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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT

**PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported) October 28, 2011 (October 24, 2011)

Tredegar Corporation
(Exact name of Registrant as specified in charter)

Virginia	1-10258	54-1497771
(State or other jurisdiction of incorporation)	(Commission file number)	(IRS 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

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets.

On October 28, 2011, Tredegar Corporation, a Virginia corporation (the "Company"), filed a Current Report on Form 8-K (the "Initial Form 8-K") with the Securities and Exchange Commission (the "SEC") to report that, on October 24, 2011, TAC Holdings, LLC, a Virginia limited liability company (the "Buyer"), and Tredegar Film Products Corporation, a Virginia corporation ("Tredegar Film Products"), which are indirect and direct, respectively, wholly-owned subsidiaries of the Company, completed the acquisition (the "Transaction") of 100% of the outstanding equity interests of Terphane Holdings LLC, a Delaware limited liability company ("Terphane"). The Transaction was completed in accordance with the Membership Interest Purchase Agreement, dated as of October 14, 2011, by and among the Buyer, Tredegar Film Products and Gaucho Holdings B.V., a Dutch *besloten vennootschap* and an indirect subsidiary of Vision Capital Partners VII LP, a Guernsey limited partnership. This Amendment No. 1 to the Initial Form 8-K is being filed to provide the financial statements and pro forma financial information described under Item 9.01 below, in accordance with the requirements of Item 9.01 of Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Businesses Acquired.*

The following financial statements of Terphane required by this item are attached hereto as Exhibit 99.4 and Exhibit 99.5 and are incorporated by reference herein:

Annual Financial Statements

- Consolidated Balance Sheets as of December 31, 2010 and 2009
- Consolidated Statements of Operations and Comprehensive Income (Loss) for the years ended December 31, 2010, 2009 and 2008
- Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008
- Notes to the Consolidated Financial Statements
- Report of Independent Auditors

Interim Financial Statements

- Consolidated Condensed Interim Balance Sheets as of June 30, 2011 and December 31, 2010
- Consolidated Condensed Interim Statements of Operations and Comprehensive Income (Loss) for the six months ended June 30, 2011 and 2010
- Consolidated Condensed Statements of Cash Flows for the six months ended June 30, 2011 and 2010
- Notes to the Consolidated Condensed Interim Financial Statements

(b) *Pro Forma Financial Information.*

The following pro forma financial information of the Company reflecting the Transaction required by this item is attached hereto as Exhibit 99.6 and is incorporated by reference herein:

- Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2011
- Unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2010
- Unaudited Pro Forma Condensed Combined Statement of Income for the six months ended June 30, 2011
- Notes to the Unaudited Pro Forma Condensed Combined Financial Information

(d) *Exhibits*.

2.1	Membership Interest Purchase Agreement, dated as of October 14, 2011, by and among TAC Holdings, LLC, Gaucho Holdings B.V. and Tredegar Film Products Corporation (Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the SEC a copy of any omitted exhibit or schedule upon request.) (filed as Exhibit 2.1 to the Company's Current Report Form 8-K (File No. 1-10258), as filed with the SEC on October 19, 2011, and incorporated herein by reference)
23.1	Consent of PricewaterhouseCoopers Auditores Independentes
99.1	Press release issued on October 24, 2011 (Previously filed with the Initial Form 8-K)
99.2	Transcript of October 26, 2011 analysts and investors conference call (Previously furnished with the Initial Form 8-K)
99.3	Slides for October 26, 2011 analysts and investors conference call (Previously furnished with the Initial Form 8-K)
99.4	Consolidated financial statements of Terphane Holdings LLC and Terphane Holding Corporation and Subsidiaries as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008
99.5	Consolidated condensed interim financial statements of Terphane Holdings LLC and Terphane Holdings Corporation and Subsidiaries as of June 30, 2011 and December 31, 2010 and for the six months ended June 30, 2011 and 2010
99.6	Unaudited pro forma condensed combined balance sheet of Tredegar Corporation as of June 30, 2011 and unaudited pro forma condensed combined statements of income for the year ended December 31, 2010 and six months ended June 30, 2011

SIGNATURE

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

Date: January 3, 2012

TREDEGAR CORPORATION

By: /s/ A. Brent King
A. Brent King
Vice President, General Counsel and Secretary

EXHIBIT INDEX

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Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 33-31047, File No. 33-50276, File No. 333-12985, File No. 333-63487, File No. 333-88177, File No. 333-120132, File No. 333-115423, File No. 33-64647, File No. 333-66562, File No. 33-57268) of Tredegar Corporation of our reports dated June 30, 2011 and August 29, 2011 relating to the financial statements of Terphane Holdings LLC and its predecessor entity Terphane Holding Corporation which appear in the Current Report on Form 8-K/A of Tredegar Corporation dated January 3, 2012.

/s/ PricewaterhouseCoopers Auditores Independentes

PricewaterhouseCoopers Auditores Independentes
Sao Paulo, Brazil
December 28, 2011

Exhibit 99.4

Terphane Holdings LLC and
Terphane Holding Corporation
and Subsidiaries
Consolidated Financial Statements at
December 31, 2010, 2009 and 2008
and Report of Independent Auditors

Report of Independent Auditors

To the Members
Terphane Holdings LLC

1 We have audited the accompanying consolidated balance sheet of Terphane Holdings LLC and its subsidiaries (“TH LLC” or the “Company”) as of December 31, 2010, and the related consolidated statements of operations and comprehensive income (loss), of members’ equity and of cash flows for the three-month period then ended. We have also audited the accompanying consolidated balance sheet of Terphane Holding Corporation and its subsidiaries (“THC”) as of December 31, 2009, and the related consolidated statements of operations and comprehensive income (loss), of net capital deficiency and of cash flows for the nine-month period ended September 30, 2010 and for the years ended December 31, 2009 and 2008. 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 audit.

2 We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3 In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Terphane Holdings LLC and its subsidiaries at December 31, 2010, and the results of their operations and their cash flows for the three-month period then ended, and also the financial position of Terphane Holding Corporation and its subsidiaries at December 31, 2009, and the results of their operations and their cash flows for the nine-month period ended September 30, 2010 and for the years ended December 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America.

4 As discussed in Note 9 to the consolidated financial statements, the 2009 financial statements were retroactively adjusted in relation to income tax expenses.

São Paulo, June 30, 2011

/s/ PricewaterhouseCoopers Auditores Independentes

PricewaterhouseCoopers
Auditores Independentes

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Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)
and Subsidiaries

Consolidated Balance Sheets at December 31
In thousands of U.S. dollars

	Successor 2010	Predecessor Adjusted (Note 9) 2009		Successor 2010	Predecessor Adjusted (Note 9) 2009
Assets			**Liabilities and members' equity (net capital deficiency)**		
Current assets			Current liabilities		
Cash and cash equivalents	7,383	1,922	Trade accounts payable	15,255	5,833
Short term investments	1,236	466	Loans and financing (Note 7)	7,891	87,446
Trade accounts receivable, net (Note 3)	22,421	12,794	Interest payable	10	517
Inventories (Note 4)	14,259	16,418	Taxes payable	6,267	3,475
Recoverable taxes	2,934	1,096	Other accrued expenses (Note 8)	4,918	3,187
Other assets	731	2,789			
				34,341	100,458
	48,964	35,485			
			Long-term liabilities		
Non-current assets			Loans and financing (Note 7)	62,504	15,395
Trade accounts receivable, net (Note 3)	900	1,144	Deferred taxes (Note 9)	6,747	208
Property, plant and equipment, net (Note 6)	86,114	52,179	Provision for contingencies (Note 12)	190	182
Deferred financing cost, net	1,674				
Recoverable taxes	68	110		69,441	15,785
Other assets	517	493			
			Members' equity (net capital deficiency)		
	89,273	53,926	Capital contribution	40,000	107
			Share subscription receivable		(493)
			Treasury shares		(169)
			Cumulative translation adjustment	1,150	18,027
			Accumulated losses	(6,695)	(44,304)
				34,455	(26,832)
Total assets	138,237	89,411	Total liabilities and members' equity (net capital deficiency)	138,237	89,411

The accompanying notes are an integral part of these consolidated financial statements.

Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)
and Subsidiaries

Consolidated Statements of Operations
and Comprehensive Income (Loss)
In thousands of U.S. dollars

	Successor	Predecessor		
	Three-month period ended December 31, 2010	Nine-month period ended September 30, 2010	Years ended December 31, 2009 (Adjusted - Note 9)	Years ended December 31, 2008
Net sales	39,401	87,836	93,394	115,336
Cost of goods sold	(30,478)	(77,214)	(85,893)	(97,899)
Gross profit	8,923	10,622	7,501	17,437
Operating expenses				
Selling expenses	(1,007)	(2,655)	(3,458)	(4,156)
General and administrative expenses	(1,509)	(3,621)	(4,400)	(4,943)
Transaction costs (Note 2)	(5,500)			
Other operating income (expense), net	(757)	(1,326)	2,899	(1,891)
	(8,773)	(7,602)	(4,959)	(10,990)
Operating profit	150	3,020	2,542	6,447
Other income (expense)				
Negative goodwill (Note 2)	1,384			
Interest and financing expenses, net (Note 13)	(4,089)	(17,106)	(15,225)	(15,023)
Foreign currency gain (loss), net	(333)	(500)	4,292	(5,773)
	(3,038)	(17,606)	(10,933)	(20,796)
Loss before income taxes	(2,888)	(14,586)	(8,391)	(14,349)
Current income taxes (Note 8)	(3,174)	1,386	(2,195)	
Deferred income taxes (Note 8)	367	1,165	1,259	2,140
Loss for the period/year	(5,695)	(12,035)	(9,327)	(12,209)
Other comprehensive income (loss) - foreign currency translation	1,150	1,824	15,672	(20,474)
Comprehensive income (loss)	(4,545)	(10,211)	6,346	(32,683)

The accompanying notes are an integral part of these consolidated financial statements.

Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)

Consolidated Statements of Members' Equity
and Net Capital Deficiency
In thousands of U.S. dollars

	Capital contribution	Shares subscription receivable	Treasury shares	Cumulative translation adjustment	Accumulated losses	Total
Predecessor						
At January 1, 2009 - Predecessor	107	(494)	(164)	2,355	(34,977)	(33,173)
Loss for the year					(9,327)	(9,327)
Treasury shares repurchased		1	(5)			(4)
Foreign currency translation				15,672		15,672
At December 31, 2009 - Predecessor - adjusted (Note 9)	107	(493)	(169)	18,027	(44,304)	(26,832)
Loss for the period					(12,035)	(12,035)
Foreign currency translation				1,824		1,824
At September 30, 2010 - Predecessor	107	(493)	(169)	19,851	(56,339)	(37,043)
Successor						
Capital contribution	40,000					40,000
Loss for the period					(5,695)	(5,695)
Disproportionate distribution of dividends paid by subsidiaries					(1,000)	(1,000)
Foreign currency translation				1,150		1,150
At December 31, 2010 - Successor	40,000			1,150	(6,695)	34,455

The accompanying notes are an integral part of these consolidated financial statements.

Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)
and Subsidiaries

Consolidated Statements of Cash Flows
In thousands of U.S. dollars

	Successor	Predecessor		
			Years ended	
	Three-month period ended December 31, 2010	Nine-month period ended September 30, 2010	December 31, 2009 (Adjusted - Note 9)	December 31, 2008
Cash flows from operating activities				
Loss for the period/year	(5,695)	(12,035)	(9,327)	(12,209)
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	6,735	12,903	17,626	13,415
Bad debt allowance (reversal)	286	104	137	136
Loss on disposal of fixed assets				282
Foreign exchange (gain) or loss	333	500	(4,292)	5,773
Deferred income taxes	(367)	(1,165)	(1,259)	(2,564)
Amortization of deferred finance costs	1,129		547	1,360
Amortization of discount on senior notes			244	604
Negative goodwill	(1,384)			
Net decrease (increase) in assets				
Accounts receivable	(2,164)	(6,510)	8,429	3,894
Inventories	692	2,057	7,518	(7,614)
Other assets	(1,713)	1,325	(1,018)	1,931
Net increase (decrease) in liabilities				
Trade accounts payable	2,690	6,229	(8,442)	(651)
Interest and taxes payable	1,875	8,287	859	189
Other accrued liabilities and reserves	899	5,166	(1,063)	(1,531)
Net cash provided by operating activities	3,316	16,861	9,959	3,015
Cash flows from investing activities				
Capital expenditures	(1,351)	(1,929)	(1,710)	(3,565)
Acquisition of subsidiary net of cash received	(25,496)			
Net cash used in investing activities	(26,847)	(1,929)	(1,710)	(3,565)
Cash flows from financing activities				
Capital contribution	40,000			
Principal payments on senior notes	(44,273)	(1,723)	(3,446)	(3,446)
Proceeds from other financing	40,000	4,000	4,850	18,130
Payment of other financing	(1,500)	(3,500)	(9,960)	(14,078)
Disproportionate distribution of dividends paid by subsidiaries	(1,000)			
Repurchase of treasury shares			(1)	(10)
Net cash provided by (used in) financing activities	33,227	(1,223)	(8,557)	596
Effect of exchange rate changes on cash	(1,077)	183	663	(396)

Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)
and Subsidiaries

Consolidated Statements of Cash Flows
In thousands of U.S. dollars **(continued)**

	Successor	Predecessor		
	Three-month period ended December 31, 2010	Nine-month period ended September 30, 2010	Years ended December 31, 2009 (Adjusted - Note 9)	Years ended December 31, 2008
Net increase (decrease) in cash and cash equivalents	8,619	13,892	355	(350)
Cash and cash equivalents				
Beginning of the period/year		2,388	2,033	2,383
End of the period/year	8,619	16,280	2,388	2,033
Supplemental disclosure of cash flow information				
Interest paid	5,249	308	11,412	12,107
Income taxes paid	1,335	296	582	411

The accompanying notes are an integral part of these consolidated financial statements.

