

# **Glatfelter (NYSE:GLT)**

## **2008 Fourth Quarter Financial Results**

### **February 12, 2009**

*George H. Glatfelter – Chairman & Chief Executive Officer*

*Dante C. Parrini – Executive Vice President & Chief Operating Officer*

*John P. Jacunski – Senior Vice President & Chief Financial Officer*

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# Forward-Looking Statements

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***This document includes certain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to numerous risks, uncertainties and other unpredictable or uncontrollable factors which may cause actual results or performance to differ materially from the Company's expectations. Various risks and factors that could cause future results to differ materially from those expressed in the forward-looking statements include, but are not limited to: changes in industry, business, market, political and economic conditions in the U.S. and in other countries in which Glatfelter currently does business, demand for or pricing of its products; changes in tax legislation, governmental laws, regulations and policies and actions of regulatory bodies; orderly execution of regularly scheduled maintenance outages; technological changes and innovations and other factors. In light of these risks, uncertainties and other factors, the forward-looking events discussed in this presentation may not occur and readers are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements speak only as of the date of this presentation and Glatfelter undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after the date of this presentation. More information about these factors is contained in Glatfelter's filings with the U.S. Securities and Exchange Commission, which are available at [www.glatfelter.com](http://www.glatfelter.com).***

# Use of non-GAAP Financial Measures

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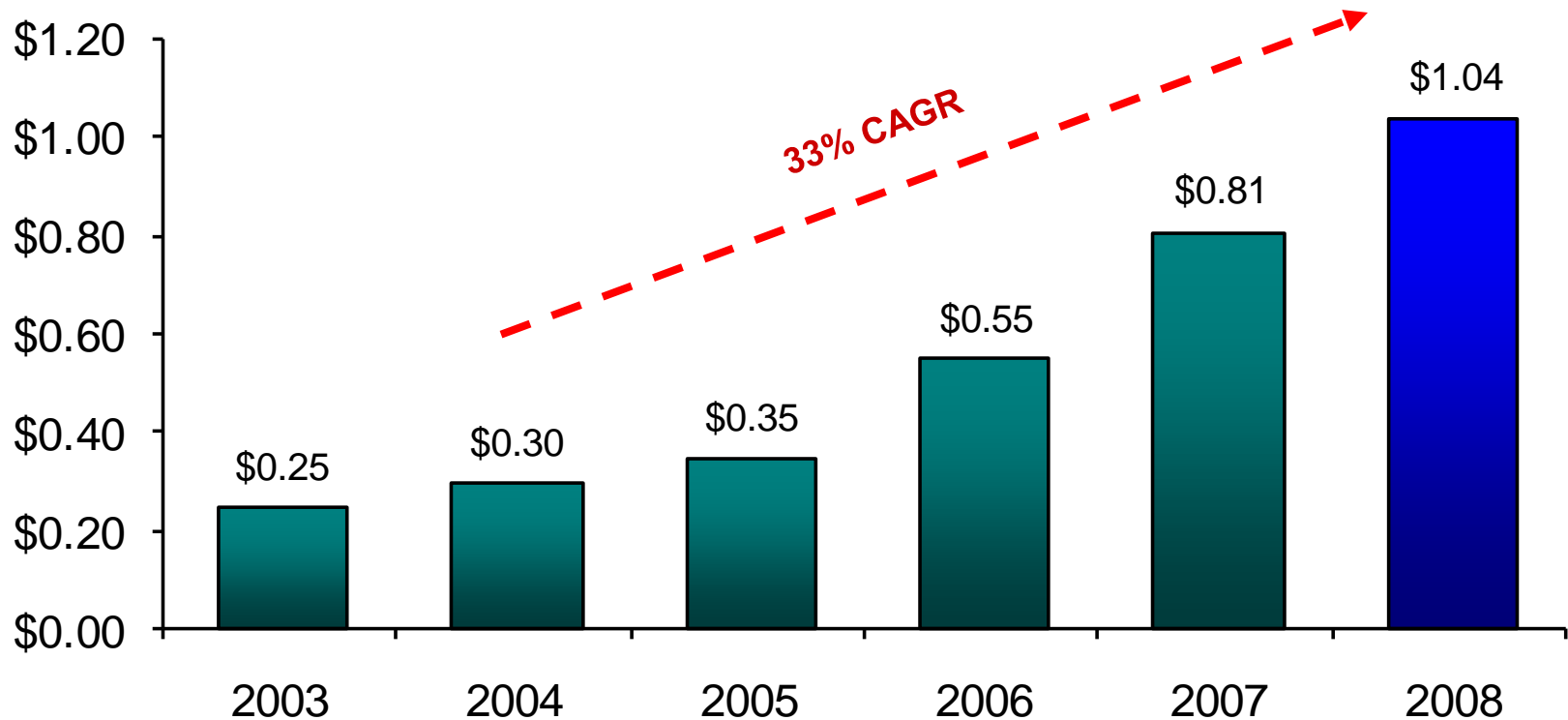


**During the course of this presentation certain non-U.S. GAAP financial measures will be presented. A reconciliation of these measures to U.S. GAAP financial measures is included in the appendix of this presentation.**

