

# **Glatfelter (NYSE:GLT)**

## **2009 First Quarter Financial Results**

### **April 28, 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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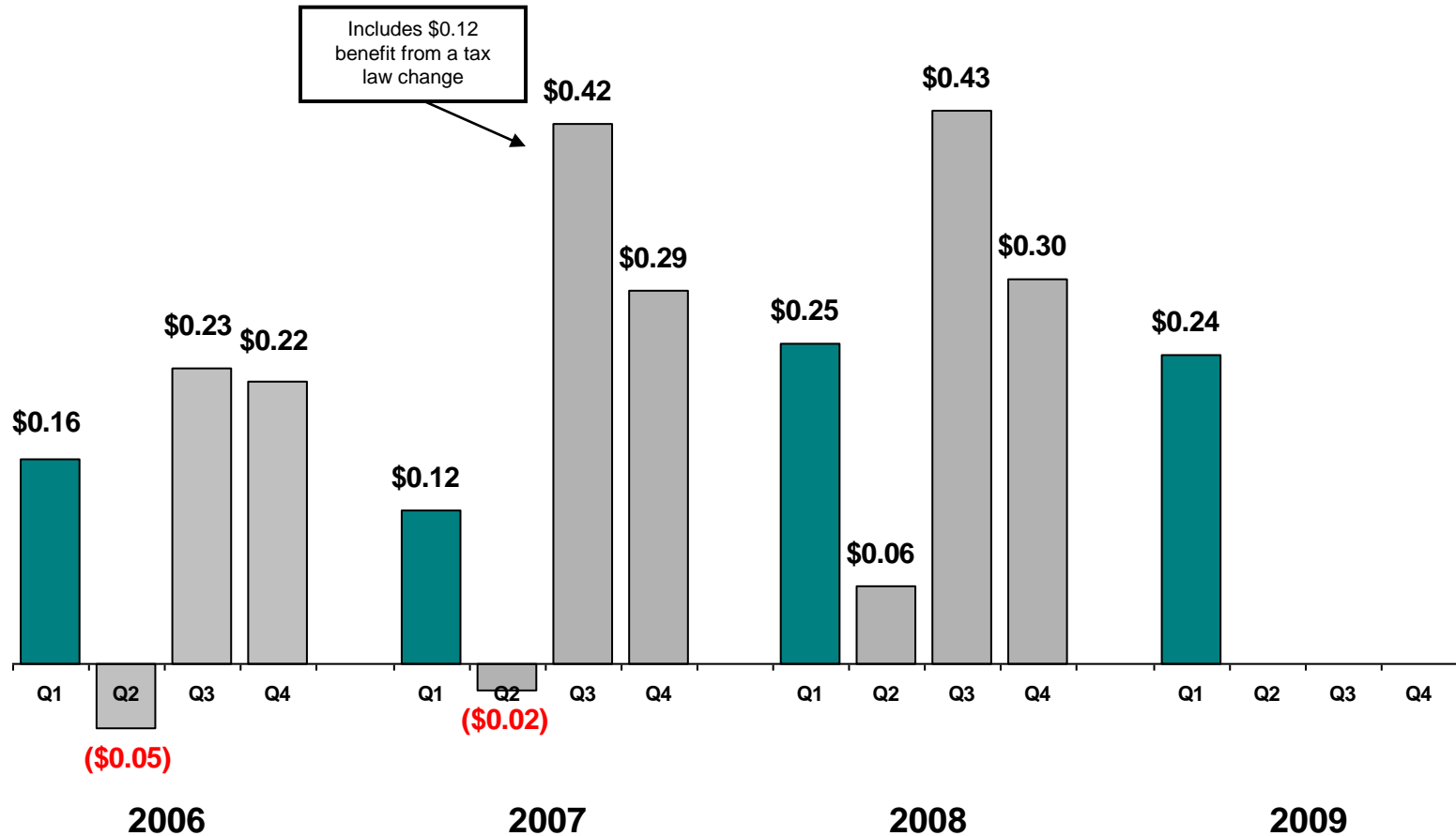
**During the course of this presentation, certain non-U.S. GAAP financial measures will be presented. A reconciliation of these measures to U.S. GAAP financial measures is included in the appendix of this presentation.**