1 Summary of Significant Accounting Policies

(a) Presentation of the financial statements

Terphane Holdings LLC ("the Company") is a Delaware limited liability company formed on August 18, 2010 and a wholly owned indirect subsidiary of Vision Capital Partners VII LP ("Vision Capital"), a private equity firm. On September 29, 2010, Vision Capital, through its subsidiary Terphane Holdings LLC, acquired Terphane Acquisition Corporation ("TAC") from Terphane Holding Corporation ("THC") (the "Transaction"). The Company is a single member limited liability company and Terphane Holdco Lux S.a.r.l. is the sole and managing member. TAC owns 100% of the outstanding capital stock of Terphane Inc. and 99.99% of the outstanding capital stock of Terphane Ltda. THC formerly was comprised of the same entities and the same effective percentage ownership as the Company; however, the ownership structure of the subsidiaries was modified during the Transaction.

The Transaction was accounted for as a purchase in accordance with US GAAP. Accordingly, the purchase price paid in the Transaction has been allocated to identifiable assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date, reflecting the acquisition method of accounting as required under US GAAP by ASC Topic 805, "Business Combination" and ASC Topic 810-10, "Consolidation". This allocation is preliminary and includes a number of estimates which, upon further evaluation, may require modification. These modifications, if any, will be completed no later than September 30, 2011 (see Note 2).

The financial information as of September 30, 2010 and December 31, 2009, for the nine-month period ended September 30, 2010 and for the years ended December 31, 2009 and December 31, 2008 reflects THC's results, prior to the Transaction, and is referred to as "Predecessor". The financial information as of December 31, 2010 and for the three-month period then ended reflects the impact of the purchase allocation of the Transaction, and is referred to as "Successor". As a result, the consolidated financial statements of the Predecessor and Successor are not comparable.

In light of the proximity of the date to the Company's September accounting period close, which was September 30, 2010, the Company elected to adopt a convenience date of September 30, 2010, for recording the new entity reporting. The Company analyzed the transactions that occurred during the one-day period of September 30, 2010, the day after the Transaction date, and concluded that such transactions represented less than one-percent of the total net sales during fiscal 2010. As a result, the Company determined that September 30, 2010 would be an appropriate date to coincide with the Company's normal financial period close for the month of September 2010. As a result, the fair value of the Predecessor company's assets and liabilities became the new basis for the Successor Company's Consolidated Balance Sheet as of the September 30, 2010, and all operations beginning October 1, 2010 are related to the Successor company.

The Company has no assets or operations other than its investment in its subsidiaries, each of which is a guarantor of the Company's various debt instruments. Accordingly, the consolidated financial statements include the assets, liabilities and operations of the subsidiary guarantors. The guarantees of the subsidiary guarantors, which relate to the Company's obligations under its senior secured notes and credit agreements, are full and unconditional, joint and several.

As detailed in Note 9, management is performing an overall review of its transfer pricing tax calculations and decided to provide for the maximum potential income tax exposure identified. As a consequence, the financial information of THC as of December 31, 2009 and for the year then ended, presented for comparative purposes, has been adjusted to reflect an additional income tax expense of US$ 2,126.

We have asked our auditors to extend their procedures in order to change their scope from review to exam. The reissue of these consolidated financial statements of the Company, considering this change in scope, was authorized by management on June 27, 2011, date through which management has evaluated subsequent events.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Predecessor and Successor and their subsidiaries (TAC, Terphane Inc. and Terphane Ltda.). Intercompany transactions have been eliminated.

The Company also evaluates consolidation of entities under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation. FASB ASC 810 requires management to evaluate whether an entity or interest is a variable interest entity and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. The Company does not have any variable interest entities requiring consolidation.

(c) Description of the business

The Company, through TAC, its wholly owned subsidiary, is the holding company for Terphane Inc. and Terphane Ltda. Terphane Inc. manufactures and markets thin polyester films for the packaging and industrial applications in North America. Terphane Ltda. manufactures and markets similar products in South America.

TAC's subsidiaries operate two manufacturing facilities, one in Bloomfield, New York (Terphane Inc.) and the other in Cabo de Santo Agostinho, Brazil (Terphane Ltda.). Polyester films have a wide range of applications, most notably (i) flexible packaging and (ii) industrial applications. The Company's films are sold under the brand name Terphane®.

(d) Cash equivalents

Cash equivalents are highly liquid instruments available immediately on demand and with insignificant risk of change in value.

(e) Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the average cost method.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost or their allocated acquisition cost derived from the fair value at acquisition of each of the two operating subsidiaries or at cost for subsequent additions. Major renewals, improvements, strategic spare parts and significant replacements are capitalized, while minor replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

(g) Tax incentives

Terphane Ltda. is the beneficiary of tax incentives provided in the Program for the Development of the State of Pernambuco (PRODEPE), which are comprised of a presumed credit of 70.0% of the ICMS (value added-tax) payable on the sales of:

- polyester films, which may be used up to August 2017;
- metalized films, which may be used up to August 2018;
- PVDC films, which may be used up to January 2013.

Terphane Ltda.'s manufacturing facility is also the beneficiary of certain income tax incentives. These incentives allow for a reduction in the standard Brazilian federal income tax rate levied on the operating profit of Terphane Ltda.'s products. Subsequent to the start-up of the expanded production capacity (P3 Project), Terphane Ltda. received approval to extend this tax benefit to the totality of its production, from January 1, 2005 through December 31, 2015. Consequently, income tax rates are reduced by 75.0% for the totality of Terphane Ltda.'s production.

(h) Current and deferred income taxes

The Brazilian Federal statutory income tax rate is a composite of 34.0% (25.0% of income tax and 9.0% of social contribution on income). As indicated in item (g) above, Terphane Ltda.'s manufacturing facility is also the beneficiary of certain income tax incentives. Consequently, these incentives produce a current effective income tax rate of 15.25% for the Company (6.25% of income tax and 9.0% of social contribution on income). The U.S. federal statutory income tax rate is 34.0%. Terphane Inc. is also subject to state income tax in several states of the United States.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, considering, when applicable, the tax incentive.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(i) Foreign currency translation

The Company's reporting currency is the U.S. dollar. The functional currency of Terphane Ltda. is the local currency, the Brazilian Real. In accordance with FASB ASC 830, Foreign Currency Matters, assets and liabilities of Terphane Ltda., denominated in Brazilian currency, are translated into U.S. dollars using period-end exchange rates, and income and expenses are translated using the average exchange rates for the reporting period. Gains or losses resulting from foreign currency transactions are included in results of operations. In accordance with FASB ASC 220 Comprehensive Income, translation adjustments are recorded as a separate component of members' equity (Successor) or net capital deficiency (Predecessor) in other comprehensive income (loss).

(j) Concentration of credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of accounts receivable. Management believes this risk is minimal as the Company routinely performs credit evaluation on its customers. During the three-month period ended December 31, 2010, five customers accounted for 27.2% of the Company's sales. During the nine-month period ended September 30, 2010, five customers accounted for 27.6% of the Predecessor's sales (21.9% during the year ended December 31, 2009 and 24.1% during the year ended December 31, 2008). The same five customers accounted for 25.3% of the accounts receivable balance at December 31, 2010 (18.4% at December 31, 2009).

(k) Revenue recognition

Revenue is recognized when it is realized or realizable and has been earned.

Product revenue is recognized when the product has been shipped and legal title and all risks of ownership have been transferred, the sales price is fixed and determinable, and collectability is reasonably assured. Appropriate accruals for shipping and handling costs, freights, discounts, rebates, and other allowances were recorded by the Successor as a reduction in sales and amounted to US$ 1,893 for the three-month period ended December 31, 2010. The Predecessor recorded US$ 5,296 for the nine-month period ended September 30, 2010, and US$ 6,393 and US$ 7,413 during the years ended December 31, 2009 and 2008, respectively.

(l) Foreign operations

Net sales from Terphane Ltda. amounted to 73.0% of the Successor's consolidated sales for the three-month period ended December 31, 2010, 65% of the Predecessor's consolidated sales for the nine-month period ended September 30, 2010, and 68.0% and 71.0% of the Predecessor's consolidated sales for the years ended December 31, 2009 and 2008, respectively.

(m) Fair value of financial instruments

The main Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and current-term and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, accounts payable, short-term recoverable taxes and taxes payable approximate their fair values based on their short-term nature.

(n) Derivative instruments

All derivative instruments are recorded on the balance sheet at fair value. Changes in fair value shall be recognized in current operations, unless the derivative is designated as part of a hedge transaction. No transaction has been designated for hedge accounting for any of the periods presented.

(o) Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period arising from transactions and other events and circumstances involving non-owner sources. For the three-month period ended December 31, 2010, for the nine-month period ended September 30, 2010 and for the years ended December 31, 2009 and 2008, comprehensive income (loss) was composed of net losses, adjusted for foreign currency translation adjustments.

(p) Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The more significant estimates include: purchase price allocation, economic useful lives of property, plant and equipment; allowances for doubtful accounts and obsolete inventories; and estimated timing of the reversal of tax temporary differences and the utilization of tax losses carryforwards. Actual results could differ from those estimates.

(q) New accounting pronouncements

(i) Business combinations and noncontrolling Interests in consolidated financial statements

In December 2007, the FASB issued accounting standards updates on business combinations and noncontrolling interests in consolidated financial statements. The new accounting guidance establishes principles and requirements for how the acquiring entity recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The new guidance further addresses the accounting and reporting for entities that consolidate a noncontrolling interest, sometimes called a minority interest. The adoption of the new guidance on January 1, 2010 did not have a material impact on the consolidated financial statements.

(ii) Subsequent events

In May 2009, the FASB issued an accounting standards update on subsequent events. The new accounting guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The accounting guidance includes a new required disclosure of the date through which an entity has evaluated subsequent events and is effective for interim reporting periods ending after June 15, 2009. The adoption of the new guidance did not have a material impact on the consolidated financial statements.

(iii) Accounting for transfers of financial assets

In June 2009, the FASB issued an accounting standards update on the accounting for transfers of financial assets. The new accounting guidance eliminates the qualifying special-purpose entity concept, introduces a new unit of account definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifies and changes the de-recognition criteria for a transfer to be accounted for as a sale, changes the amount of recognized gain or loss on a transfer of financial assets accounted for as a sale when beneficial interests are received by the transferor and requires extensive new disclosures. The accounting standards update is effective for annual reporting periods beginning after November 15, 2009. The adoption of the new guidance did not have a material impact on the consolidated financial statements.

In thousands of U.S. dollars, unless otherwise stated

(iv) Consolidation of variable interest entities

In June 2009, the FASB issued an accounting standards update on the consolidation of variable interest entities. The new accounting guidance requires an analysis to determine who should consolidate a variable-interest entity, as well as when it would be necessary to reassess who should consolidate a variable-interest entity. The new guidance also eliminates the exemption for qualifying special purpose entities. The accounting standards update is effective for annual reporting periods beginning after November 15, 2009. The adoption of the new guidance did not have a material impact on the consolidated financial statements.

