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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

November 3, 2009

**P. H. Glatfelter Company**

(Exact name of registrant as specified in its charter)

Pennsylvania

001-03560

23-0628360

(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(I.R.S. Employer  
Identification No.)

96 S. George Street, Suite 500, York,  
Pennsylvania

17401

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

717 225 4711

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02 Results of Operations and Financial Condition.**

On November 3, 2009, P. H. Glatfelter (the "Company") reported its results of operations for the three months and nine months ended September 30, 2009. A copy of the press release issued by the Company is furnished herewith as Exhibit 99.1. In addition, as stated in its earnings press release, the Company held a teleconference call that same day, during which members of management discussed the Company's financial performance for the third quarter of 2009 and other matters relating to its business. A copy of the teleconference transcript is furnished herewith as Exhibit 99.2.

**Item 9.01 Financial Statements and Exhibits.**

A copy of the press release dated November 3, 2009, to report results of operations for the three months and nine months ended September 30, 2009, is furnished herewith as Exhibit 99.1.

A copy of the transcript from the Company's teleconference held on November 3, 2009, to discuss its results of operations is furnished herewith as Exhibit 99.2.

A copy of the press release and transcript are furnished as Exhibit 99.1 and 99.2 to this Current Report on Form 8-K. The information furnished in this Current Report on Form 8-K and Exhibits 99.1 and 99.2 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

P. H. Glatfelter Company

*November 5, 2009*

By: *David C. Elder*

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*Name: David C. Elder*

*Title: Vice President and Corporate Controller*

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## Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
99.1	A copy of the press release dated November 3, 2009, to report results of operations for the three months and nine months ended September 30, 2009
99.2	A copy of the transcript from the Company's teleconference held on November 3, 2009

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www.glatfelter.com

## NEWS RELEASE



For Immediate Release

**Contacts:**

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*Investors:*

John P. Jacunski  
(717) 225-2794  
john.jacunski@glatfelter.com

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*Media:*

William T. Yanavitch  
(717) 225-2747  
william.yanavitch@glatfelter.com

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### **Glatfelter Reports 2009 Third Quarter Results**

*–Improved Results Significantly Compared with the Second Quarter of 2009 –  
– Generated Strong Free Cash Flow of \$49 million –*

**York, PA, November 3, 2009:** Glatfelter (NYSE: GLT) today reported significantly improved results for the quarter ended September 30, 2009, compared with the 2009 second quarter.

“Throughout 2009, we have demonstrated the ability to generate meaningful improvement in the financial strength of the company during a period of severe economic challenges,” said George H. Glatfelter II, Chairman and Chief Executive Officer. “Our third quarter performance reflects continued progress towards this objective. The Specialty Papers business unit delivered excellent performance this quarter led by improving demand for its products and execution of our business strategy of aggressively managing production costs, developing new products and maximizing cash flow. Volumes shipped by Specialty Papers increased 17 percent compared with the second quarter of 2009, again outperforming the broader uncoated free sheet market. Although results from the Composite Fibers business unit continued to be adversely impacted by the economic environment, this unit significantly improved its performance compared with the second quarter due to increased stability in our core markets.”

In the third quarter of 2009, net income was \$46.0 million, or \$1.00 per diluted share, compared with \$21.7 million, or \$0.47 per diluted share in the third quarter of 2008. Third-quarter 2009 results include a \$32.9 million or \$0.72 per share, after-tax benefit from alternative fuel mixture credits, while net income in the third quarter of 2008 benefited from \$2.4 million in gains from timberland sales which were partially offset by \$0.2 million in acquisition integration costs, each after taxes. Excluding these items from each period’s results, third-quarter 2009 earnings on an adjusted basis, which constitute a non-GAAP financial measure, were \$13.1 million, or \$0.29 per diluted share, compared with adjusted earnings of \$19.5 million or \$0.43 per diluted share in the third quarter of 2008. In the second quarter of 2009, the Company reported an adjusted loss of \$10.1 million or \$0.22 per diluted share. For a reconciliation of adjusted earnings to GAAP earnings, please refer to the tabular presentation at the end of this release.

The Company generated \$49.4 million of free cash flow (defined as cash from operations less capital expenditures and excluding alternative fuel mixture credits) during the third quarter of 2009 compared with \$5.4 million in free cash flow during the same quarter of 2008.

### **Third-Quarter Business Unit Results**

## Specialty Papers

<i>Dollars in thousands</i>	For the three months ended Sept. 30		change	
	2009	2008		
Tons shipped	<b>199,860</b>	200,072	(212)	(0.1)%
Net sales	<b>\$211,635</b>	\$226,028	\$(14,393)	(6.4)
Gross margin percent	<b>16.9 %</b>	16.3 %		
Operating income (loss)	<b>\$ 20,854</b>	\$ 22,842	\$ (1,988)	(8.7)

Specialty Papers' net sales totaled \$211.6 million for the third quarter of 2009, a decline of 6.4 percent compared to the 2008 third quarter. Compared to the second quarter of 2009, net sales increased 14.8 percent reflecting strengthening demand in each of this unit's markets and gaining market share.

The decline in net sales for the third quarter 2009 compared to 2008 was primarily due to changes in average selling prices, impacting sales by \$7.5 million, and changes in product mix. Total volumes shipped were essentially unchanged in the quarter over quarter comparison.

Lower input costs benefited operating results by \$6.1 million in the comparison.

Specialty Papers' operating income totaled \$20.9 million and \$22.8 million for the third quarters of 2009 and 2008, respectively. The third quarter 2009 operating results for Specialty Papers were negatively impacted by lower energy sales and \$1.4 million of accelerated depreciation related to the write-down of certain equipment no longer used by the operation.

## Composite Fibers

<i>Dollars in thousands</i>	For the three months ended Sept. 30		change	
	2009	2008		
Tons shipped	<b>20,181</b>	21,530	(1,349)	(6.3)%
Net sales	<b>\$100,723</b>	\$113,794	\$(13,071)	(11.5)
Gross margin percent	<b>14.9 %</b>	15.5 %		
Operating income	<b>\$ 5,801</b>	\$ 8,351	\$ (2,550)	(30.5)

Net sales in the Composite Fibers business unit decreased \$13.1 million or 11.5 percent to \$100.7 million for the 2009 third quarter compared to the same quarter of 2008. Volumes shipped during the quarter declined 6.3 percent compared with 2008 as a result of the weak economic environment. Demand for tea and coffee filter papers, this unit's largest product line, declined by 11.2 percent primarily due to continued inventory destocking by customers. On a constant currency basis, higher average selling prices contributed approximately \$0.4 million to net sales; however, the translation of foreign currencies unfavorably affected net sales by approximately \$5.4 million.