# Five Year Adjusted EPS



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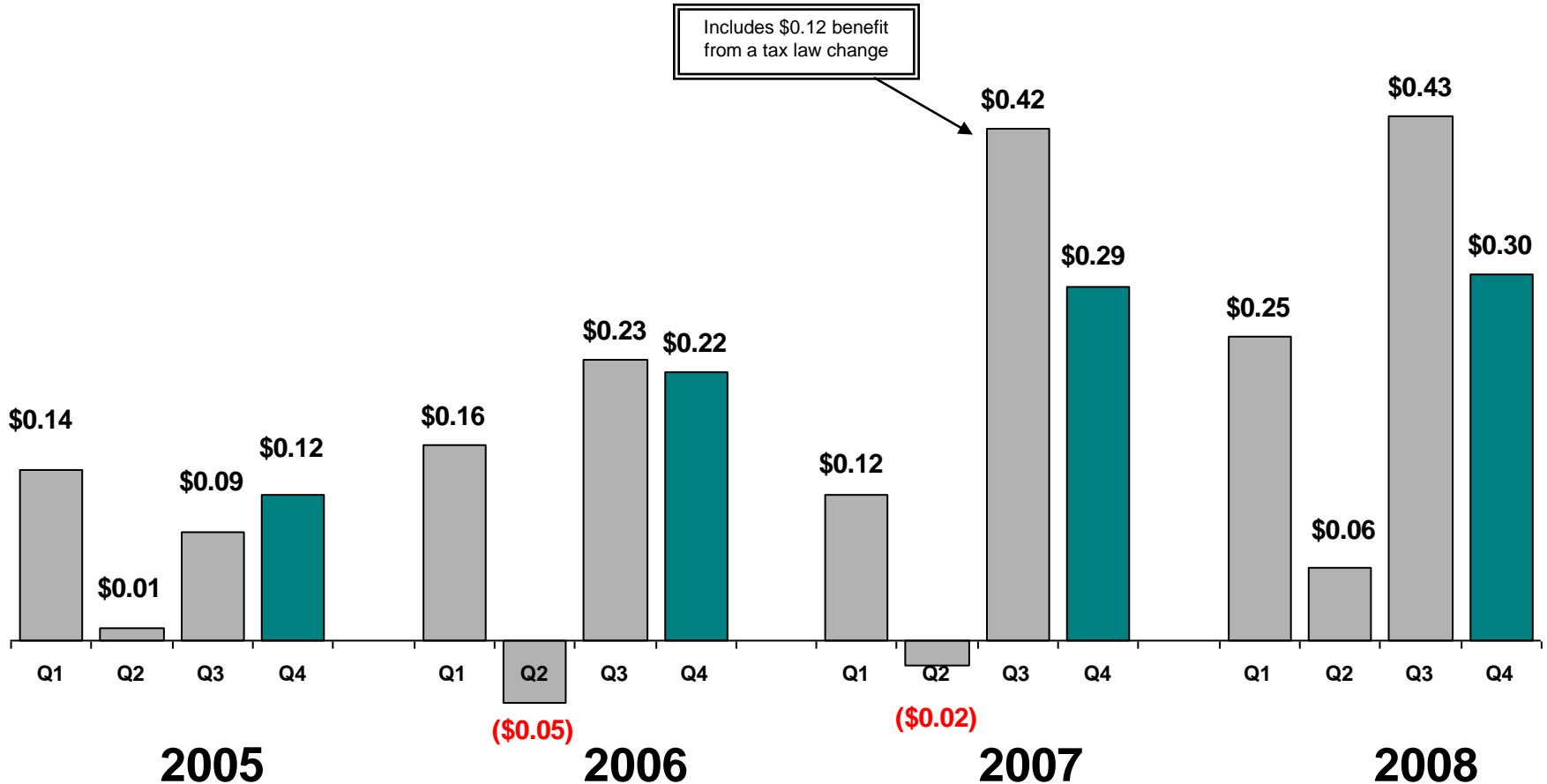


# Adjusted EPS

(EPS from Continuing Operations and Before Special Items)