2 Business Combination

As described in Note 1, on September 29, 2010, the Company acquired TAC from THC. TAC owns 100% of the outstanding capital stock of Terphane Inc. and 99.99% of outstanding capital stock of Terphane Ltda. The acquired businesses are the sole businesses owned by the Company at September 30 and December 31, 2010. The purchase price paid in the Transaction has been allocated to identifiable assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date. This allocation is preliminary and includes a number of estimates which, upon further evaluation, may require modification. It is management's opinion that the acquiree's recorded inventory values require no adjustment as the amounts are materially representative of current replacement cost for raw materials, net realizable value of the finished goods less costs to complete and a reasonable profit allowance for work-in-process, and net realizable value less a reasonable profit allowance for finished goods. Deferred taxes were adjusted based on the related subsidiaries' current applicable tax rate for the fair value allocations. Initial transaction costs incurred by the Company and calculated negative goodwill in the amounts of (US$ 5,500) and US$ 1,384, respectively, were recorded in the income statement on October 1, 2010.

Details of net assets acquired and negative goodwill are as follows:

Total capital contribution	40,000
Less: initial transaction costs expensed	(5,500)
Less: bond issuance costs deferred	(1,500)
Purchase consideration	
Cash paid (*)	33,000
Fair value of debt issued	57,550
Total purchase consideration	90,550

In thousands of U.S. dollars, unless otherwise stated

The fair value of the debt was based on the issuance price at par value of US$ 57,550 at the Transaction date.

The acquired assets and liabilities as of September 30, 2010 are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents (*)	7,504	7,504
Trade accounts receivable, net	19,918	19,918
Inventories	14,917	14,917
Other assets	6,206	6,206
Property, plant and equipment, net	90,235	41,835
Trade and other payables	(21,101)	(21,101)
Pre-existing loans and financing	(18,618)	(18,618)
Deferred tax asset/(liabilities)	(7,127)	254
Total net assets	91,934	50,915
Total purchase consideration	(90,550)	
Negative goodwill	1,384	

(*) Acquisition of TAC, net of cash received, amounted to US$ 25,496.

3 Trade Accounts Receivable, Net

Accounts receivable consist of the following at December 31:

	Successor 2010	Predecessor 2009
Accounts receivable	22,801	13,124
Allowance for doubtful accounts	(380)	(330)
Current assets	22,421	12,794
Accounts receivable	1,718	1,644
Allowance for doubtful accounts	(818)	(500)
Non-current assets	900	1,144
	23,321	13,938

In thousands of U.S. dollars, unless otherwise stated

The allowance for doubtful accounts is recorded based on specific identification of accounts that are deemed to be potentially uncollectible. Accounts are written off when all collection efforts have been exhausted.

The allowance for doubtful accounts is management's estimate of incurred losses in the accounts receivables portfolio and is computed based on specific identification of accounts that have evidence of uncollectability or impairment. The allowance is determined based on expected cash flows that take into consideration, for accounts receivable which will depend on collateral to be collected, the estimated fair value of the collateral, less costs of sale of such collateral. Estimates with respect to expected cash flows are inherently uncertain, particularly for receivables from customers in a judicial collection process and/or under bankruptcy or liquidation proceedings. As a result, estimates may result in a range of expected losses. When some amount within the range appears at the time to be a better estimate than any other amount within the range, that amount is accrued. When no amount within the range is a better estimate than any other amount, however, the minimum amount in the range is accrued. Ultimate losses may be higher than the amount accrued.

4 Inventories

Inventories consist of the following at December 31:

	Successor 2010	Predecessor 2009
Raw materials	7,143	4,247
Work in process	3,767	3,968
Finished goods	3,349	8,203
	14,259	16,418

5 Other Assets

On April 17, 2009, the Cabo plant was affected by an energy spike that damaged the protection circuits and burned the control panel of the polyester resin drying system. The repairs and the re-launch of this line were completed by May 7, 2009. The incident caused a business loss of about US$ 2.9 million corresponding to US$ 0.5 million of damaged products and US$ 2.4 million of business interruption. The Company had the right to be reimbursed for a portion of this business loss by an insurance company. Based on management's estimates, which also considered prior experience with a similar situation, the Company had an outstanding receivable of US$ 1.7 million at December 31, 2009, which was reduced to US$ 1.2 million on September 30, 2010 and subsequently collected on October 25, 2010.

In thousands of U.S. dollars, unless otherwise stated

6 Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31:

	Estimated useful life (years)	Successor 2010	Predecessor 2009
Land		5,016	134
Building and improvements	2 - 60	48,850	24,533
Computer equipment	2 - 14	3,273	2,270
Machinery and equipment	2 - 43	157,443	115,692
Furniture and fixtures	4 - 18	1,862	1,080
Other	2 - 13	447	4,620
		216,891	148,329
Less: accumulated depreciation		(130,777)	(96,150)
Net		86,114	52,179

Depreciation of property plant and equipment for the Successor was US$ 6,735 for the three-month period ended December 31, 2010. Depreciation of property, plant and equipment for the Predecessor was US$ 12,903 for the nine-month period ended September 30, 2010, and US$ 17,626 and US$ 13,415 for the years ended December 31, 2009 and 2008, respectively. The variations in Property, Plant and Equipment balances were essentially caused by impact of the acquisition - purchase price allocation (see Note 2).

7 Loans and Financing

Consolidated debt is made up of the Company’s senior secured notes and loans and other financing at Terphane Ltda.:

	Successor December 31, 2010	Predecessor December 31, 2009
Current	7,891	87,446
Long-term	62,504	15,395
Loans and financing	70,395	102,841

In thousands of U.S. dollars, unless otherwise stated

(a) Successor

The terms and balances of the agreements are summarized as follows at December 31, 2010:

Type	Interest (p.a.) - %	Maturity	Pledges	Amount
Senior secured notes (ii)	14.0	June 2015	Substantially all assets of the Company and its subsidiaries, other than certain equipment securing Terphane Ltda.'s equipment financing facilities and certain excluded accounts	15,000
Secured term note (iii)	LIBOR + 6.0	December 2015	Substantially all assets of the Company and its subsidiaries, other than certain equipment securing Terphane Ltda.'s equipment financing facilities and certain excluded accounts	40,000
Equipment financing (iv)	LIBOR + 0.85	June 2016	Hermes credit risk insurance	13,785
Equipment financing (v)	LIBOR + 2.6	November 2012	Pledge of equipment	800
Equipment financing (vi)	8.0	May 2012	Pledge of equipment	810
				70,395

(b) Predecessor

The terms and balances of the agreements are summarized as follows at December 31, 2009:

Type	Interest (p.a.) - %	Maturity	Pledges	Amount
Senior secured notes (i)	12.5	June 2009	Substantially all assets of the company, other than the P-3 operating equipment	46,500
Senior secured floating rate notes (i)	LIBOR + 9.7	June 2009	Substantially all assets of the company, other than the P-3 operating equipment	6,500
Senior secured notes (i)	12.5	June 2009	Substantially all assets of the company, other than the P-3 operating equipment	30,000
Equipment financing (iv)	LIBOR + 0.85	June 2016	Hermes credit risk insurance	16,291
Export prepayment (v)	LIBOR + 2.6	November 2012	Pledge of equipment	1,200
Equipment financing (vi)	8.0	May 2012	Pledge of equipment	1,350
Export credit (vii)	4.0	September 2010	None	1,000
				102,841

(i) On June 9, 2004, the Predecessor issued US$ 46.5 million principal amount 12.5% fixed rate senior secured notes due 2009 and US$ 6.5 million principal amount floating rate senior secured notes due 2009. Approximately US$ 30 million of the proceeds were used by the Predecessor to purchase equity interests in TAC.

On March 30, 2005, the Predecessor issued an additional US$ 30 million principal amount 12.5% fixed rate senior secured notes due 2009. Approximately US$ 26 million of the proceeds was used to pay dividends. The fixed rate notes and the floating rate notes are referred to herein collectively as the senior secured notes and are denominated in U.S. dollars.

The senior secured notes matured on June 15, 2009. The fixed rate notes paid interest at an annual rate of 12.5% and the interest on the floating rate notes at an annual rate equal to six-month LIBOR plus 9.7%. Interest payments were made semiannually, on each June 15 and December 15, since December 15, 2004. The notes were guaranteed on a senior secured basis by the U.S. subsidiary, Terphane Inc., the Cayman Islands subsidiary, TAC, and the Brazilian subsidiary, Terphane Ltda.

The indenture for the senior secured notes also included various affirmative and negative covenants and events of default, including, among others, covenants on the limitation of additional debt, distributions, restricted payments, asset sales, dividends, issuances and sales of capital stock of subsidiaries, liens, acquisitions, and transactions with affiliates. In addition, on the last day of each fiscal quarter, if the consolidated adjusted EBITDA of the Predecessor during the preceding four consecutive quarters was less than US$ 20 million, the Company would pay interest at 1% per annum in excess of the stated rate.

On September 29, 2010, the Successor liquidated the abovementioned notes in connection with the Transaction as discussed in Note 1(a) and Note 2. The liquidation was partly effected through issuance of senior secured notes discussed in Note 7(ii) below. At December 31, 2010, the notes herein described were no longer outstanding.

(ii) On September 29, 2010, the Company issued US$ 57,550 of senior secured notes due 2015, in part to liquidate the notes mentioned in (i) above, which were exchanged for the Notes described in (i) above. This note issuance was part of the Transaction as discussed in Note 1(a) and Note 2. The Company has the right to prepay the note holders and executed this right on December 29, 2010 for holders of the principal amount of US$ 42,550. The partial liquidation was effected through issuance of a secured loan discussed in Note 7(iii) below. At December 31, 2010, a principal amount of US$ 15,000 remained outstanding.

The senior secured notes mature on June 15, 2015. The senior secured notes pay interest at an annual rate of 14%. Interest payments are scheduled to be made quarterly, on each March 15, June 15, September 15 and December 15. The first payment was due on December 15, 2010. The notes are guaranteed on a senior secured basis by the Company's U.S. subsidiary, Terphane Inc., the Company's Cayman Islands subsidiary, TAC, the Company's Brazilian subsidiary, Terphane Ltda. and any future U.S., Cayman Islands and Brazilian restricted subsidiaries.

The indenture governing the senior secured notes includes various covenants, including, among others, covenants on the limitation on incurrence of additional debt, distributions, restricted payments, asset sales, dividends, issuances and sales of capital stock of subsidiaries, liens, acquisitions, and transactions with affiliates.

In addition, on the last day of each fiscal quarter ended on or after December 21, 2010, the Consolidated Adjusted EBITDA of the Company during the preceding four consecutive quarters shall be no less than US$ 14 million. Consolidated Adjusted EBITDA is defined in the indenture governing the senior secured notes. For the definition of Consolidated Adjusted EBITDA, see Note 15. This covenant will cease to be in effect on the date when the aggregate principal amount of senior secured notes outstanding is below a certain threshold.

Subsequent to the closing date of these financial statements, on April 8, 2011, the Company liquidated the remaining senior secured notes in the principal amount of US$ 15,000 funded through internal operating cash flow.

(iii) On December 29, 2010, the Company entered into a secured loan agreement for a US$ 40.0 million. The proceeds from this facility were used in part to assist in financing a tender offer of US$ 42,550 face value of the senior secured notes discussed in Note 7(ii) above. The loan facility is denominated in U.S. dollars and the principal is being repaid in 9 equal consecutive semi-annual installments commencing on December 15, 2011. The interest on the facility is payable on June 15, 2011 and then at each principal payment date, at a variable interest rate based on the six-month London Interbank Offered Rate, plus a margin of 6.0%.

The indenture governing the secured loan includes various covenants, including, among others, covenants on the limitation on incurrence of additional debt, distributions, restricted payments, asset sales, dividends, issuances and sales of capital stock of subsidiaries, liens, acquisitions, and transactions with affiliates.

In thousands of U.S. dollars, unless otherwise stated

In addition, on the last day of each fiscal year, the Consolidated EBITDA to Interest Expense Ratio shall be at least 2.0 and the Consolidated Net Debt to EBITDA Ratio shall not be higher than (a) 4.0, for the 2010 fiscal year; (b) 3.5, for the 2011 fiscal year; (c) 3.0, for the 2012 fiscal year; and (d) 2.5, for the 2013 through 2015 fiscal years.

Consolidated EBITDA, Interest Expense and Consolidated Net Debt to EBITDA Ratio are defined in the indenture governing the secured loan.

(iv) In March 2004, Terphane Ltda. entered into a loan agreement for a € 18.5 million equipment financing facility. The proceeds from this facility were used for the construction of the new manufacturing line at Terphane Ltda.'s Cabo facility. In June 2005, this Euro amount was converted to a dollar based liability at Terphane Ltda.'s option under the terms of the loan agreement. The equipment financing facility is denominated in U.S. dollars and the principal is being repaid in 20 equal consecutive semi-annual installments commencing on January 1, 2007. The interest on the facility is payable on each principal payment date, at a variable interest rate based on the six-month London Interbank Offered Rate, plus a margin of 0.85%. Pursuant to the terms of the facility, Terphane Ltda. has the option to convert this variable interest rate to a fixed rate under certain circumstances, at market value. The loan agreement also includes various affirmative and negative covenants and events of default customary for similar facilities, such as: (i) maximum ratio of indebtedness to the EBITDA of Terphane Ltda. calculated for the year; (ii) minimum amount of quotaholders' equity; and (iii) minimum current ratio.

