

Glatfelter (NYSE:GLT)

2009 Second Quarter Financial Results

August 4, 2009

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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.

Use of non-GAAP Financial Measures



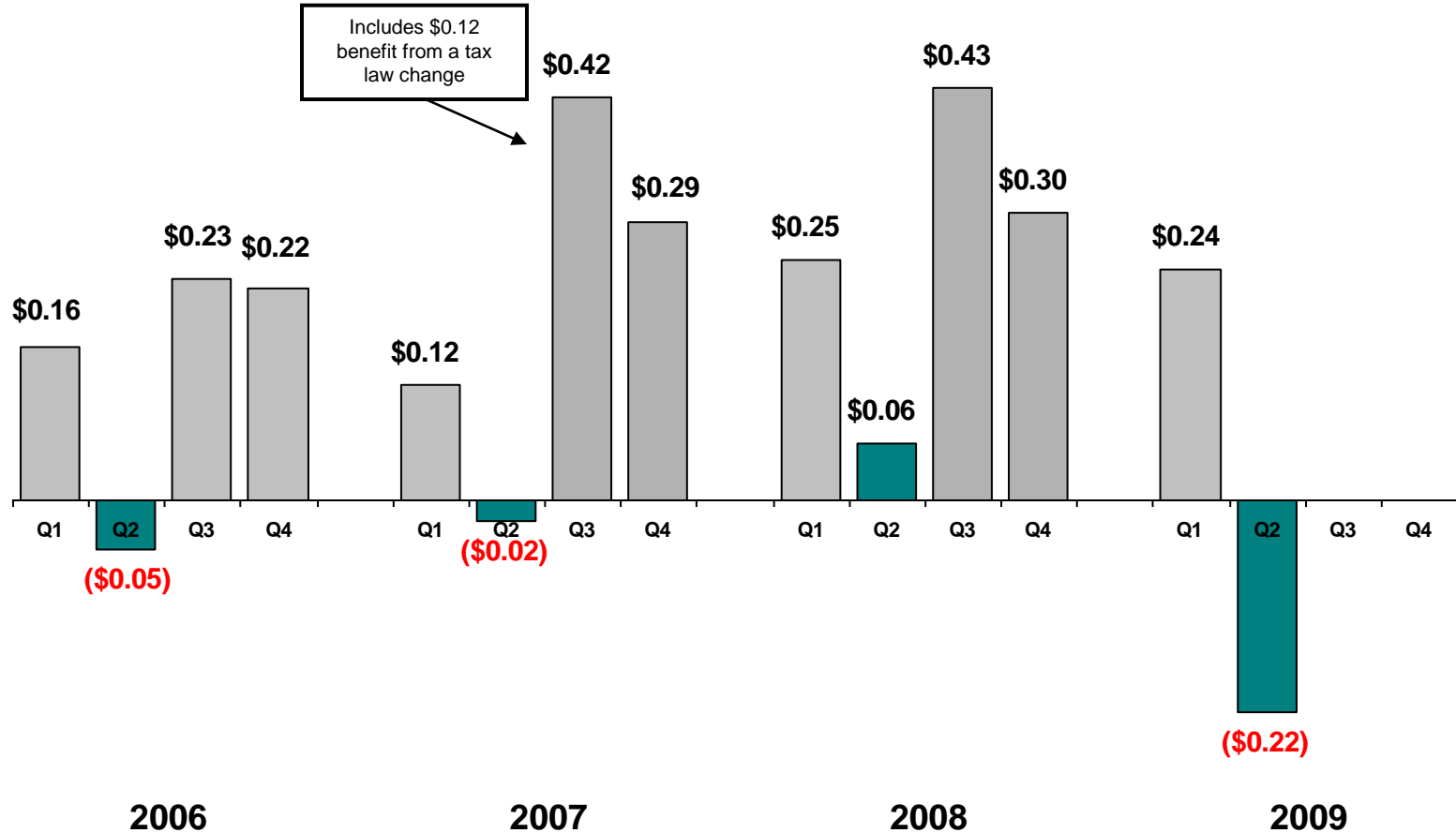
During the course of this presentation, certain non-U.S. GAAP financial measures will be presented. A reconciliation of these measures to U.S. GAAP financial measures is included in the appendix of this presentation.

