange gains or losses included in income were not material in 1998, 1997 and 1996.

Earnings Per Share. Basic earnings per share is computed using the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed using the weighted average common and potentially dilutive common equivalent shares outstanding, determined as follows:

	1998	1997	1996
Weighted average shares outstanding used to compute basic earnings per share	36,286,476	36,862,917	36,622,848
Incremental shares issuable upon the assumed exercise of stock options	2,383,147	2,672,469	2,692,221
Shares used to compute diluted earnings per share	38,669,623	39,535,386	39,315,069

Incremental shares issuable upon the assumed exercise of outstanding stock options are computed using the average market price during the related period.

Stock Options. Stock options, stock appreciation rights ("SARs") and restricted stock grants are accounted for under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations whereby:

- No compensation cost is recognized for fixed stock option or restricted stock grants unless the quoted market price of the stock at the measurement date (ordinarily the date of grant or award) is in excess of the amount the employee is required to pay
- Compensation cost for SARs is recognized and adjusted up through the date of exercise or forfeiture based on the estimated number of SARs expected to be exercised multiplied by the difference between the market price of our stock and the amount the employee is required to pay

The company provides additional pro forma disclosures of the fair value based method (see Note 12).

Comprehensive Income. Comprehensive income, which is included in the consolidated statement of shareholders' equity, is defined as net income and other comprehensive income. Other comprehensive income includes changes in unrealized gains and losses on available-for-sale securities and foreign currency translation adjustments recorded net of deferred income taxes directly in shareholders' equity.

The available-for-sale securities adjustment included in the consolidated statement of shareholders' equity is comprised of the following components:

	1998	1997	1996
Available-for-sale securities adjustment:			
Unrealized holding gains arising during the period	$ (3,426)	$ 21,724	$ 2,139
Income taxes	1,233	(7,822)	(770)
Reclassification adjustment for net gains realized in income	(2,267)	(13,880)	(2,139)
Income taxes	816	4,998	770
Available-for-sale securities adjustment	$ (3,644)	$ 5,020	$ -

2 ACQUISITIONS

On June 11, 1998, Tredegar acquired Canadian-based Exal Aluminum Inc. ("Exal") for $44,106 (including transaction costs), which was comprised of:

- Cash consideration of $32,887 ($31,790 net of cash acquired)
- 380,172 shares of Class I non-voting preferred shares of Tredegar's Bon L Canada subsidiary (the "Class I Shares")

The Class I Shares are exchangeable into shares of Tredegar common stock on a one-for-one basis. Each Class I Share is economically equivalent to one share of Tredegar common stock and accordingly accounted for in the same manner.

Exal operates aluminum extrusion plants in Pickering, Ontario and Aurora, Ontario. Both facilities manufacture extrusions for distribution, transportation, electrical, machinery and equipment, and building and construction markets. The Pickering facility also produces aluminum logs and billet for internal use and for sale to customers.

On February 6, 1998, we acquired two Canadian-based aluminum extrusion and fabrication plants from Reynolds Metals Company ("Reynolds") for cash consideration of $29,093 (including transaction costs). The plants are located in Ste-Therese, Quebec, and Richmond Hill, Ontario. Both facilities manufacture products used primarily in building and construction, transportation, electrical, machinery and equipment, and consumer durables markets.

On May 30, 1997, we acquired an aluminum extrusion and fabrication plant in El Campo, Texas, from Reynolds for cash consideration of $13,469 (including transaction costs). The El Campo facility extrudes and fabricates products used primarily in transportation, electrical and consumer durables markets.

These acquisitions were accounted for using the purchase method. No goodwill arose from the acquisitions of the former Reynolds plants since the estimated fair value of the identifiable net assets acquired equaled the purchase price. Goodwill (the excess of the purchase price over the estimated fair value of identifiable net assets acquired) of $13,074 was recorded on the acquisition of Exal and is being amortized on a straight-line basis over 40 years. The operating results for the five plants have been included in the consolidated statements of income since the dates acquired.

Pro forma financial information with respect to these acquisitions for the first six months of 1998 and all of 1997 was filed on Form 8-K on August 19, 1998. Selected pro forma and historical results for our aluminum extrusion business are provided in on page 28. Selected historical and pro forma results for Tredegar for 1998 and 1997, which assume the acquisitions occurred at the beginning of 1997, are summarized below:

Tredegar Industries, Inc.
Selected Historical and Pro Forma Financial Information

	Historical		Pro Forma (Unaudited)	
	1998	1997	1998	1997
Net sales	$699,796	$581,004	$745,595	$743,226
EBITDA (unaudited) (see Note (o) on page 17)	115,977	89,443	118,738	98,881
Depreciation	22,260	18,364	23,347	22,635
Amortization of intangibles	205	50	349	377
Capital expenditures	34,070	22,655	34,423	23,559
Income from continuing operations (see Note (a) on page 16):				
As reported	64,156	58,446	64,446	58,935
As adjusted for unusual items	61,815	57,006	62,105	57,495
As adjusted for unusual items and technology-related investment activities	61,421	48,124	61,711	48,613
Diluted earnings per share from continuing operations (see Note (a) on page 16):				
As reported	1.66	1.48	1.66	1.48
As adjusted for unusual items	1.60	1.44	1.60	1.44
As adjusted for unusual items and technology-related investment activities	1.59	1.22	1.59	1.22

3 BUSINESS SEGMENTS

See pages 12-15 and the related Notes to Financial Tables on pages 16-17 for net sales, operating profit, identifiable assets and other information about our businesses that is presented for the years 1991-1998. The discussion of segment information is unaudited.

4 ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable consist of the following:

December 31	1998	1997
Trade, less allowance for doubtful accounts and sales returns of $3,699 in 1998 and $3,363 in 1997	$ 90,761	$ 66,249
Other	3,580	3,423
Total	$ 94,341	$ 69,672

5 INVENTORIES

Inventories consist of the following:

December 31	1998	1997
Finished goods	$ 4,805	$ 1,865
Work-in-process	3,751	2,340
Raw materials	17,690	9,297
Stores, supplies and other	8,030	6,506
Total	$ 34,276	$ 20,008

Inventories stated on the LIFO basis amounted to $13,701 at December 31, 1998 and $11,990 at December 31, 1997, which are below replacement costs by approximately $9,678 at December 31, 1998 and $13,141 at December 31, 1997.

6 ALUMINUM FORWARD SALES, PURCHASE AND FUTURES CONTRACTS

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our exposure to aluminum price volatility under these fixed-price arrangements, which generally have a duration of not more than 12 months, we enter into a combination of forward purchase commitments and futures contracts to acquire aluminum, based on the scheduled deliveries. These contracts involve elements of credit and market risk that are not reflected on our balance sheet, including the risk of dealing with counterparties and their ability to meet the terms of the contracts.

Our open and matching positions at December 31, 1998, were as follows:

- We had open fixed-price forward sales contracts, representing commitments to sell 60.8 million pounds of aluminum in the form of finished product, that were matched with open aluminum forward purchase and futures contracts
- The weighted average cost per pound of aluminum on the commitment dates for open fixed-price forward sales contracts was approximately 66.1 cents per pound in 1998, compared with a market cost of 59.9 cents per pound at December 31, 1998
- The unrealized gain of more than six cents per pound at December 31, 1998, was substantially hedged or offset by an unrealized loss of approximately the same amount on the matching open forward purchase commitments and futures contracts to acquire aluminum

Our open and matching positions at December 31, 1997, were as follows:

- We had open fixed-price forward sales contracts, representing commitments to sell 40.8 million pounds of aluminum in the form of finished product, that were matched with open aluminum forward purchase and futures contracts
- The weighted average cost per pound of aluminum on the commitment dates for open fixed-price forward sales contracts was approximately 75.1 cents per pound in 1997, compared with a market cost of 75.2 cents per pound at December 31, 1997
- The unrealized loss of less than one cent per pound at December 31, 1997, was substantially hedged or offset by an unrealized gain of approximately the same amount on the matching open forward purchase commitments and futures contracts to acquire aluminum

