

# **Glatfelter (NYSE:GLT)**

## **2010 First Quarter Financial Results**

### **May 4, 2010**

*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 and Use of non-GAAP Financial Measures

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*Certain statements included in this presentation, which pertain to future financial and business matters, are “forward-looking statements” within the meaning of the safe harbor provisions 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 other countries in which Glatfelter does business, demand for or pricing of its products, changes in tax legislation, governmental laws, regulations and policies, initiatives of regulatory authorities, acquisition integration risks, technological changes and innovations, market growth rates, cost reduction initiatives, 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).*

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.

# Q1'10 Financial Highlights

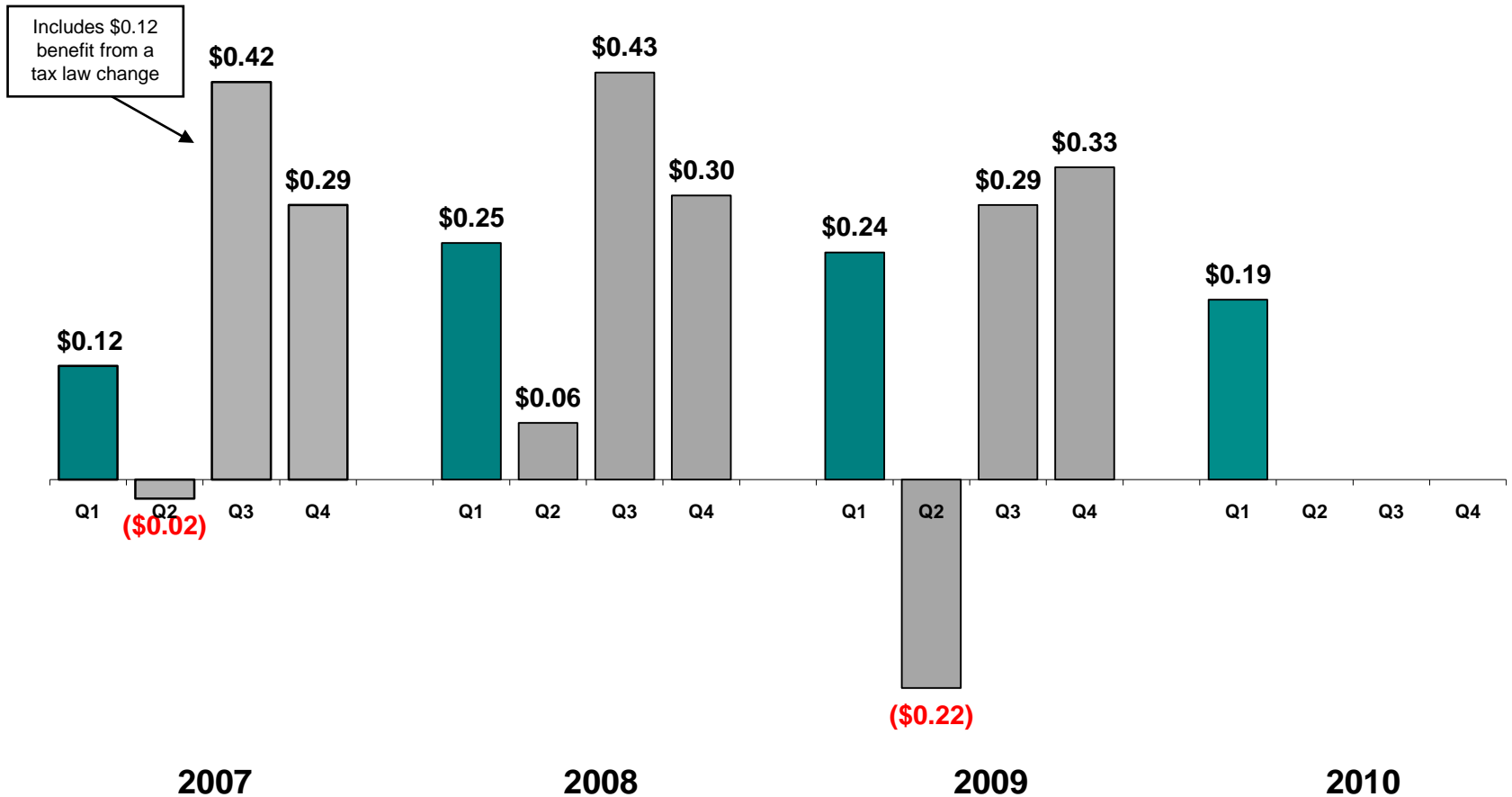
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- **Acquired Concert Industries Corp. for C\$246.5 million, establishing a third business unit, Advanced Airlaid Materials.**
  - Incurred \$9.1 million, after-tax, of acquisition and integration costs.
  - The company recorded a \$3.4 million pre-tax loss on foreign currency hedges of the Canadian dollar purchase price of the acquisition.
- **Revenue increased 15.7% compared to Q1'09, with 9.6% from acquisition.**
- **Adjusted EPS declined to \$0.19 from \$0.24 from Q1'09 due primarily to increases to pension and net interest expense, and a higher effective tax rate.**
- **Generated free cash flow of \$14.2 million compared to a use of cash in Q1'09 of \$6.4 million**
- **At March 31, 2010, GLT had \$26.6 million of cash and \$166 million of borrowing capacity under its revolving credit agreement**