(v) In December 2007, Terphane Ltda. entered into a loan agreement for a US$ 2 million export pre-payment financing facility. The principal plus interest is being repaid in ten equal consecutive semi-annual installments beginning in June 2008.

(vi) In June 2007, Terphane Ltda. entered into a loan agreement for a US$ 2.7 million equipment financing facility. The principal plus interest is being repaid in ten equal consecutive semi-annual installments beginning in December 2007.

(vii) In December 2009, Terphane Ltda. entered into a loan agreement for a US$ 1.0 million export credit facilities, which was repaid in September 2010.

Annual maturities of debt at December 31, 2010 are:

2011	7,891
2012	12,065
2013	11,395
2014	11,395
2015	26,396
Thereafter	1,253
	70,395

At December 31, 2010, management believes that the Company was in compliance with all debt covenants in accordance with the contracts.

8 Other Accrued Expenses

Other accrued expenses at December 31 consist of the following:

	Successor 2010	Predecessor 2009
Salary and related payroll expenses	1,391	1,639
Accrued customer rebates	129	219
Freight	511	326
Incentive bonus	1,930	122
Other	957	881
	4,918	3,187

In thousands of U.S. dollars, unless otherwise stated

9 Income Taxes

Components of the deferred tax assets and liabilities are as follows at December 31:

	Successor 2010	Predecessor 2009
Tax credit carryforwards		13,160
Allowance for doubtful accounts	175	266
Provision for inventory losses	129	
Provision for obsolescence		208
Property, plant and equipment	(7,198)	(1,154)
Foreign currency unrealized gains in subsidiary	480	914
Other	(333)	(134)
Valuation allowance for deferred tax assets		(13,468)
Total net deferred tax liability	(6,747)	(208)

The Successor is a limited liability company classified as a disregarded domestic entity for tax purposes. TAC is also not subject to income tax in the Cayman Islands. The presentation of information within the note relates to the accounts of the taxable indirectly owned subsidiary companies, Terphane Inc and Terphane Ltda. The Brazilian Federal statutory income tax rate is a composite of 34.0% (25.0% of income tax and 9.0% of social contribution on income). The U.S. federal statutory income tax rate is 34.0%.

Since 2005, the Predecessor had reported taxable losses in its U.S. income tax return, primarily as a result of the interest expense on the Predecessor's borrowings. These tax losses were available for offset against future U.S. taxable income. The Predecessor determined that with the uncertainty of the future benefit of such tax losses, it would recognize such benefit only when realized. Consequently, in December 2007 a full valuation allowance has been recognized for the balance of the deferred tax assets relating to U.S. federal and state income taxes.

The difference between the income tax provision and the amount computed using the statutory rates is due to the following:

	Successor	Predecessor		
			Years ended	
	Three-month period ended December 31, 2010	Nine-month period ended September 30, 2010	December 31, 2009 (Adjusted)	December 31, 2008
Loss before income taxes	(2,888)	(14,586)	(8,391)	(14,349)
Statutory rate - %	34	34	34	34
Statutory benefit at the nominal rate	(982)	(4,959)	(2,853)	(4,879)
Valuation allowance for deferred tax assets (*)	2,586	5,016	3,420	2,691
Permanent differences	1,497	(1,740)	1,555	787
Tax incentives	(294)	(868)	(1,186)	(739)
Income tax (benefit) expense	2,807	(2,551)	936	(2,140)

(*) A full valuation allowance is recorded for the deferred tax balances of the Company and its subsidiary Terphane Inc.

An internal review was performed on transfer pricing calculations from prior years of the subsidiary Terphane Ltda. and identified that the amount of US$ 1,785 could be claimed back from tax authorities or offset with future tax payments. As a consequence, this amount was recorded as of December 31, 2009 as “Recoverable taxes” in the balance sheet and as a reduction of current tax in the statement of operations. During 2010, these credits were fully offset with other federal taxes.

When preparing the 2010 transfer pricing calculations of the subsidiary Terphane Ltda., management identified a computational error in the tax calculation related to prior years and decided to proceed with an overall review of the transfer pricing tax calculations with the support of an outside tax consultant. Although the review is still in progress, management has decided to provide for the maximum potential amount, estimated at US$ 2,944 at December 31, 2010, of which US$ 2,126 refers to the year ended December 31, 2009.

As a consequence of this transfer pricing review, the financial information of THC as of December 31, 2009 and for the year then ended, presented for comparative purposes, has been adjusted to reflect and additional US$ 2,126 of income tax expense.

10 Employee Benefit Plan

The Company’s subsidiary, Terphane Inc., maintains an employee benefit plan (the “Plan”) which qualifies under Section 401(k) of the Internal Revenue Code. The Plan allows eligible U.S. employees to contribute an annual maximum of the lesser of 85 percent of eligible compensation or US$ 16.5 in a calendar year. Terphane Inc. matches 50.0% of the employee contributions, up to a maximum contribution of 3.0% of eligible compensation. In addition, Terphane Inc. may elect to make discretionary contributions. During the three-month period ended December 31, 2010, the contributions amounted to US$ 0 and US$ 77 for the nine-month period ended September 30, 2010 (US$ 73 during the year ended December 31, 2009 and US$ 71 during the year ended December 31, 2008) of matching contributions and US$ 52 (US$ 0 during the year ended December 31, 2009 and US$ 49 during the year ended December 31, 2008) of discretionary contributions.

Terphane Ltda. offers certain employees a defined contribution savings program managed by a financial institution. Terphane Ltda. matches contributions made by the employees. During the three-month period ended December 31, 2010, the contributions amounted to US$ 24 and US$ 78 for the nine-month period ended September 30, 2010 (US$ 275 during the year ended December 31, 2009 and US$ 257 during the year ended December 31, 2008). Under Brazilian law, Terphane Ltda. is required to make contributions based on each employee’s gross pay to the Government Severance Indemnity Fund (“FGTS”) and the Brazilian Social Security Institute (“INSS”). Contributions to the FGTS and to the INSS are expensed as incurred. Terphane Ltda. is also required by Brazilian law to pay termination benefits to employees who have been dismissed without just cause. The amount of the benefits is 40.0% of the accumulated contributions made to the FGTS by Terphane Ltda. on the employee’s behalf during his/her term of employment. Terphane Ltda. recognizes these termination costs only when dismissal without just cause is probable.

11 Capital

The Company, a Delaware corporation, is a single member limited liability company and its sole and managing member is Terphane Holdco Lux S.a.r.l., a subsidiary of Vision Capital.

THC, a Delaware corporation, was a wholly owned subsidiary of Rhône Capital I LLC, and its share capital was composed of 2 Class A common shares and 10,679,692 Class B common shares.

12 Commitments and Contingencies

(a) Income tax return

The tax returns of the Company and its subsidiaries are subject to review by the tax authorities for various limitation periods defined by law, generally three years in the United States of America and five years in Brazil. These reviews could potentially result in tax assessments against the Company.

(b) Provision for contingencies

As of December 31, 2010, management has recorded a provision for labor contingencies amounting to US$ 190.

(c) Possible contingencies

In September 2006, tax authorities in Brazil assessed Terphane Ltda. for alleged understated payments of federal taxes in relation to the calculation of social contributions based on revenues (PIS and COFINS), of the benefits of certain value-added tax (ICMS) incentives, and certain foreign exchange variations. Since the incentives are investment incentives, management believes they should be directly recorded in quotaholders’ equity of Terphane Ltda.’s for tax purposes and excluded from the calculation of taxable revenues for PIS and COFINS purposes. Management also believes that the foreign exchange variations represent reversals of previously recorded foreign exchange losses, and not foreign exchange gains, and therefore should not be subject to PIS and COFINS taxation. The total amounts under discussion are US$ 2,560.

Based on its tax consultants’ opinion, management considers that no provision is necessary for this assessment, since the chance of loss is not probable. Nonetheless, in the event these disputed taxes are eventually required to be paid, the original tax amount and accumulated interest are expected to be deductible in the computation of income tax in Brazil.

In addition, as at December 31, 2010, there were other tax contingencies amounting to US$ 982, for which the chance of loss is considered by management as not probable.

(d) Other matters

On May 15, 2009, Terphane Ltda. won a case against the Brazilian Tax authorities whereby PIS and COFINS contributions unduly deducted from sales revenues were recovered. The credit was fully recovered during 2009 and amounted to US$ 2,398, being recorded as “Other operating income”.

In thousands of U.S. dollars, unless otherwise stated

13 Interest and Financing Expenses, Net

Interest and financing expenses consist of the following for the periods ended:

	Successor	Predecessor		
	Three-month period ended December 31, 2010	Nine-month period ended September 30, 2010	Years ended December 31, 2009 (Adjusted)	Years ended December 31, 2008
Financial income	59	545	933	101
Financial expense	(4,148)	(17,651)	(16,158)	(15,124)
	(4,089)	(17,106)	(15,225)	(15,023)

14 Segment Information

The following table represents key financial information for the two business segments of the Company, identifiable by the distinct operations in different geographical areas and management of each: Terphane Inc. and Terphane Ltda. Each segment produces, distributes, markets and sells thin polyester film for packaging and industrial applications.

The segment information is presented using the same accounting policies as those used in preparing the internal financial reports used by management. The accounting policies for management purposes are the same as those described in the summary of significant accounting policies.

	Terphane Inc. + TH LLC/THC	Terphane Ltda. + TAC	Intersegment eliminations	Total
Three-month period ended December 31, 2010				
Sales				
Trade	10,842	34,946		45,788
Intersegment	(82)	(6,305)		(6,387)
Total net sales	10,760	28,641		39,401
Financial expenses (net)	(3,492)	(597)		(4,089)
Income tax expense (benefit)	434	1,900	473	2,807
Net income (loss)	(6,733)	1,697	(659)	(5,695)
Depreciation	(72)	(6,663)		(6,735)
Acquisition of fixed assets	53	1,298		1,351
Total assets at period-end	15,990	151,912	(29,665)	138,237

In thousands of U.S. dollars, unless otherwise stated

	Terphane Inc. + TH LLC/THC	Terphane Ltda. + TAC	Intersegment eliminations	Total
Nine-month period ended September 30, 2010				
Sales				
Trade	30,881	77,346		108,227
Intersegment	(747)	(19,644)		(20,391)
Total net sales	30,134	57,702		87,836
Financial expenses (net)	(15,511)	(1,595)		(17,106)
Income tax expense (benefit)	(1,621)	(685)	(245)	(2,551)
Net income (loss)	(11,903)	(365)	233	(12,035)
Depreciation	(211)	(12,692)		(12,903)
Acquisition of fixed assets	234	1,695		1,929
Total assets at period-end	20,872	153,768	(26,602)	148,038
Year ended December 31, 2009 - Adjusted (Note 9)				
Sales				
Trade	30,938	83,462		114,400
Intersegment	(761)	(20,245)		(21,006)
Total net sales	30,177	63,217		93,394
Financial expenses (net)	(13,662)	(1,563)		(15,225)
Income tax expense (benefit)	52	884		936
Net income (loss)	(22,159)	4,104	8,728	(9,327)
Depreciation	(293)	(17,333)		(17,626)
Acquisition of fixed assets	176	1,534		1,710
Total assets at year-end	13,450	97,718	(21,757)	89,411
Year ended December 31, 2008				
Sales				
Trade	34,320	100,702		135,022
Intersegment	(243)	(19,443)		(19,686)
Total net sales	34,077	81,259		115,336
Financial expenses (net)	(12,608)	(2,415)		(15,023)
Income tax expense (benefit)	(2,442)	302		(2,140)
Net income (loss)	(8,426)	(3,875)	92	(12,209)
Depreciation	(376)	(13,039)		(13,415)
Acquisition of fixed assets	349	3,216		3,565
Total assets at year-end	38,672	91,958	(33,865)	96,765

15 Supplemental Information - Consolidated Adjusted EBITDA

The indenture governing the Company's senior secured notes defines Consolidated Adjusted EBITDA as the sum of consolidated net income (loss) and to the extent consolidated net income has been reduced thereby:

- interest;
- taxes;
- depreciation and amortization and other non-cash items and expenses;
- professional fees and similar expenses related to the sale or disposition of the business or a portion thereof outside the ordinary course of business, whether or not such sale or disposition was consummated and management fees (including fees payable to Vision Capital under management agreements).