7 INVESTMENTS

We have investments in private venture capital fund limited partnerships and early-stage technology companies, including the stock of privately held companies and the restricted and unrestricted stock of companies that have recently registered shares in initial public offerings. These investments, which individually represent ownership interests of less than 20%, are included in "Other assets and deferred charges." A summary of our technology-related investment activities and values is summarized below:

	1998	1997	1996
Carrying value of technology-related investments, beginning of period	$33,513	$6,048	$3,410
Technology-related investment activity for period (pre-tax amounts):			
New investments	35,399	20,801	3,138
Proceeds from the sale of investments	(5,462)	(15,060)	(2,639)
Realized gains	4,582	14,309	2,139
Realized losses, write-offs and write-downs	(2,315)	(429)	-
(Decrease) increase in unrealized net gain on available-for-sale securities	(5,693)	7,844	-
Carrying value of technology-related investments, end of period	$60,024	$33,513	$6,048

December 31	1998			1997		
	Cost Basis	Carry-ing Value	Est. Fair Value	Cost Basis	Carry-ing Value	Est. Fair Value
Limited partnership interests in private venture capital funds	$16,201	$15,250	$17,890	$5,678	$5,521	$12,496
Equity interests in private companies	41,098	39,425	47,602	18,265	18,265	18,534
Common stock of public companies (available-for-sale securities):						
CardioGenesis Corporation (CGCP)	2,464	3,187	3,187	1,366	2,290	2,290
Cisco Systems, Inc. (CSCO)	250	1,895	1,895			
3D Labs, Inc. (TDDDF)	604	267	267			
Ciena Corporation (CIEN)	-	-	-	457	6,530	6,530
Advance Fibre Communications (AFCI)	-	-	-	60	907	907
Total	$60,617	$60,024	$70,841	$25,826	$33,513	$40,757

Our remaining unfunded commitments to private venture capital funds totaled approximately $30,000 at December 31, 1998, which we expect to fund over the next two years.

Beginning in 1997, the securities of public companies held by us (common stock listed on NASDAQ) are classified as available-for-sale and stated at fair value, with unrealized holding gains or losses excluded from earnings and reported net of deferred income taxes in a separate component of shareholders' equity until realized. Prior to 1997, such securities were stated at the lower of cost or fair value, and the differences were immaterial. The securities of private companies held by us (primarily convertible preferred stock) are accounted for at the lower of cost or estimated fair value. Ownership interests of less than or equal to 5% in private venture capital funds are accounted for at the lower of cost or estimated fair value, while ownership interests in excess of 5% in such funds are accounted for under the equity method.

We write-down or write-off an investment and recognize a loss when events indicate that the investment is impaired.

The fair value of securities of public companies is determined based on closing price quotations. We estimate the fair value of securities of private companies using the indicative value from the latest round of financing, and reduce this amount if events subsequent to the financing imply a lower valuation. The fair value of ownership interests in private venture capital funds is based on our estimate of our distributable share of fund net assets using, among other information:

- The general partners' estimate of the fair value of nonmarketable securities held by the funds (which is usually the indicative value from the latest round of financing or a reduced amount if events subsequent to the financing imply a lower valuation)
- Closing bid prices of publicly traded securities held by the funds
- Fund formulas for allocating profits, losses and distributions

Because of the inherent uncertainty associated with the valuations of restricted securities or securities for which there is no public market, estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed. Furthermore, publicly traded stocks of emerging, technology-based companies usually have higher volatility and risk than the U.S. stock market as a whole.

Gains and losses recognized are included in "Other income (expense), net" in the consolidated statements of income on page 35 and "Investments" in the operating profit table on page 13. Beginning April 1, 1998, we began classifying the stand-alone operating expenses for our technology-related investment activities with gains and losses in "Investments" in the operating profit table. Prior to that time they were classified in the "Other" category of the technology segment. These expenses, which continue to be reported in selling, general and administrative expenses in the consolidated statements of income, totaled $2,073 for all of 1998, $1,651 for the nine months ended December 31, 1998, and $1,033 in 1997.

8 GOODWILL AND OTHER INTANGIBLES

Goodwill and other intangibles, and related accumulated amortization, are as follows:

December 31	1998	1997
Goodwill and other intangibles	$ 20,325	$ 20,332
Divestitures (see Note 19)	(31)	-
Write-offs	-	(7)
Acquisitions (see Note 2)	13,074	-
Subtotal	33,368	20,325
Accumulated amortization	(455)	(250)
Net	$ 32,913	$ 20,075

9 ACCRUED EXPENSES

Accrued expenses consist of the following:

December 31	1998	1997
Payrolls, related taxes and medical and other benefits	$ 16,114	$ 14,014
Workmen's compensation and disabilities	5,625	5,021
Vacation	5,855	4,813
Contract research revenues received in advance	833	2,917
Plant shutdowns and divestitures	204	1,097
Environmental	322	448
Other	12,118	11,308
Total	$ 41,071	$ 39,618

10 DEBT AND CREDIT AGREEMENTS

Debt outstanding consisted of a note payable with a remaining balance of $25,000 at December 31, 1998 and $30,000 at December 31, 1997. Interest is payable on the note semi-annually at 7.2% per year. Annual principal payments of $5,000 are due each June through 2003 (the $5,000 due in June 1999 has been classified as long-term in accordance with our ability to refinance such obligation on a long-term basis). At December 31, 1998, the prepayment value of the note was $26,200 and we estimate that an equivalent rate on similar debt would be 6.5%.

We also have a revolving credit facility that permits borrowings of up to $275,000 (no amounts borrowed at December 31, 1998 and 1997). The facility matures on July 9, 2002, with an annual extension of one year permitted subject to the approval of participating banks. The facility provides for interest to be charged at a base rate (generally the London Interbank Offered Rate ("LIBOR")) plus a spread that is dependent on our quarterly debt-to-total capitalization ratio. A facility fee is also charged on the $275,000 commitment. The spread and facility fee that are charged at various debt-to-total capitalization levels are as follows:

	(Basis Points)	
Debt-to-Total Capitalization Ratio	LIBOR Spread	Facility Fee
Less than or equal to 35%	16.50	8.50
Greater than 35% and less than or equal to 50%	22.50	10.00
Greater than 50%	30.00	15.00

In addition, a utilization fee of five basis points is charged on the outstanding principal amount when more than $137,500 is borrowed under the agreement. There were no variable-rate loans outstanding during the last three years.

Our loan agreements contain restrictions, among others, on the minimum shareholders' equity required and the maximum debt-to-total capitalization ratio permitted (60%). At December 31, 1998, shareholders' equity was in excess of the minimum required by $148,411, and $275,000 was available to borrow under the 60% debt-to-total capitalization ratio restriction.

11 SHAREHOLDER RIGHTS AGREEMENT

Pursuant to a Rights Agreement dated as of June 15, 1989 (as amended), between Tredegar and American Stock Transfer and Trust Company as Rights Agent (the "Rights Agreement"), two-ninths of one Right is attendant to each share of our common stock. Each Right entitles the registered holder to purchase from Tredegar one one-hundredth of a share of Participating Cumulative Preferred Stock, Series A (the "Preferred Stock"), at an exercise price of $50 (the "Purchase Price"). The Rights will become exercisable, if not earlier redeemed, only if a person or group acquires 10% or more of the outstanding shares of our common stock or announces a tender offer which would result in ownership by a person or group of 10% or more of our common stock. Any action by a person who, together with his associates and affiliates, owned 10% or more of the outstanding shares of our common stock on July 10, 1989, cannot cause the Rights to become exercisable.

Each holder of a Right, upon the occurrence of certain events, will become entitled to receive, upon exercise and payment of the Purchase Price, Preferred Stock (or in certain circumstances, cash, property or other securities of Tredegar or a potential acquirer) having a value equal to twice the amount of the Purchase Price.

The Rights will expire on June 30, 1999. We expect our Board of Directors to approve a new rights agreement concurrent with the expiration of the existing agreement.

