



GLATFELTER
Beyond Paper



Glatfelter (NYSE: GLT)

2012 Third Quarter Earnings Conference Call
October 31, 2012

Dante C. Parrini – Chairman & Chief Executive Officer

John P. Jacunski – Senior Vice President & Chief Financial Officer

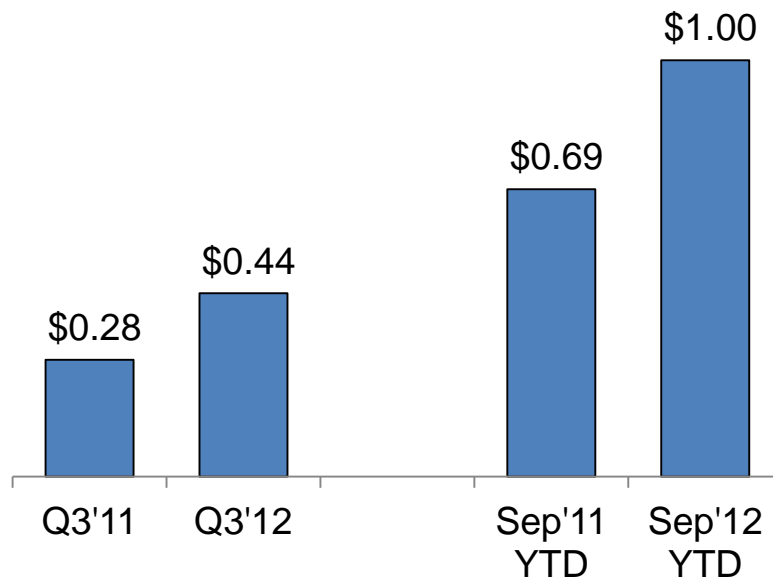
Forward-Looking Statements and Use of Non-GAAP Financial Measures

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. The Company use words such as “anticipates”, “believes”, “expects”, “future”, “intends” and similar expressions to identify forward-looking statements. Any such statements are based on management’s current expectations and are subject to numerous risks, uncertainties and other unpredictable or uncontrollable factors that could cause future results to differ materially from those expressed in the forward-looking statements including, but not limited to: changes in industry, business, market, political and economic conditions in the U.S. and other countries in which it does business, demand for or pricing of its products, changes in tax legislation, governmental laws, regulations and policies, initiatives of regulatory authorities, technological changes and innovations, market growth rates, cost reduction initiatives, the cost, and successful design and construction, of the Composite Fibers capacity expansion project, the incurrence of unforeseen costs associated with the repair of equipment and clean-up due to the fire at the Scaer facility, our ability to supply this facility’s customers, and the coverage provided by insurance for this incident and other factors. In light of these risks, uncertainties and other factors, the forward-looking matters 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.

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.

