

# Investor Meeting



December 2009



**G L A T F E L T E R**  
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# Forward-Looking Statement



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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).***

# Agenda



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- **Our Story**
- **Business Unit Review**
- **Financial Review**
- **Summary**

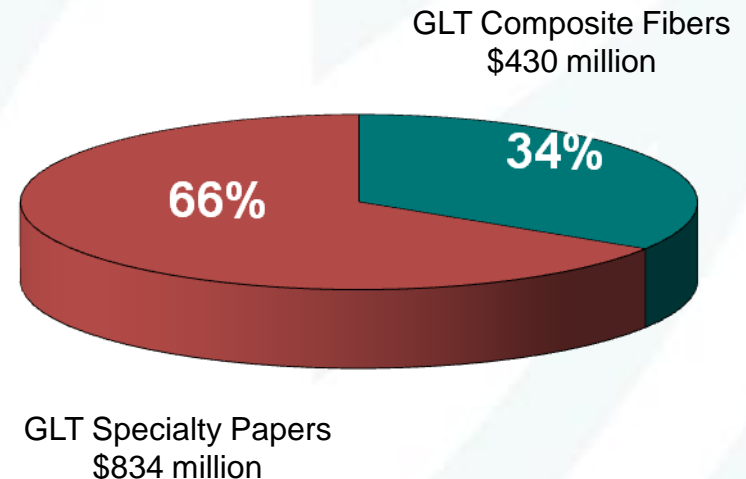
# Glatfelter Company Overview



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- Two business units: Composite Fibers and Specialty Papers
  - ▶ Completed three acquisitions since 2006
- 2008 Net sales ~ \$1.3 billion
- Production capacity ~ 782k short tons per annum
- 8 production facilities located in the U.S., Europe, and the Philippines
- ~ 33,500 acres of timberlands located in Pennsylvania, Delaware and Virginia
- 3,564 employees worldwide