12 STOCK OPTION PLANS

We have four stock option plans whereby stock options may be granted to purchase a specified number of shares of common stock at a price no lower than the fair market value on the date of grant and for a term not to exceed 10 years. Options ordinarily vest one to two years from the date of grant. In addition to stock options, recipients may also be granted SARs and restricted stock. SARs, when granted, have been in tandem with stock options; however, no SARs have been granted since 1992. Generally, the share appreciation that can be realized upon the exercise of SARs is limited to the fair market value at the date of grant. As a result, it is more likely that related stock options will be exercised rather than SARs when the price of our common stock is in excess of $7.42 per share (our closing stock price on December 31, 1998, was $22.50 per share).

Had compensation cost for our stock-based compensation plans been determined in 1998, 1997 and 1996 based on the fair value at the grant dates, our income and diluted earnings per share from continuing operations would have been reduced to the pro forma amounts indicated below:

	1998	1997	1996
Income from continuing operations:			
As reported	$64,156	$ 58,446	$ 45,035
Pro forma	62,696	56,412	43,814
Diluted earnings per share from continuing operations:			
As reported	1.66	1.48	1.15
Pro forma	1.62	1.43	1.11

The fair value of each option was estimated as of the grant date using the Black-Scholes option-pricing model. The assumptions used in this model for valuing stock options granted during 1998, 1997 and 1996 are provided below:

	1998	1997	1996
Dividend yield	.6%	.6%	1.0%
Volatility percentage	28.0%	30.0%	23.5%
Weighted average risk-free interest rate	5.5%	6.7%	5.7%
Holding period (years):			
Officers	n/a	8.3	9.4
Management	5.0	4.6	4.7
Others	3.6	2.4	3.2
Market price at date of grant:			
Officers and management (management only in 1998)	$ 29.94	$ 16.54	$ 8.38
Others	29.82	17.31	7.38
Exercise price for options granted where exercise price exceeds market price (applicable to officers in 1997 and officers and management in 1996)	n/a	21.00	9.67

Stock options granted during 1998, 1997 and 1996, and their estimated fair value at the date of grant, are provided below:

	1998	1997	1996
Stock options granted (number of shares):			
Where exercise price equals market price:			
Officers	n/a	144,000	120,000
Management	59,985	261,750	258,900
Others	28,590	64,350	159,900
Where exercise price exceeds market price:			
Officers	n/a	141,000	60,000
Management	n/a	0	9,000
Total	88,575	611,100	607,800
Estimated fair value of options per share at date of grant:			
Where exercise price equals market price:			
Officers	n/a	$ 8.02	$ 3.56
Management	$ 10.06	5.80	2.36
Others	8.16	4.14	1.63
Where exercise price exceeds market price:			-
Officers	n/a	6.74	3.14
Management	n/a	n/a	1.85
Total estimated fair value of stock options granted	$ 837	$ 3,889	$ 1,502

A summary of our stock options outstanding at December 31, 1998, 1997 and 1996, and changes during those years, is presented below:

	Number of Shares		Exercise Price Per Share		
	Options	SARs	Range	Wgted. Ave.	Aggre-gate
Outstanding at 12/31/95	3,568,725	1,560,825	$ 2.70 to $ 5.33	$ 3.66	$ 13,068
Granted in 1996	607,800	-	7.38 to 9.67	8.26	5,020
Lapsed in 1996	(45,450)	-	3.36 to 8.38	5.04	(229)
Options exercised in 1996	(392,115)	(182,865)	2.70 to 4.17	3.43	(1,345)
Outstanding at 12/31/96	3,738,960	1,377,960	2.70 to 9.67	4.42	16,514
Granted in 1997	611,100	-	16.54 to 21.00	17.67	10,798
Lapsed in 1997	(5,400)	-	3.36 to 18.75	9.44	(51)
Options exercised in 1997	(566,565)	(287,925)	2.70 to 9.67	4.87	(2,761)
Outstanding at 12/31/97	3,778,095	1,090,035	2.70 to 21.00	6.48	24,500
Granted in 1998	88,575	-	28.61 to 29.94	29.82	2,641
Lapsed in 1998	-	-	- to -	-	0
Options exercised in 1998	(833,898)	(494,550)	2.70 to 21.00	4.36	(3,636)
Outstanding at 12/31/98	3,032,772	595,485	$ 2.70 to $29.94	$7.75	$ 23,505

The following table summarizes additional information about stock options outstanding and exercisable at December 31, 1998:

Range of Exercise Prices			Options Outstanding at December 31, 1998 Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Options Exercisable at December 31, 1998 Shares	Wgted. Ave. Exercise Price
		$ 3.72	222,400	.5	$ 3.72	222,400	$ 3.72
$ 2.70	to	3.73	385,835	3.2	2.73	385,835	2.73
3.36	to	5.33	929,950	5.2	4.10	929,950	4.10
3.86	to	4.17	474,200	6.2	4.17	474,200	4.17
7.38	to	9.67	355,967	7.1	8.49	355,967	8.49
16.55	to	21.00	575,845	8.4	17.67	575,845	17.67
28.61	to	29.94	88,575	9.5	29.82	-	-
$ 2.70	to	$ 29.94	3,032,772	5.7	$ 7.75	2,944,197	$ 7.09

Stock options exercisable totaled 3,169,245 shares at December 31, 1997 and 3,023,154 shares at December 31, 1996. Stock options available for grant totaled 1,338,825 shares at December 31, 1998, 1,375,650 shares at December 31, 1997 and 1,981,800 shares at December 31, 1996.

13 RENTAL EXPENSE AND CONTRACTUAL COMMITMENTS

Rental expense was $3,517 in 1998, $2,746 in 1997 and $2,760 in 1996. Rental commitments under all noncancelable operating leases as of December 31, 1998, are as follows:

1999	$ 1,955
2000	1,880
2001	1,871
2002	1,407
2003	641
Remainder	162
Total	$ 7,916

Contractual obligations for plant construction and purchases of real property and equipment amounted to $9,512 at December 31, 1998 and $4,452 at December 31, 1997.

14 RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

We have noncontributory and contributory defined benefit (pension) plans covering most employees. The plans for salaried and hourly employees currently in effect are based on a formula using the participant's years of service and compensation or using the participant's years of service and a dollar amount. Pension plan assets consist principally of domestic and international common stocks and domestic and international government and corporate obligations. In addition to providing pension benefits, we provide postretirement life insurance and health care benefits for certain groups of employees. Tredegar and retirees share in the cost of postretirement health care benefits, with employees retiring after July 1, 1993, receiving a fixed subsidy to cover a portion of their health care premiums.

Assumptions used for financial reporting purposes to compute net benefit income or cost and benefit obligations, and the components of net periodic benefit income or cost, are as follows:

	Pension Benefits			Other Post-Retirement Benefits		
	1998	1997	1996	1998	1997	1996
Weighted-average assumptions:						
Discount rate, end of year	6.75%	7.25%	7.50%	6.75%	7.25%	7.50%
Rate of compensation increases, end of year	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Expected long-term return on plan assets, during the year	9.00%	9.00%	9.00%	n/a	n/a	n/a
Rate of increase in per-capita cost of covered health care benefits:						
Indemnity plans, end of year	n/a	n/a	n/a	9.00%	10.00%	11.00%
Managed care plans, end of year	n/a	n/a	n/a	7.40%	8.10%	8.90%
Components of net periodic benefit income (cost):						
Service cost	$(2,725)	$(2,235)	$(2,116)	$(137)	$(113)	$(117)
Interest cost	(8,960)	(8,002)	(7,631)	(494)	(467)	(448)
Expected return on plan assets	15,684	13,395	12,324	-	-	-
Amortization of:						
Net transition asset	899	899	1,251	-	-	-
Prior service costs and gains or losses	(393)	(578)	(782)	57	76	101
Net periodic benefit income (cost)	$4,505	$3,479	$3,046	$(574)	$(504)	$(464)