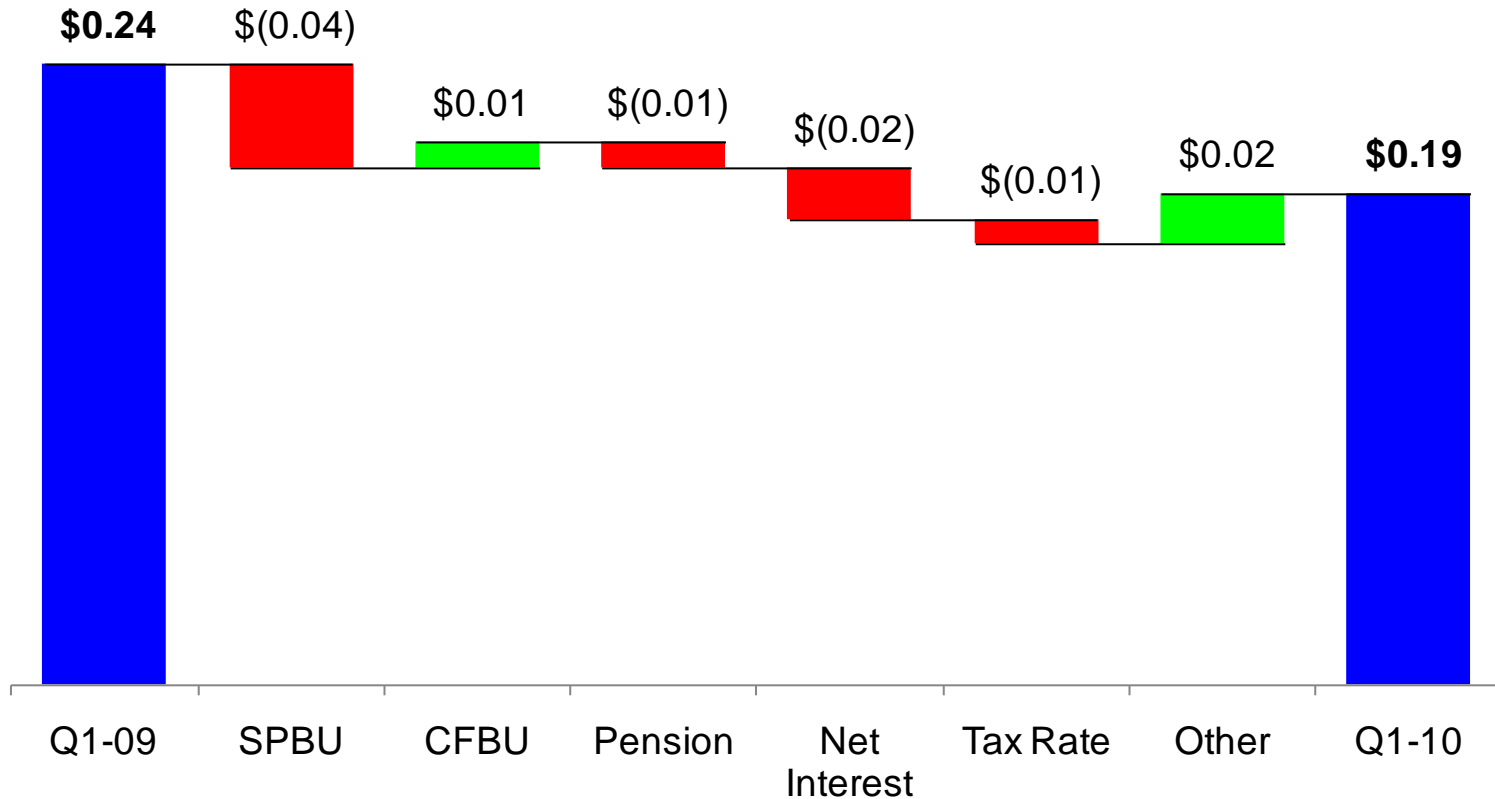
# Adjusted EPS

## (EPS Before Special Items)



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

# Adjusted EPS – Q1'10 vs. Q1'09



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

# Specialty Papers Q1'10 Highlights

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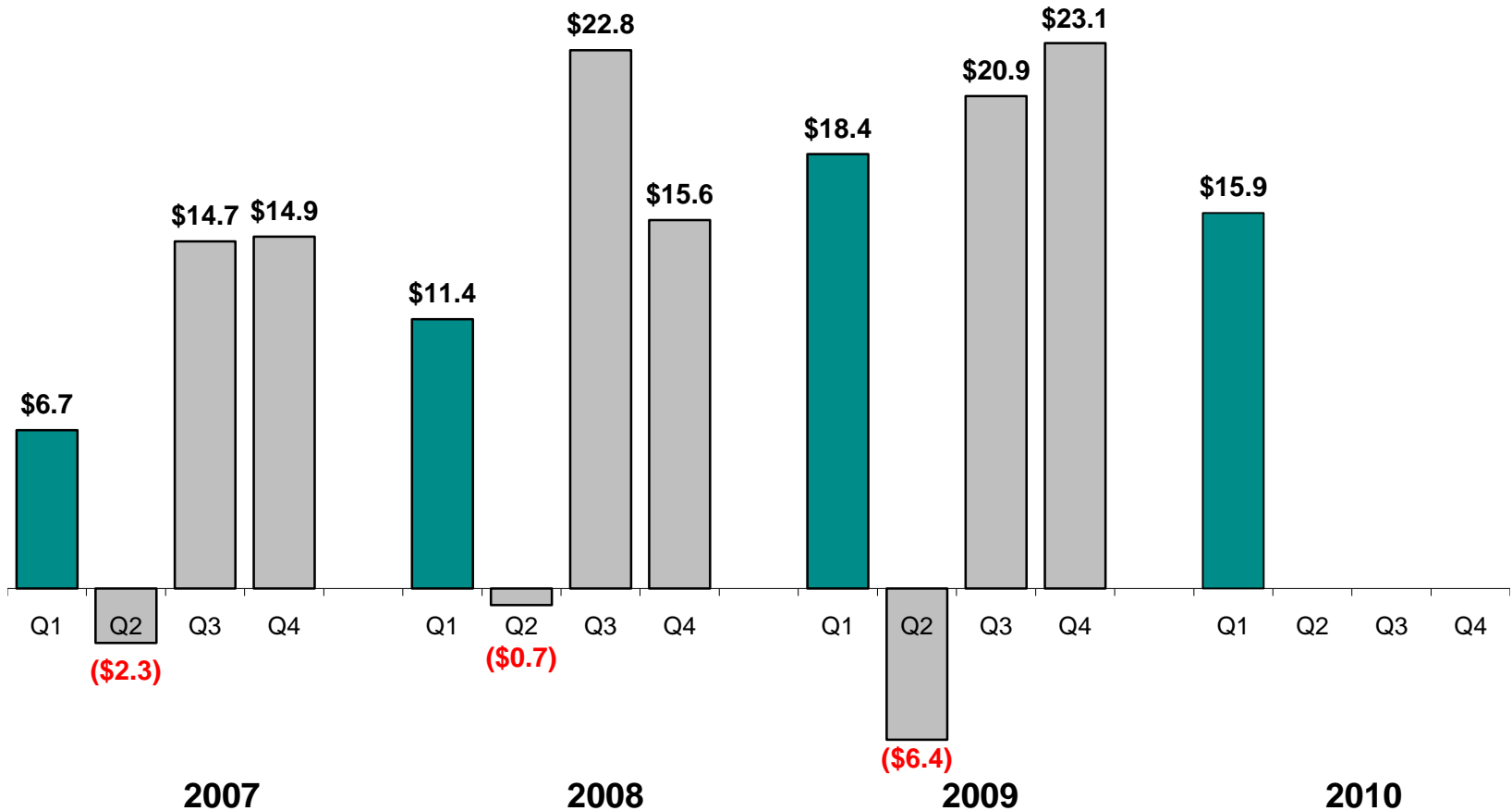
- **Shipping volume was up 4.4% in Q1'10 vs. Q1'09.**
  - Shipments were higher in Carbonless & Forms (+17.5%), Engineered Products (+11.8%), and Envelope (+7.0%), but down in Book Publishing (-15.2%).
  - Specialty Papers operated at capacity in Q1'10 and shipments rose in line with the broader UFS market during the period.
- **Average selling prices were higher in Carbonless & Forms, but slightly lower in the other product lines, negatively impacting operating profit by \$2.0 million in Q1'10.**
- **Higher maintenance and other costs associated with production interruptions and the impact of severe weather negatively impacted results by \$2.4 million.**
- **Recorded \$1.6 million of sales of renewable energy credits in Q1'10.**