Adjusted EPS

(EPS from Continuing Operations and Before Special Items)



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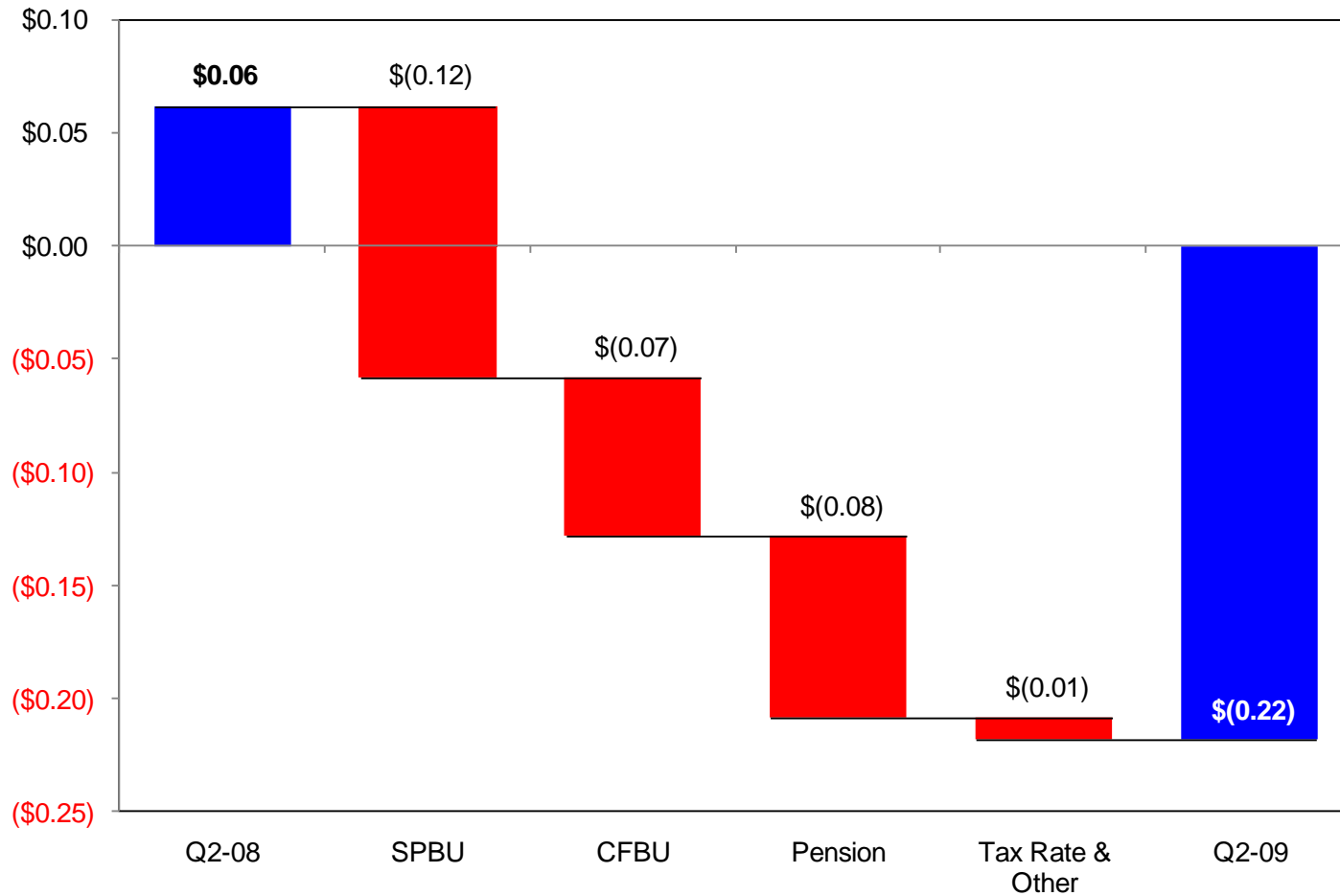


Note: See appendix of this presentation for the reconciliation of adjusted EPS to its nearest GAAP measure.