The following tables reconcile the changes in benefit obligations and plan assets in 1998 and 1997, and reconcile the funded status to prepaid or accrued cost at December 31, 1998 and 1997:

	Pension Benefits 1998	Pension Benefits 1997	Other Post-Retirement Benefits 1998	Other Post-Retirement Benefits 1997
Change in benefit obligation:				
Benefit obligation, beginning of year	$117,864	$ 108,895	$ 6,543	$ 6,305
Acquisition	8,614	-	355	-
Service cost	2,725	2,235	137	113
Interest cost	8,960	8,002	494	467
Plan amendments	1,245	179	-	-
Effect of discount rate change	9,000	3,912	426	179
Employee contributions	295	-	-	-
Other	470	88	71	33
Benefits paid	(6,877)	(5,447)	(384)	(554)
Benefit obligation, end of year	$142,296	$ 117,864	$ 7,642	$ 6,543
Change in plan assets:				
Plan assets at fair value, beginning of year	$191,922	$ 166,582	$ -	$ -
Acquisition	11,908	-	-	-
Actual return on plan assets	24,065	30,338	-	-
Employee contributions	295	-	-	-
Employer contributions	505	449	384	554
Benefits paid	(6,877)	(5,447)	(384)	(554)
Plan assets at fair value, end of year	$221,818	$ 191,922	$ -	$ -
Reconciliation of prepaid (accrued) cost:				
Funded status of the plans	$ 79,522	$ 74,058	$ (7,642)	$ (6,543)
Unrecognized net transition (asset) obligation	(1,178)	(2,077)	-	-
Unrecognized prior service cost	3,567	3,084	-	-
Unrecognized net (gain) loss	(43,039)	(44,253)	(448)	(1,029)
Prepaid (accrued) cost, end of year	$ 38,872	$ 30,812	$ (8,090)	$ (7,572)

Net benefit income or cost is determined using assumptions at the beginning of each year. Funded status is determined using assumptions at the end of each year.

The rates for the per-capita cost of covered health care benefits were assumed to decrease gradually to 6% for the indemnity plan and 5% for the managed care plan in 2002, and remain at that level thereafter. At December 31, 1998, the effect of a 1% change in the health care cost trend rate assumptions would be immaterial.

Prepaid pension cost of $38,872 at December 31, 1998, and $30,812 at December 31, 1997, is included in "Other assets and deferred charges" in the consolidated balance sheets. Accrued postretirement benefit cost of $8,090 at December 31, 1998, and $7,572 at December 31, 1997, is included in "Other noncurrent liabilities" in the consolidated balance sheets.

We also have a non-qualified supplemental pension plan covering certain employees. The plan is designed to restore all or a part of the pension benefits that would have been payable to designated participants from our principal pension plans if it were not for limitations imposed by income tax regulations. The projected benefit obligation relating to this unfunded plan was $1,931 at December 31, 1998, and $889 at December 31, 1997, and pension expense recognized averaged $150 annually from 1996-1998. This information has been included in the preceding pension benefit tables.

15 SAVINGS PLAN

We have a savings plan that allows eligible employees to voluntarily contribute a percentage (generally 10%) of their compensation. Under the provisions of the plan, we match (generally 50%) a portion of the employee's contribution to the plan with shares of our common stock. We also have a non-qualified plan that restores matching benefits for employees suspended from the savings plan due to certain limitations imposed by income tax regulations. Charges recognized for these plans were $2,255 in 1998, $2,564 in 1997 and $2,348 in 1996. Our liability under the restoration plan was $1,887 at December 31, 1998 (consisting of 83,862 phantom shares of our common stock) and $1,974 at December 31, 1997 (consisting of 89,898 phantom shares of our common stock), valued at the closing market price on that date.

The Tredegar Industries, Inc. Benefits Plan Trust (the "Trust") purchased 7,200 shares of our common stock in 1998 for $192 and 46,671 shares of our common stock in 1997 for $1,020, as a partial hedge against the phantom shares held in the restoration plan. The cost of the shares held by the Trust is shown as a reduction to shareholders' equity in the consolidated balance sheets.

16 INCOME TAXES

Income from continuing operations before income taxes and income taxes are as follows:

	1998	1997	1996
Income from continuing operations before income taxes:			
Domestic	$ 83,882	$ 84,356	$ 63,612
Foreign	11,328	5,810	5,383
Total	$ 95,210	$ 90,166	$ 68,995
Current income taxes:			
Federal	$ 23,824	$ 22,769	$ 17,916
State	1,803	3,700	2,608
Foreign	4,996	1,910	1,665
Total	30,623	28,379	22,189
Deferred income taxes:			
Federal	692	2,576	1,105
State	147	310	2
Foreign	(408)	455	664
Total	431	3,341	1,771
Total income taxes	$ 31,054	$ 31,720	$ 23,960

The significant differences between the U.S. federal statutory rate and the effective income tax rate for continuing operations are as follows:

	Percent of Income Before Income Taxes		
	1998	1997	1996
Income tax expense at federal statutory rate	35.0	35.0	35.0
State taxes, net of federal income tax benefit	1.3	2.9	2.5
Excess of income tax basis over financial reporting basis for APPX Software (see Note 17)	(2.4)	-	-
Foreign Sales Corporation	(1.1)	(1.1)	(1.6)
Research and development tax credit	(.3)	(.3)	(.3)
Tax-exempt interest income	(.2)	(1.1)	(.9)
Goodwill amortization	.1	-	.1
Other items, net	.2	(.2)	(.1)
Effective income tax rate	32.6	35.2	34.7

Deferred income taxes result from temporary differences between financial and income tax reporting of various items. The source of these differences and the tax effects for continuing operations are as follows:

	1998	1997	1996
Employee benefits	$ 1,617	$ 1,912	$ 2,591
Plant shutdowns, divestitures and environmental accruals	497	(459)	409
Depreciation	72	553	(2,179)
Tax benefit on NOL carryforwards of certain foreign subsidiaries	(755)	(310)	-
Allowance for doubtful accounts and sales returns	(130)	868	699
Other items, net	(870)	777	251
Total	$ 431	$ 3,341	$ 1,771

Deferred tax liabilities and deferred tax assets at December 31, 1998 and 1997, are as follows:

December 31	1998	1997
Deferred tax liabilities:		
Depreciation	$ 17,548	$ 8,773
Pensions	14,556	11,824
Unrealized gain on available-for-sale securities	775	2,824
UMWA Fund liability (see Note 19)	-	1,120
Other	265	531
Total deferred tax liabilities	33,144	25,072
Deferred tax assets:		
Employee benefits	9,156	8,534
Deductible tax goodwill in excess of book goodwill	2,073	-
Foreign currency translation adjustment	1,356	20
Inventory	1,233	1,281
Tax benefit on NOL carryforwards of certain foreign subsidiaries	1,065	310
Allowance for doubtful accounts and sales returns	568	438
Environmental accruals	119	170
Plant shutdowns and divestitures	75	417
Other	1,347	516
Total deferred tax assets	16,992	11,686
Net deferred tax liability	$ 16,152	$ 13,386
Included in the balance sheet:		
Noncurrent deferred tax liabilities in excess of assets	$ 24,914	$ 22,108
Current deferred tax assets in excess of liabilities	8,762	8,722
Net deferred tax liability	$ 16,152	$ 13,386

17 UNUSUAL ITEMS

In 1998, unusual income (net) totaling $101 ($2,341 after income tax benefits) included:

- A fourth-quarter charge of $664 ($425 after taxes) related to the shutdown of the powder-coat paint line at the aluminum extrusion facility in Newnan, Georgia
- A first-quarter gain of $765 ($2,766 after tax benefits)on the sale of APPX Software on January 16, 1998

Income taxes for continuing operations includes a tax benefit of $2,001 related to the sale of APPX Software, reflecting a tax benefit for the excess of its income tax basis over its financial reporting basis.

In 1997, unusual income included a gain of $2,250 (net of transaction costs of $250 and $1,440 after income taxes) related to the redemption of preferred stock received in connection with the 1996 divestiture of Molded Products (see Note 19).