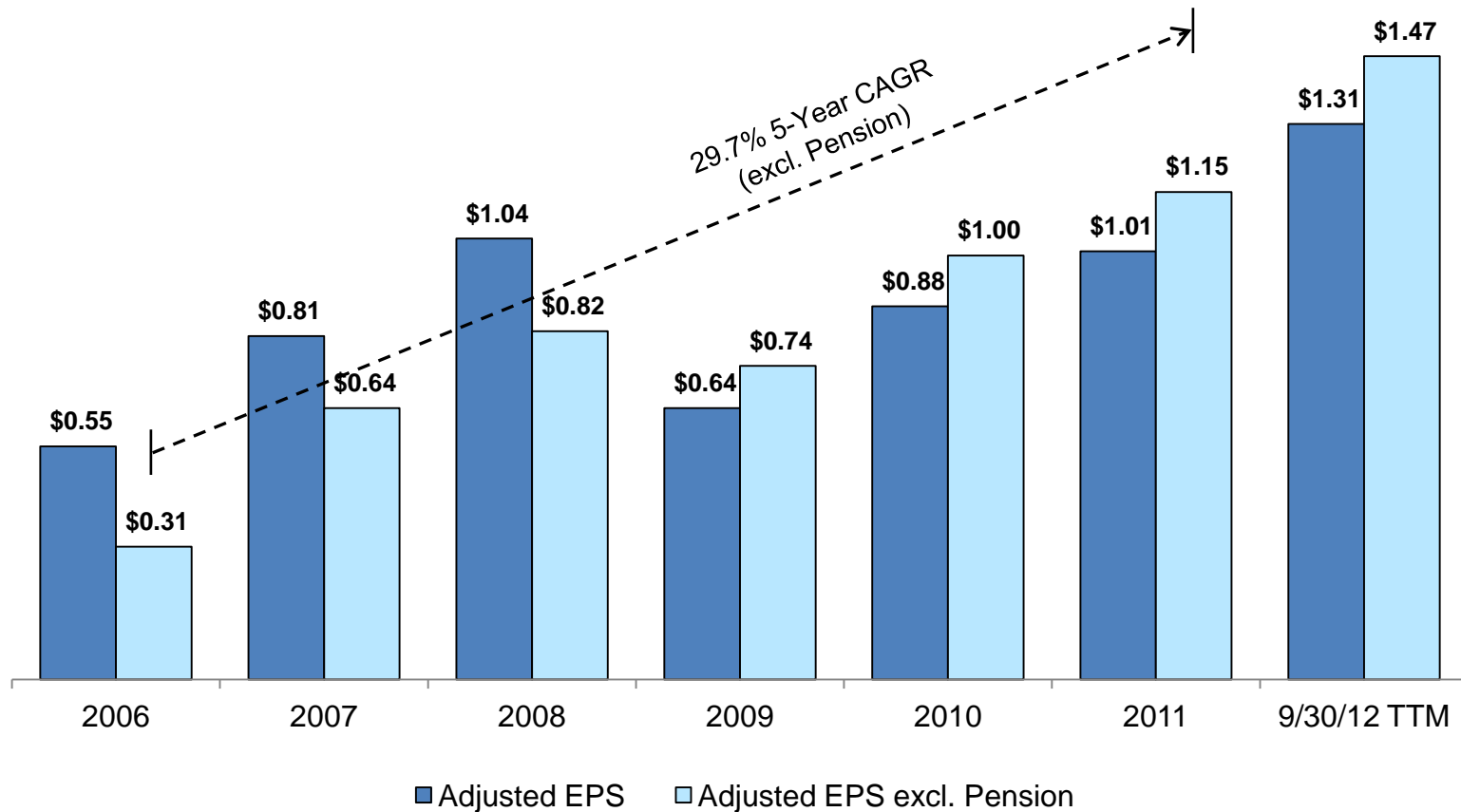
Q3 2012 Highlights

Adjusted EPS (EPS Before Special Items)