Adjusted EPS – Q2'09 vs. Q2'08



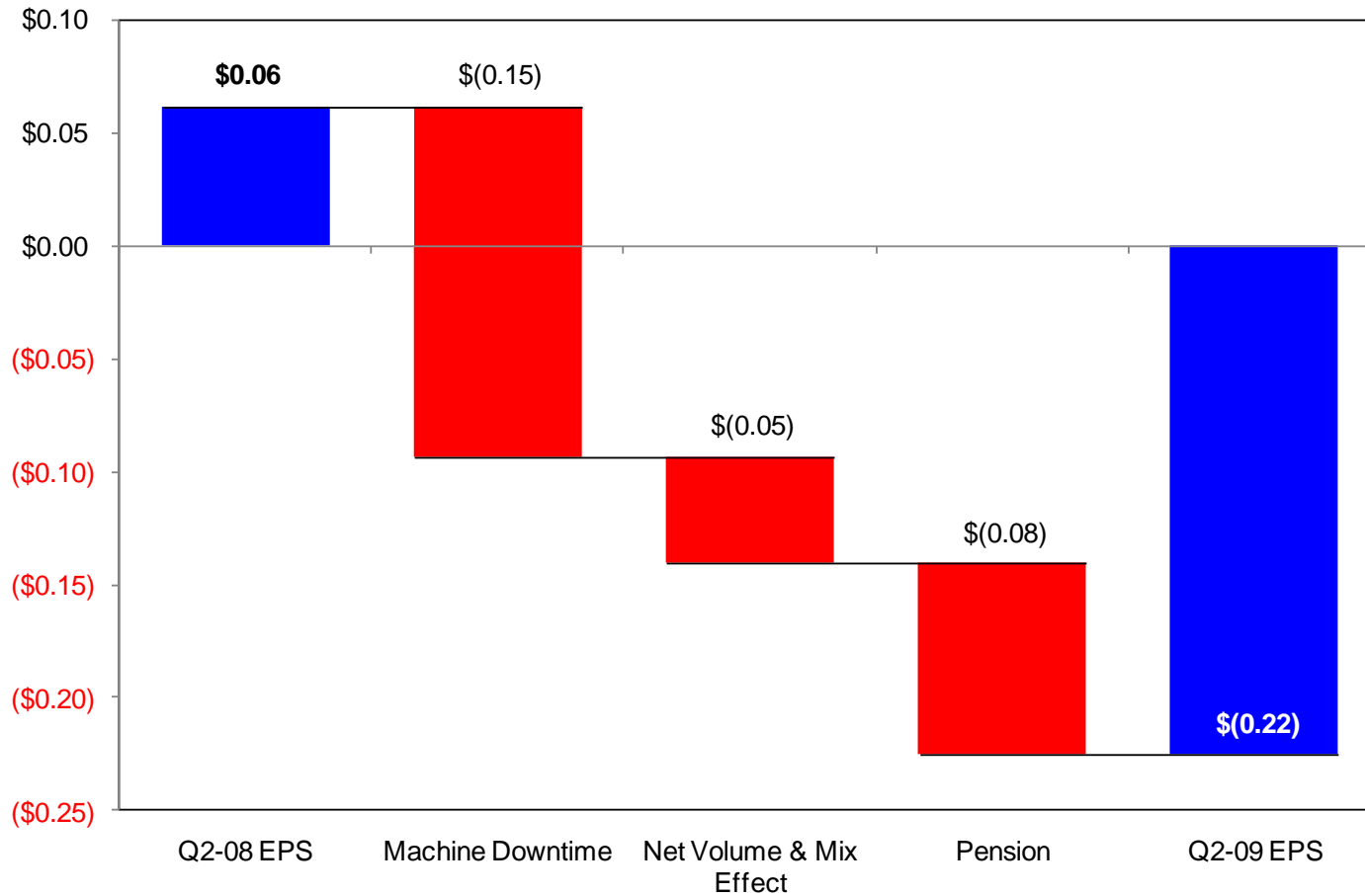
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Adjusted EPS – Q2'09 vs. Q2'08