## 2008 Segment Breakdown



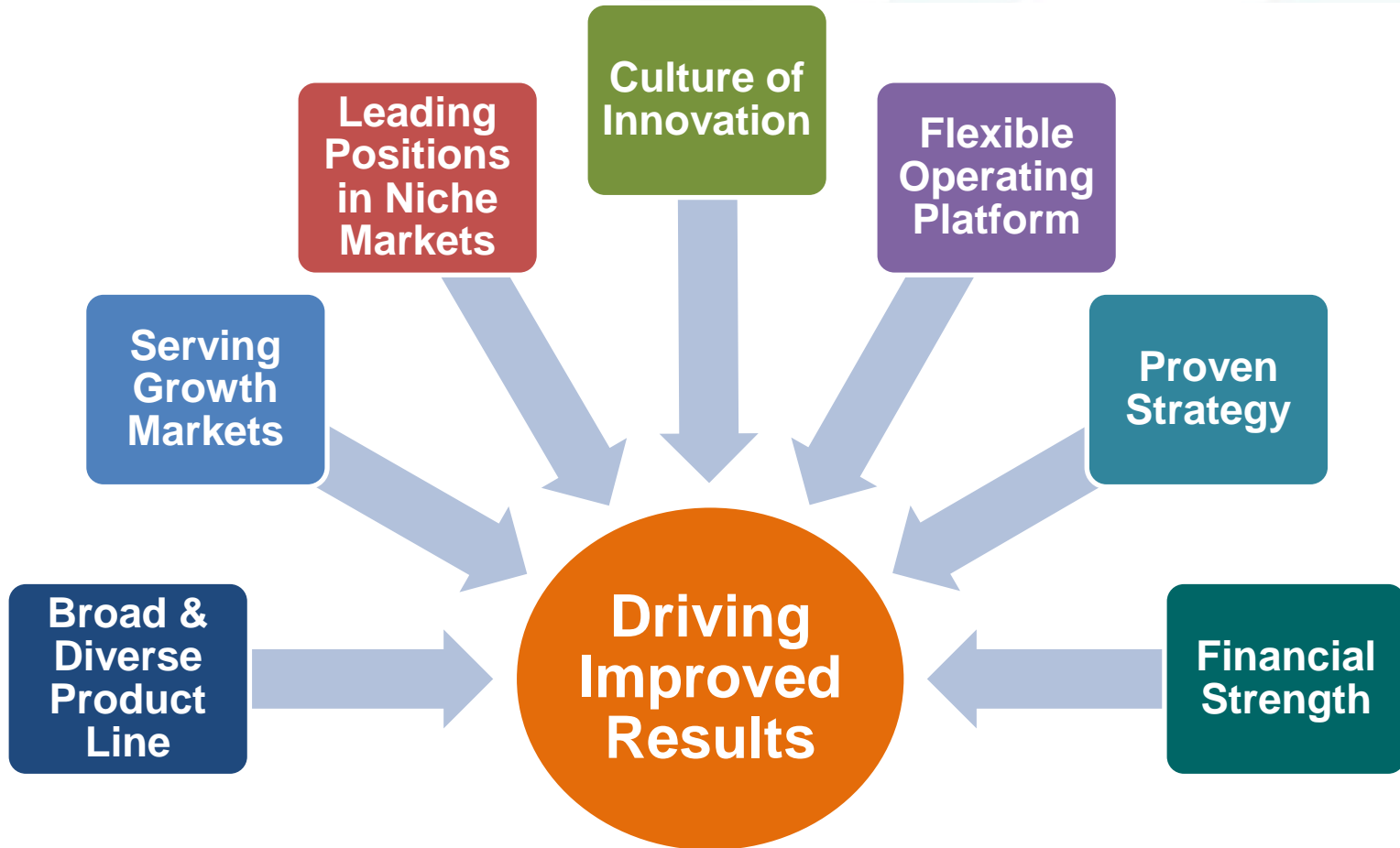
**Total Sales: \$1.3 Billion**

**Glatfelter is a global manufacturer of highly specialized papers**

# GLT Sustained Value Creation



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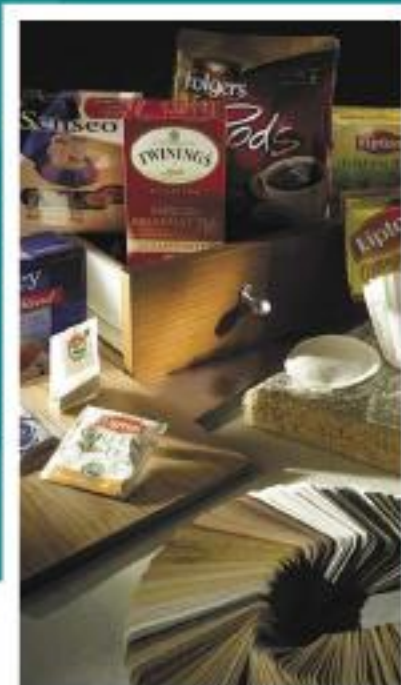
The Company's financial strength and proven strategy drive our ability to capitalize on our competitive advantages in the marketplace.

# Broad and Diverse Product Line...



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Our products are found in a wide array of consumer and industrial products used every day around the world





- **Markets and Applications**

- › Filtration Papers for the tea and coffee industry
- › Book Publishing papers
- › Papers for Carbonless products and specialized Envelopes
- › Metallized papers for packaging and bottled beverage labels
- › Overlay papers for decorative laminate applications
- › Digital Imaging papers
- › Papers for a wide variety of specialty products including postage stamps, playing cards, greeting cards and FDA grades



- Innovation as Business Driver

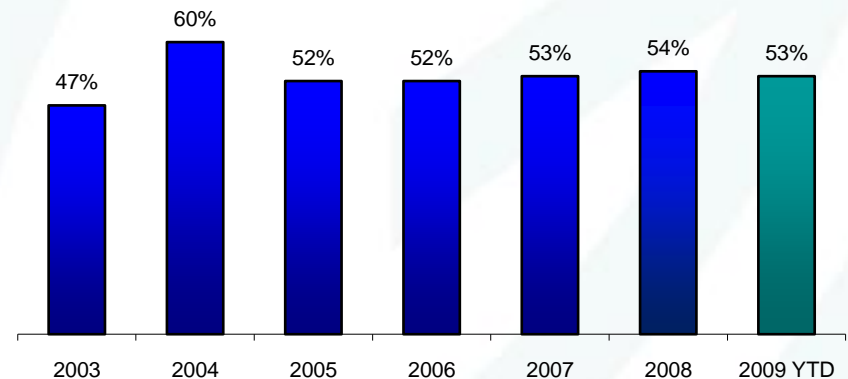
- ▶ Volume growth
- ▶ Mix and margin improvement
- ▶ Market share gains
- ▶ Geographic expansion

- Keys to Success

- ▶ Speed to market
- ▶ Focus on best opportunities
- ▶ Extensive customer involvement

## Meeting our Goal of 50%

New Product Development as % of Gross Revenue



New Product Development as % of Gross Revenue

Note: New product revenue includes products developed, enhanced, or improved within the five previous years.

# Flexible Operating Platforms



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- Provide capability to manufacture a broad and diverse product portfolio
- Offer ability to shift manufacturing capacity among product lines
- Maximize manufacturing efficiencies in response to changing market dynamics
- Support New Product Development initiatives

Nimble manufacturing operations enable us to optimize product mix and operational efficiency.

# Glatfelter's Proven Business Strategy



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## Specialty Papers

### Manage Product Mix & Volume

- Aggressive mix management
- New product development
- Superior customer service
- Leverage asset flexibility

## Composite Fibers

### Generate Top Line Growth

- Expand positions in growth markets
- Support new product development
- Pursue opportunistic acquisitions

## Corporate Wide

- Drive cost reduction through improved productivity, asset utilization, and deployment of continuous improvement methodology
- Strong balance sheet
- Experienced management team with track record of success

Execution of strategy is driving strong results.

# Strong Financial Results and Resources

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- Revenue has more than doubled over the past five years
- EBITDA is up 51% over last two years
- Adjusted earnings per share have grown at a compounded annual rate of 33% over past five years
- Balance sheet and liquidity remain strong

**Glatfelter has a consistent record of producing profitable growth, and manages the business for sustainable growth and expansion.**

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*SPECIALTY  
PAPERS*



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*The paper  
specialists*



# Specialty Papers At a Glance



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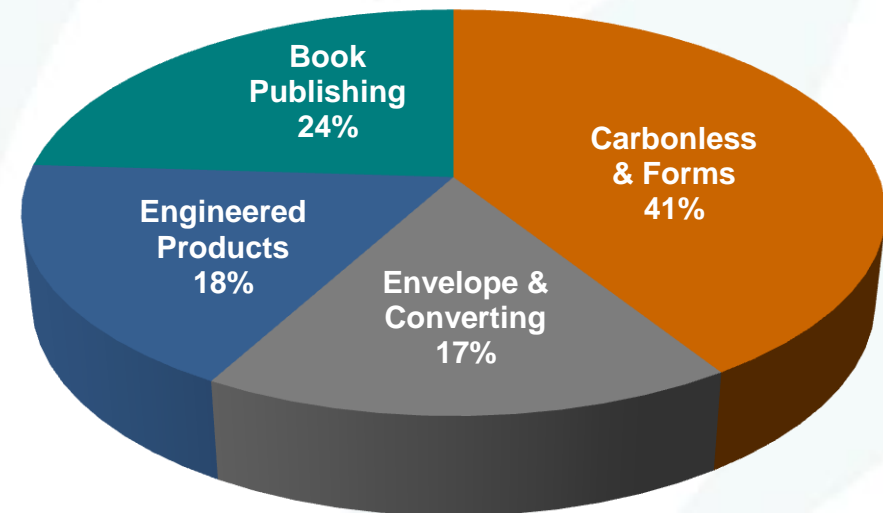
## Key Facts