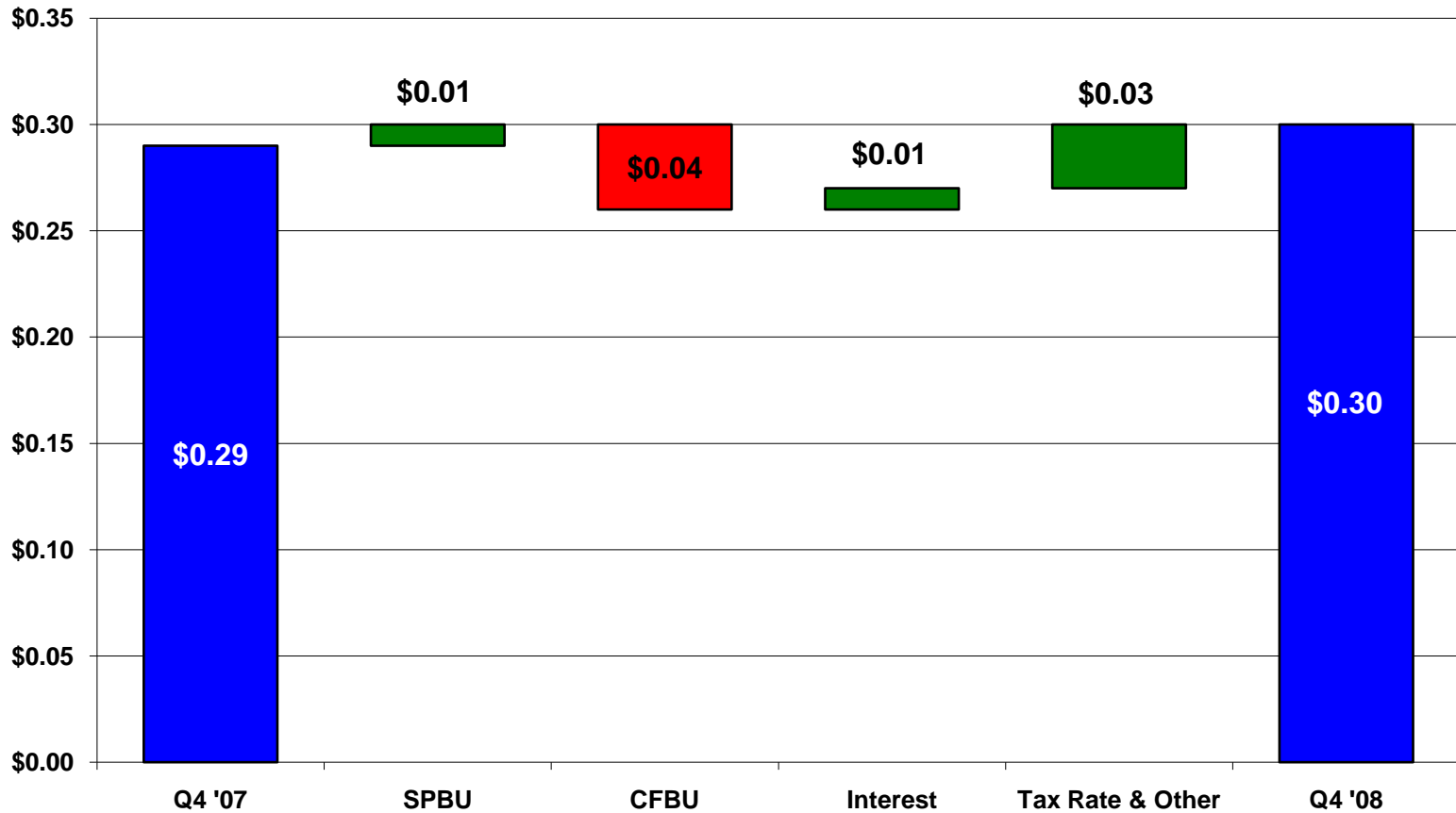


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• See appendix of this presentation for the reconciliation of adjusted EPS to its nearest GAAP measure.

# Q4'08 vs. Q4'07 (Adjusted EPS)



• See attached appendix of this presentation for the reconciliation of adjusted EPS to its nearest GAAP measure.



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# Q4'08 Financial Highlights

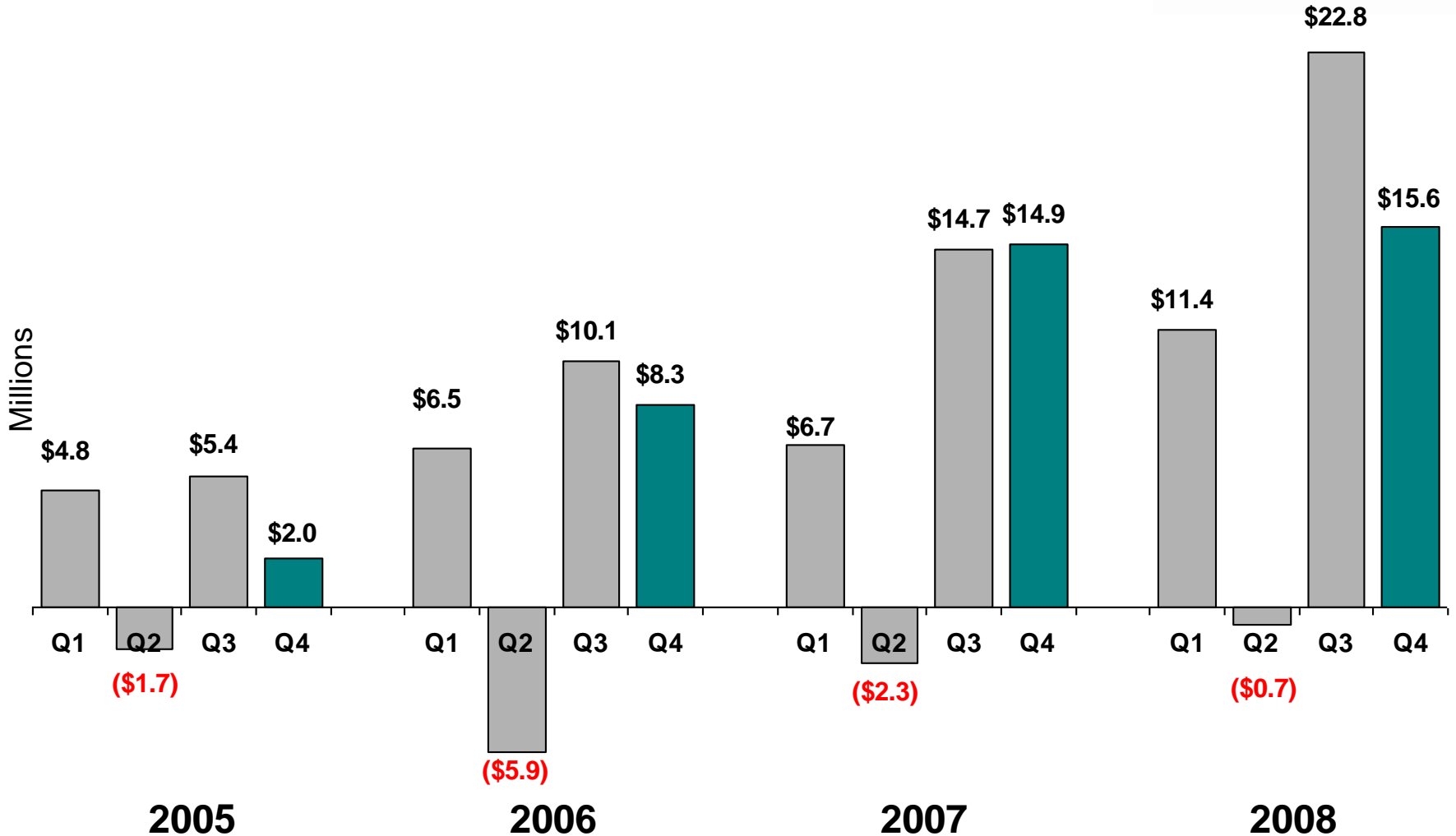
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- **Specialty Papers' operating income increased 4.2% to \$15.6 million compared to \$14.9 million in Q4 '07**
  - Market demand for Glatfelter products was mixed
    - Carbonless and Book Publishing product shipments were each down nearly 9%
    - Envelope product shipments were 8% higher
    - Net impact of mix shift was \$4.3 million unfavorable
  - For the quarter selling prices increased more than increases in raw material costs and energy. For the year, we nearly recovered all raw material and energy increases through price increases.
- **Composite Fibers' operating income was \$3.7 million or 37.8% below Q4 '07**
  - Strong demand for food & beverage products continued
  - Selling prices increased more than increases in raw material and energy costs but for the year we fell just short of full recovery
  - Metallized products weakness in Q4 negatively impacted results
- **Net debt at December 31, 2008 excluding collateralized debt instruments, was \$210.4 million, down \$39.0 million since December 31, 2007**