In 1996, unusual income (net) totaling $11,427 ($8,479 after income taxes) included:

- A third-quarter gain of $1,968 ($1,215 after taxes) on the sale of a former plastic films manufacturing site in Fremont, California
- A third-quarter charge of $1,288 ($795 after taxes) related to the write-off of specialized machinery and equipment due to excess capacity in certain industrial packaging films
- A first-quarter gain of $19,893 ($13,725 after taxes) on the sale of Molded Products (see Note 19)
- A first-quarter charge of $9,146 ($5,666 after taxes) related to the loss on the divestiture of Brudi (see Note 19)

18 CONTINGENCIES

We are involved in various stages of investigation and cleanup relating to environmental matters at certain plant locations. Where we have determined the nature and scope of any required environmental cleanup activity, estimates of cleanup costs have been obtained and accrued. As we continue efforts to assure compliance with environmental laws and regulations, additional contingencies may be identified. If additional contingencies are identified, our practice is to determine the nature and scope of those contingencies, obtain and accrue estimates of the cost of remediation, and perform remediation. While it is not possible to predict the course of ongoing environmental compliance activities, we do not believe that additional costs that could arise from those activities will have a material adverse effect on our financial position. However, those costs could have a material adverse effect on quarterly or annual operating results at that time.

We are involved in various other legal actions arising in the normal course of business. After taking into consideration legal counsels' evaluation of these actions, we believe that we have sufficiently accrued for possible losses and that the actions will not have a material adverse effect on our financial position. However, the resolution of the actions in a future period could have a material adverse effect on quarterly or annual operating results at that time.

19 DIVESTED AND DISCONTINUED OPERATIONS

On August 16, 1994, the Elk Horn Coal Corporation ("Elk Horn"), our former 97% owned coal subsidiary, was acquired by Pen Holdings, Inc. In accordance with applicable accounting pronouncements, a $6,194 charge ($3,964 after income tax benefits) was recognized as a reduction to the gain on the disposal of Elk Horn for the estimated present value of the portion of the unfunded obligation under the Coal Industry Retiree Health Benefit Act of 1992 (the "Act") assumed by us in the divestiture transaction. Under the Act, former employers were responsible for a portion of the funding of medical and death benefits of certain retired miners and dependents of the United Mine Workers of America ("UMWA"). The remaining accrued obligation under the Act was $5,300 at December 31, 1997, and was reflected in our consolidated balance sheet in "Other noncurrent liabilities."

We were relieved of any liability under the Act as the result of a 1998 Supreme Court ruling. Accordingly, in 1998 we recognized:

- A third-quarter gain of $5,300 ($3,421 after taxes) for the reversal of the remaining accrued obligation established to cover future payments to the UMWA Combined Benefit Fund (the "UMWA Fund")
- A fourth-quarter gain of $2,019 ($1,292 after taxes) for the reimbursement of payments made by us to the UMWA Fund

These gains were reported net of income taxes in discontinued operations consistent with the treatment of Elk Horn when sold.

During the first quarter of 1998, we sold all of the outstanding capital stock of APPX Software (see Note 17).

On March 29, 1996, we sold all of the outstanding capital stock of our injection molding subsidiary, Tredegar Molded Products Company, including Polestar Plastics Manufacturing Company (together "Molded Products"), to Precise Technology, Inc. ("Precise") for cash consideration of $57,500 ($53,973 after transaction costs). In addition, we received unregistered cumulative preferred stock of Precise with a face amount of $2,500, which was fully redeemed in 1997 (see Note 17). We assigned no value to the preferred stock in 1996 due to the uncertainty of redemption at that time.

During the second quarter of 1996, we completed the sale of Brudi, Inc. and its subsidiaries (together "Brudi") for cash consideration of $18,066 ($17,625 after transaction costs).

Tredegar recognized a gain of $19,893 ($13,725 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 $9,146 ($5,666 after income tax benefits) related to the loss on the divestiture of Brudi. The Molded Products gain included a gain of $2,039 ($1,243 after income taxes) on the curtailment of participation by Molded Products employees in our benefit plans. The Brudi charge included a loss accrued of $1,000 ($640 after income tax benefits) for remaining payments under a noncompetition and secrecy agreement entered into when we acquired Brudi on April 1, 1991.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1998					
Net sales	$156,660	$169,946	$186,638	$186,552	$699,796
Gross profit	33,564	35,471	38,329	39,043	146,407
Operating profit before unusual items	23,656	24,898	25,075	25,364	98,993
Income from continuing operations	17,296	15,161	15,960	15,739	64,156
Income from discontinued operations	-	-	3,421	1,292	4,713
Net income *	17,296	15,161	19,381	17,031	68,869
Earnings per share:*					
Basic:					
Continuing operations	.48	.42	.44	.43	1.77
Discontinued operations	-	-	.09	.04	.13
Net income	.48	.42	.53	.47	1.90
Diluted:					
Continuing operations	.44	.39	.41	.41	1.66
Discontinued operations	-	-	.09	.03	.12
Net income	.44	.39	.50	.44	1.78
Shares used to compute earnings per share:					
Basic	36,396	35,904	36,351	36,528	36,286
Diluted	39,000	38,557	38,582	38,577	38,670
1997					
Net sales	$133,345	$144,969	$155,058	$147,632	$581,004
Gross profit	26,385	30,674	32,655	33,344	123,058
Operating profit before unusual items	17,848	24,571	25,174	24,897	92,490
Net income *	10,954	16,347	15,137	16,008	58,446
Earnings per share:*					
Basic	.30	.44	.41	.43	1.59
Diluted	.28	.42	.38	.40	1.48
Shares used to compute earnings per share:					
Basic	36,729	36,789	36,918	37,014	36,861
Diluted	39,534	39,387	39,762	39,780	39,534

* Quarterly net income and diluted earnings per share from continuing operations, adjusted for unusual items and technology-related net investment gains affecting the comparability of operating results between quarters, are presented below:

Continuing Operations Excluding Unusual Items and Technology-Related Net Investment Gains	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1998					
Net income	$14,098	$14,490	$16,355	$16,478	$61,421
Diluted earnings per share	.36	.37	.42	.43	1.59
1997					
Net income	$9,748	$12,044	$13,020	$13,313	$48,124
Diluted earnings per share	.25	.31	.33	.33	1.22

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

Dated: January 29, 1999

By /s/ John D. Gottwald
John D. Gottwald
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on January 29, 1999.

Signature	Title
/s/ John D. Gottwald (John D. Gottwald)	President and Director (Principal Executive Officer)
/s/ N. A. Scher (Norman A. Scher)	Executive Vice President and Director (Principal Financial Officer)
/s/ D. Andrew Edwards (D. Andrew Edwards)	Vice President, Treasurer and Controller (Principal Accounting Officer)
/s/ Austin Brockenbrough, III (Austin Brockenbrough, III)	Director
/s/ Phyllis Cothran (Phyllis Cothran)	Director
/s/ R. W. Goodrum (Richard W. Goodrum)	Director
/s/ Floyd D. Gottwald, Jr. (Floyd D. Gottwald, Jr.)	Director

/s/ William M. Gottwald - ------------------------------------ (William M. Gottwald)	Director
/s/ Andre B. Lacy - ------------------------------------ (Andre B. Lacy)	Director
/s/ Richard L. Morrill - ------------------------------------ (Richard L. Morrill)	Director
/s/ Emmett J. Rice - ------------------------------------ (Emmett J. Rice)	Director
/s/ Thomas G. Slater, Jr. - ------------------------------------ (Thomas G. Slater, Jr.)	Director

EXHIBIT INDEX

3.1 Amended and Restated Articles of Incorporation of Tredegar (filed as Exhibit 3.1 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended June 30, 1989, and incorporated herein by reference)

3.2 Amended By-laws of Tredegar (filed as Exhibit 3 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and incorporated herein by reference)