# Adjusted EPS

(EPS from Continuing Operations and Before Special Items)

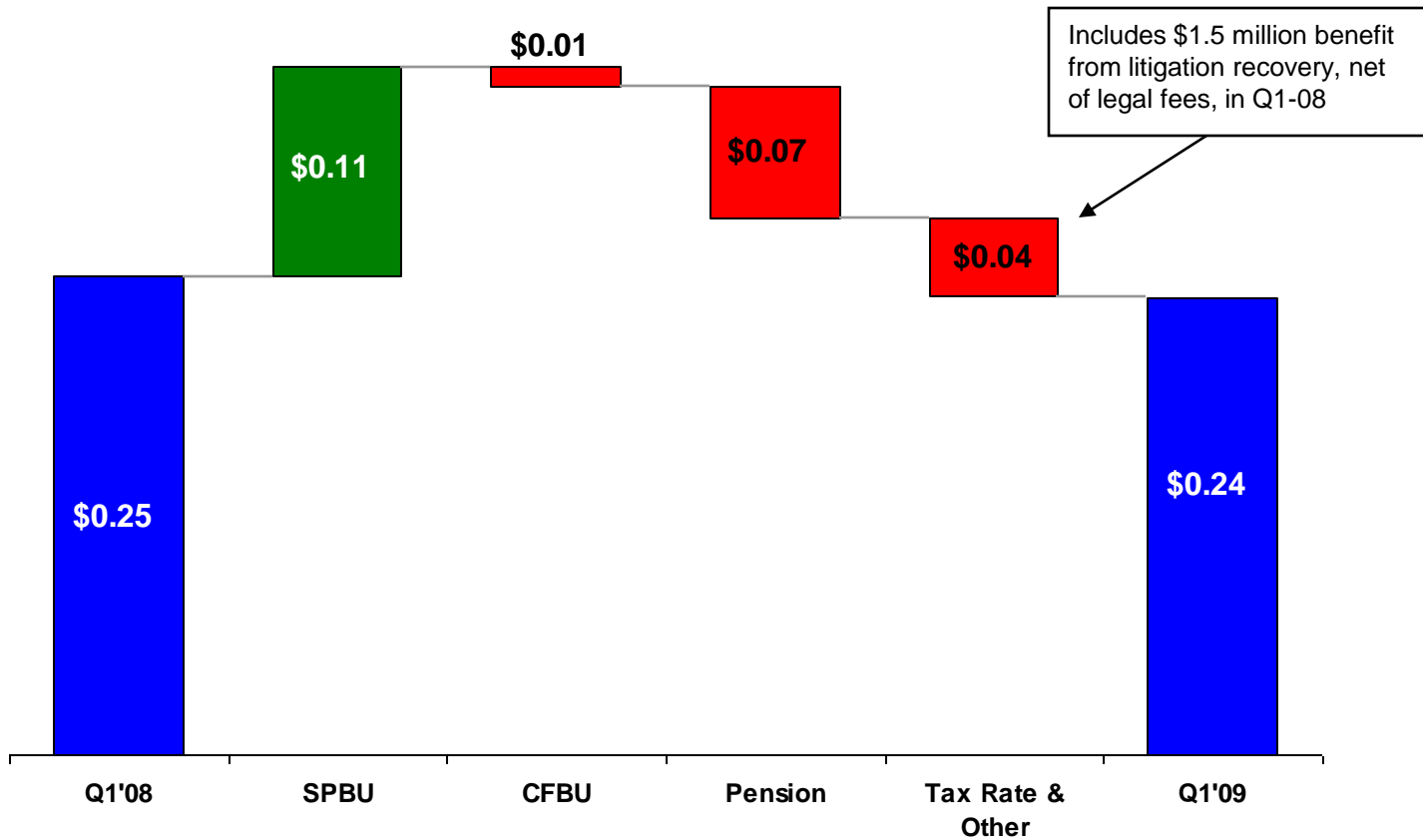


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• See appendix of this presentation for the reconciliation of adjusted EPS to its nearest GAAP measure.