# Specialty Papers Operating Income



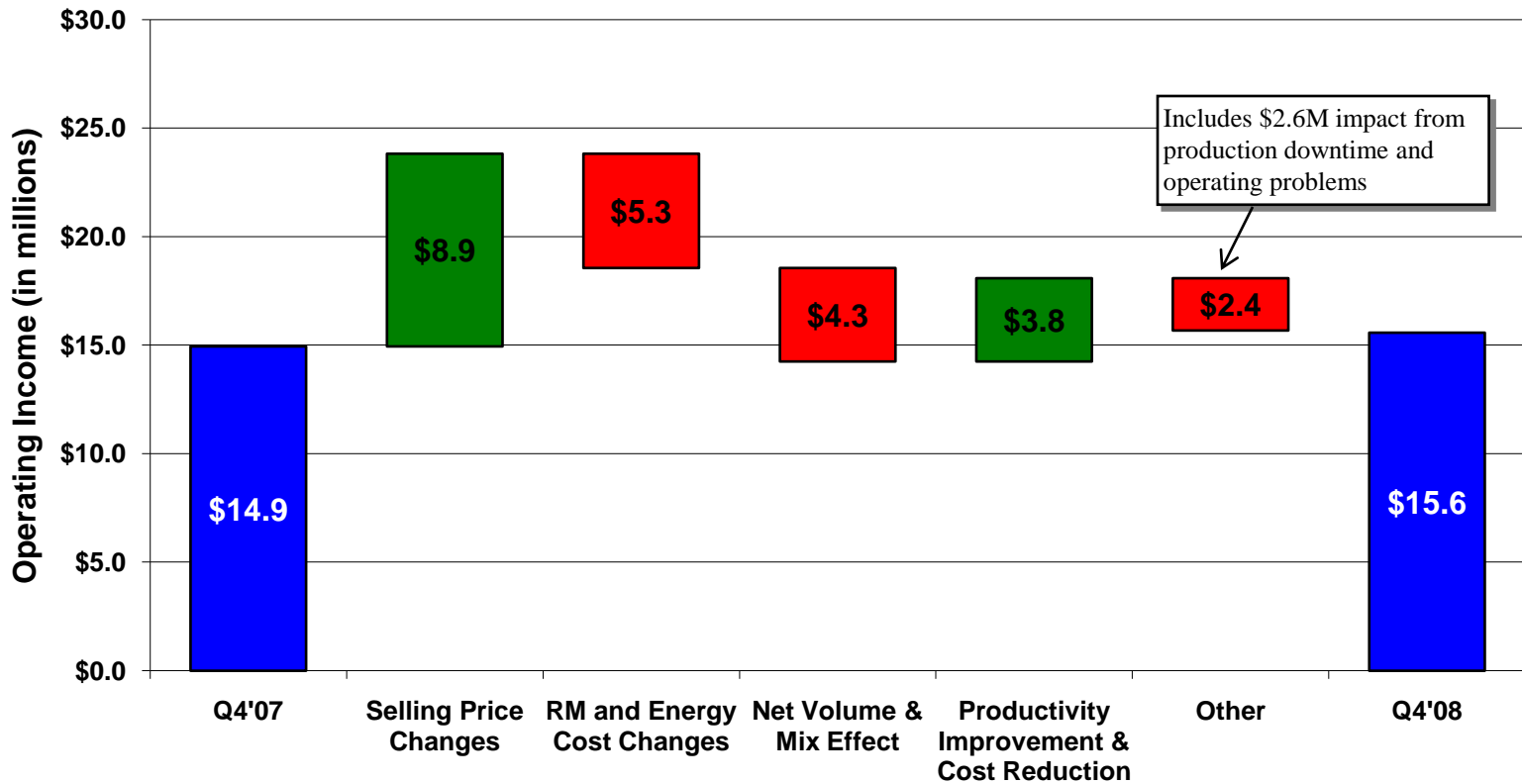
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# Specialty Papers Q4'08 vs. Q4'07