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Q2'09 Financial Highlights



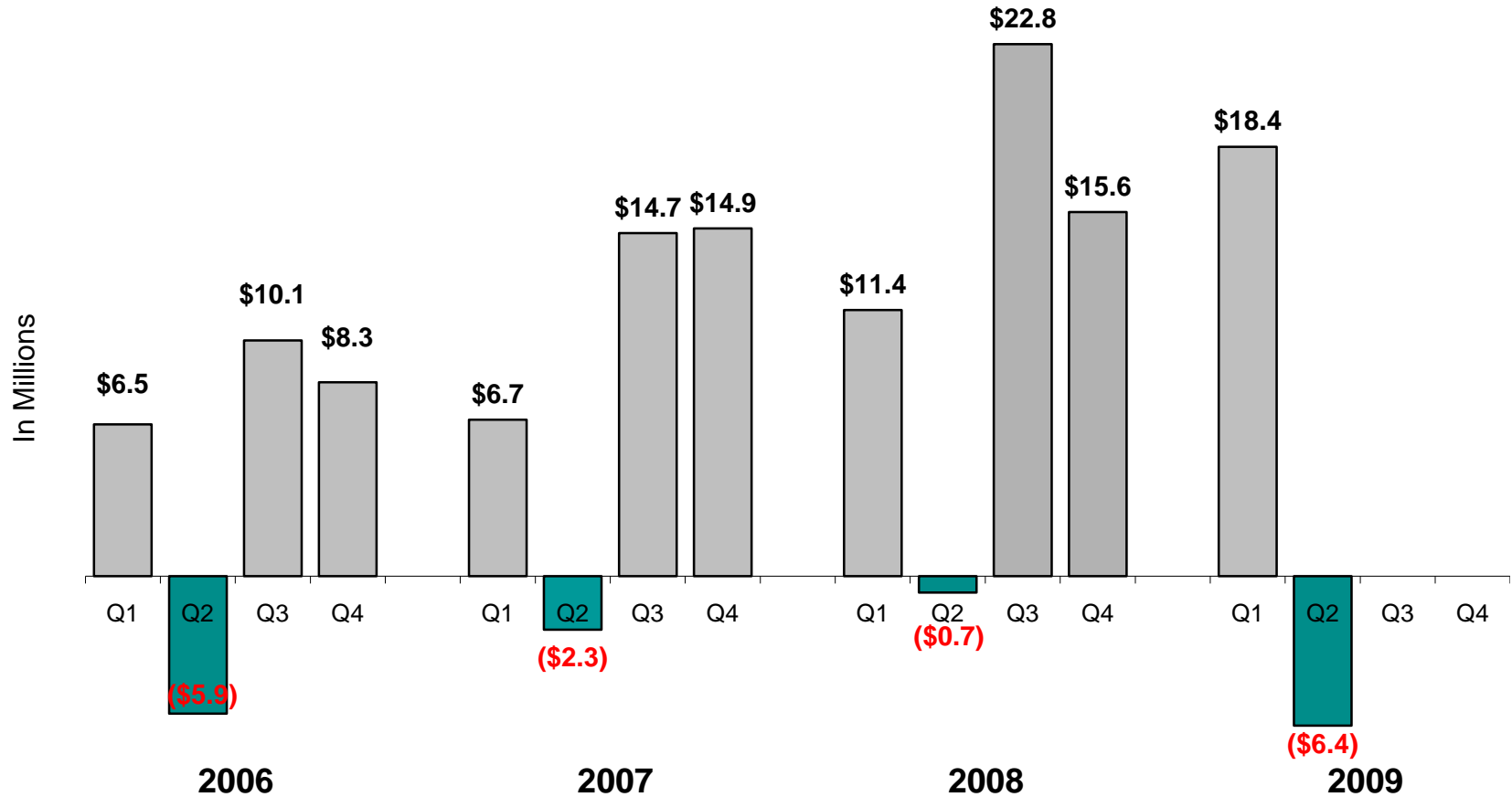
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- **Specialty Papers' operating loss was \$6.4 million, compared with a \$0.7 million loss in Q2'08.**
 - Shipments declined 6.2% year-over-year, outperforming broader market.
 - Machine downtime negatively impacted operating income by \$7.0 million.
 - Completed annual maintenance outage at both facilities, which adversely impacted EPS by \$0.23.
- **Composite Fibers' operating income was \$3.6 million, 47% below Q2'08.**
 - Shipments declined 10.2%.
 - Machine downtime negatively impacted operating income by \$3.9 million.
- **Recorded pension expense of \$2.0 million in Q2'09, compared with net pension income of \$4.2 million in the same quarter a year ago. This negatively impacted earnings by \$6.2 million pre-tax, or \$0.08 per share in the comparison.**
- **Generated strong free cash flow of \$30 million, excluding AFM credits.**
 - Focus on inventory reduction generated \$27 million of cash flow during Q2'09.
 - Reduced capital expenditures to \$6.2 million in Q2'09, from \$16.2 million in Q2'08.
- **Recognized \$40.8 million of alternative fuel mixture credits (pre-tax), or \$0.67 per share.**
- **At June 30, 2009, GLT had \$78 million of cash and \$181 million of borrowing capacity available under its revolving credit agreement.**