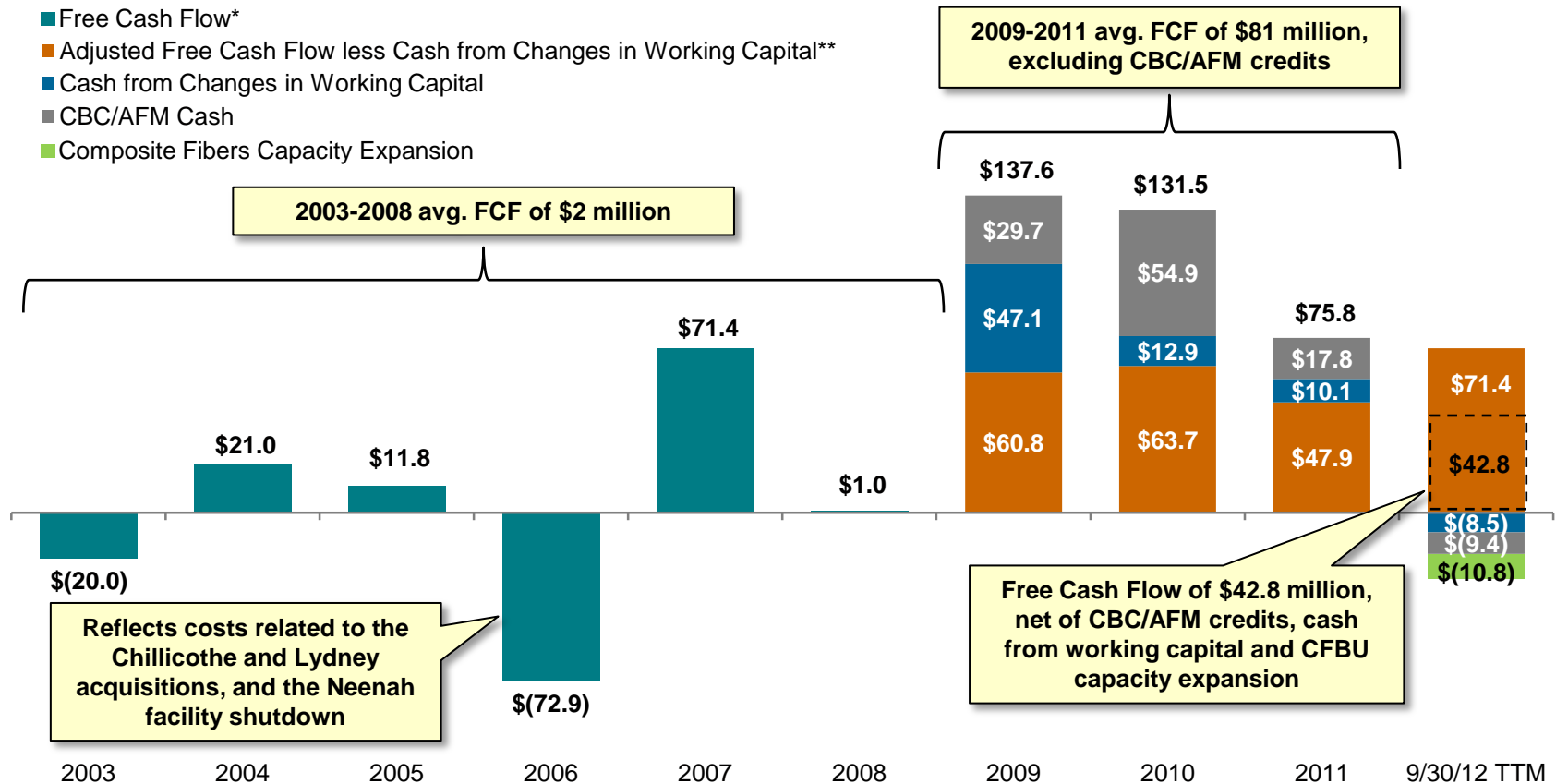
- Q3 2012 Adjusted EPS increased 57% over prior year
- Net sales totaled \$404 million, an increase of \$1.4 million on a constant currency basis
- Adjusted Operating Income, excl. Pension, up 18% despite weakening of European markets and unfavorable FX translation
 - Specialty Papers operating income increased by \$4.4 million or 26% from Q3 2011
 - Composite Fibers operating income higher by \$0.2 million
 - Advanced Airlaid Materials operating income improved by 10.5%
- Debt refinancing in late 2011 and share repurchase programs added \$0.06 per share in the comparison
- Generated strong free cash flow of \$25.8 million (excluding CFBU capacity expansion of \$3.5 million and CBC conversion of \$16.8 million)

Strong Growth in Adjusted EPS



GLT extended its track record of strong adjusted EPS growth into 2012.

