



Terphane's production facility in Cabo de Santo Agostinho, Brazil was established in 1979 under the management of Rhodia, and Terphane was founded in 1998 when Rhone Poulenc spun off that business.

Terphane's U.S. production facility was acquired from Kodak in 1988.

The company was acquired by Tredegar Corporation, which is headquartered in Richmond, Virginia, in 2011.

At the outset, I would like to say that Terphane understands that the Commission found a disconnect between the positions we took in the original investigation and the evidence we placed on the record to support those positions. That certainly was not intentional, but we have endeavored through our counsel in this proceeding to provide the Commission with as much information as possible to support our positions. Furthermore, the evidence on the record demonstrates that Terphane has followed the strategy it described during the original investigation: Terphane has increased its focus on sales in the Brazilian home market and regional export markets, while exports to the United States have been non-subject, value-added, and specialty films.

In that light, my intent today is to explain Terphane's strategy and goals for producing and selling PET film and to demonstrate why Terphane poses no threat to the U.S. industry producing PET film if the Brazil order is revoked. We have provided copies of our current business plans and future forecasts to the Commission, and for competitive reasons I will not be able to discuss the specific details of those plans. But I can outline our strategy in a general way for you today. In short, our strategy is to increase and maximize our market share in Brazil and in our regional export markets, and to continue to supply a relatively small volume of non-subject, specialty film products to customers in the United States.

Before I proceed further, it might be helpful to define some of the terms I will use in my presentation. I will call products that are subject to the scope of the order "subject" films. These films are almost entirely basic, commodity films, such as the products for which the Commission collected pricing information – plain films, corona treated films, chemical treated films. These are the types of films that producers in

China and the UAE focus on and export in significant quantities to the United States.

I also will be referring to “commodity” films and “specialty” films. This is how we categorize the products at Terphane. Commodity films include subject films, but they also include some films that are not subject, such as some of our copolymer resinous surface films that Commerce determined were outside the scope of the order. For example, our 10.21 product is a commodity film that is non-subject merchandise. Also, it is important to understand that while we at Terphane refer to such copolymer resinous surface films as commodity films, in the marketplace they are viewed by many as specialty films.

Specialty films include products with “special” performance attributes that can be added in several ways, such as in-line during the extrusion/casting process or during the stretching and annealing processes. Attributes can also be added off-line using secondary process equipment, such as various types of coating and metallizing.

Therefore, with very few exceptions, subject film is commodity film, but very little subject film is specialty film. Not all commodity

film is subject film. In other words, subject film is essentially a subset within the commodity film category. So “commodity” vs. “specialty” is not the same thing as “subject” vs. “non-subject.”

Last month, Terphane’s Brazilian plant started its fourth PET film line, which we call P4. Prior to starting this new line, our plant in Brazil had a nameplate capacity of about 34,000 tons. That capacity included production of both subject and non-subject film. We have been essentially sold out, and we have been losing business opportunities in the Brazilian home market and South American export markets that are the focus of our business, due to lack of available capacity. The public import and export data in the Pre-Hearing Report show Brazil’s exports of PET film declining over the period as the home market consumed increasing portions of our production. We therefore requested and received approval from Tredegar in 2012 to install the new P4 production line. Because it is impossible immediately to produce to full capacity, we hope to ramp P4 up to its capacity of about 28,000 tons over the next 18 months or so. This ramp up period is necessary for technical reasons, but it also has the benefit of allowing Terphane

gradually to ramp up production so that we do not flood the market with new product. In addition, it is important to recognize that when we started P4 production last month, we stopped production of our oldest line, which had annual production capacity of 3,300 tons. We have no plans to restart that line. Whether and when we utilize our full P4 capacity in Brazil will depend primarily on demand and growth in the Brazilian market and in our regional export markets, such as Argentina and Chile. Based on our current projections, we expect to be able to use all of our available capacity by 2017.

Terphane's strategy is to maintain and strengthen its leadership position in Brazil by offering a broad range of products and services mainly destined for flexible packaging applications as well as growing opportunities for industrial applications as these markets continue to grow. Having a production facility in Brazil enables us to offer short lead times and the ability to be a responsive partner to our Brazilian customers. Our long-term relationships with Brazilian converters and end-users reflect our commitment to promote the use of PET film,

develop new products, and continue to invest in our production assets to meet the growing demand for PET film in Brazil.

In other Latin American countries our strategy also is to be the preferred supplier of PET film with a focus in the last few years on specialty PET film sales. This focus is a result of capacity constraints and a lack of availability to offer the full range of products needed by customers. The new P4 line will enable us to increase our market share in Latin America and regain the leadership position we once held by being able to offer the same range of products to customers in those markets as we offer in Brazil. We have been servicing the Latin American market for over 30 years and have maintained an extensive distribution network in place to service our customers and take advantage of the growth opportunity offered by these important markets for our products as we increase our capacity.

Our North American market strategy differs from our strategy in Latin America as our focus in North America is to be a niche player and offer specialty PET film mainly for flexible packaging applications. The target segments are clear barrier, heat sealable, peelable, and modified

surface films (such as high and low COF, and matte), augmented by sales of high performance print grade PET film required for some applications. These types of films are non-subject merchandise. We do not intend to export subject merchandise to the United States.