- ▶ Specialty Papers 66% of Sales
- ▶ 2008 Net Sales: \$834 million
- ▶ 2008 Tons Sold: ~748k tons
- ▶ 2008 Avg. Price: ~\$1,114 / ton

## Estimated Segment Position (U.S)

- ▶ #1 in Trade Book Publishing
- ▶ #1 in Postal Applications
- ▶ #1 in Playing Cards
- ▶ #2 in Greeting Cards
- ▶ #2 in Carbonless Products

## Key Product Sales Mix



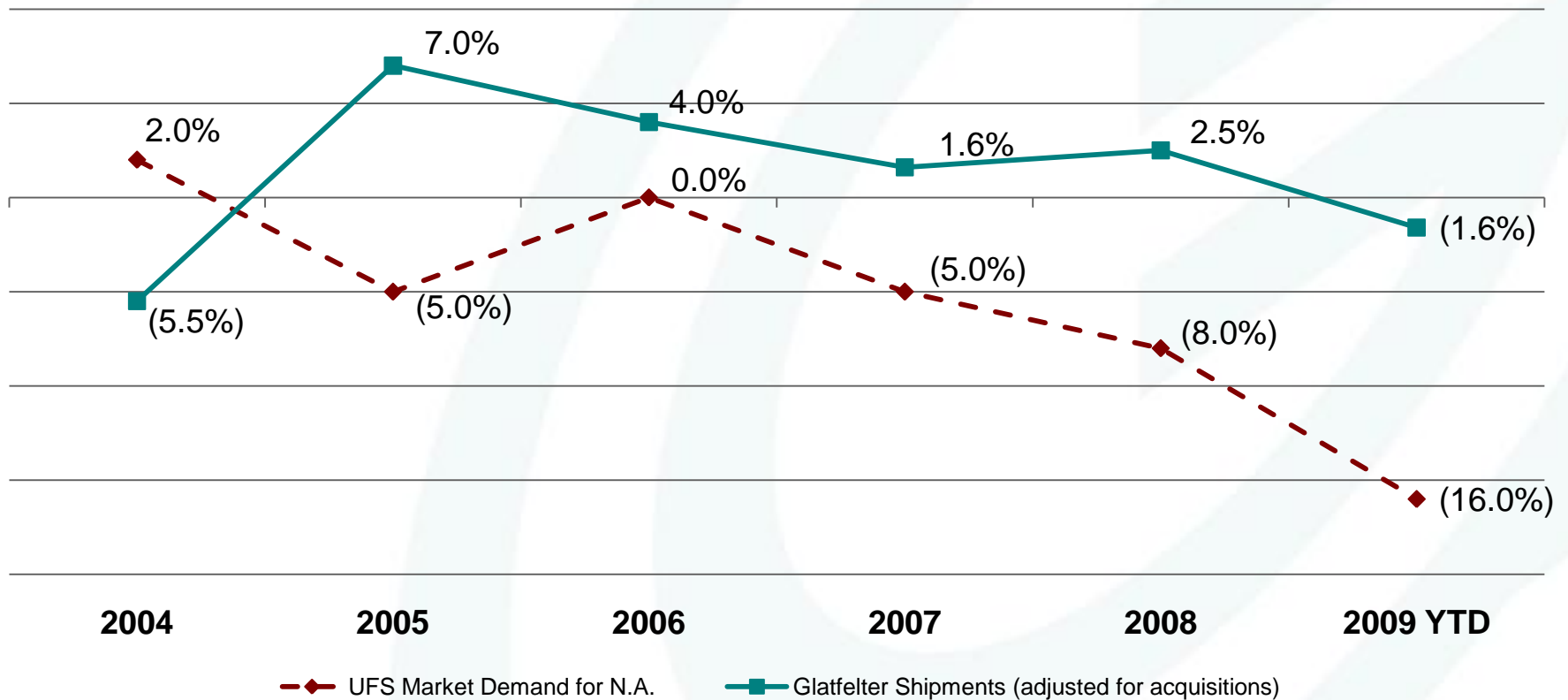
Leading positions in high-value niche markets.

# Specialty Papers Shipments Substantially Outperformed the UFS Market



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## Year Over Year Change in Shipments



# Specialty Papers Operational Enhancements in 2008



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- **Chillicothe Improvements**

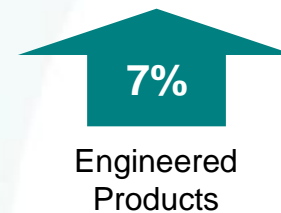
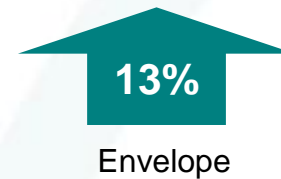
- ▶ 4% increase in productivity
- ▶ Equipment streamlined
- ▶ 11.5% reduction in staffing levels

- **Spring Grove Continuous Improvement Program**

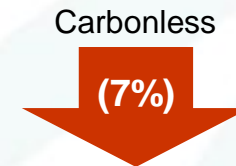
- ▶ \$9 million benefit in 2008

- **New Product Development (NPD) Initiatives**

- ▶ Substantial pipeline of new products



NPD capabilities and market leadership position combined to offset Carbonless decline (2008 volume changes)