4.1 Form of Common Stock Certificate (filed as Exhibit 4.3 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference)

4.2 Rights Agreement dated as of June 15, 1989, between Tredegar and NationsBank of Virginia, N.A. (formerly Sovran Bank, N.A.), as Rights Agent (filed as Exhibit 4.4 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference)

4.2.1 Amendment and Substitution Agreement (Rights Agreement) dated as of July 1, 1992, by and among Tredegar, NationsBank of Virginia, N.A. (formerly Sovran Bank, N.A.) and American Stock Transfer & Trust Company (filed as Exhibit 4.2.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference)

4.3 Loan Agreement dated June 16, 1993 between Tredegar and Metropolitan Life Insurance Company (filed as Exhibit 4 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, and incorporated herein by reference)

4.3.1 Consent and Agreement dated September 26, 1995, between Tredegar Industries, Inc. and Metropolitan Life Insurance Company (filed as Exhibit 4.2 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995, and incorporated herein by reference)

4.3.2 First Amendment to Loan Agreement dated as of October 31, 1997 between Tredegar and Metropolitan Life Insurance Company (filed as Exhibit 4.3.2 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference)

4.4 Revolving Credit Facility Agreement dated as of July 9, 1997 among Tredegar Industries, Inc., the banks named therein, The Chase Manhattan Bank as Administrative Agent, NationsBank, N.A. as Documentation Agent and Long-Term Credit Bank of Japan, Limited as Co-Agent (filed as Exhibit 4.1 to Tredegar's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, and incorporated herein by reference)

4.4.1	First Amendment to Revolving Credit Facility Agreement dated as of October 31, 1997 among Tredegar Industries, Inc., the banks named therein, The Chase Manhattan Bank as Administrative Agent, NationsBank, N.A. as Documentation Agent and Long-Term Credit Bank of Japan, Limited as Co-Agent (filed as Exhibit 4.4.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference)
10.1	Reorganization and Distribution Agreement dated as of June 1, 1989, between Tredegar and Ethyl (filed as Exhibit 10.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference)
*10.2	Employee Benefits Agreement dated as of June 1, 1989, between Tredegar and Ethyl (filed as Exhibit 10.2 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference)
10.3	Tax Sharing Agreement dated as of June 1, 1989, between Tredegar and Ethyl (filed as Exhibit 10.3 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference)
10.4	Indemnification Agreement dated as of June 1, 1989, between Tredegar and Ethyl (filed as Exhibit 10.5 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference)
*10.5	Tredegar 1989 Incentive Stock Option Plan (included as Exhibit A to the Prospectus contained in the Form S-8 Registration Statement No. 33-31047, and incorporated herein by reference)
*10.5.1	Amendment to the Tredegar 1989 Incentive Stock Option Plan (filed herewith)
*10.6	Tredegar Bonus Plan (filed as Exhibit 10.7 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference)
*10.7	Tredegar 1992 Omnibus Stock Incentive Plan (filed as Exhibit 10.12 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference)
*10.7.1	Amendment to the Tredegar 1992 Omnibus Incentive Plan (filed herewith)
*10.8	Tredegar Industries, Inc. Retirement Benefit Restoration Plan (filed as Exhibit 10.13 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference)
*10.8.1	Amendment to the Tredegar Retirement Benefit Restoration Plan (filed herewith)
*10.9	Tredegar Industries, Inc. Savings Plan Benefit Restoration Plan (filed as Exhibit 10.14 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference)
*10.10	Tredegar Industries, Inc. 1996 Incentive Plan (filed as Exhibit 10.14 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1996, and incorporated herein by reference)

*10.10.1	Amendment to the Tredegar 1996 Incentive Plan (filed herewith)
*10.11	Consulting Agreement made as of March 31, 1996 between Tredegar and Richard W. Goodrum (filed as Exhibit 10.14 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference)
*10.11.1	First Amendment to Consulting Agreement made as of July 1, 1997 between Tredegar and Richard W. Goodrum (filed as Exhibit 10.14.1 to Tredegar's Annual Report on Form 10-K for the year ended December 31, 1997, and incorporated herein by reference)
*10.12	Tredegar Industries, Inc. Directors' Stock Plan (filed herewith)
21	Subsidiaries of Tredegar
23.1	Consent of Independent Accountants
27	Financial Data Schedule

* The marked items are management contracts or compensatory plans, contracts or arrangements required to be filed as exhibits to this Form 10-K.

Exhibit 10.5.1

Tredegar Industries, Inc.

Amendment to
1989 Incentive Stock Option Plan
(Effective November 19, 1997)

1. Article VII, Section 7.02 Nontransferability shall be amended by deleting the word "Any" at the beginning of the first sentence of Section 7.02 and inserting in its place the phrase "Except as provided in Section 7.04, any".

2. The following shall be added as a new Section 7.04 to Article VII:

> 7.04 Transferable Options. Section 7.02 to the contrary notwithstanding, if the applicable Agreement provides, an Option that is not an incentive stock option may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners; provided, however, that such Participant may not receive any consideration for the transfer. In addition to transfers described in the preceding sentence, the Committee may grant Options that are not incentive stock options that are transferable on other terms and conditions as may be permitted under Securities Exchange Commission Rule 16b-3, as in effect from time to time. The holder of an Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant, and may not subsequently transfer the Option, except by will or the laws of descent and distribution. In the event of a transfer pursuant to this section, the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons or entity or entities.

3. Article XII hereby is amended by deleting it in its entirety and substituting therefor the following language:

> ARTICLE XII
>
> AMENDMENT
>
> The Board may terminate this Plan from time to time. The Committee may amend this Plan from time to time; provided, however, that the approval of the Board shall be required to amend Section 4.01 or Article V or VI hereof; and provided, further, that no amendment may become effective until shareholder approval is obtained if the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan, or the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Stock Award, Option, SAR or Incentive Award outstanding at the time such amendment is made.

Exhibit 10.7.1

Tredegar Industries, Inc.

Amendment to
1992 Omnibus Stock Incentive Plan
(Effective November 19, 1997)

1. Article VII, Section 7.02 Nontransferability shall be amended by deleting the word "Any" at the beginning of the first sentence of Section 7.02 and inserting in its place the phrase "Except as provided in Section 7.04, any".

2. The following shall be added as a new Section 7.04 to Article VII:

    7.04 Transferable Options. Section 7.02 to the contrary notwithstanding, if the applicable Agreement provides, an Option that is not an incentive stock option may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners; provided, however, that such Participant may not receive any consideration for the transfer. In addition to transfers described in the preceding sentence, the Administrator may grant Options that are not incentive stock options that are transferable on other terms and conditions as may be permitted under Securities Exchange Commission Rule 16b-3, as in effect from time to time. The holder of an Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant, and may not subsequently transfer the Option, except by will or the laws of descent and distribution. In the event of a transfer pursuant to this section, the Option and any Corresponding SAR that relates to such Option must be transferred to the same person or persons or entity or entities.

3. Article XIII hereby is amended by deleting it in its entirety and substituting therefor the following language:

ARTICLE XIII

AMENDMENT

    The Board may terminate this Plan from time to time. The Committee may amend this Plan from time to time; provided, however, that the approval of the Board shall be required to amend Section 4.01 or Article V or VI hereof; and provided, further, that no amendment may become effective until shareholder approval is obtained if the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan, or the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Stock Award, Option, SAR or Incentive Award outstanding at the time such amendment is made.

Exhibit 10.8.1

Tredegar Industries, Inc.

Amendment to
Tredegar Industries, Inc. Retirement Benefit Restoration Plan
(Effective January 1, 1999)

1. Section 1.08 is amended by deleting it in its entirety and substituting therefor the following:

> Section 1.08. Eligible Employee means an individual who is employed by the Company or an Affiliate and who is a member of a "select group of management or highly compensated employees" (as such phrase is used in the Employee Retirement Income Security Act of 1974, as amended).