Specialty Papers Operating Income



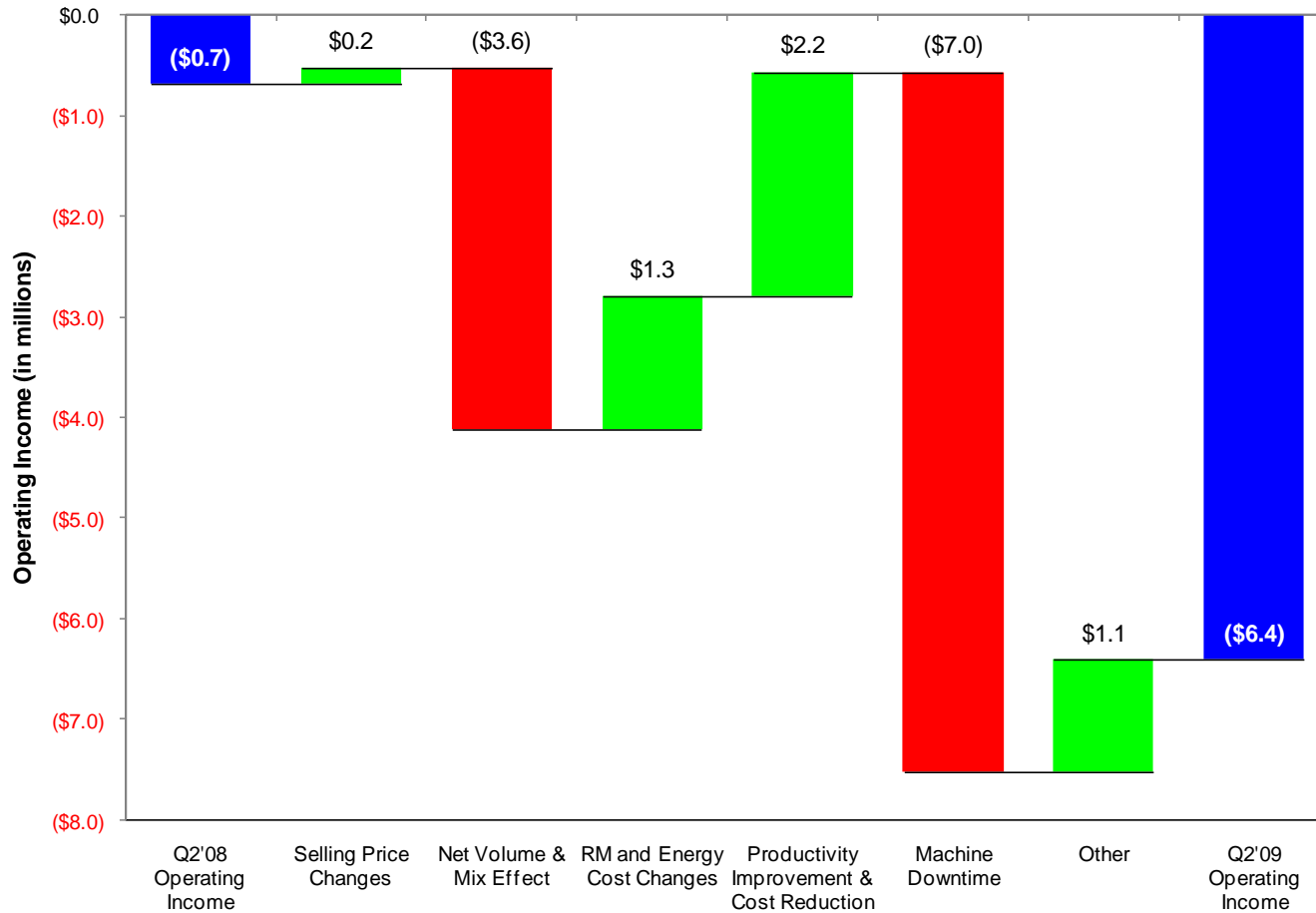
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Specialty Papers Q2'09 vs. Q2'08