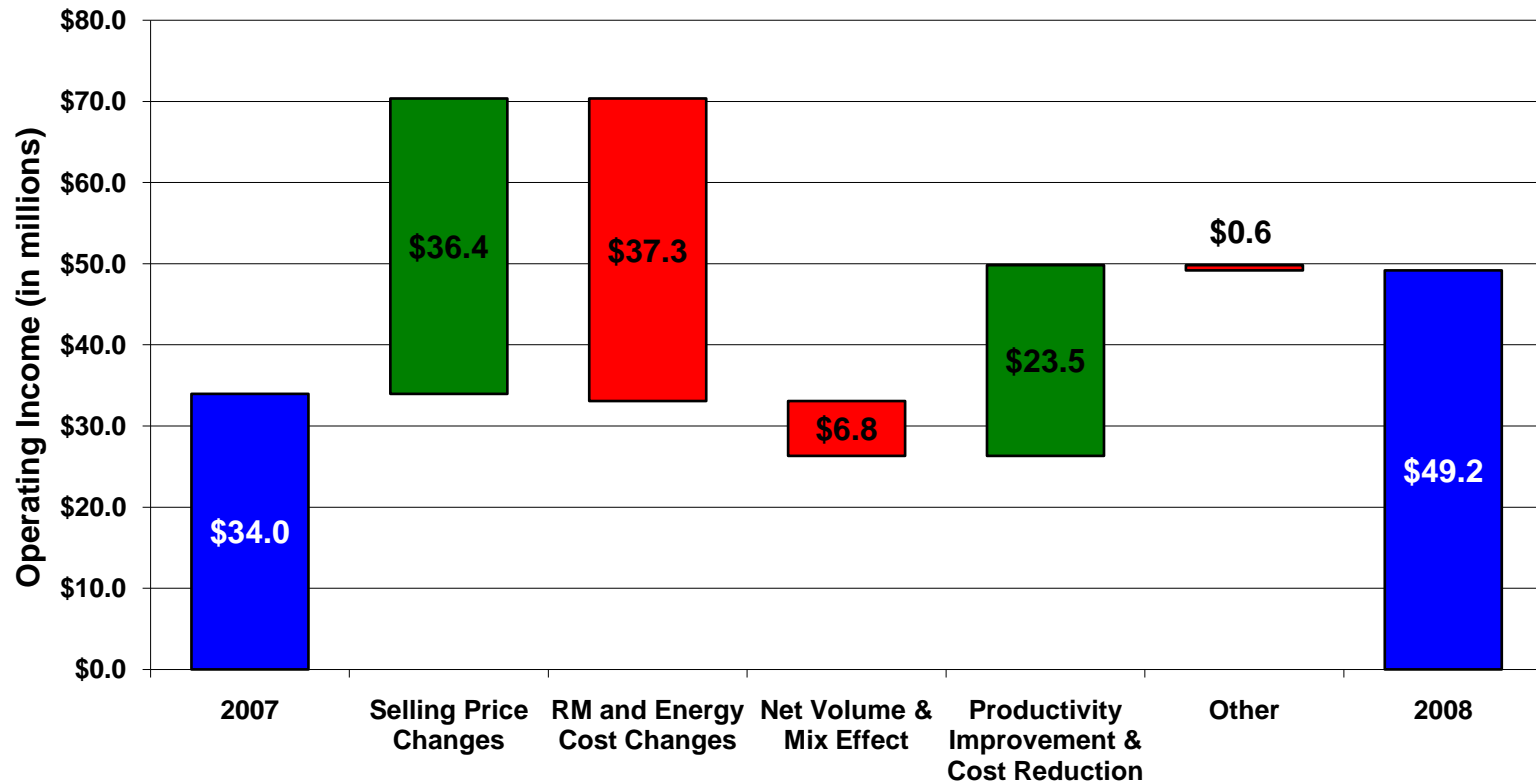
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# Specialty Papers 2008 vs. 2007



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# Specialty Papers Q4' 08 Highlights