# Specialty Papers Operating Income



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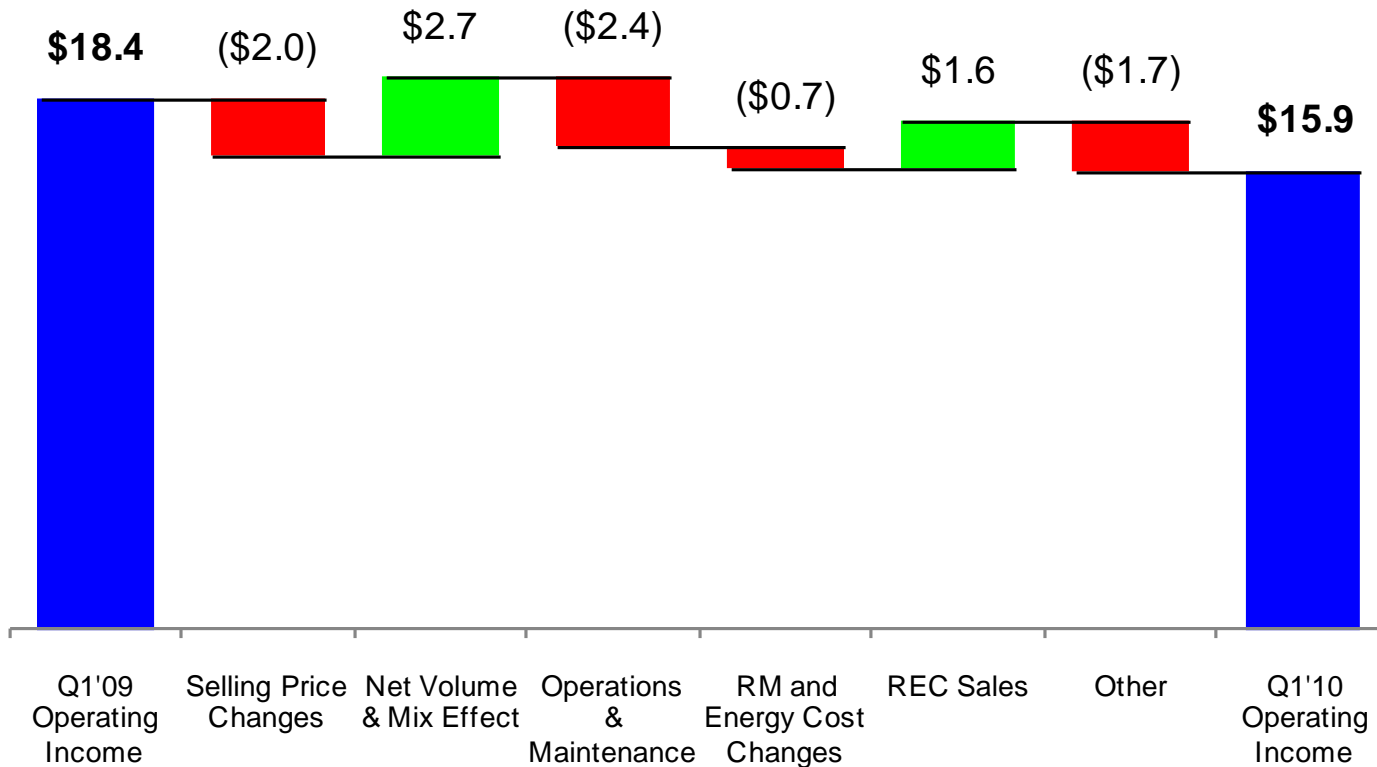
\$ in millions