Consistent with the Company's inventory management strategies and its efforts to match production with demand trends, the business unit incurred machine downtime totaling 1,700 tons of paper, or 11 percent of the unit's total quarterly capacity, adversely impacting results by \$1.3 million. However, the extent of downtime taken in the third-quarter 2009 was significantly less than the second-quarter 2009. The Composite Fibers business unit was favorably impacted by lower raw material and energy costs totaling approximately \$1.0 million. Operating income declined to \$5.8 million in the third-quarter 2009 from \$8.4 million in the year-earlier quarter primarily due to lower volumes, market-driven downtime and operating inefficiencies.

Mr. Glatfelter said, "We are encouraged by the 62 percent improvement in operating profit delivered by Composite Fibers this quarter on a sequential basis. This increase was primarily due to less market related downtime. While Composite Fibers' markets remained challenging during the quarter, we believe markets are stabilizing and maintain our confidence in the expected growth opportunities that should materialize as the economic environment improves."

## Other Financial Information

Pension expense totaled \$1.9 million in the third quarter of 2009, compared with net pension income of \$4.0 million in the same quarter a year ago. This decline negatively impacted earnings by \$0.08 per share in the quarter-over-quarter comparison and is directly related to the decline in the value of the Company's pension assets during 2008. The Company expects pre-tax pension expense to total \$7.3 million for 2009 compared with pension income of \$16.1 million in 2008. Cash contributions to the Company's qualified defined benefit pension plans will not be required during 2009.

For the third quarter of 2009, selling, general and administrative (“SG&A”) expenses totaled \$29.3 million, a \$4.5 million increase compared with the 2008 third quarter. The increase was primarily due to recording pension expense in 2009 compared with pension income in 2008 together with higher legal and professional fees.

Results of operations for the third quarter of 2009 reflect an effective tax rate of 6.5 percent on pre-tax income of \$49.2 million compared with 32.3 percent and \$32.0 million, respectively, in the same period a year ago. The lower tax rate in 2009 was due primarily to \$33.0 million of alternative fuel mixture credits included in pretax income that are not subject to income tax. On adjusted earnings, the effective tax rate was 19.7 percent for the third quarter of 2009 compared with 31.0 percent for the third quarter of 2008. The lower effective tax rate was due lower pre-tax income and additional tax credits applicable to income in the 2009 period.

### **Alternative Fuel Credits**

The U.S. Internal Revenue Code provides a tax credit for companies that use alternative fuel mixtures to produce energy to operate their businesses. The credit, equal to \$0.50 per gallon of alternative fuel contained in the mixture, is refundable to the taxpayer. On May 11, 2009, the Company was notified by the Internal Revenue Service that its application to be registered as an alternative fuel mixer was approved. The Company received a payment from the Internal Revenue Service on June 30, 2009 in the amount of \$29.7 million for the alternative fuel mixture consumed at its Spring Grove, PA and Chillicothe, OH facilities during the period February 20, 2009 through May 17, 2009. For the third quarter of 2009, the Company earned \$33.0 million of alternative fuel mixture credits for which no cash was received as the Company intends to claim a refundable income tax credit in connection with the filing of its 2009 federal corporate income tax return. Since the company began mixing and burning eligible alternative fuels, the Company has earned \$75.6 million of alternative fuel mixture credits of which \$29.7 million has been received in cash, \$10.9 million was used to reduce estimated interim tax payments and \$34.9 million will be claimed as future refundable income tax credits. The Company records all alternative fuel mixture credits as a reduction to cost of products sold.

### **2009 Year-to-Date Results**

For the first nine months of 2009, net income totaled \$77.4 million or \$1.69 per diluted share, compared with \$44.5 million or \$0.97 per diluted share in the same period of 2008. The year-to-date results for 2009 include, on an after-tax basis, \$63.3 million from alternative fuel mixture credits. Results for the first nine months of 2008 included, on an after-tax basis: (i) \$11.0 million in gains from the sale of timberlands; (ii) a \$0.5 million benefit from the reversal of a reserve associated with the 2006 shutdown of the Company’s Neenah facility; and (iii) \$0.8 million in acquisition integration costs. Excluding these items from each period’s results, the Company’s results for the first nine months of 2009 on an adjusted basis, which constitute a non-GAAP financial measure, were earnings of \$0.31 per diluted share, compared with \$0.74 per diluted share in the same period of 2008. For a reconciliation of adjusted earnings to GAAP earnings, refer to the tabular presentation at the end of this release.

### **Balance Sheet Information**

During the third quarter of 2009, capital expenditures declined to \$5.2 million compared with \$15.4 million in the third quarter of 2008, reflecting the decision to significantly reduce discretionary spending due to the current economic environment. Capital expenditures are expected to be approximately \$25 million for 2009 compared with \$52.5 million for full-year 2008.

Net debt, excluding cash collateralized borrowings, was \$110.8 million at September 30, 2009, a decrease of \$99.6 million compared with December 31, 2008 and a decrease of \$49.9 million compared with June 30, 2009.

At the end of the 2009 third quarter, the Company had \$116.2 million in cash and \$188 million available under its revolving credit agreement, which matures in April 2011.

### **Outlook**

Mr. Glatfelter continued, “I am very pleased with our performance throughout 2009 in the face of unprecedented economic challenges. By improving the Company’s financial strength, we continue to be well positioned to take advantage of emerging opportunities to broaden our product mix and geographic sales footprint and to deliver value for our shareholders as the global business environment improves.”

For Specialty Papers, the Company noted that it expects shipping volumes in the fourth quarter of 2009 to be approximately 10 percent less than the third quarter reflecting normal seasonality. Selling prices and input costs for most products are expected to be relatively in line with the third quarter.

In the Composite Fibers business unit, the Company anticipates shipping volumes in the fourth quarter of 2009 to be relatively consistent with the third quarter. Selling prices, input costs and capacity utilization are expected to be in line with the third quarter.