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Specialty Papers Q2'09 Highlights



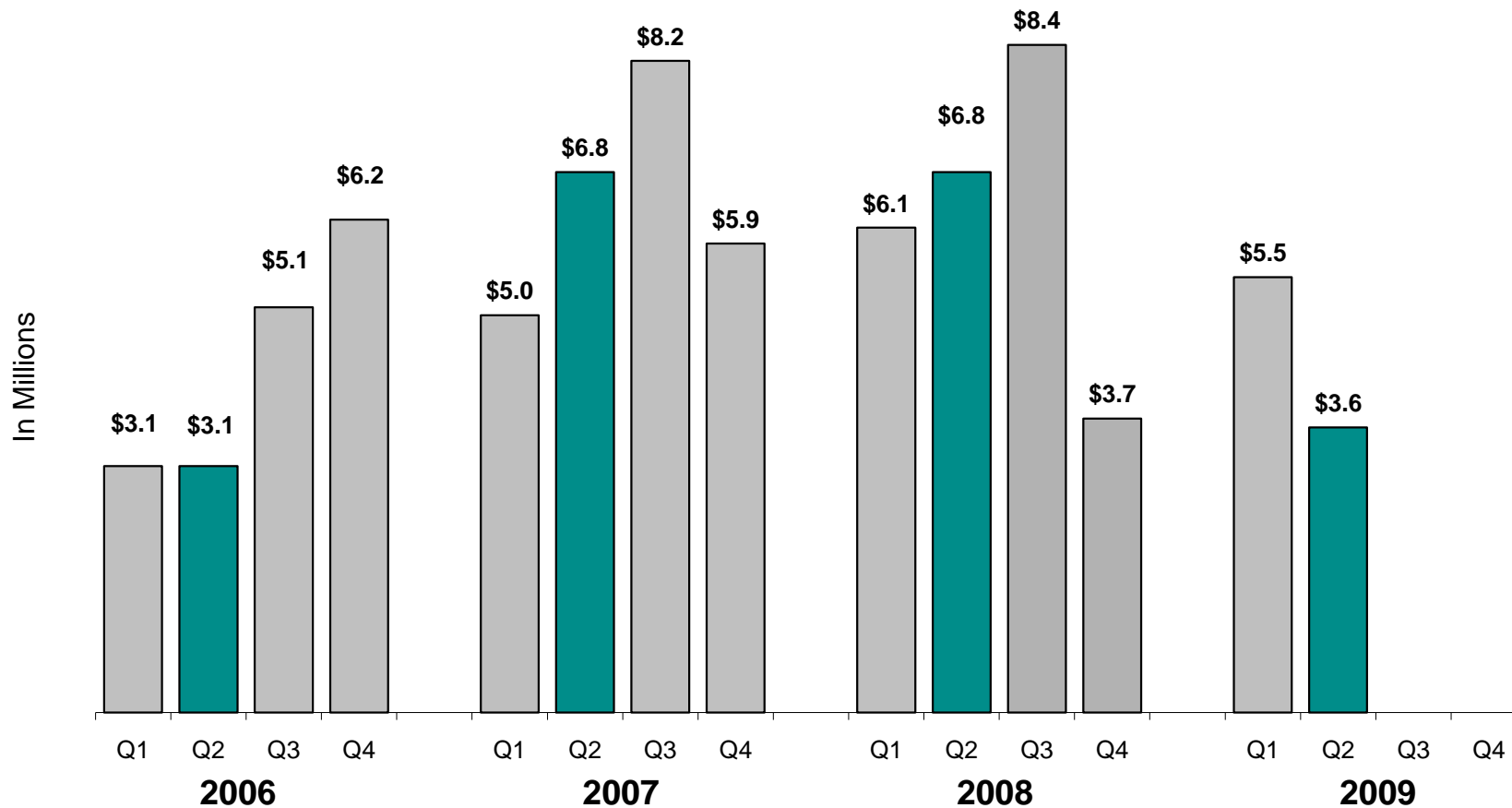
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- **Shipping volume declined 6.2% compared to Q2'08.**
 - Shipments were flat in Envelope, but down in Carbonless & Forms (-3.8%), Book Publishing (-15.2%) and Engineered Products (-6%).
 - Specialty Papers significantly outperformed broader UFS market, which was down 14% year over year.
- **Machine downtime negatively impacted results by \$7.0 million.**
 - This was partially offset by \$1.3 million in lower raw material and energy costs, and \$2.2 million in productivity improvement and cost reduction.
 - Paper inventory reduced by 14.4% to lowest level since Chillicothe acquisition.
- **Annual maintenance outage completed at both facilities negatively impacted operating income by \$16.1 million in Q2'09 vs. \$15.6 million in Q2'08.**