# Q1'09 vs. Q1'08 (Adjusted EPS)



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

# Q1 '09 Financial Highlights

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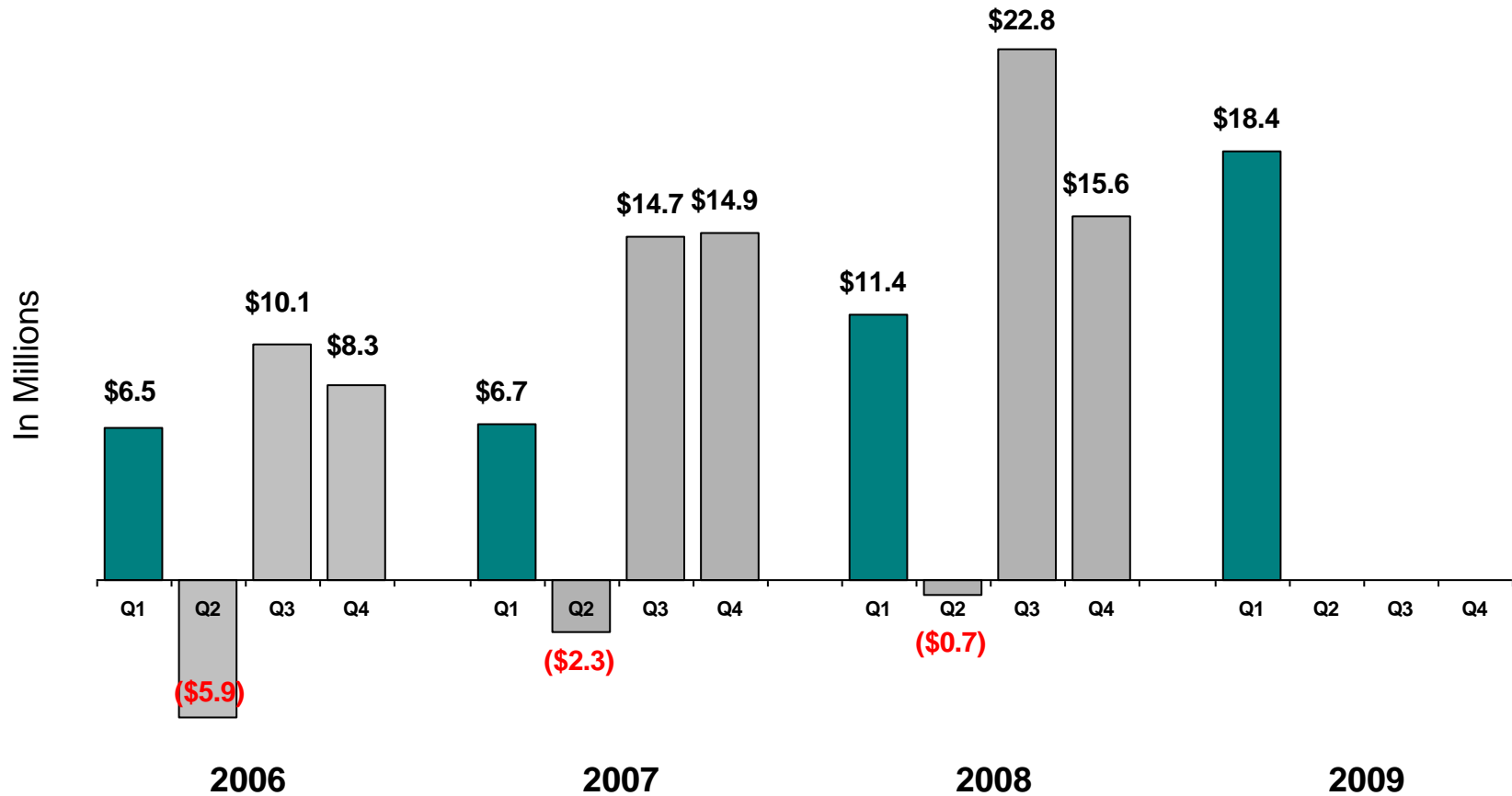
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- **Specialty Papers' operating income was \$18.4 million, 60.5% above Q1 '08.**
  - Shipments improved 1.6%, significantly outperforming broader market.
  - Cost reduction and productivity improvement initiatives generated a benefit of \$7.4 million.
- **Composite Fibers' operating income was \$5.5 million, 10.8% below Q1 '08.**
  - Food & Beverage shipments grew 4.4%.
  - Composite Laminates and Metallized volumes were weak.
- **Recorded net pension expense of \$1.7 million in Q1 '09, compared with net pension income of \$3.8 million in the same quarter a year ago. This negatively impacted earnings by \$5.5 million pre-tax, or \$0.07 per share in the comparison.**
- **Reduced capital expenditures to \$5.2 million in Q1 '09, from \$9.3 million in Q1 '08, reflecting our decision to significantly reduce discretionary spending due to the current economic environment.**
- **At March 31, 2009, GLT had \$24 million of cash and \$182 million of borrowing capacity available under its revolving credit agreement.**