## Conference Call

As previously announced, the Company will hold a conference call at 11:00 a.m. (Eastern) today to discuss its third-quarter results. The Company's earnings release and an accompanying financial supplement, which includes significant financial information to be discussed on the conference call, will be available on Glatfelter's Investor Relations website at <http://www.glatfelter.com/about—us/investor—relations/default.aspx>. Information related to the conference call is as follows:

### What: Glatfelter's 3<sup>rd</sup> Quarter 2009 Earnings Release Conference Call

When:	Tuesday, November 3, 2009, 11:00 a.m. Eastern Time
Number:	US dial 888.335.5539 International dial 973.582.2857
Conference ID:	32611616
Webcast:	<a href="http://www.glatfelter.com/about—us/investor—relations/default.aspx">http://www.glatfelter.com/about—us/investor—relations/default.aspx</a>
Rebroadcast Dates:	November 3, 2009 12:00 through November 17, 2009 23:59
Rebroadcast Number:	Within US dial 800.642.1687 International dial 706.645.9291
Conference ID:	32611616

Interested persons who wish to hear the live webcast should go to the website prior to the starting time to register, download and install any necessary audio software.

## **Caution Concerning Forward-Looking Statements**

Any statements included in this press release which pertain to future financial and business performance, conditions and strategies and other 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 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 press release 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 press release 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 press release. 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).

## **About Glatfelter**

Headquartered in York, PA, Glatfelter is a global manufacturer of specialty papers and engineered products, offering over a century of experience, technical expertise and world-class service. U.S. operations include facilities in Spring Grove, PA and Chillicothe and Fremont, OH. International operations include facilities in Germany, France, the United Kingdom and the Philippines and a representative office in China. Glatfelter’s sales exceed \$1 billion annually and its common stock is traded on the New York Stock Exchange under the ticker symbol GLT. Additional information is available at [www.glatfelter.com](http://www.glatfelter.com).

**P. H. Glatfelter Company and subsidiaries**  
**Consolidated Statements of Income**  
**(unaudited)**

<i>In thousands, except per share</i>	Three months ended September 30		Nine months ended September 30	
	2009	2008	2009	2008
Net sales	<b>\$312,358</b>	\$339,822	<b>\$882,889</b>	\$965,545
Energy sales – net	<b>2,132</b>	2,885	<b>6,194</b>	7,612
Total revenues	<b>314,490</b>	342,707	<b>889,083</b>	973,157
Costs of products sold	<b>232,025</b>	285,535	<b>704,303</b>	839,329
Gross profit	<b>82,465</b>	57,172	<b>184,780</b>	133,828
Selling, general and administrative expenses	<b>29,303</b>	24,802	<b>80,364</b>	74,314
Shutdown and restructuring charges	—	—	—	(856)
(Gains) losses on dispositions of plant, equipment and timberlands, net	<b>(9)</b>	(3,975)	<b>(681)</b>	(18,477)
Operating income	<b>53,171</b>	36,345	<b>105,097</b>	78,847
Nonoperating income (expense)				
Interest expense	<b>(4,528)</b>	(5,654)	<b>(14,798)</b>	(17,626)
Interest income	<b>318</b>	1,170	<b>1,583</b>	4,131
Other – net	<b>204</b>	146	<b>86</b>	317
Total other income (expense)	<b>(4,006)</b>	(4,338)	<b>(13,129)</b>	(13,178)
Income before income taxes	<b>49,165</b>	32,007	<b>91,968</b>	65,669
Income tax provision	<b>3,171</b>	10,345	<b>14,566</b>	21,176
Net income	<b>\$ 45,994</b>	\$ 21,662	<b>\$ 77,402</b>	\$ 44,493
<b>Earnings Per Share</b>				
Basic	<b>\$ 1.01</b>	\$ 0.48	<b>\$ 1.70</b>	\$ 0.98
Diluted	<b>1.00</b>	0.47	<b>1.69</b>	0.97
<b>Cash dividends declared per common share</b>	<b>\$ 0.09</b>	\$ 0.09	<b>\$ 0.27</b>	\$ 0.27
<b>Weighted average shares outstanding</b>				
Basic	<b>45,699</b>	45,279	<b>45,649</b>	45,221
Diluted	<b>45,865</b>	45,650	<b>45,712</b>	45,669

**Business Unit Financial Information**  
**(unaudited)**

<i>Dollars in thousands</i>	For the three months ended September 30,							
	Specialty Papers		Composite Fibers		Other and Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Net sales	<b>\$211,635</b>	\$226,028	<b>\$100,723</b>	\$113,794	\$ -	\$ -	<b>\$312,358</b>	\$339,822
Energy sales, net	<b>2,131</b>	2,885	—	—	<b>1</b>	—	<b>2,132</b>	2,885
Total revenue	<b>213,766</b>	228,913	<b>100,723</b>	113,794	<b>1</b>	—	<b>314,490</b>	342,707
Cost of products sold	<b>178,060</b>	192,110	<b>85,746</b>	96,114	<b>(31,781)</b>	(2,689)	<b>232,025</b>	285,535
Gross profit	<b>35,706</b>	36,803	<b>14,977</b>	17,680	<b>31,782</b>	2,689	<b>82,465</b>	57,172
SG&A	<b>14,852</b>	13,961	<b>9,176</b>	9,329	<b>5,275</b>	1,512	<b>29,303</b>	24,802
Gains on dispositions of plant, equipment and timberlands	—	—	—	—	<b>(9)</b>	(3,975)	<b>(9)</b>	(3,975)
Total operating income (loss)	<b>20,854</b>	22,842	<b>5,801</b>	8,351	<b>26,516</b>	5,152	<b>53,171</b>	36,345
Non-operating income (expense)	—	—	—	—	<b>(4,006)</b>	(4,338)	<b>(4,006)</b>	(4,338)
Income before income taxes	<b>\$ 20,854</b>	\$ 22,842	<b>\$ 5,801</b>	\$ 8,351	<b>\$ 22,510</b>	\$ 814	<b>\$ 49,165</b>	\$ 32,007
<b>Supplementary Data</b>								
Net tons sold	<b>199,860</b>	200,072	<b>20,181</b>	21,530	—	—	<b>220,041</b>	221,602
Depreciation, depletion and amortization	<b>\$ 10,623</b>	\$ 9,007	<b>\$ 6,150</b>	\$ 6,700	\$ -	\$ -	<b>\$ 16,773</b>	\$ 15,707
Capital expenditures	<b>2,077</b>	4,156	<b>3,152</b>	11,275	—	—	<b>5,229</b>	15,431