# Specialty Papers 2009 Priorities



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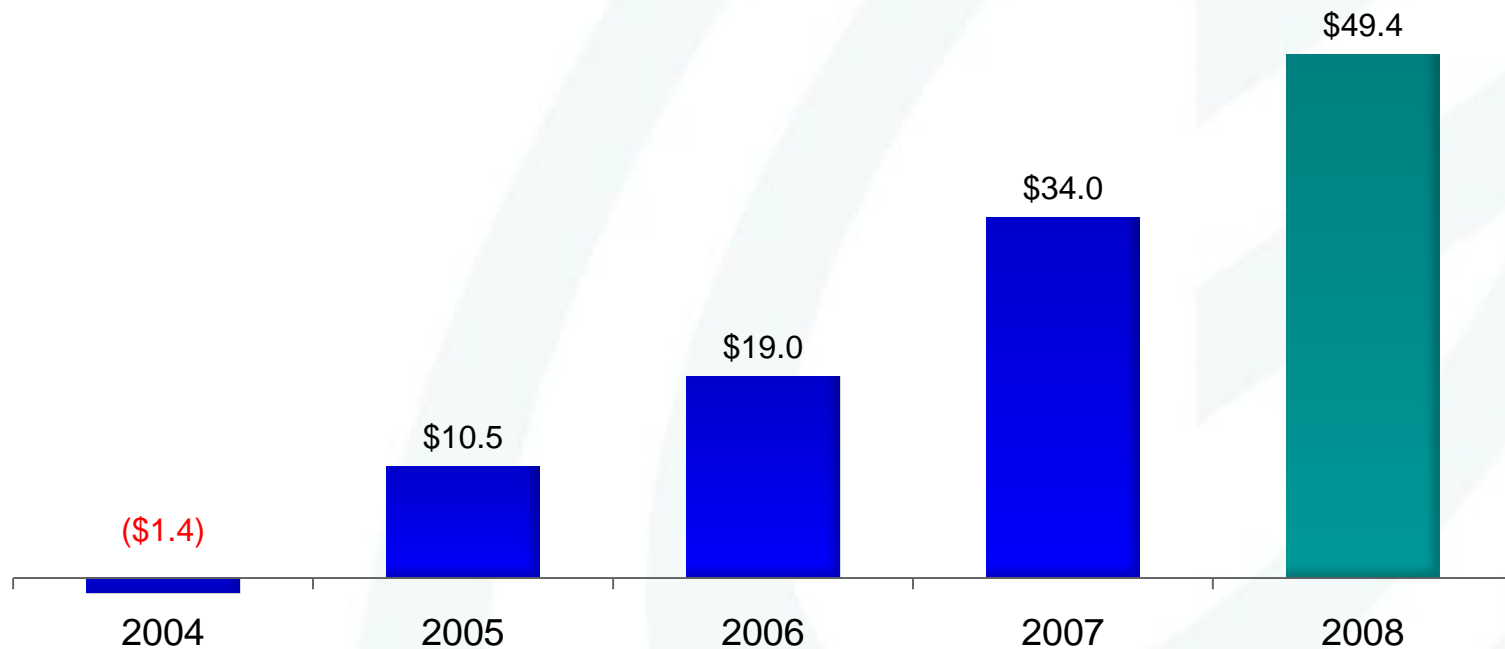
- Continue to...
  - Enhance manufacturing efficiency
  - Improve asset utilization
  - Execute continuous improvement and cost reduction initiatives
- Address increasing demand for sustainable products
- Grow market share through service, quality and customer intimacy
- New product engine will drive growth

**Specialty Papers is well-positioned to capitalize on changing market dynamics – through aggressive cost control and new products.**

# Specialty Papers Operating Income 5-Year Trend



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Results due to improving industry fundamentals, strategic positioning and focus on cost reduction.

COMPOSITE  
FIBERS



*Building  
global brand  
identity*



# Composite Fibers At a Glance



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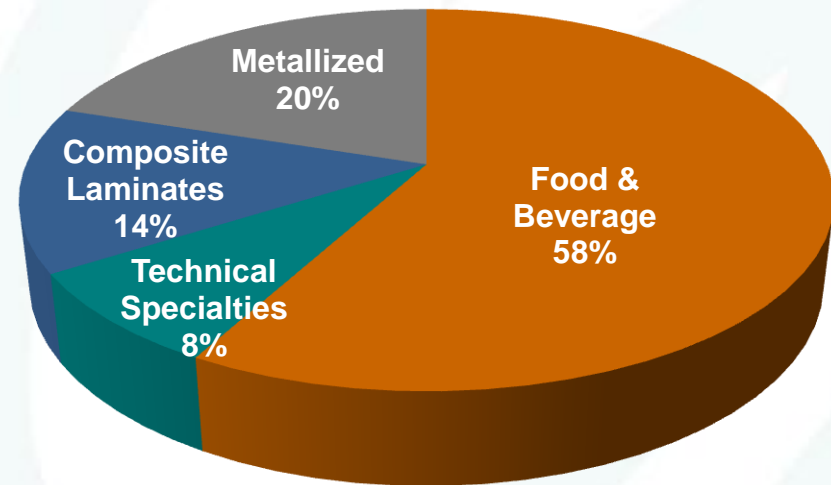
## • Key Facts

- ▶ Composite Fibers 34% of sales
- ▶ 2008 Net Sales: \$430 million (highest ever)
- ▶ 2008 Tons Sold: ~86k tons
- ▶ 2008 Avg. Price: ~\$5,023/ton

## • Estimated Segment Position (Worldwide)

- ▶ #1 in Tea Bags & Coffee Filters
- ▶ #1 in Composite Laminates
- ▶ #2 in Metallized Products

## Key Product Sales Mix



Composite Fibers' leading positions in growth markets utilize an array of specialty fibers to create highly specialized papers.