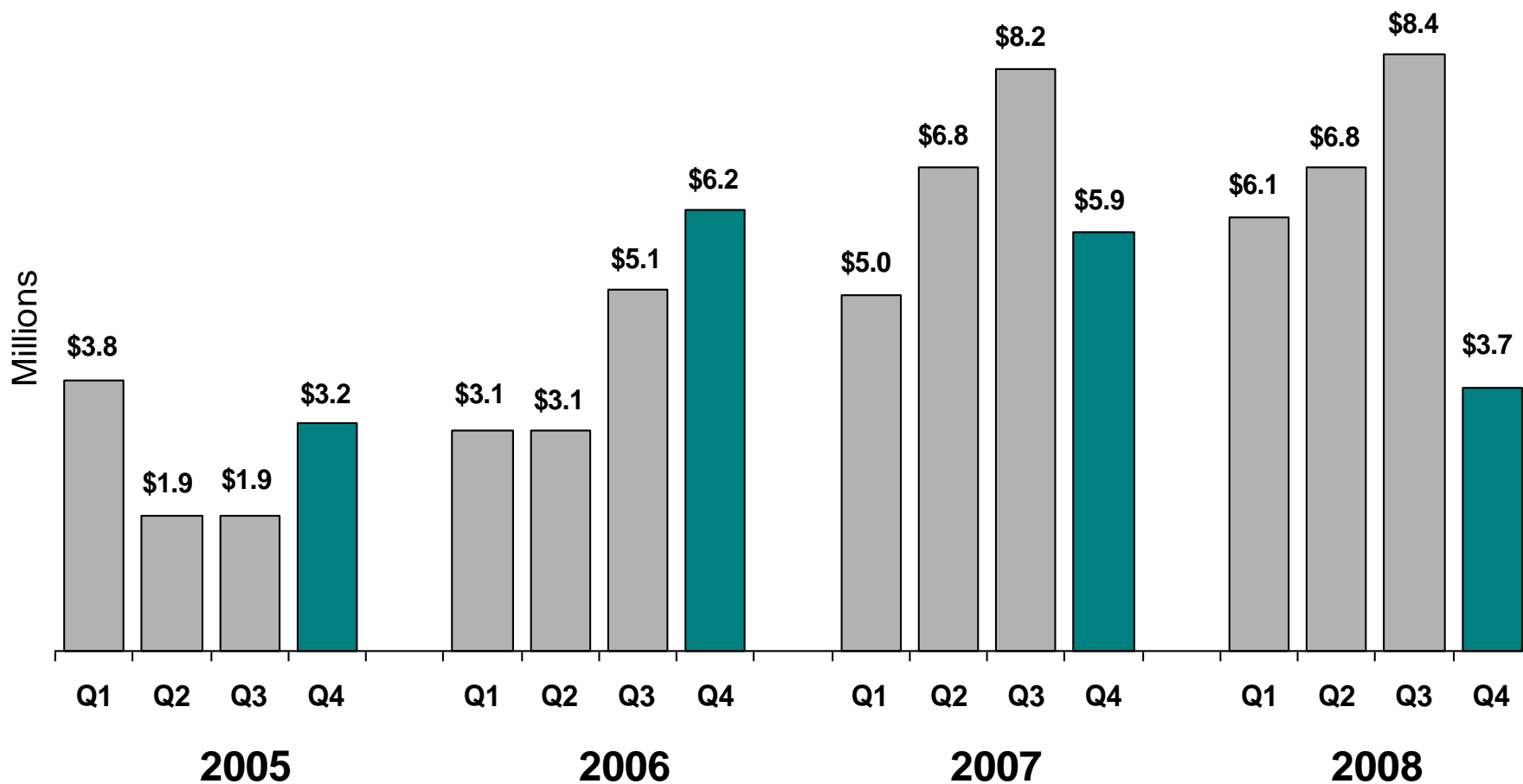
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- **Shipping volume was flat compared to Q4'07**
  - Shipments in Envelope up 8% and Engineered Products up 4%
  - Carbonless and Book product shipments were each down nearly 9%
- **Favorable pricing environment generated \$8.9 million benefit in Q4'08 vs. Q4'07**
  - Prices were higher across all market segments compared to Q4'07
- **Raw Material costs increased \$5.3 million in Q4'08 vs. Q4'07 primarily driven by energy related price increases**
  - Selling price increases outpaced raw material and energy cost increases for the first time this year
- **Operating performance during the quarter**
  - Successful cost reduction and operational efficiency initiatives in Chillicothe continue to drive favorable results
  - Negative impact from market downtime and start-up problems related to a maintenance shutdown

# Composite Fibers Operating Income



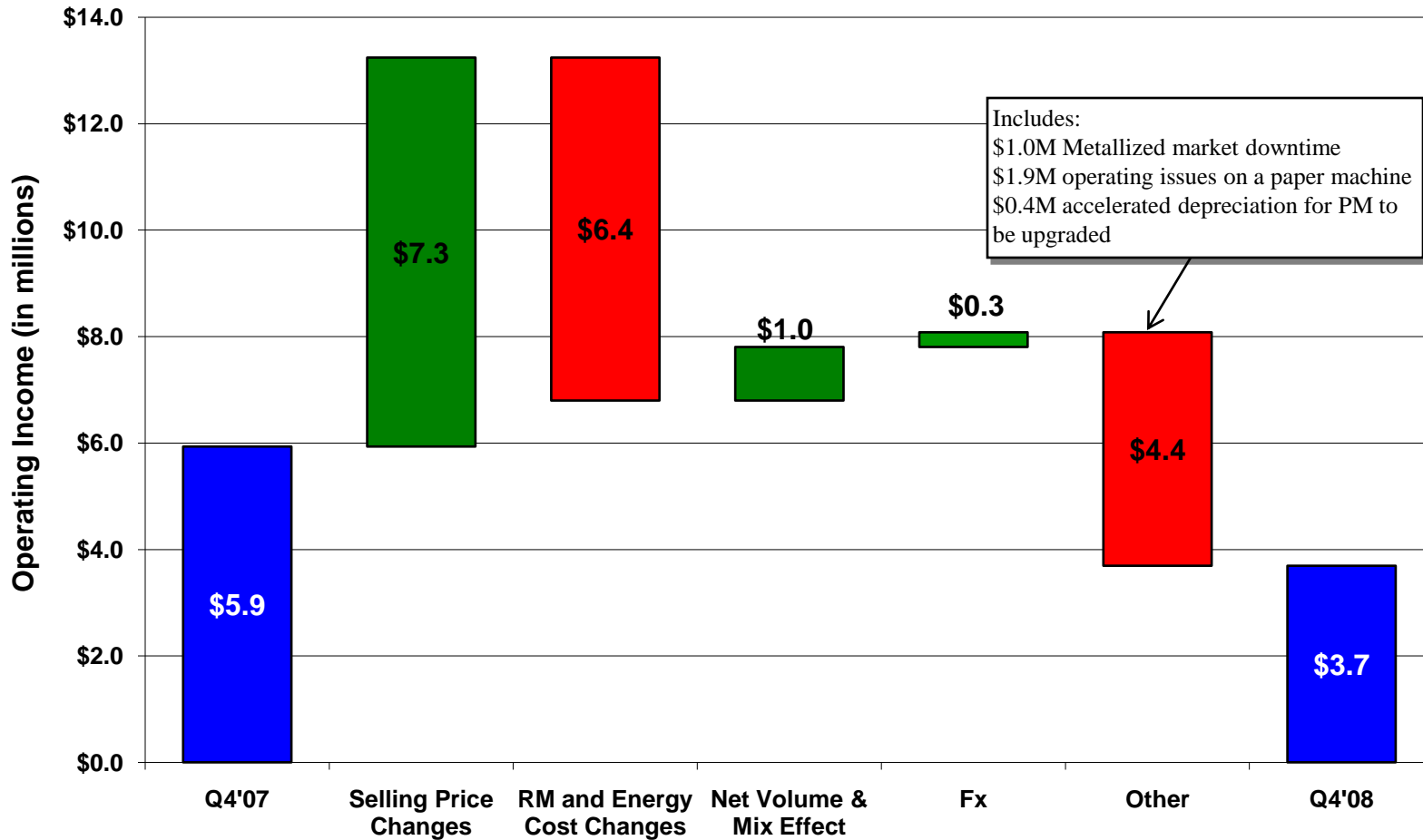
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# Composite Fibers Q4'08 vs. Q4'07