# Specialty Papers Operating Income



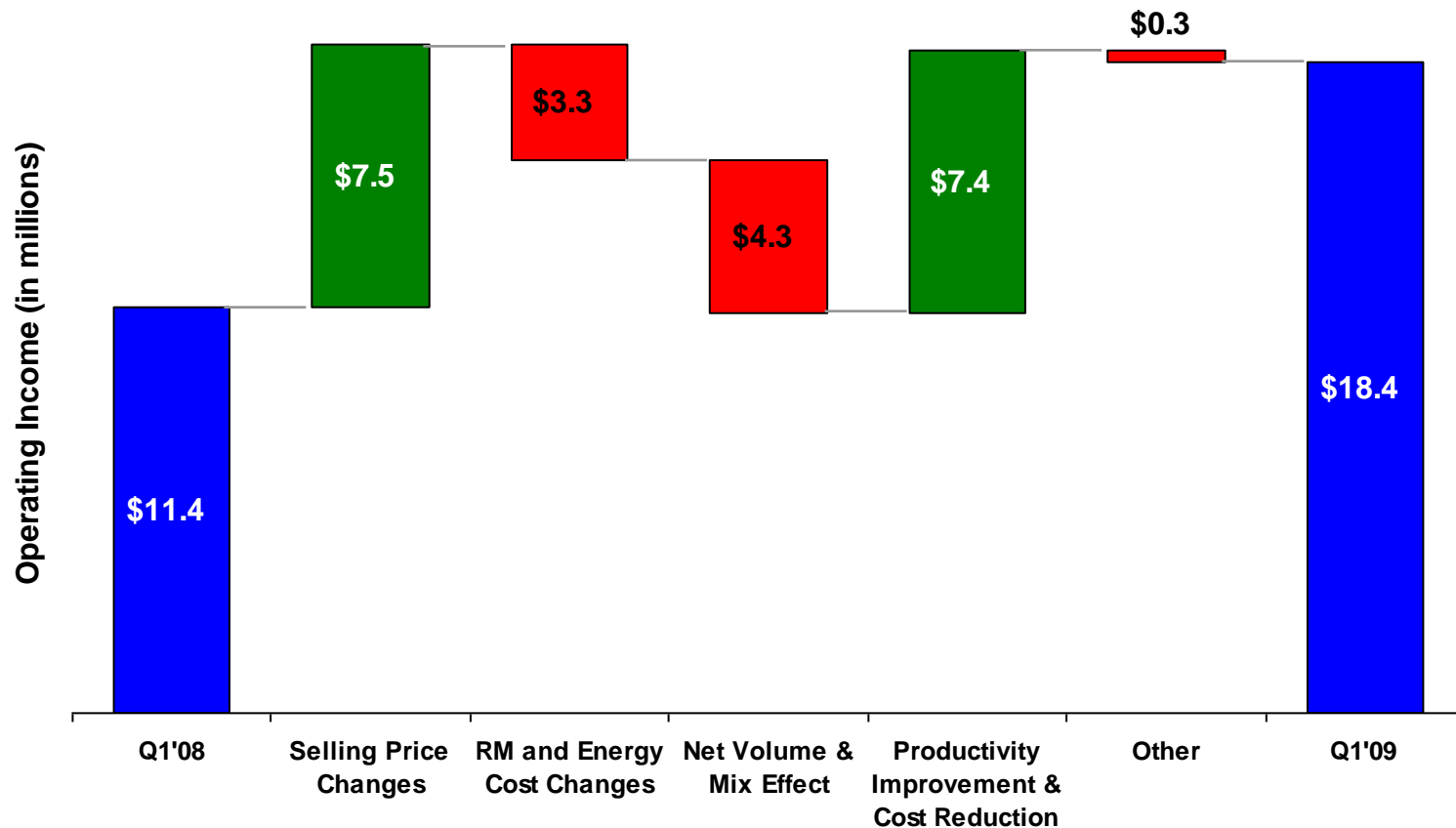
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# Specialty Papers Q1 '09 vs. Q1 '08