# Composite Fibers Market Expansion in 2008

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- **Caerphilly Acquisition**      Doubled metallized products revenue
- **Operating Initiatives**
  - Completed two machine upgrades in 2008 to expand capacity to serve Food & Beverage and Technical Specialties markets
  - Continue to target 1% - 2% productivity improvement per year
- **New Product Development (NPD) Initiatives**
  - Continuing to ramp up new technical specialty products
  - Enhancing market leadership position and unique value proposition
- **Shipping volumes increased in key market segments in 2008**
  - Food & Beverage up 4% and Technical Specialties up 12%

# Composite Fibers 2009 Priorities

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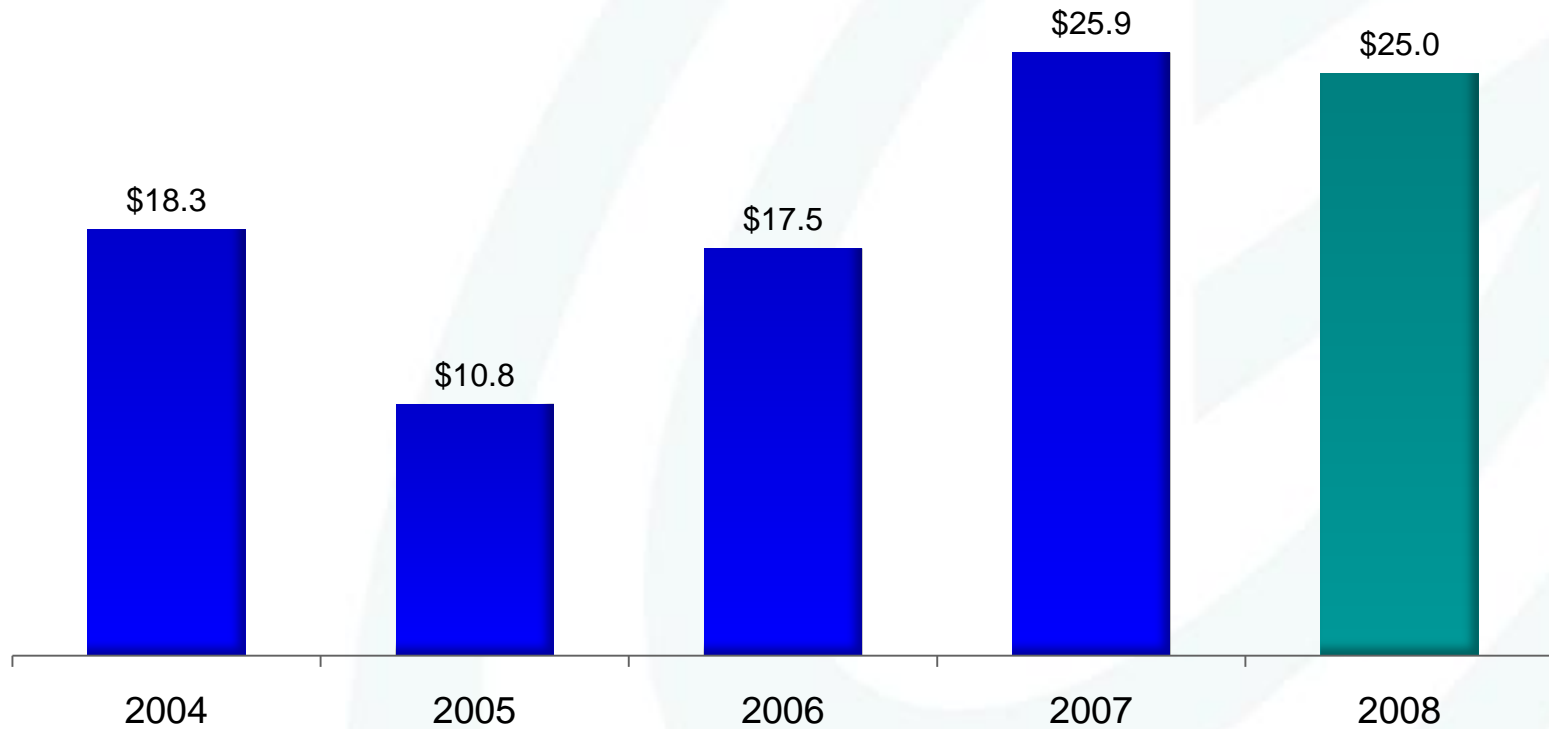
- Meet demand in markets with long-term growth and stability such as food and beverage, and metallized products
- Focus on cost containment and new product development
- Protect and increase market share through outstanding value delivery
- Capitalize on opportunities to expand in core markets, adjacent markets and new geographies

**Composite Fibers is well-positioned to capitalize on growing demand – through capacity expansion, aggressive cost management and new products.**

# Composite Fibers Operating Income 5-Year Trend



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Results are due to strategic acquisitions and operational excellence initiatives.

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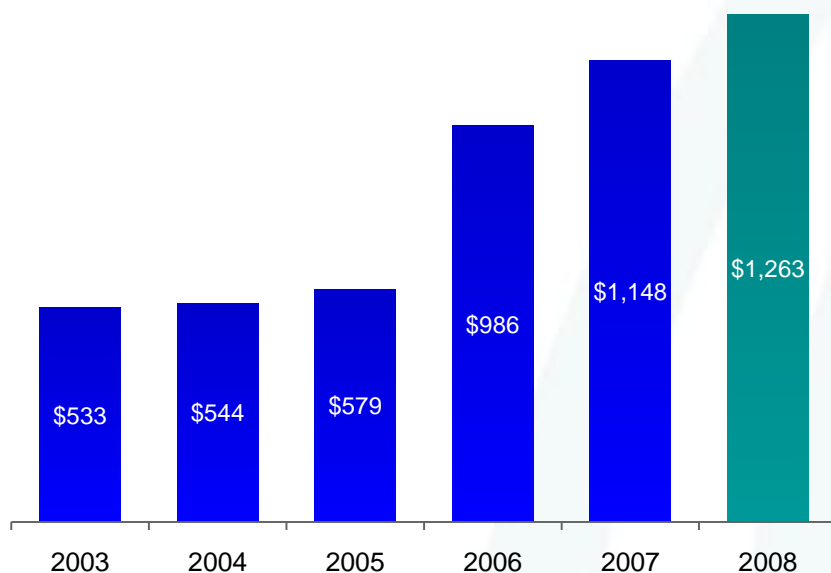
# Financial Highlights