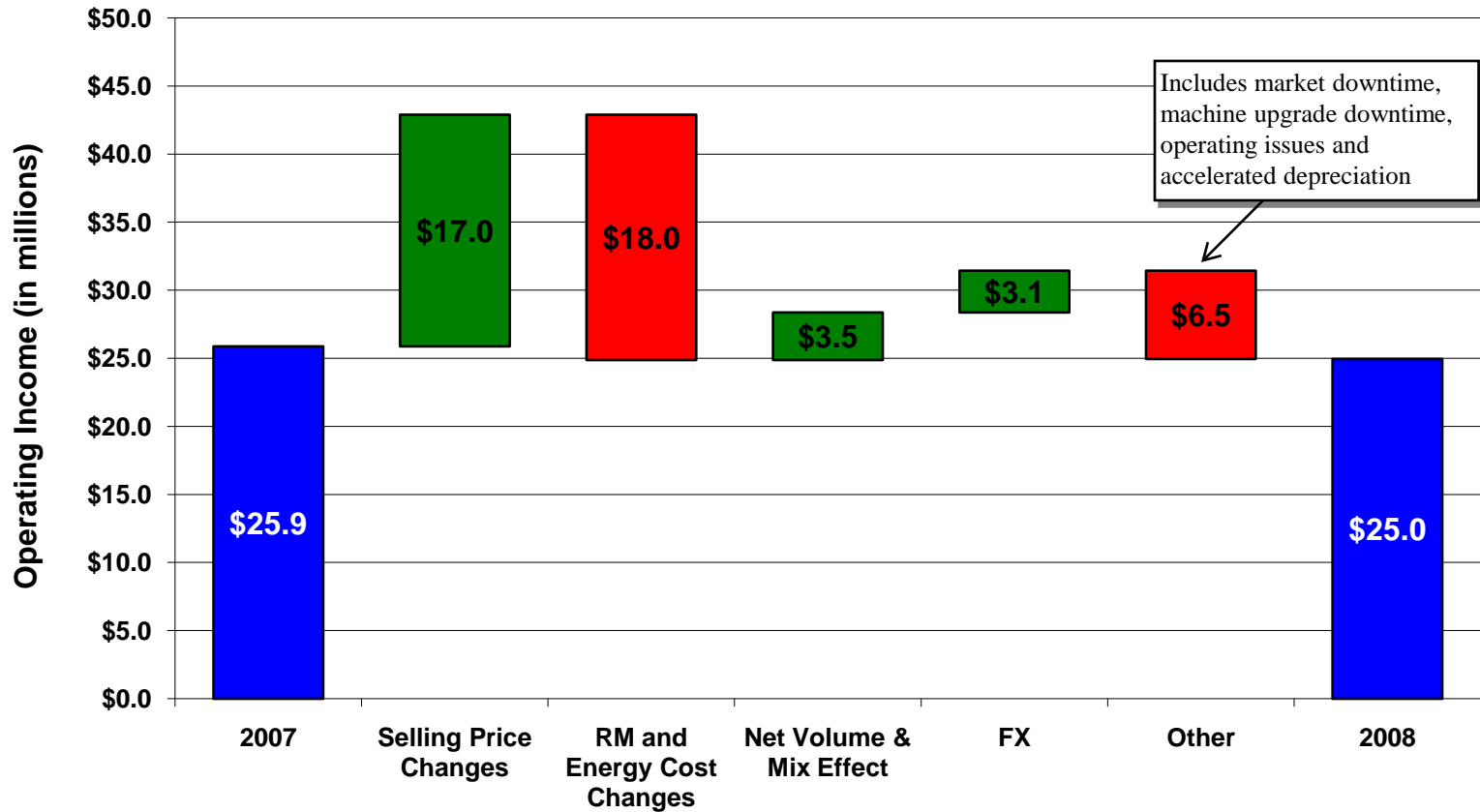
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# Composite Fibers 2008 vs. 2007