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# Specialty Papers Q1 '09 Highlights

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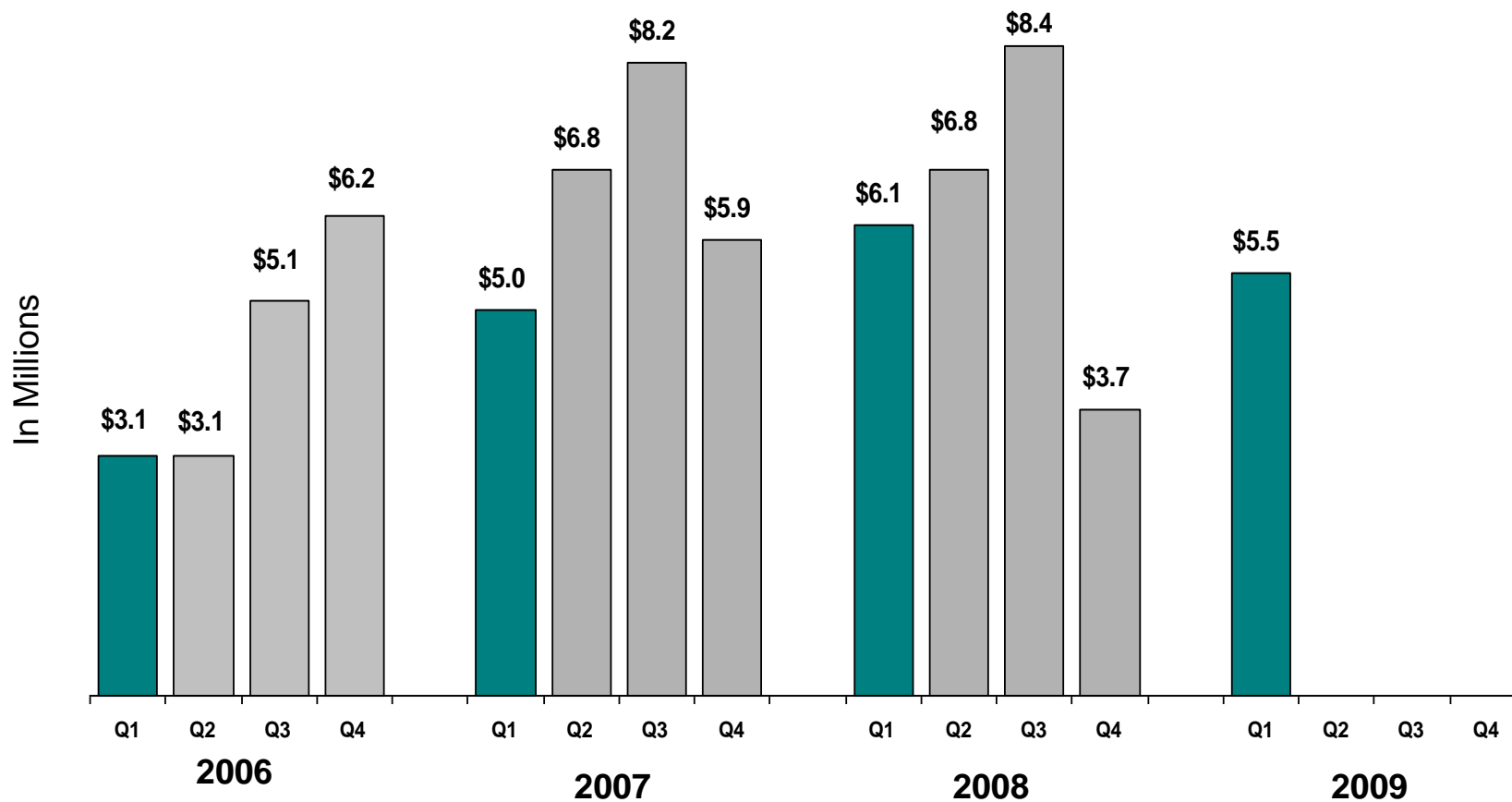
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- **Shipping volume increased 1.6% compared to Q1 '08.**
  - Shipments were up in Envelope (9%) and other uncoated products (29%), but down in Carbonless (-12%), Book Publishing (-1%), and Engineered Products (-6%).
- **Increases in average selling prices contributed \$7.5 million to operating income.**
  - Prices were higher in nearly all market segments.
  - More than offsetting \$3.3 million of higher raw material and energy costs.
- **Ongoing cost reduction and productivity improvement initiatives continued to generate results contributing \$7.4 million to operating income relative to Q1 '08.**
  - This was partially offset by the negative impact of \$1.6 million from market-related machine downtime.