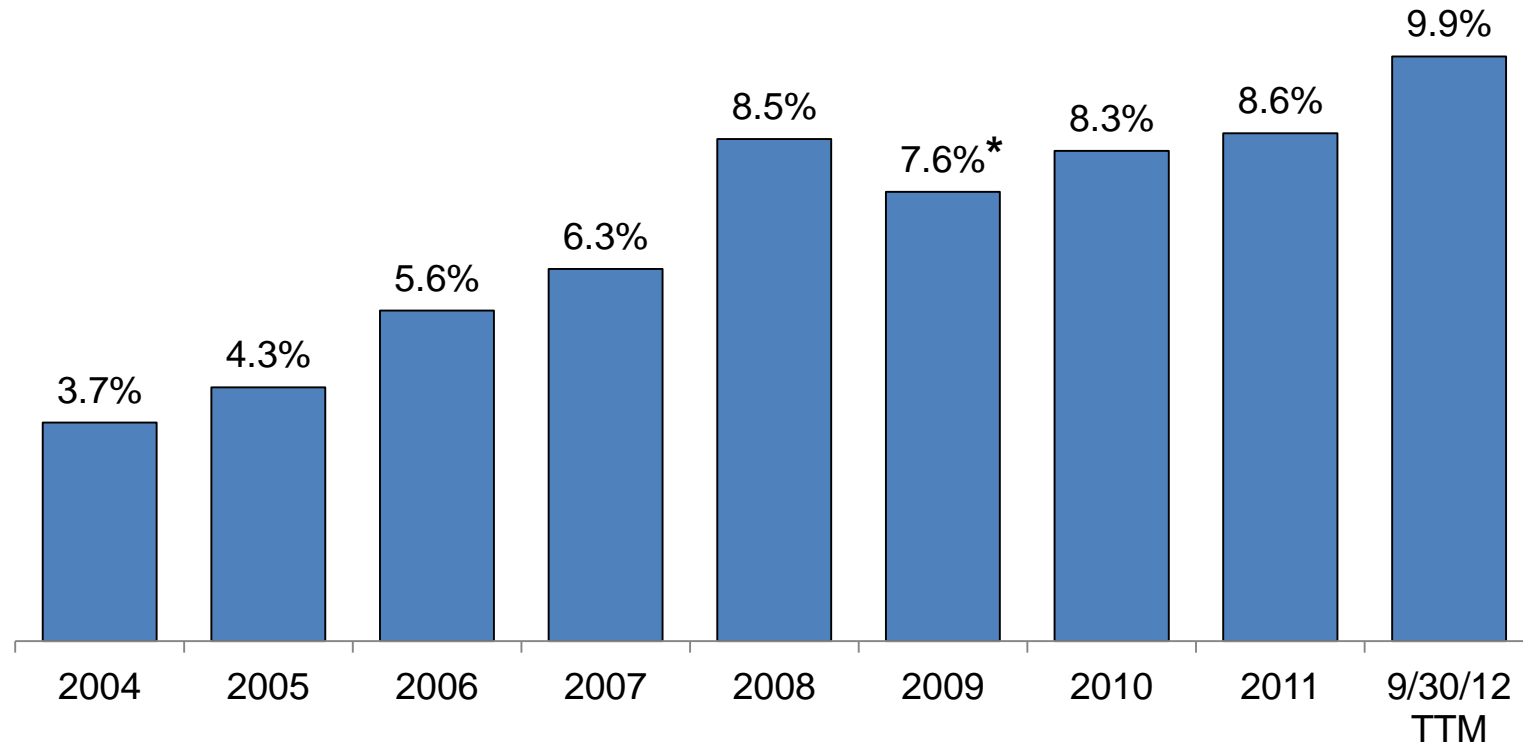
Attractive Free Cash Flow Profile



GLT continues to generate strong free cash flow to fund growth initiatives, dividend and share repurchases, and to maintain financial flexibility.

Notes: Figures in millions; *Free Cash Flow based on operating cash flow less capital expenditures; **Adjusted Free Cash Flow = Free Cash Flow excluding CBC/AFM cash and CFBU capacity expansion investments