<i>Dollars in thousands</i>	For the nine months ended September 30,							
	Specialty Papers		Composite Fibers		Other and Unallocated		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Net sales	<b>\$595,606</b>	\$634,270	<b>\$287,283</b>	\$331,274	\$ -	\$ 1	<b>\$882,889</b>	\$965,545
Energy sales, net	<b>6,193</b>	7,612	—	—	<b>1</b>	—	<b>6,194</b>	7,612
Total revenue	<b>601,799</b>	641,882	<b>287,283</b>	331,274	<b>1</b>	1	<b>889,083</b>	973,157
Cost of products sold	<b>528,207</b>	566,334	<b>246,122</b>	280,972	<b>(70,026)</b>	(7,977)	<b>704,303</b>	839,329
Gross profit	<b>73,592</b>	75,548	<b>41,161</b>	50,302	<b>70,027</b>	7,978	<b>184,780</b>	133,828
SG&A	<b>40,777</b>	41,940	<b>26,298</b>	29,038	<b>13,289</b>	3,336	<b>80,364</b>	74,314
Shutdown and restructuring charges	—	—	—	—	—	(856)	—	(856)
Gains on dispositions of plant, equipment and timberlands	—	—	—	—	<b>(681)</b>	(18,477)	<b>(681)</b>	(18,477)
Total operating income	<b>32,815</b>	33,608	<b>14,863</b>	21,264	<b>57,419</b>	23,975	<b>105,097</b>	78,847
Nonoperating income (expense)	—	—	—	—	<b>(13,129)</b>	(13,178)	<b>(13,129)</b>	(13,178)
Income (loss) before income taxes	<b>\$ 32,815</b>	\$ 33,608	<b>\$ 14,863</b>	\$ 21,264	<b>\$ 44,290</b>	\$ 10,797	<b>\$ 91,968</b>	\$ 65,669

**Supplementary Data**

Net tons sold	556,214	564,983	59,445	65,225	—	—	615,659	630,208
Depreciation expense	\$ 28,372	\$ 26,619	\$ 17,451	\$ 19,755	\$ -	\$ -	\$ 45,823	\$ 46,374
Capital expenditures	9,095	14,586	7,509	26,253	100	-	16,704	40,839

**Selected Financial Information**  
(unaudited)

<i>In thousands</i>	Nine months ended September 30	
	2009	2008
<b>Cash Flow Data</b>		
Cash provided (used) by:		
Operating activities	\$ 119,514	\$ 17,759
Investing activities	21,874	(21,559)
Financing activities	(62,696)	(9,344)
Depreciation, depletion and amortization	45,823	46,374
Capital expenditures	16,704	40,839
Sept. 30, 2009		December 31, 2008
<b>Balance Sheet Data</b>		
Cash and cash equivalents	\$ 116,240	\$ 32,234
Total assets	1,094,237	1,057,309
Total debt	263,737	313,285
Shareholders' equity	434,372	342,707

**Reconciliation of GAAP Financial Information to Non-GAAP Financial Information**

This press release includes a discussion of earnings before the effects of certain specifically identified items, which is referred to as adjusted earnings, a non-GAAP measure. The Company uses non-GAAP adjusted earnings to supplement the understanding of its consolidated financial statements presented in accordance with GAAP. Non-GAAP adjusted earnings is meant to present the financial performance of the Company's core papermaking operation, which consists of the production and sale of specialty papers and composite fibers papers. Management and the Company's Board of Directors use non-GAAP adjusted earnings to evaluate the performance of the Company's fundamental business in relation to prior periods. The performance of the Company's papermaking operations is evaluated based upon numerous items such as tons sold, average selling prices, gross margins and overhead, among others. Gains on the sale of timberlands, alternative fuel mixture credits, charges for environmental reserves and shutdown and restructuring charges are excluded from the Company's calculation of non-GAAP adjusted earnings because management believes each of these items is unique and not part of the Company's core papermaking business, and will only impact the Company's financial results for a limited period of time. Gains from timberland sales are distinct from revenues generated from paper product sales. Alternative fuel mixture credits represent a government provided tax credit with a short statutory life span. Unlike items such as cost of raw materials and overhead costs, shutdown and restructuring costs are unique items that do not represent direct costs incurred in the manufacture and sale of the Company's products.

Unlike net income determined in accordance with GAAP, non-GAAP adjusted earnings does not reflect all charges and gains recorded by the Company for the applicable period and, therefore, does not present a complete picture of the Company's results of operations for the respective period. However, non-GAAP adjusted earnings provides a measure of how the Company's core papermaking operations are performing, which management believes is useful to investors because it allows comparison of such papermaking operations from period to period.

Non-GAAP adjusted earnings should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with GAAP. The following tables set forth a reconciliation of results determined in accordance with accounting principles generally accepted in the United States of America to non-GAAP adjusted earnings discussed herein.

<i>In thousands, except per share</i>	Three months ended June 30		Three months ended September 30			
	2009		2009		2008	
	After tax income	Diluted EPS	After tax income	Diluted EPS	After tax income	Diluted EPS
Net income	\$ 19,870	\$ 0.43	\$ 45,994	\$ 1.00	\$ 21,662	\$ 0.47
Alternative fuel mixture credits	(30,418)	(0.67)	(32,890)	(0.72)	—	—
Timberland sales and related transaction costs	441	0.01	5	—	(2,371)	(0.05)
Acquisition integration	—	—	—	—	240	0.01
Adjusted earnings (loss)	<u>\$ (10,107)</u>	<u>\$ (0.22)</u>	<u>\$ 13,109</u>	<u>\$ 0.29</u>	<u>\$ 19,531</u>	<u>\$ 0.43</u>

<i>In thousands, except per share</i>	Nine months ended September 30			
	2009	Diluted	2008	
	After tax income	EPS	After tax income	Diluted EPS
Net income	\$ 77,402	\$ 1.69	\$ 44,493	\$ 0.97
Alternative fuel mixture credits	(63,308)	(1.38)	—	—
Timberland sales and related transaction costs	68	—	(11,027)	(0.24)
(Reversal of) shutdown and restructuring charges	—	—	(527)	(0.01)
Acquisition integration	—	—	828	0.02
Adjusted earnings	\$ <u>14,162</u>	\$ <u>0.31</u>	\$ <u>33,767</u>	\$ <u>0.74</u>