# Composite Fibers Operating Income



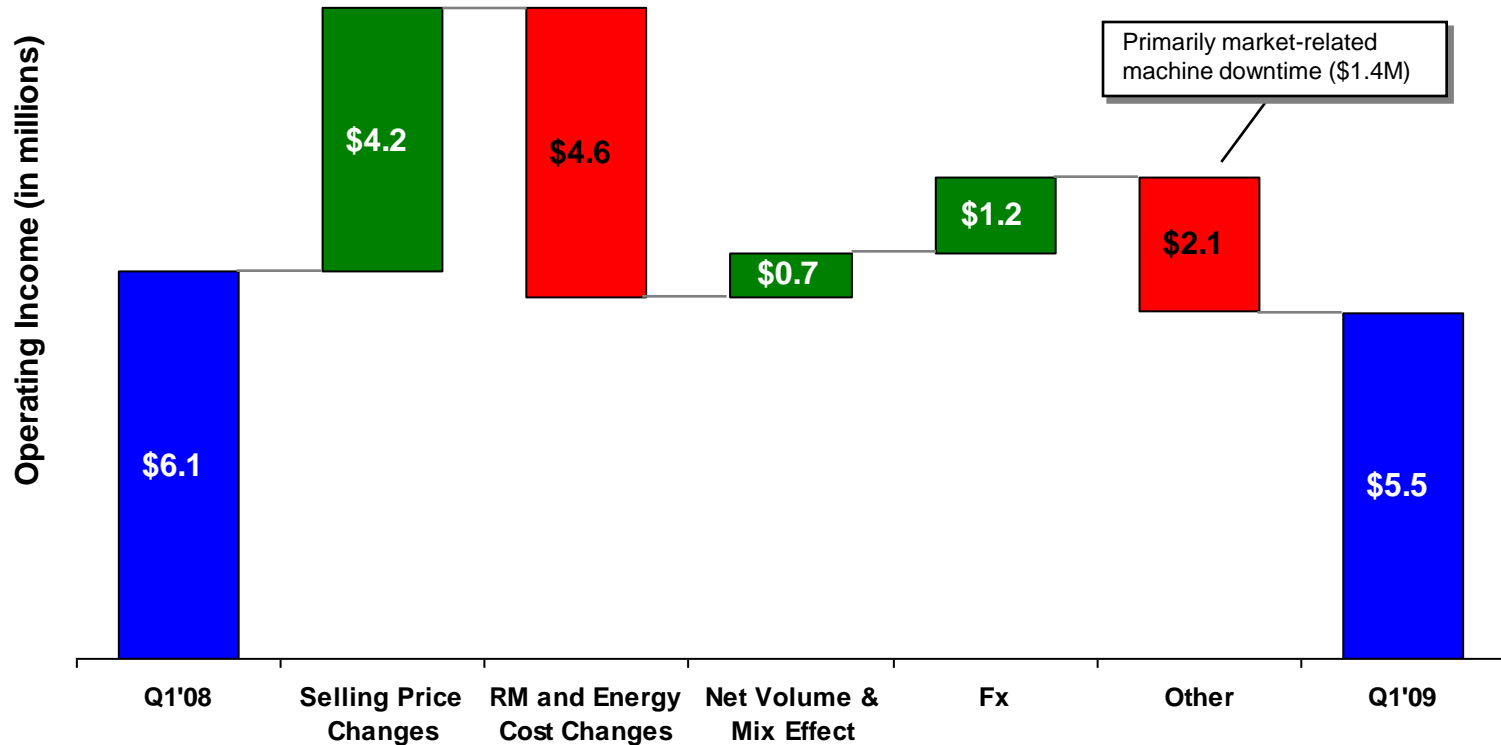
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# Composite Fibers Q1 '09 vs. Q1 '08