Improving Returns on Invested Capital

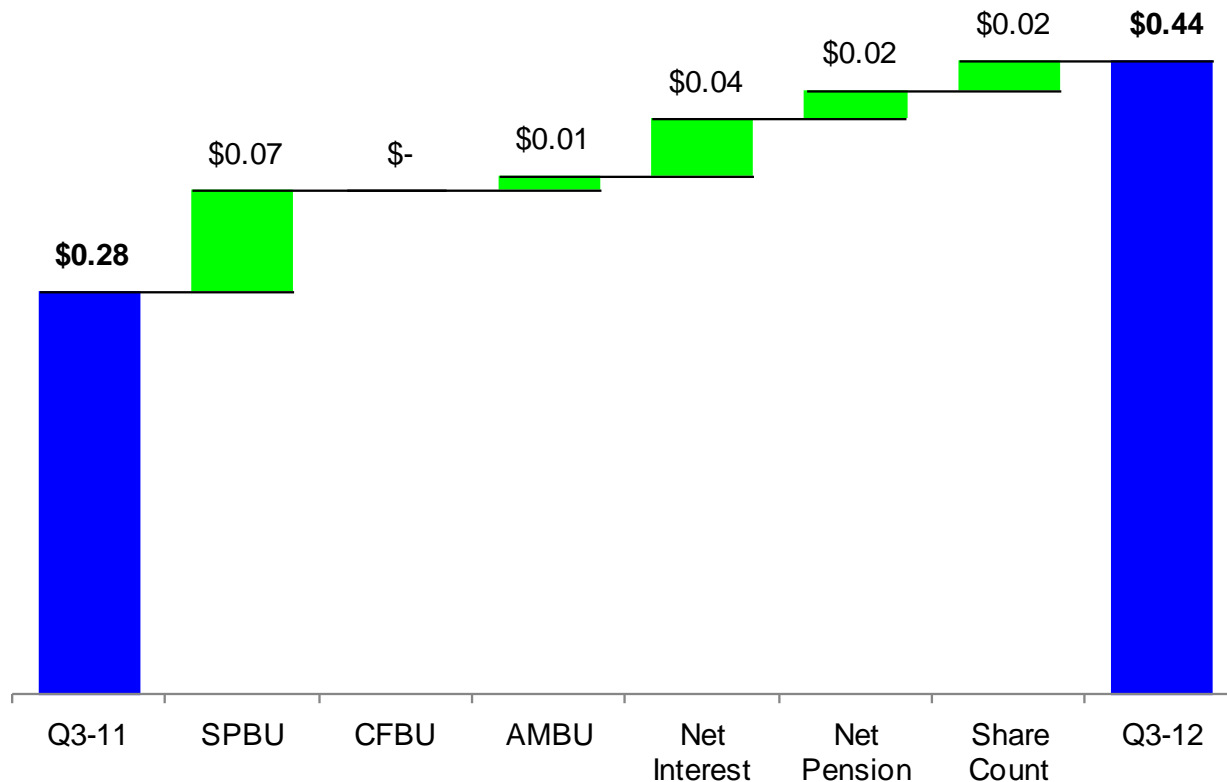


Strong earnings growth, consistent free cash flow and disciplined capital deployment have significantly improved return on capital, which now exceeds GLT's cost of capital.

*Notes: * 2009 impacted by global recession and transition from net pension income (2004-2008) to net pension expense (2009-2011).*

Return on invested capital based on after-tax earnings from operations excluding unusual items.

Adjusted EPS – Q3 2012 vs. Q3 2011

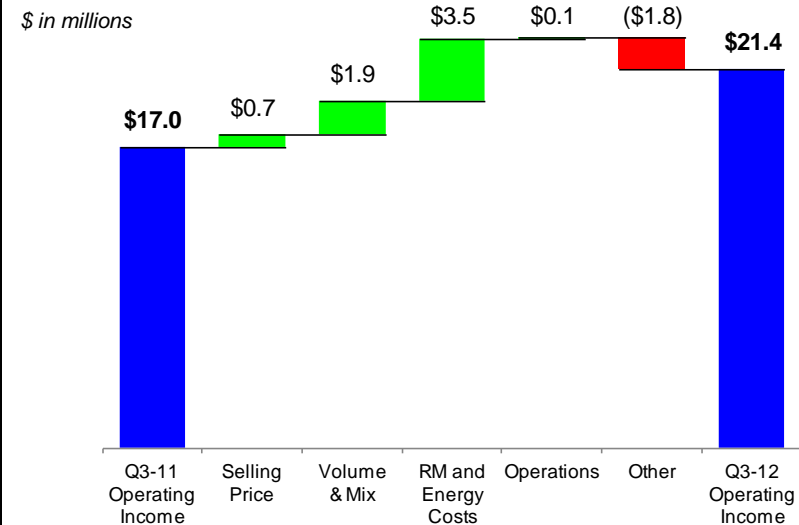


On a GAAP basis, net income was \$20.1 million or \$0.46 per diluted share in Q3 2012 compared to \$13.0 million or \$0.28 per diluted share in Q3 2011.