2. Section 7.01 shall be amended by deleting the last sentence thereof and substituting therefor the following:

> Such right to amend or modify the Plan shall be exercised by the Company by the Committee and such right to terminate the Plan shall be exercised by the Company by its Board of Directors.

Exhibit 10.10.1

Tredegar Industries, Inc.

Amendment to
1996 Incentive Plan
(Effective November 19, 1997)

Article XIII hereby is amended by deleting it in its entirety and substituting therefor the following language:

ARTICLE XIII

AMENDMENT

The Board may terminate this Plan from time to time. The Committee may amend this Plan from time to time; provided, however, that the approval of the Board shall be required to amend Article IV or Sections 5.02 or 6.02 hereof; and provided, further, that no amendment may become effective until shareholder approval is obtained if the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan, or the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any outstanding Stock Award, Option, SAR or Incentive Award outstanding at the time such amendment is made.

Exhibit 10.12

TREDEGAR INDUSTRIES, INC.

DIRECTORS' STOCK PLAN

TABLE OF CONTENTS

ARTICLE I
DEFINITIONS

1.01. Affiliate

Affiliate means any "subsidiary" or "parent" corporation (within the meaning of Section 424 of the Code) of the Corporation.

1.02. Agreement

Agreement means a written agreement (including any amendment or supplement thereto) between the Company and a Participant specifying the terms and conditions of an Option or Stock Award granted to such Participant.

1.03. Board

Board means the Board of Directors of the Company.

1.04. Code

Code means the Internal Revenue Code of 1986, and any amendments thereto.

1.05. Committee

Committee means the Executive Committee of the Board.

1.06. Common Stock

Common Stock means the common stock of the Company.

1.07. Company

Company means Tredegar Industries, Inc.

1.08. Fair Market Value

Fair Market Value means, on any given date, the closing price of a share of Common Stock as reported on the New York Stock Exchange composite tape on such date, or if the Common Stock was not traded on the New York Stock Exchange on such day, then on the next preceding day that the Common Stock was traded on such exchange, all as reported by such source as the Committee may select.

1.09. Option

Option means a stock option that entitles the holder to purchase from the Company a stated number of shares of Common Stock at the price set forth in an Agreement.

1.10. Participant

Participant means a member of the Board who is not an employee of the Company or an Affiliate of the Company, who is selected to receive an Option, a Stock Award, or both.

1.11. Plan

Plan means the Tredegar Industries, Inc. Directors' Stock Plan.

1.12. Stock Award

Stock Award means Common Stock awarded to a Participant under Article VII.

ARTICLE II
PURPOSES

The Plan is intended to assist the Company in recruiting and retaining as members of the Board individuals with ability and initiative by enabling such persons to participate in the future success of the Company and to associate their interests with those of the Company and its shareholders. The Plan is intended to permit the grant of Options and Stock Awards. The proceeds received by the Company from the sale of Common Stock pursuant to this Plan shall be used for general corporate purposes.

ARTICLE III
ADMINISTRATION

The Plan shall be administered by the Committee; provided, however, that all awards under the Plan shall be subject to the final approval of the Board. Subject to the preceding sentence, the Committee shall have authority to grant Options and Stock Awards upon such terms (not inconsistent with the provisions of this Plan), as the Committee may consider appropriate. Such terms may include conditions (in addition to those contained in this Plan), on the exercisability of all or any part of an Option or on the vesting or transferability or both of Stock Awards. Notwithstanding any such conditions, the Committee may, in its discretion (but subject to the approval of the Board), accelerate the time at which any Option may be exercised or the time at which any Stock Award may become nonforfeitable, exercisable, or both. In addition, the Committee shall have complete authority to interpret all provisions of this Plan; to prescribe the form of Agreements; to adopt, amend, and rescind rules and regulations pertaining to the administration of the Plan; and to make all other determinations necessary or advisable for the administration of this Plan. The express grant in the Plan of any specific power to the Committee shall not be construed as limiting any power or authority of the Committee (other than the requirement that all awards under the Plan must be approved by the Board). Any decision made, or action taken, by the Committee or the Board or in connection with the administration of this Plan shall be final and conclusive. No member of the Committee or the Board shall be liable for any act done in good faith with respect to this Plan or any Agreement, Option or Stock Award. All expenses of administering this Plan shall be borne by the Company.

ARTICLE IV
ELIGIBILITY

Any member of the Board who is not an employee of the Company or an Affiliate (including a corporation that becomes an Affiliate after the adoption of this Plan), is eligible to participate in this Plan if the Committee, with the approval of the Board, determines that such person has contributed significantly or can be expected to contribute significantly to the profits or growth of the Company.

ARTICLE V
STOCK SUBJECT TO PLAN

5.01. Shares Issued.

Upon the award of shares of Common Stock pursuant to a Stock Award the Company may issue shares of Common Stock from its authorized but unissued Common Stock. Upon the exercise of any Option the Company may deliver to the Participant (or the Participant's broker if the Participant so directs), shares of Common Stock from its authorized but unissued Common Stock.

5.02. Aggregate Limit.

The maximum aggregate number of shares of Common Stock that may be issued under this Plan pursuant to the exercise of Options and the grant of Stock Awards is 15,000 shares. The maximum aggregate number of shares that may be issued under this Plan shall be subject to adjustment as provided in Article VIII.

5.03. Reallocation of Shares.

If an Option is terminated, in whole or in part, for any reason other than its exercise, the number of shares of Common Stock allocated to the Option or portion thereof may be reallocated to other Options and Stock Awards to be granted under this Plan. If a Stock Award is forfeited, in whole or in part, the number of shares of Common Stock allocated to the Stock Award or portion thereof may be reallocated to other Options and Stock Awards to be granted under this Plan.

ARTICLE VI
OPTIONS

6.01. Award.

In accordance with the provisions of Article IV, the Committee, subject to the approval of the Board, will designate each individual to whom an Option is to be granted.

6.02. Option Price.

The price per share for Common Stock purchased on the exercise of an Option shall be determined by the Committee on the date of grant, subject to the approval of the Board, but shall not be less than the Fair Market Value on the date the Option is granted.

6.03. Maximum Option Period

The maximum period in which an Option may be exercised shall be determined by the Committee on the date of grant, subject to the approval of the Board, except that no Option shall be exercisable after the expiration of ten years from the date such Option was granted.

6.04. Nontransferability.

Except as provided in Section 6.05, each Option granted under this Plan shall be nontransferable except by will or by the laws of descent and distribution. Except as provided in Section 6.05, during the lifetime of the Participant to whom the Option is granted, the Option may be exercised only by the Participant. No right or interest of a Participant in any Option shall be liable for, or subject to, any lien, obligation, or liability of such Participant.

6.05. Transferable Options.

Section 6.04 to the contrary notwithstanding, if the Agreement provides, an Option may be transferred by a Participant to the Participant's children, grandchildren, spouse, one or more trusts for the benefit of such family members or a partnership in which such family members are the only partners, on such terms and conditions as may be permitted under Securities Exchange Commission Rule 16b-3 as in effect from time to time. The holder of an Option transferred pursuant to this section shall be bound by the same terms and conditions that governed the Option during the period that it was held by the Participant; provided, however, that such transferee may not transfer the Option except by will or the laws of descent and distribution.

6.06. Director Status.

In the event that the terms of any Option provide that it may be exercised only during a Participant's service on the Board or within a specified period of time thereafter, the Committee may decide to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous service.

6.07. Exercise.

Subject to the provisions of this Plan and the applicable Agreement, an Option may be exercised in whole at any time or in part from time to time at such times and in compliance with such requirements as the Committee, with the approval of the Board, shall determine. An Option granted under this Plan may be exercised with respect to any number of whole shares less than the full number for which the Option could be exercised. A partial exercise of an Option shall not affect the right to exercise the Option from time to time in accordance with this Plan and the applicable Agreement with respect to the remaining shares subject to the Option.