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# Composite Fibers Q1' 09 Highlights

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- **Revenue declined 12.1% in Q1'09 vs. Q1'08 due to foreign currency translation.**
  - Food & Beverage product shipments were up 4.4%, while shipments in the Metallized, Composite Laminates and Technical Specialties segments were down 15.6%, 31% and 12.7% respectively, resulting in an overall decline in shipments of 10.1%.
  - Foreign currency translation negatively impacted net sales by \$14.3 million.
- **Higher raw material and energy costs impacted operating profit by \$4.6 million, outpacing the \$4.2 million favorable impact from higher average selling prices.**
- **Market-related machine downtime impacted results by \$1.4 million, driven by softness in Metallized product markets.**

# Strong Balance Sheet



(in millions)	31-Mar-09	31-Dec-08
Cash	\$23.7	\$32.2
Total Debt	\$315.6	\$313.3
Collateralized Debt	<u>(\$70.7)</u>	<u>(\$70.7)</u>
Net Debt	<u><u>\$221.2</u></u>	<u><u>\$210.4</u></u>
Shareholder's Equity	<u><u>\$342.0</u></u>	<u><u>\$342.7</u></u>
TTM adj. EBITDA (excl. Pension Inc.)	\$128.9	\$125.5
<i>Leverage*</i>	<i>1.7x</i>	<i>1.7x</i>
Cash available under Bank facility	\$182	\$181

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

# Q2 '09 Outlook

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## **Specialty Papers**

- Shipping volume in Q2 '09 is expected to be 5% lower compared to Q1 '09.
- Selling prices are expected to be relatively in-line with Q1 '09.
- Annual scheduled maintenance outages will be completed at both the Chillicothe and Spring Grove facilities.

## **Composite Fibers**

- Shipping volumes are expected to be higher in Q2 '09 compared to Q1 '09, due to increase in demand for Metallized products.
- Selling prices and input costs are expected to be in line with Q1 '09.

## **Other**

- Additional downtime is expected in Q2 '09 at both business units, as a result of managing capacity in response to demand changes and to reduce inventory levels.

# 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
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
Gains from sales of Timberland		(0.01)	(0.01)	(0.17)	(0.04)	(0.08)	(0.03)	(0.82)	(0.19)		(0.05)		(0.01)
Shutdown and restructuring cha	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

Calculation of net debt excluding collateralized debt:	Mar '09	Dec '08
Short term debt	\$6,534	\$5,866
Long term debt	309,042	307,419
Total	315,576	313,285
(-) Cash	(23,672)	(32,234)
Net debt	291,904	281,051
(-) Collateralized debt	(70,695)	(70,695)
Net debt excluding collateralized debt	\$221,209	\$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



(in millions)	Q1'09	Q1'08
Income before Income Taxes	\$ 15,099	\$ 30,168
Net Pension Expenses (Income)	1,682	(3,769)
Depreciation and Amortization	14,428	14,718
Net Interest Expense	4,418	4,541
EBITDA, excluding pension	35,627	45,658
Adjusted/exclusions		
Gain on Timberland Sales	(699)	(14,518)
Acquisition Integration Costs	0	576
Adjusted EBITDA, excluding pension	\$ 34,928	\$ 31,716