# Specialty Papers Q1'10 vs. Q1'09



\$ in millions



# Composite Fibers Q1'10 Highlights

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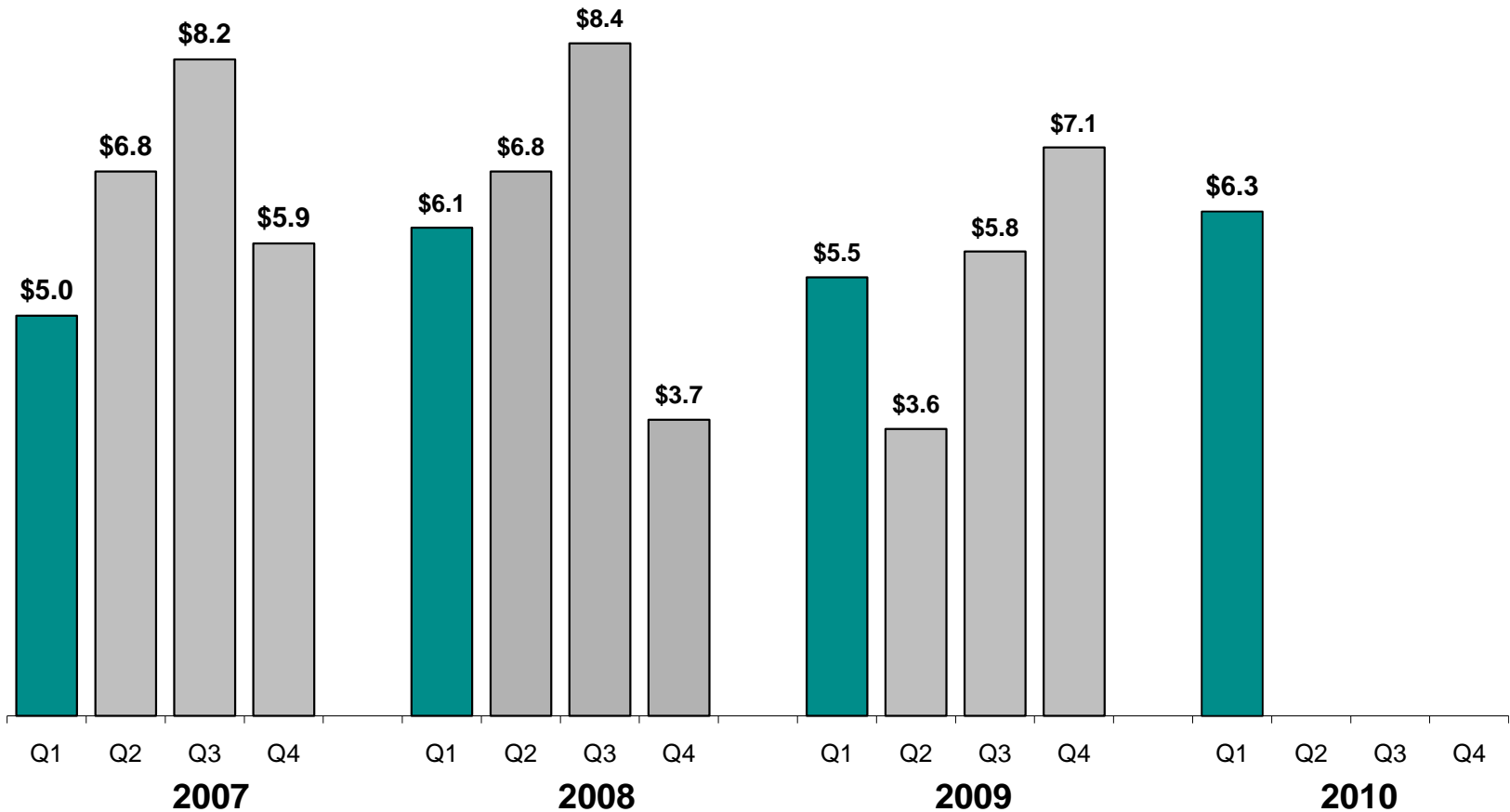
- **Revenue increased 10.4% in Q1'10 vs. Q1'09.**
  - Shipments increased 10.9% in the comparison, driven by an increase of 32.2% in Metallized Products, 47.8% in Technical Specialties, and 23.3% in Composite Laminates. Shipments in the Food & Beverage segment were down 8.0% during the period.
  - Favorable foreign currency translation increased revenue by \$5.7 million.
- **Lower average selling prices in Q1'10 negatively impacted operating profit by \$0.8 million.**
- **Energy costs decreased by \$3.4 million in Q1'10, when compared to Q1'09, driven by lower natural gas prices.**
- **Production inefficiencies, driven in part by severe weather, negatively impacted operating profit by \$1.5 million.**