6.08. Payment.

Unless otherwise provided by the Agreement, payment of the Option price shall be made in cash or a cash equivalent. If the Agreement provides, payment of all or part of the Option price may be made by surrendering shares of Common Stock to the Company. If Common Stock is used to pay all or part of the Option price, the sum of the cash and cash equivalent and the Fair Market Value (determined as of the day preceding the date of exercise) of the shares surrendered must not be less than the Option price of the shares for which the Option is being exercised.

6.09. Shareholder Rights.

No Participant shall have any rights as a shareholder with respect to shares subject to his Option until the date of exercise of such Option.

ARTICLE VII
STOCK AWARDS

7.01. Award.

In accordance with the provisions of Article IV, the Committee, subject to the approval of the Board, will designate each individual to whom a Stock Award is to be made and the number of shares of Common Stock subject to the Stock Award.

7.02. Vesting.

The Committee on the date of the award, subject to the approval of the Board, may prescribe that a Participant's rights in a Stock Award shall be forfeitable or otherwise restricted for a period of time or subject to such conditions as may be set forth in the Agreement.

7.03. Director Status.

In the event that the terms of any Stock Award provide that shares may become transferable and nonforfeitable thereunder only after completion of a specified period of service on the Board, the Committee may decide in each case to what extent leaves of absence for governmental or military service, illness, temporary disability, or other reasons shall not be deemed interruptions of continuous service.

7.04. Shareholder Rights

Prior to their forfeiture (in accordance with the applicable Agreement and while the shares of Common Stock granted pursuant to the Stock Award may be forfeited or are nontransferable), a Participant will have all rights of a shareholder with respect to a Stock Award, including the right to receive dividends and vote the shares; provided, however, that during such period (i) a Participant may not sell, transfer, pledge, exchange, hypothecate, or otherwise dispose of shares of Common Stock granted pursuant to a Stock Award, and (ii) the Company shall retain custody of the certificates evidencing shares of Common Stock granted pursuant to a Stock Award, and (iii) the Participant will deliver to the Company a stock power, endorsed in blank, with respect to each Stock

Award. The limitations set forth in the preceding sentence shall not apply after the shares of Common Stock granted under the Stock Award are transferable and are no longer forfeitable.

ARTICLE VIII
ADJUSTMENT UPON CHANGE IN COMMON STOCK

The maximum number of shares as to which Options and Stock Awards may be granted under this Plan and the terms of outstanding Options and Stock Awards shall be adjusted as the Board shall determine to be equitably required in the event that (a) the Company (i) effects one or more stock dividends, stock split-ups, subdivisions or consolidations of shares or (ii) engages in a transaction to which Section 424 of the Code applies or (b) there occurs any other event which, in the judgment of the Board necessitates such action. Any determination made under this Article VIII by the Board shall be final and conclusive.

The issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the maximum number of shares as to which Options and Stock Awards may be granted or the terms of outstanding Options and Stock Awards.

ARTICLE IX
COMPLIANCE WITH LAW AND APPROVAL OF REGULATORY BODIES

No Option shall be exercisable, no Common Stock shall be issued, no certificates for shares of Common Stock shall be delivered, and no payment shall be made under this Plan except in compliance with all applicable federal and state laws and regulations (including, without limitation, withholding tax requirements), any listing agreement to which the Company is a party, and the rules of all domestic stock exchanges on which the Company's shares may be listed. The Company shall have the right to rely on an opinion of its counsel as to such compliance. Any share certificate issued to evidence Common Stock when an Option is exercised or a Stock Award is granted may bear such legends and statements as the Committee may deem advisable to assure compliance with federal and state laws and regulations. No Option shall be exercisable, no Common Stock shall be issued, no certificate for shares shall be delivered, and no payment shall be made under this Plan until the Company has obtained such consent or approval as the Committee may deem advisable from regulatory bodies having jurisdiction over such matters.

ARTICLE X
GENERAL PROVISIONS

10.01. Effect on Service.

Neither the adoption of this Plan, its operation, nor any documents describing or referring to this Plan (or any part thereof), shall confer upon any individual any right to continue in the service of the Company or in any way affect any right and power of the Company to terminate the service of any individual at any time with or without assigning a reason therefor.

10.02. Unfunded Plan.

The Plan, insofar as it provides for grants, shall be unfunded, and the Company shall not be required to segregate any assets that may at any time be represented by grants under this Plan. Any liability of the Company to any person with respect to any grant under this Plan shall be based solely upon any contractual obligations that may be created pursuant to this Plan. No such obligation of the Company shall be deemed to be secured by any pledge of, or other encumbrance on, any property of the Company.

10.03. Rules of Construction.

Headings are given to the articles and sections of this Plan solely as a convenience to facilitate reference. The reference to any statute, regulation, or other provision of law shall be construed to refer to any amendment to or successor of such provision of law.

ARTICLE XI
AMENDMENT

The Board may amend or terminate this Plan from time to time; provided, however, that no amendment may become effective until shareholder approval is obtained if (i) the amendment increases the aggregate number of shares of Common Stock that may be issued under the Plan (other than an adjustment pursuant to Article VIII) or (ii) the amendment changes the class of individuals eligible to become Participants. No amendment shall, without a Participant's consent, adversely affect any rights of such Participant under any Option or Stock Award outstanding at the time such amendment is made.

ARTICLE XII
DURATION OF PLAN

No Option or Stock Award may be granted under this Plan after February 24, 2008. Options and Stock Awards granted before that date shall remain valid in accordance with their terms.

ARTICLE XIII
EFFECTIVE DATE OF PLAN

Options may be granted under this Plan upon its adoption by the Board, provided that no Option shall be effective or exercisable unless this Plan is approved by a majority of the votes cast by the Company's shareholders, voting either in person or by proxy, at a duly held shareholders' meeting at which a quorum is present. Stock Awards may be granted under this Plan upon its approval by the company's shareholders in accordance with the preceding sentence.

Exhibit 21

TREDEGAR INDUSTRIES, INC.
Virginia

Name of Subsidiary	Jurisdiction of Incorporation
BLC G.P., Inc.	Virginia
Bon L Campo Limited Partnership	Texas
Bon L Canada Inc.	Canada
The William L. Bonnell Company, Inc.	Georgia
Capitol Products Corporation	Pennsylvania
Fiberlux, Inc.	Virginia
Guangzhou Tredegar Films Company Limited	China
Idlewood Properties, Inc.	Virginia
Molecumetics Institute, Ltd.	Virginia
Molecumetics, Ltd.	Virginia
TGI Fund I, LC	Virginia
TGI Fund II, LC	Virginia
Tredegar Brazil Industria De Plasticos Ltda.	Brazil
Tredegar Development Corporation	Virginia
Tredegar Exploration, Inc.	Virginia
Tredegar Film Products Argentina S.A.	Argentina
Tredegar Film Products, B.V.	Netherlands
Tredegar Film Products (Japan) Ltd.	Virginia
Tredegar Film Products Kft	Hungary
Tredegar Film Products Polska Sp. z o.o.	Poland
Tredegar Films Development, Inc.	Virginia
Tredegar Foreign Sales Corporation	U.S. Virgin Islands
Tredegar Holdings Corporation	Virginia
Tredegar Reserves, Inc.	Virginia
Tredegar Investments, Inc.	Virginia
Virginia Techport, Inc.	Virginia
WLB L.P., Inc.	Virginia

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statements of Tredegar Industries, Inc. on Form S-3 (File No. 33-57268) and on Forms S-8 (File No. 33-31047, File No. 33-50276, File No. 33-64647, File No. 33-12985 and File No. 33-63487) of our report dated January 12, 1999, on our audits of the consolidated financial statements of Tredegar Industries, Inc. and subsidiaries as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, which report is included in the Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

January 29, 1999
Richmond, Virginia

THE SCHEDULE CONTAINS UNAUDITED SUMMARY FINANCIAL INFORMATION FOR TREDEGAR INDUSTRIES, INC. AND SUBSIDIARIES EXTRACTED FROM THE BALANCE SHEET FOR THE PERIOD ENDED DECEMBER 31, 1998 AND THE STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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DEC-31-1998
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