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

<b>Free Cash Flows</b> <i>In thousands</i>	Three months ended September 30	
	2009	2008
Cash from operations	\$54,647	\$ 20,806
Less:		
Capital expenditures	(5,229)	(15,432)
Free cash flows	\$ <u>49,418</u>	\$ <u>5,374</u>

Calculation of Net Debt In thousands	Sept 30, 2009	Dec. 31 2008
Short term debt	\$3,150	\$ 5,866
Long term debt	260,587	307,419
	-----	-----
Total	263,737	313,285
Less: Cash	(116,240)	(32,234)
	-----	-----
Total debt less cash	147,497	281,051
Less: Collateralized debt	(36,695)	(70,695)
	-----	-----
Net Debt	\$110,802	\$210,356
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## **CORPORATE PARTICIPANTS**

### **Glenn Davies**

*P.H. Glatfelter Co. — Corporate Finance*

### **George Glatfelter**

*P.H. Glatfelter Co. — Chairman, CEO*

### **John Jacunski**

*P.H. Glatfelter Co. — SVP, CFO*

### **Dante Parrini**

*P.H. Glatfelter Co. — EVP, COO*

## **CONFERENCE CALL PARTICIPANTS**

### **Mark Wilde**

*Deutsche Bank — Analyst.*

### **Paul Mammola -**

*Sidoti & Co. — Analyst*

## **PRESENTATION**

### **Operator**

Good morning. My name is Lynn, and I will be your conference operator today. At this time, I would like to welcome everyone to the Glatfelter third quarter 2009 earnings release conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (OPERATOR INSTRUCTIONS.) Thank you.

Mr. Glenn Davies, you may begin your conference.

### **Glenn Davies - P.H. Glatfelter Co. — Corporate Finance**

Thank you, Lynn. Good morning and welcome to Glatfelter's third quarter conference call. My name is Glenn Davies from Glatfelter's Corporate Finance Group. Presenting on the call this morning will be George Glatfelter, our Chairman and Chief Executive Officer; Dante Parrini, Executive Vice President and Chief Operating Officer; and John Jacunski, our Senior Vice President and Chief Financial Officer. After providing their prepared remarks, we will open the call to address any questions that you may have.

First I need to make a few comments. I want to remind you that the term, "adjusted earnings," is a non-GAAP financial measure, as it excludes from our GAAP-based results certain items that we do not consider to be part of our core operation. In our earnings release, we have provided a reconciliation of adjusted earnings to our GAAP-based results, together with a discussion of why we use this measure.

Second, any statements made today concerning our expectations about future trends or performance may constitute forward-looking statements. Please refer to our 2008 annual report filed with the SEC for important factors that could cause actual results to differ materially from any forward-looking statements.

And finally, we have provided a slide presentation that is available on our website and through our webcast provider. You may want to refer to these slides to enhance your understanding of our results this quarter. Thank you, and I will now turn the call over to George.

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Thank you, Glenn. Good morning, everyone, and welcome. This morning we reported that earnings for the third quarter of 2009 improved significantly compared to the second quarter. For the quarter, we generated net income of \$46 million, or \$1.00 per diluted share. When adjusted to exclude the benefit from alternative fuel mixture credits, we earned \$0.29 per share compared with a loss of \$0.22 per share in the 2009 second quarter. On a year-over-year basis, the third quarter results for 2009 are \$0.14 per share below the third quarter of last year, principally due to costs associated with pension plans and a combination of slightly lower selling prices and market-related downtime.

I am very pleased with the performance of our business this quarter. Throughout 2009, we have demonstrated the ability to consistently generate meaningful improvements in the financial strength of the Company by focusing on our business strategy, aggressively managing costs, developing new products, and maximizing cash flows. In my view, this performance continues to reflect the adaptability and the resiliency of the specialized business model that drives our Company.

And here's what I mean. During the quarter, our Specialty Papers business unit again outperformed the broader uncoated free sheet market, driven by successful new product and new business development initiatives. Volume in this unit was up 17% compared to the second quarter, while the broader uncoated free sheet market increased by only 5%. Compared to the prior year, Specialty Papers volume was flat, while the broader market was down 8%.

In Composite Fibers, our financial results improved significantly compared with the second quarter, with operating profit up 62%. Although volume shipped continued to be impacted by inventory destocking on the part of our customers and the overall economy, we believe markets served by this business unit stabilized during the quarter. As a result, the extent of market-related downtime was significantly less than we experienced during the second quarter of the year.

During the quarter, we also generated \$49 million of free cash flow from the operations of the business. This performance reflects a continuation of our strategy to maximize cash flow and preserve the strength of the balance sheet. Aggressive cost control, effective inventory management, and supply-side discipline combined to generate this result.

Finally, our continuing commitment to new product development has been a powerful component of our business performance for the past several years. Throughout the economic challenges of 2009, penetration of new markets and commercialization of new products has proven to be highly valued by an increasingly broader range of customers. I'm pleased to report that in the third quarter, revenue generated from products that are less than five years old was \$178 million, or 57% of the total revenue stream of the Company.

I will now turn the call to John to provide a more in-depth discussion of the third quarter financial results. John, are you ready?

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

Thank you, George.

On an adjusted earnings basis, we reported net income of \$13.1 million, or \$0.29 per share, compared with adjusted earnings of \$19.5 million, or \$0.43 per share, in the third quarter last year. The (inaudible) for the primary changes in earnings and comparison of this quarter's results to the same period of 2008 were lower operating income from the Specialty Papers business unit reduced earnings per share by \$0.03; lower operating income from the Composite Fibers business unit reduced earnings per share by \$0.04; pension expense in the third quarter of 2009 compared with pension income in the third quarter of 2008 reduced earnings per share by \$0.08; and the lower effective tax rate, partially offset by higher professional services costs, was a net benefit to earnings per share of \$0.01.

Looking at the performance of each of our business units this quarter, Specialty Papers' operating profit was \$20.9 million compared with \$22.8 million in the third quarter last year. As you can see on Slide 7, the main driver of the decline in the quarterly results was lower average selling prices totaling \$7.5 million, partially offset by lower costs for raw materials and energy totaling \$6.1 million.

Operating income for the Composite Fibers business unit totaled \$5.8 million in the third quarter of 2009, or \$2.6 million lower than the same quarter a year ago. As shown on Slide 10, the decline was largely due to operating inefficiencies and market-related machine downtime, which together negatively impacted operating income by \$4.1 million. This was partially mitigated by favorable input costs and the net impact of foreign currency change.