Composite Fibers Operating Income



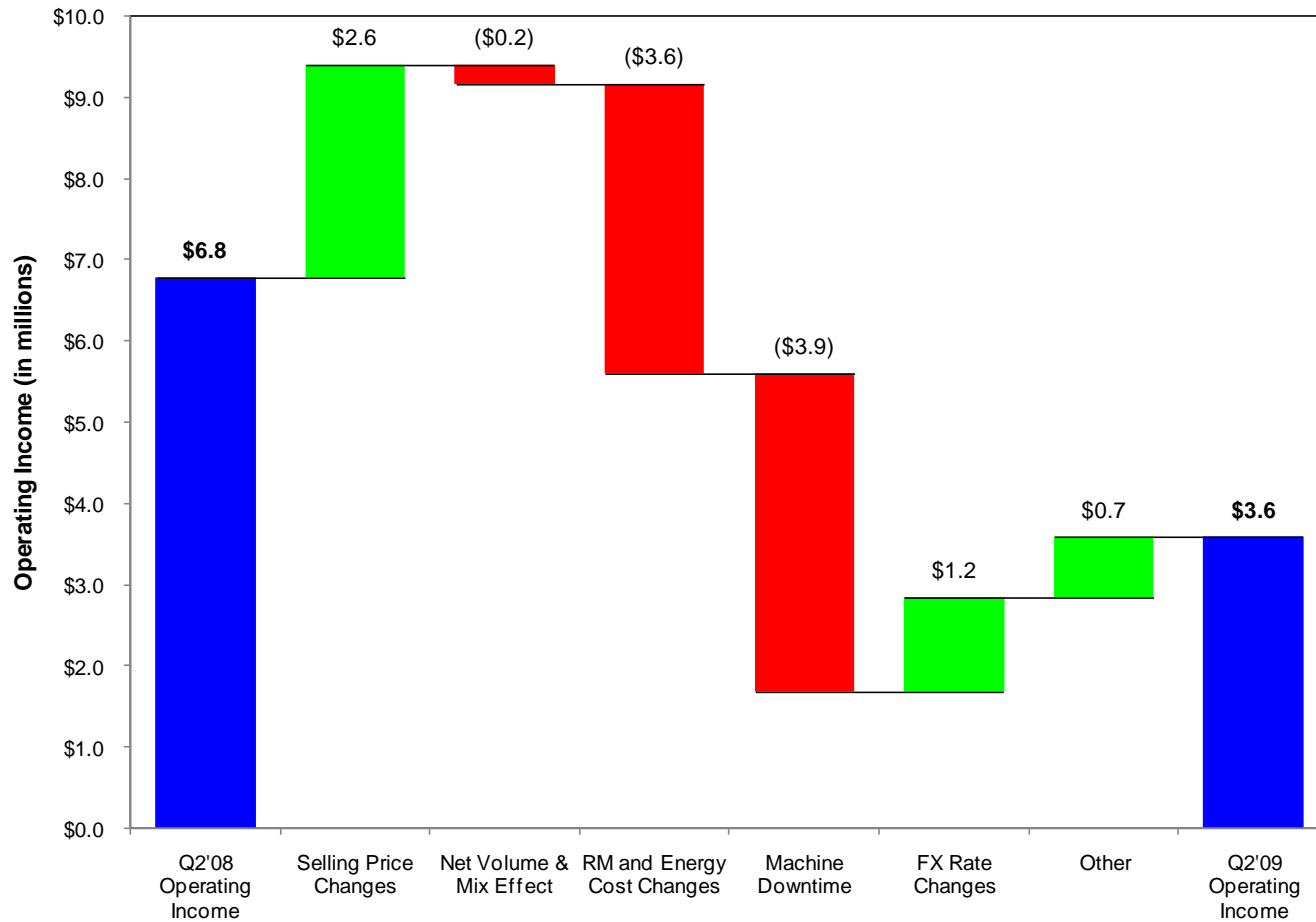
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Composite Fibers Q2'09 vs. Q2'08