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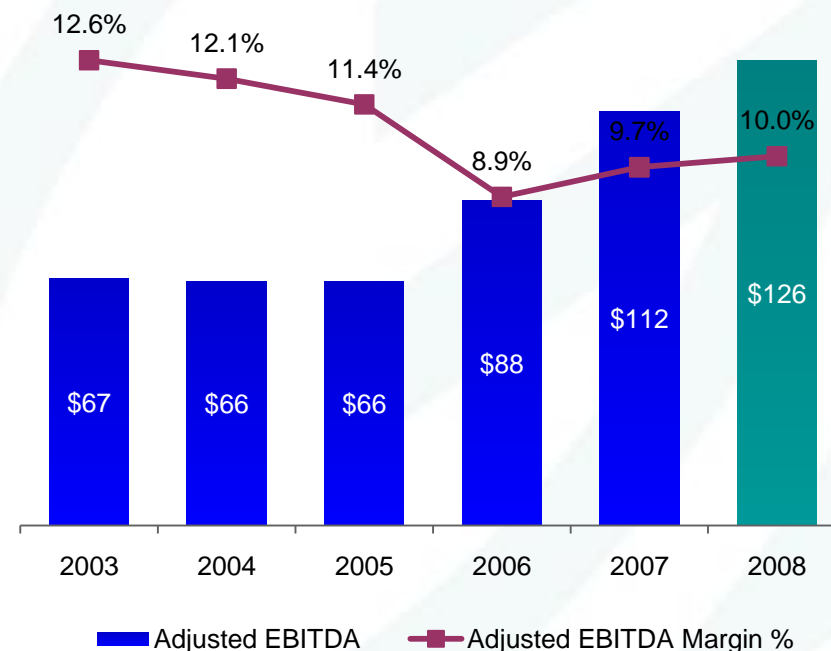
## Net Sales

(\$ in millions)



## Adj. EBITDA / % Margin

(\$ in millions)



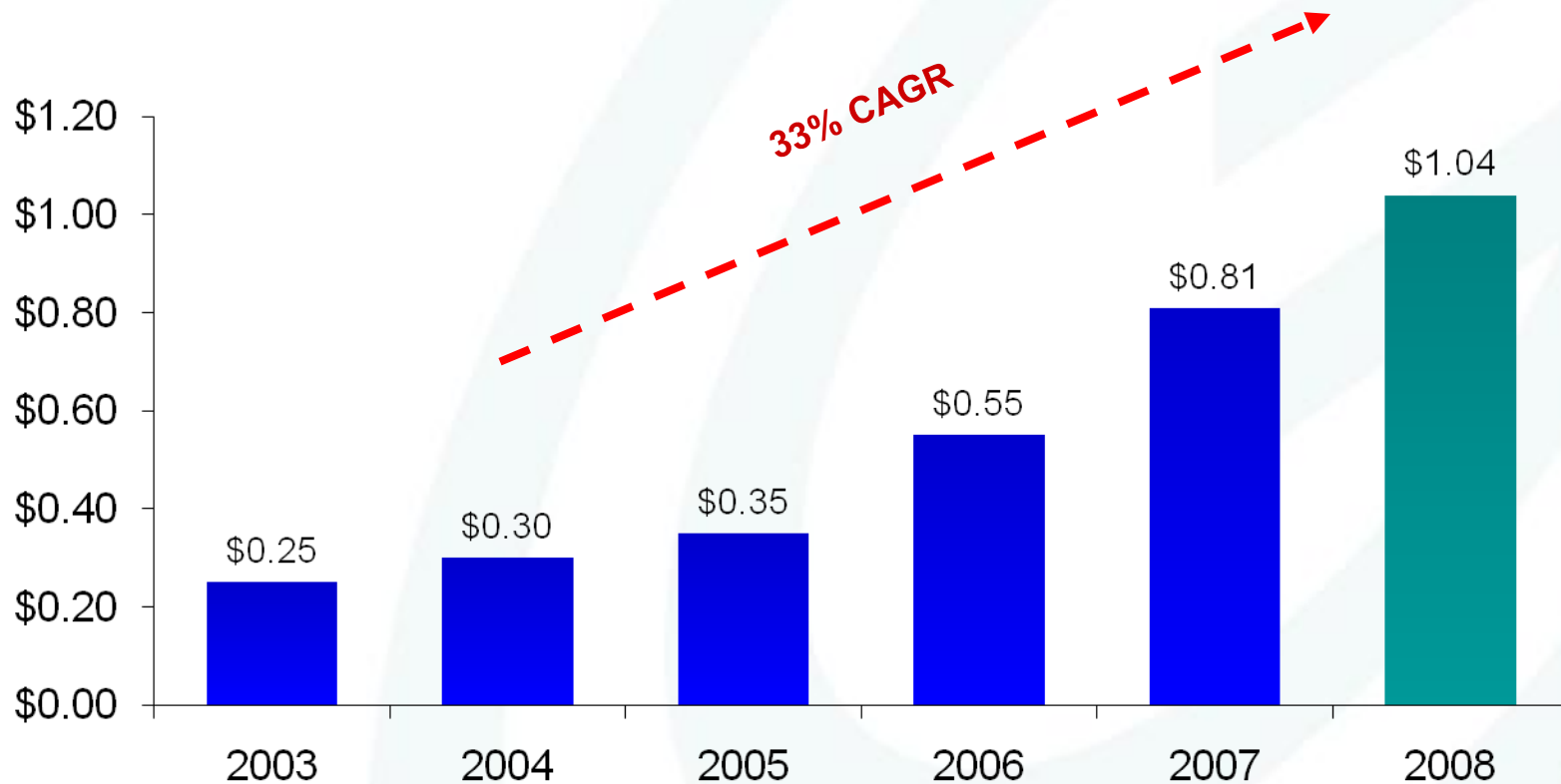
\* Note: Adjusted EBITDA excludes pension income and is calculated by deducting one-time income & expenses that do not form a part of the company's core business. Some of these one-time items include (1) gains from timberland sales (2) insurance recoveries (3) reserves for environmental matters (4) debt redemption charges (5) acquisition & integration costs and (6) shutdown & restructuring charges.