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# Composite Fibers Q4' 08 Highlights

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- **Revenue increased 6.7% in Q4'08 vs. Q4'07**
  - Strong shipments of Food & Beverage and Technical Specialty – up 4.0% and 6.6% respectively
  - Composite Laminates shipments were down 20.6%
  - Shipments of metallized products increased significantly due to the Caerphilly acquisition; however demand has slowed
  - Foreign currency translation negatively impacted net sales by \$9 million
- **Selling prices increased faster than raw material and energy prices for the first time in 2008**
- **Changes to foreign currency exchange rates favorably impacted results by \$0.3 million**

# Strong Balance Sheet



(\$ millions)	31-Dec-08	31-Dec-07
Cash	\$32.2	\$29.8
Total Debt	\$313.3	\$313.2
Collateralized Debt	(\$70.7)	(\$34.0)
Net Debt	<u><u>\$210.4</u></u>	<u><u>\$249.4</u></u>
Shareholders' Equity	<u><u>\$343.9</u></u>	<u><u>\$476.1</u></u>
Adj. EBITDA (excl. Pension Inc.)	\$125.5	\$111.7
<i>Leverage</i>	<i>1.7x</i>	<i>2.2x</i>

# Near-term Outlook

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## Specialty Papers

- Shipping volume in Q1 '09 is expected to be slightly lower compared to Q4 '08
- Selling prices are expected to be flat to slightly lower in Q1 '09 compared with Q4 '08
- Cost reduction initiatives expected to continue at an aggressive pace with limited discretionary spending
- Results expected to benefit somewhat from the impact of lower energy and pulp prices but overall input costs are expected to rise by approximately \$4 million or \$.06 per share.

## Composite Fibers

- Shipping volumes, selling prices and input costs are expected to be largely in-line with the fourth quarter of 2008.

## Other

- Cap Ex estimated at \$35 million for 2009
- Accelerated depreciation of \$0.5 million per quarter for 2009 will be recorded related to the upgrade of a paper machine in Composite Fibers
- On a pre-tax basis, net pension expense expected to be \$6 million for the full year 2009 compared to pension income of \$16 million in 2008. On a year over year basis, this is expected to adversely impact the comparison by approximately \$0.30 per share.
- Effective tax rate estimated to be approximately 30% during 2009.

# Appendix

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# Reconciliation of Non-GAAP Financial Measures



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	2005				2006				2007				2008			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Income (loss) from continuing operation	\$0.14	\$0.04	\$0.08	\$0.61	(\$0.27)	(\$0.46)	\$0.12	\$0.33	\$0.07	\$0.04	\$0.17	\$1.11	\$0.43	\$0.07	\$0.47	\$0.29
Gains from sales of Timberland			0.01	(0.26)		(0.01)	(0.01)	(0.17)	(0.04)	(0.08)	(0.03)	(0.82)	(0.19)		(0.05)	
Insurance recoveries		(0.03)		(0.25)												
Corporate aircraft sale																
Shutdown and restructuring charges				0.02	0.40	0.33	0.04	0.02						(0.01)		
Acquisition integration costs					0.02	0.05	0.08	0.04	0.01	0.02	0.01		0.01		0.01	
Debt redemption costs						0.04										
Fox River Reserve									0.08		0.27					
Adjusted earnings (loss)	<u>\$0.14</u>	<u>\$0.01</u>	<u>\$0.09</u>	<u>\$0.12</u>	<u>\$0.16</u>	<u>(\$0.05)</u>	<u>\$0.23</u>	<u>\$0.22</u>	<u>\$0.12</u>	<u>(\$0.02)</u>	<u>\$0.42</u>	<u>\$0.29</u>	<u>\$0.25</u>	<u>\$0.06</u>	<u>\$0.43</u>	<u>\$0.30</u>

Calculation of net debt excluding collateralized debt:	Dec '08	Dec '07
Short term debt	\$5,866	\$1,136
Long term debt	307,419	312,049
Total	313,285	313,185
(-) Cash	(32,234)	(29,833)
Net debt	281,051	283,352
(-) Collateralized debt	(70,695)	(34,000)
Net debt excluding collateralized debt	<u>\$210,356</u>	<u>\$249,352</u>

NOTE: The sum of individual per share amounts set forth above may not agree to adjusted income per share due to rounding.



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# Adjusted EBITDA, Excluding Pension

<b>(in millions)</b>	<b>31-Dec-08</b>	<b>31-Dec-07</b>
Income before Income Taxes	\$ 81,026	\$ 93,934
Net Pension Income	(16,062)	(12,896)
Depreciation and Amortization	60,611	56,001
Net Interest Expense	<u>18,185</u>	<u>25,089</u>
EBITDA, excluding pension	143,760	162,128
Adjusted/exclusions		
Gain on Timberland Sales	(18,649)	(78,958)
Charge for Environmental Remediation	-	26,000
Acquisition Integration Costs	1,243	2,482
Shutdown and Restructuring Costs	<u>(856)</u>	<u>35</u>
Adjusted EBITDA, excluding pension	<u>\$125,498</u>	<u>\$111,687</u>