Specialty Papers Q3 2012 Highlights

<i>Dollars in Thousands</i>	Q3 2011	Q2 2012	Q3 2012
Tons shipped	199,583	186,797	204,531
Net sales	\$225,410	\$214,113	\$232,620
Energy and related sales, net	\$2,840	\$1,630	\$1,868
Operating income	\$16,965	\$4,244	\$21,411
Operating margin	7.5%	2.0%	9.2%

- **Shipments increased 2.5%, outperforming the broader UFS market, which was down 4.8% y/y**
- **Net sales increased 3.2% from higher shipments and higher average selling prices**
 - Shipments increased 9% in Forms, 8% in Engineered Products and 5% in Envelope
 - Book Publishing and Carbonless shipments declined 4% and 5% respectively

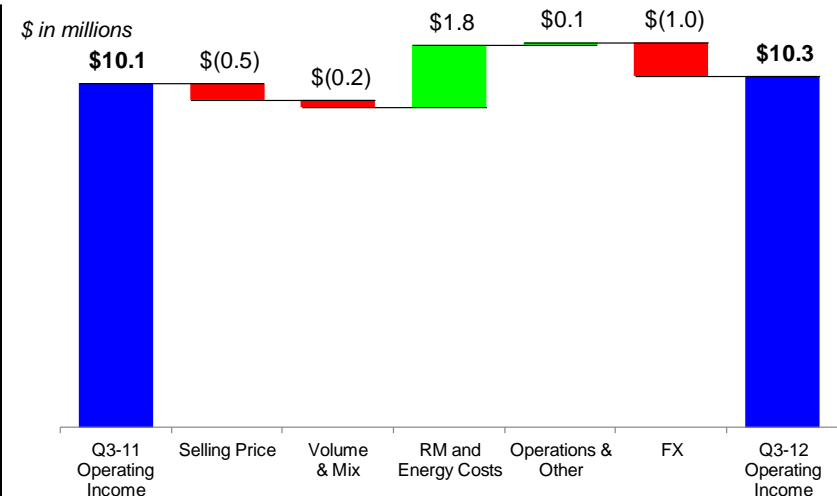


- **Selling prices were higher overall, generating \$0.7 million**
- **Higher shipments and a favorable mix added \$1.9 million to operating income during the quarter**
- **Input costs decreased by \$3.5 million, largely driven by lower purchased pulp prices**
- **Net margin from power and renewable energy credit sales declined \$1.0 million due to lower prices**

Composite Fibers Q3 2012 Highlights

<i>Dollars in Thousands</i>	Q3 2011	Q2 2012	Q3 2012
Tons shipped	24,105	22,975	23,532
Net sales	\$124,852	\$108,625	\$110,846
Operating income	\$10,057	\$7,916	\$10,293
Operating margin	8.1%	7.3%	9.3%

- **Net sales were down 3.9% y/y, on a constant currency basis**
- **Shipping volumes declined 2%**
 - Soft market conditions in Europe
 - Lower shipments of coffee products driven by customer inventory adjustments
- **Capacity expansion project progressing with start-up expected in Q2 2013**



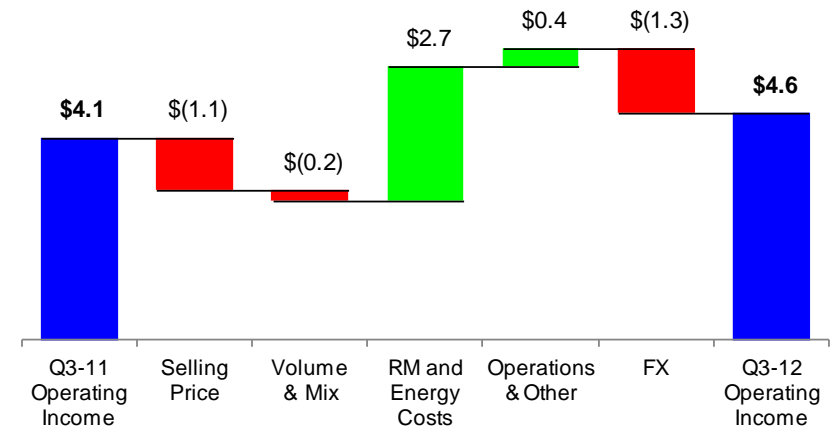
- **Lower selling prices in Composite Laminates and Metalized Products, negatively impacted results by \$0.5 million**
- **Input costs decreased by \$1.8 million, mostly driven by lower purchased pulp and energy prices**
- **Foreign currency translation negatively impacted results by \$1.0 million**
- **Fire in October 2012 at mill in Scaer, France, to impact Q4 results**
 - Covered by insurance, subject to \$0.5 million deductible