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Composite Fibers Q2'09 Highlights

- **Revenue declined 16.2% Y/Y mainly due to unfavorable foreign currency translation and lower shipments.**
 - Shipments were weaker in all segments, led by Composite Laminates (-21.9%), and followed by Food & Beverage (-7.3%), Metallized Products (-4%) and Technical Specialties (-17.5%).
 - Foreign currency translation negatively impacted net sales by \$13.4 million.
- **Machine downtime adversely impacted results by \$3.9 million**
 - Customers aggressively cut order patterns to manage their inventory levels and cash flows.
 - Paper inventory reduced by 12.2%.
- **Higher raw material and energy costs negatively impacted operating profit by \$3.6 million relative to Q2'08, outpacing the \$2.6 million favorable effect from higher average selling prices.**

Strong Balance Sheet



(in millions)	30-Jun-09	31-Dec-08
Cash	\$78.2	\$32.2
Total Debt	\$275.6	\$313.3
Collateralized Debt	<u>(\$36.7)</u>	<u>(\$70.7)</u>
Net Debt	<u><u>\$160.7</u></u>	<u><u>\$210.4</u></u>
Shareholder's Equity	<u><u>\$380.7</u></u>	<u><u>\$342.7</u></u>
TTM adj. EBITDA (excl. Pension)	\$118.8	\$125.5
Leverage*	1.4x	1.7x
Cash available under Bank facility	\$181	\$181

Note: The above calculation is not intended to be used for purposes of calculating debt covenant compliance.

Q3'09 Outlook



Specialty Papers

- Shipping volume in Q3'09 is expected to be 10% higher compared to Q2'09.
- Selling prices and input costs are expected to be relatively in line with Q2'09.
- Machine downtime expected to be significantly less than Q2'09, due to current inventory position and increased order rates.

Composite Fibers

- Shipping volumes are expected to be 5% higher in Q3'09 compared to Q2'09, due primarily to seasonality.
- Selling prices and input costs are expected to be in line with Q2'09.
- Machine downtime expected to be approximately 50% less than Q2'09.

Appendix



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Reconciliation of Non-GAAP Adjusted Earnings and Net Debt



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	2006				2007				2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Net income (loss)	(\$0.27)	(\$0.46)	\$0.12	\$0.33	\$0.07	\$0.04	\$0.17	\$1.11	\$0.43	\$0.07	\$0.47	\$0.29	\$0.25	\$0.44
Alternative fuel mixture credits														(\$0.67)
Gains from sales of timberland and related transaction costs		(0.01)	(0.01)	(0.17)	(0.04)	(0.08)	(0.03)	(0.82)	(0.19)		(0.05)		(0.01)	0.01
Shutdown and restructuring charges	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)	\$0.16	(\$0.05)	\$0.23	\$0.22	\$0.12	(\$0.02)	\$0.42	\$0.29	\$0.25	\$0.06	\$0.43	\$0.30	\$0.24	(\$0.22)

Calculation of net debt excluding collateralized debt:	Jun '09	Dec '08
Short term debt	\$3,559	\$5,866
Long term debt	272,029	307,419
Total	275,588	313,285
(-) Cash	(78,204)	(32,234)
Total debt less cash	197,384	281,051
(-) Collateralized debt	(36,695)	(70,695)
Net debt excluding collateralized debt	\$160,690	\$210,356

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

Reconciliation of Non-GAAP Adjusted EBITDA, Excluding Pension



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(in millions)	Q2'09	Q2'08
Income before Income Taxes	\$ 27,704	\$ 3,494
Net Pension Expenses (Income)	2,023	(4,196)
Depreciation and Amortization	14,622	15,948
Net Interest Expense	4,587	4,470
EBITDA, excluding pension	48,936	19,716
Adjustments / exclusions		
Alternative Fuel Mixture Credits	(40,757)	-
Gain on Timberland Sales	441	7
Acquisition Integration Expenses	-	(177)
Shutdown and Restructuring Charges	-	856
Adjusted EBITDA, excluding pension	\$ 8,620	\$ 20,579