**Strategic acquisitions and execution of profit improvement initiatives drove EBITDA increase of 91% over the last three years.**

# Solid EPS Performance Reflects Improving Profitability



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Effective execution of our strategies drove adjusted earnings increase of 28% in 2008 with a five-year CAGR of 33%.

# Free Cash Flow



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Glatfelter has generated strong free cash flows since the 2006 acquisitions.

# Q3'09 Highlights



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- **Adjusted EPS of \$0.29 vs. \$0.43 in Q3'08**
  - › Change to pension expense reduced EPS by \$0.08
  - › Specialty Papers shipping volume improved 17% from Q2'09 and was flat to Q3'08
    - Operating profit declined slightly as selling prices fell more than input costs
  - › Composite Fibers markets stabilized during the quarter with shipping volume flat to Q2'09
    - Operating profit declined due to market-driven machine downtime and related operating inefficiencies
- **Generated strong free cash flow of \$49 million during Q3'09 and \$103 million YTD**
  - › Focus on inventory reduction generated \$34 million of cash flow during 2009
  - › Received \$30 million from use of alternative fuel mixtures in Q2
- **Outlook for Q4**
  - › Shipping volumes expected to be 10% lower in Specialty Papers vs. Q3'09 due to normal seasonality
  - › Composite Fibers shipping volumes expected to be in-line with Q3'09
  - › Selling prices and input costs expected to be in-line with Q3

**Solid execution of specialized business model generating results in 2009.**

# Strong Balance Sheet



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(in millions)	31-Dec-06	31-Dec-07	31-Dec-08	30-Sep-09
Cash	\$22.0	\$29.8	\$32.2	\$116.2
Total Debt	\$397.6	\$313.2	\$313.3	\$263.7
Collateralized Debt	<u>(\$34.0)</u>	<u>(\$34.0)</u>	<u>(\$70.7)</u>	<u>(\$36.7)</u>
Net Debt	<u><u>\$341.6</u></u>	<u><u>\$249.4</u></u>	<u><u>\$210.4</u></u>	<u><u>\$110.8</u></u>
Shareholders' Equity	<u><u>\$388.4</u></u>	<u><u>\$476.1</u></u>	<u><u>\$342.7</u></u>	<u><u>\$434.4</u></u>
TTM Adjusted EBITDA (exc. Pension Inc.)	\$88.4	\$112.0	\$125.7	\$113.2
Leverage	3.9x	2.2x	1.7x	1.0x

Strong balance sheet provides financial flexibility to support growth investments.

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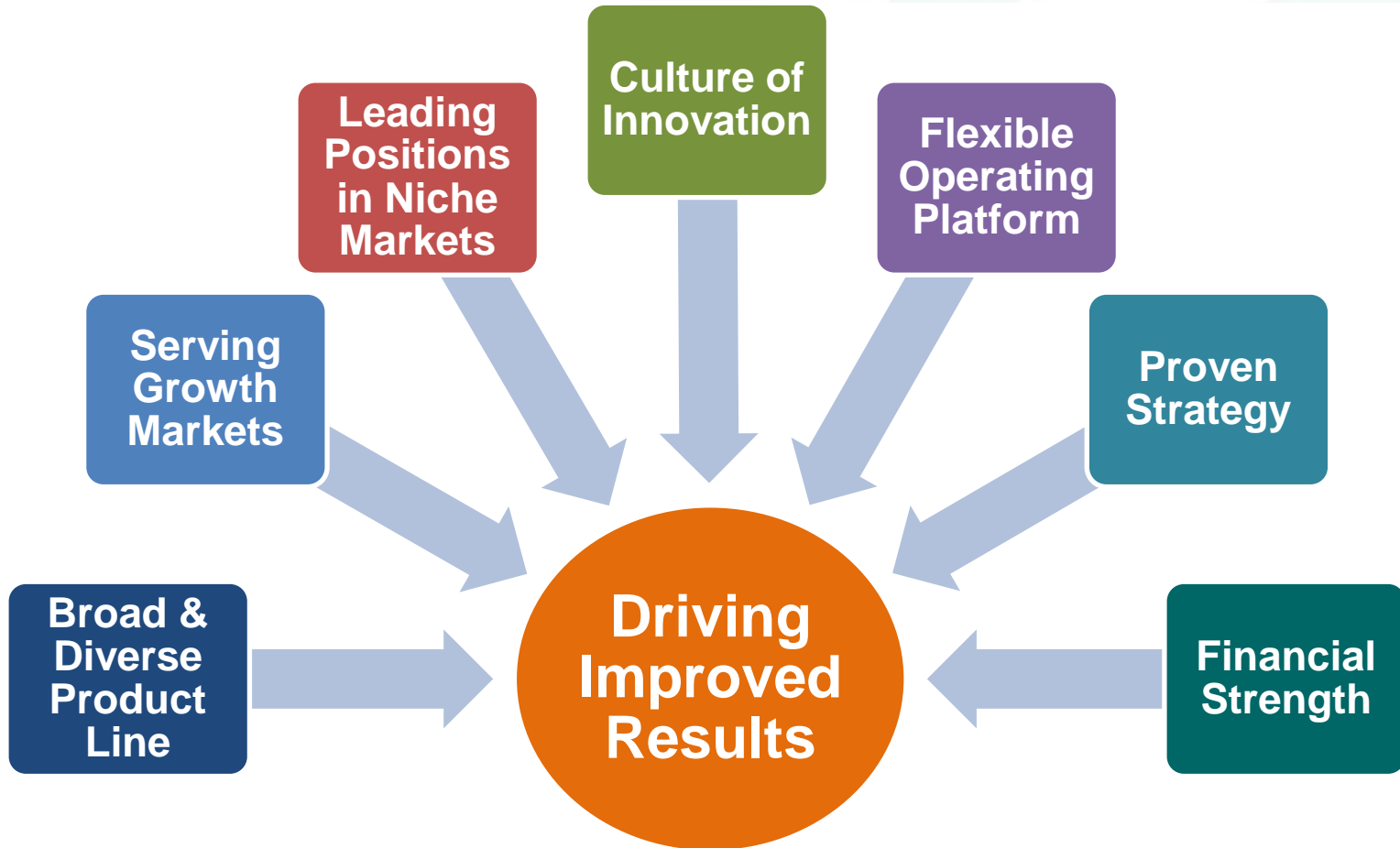
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# GLT Sustained Value Creation