Advanced Airlaid Materials Q3 2012 Highlights

<i>Dollars in Thousands</i>	Q3 2011	Q2 2012	Q3 2012
Tons shipped	23,052	22,730	22,809
Net sales	\$66,232	\$61,955	\$60,888
Operating income	\$4,133	\$4,614	\$4,569
Operating margin	6.2%	7.4%	7.5%

- Net sales decreased 1.5% y/y, on a constant currency basis
- Shipping volume was down 1% over Q3 2011, with decline in feminine hygiene in Europe largely offset by increased shipments of specialty wipes

\$ in millions

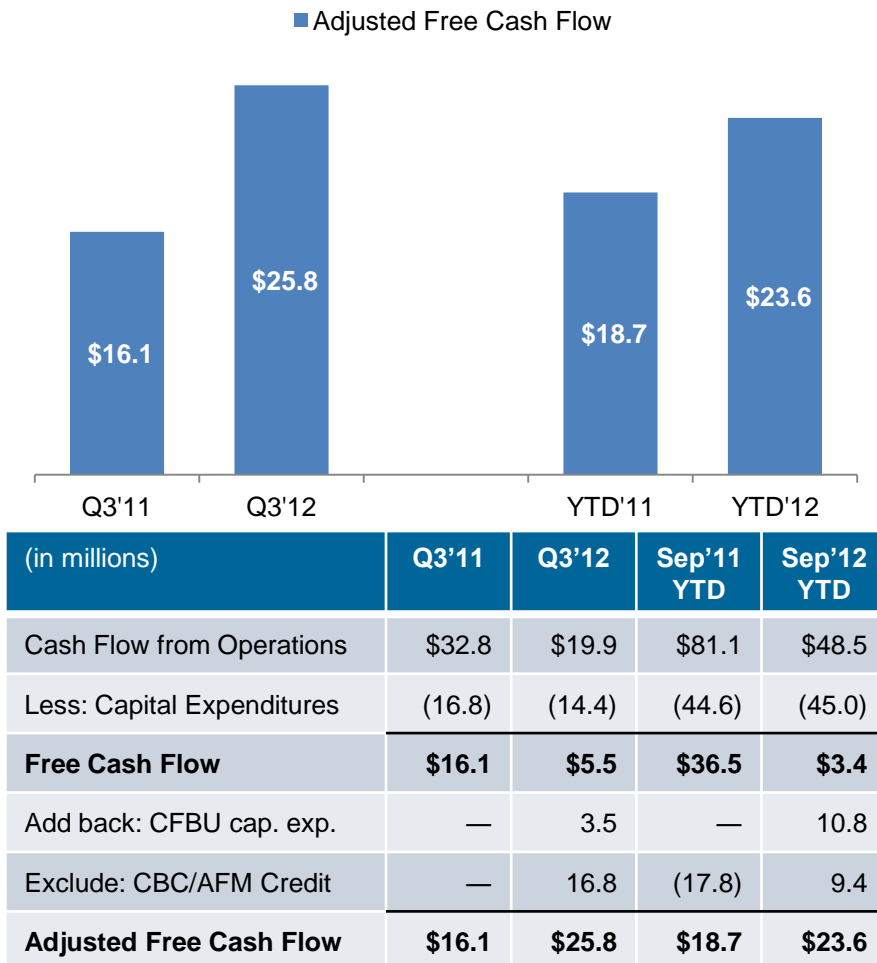


- **Approximately 80% of revenue subject to raw material cost pass-through arrangements**
 - Raw material and energy costs declined \$2.7 million driven by fluff pulp
 - Selling prices declined \$1.1 million, with select price increases somewhat offsetting the pass-through
- Foreign currency translation negatively impacted results by \$1.3 million
- Operating margin improved to 7.5% and EBITDA margin improved to 11.0%; best since acquisition in 2010