In addition, the following items are excluded from the calculation of the consolidated net income (loss), as determined in the indenture:

- After-tax gains and losses realized upon the sale or other disposition of any property (including pursuant to any sale and leaseback transaction) that is not sold or otherwise disposed of in the ordinary course of business.
- After-tax items classified as unusual, non-recurring, or extraordinary gains or losses.
- The net income of any person, other than the referent person or a restricted subsidiary of the referent person, except to the extent of cash dividends or distributions paid to the referent person or to a wholly owned restricted subsidiary of the referent person by such person.
- Any non-cash compensation expense realized for grants of stock appreciation or similar rights, stock options, capital stock or other rights to officers, directors and employees of such person or a subsidiary of such person.
- Any restoration to income of any material contingency reserve, except to the extent that provision for such reserve was made out of consolidated net income accrued at any time following the issue date of the senior secured notes.

- Income or loss attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued).
- All gains and losses realized on or because of the purchase or other acquisition by such person or any of its restricted subsidiaries of any securities of such person or any of its restricted subsidiaries.
- The cumulative effect of a change in accounting principles.
- Interest expense attributable to dividends on Qualified Capital Stock pursuant to Accounting Standards Codification Topic 480-10-25-4 "Distinguishing Liabilities from Equity-Overall-Recognition".
- Non-cash charges resulting from the impairment of assets.
- Foreign currency gains or losses and other similar charges related to foreign currency translation under US GAAP.
- Any expenses, charges, write-offs, fees, amortization of deferred financing costs and any increase in amortization or depreciation or other charges (including any non-cash fair value adjustments to inventory or work in progress) resulting from any application of purchase accounting, in each case, in relation to the Transactions (as defined in the indenture) and other acquisitions occurring on or after the issue date of the senior secured notes.
- Any unrealized gains or losses in respect of currency agreements, commodity price protection agreements or interest swap obligations.
- In the case of a successor to the referent person by consolidation or merger or as a transferee of the referent person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets.

The calculation of Consolidated Adjusted EBITDA for the nine-month period ended September 30, 2010 considers that the Predecessor incurred US$ 735 in connection with an operational incident at the Cabo plant in April 2009, net of insurance reimbursement, which has been charged directly to operating expenses. The calculation of Consolidated Adjusted EBITDA for the three-month period ended December 31, 2010 considers that the Successor incurred initial purchase costs related to the Transaction of US$ 5,500 which has been charged directly to operating expenses in accordance with FASB ASC 805, Business Combinations.

Management uses Consolidated Adjusted EBITDA: (a) as a measurement of operating performance because it assists in comparing the Company's operating performance on a consistent basis by removing the impact of items directly resulting from the Company's asset base (primarily depreciation and amortization) from its operating results; (b) for planning purposes, including the preparation of the Company's annual operating budget; (c) as a valuation measure for evaluating the Company's operating performance and its capacity to incur and service debt, fund capital expenditures and expand its business; and (d) as one measure in determining the value of other acquisitions and dispositions.

The Company also believes Consolidated Adjusted EBITDA is a useful performance measure because it also eliminates a number of non-cash items and other items that do not reflect the Company's core operating performance on a consolidated basis, which allows investors to more easily compare the Company's performance over various reporting periods on a consistent basis. Although the Company believes that Consolidated Adjusted EBITDA can make an evaluation of the Company's operating performance more consistent because it removes items that do not reflect its core operations, other companies in the industry may define Consolidated Adjusted EBITDA differently than the Company does. As a result, it may be difficult to compare the performance of other companies to the Company's performance by using Consolidated Adjusted EBITDA or similarly named non-US GAAP measures that other companies may use.

* * *

Terphane Holdings LLC and
Terphane Holding Corporation
and Subsidiaries
Consolidated Condensed Interim Financial
Statements for the Six Months Ended
June 30, 2011 and 2010
and Report of Independent Auditors

Report of Independent Auditors on the Consolidated Condensed Interim Financial Statements

To the Members
Terphane Holdings LLC

1 We have audited the accompanying consolidated condensed balance sheet of Terphane Holdings LLC and its subsidiaries (“TH LLC” or the “Company”) as of June 30, 2011 and December 31, 2010, and the related consolidated condensed interim statements of operations and comprehensive income, of members’ equity and of cash flows for the three-month and six-month periods ended June 30, 2011. 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 audit.

2 We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3 In our opinion, the consolidated condensed interim financial statements referred to above present fairly, in all material respects, the financial position of Terphane Holdings LLC and its subsidiaries at June 30, 2011 and December 31, 2010, and the results of their operations and their cash flows for the six-month period ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

4 We have also reviewed the accompanying consolidated condensed interim statements of operations and comprehensive income, of net capital deficiency and of cash flows of Terphane Holding Corporation (“THC”) for the three-month and six-month periods ended June 30, 2010, presented for comparison purposes. This interim financial information is the responsibility of the Company’s management.

5 We conducted our review in accordance with the standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

6 Based on our review, we are not aware of any material modifications that should be made to the consolidated interim financial information referred to in paragraph 4 for it to be in conformity with accounting principles generally accepted in the United States of America.

7 As discussed in Note 8 to the consolidated condensed interim financial statements, management has retroactively adjusted the consolidated condensed interim financial statements of THC for the six-month period ended June 30, 2010 with respect to the income tax expense.

São Paulo, August 29, 2011

/s/ PricewaterhouseCoopers Auditores Independentes

PricewaterhouseCoopers
Auditores Independentes

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Terphane Holdings LLC (Successor)
and Subsidiaries

Consolidated Condensed Interim Balance Sheets
In thousands of U.S. dollars

	June 30, 2011	December 31, 2010		June 30, 2011	December 31, 2010
Assets			**Liabilities and member's equity**		
Current assets			Current liabilities		
Cash and cash equivalents (Note 2)	6,508	7,383	Trade accounts payable	17,195	15,255
Short term investments		1,236	Loans and financing (Note 6)	12,335	7,891
Trade accounts receivable, net (Note 3)	19,953	22,421	Interest payable	32	10
Inventories (Note 4)	19,710	14,259	Taxes payable (Note 8)	5,533	6,267
Recoverable taxes	1,563	2,934	Other accrued expenses (Note 7)	4,728	4,918
Other assets	1,738	731			
				39,823	34,341
	49,472	48,964			
			Non-current liabilities		
Non-current assets			Loans and financing (Note 6)	41,337	62,504
Trade accounts receivable, net (Note 3)	961	900	Deferred taxes (Note 8)	6,527	6,747
Property, plant and equipment, net (Note 5)	88,213	86,114	Provision for contingencies (Note 10)	294	190
Deferred financing cost, net	1,179	1,674			
Recoverable taxes	70	68		48,158	69,441
Other assets	574	517			
			Members' equity		
	90,997	89,273	Capital contribution (Note 9)	40,000	40,000
			Cumulative translation adjustment	6,160	1,150
			Retained earnings (accumulated losses)	6,328	(6,695)
				52,488	34,455
Total assets	140,469	138,237	Total liabilities and members' equity	140,469	138,237

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)
and Subsidiaries

Consolidated Condensed Interim Statements of
Operations and Comprehensive Income (Loss)
Three and Six-month Periods Ended June 30
In thousands of U.S. dollars

	Successor		Predecessor Adjusted (Note 8)	
	Three-month period ended June 30, 2011	Six-month period ended June 30, 2011	Three-month period ended June 30, 2010 (Reviewed)	Six-month period ended June 30, 2010 (Reviewed)
Net sales	43,101	84,922	27,975	52,405
Cost of goods sold	(30,585)	(57,840)	(24,813)	(47,407)
Gross profit	12,516	27,082	3,162	4,998
Operating expenses				
Selling expenses	(913)	(1,746)	(830)	(1,680)
General and administrative expenses	(1,509)	(2,850)	(1,165)	(2,398)
Other operating income (expense), net	(214)	(169)	(134)	(322)
	(2,636)	(4,765)	(2,129)	(4,400)
Operating profit	9,880	22,317	1,033	598
Other income (expense)				
Interest and financial expenses, net	(1,304)	(3,371)	(3,320)	(7,760)
Foreign currency gain (loss), net	(1,068)	(1,515)	(41)	27
	(2,372)	(4,886)	(3,361)	(7,733)
Profit (loss) before income taxes	7,508	17,431	(2,328)	(7,135)
Current income tax	(1,281)	(3,092)	(16)	2,086
Deferred income tax	(178)	216	433	43
Net income (loss) for the period	6,049	14,555	(1,911)	(5,006)
Other comprehensive income (loss) - foreign currency translation	3,411	5,010	(731)	(2,260)
Comprehensive income (loss)	9,460	19,565	(2,642)	(7,266)

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)

Consolidated Condensed Interim Statements of
Members' Equity and Net Capital Deficiency
In thousands of U.S. dollars

	Capital contribution	Share subscription receivable	Treasury shares	Cumulative translation adjustment	Retained earnings (accumulated losses)	Total
Predecessor						
At December 31, 2009 - adjusted (Note 8)	107	(493)	(169)	18,027	(44,304)	(26,832)
Loss for the period					(3,095)	(3,095)
Foreign currency translation				(1,529)		(1,529)
At March 31, 2010 - adjusted (Note 8) - reviewed	107	(493)	(169)	16,498	(47,399)	(31,456)
Loss for the period					(1,911)	(1,911)
Foreign currency translation				(731)		(731)
At June 30, 2010 - adjusted (Note 8) - reviewed	107	(493)	(169)	15,767	(49,310)	(34,098)
Successor						
At December 31, 2010	40,000			1,150	(6,695)	34,455
Net income for the period					8,506	8,506
Foreign currency translation				1,599		1,599
At March 31, 2011	40,000			2,749	1,811	44,560
Net income for the period					6,049	6,049
Dividends paid by subsidiaries (Note 9)					(1,532)	(1,532)
Foreign currency translation				3,411		3,411
At June 30, 2011	40,000			6,160	6,328	52,488

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Terphane Holdings LLC (Successor) and
Terphane Holding Corporation (Predecessor)
and Subsidiaries

Consolidated Condensed Interim Statements of Cash Flows
Three and Six-month Periods Ended June 30
In thousands of U.S. dollars

	Successor		Predecessor Adjusted (Note 8)	
	Three-month period ended June 30, 2011	Six-month period ended June 30, 2011	Three-month period ended June 30, 2010 (Reviewed)	Six-month period ended June 30, 2010 (Reviewed)
Cash flows from operating activities				
Net income (loss) for the period	6,049	14,555	(1,911)	(5,006)
Adjustments to reconcile income (loss) to net cash provided by operating activities				
Depreciation	1,660	3,162	3,780	7,481
Bad debt allowance	(4)	(4)	51	51
Amortization of deferred finance costs	411	495		
Foreign exchange loss (gain)	1,068	1,515	41	(27)
Deferred income taxes	178	(216)	(433)	(43)
Net decrease (increase) in assets				
Short term investments	4,624	1,237		
Trade accounts receivable	1,607	3,541	(503)	(3,928)
Inventories	(6,736)	(5,307)	(739)	(370)
Other assets	521	2,181	(1,053)	(105)
Net increase (decrease) in liabilities				
Trade accounts payable	1,685	938	5,010	5,671
Interest and taxes payable	(1,336)	(1,480)	3,317	4,077
Other accrued liabilities and reserves	(549)	(434)	(2,401)	(331)
Net cash provided by operating activities	9,178	20,183	5,159	7,470
Cash flows from investing activities				
Capital expenditures	(1,218)	(2,587)	(521)	(1,485)
Net cash used in investing activities	(1,218)	(2,587)	(521)	(1,485)
Cash flows from financing activities				
Principal payments on long-term debt	(16,723)	(16,723)	(1,723)	(1,723)
Dividend paid to non-controlling quotaholder	(1,532)	(1,532)		
Proceeds from other financing			2,500	4,000
Payment of other financing			(1,000)	(2,500)
Net cash provided used in financing activities	(18,255)	(18,255)	(223)	(223)
Effect of exchange rate changes on cash	249	(216)	(139)	194
Net increase (decrease) in cash and cash equivalents	(10,046)	(875)	4,276	5,956
Cash and cash equivalents				
Beginning of period	16,554	7,383	4,068	2,388
End of period	6,508	6,508	8,344	8,344

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

1 Summary of Significant Accounting Policies

(a) Presentation of the financial statements

Terphane Holdings LLC ("TH LLC" or the "Company") is a Delaware limited liability company formed on August 18, 2010 and a wholly owned indirect subsidiary of Vision Capital Partners VII LP ("Vision Capital"), a private equity firm. On September 29, 2010, Vision Capital, through its subsidiary Terphane Holdings LLC, acquired Terphane Acquisition Corporation ("TAC") from Terphane Holding Corporation ("THC") (the "Transaction"). The Company is a single member limited liability company and Terphane Holdco Lux S.A.R.L. is the sole and managing member. TAC owns 100% of the outstanding capital stock of Terphane Inc. and 99.99% of the outstanding capital stock of Terphane Ltda. THC formerly was comprised of the same entities and the same effective percentage ownership as the Company; however, the ownership structure of the subsidiaries was modified during the Transaction.