Therefore, our intent is to use our new capacity primarily to serve Brazilian customers with commodity film, and it is important to emphasize that Terphane's sales in Brazil and in regional export markets are primarily commodity film, including subject film, whereas our sales in the United States are primarily non-subject commodity film and specialty film. Our ability to use our new capacity primarily to serve Brazilian purchasers of commodity film will free up capacity from our other lines to focus on increasing sales of specialty products in Brazil and other markets, including the United States.

In Brazil, we are the market leader, and we have relationships with all of the major purchasers. Many of them have been purchasing film from us for decades. We supply many of these customers with all of their film needs, from subject film to specialty film. Although the specialty film market in Brazil is not as large as in the United States, it is

growing quickly as the Brazilian economy develops. We expect this trend to continue and for the specialty film side of our business to grow faster than the commodity side of the business.

Aside from one small, accidental shipment in 2009, we have not imported subject film from Brazil into the United States since the order was imposed. Instead, at our U.S. manufacturing facility, we have manufactured some subject film in the United States, and we will continue to do that to serve relatively small customer demand. But we have no intention import subject film from Brazil into the United States. That is simply not the market we target. Specialty non-subject film is our target market in the United States.

There are several reasons for this. First, our production capacity in Brazil is primarily intended to supply customers in Brazil. This has always been the case, but it is even more so today than it was during the original period of investigation. Since the order was imposed, our product mix has changed, and we are producing far less subject merchandise than we did at that time.

Second, we have never added capacity in Brazil with the intent of increasing exports of subject merchandise to the United States. If all goes well with our new P4 line, we hope to use it primarily to make commodity film for customers in Brazil. Although the data behind this business goal are confidential, we made them available to you as an exhibit to our Foreign Producers' Questionnaire Response. I am able to say now, however, that the Brazilian market's product mix is tipped much more toward the commodity end of the spectrum than the United States, where value-added, specialty films are our focus. This will continue for the foreseeable future. While we plan to produce commodity film on the new line, we are not planning to produce subject merchandise on this line. Thus far, we have not produced any, and we have no plans to produce any. Instead, we intend to produce the non-subject films, like our copolymer resinous surface films on P4. We also hope it will free up some capacity to make and export non-subject, specialty film for customers in the United States.

Third, there will be sufficient market demand in Brazil and in Latin American export markets to absorb this new capacity. In fact, we are

extremely excited to have new capacity available to market to our customers in Brazil and other Latin American markets. We have been forced to forego business opportunities in Brazil over the past three years due to lack of capacity. Having this new capacity will enable us to increase our sales and achieve our market share goals in Brazil and other Latin American markets.

It is important to remember, however, that our new capacity is not coming on line all at once. We intend to bring the new P4 line up to full speed gradually, hopefully reaching full capacity utilization over the next 18 months or so. It is also important, when considering our capacity, to keep in mind that production machinery must routinely be taken down for maintenance. Thus, practical capacity is always somewhat lower than nameplate capacity.

Fourth, commodity film prices are higher in Brazil than they are in the United States. This difference is not a sudden development – commodity film prices have been higher in Brazil for many years, and we expect that they will continue to be higher in the future. Thus, we have a strong incentive to maximize our sales in Brazil. Prices are

higher in Brazil for a number of reasons, including antidumping duty orders covering imports from Mexico, UAE, and Turkey, and pending investigations that should be completed by March 2015 against imports from China, Egypt, and India. We expect those investigations to be successful and for orders to be imposed. We seek to ensure that import pricing in the Brazilian market is fair, and we will monitor import competition carefully and not hesitate to seek relief under the Brazilian antidumping law if we are being injured by unfair pricing.

Fifth, we are not set up, either from a production or a marketing standpoint, to compete for sales in the United States of subject merchandise with large producers such as the petitioning companies, the new plants installed in the United States by Polyplex and Uflex, or imports from China and the UAE. In fact, because of the substantial new capacity installed in the United States since the order was imposed, which is intended primarily to produce subject film, we are far less capable of competing in this segment of the market than we were during the original period of investigation, when we held an extremely low market share. We are not interested in the relatively high volume, low

margin sales of subject film. Frankly, it would not be economically practical for us to compete in that segment of the market. Instead, our focus in the United States is on specialty, niche, non-subject products that require a high degree of technical support and service – places where we believe we bring value. This is where we can be competitive in the U.S. market, and this is where we focus our efforts. In the rare instances where we sell merchandise that meets the scope language to U.S. customers, it is specialty film that is made in our U.S. facility.

In contrast with our situation, producers in China and the UAE are highly export-oriented and focus on the production and sale of subject merchandise. They have the type of production facilities and scale to be competitive for sales of subject merchandise in the U.S. market. In fact, whereas Terphane had just one accidental import shipment of subject merchandise from Brazil after the order was imposed, imports of subject film from China and the UAE continued at significant and increasing volumes. The interest of the Chinese and UAE producers to compete for the subject film business in the United States could not be clearer. In

contrast, Terphane has neither the interest nor the ability to compete for this business.

In short, Terphane is not interested in selling subject film in the United States. We have not done it, do not intend to do it, and have strong incentives not to do it. In all of these ways, we are different than the Chinese and UAE producers. We hope you will conclude that there are significant differences between Brazil, on the one hand, and China and the UAE, on the other, and that you will consider imports from Brazil in isolation and make a negative determination in this review.

Thank you for your attention, and I look forward to answering your questions.

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