# Composite Fibers Operating Income



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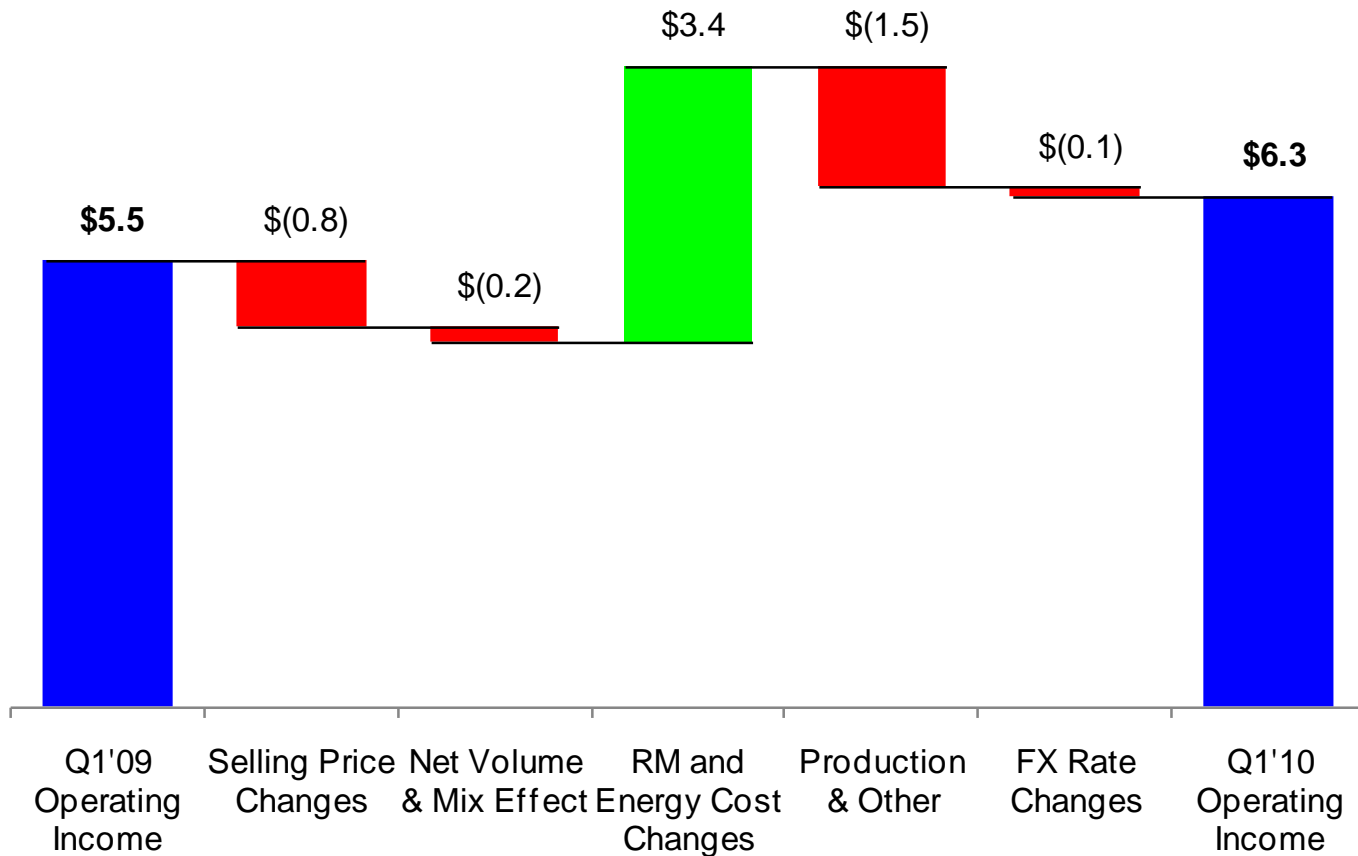
\$ in millions



# Composite Fibers Q1'10 vs. Q1'09



\$ in millions



# Advanced Airlaid Materials Q1'10 Highlights

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- **Generated revenue of \$28.1 million and operating income of \$0.2 million.**
  - Results for Advanced Airlaid Materials are included from February 12, 2010, the date of the Concert acquisition.
- **Reported results were adversely impacted by \$1.2 million as a result of charging cost of products sold for the write-up of acquired inventory to fair value.**
- **Integration proceeding according to plan.**
- **Expect acquisition to be modestly accretive to earnings in 2010 (excluding acquisition and integration costs) and \$0.20 to \$0.25 accretive in 2011.**

# Balance Sheet



<b>(in millions)</b>	<b>31-Mar-10</b>	<b>31-Dec-09</b>
Cash	\$26.6	\$135.4
Total Debt	\$374.8	\$254.6
Collateralized Debt	<u>(\$36.7)</u>	<u>(\$36.7)</u>
Net Debt	<u><b>\$311.5</b></u>	<u><b>\$82.5</b></u>
Shareholder's Equity	<u><b>\$490.8</b></u>	<u><b>\$510.7</b></u>
TTM Adj. EBITDA (excl. Pension) <sup>1</sup>	\$126.8	\$126.2
Leverage <sup>2</sup>	<b>2.5x</b>	<b>0.7x</b>
Cash available under Bank facility	\$166.3	\$194.3

Notes:

1) Includes EBITDA of Concert from acquisition date of February 12, 2010.