The Transaction was accounted for as a purchase in accordance with US GAAP. Accordingly, the purchase price paid in the Transaction has been allocated to identifiable assets acquired and liabilities assumed based upon their estimated fair values at the acquisition date, reflecting the acquisition method of accounting as required under US GAAP by ASC Topic 805, "Business Combination" and ASC Topic 810-10, "Consolidation". This allocation is preliminary and includes a number of estimates which, upon further evaluation, may require modification. These modifications, if any, will be completed no later than September 30, 2011.

The financial information for the three-month and six-month periods ended June 30, 2010 reflects THC's results, prior to the Transaction, and is referred to as "Predecessor". The financial information as of December 31, 2010 and for the three-month and six-month periods ended June 30, 2011 reflects the impact of the purchase allocation of the Transaction, and is referred to as "Successor". As a result, the consolidated financial statements of the Predecessor and Successor are not comparable.

The Company has no assets or operations other than its investment in its subsidiaries, each of which is a guarantor of the Company's various debt instruments. Accordingly, the consolidated financial statements include the assets, liabilities and operations of the subsidiary guarantors. The guarantees of the subsidiary guarantors, which relate to the Company's obligations under its loan and financing and other credit agreements, are full and unconditional, joint and several.

The accompanying consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting. While these statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the TH LLC consolidated financial statements for the year ended December 31, 2010.

The results for the three-month and six-month periods ended June 30, 2011 are not necessarily indicative of the results for the entire year 2011.

The financial information included herein should be read in conjunction with the consolidated financial statements for the years ended December 31, 2010 and 2009 and notes thereto.

As detailed in Note 8, management is performing an overall review of its transfer pricing tax calculations and decided to provide for the maximum potential income tax exposure identified. In connection with that process, the consolidated interim financial statements of THC for the three-month and six-month periods ended June 30, 2010 have been adjusted to include an additional provision for income tax in the amounts of US$ 140 and US$ 280, respectively.

The issue of these financial statements of the Company was authorized by management on August 12, 2011, the date through which management has evaluated subsequent events.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Predecessor and Successor and their subsidiaries (TAC, Terphane Inc. and Terphane Ltda.). Intercompany transactions have been eliminated.

The Company also evaluates consolidation of entities under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810, Consolidation. FASB ASC 810 requires management to evaluate whether an entity or interest is a variable interest entity and whether the Company is the primary beneficiary. Consolidation is required if both of these criteria are met. The Company does not have any variable interest entities requiring consolidation.

(c) Description of the business

The Company, through TAC, its wholly owned subsidiary, is the holding company for Terphane Inc. and Terphane Ltda. Terphane Inc. manufactures and markets thin polyester films for the packaging and industrial applications in North America. Terphane Ltda. manufactures and markets similar products in South America.

TAC’s subsidiaries operate two manufacturing facilities, one in Bloomfield, New York (Terphane Inc.) and the other in Cabo de Santo Agostinho, Brazil (Terphane Ltda.). Polyester films have a wide range of applications, most notably (i) flexible packaging and (ii) industrial applications. The Company’s films are sold under the brand name Terphane®.

(d) Cash equivalents

Cash equivalents are highly liquid instruments available immediately on demand and with insignificant risk of change in value.

(e) Inventories

Inventories are stated at the lower of cost or market, with cost being determined using the average cost method.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost or their allocated acquisition cost derived from the fair value at acquisition of each of the two operating subsidiaries or at cost for subsequent additions. Major renewals, improvements, strategic spare parts and significant replacements are capitalized, while minor replacements, maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

(g) Tax incentives

Terphane Ltda. is the beneficiary of tax incentives provided in the Program for the Development of the State of Pernambuco (PRODEPE), which are comprised of a presumed credit of 70.0% of the ICMS (value added-tax) payable on the sales of:

- polyester films, which may be used up to August 2017;
- metalized films, which may be used up to August 2018;
- PVDC films, which may be used up to January 2013.

Terphane Ltda.'s manufacturing facility is also the beneficiary of certain income tax incentives. These incentives allow for a reduction in the standard Brazilian federal income tax rate levied on the operating profit of Terphane Ltda.'s products. Subsequent to the start-up of the expanded production capacity (P3 Project), Terphane Ltda. received approval to extend this tax benefit to the totality of its production, from January 1, 2005 through December 31, 2015. Consequently, income tax rates are reduced by 75.0% for the totality of Terphane Ltda.'s production.

(h) Current and deferred income taxes

The Brazilian Federal statutory income tax rate is a composite of 34.0% (25.0% of income tax and 9.0% of social contribution on income). As indicated in item (g) above, Terphane Ltda.'s manufacturing facility is also the beneficiary of certain income tax incentives. Consequently, these incentives produce a current effective income tax rate of 15.25% on the operating income of Terphane Ltda. (6.25% of income tax and 9.0% of social contribution on income). The U.S. federal statutory income tax rate is 34.0%. Terphane Inc. is also subject to state income tax in several states of the United States.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled, considering, when applicable, the tax incentive.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

(i) Foreign currency translation

The Company's reporting currency is the U.S. dollar. The functional currency of Terphane Ltda. is the local currency, the Brazilian Real. In accordance with FASB ASC 830, Foreign Currency Matters, assets and liabilities of Terphane Ltda., denominated in Brazilian currency, are translated into U.S. dollars using period-end exchange rates, and income and expenses are translated using the average exchange rates for the reporting period. Gains or losses resulting from foreign currency transactions are included in results of operations. In accordance with FASB ASC 220 Comprehensive Income, translation adjustments are recorded as a separate component of members' equity (Successor) in other comprehensive income (loss).

(j) Fair value of financial instruments

The main financial instruments are cash and cash equivalents, accounts receivable, accounts payable and current-term and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, accounts payable, short-term recoverable taxes and taxes payable approximate their fair values based on their short-term nature. The recorded values of loans and financing also do not significantly vary from their estimated fair values considering their variable rates of interest and/or the dates of origination.

(k) Derivative instruments

All stand-alone derivative instruments are recorded on the balance sheet at fair value. Embedded derivatives are required to be recorded in the same manner, unless their terms are clearly and closely related to the respective host contracts. Changes in fair value of such derivatives shall be recognized in current operations, unless the derivative is designated as part of a hedge transaction. No transaction has been designated for hedge accounting for any of the periods presented, and the Company has no embedded derivatives which are required to be recognized separately.

(l) Comprehensive income (loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period arising from transactions and other events and circumstances involving non-owner sources. For the three-month and six-month periods ended June 30, 2011 and 2010, comprehensive income (loss) was composed of net income (loss), adjusted for foreign currency translation adjustments.

(m) New accounting pronouncements

(i) Disclosures about the credit quality of financing receivables and the allowance for credit losses

In July 2010, the FASB issued Accounting Standards Update (ASU) 2010-20, which requires more extensive disclosures about the credit quality of financing receivables, including disaggregated information by portfolio segment and class of receivable. These expanded disclosures are not required, however, for accounts receivable resulting from the sales of goods and services that have an original maturity of one year or less. These new requirements are effective for interim and annual reporting periods ending on or after December 15, 2010. Since the Company’s trade accounts receivable meet the exemption mentioned above, the adoption of these new requirements had no material impact on the consolidated financial statements.

(ii) A creditor’s determination of whether a restructuring is a troubled debt restructuring

In April 2011, the FASB issued ASU 2011-02, which defines more clearly when a restructuring of a receivable by a creditor should be considered by the creditor to be a troubled debt restructuring. Existing US GAAP requires a creditor to remeasure a receivable that has been modified in a troubled debt restructuring and recognize a loss, if any. The new definition is required to be adopted in reporting years ending on or after December 15, 2012, including interim periods within those years. The Company does not expect that this new requirement will have a material impact on the consolidated financial statements.

(iii) Fair value measurement

In May 2011, the FASB issued ASU 2011-04, which alters certain definitions and methods regarding the concept of fair value in US GAAP in an effort to achieve greater convergence with International Financial Reporting Standards. The ASU does not change when a fair value measurement is required, but may affect how fair value is measured in those situations. These amendments are effective for reporting years beginning after December 15, 2011. Management of the Company has not yet assessed whether the amendments will have a material impact on the consolidated financial statements.

(iv) Presentation of comprehensive income (loss)

In June 2011, the FASB issued ASU 2011-05, which requires companies to present comprehensive income (loss) either as part of a statement of operations and comprehensive income (loss) or in a standalone statement of comprehensive income (loss). The existing alternative of presenting the components of other comprehensive income (loss) in only the statement of changes in equity will be eliminated. This change will be effective for reporting years beginning after December 15, 2011. Since the Company already reports comprehensive income (loss) in a statement of operations and comprehensive income (loss), the adoption of this ASU will have no impact on the Company's consolidated financial statements.

2 Cash and Cash Equivalents

Cash and cash equivalents consist of the following at:

	June 30, 2011	December 31, 2010
Cash	17	24
Cash at bank	6,491	7,359
	6,508	7,383

3 Trade Accounts Receivable, Net

Trade accounts receivable consist of the following at:

	June 30, 2011	December 31, 2010
Accounts receivable	20,459	22,801
Allowance for doubtful accounts	(506)	(380)
Current assets	19,953	22,421
Accounts receivable	1,834	1,718
Allowance for doubtful accounts	(873)	(818)
Non-current assets	961	900
	20,914	23,321

The allowance for doubtful accounts is recorded based on specific identification of accounts that are deemed to be potentially uncollectible. Accounts are written off when all collection efforts have been exhausted.

The allowance for doubtful accounts is management's estimate of incurred losses in the accounts receivable portfolio and is computed based on specific identification of accounts that have evidence of uncollectibility or impairment. The allowance is determined based on expected cash flows that take into consideration, for accounts receivable which will depend on collateral to be collected, the estimated fair value of the collateral, less costs of sale of such collateral. Estimates with respect to expected cash flows are inherently uncertain, particularly for receivables from customers in a judicial collection process and/or under bankruptcy or liquidation proceedings. As a result, estimates may result in a range of expected losses. When some amount within the range appears at the time to be a better estimate than any other amount within the range, that amount is accrued. When no amount within the range is a better estimate than any other amount, however, the minimum amount in the range is accrued. Ultimate losses may be higher than the amount accrued.

4 Inventories

Inventories consist of the following at:

	June 30, 2011	December 31, 2010
Raw materials	12,181	7,143
Work in process	4,040	3,767
Finished goods	3,489	3,349
	19,710	14,259

5 Property, Plant and Equipment

Property, plant and equipment consist of the following:

	Estimated useful life (years)	June 30, 2011	December 31, 2010
Land		5,016	5,016
Building and improvements	2 - 60	51,532	48,850
Computer equipment	2 - 14	3,636	3,273
Machinery and equipment	2 - 43	167,748	157,443
Furniture and fixtures	4 - 18	2,006	1,862
Other	2 - 13	518	447
		230,456	216,891
Less: accumulated depreciation		(142,243)	(130,777)
Net		88,213	86,114

Depreciation of property, plant and equipment was US$ 3,162 and US$ 7,481 for the six-month periods ended June 30, 2011 and 2010, respectively. The decrease in depreciation is explained by a revision to the estimated useful lives of the assets in connection with the change in control of the Company in September 2010, which was adopted prospectively.

6 Loans and Financing

Consolidated debt is made up of the Company's secured term notes and other financing at Terphane Ltda.:

	June 30, 2011	December 31, 2010
Current	12,335	7,891
Long-term	41,337	62,504
Loans and financing	53,672	70,395

The terms and balances of the agreements are summarized as follows at June 30, 2011:

Type	Interest (p.a.) - %	Maturity	Pledges	Amount
Secured loan (i)	Half at LIBOR + 6.0, and half at fixed rate of 8.15	December 2015	Substantially all assets of the Company and its subsidiaries, other than certain equipment securing Terphane Ltda.'s equipment financing facilities and certain excluded accounts	40,000
Equipment financing (ii)	LIBOR + 0.85	June 2016	Hermes credit risk insurance	12,532
Equipment financing (iii)	LIBOR + 2.6	November 2012	Pledge of equipment	600
Equipment financing (iv)	8.0	May 2012	Pledge of equipment	540
				53,672

(i) On December 29, 2010, the Company entered into a secured loan agreement with Banco Santander (Brasil) S.A. of US$ 40.0 million. The proceeds from this facility were used in part to assist in financing a tender offer of US$ 42,550 face value of the senior secured notes discussed in Note 7(i) above. The loan facility is denominated in U.S. dollars and the principal is being repaid in 9 equal consecutive semi-annual installments commencing on December 15, 2011. The interest on the facility is payable on June 15, 2011 and then at each principal payment date. Half of the interest is calculated at a variable interest rate based on the six-month London Interbank Offered Rate, plus a margin of 6.0%, and the other half is a fixed rate of interest of 8.15% p.a.