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The Company's financial strength and proven strategy drive our ability to capitalize on our competitive advantages in the marketplace.



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# Appendix

# Reconciliation of GAAP Earnings with Adjusted Earnings



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	2003	2004	2005	2006	2007	2008
<b>Net income</b>	\$0.30	\$1.27	\$0.87	(\$0.27)	\$1.40	\$1.27
Shutdow n and restructuring	\$0.20	\$0.29	\$0.02	\$0.79	\$0.00	(\$0.01)
Acquisition & Integration costs				\$0.19	\$0.03	\$0.02
Fox River Reserve					\$0.35	\$0.00
Ecusta related reserve	\$0.16					\$0.00
Debt redemption premium				\$0.04	\$0.00	\$0.00
Timberland sales	(\$0.46)	(\$0.78)	(\$0.25)	(\$0.20)	(\$0.97)	(\$0.24)
Insurance recoveries		(\$0.48)	(\$0.29)	\$0.00	\$0.00	\$0.00
Asset w rite dow ns	\$0.05					
<b>Total Adjustments to Income</b>	<b>(\$0.05)</b>	<b>(\$0.97)</b>	<b>(\$0.52)</b>	<b>\$0.82</b>	<b>(\$0.59)</b>	<b>(\$0.23)</b>
<b>Adjusted income</b>	<b>\$0.25</b>	<b>\$0.30</b>	<b>\$0.35</b>	<b>\$0.55</b>	<b>\$0.81</b>	<b>\$1.04</b>

# Adjusted EBITDA, Excluding Pension



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(in millions)	30-Sept-09 YTD	31-Dec-08	31-Dec-07
Income before Income Taxes	\$ 91,968	\$ 81,026	\$ 93,934
Net Pension Expense	5,563	(16,062)	(12,896)
Depreciation and Amortization	45,823	60,611	56,001
Net Interest Expense	<u>13,162</u>	<u>18,185</u>	<u>25,089</u>
EBITDA, excluding pension	156,516	143,760	162,128
Adjusted / exclusions			
Gain on Sales of Timberlands and Other Assets	(700)	(18,468)	(78,685)
AFM Credits	(73,273)		
Charge for Environmental Remediation	-	-	26,000
Acquisition Integration Costs	-	1,243	2,482
Shutdown and Restructuring Costs	<u>-</u>	<u>(856)</u>	<u>35</u>
Adjusted EBITDA, excluding pension	<u>\$ 82,543</u>	<u>\$ 125,679</u>	<u>\$ 111,960</u>

# Net Sales by Market Segment



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<b>SPBU</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Book Publishing	\$170	\$143	\$157	\$167	\$185	\$201
Carbonless & Forms	\$0	\$0	\$0	\$267	\$346	\$338
Envelope & Converting	\$74	\$82	\$92	\$103	\$117	\$138
Engineered Products	\$107	\$113	\$130	\$137	\$137	\$149
Other	\$7	\$0	\$2	\$20	\$18	\$7
<b>Total</b>	<b>\$358</b>	<b>\$338</b>	<b>\$381</b>	<b>\$694</b>	<b>\$803</b>	<b>\$833</b>

<b>CFBU</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Food & Beverage	\$97	\$107	\$103	\$180	\$219	\$253
Composite Laminates	\$38	\$47	\$43	\$51	\$53	\$59
Metallized	\$29	\$33	\$36	\$40	\$45	\$86
Technical Specialties & Other	\$1	\$17	\$17	\$22	\$29	\$33
<b>Total</b>	<b>\$165</b>	<b>\$204</b>	<b>\$199</b>	<b>\$293</b>	<b>\$346</b>	<b>\$431</b>

# Free Cash Flow



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\$ Million	2003	2004	2005	2006	2007	2008	2009 YTD
<b>Cash Provided by Continuing Operations</b>	\$46.8	\$39.6	\$42.9	(\$28.4)	\$100.3	\$53.4	\$119.5
<b>Less Capital Expenditures</b>	(\$66.8)	(\$18.6)	(\$31.0)	(\$44.5)	(\$29.0)	(\$52.5)	(\$16.7)
<b>Free Cash Flow</b>	<b>(\$20.0)</b>	<b>\$21.0</b>	<b>\$11.9</b>	<b>(\$72.9)</b>	<b>\$71.3</b>	<b>\$0.9</b>	<b>\$102.8</b>