In the third quarter of 2009, we reported pretax pension expense of \$1.9 million compared to net pension income of \$4 million in the same quarter last year. On an after-tax basis, this adversely impacted results by \$0.08 per share. We expect pension expense to total \$7.3 million for all of 2009 compared to pension income of \$16.1 million for 2008, resulting in a negative impact to earnings per share of \$0.32 in a year-over-year comparison. However, we will not be required to make cash contributions to our qualified defined-benefit pension plans during 2009.

Now looking at capital expenditures, as we previously reported, given the current economic environment, we have deferred nearly all discretionary capital projects for 2009. Accordingly, capital expenditures in the third quarter of 2009 were \$5.2 million, or \$10.2 million less than the third quarter of 2008. We estimate capital expenditures for all of 2009 to be approximately \$25 million.

During the quarter we had very strong cash flow, generating \$49.4 million of free cash flow compared with \$5.4 million in the same quarter of 2008. Year to date we generated nearly \$103 million of free cash flow, including \$30 million from the alternative fuel mixture credit.

During 2009, our initiatives to more tightly manage working capital have generated cash flow of \$49.1 million, including \$33.6 million from inventory reductions.

As we discussed last quarter, two of our mills are approved alternative fuel mixers. For the third quarter 2009, we earned \$33 million of alternative fuel mixture credits, for which no cash was received, as we will claim these as refundable income tax credits when we file our 2009 federal income tax return.

We began mixing and burning eligible alternative fuels in late February, and since then we have earned \$75.6 million of alternative fuel mixture credits, of which \$29.7 million has been received in cash, \$10.9 million was used to reduce estimated interim tax payments, and \$34.9 million will be claimed as future refundable income tax credits.

Overall, our balance sheet remains strong, and we have significant available liquidity. At the end of the second quarter—excuse me, at the end of the third quarter—we had

\$116 million of cash and, excluding the collateralized debt instrument related to a prior timberlands sale, our net debt was \$110.8 million, which is nearly \$50 million lower than at the end of the second quarter and nearly \$100 million lower than at the end of 2008.

In addition, we have \$188 million of borrowing capacity available in our revolving credit agreement, which does not mature until April 2011.

Finally, I have a few comments regarding the fourth quarter. We expect to incur normal downtime in both business units during the Christmas holiday, which will negatively impact results compared to the third quarter. I also want to remind you that our effective tax rate on adjusted earnings for the fourth quarter of last year was 12.5% due to the reinstatement of the research and development credit during the fourth quarter, retroactive to the beginning of 2008. We expect our tax rate on adjusted earnings to be approximately 25% during the fourth quarter this year.

This concludes my comments on our financial results. Dante will now provide comments about our business unit performance.

**Dante Parrini - P.H. Glatfelter Co. — EVP, COO**

Thank you, John, and good morning. Let's start with Specialty Papers. Specialty Papers' results for the third quarter reflected improving demand in an overall weak economic environment, and our initiatives to develop new business and products and to reduce inventory levels.

Total volumes shipped by Specialty Papers were unchanged from the same quarter a year ago, and our shipments were up 17% compared to the second quarter of 2009. In addition, we continued to compare favorably with the broader North American uncoated free sheet markets, which were down approximately 8% in the year-over-year comparison. Volumes shipped in envelope and converting papers increased 11%, continuing our growth in this segment. Book publishing papers were off nearly 10% compared to a year earlier, which was an improvement from the second quarter and consistent with the broader uncoated free sheet market.

Carbonless rolls were down 20%, reflecting the economic sensitivity of this product line. Carbonless sheets, however, were up 13% as we successfully negotiated a large, multiyear supply agreement with a leading national merchant for this product line. And uncoated specialties, security papers, and business forms were 43% higher in the comparison to the same quarter a year ago as we focused on expanding the products offered to both new and existing customers in this segment of the market.

Engineered products was off approximately 8% in comparison, largely related to soft demand for products tied to more economically sensitive applications such as automotive, postal, and certain consumer products.

Average selling prices were generally down in each market segment, with the exception of some longer-term contract business.

We reduced the Specialty Papers inventory levels by over 15% during the quarter and 29% year to date in 2009, contributing significantly to our cash generation.

From an outlook perspective, we expect our shipping volume in the fourth quarter to be approximately 10% behind the third quarter, reflecting normal seasonality. Operationally, the Spring Grove and Chillicothe mills ran well during the quarter, without any material interruptions to production.

Now let's turn to Composite Fibers. Composite Fibers' results continued to be impacted by softer demand related to inventory destocking and the economy, as well as our willingness to take machine downtime to match production with demand. Overall, shipping volumes for this business unit declined 6% this quarter compared with the third quarter of 2008 but were flat compared to the second quarter of 2009. During the third quarter, we believe that this business unit's markets have stabilized and, in some cases, began to improve.

In Food and Beverage, shipments declined 11% due to weak order patterns and customers' inventory destocking, primarily in Russia, Eastern Europe, and other related regions. We continue to believe this market segment represents attractive longer-term growth opportunities as the macroeconomics improve.

In the more economically sensitive Composite Laminates product line, shipments were off 20%, reflecting continuing weakness in the housing, construction, and related consumer discretionary markets. Technical specialties were up 6.5%, and metallized shipments increased nearly 10% over last year as a result of the realization of new business opportunities.

During the quarter, we reduced inventory in this unit by 2%. This resulted from 1,700 tons of downtime with an impact of \$1.3 million on operating profit, which was down substantially from the second quarter. In addition to the machine downtime, we incurred \$2.8 million of production inefficiencies associated with shorter production runs that drove unfavorable material usage variances and other related costs.

As we look into the fourth quarter, we expect shipping volume, selling prices, and input costs and capacity utilization to be in line with the third quarter of 2009.

This concludes my remarks. I'll turn it back to you, George.

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Thanks, Dante. To summarize the different presentations, we enjoyed a very successful third quarter. I'm pleased with our business performance, and I believe that it continues to reflect a nimble and affirmative response to externally driven economic challenges.

As we progressed into the second half of 2009, each of our business units demonstrated meaningful improvement. As I mentioned, we generated \$49 million of free cash flow and reduced our net debt to \$111 million, which is nearly \$100 million lower than at the end of 2008.