The indenture governing the secured loan includes various covenants, including, among others, covenants on the limitation on incurrence of additional debt, distributions, restricted payments, asset sales, dividends, issuances and sales of capital stock of subsidiaries, liens, acquisitions, and transactions with affiliates.

In addition, on the last day of each fiscal year, the Consolidated EBITDA to Interest Expense Ratio shall be at least 2.0 and the Consolidated Net Debt to EBITDA Ratio shall not be higher than (a) 4.0, for the 2010 fiscal year; (b) 3.5, for the 2011 fiscal year; (c) 3.0, for the 2012 fiscal year; and (d) 2.5, for the 2013 through 2015 fiscal years.

Consolidated EBITDA, Interest Expense and Consolidated Net Debt to EBITDA Ratio are defined in the indenture governing the secured loan.

(ii) In March 2004, Terphane Ltda. entered into a loan agreement for a € 18.5 million equipment financing facility. The proceeds from this facility were used for the construction of the new manufacturing line at Terphane Ltda.'s Cabo facility. In June 2005, this Euro amount was converted to a dollar-based liability at Terphane Ltda.'s option under the terms of the loan agreement. The equipment financing facility is denominated in U.S. dollars and the principal is being repaid in 20 equal consecutive semi-annual installments commencing on January 1, 2007. The interest on the facility is payable on each principal payment date, at a variable interest rate based on the six-month London Interbank Offered Rate, plus a margin of 0.85%. Pursuant to the terms of the facility, Terphane Ltda. has the option to convert this variable interest rate to a fixed rate under certain circumstances, at market value. The loan agreement also includes various affirmative and negative covenants and events of default customary for similar facilities, such as: (i) maximum ratio of indebtedness to the EBITDA of Terphane Ltda. calculated for the year; (ii) minimum amount of quotaholders' equity; and (iii) minimum current ratio.

(iii) In December 2007, Terphane Ltda. entered into a loan agreement for a US$ 2 million export pre-payment financing facility. The principal plus interest is being repaid in ten equal consecutive semi-annual installments beginning in June 2008.

(iv) In June 2007, Terphane Ltda. entered into a loan agreement for a US$ 2.7 million equipment financing facility. The principal plus interest is being repaid in ten equal consecutive semi-annual installments beginning in December 2007.

Annual maturities of debt at June 30, 2011 are:

2011	6,168
2012	12,065
2013	11,395
2014	11,395
2015	11,395
Thereafter	1,254
	53,672

On April 8, 2011, the Company liquidated the remaining senior secured notes in the principal amount of US$ 15,000, funded through internal operating cash flow.

At June 30, 2011, management believes that the Company was in compliance with all debt covenants in accordance with the contracts.

7 Other Accrued Expenses

Other accrued expenses consist of the following:

	June 30, 2011	December 31, 2010
Salary and related payroll expenses	1,797	1,391
Accrued customer rebates	217	129
Freight	338	511
Incentive bonus	1,190	1,930
Other	1,186	957
	4,728	4,918

8 Income Taxes

The Company is a limited liability company classified as a disregarded domestic entity for tax purposes. The direct subsidiary TAC is also not subject to income tax in the Cayman Islands. The presentation of information within the note relates to the accounts of the taxable indirectly owned subsidiary companies, Terphane Inc. and Terphane Ltda. The Brazilian Federal statutory income tax rate is a composite of 34.0% (25.0% of income tax and 9.0% of social contribution on income), however Terphane Ltda. is also the beneficiary of certain income tax incentives, which reduce its effective income tax rate on operating income to 15.25% (refer to Notes 1(g) and 1(h)). The U.S. federal statutory income tax rate is 34.0%.

The tax returns of the Company and its subsidiaries are subject to review by the tax authorities for various limitation periods defined by law, generally three years in the United States of America and five years in Brazil. These reviews could potentially result in tax assessments.

When preparing the 2010 transfer pricing calculations of the subsidiary Terphane Ltda., management identified a computational error in the tax calculation related to prior years and decided to proceed with an overall review of the transfer pricing tax calculations with the support of an outside tax consultant. Although the review is still in progress, management has decided to provide for the maximum potential amount, estimated at US$ 2,944 at December 31, 2010, of which US$ 2,126 refers to the year ended December 31, 2009 and US$ 280 to the six-month period ended June 30, 2010.

9 Capital

The Company, a Delaware corporation, is a single member limited liability company and its sole and managing member is Terphane Holdco Lux S.A.R.L., a subsidiary of Vision Capital.

THC, a Delaware corporation, was a wholly owned subsidiary of Rhône Capital I LLC, and its share capital was composed of 2 Class A common shares and 10,679,692 Class B common shares.

On June 17, 2011, the subsidiary Terphane Ltda. paid disproportionate dividends of US$ 1,532 to its non-controlling quotaholder.

10 Commitments and Contingencies

(a) Provision for contingencies

As of June 30, 2011, management has recorded a provision for labor contingencies amounting to US$ 294.

(b) Possible contingencies

In September 2006, tax authorities in Brazil assessed Terphane Ltda. for alleged understated payments of federal taxes in relation to the calculation of social contributions based on revenues (PIS and COFINS), of the benefits of certain value-added tax (ICMS) incentives, and certain foreign exchange variations. Since the incentives are investment incentives, management believes they should be directly recorded in quotaholders' equity of Terphane Ltda.'s for tax purposes and excluded from the calculation of taxable revenues for PIS and COFINS purposes. Management also believes that the foreign exchange variations represent reversals of previously recorded foreign exchange losses, and not foreign exchange gains, and therefore should not be subject to PIS and COFINS taxation. The total amounts under discussion are US$ 2,916.

Based on its tax consultants' opinion, management considers that no provision is necessary for this assessment, since the chance of loss is not probable. Nonetheless, in the event these disputed taxes are eventually required to be paid, the original tax amount and accumulated interest are expected to be deductible in the computation of income tax in Brazil.

In addition, as at June 30, 2011, there were other tax contingencies amounting to US$ 1,682, for which the chance of loss is considered by management as not probable.

11 Segment Information

The following table represents key financial information for the two business segments of the Company, identifiable by the distinct operations in different geographical areas and management of each: Terphane Inc. and Terphane Ltda. Each segment produces, distributes, markets and sells thin polyester film for packaging and industrial applications.

The segment information is presented using the same accounting policies as those used in preparing the internal financial reports used by management. The accounting policies for management purposes are the same as those described in the summary of significant accounting policies.

	Six-month period ended June 30, 2011 (Successor)			
	Terphane Inc. + THC	Terphane Ltda. + TAC	Intersegment eliminations	Total
Sales				
Trade	23,704	73,753		97,457
Intersegment	(246)	(12,289)		(12,535)
Total net sales	23,458	61,464		84,922
Net income (loss)	(1,025)	15,878	(298)	14,555
Total assets at end of period	17,427	168,829	(45,787)	140,469

	Six-month period ended June 30, 2010 (Predecessor) (Reviewed)			
	Terphane Inc. + THC	Terphane Ltda. + TAC	Intersegment eliminations	Total
Sales				
Trade	19,429	46,106		65,535
Intersegment	(659)	(12,471)		(13,130)
Total net sales	18,770	33,635		52,405
Loss	(4,409)	(491)	(106)	(5,006)
Total assets at end of period	19,784	99,823	(26,805)	92,802

12 Supplemental Information - Consolidated Adjusted EBITDA

The indenture governing the Company’s secured loan (Note 6) defines EBTIDA as consolidated net revenues minus the cost of goods sold and expenses for services to produce goods, general and administrative and selling expenses and other operational expenses, but excluding therefrom:

- depreciation and amortization;
- any non-cash items;
- any currency translation gains or losses and similar charges, and;
- all fees and expenses incurred in connection with secured loan, refinancing or restructuring transactions.

Management uses Consolidated Adjusted EBITDA: (a) as a measurement of operating performance because it assists in comparing the Company’s operating performance on a consistent basis by removing the impact of items directly resulting from the Company’s asset base (primarily depreciation and amortization) from its operating results; (b) for planning purposes, including the preparation of the Company’s annual operating budget; (c) as a valuation measure for evaluating the Company’s operating performance and its capacity to incur and service debt, fund capital expenditures and expand its business; and (d) as one measure in determining the value of other acquisitions and dispositions.

The Company also believes Consolidated Adjusted EBITDA is a useful performance measure because it also eliminates a number of non-cash items and other items that do not reflect the Company’s core operating performance on a consolidated basis, which allows investors to more easily compare the Company’s performance over various reporting periods on a consistent basis. Although the Company believes that Consolidated Adjusted EBITDA can make an evaluation of the Company’s operating performance more consistent because it removes items that do not reflect its core operations, other companies in the industry may define Consolidated Adjusted EBITDA differently than the Company does. As a result, it may be difficult to compare the performance of other companies to the Company’s performance by using Consolidated Adjusted EBITDA or similarly named non-US GAAP measures that other companies may use.

* * *

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
TREDEGAR CORPORATION

The unaudited pro forma condensed combined financial information is based upon the historical statements of Tredegar Corporation (“Tredegar”) and Terphane Holdings LLC (“Terphane”) after giving effect to Tredegar’s acquisition of Terphane on October 24, 2011 (the “Transaction”), together with the related financing and other assumptions and adjustments as described in the accompanying notes.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2011 is presented as if the Transaction and the borrowings used to finance the Transaction occurred on June 30, 2011. The Unaudited Pro Forma Condensed Combined Income Statements for the year ended December 31, 2010 and the six months ended June 30, 2011 are presented as if the Transaction and the related borrowings used to finance the Transaction occurred on January 1, 2010.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and is not intended to represent the consolidated financial position or consolidated results of operations of Tredegar that would have been reported had the Transaction been completed as of the dates described above, and should not be taken as indicative of any future consolidated financial position or consolidated results of operations. The unaudited pro forma condensed combined financial statements have been prepared in accordance with rules and regulations of the Securities and Exchange Commission (“SEC”) for the purpose of inclusion in the Form 8-K/A that Tredegar is required to file with the SEC. The corresponding pro forma adjustments to the historical financial statements are based upon information currently available and certain estimates and assumptions. These estimates are subject to change as more information regarding the assets acquired and liabilities assumed becomes available. As a result, final amounts recorded for the Transaction may ultimately differ from the information included herein.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements and accompanying notes of Tredegar and Terphane, respectively. The information related to Tredegar can be found in our Annual Report on Form 10-K for the year ended December 31, 2010 and subsequent Quarterly Report on Form 10-Q for the quarterly and year-to-date periods ended June 30, 2011. The information related to Terphane can be found in Exhibits 99.4 and 99.5 to the Current Report on Form 8-K/A, of which Exhibit 99.6 is a part.

Tredegar Corporation
Pro Forma Condensed Combined Balance Sheet
June 30, 2011
(Unaudited)

(In Thousands)	Tredegar Corporation	Terphane Holdings LLC	Pro Forma Adjustments	Pro Forma
Assets				
Current assets:				
Cash and cash equivalents	$ 93,784	$ 6,508	$ (50,736)A	$ 49,556
Accounts and other receivables, net	100,822	19,953	—	120,775
Income taxes recoverable	6,319	(3,970)	—	2,349
Inventories	35,747	19,710	—	55,457
Deferred income taxes	6,500	—	—	6,500
Prepaid expenses and other	4,205	1,738	—	5,943
Total current assets	247,377	43,939	(50,736)	240,580
Property, plant and equipment, net	197,837	88,213	(1,250)B	284,800
Other assets and deferred charges	49,079	2,784		51,863
Goodwill and other intangibles, net	106,561	—	84,387 C	190,948
Total assets	$ 600,854	$ 134,936	$ 32,401	$768,191
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	$ 64,726	$ 17,195	$ —	$ 81,921
Accrued expenses	27,089	4,760	—	31,849
Current portion of long-term debt	122	12,335	(12,335)D	122
Total current liabilities	91,937	34,290	(12,335)	113,892
Long-term debt	248	41,337	83,663 D	125,248
Deferred income taxes	55,545	6,527	13,561 E	75,633
Other noncurrent liabilities	16,916	294	—	17,210
Total liabilities	164,646	82,448	84,889	331,983
Shareholders' equity:				
Common stock	12,781	40,000	(40,000)F	12,781
Common stock held in trust for savings restoration plan	(1,337)	—	—	(1,337)
Foreign currency translation adjustment	28,880	6,160	(6,160)F	28,880
Gain (loss) on derivative financial instruments	64	—	—	64
Pension and other postretirement benefit adjustments	(57,851)	—	—	(57,851)
Retained earnings	453,671	6,328	(6,328)F	453,671
Total shareholders' equity	436,208	52,488	(52,488)	436,208
Total liabilities and shareholders' equity	$ 600,854	$ 134,936	$ 32,401	$768,191

See accompanying notes to the unaudited pro forma financial statements.