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

# Q2'10 Outlook

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## **Specialty Papers**

- Shipping volume in Q2'10 is expected to be flat compared to Q1'10.
- Selling prices are expected to be slightly higher in the same comparison, however, increases in purchase pulp and other input costs are expected to offset the benefit of higher selling prices.
- Annual scheduled maintenance outages will be completed at both the Chillicothe and Spring Grove facilities, which will negatively impact results by \$0.26 to \$0.28 per share.

## **Composite Fibers**

- Shipping volume in Q2'10 is expected to be up 5% compared to Q1'10.
- Selling prices in Q2'10 are expected to be relatively in line with Q1'10 prices.
- Input costs are expected to be higher due to continued increases in wood pulp prices, which is expected to offset the impact of higher shipping volume.

## **Advance Airlaid Materials**

- Shipping volumes in Q2'10 are expected to remain relatively in line with the run-rate reported in the first quarter, adjusted for a full quarter of volume.
- In addition, the effect of stepping-up the basis of inventory from the application of purchase accounting is expected to be \$0.1 million for the second quarter.
- Acquisition integration costs are expected to approximate \$2 million to \$3 million for the remainder of 2010.

# Appendix

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# Reconciliation of Non-GAAP Adjusted Earnings and Net Debt



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	2007				2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net income (loss)	\$0.07	\$0.04	\$0.17	\$1.11	\$0.43	\$0.07	\$0.47	\$0.29	\$0.25	\$0.44	\$1.00	\$1.00	(\$0.01)			
Alternative fuel mixture credits										(\$0.67)	(\$0.72)	(\$0.70)				
Gains from sales of timberland and related transaction costs	(\$0.04)	(\$0.08)	(\$0.03)	(\$0.82)	(\$0.19)		(\$0.05)	\$0.00	(\$0.01)	\$0.01		(\$0.00)				
Shutdown and restructuring charges						(\$0.01)		\$0.00								
Acquisition integration costs	\$0.01	\$0.02	\$0.01		\$0.01		\$0.01	\$0.00				\$0.04	\$0.20			
Fox River reserve	\$0.08		\$0.27													
Adjusted earnings (loss)	\$ 0.12	\$ (0.02)	\$ 0.42	\$ 0.29	\$ 0.25	\$ 0.06	\$ 0.43	\$ 0.30	\$ 0.24	\$ (0.22)	\$ 0.29	\$ 0.33	\$ 0.19			

Calculation of net debt excluding collateralized debt:	Mar '10	Dec '09
Short term debt	\$5,060	\$3,888
Long term debt	369,690	250,694
Total	374,750	254,582
(-) Cash	(26,575)	(135,420)
Total debt less cash	348,175	119,162
(-) Collateralized debt	(36,695)	(36,695)
Net debt excluding collateralized debt	\$311,480	\$82,467

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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<b>(in millions)</b>	<b>Q1'10</b>	<b>Q1'09</b>	<b>Q1'10 TTM</b>	<b>Q4'09 TTM</b>
Income before Income Taxes	\$ 0.1	\$ 15.1	\$ 128.1	\$ 143.1
Net Pension Expenses (Income)	2.4	1.7	7.7	7.0
Depreciation and Amortization	15.8	14.4	62.6	61.3
Net Interest Expense	5.5	4.4	18.4	17.3
EBITDA, excluding pension	23.7	35.6	216.9	228.8
Adjustments / exclusions				
Gain on Timberland Sales	-	(0.7)	0.2	(0.5)
AFM	-	-	(105.5)	(105.5)
Acquisition and Integration Expenses	11.8	-	15.3	3.5
Adjusted EBITDA, excluding pension	\$ 35.5	\$ 34.9	\$ 126.8	\$ 126.2