Recently, market volatility has lessened, and in general, order patterns have improved. I don't believe that all the economic challenges are behind us, but certainly external forces impacting our overall business have moderated.

To date, effective implementation of our specialized business model, coupled with an aggressive focus on cash flow, have combined to position this business well going into the fourth quarter and beyond. I continue to have confidence in the strategic direction of our business, as well as in the day-to-day attention to detail and fundamental business

execution. I believe that Glatfelter is very well positioned to continue to deliver value because of its highly flexible asset base, global reach, market leadership, and proven new product development capabilities.

From a strategic perspective, I expect that the strength of our balance sheet and broad diversity of our product range will offer ample opportunity for continued business growth.

That concludes our prepared remarks for today's call. At this point we will turn the call over to Lynn and open the line to address your questions. Lynn?

## **QUESTION AND ANSWER**

### **Operator**

(OPERATOR INSTRUCTIONS.) Your first question comes from the line of Mark Wilde with Deutsche Bank.

**Mark Wilde - Deutsche Bank — Analyst.**

Good morning.

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Good morning, Mark.

**Mark Wilde - Deutsche Bank — Analyst.**

A few detailed questions and then a little bigger picture stuff. First, I was a little bit surprised in the guidance in Specialty Paper for the fourth quarter this year. You're pointing to flat pricing quarter to quarter, and I was just trying to reconcile that with the different uncoated free sheet initiatives that are out there in the market.

**Dante Parrini - P.H. Glatfelter Co. — EVP, COO**

Mark, this is Dante. As you know, we've got a pretty diverse product portfolio, and so, if I look at it on the aggregate level, I feel pretty confident that we'll see reasonably flat pricing quarter to quarter.

**Mark Wilde - Deutsche Bank — Analyst.**

But aren't there moves out there for like envelope papers right now?

**Dante Parrini - P.H. Glatfelter Co. — EVP, COO**

Yes, there's some, and realization and timelines are yet to be played out. So again, I think if I look at the broader portfolio, we see some pricing moving up. Others might be mix-related. So plus or minus 1% is about the best estimate we can give you right now.

**Mark Wilde - Deutsche Bank — Analyst.**

Okay. And Dante, is it possible to get a sense of what carbonless pricing and total carbonless volumes look like on a year-over-year basis or a quarter-by-quarter basis?

**Dante Parrini - P.H. Glatfelter Co. — EVP, COO**

Well, I think prior to the recession, carbonless had been, on a year-over-year basis, off about 10%. And as we said, the roll business, which represents the lion's share of our carbonless portfolio—and the industry's portfolio, for that matter—has been off to the tune of 20%-plus year over year. So those are the assumptions that we're operating with. Clearly, there's some assumptions that have to be baked into how much of the demand decline is tied to the recession and short-term reaction versus permanent demand leaving the market, so it's subject to interpretation how you get from 10% year over year to the 20%-plus year-over-year delta we've seen so far in '09.

On the sheet side, I think I made reference to some of the business development initiatives that were successful during the quarter and allowed us to grow that part of our portfolio, and we're happy about that.

**Mark Wilde - Deutsche Bank — Analyst.**

Okay, and then, Dante, I'm just trying to reconcile what you said about the mills running full out in the third quarter, your inventories going down, and your shipments being flat year over year. Can you help me there?

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

Mark, perhaps I can. We also had inventory reduction in the third quarter of last year. So we've been on a path of reducing inventories in Specialty Papers for a couple of years since we acquired the Chillicothe operation, actually, within the first nine months or so. Beyond that, we've been reducing inventory. So both periods had a reasonable amount of inventory reduction in them, and then we also produced full in both periods. So I think that's how we get to comparable shipments year over year.

**Mark Wilde - Deutsche Bank — Analyst.**

John, how much is left to play there in terms of that inventory draw?

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

I think in Specialty Papers, we're at probably the low point. I don't believe there's much opportunity to push those inventories down. There could be; typically when we get to the end of the year, we'll have a little bit of growth because the seasonal impact of the shipping side. After Thanksgiving we're going to see shipments fall off and we will build a little bit of inventory. But I think in Specialty Papers, we're not going to see further reduction in our finished goods inventory.

**Mark Wilde - Deutsche Bank — Analyst.**

Great. Now, I noticed also you had about a \$1.4 million charge for some accelerated depreciation in Specialty Papers. Can you give us a sense of what that was for?

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

We had some equipment that was installed some time ago related to the pulp mill that, frankly, we just don't need to use any longer. And we got to a point in this quarter where we needed to write it off. So there's nothing ongoing from that. It was simply some equipment that was installed some time ago that needed to be written off.

**Mark Wilde - Deutsche Bank — Analyst.**

Okay. And then I noticed you also had higher legal and professional fees. Can we get a little color on that?

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

Sure. The ongoing Fox River litigation—I think we've reported on that in previous quarters as well—has resulted in increased spending on legal fees. We also have a number of other corporate initiatives, improvement initiatives, that we had some spending on this quarter. But it's really those two types of item that drove the increase.

**Mark Wilde - Deutsche Bank — Analyst.**

And just step back a little bit. I mean, you're sitting on a lot of cash right now. Your net debt position is relatively low, and George, you highlighted, looking at growth initiatives in your closing comments. Can you just help us put those pieces together and think about how you might be using that cash and also where the growth opportunities appear to you at this point?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Sure, Mark. I'd be happy to do that. First of all, I'd start by telling you I couldn't be happier about coming out of the past nine to twelve months with a balance sheet that is as rock-solid as ours is today. I think it's a distinctive characteristic of the Company.

And really, what that means in my view is it provides a deep tool chest from the standpoint of looking at how to return value to shareholders. And you know all the tools. So I'm not going to go through each of those for you today. I think that one of the things that has always been of intrigue to the Company is a way to expand the specialized business model through acquisition growth. That's a tool that continues to exist in the chest and one that we continue to take a look at critically. What I would say to you, a couple of things.

First of all, as you might imagine, today there are a lot of opportunities that didn't exist going into the downturn. But the second thing that I would mention that I'm sure won't surprise you is that we approach acquisition from a highly disciplined perspective. We're not going to make an acquisition that doesn't show us a means of returning our cost of capital. We're not going to make acquisitions in markets that don't offer market leadership positions, expand our global reach, are defensible, and really reflect an opportunity to build a stronger proportion of growth-oriented businesses in our portfolio.