Tredegar Corporation
Pro Forma Condensed Combined Statement of Income
For the Year Ended December 31, 2010
(Unaudited)

(In Thousands)	Tredegar Corporation	Terphane Holdings LLC	Pro Forma Adjustments	Pro Forma
Revenues and other items:				
Sales	$ 740,475	$133,030	$ —	$873,505
Other income (expense), net	(940)	(3,092)	4,116 G	84
	739,535	129,938	4,116	873,589
Costs and expenses:				
Cost of goods sold	596,330	107,692	184 H	704,206
Freight	17,812	5,278	—	23,090
Selling, general and administrative	68,610	13,028	669 I	82,307
Research and development	13,625	219	—	13,844
Amortization of intangibles	466	—	5,337 J	5,803
Interest expense	1,136	21,195	(18,070)K	4,261
Asset impairments and costs associated with exit and disposal activities	773	—	—	773
Total	698,752	147,412	(11,880)	834,284
Income from continuing operations before income taxes	40,783	(17,474)	15,996	39,305
Income taxes	13,756	256	474 L	14,486
Net income from continuing operations	$ 27,027	$ (17,730)	$ 15,522	$ 24,819
Earnings per share from continuing operations:				
Basic	$ .84			$ .77
Diluted	.83			.76
Shares used to compute earnings per share:				
Basic	32,292			32,292
Diluted	32,572			32,572

See accompanying notes to the unaudited pro forma financial statements.

Tredegar Corporation
Pro Forma Condensed Combined Statement of Income
For the Six Months Ended June 30, 2011
(Unaudited)

(In Thousands)	Tredegar Corporation	Terphane Holdings LLC	Pro Forma Adjustments	Pro Forma
Revenues and other items:				
Sales	$ 392,490	$ 88,352	$ —	$480,842
Other income (expense), net	623	826	—	1,449
	393,113	89,178	—	482,291
Costs and expenses:				
Cost of goods sold	324,983	57,840	96 H	382,919
Freight	8,741	3,167	—	11,908
Selling, general and administrative	31,409	7,178	980 I	39,567
Research and development	6,744	191	—	6,935
Amortization of intangibles	258	—	2,669 J	2,927
Interest expense	716	3,371	(1,808)K	2,279
Asset impairments and costs associated with exit and disposal activities	1,084	—	—	1,084
Total	373,935	71,747	1,937	447,619
Income from continuing operations before income taxes	19,178	17,431	(1,937)	34,672
Income taxes	6,462	2,876	(947)L	8,391
Net income from continuing operations	$ 12,716	$ 14,555	$ (990)	$ 26,281
Earnings per share from continuing operations:				
Basic	$ .40			$ .82
Diluted	.39			.82
Shares used to compute earnings per share:				
Basic	31,900			31,900
Diluted	32,233			32,233

See accompanying notes to the unaudited pro forma financial statements.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION TREDEGAR CORPORATION

1. Basis of Presentation

Tredegar Corporation ("Tredegar") acquired 100% of the outstanding equity interests of Terphane Holdings LLC ("Terphane") through TAC Holdings, LLC and Tredegar Film Products Corporation, which are indirect and direct, respectively, wholly-owned subsidiaries of Tredegar, on October 24, 2011 (the "Transaction"). These unaudited pro forma condensed combined financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for the purposes of inclusion in the Current Report on Form 8-K/A that Tredegar is required to file with the SEC, and certain information and disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations.

Certain historical balances of Terphane, which include freight expenses on customer sales and research and development expenses, have been reclassified to conform to the pro forma condensed combined presentation.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2011 is presented as if the Transaction occurred on June 30, 2011. The Unaudited Pro Forma Condensed Combined Income Statements for the year ended December 31, 2010 and the six months ended June 30, 2011 are presented as if the Transaction occurred on January 1, 2010.

The unaudited pro forma condensed combined financial information of Tredegar is presented for informational purposes only and is not intended to represent the consolidated financial position or consolidated results of operations of Tredegar that would have been reported had the Transaction been completed as of the dates described above, and should not be taken as indicative of any future consolidated financial position or consolidated results of operations.

2. Vision Capital Partners VII LP Acquisition of Terphane Holding Corporation

On September 29, 2010, Vision Capital Partners VII LP ("Vision Capital"), a private equity firm, acquired Terphane Acquisition Corporation from Terphane Holding Corporation ("THC") through its subsidiary Terphane. In preparing the unaudited condensed combined income statement for the year ended December 31, 2010, the operating results of Terphane represent the combined historical financial results of THC for the nine months ended September 30, 2010 and the historical financial results of Terphane for the three months ended December 31, 2010.

A reconciliation of Terphane's historical results for the unaudited Pro Forma Condensed Combined Statement of Income for the year ended December 31, 2010 is as follows:

Terphance Holdings LLC and Terphane Holdings Corporation
Condensed Combined Statement of Income
For the Year Ended December 31, 2010

(In Thousands)	THC Nine Months Ended September 30, 2010	Terphane Three Months Ended December 31, 2010	Combined Entity Year Ended December 31, 2010
Revenues and other items:			
Sales	$ 92,018	$ 41,012	$ 133,030
Other income (expense), net	414	(3,506)	(3,092)
	92,432	37,506	129,938
Costs and expenses:			
Cost of goods sold	77,214	30,478	107,692
Freight	3,822	1,456	5,278
Selling, general and administrative	8,723	4,305	13,028
Research and development	153	66	219
Amortization of intangibles	—	—	—
Interest expense	17,106	4,089	21,195
Asset impairments and costs associated with exit and disposal activities	—	—	—
Total	107,018	40,394	147,412
Income from continuing operations before income taxes	(14,586)	(2,888)	(17,474)
Income taxes	(2,551)	2,807	256
Net income from continuing operations	$ (12,035)	$ (5,695)	$ (17,730)

3. Purchase Price Allocation

The Transaction was accounted for using the acquisition method of accounting in accordance with Accounting Codification Standard Topic 805, *Business Combinations*. Under the acquisition method of accounting, the total estimated purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed from Terphane as of the date of the completion of the acquisition.

The Transaction was completed in accordance with the Membership Interest Purchase Agreement ("Purchase Agreement") dated as of October 14, 2011. The total purchase price for the Transaction was $188 million, subject to certain post-closing adjustments provided in the Purchase Agreement. After post-closing adjustments (primarily related to working capital transferred), the total purchase price (net of cash acquired) was $175.7 million, which was used for the purpose of preparing the unaudited pro forma condensed combined financial statements. The purchase price was funded using available cash (net of cash received) of $50.7 million and financing of $125 million secured from Tredegar's existing $300 million revolving credit facility.

Based upon management's preliminary valuation of the fair value of tangible and intangible assets acquired (net of cash acquired) and liabilities assumed, the preliminary estimated purchase price allocation is as follows:

(In Thousands)	
Accounts receivable	$ 15,239
Inventories	19,018
Property, plant & equipment	86,963
Intangible assets:	
Customer relationships	32,600
Proprietary technology	14,700
Trade names	9,400
Noncompete agreements	2,300
Goodwill	43,622
Other assets (current & noncurrent)	7,915
Trade payables	(14,277)
Other liabilities (current & noncurrent)	(18,978)
Deferred taxes	(22,766)
Purchase price, net of cash received	$175,736

If information becomes available which would indicate adjustments are required to the purchase price allocation prior to the end of the measurement period for finalizing the purchase price allocation, such adjustments will be included in the purchase price allocation retrospectively.

4. Pro Forma Adjustments

A. Pro forma adjustment to record cash utilized (net of cash acquired) to fund a portion of the $175.7 million purchase price (net of cash acquired).

B. Pro forma adjustment to record the total fair market value of property, plant and equipment acquired ($87.0 million) at the date of acquisition.

C. Pro forma adjustment to record the following intangible assets acquired in connection with the acquisition:

- Customer-related intangible assets, which include customer lists and relationships of Terphane, were estimated using the excess earnings method, and will be amortized on a straight-line basis over its estimated useful life of 12 years;
- Technology-related intangible assets, which consist of patented and unpatented proprietary technology, were estimated using the relief from royalty method, and will be amortized on a straight-line basis over its estimated useful life of 10 years;
- Marketing-related intangible assets, which consist of trade names, were estimated using the relief from royalty method, and will have an indefinite useful life;
- Employee-related intangible assets, which include noncompete arrangements, were estimated using the income approach, and will be amortized on a straight-line basis over its estimated useful life of 2 years; and
- Goodwill from the transaction, which represents the residual difference between the fair value of the assets acquired and the calculated purchase price, will have an indefinite useful life.

D. Net adjustment to eliminate Terphane’s long-term debt ($12.3 million in “Current portion of long-term debt” and $41.3 million in “Long-term debt”), which was not assumed in the Transaction, and to record Tredegar’s borrowings against its revolving credit facility ($125 million in “Long-term debt”) to finance a portion of the purchase price.

E. Pro forma adjustment to deferred taxes to reflect differences between the financial reporting general ledger basis and income tax basis of identifiable intangible and fixed assets in the stock acquisition.

F. Pro forma adjustment to eliminate Terphane's historical equity balances, including common stock of $40.0 million, accumulated foreign currency translation adjustment of $6.2 million and retained earnings of $6.3 million.

G. Pro forma adjustment to "Other income (expense), net" for the year ended December 31, 2010 to eliminate transactions associated with the September 2010 purchase of THC by Vision Capital, which include:

- Pretax charges of $5.5 million for acquisition-related expenses; and
- A pretax gain of $1.4 million for the recognition of negative goodwill.

H. Pro forma adjustment to "Cost of goods sold" related to additional depreciation expense associated with the pro forma adjustment for recording property, plant and equipment at fair value on the date of acquisition.

I. Pro forma adjustment to "Selling, general and administrative" expenses related to the elimination of foreign currency remeasurement gains associated with long-term borrowings that were not assumed by Tredegar in the Transaction.

J. Pro forma adjustments for the estimated amortization expense for the year ended December 31, 2010 and six months ended June 30, 2011 are as follows:

	Pro Forma Amortization Expense	
(in thousands)	**Year Ended December 31, 2010**	**Six Months Ended June 30, 2011**
Proprietary technology	$ 1,470	$ 735
Customer relationships	2,717	1,359
Trade names	—	—
Noncompete agreements	1,150	575
Total Pro Forma Adjustments	$ 5,337	$ 2,669

K. Pro forma adjustments for the estimated interest expense for the year ended December 31, 2010 and six months ended June 30, 2011 include entries to eliminate the historical interest expense of Terphane associated with long-term borrowings that were not assumed by Tredegar in the Transaction and to record pro forma interest expense related to the $125 million borrowed under Tredegar's revolving credit facility to finance a portion of the purchase price.

	Pro Forma Interest Expense Adjustments	
	Year Ended December 31, 2010	**Six Months Ended June 30, 2011**
Elimination of historical Terphane interest expense	$ (21,195)	$ (3,371)
Record pro forma interest expense on acquisition borrowings	3,125	$ 1,563
Total Pro Forma Adjustments	$ (18,070)	$ (1,808)

Borrowings under Tredegar's revolving credit facility carry a variable rate of interest. An interest rate of 2.5%, which represents the assumed one-month LIBOR rate of 25 basis points plus an applicable credit spread of 225 basis points (consistent with the terms of the revolving credit facility), was used in calculating pro forma interest expense for each of the periods noted above. An increase or decrease of 12.5 basis points held constant over the relevant period would increase or decrease, respectively, the total interest cost by approximately $156,000 for the year ended December 31, 2010 and approximately $78,000 for the six months ended June 30, 2011.

L. Pro forma adjustments for the estimated net income tax benefit associated with the previously described adjustments to the pro forma condensed combined income statements for the year ended December 31, 2010 and six months ended June 30, 2011. An assumed effective tax rate of 36% for transactions based in the United States and 15% for transactions based in Brazil was used in the calculation of pro forma tax expense.