And then finally, getting back to the question at hand, we're not going to blow up the balance sheet to do a deal. So it's interesting, the more things change, the more they stay the same. I've said those things on this call for nearly 10 years now, and if you look back on the trajectory of the Company, the acquisitions we've made, I think it fits very nicely into the criteria that I just outlined for you.

**Mark Wilde - Deutsche Bank — Analyst.**

But George, would you say, as you think about growth, that it's going to be more skewed to the type of businesses that you're in in Composite Fibers?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Well, I think in general, that is true, because we've found in that platform, first of all, an opportunity to continue to support growth-oriented businesses that have global footprints. I think both of those things strategically are important to Glatfelter. You know, the market leadership and the barriers to entry characterized by many of those markets are things that we've come to value very highly.

Having said all that, acquisition's all about making money. And so I wouldn't leave you with the impression that we would be disinclined to make an acquisition that's not in that space, if in fact we could convince ourselves that it was a good deal for shareholders.

**Mark Wilde - Deutsche Bank — Analyst.**

Okay. Just a last follow-up on that. It just seems to be in the last, probably three years, that the structural challenges in a lot of the specialty papers markets are more significant. You know, whether people are focused on electronic readers or just pressure on direct mail volumes that may hit the envelope paper business. Can we just get some general thoughts from you about how you factor that uncertainty in when you would think about growing at all in the Specialty side of the business?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Well, sure. First of all, I'd say, Mark, that these markets never stay the same. And I think the answer to your question really reflects not just the fact that Glatfelter manufactures specialized papers, but we do so with the support of a highly specialized business model that recognizes that there are dynamic changes impacting all aspects of our business. And so you build a model that has the flexibility and nimbleness to shift and turn with changing market dynamics. I think that's really important.

You build a model that offers a broad diversification of product ranges and capabilities that deals with some of the structural challenges that you talk about today. And you build a model, frankly, that allows you to take advantage of some of those structural challenges by penetrating markets, offering value-added products at reasonable costs, and really building a level of customer pull in those markets where that may not have existed before.

And I think if you look at how we've approached markets that are not highly specialized—for example, envelope is the one that comes to my mind—and you see what we've been able to do in that market, a market that has been characterized by many of the challenges that you just described, and I think you can get a sense as to why we think the model, the business model of Glatfelter, is so important.

**Mark Wilde - Deutsche Bank — Analyst.**

And George, is that Franklin Mill that IP just announced, was that a player in the envelope paper market?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Yes, sir, it was.

**Mark Wilde - Deutsche Bank — Analyst.**

A significant one?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Yes.

**Mark Wilde - Deutsche Bank — Analyst.**

Okay. Thanks.

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Yes.

**Operator**

(OPERATOR INSTRUCTIONS.) Your next question comes from the line of Paul Mammola with Sidoti and Company.

**Paul Mammola - Sidoti & Co. — Analyst**

Hi, good morning, everyone.

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Good morning, Paul.

**Paul Mammola - Sidoti & Co. — Analyst**

Could you talk a little bit about some of the new products or businesses that are helping Specialty sequentially there?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Sure. We may tag-team on this, Paul. This is George. But we'll address your question. When you look at new products across the span of the business, it varies. An example of a new product, for example, that is new to the world would be the coffee pod papers that we engineer jointly with one of our major business partners for the use in single-serve coffeemakers such as Senseo—well, Senseo is the brand that comes to mind.

Or it might be an array, a great range of products that exists today but are new to the Company. The FDA-approved grades manufactured today out of our Pennsylvania facility are a good example of that, opening up a whole new array of products to Glatfelter. Or it might just be an opportunistic play in an existing product not currently

manufactured by Glatfelter. An example of that is the cut size business we have picked up over the past quarter for office reprographic uses.

So those give you three different product categories that reflect different levels of new products, not only from the standpoint of technical sophistication, but from the standpoint of broader applications economically.

If you drop down below that line, you'll see new products in the areas of digital imaging applications and the like. So it's a wide array of different applications.

**Paul Mammola - Sidoti & Co. — Analyst**

Okay, that's helpful. And then I guess I was a little surprised with the performance in Composite Fibers. It sounds like, from your commentary, that that was primarily driven by tea and coffee. What are your thoughts there? Is that primarily inventory destocking? And if it is, when do you expect that to wrap up?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Well, on a very high level, Paul, first of all, a truism in the paper industry is when paper machines run, yields and efficiencies go high. When you shut machines down, you suffer the loss of that. And I think you saw some of that occurring in Composite Fibers over the past quarter—or two quarters, actually—as we have exercised supply-side discipline and basically ran our machines to reflect incoming orders.

What was the second component of your question?

**Paul Mammola - Sidoti & Co. — Analyst**

Is the driver in lower orders inventory destocking, and when do you expect that to wrap up and channel?

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

I think the principal driver is, in fact, inventory destocking. I think that we have seen some stabilization in that respect over the past quarter. So I would expect that, as we go into the fourth quarter and beyond, that would continue to moderate.

**Paul Mammola - Sidoti & Co. — Analyst**

Okay. And then finally, is there any update on raw material and electricity contracts that are coming due in the near term here?

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

Paul, yes. As we talked about in our 10-K, we have the electricity contract in Spring Grove, which expires in March, or March 31 of next year. And at that point, we will most likely continue selling to the grid but not under a contract. So, as we outlined, there could be some volatility in the proceeds we receive for the sale of that energy as we move forward.

**Paul Mammola - Sidoti & Co. — Analyst**

And, John, was there a coal contract coming due in the fourth quarter, or am I mistaken?

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

There is. In Spring Grove we have a coal contract that expires at the end of the year, and we are in the process of finalizing a new agreement around that.

**Paul Mammola - Sidoti & Co. — Analyst**

Okay, great. Thanks for your time.

**John Jacunski - P.H. Glatfelter Co. — SVP, CFO**

Okay.

**Operator**

This concludes our question-and-answer session. I would now like to turn the call back over to George for any closing remarks.

**George Glatfelter - P.H. Glatfelter Co. — Chairman, CEO**

Okay. Thank you very much, Lynn. Just in closing, I would reiterate that we're well pleased with the quarter. It looks as though things are improving from the standpoint of the economic impact on the business, and I think we're well positioned for the year ahead. So I thank you all for your support of the Company and for your presence on the call today.

**Operator**

This concludes today's conference call. You may now disconnect.