Q3 2012 Other Financial Highlights

- Pension expense totaled \$2.9 million in Q3 2012 and \$4.1 million in Q3 2011
 - Q3 2011 includes a \$2.0 million one-time settlement charge
 - Company's qualified plan remains overfunded
 - No cash contributions expected for the foreseeable future
- Interest expense declined \$2.3 million in the year-over-year comparison due to debt refinancing in late 2011
- Effective tax rate on adjusted earnings was 24.9% in Q3 2012, compared to 26.2% in Q3 2011
- Unusual Item
 - Completed sale of 979 acres of Pennsylvania timberlands in Q3 2012, realizing a \$1.5 million pre-tax gain. Aggregate cash proceeds totaled \$1.5 million after closing costs (excluded from adjusted earnings)

Free Cash Flow



- Strong adjusted free cash flow of \$25.8 million in Q3 2012
- Cash tax use of \$16.8 million from cellulosic biofuel conversion in Q3 2012
- YTD Capital expenditures in 2012 were \$0.4 million higher than in 2011
 - Spent \$10.8 million on the CFBU capacity expansion project in 2012 YTD, with full-year estimate of \$29 million; start-up expected in Q2 2013; total project cost of \$50 million
 - 2012 capital expenditures are estimated at \$85 million
- Higher use of cash from working capital in 2012 YTD relative to a year ago, due to seasonality in working capital flows and rebuilding of inventory positions

(in millions)	Q3'11	Q3'12	YTD'11	YTD'12
Working Capital Impact	\$(1.7)	\$(13.0)	\$(18.5)	\$(37.1)

Notes: The sum of individual amounts set forth above may not agree to the column totals due to rounding. Working capital is defined as accounts receivable plus inventories less accounts payable.

Strong Balance Sheet

(in millions)	31-Dec-10	31-Dec-11	30-Sep-12
Cash	\$95.8	\$38.3	\$28.3
Short-Term Debt	0.8	—	—
7 ¹ / ₈ % Notes, due May 2016	200.0	200.0	200.0
7 ¹ / ₈ % Notes, due May 2016, net of original issue discount	96.5	—	—
Term Loan, due January 2013	36.7	—	—
Revolving credit agreement	—	27.0	19.0
Total Debt	333.0	227.0	219.0
Collateralized Debt	(36.7)	—	—
Net Debt	\$200.5	\$188.7	\$190.7
Shareholder's Equity	\$552.4	\$490.4	\$546.0
TTM Adj. EBITDA (excl. Pension)	\$150.9	\$164.0	\$177.1
Leverage*	1.3x	1.2x	1.1x
Cash available under bank facility	\$218.3	\$318.4	\$325.8

- Amended revolving credit facility in November 2011
- Redeemed 7¹/₈% \$100 million Notes in December 2011
- Interest expense of \$4.2 million declined by \$2.3 million in Q3 2012 vs. Q3 2011
- Completed private placement offering of \$250 million of 5.375% Senior Notes due 2020 (Q4 2012 event)
 - Redeemed 7¹/₈% \$200 million Notes in October, 2012 (Q4 2012 event)
- Glatfelter has ample liquidity to continue to fund growth initiatives and strategic investments as well as dividends

Q4 2012 Outlook

Specialty Papers

- Shipping volume in Q4 2012 is expected to decline slightly compared to Q3 2012, due to normal seasonality
- Selling prices are expected to be slightly lower and input costs are expected to be in line with Q3 2012

Composite Fibers

- Shipping volume in Q4 2012 is expected to be 5% lower than in Q3 2012, due to normal seasonality and soft economic conditions in Europe
- Selling prices and input costs for Q4 2012 are expected to be in-line with Q3 2012
- As a result of the October 2012 fire sustained at its Scaer, France facility, the Company expects to incur costs approximating \$4 million to \$6 million related to repairs, cleaning and downtime due to the incident. Although the fire is expected to be covered by insurance, subject to a deductible of \$0.5 million, the timing of recording costs versus recognition of the insurance recovery is likely to be different under applicable accounting standards

Advanced Airlaid Materials

- Shipping volume in Q4 2012 is expected to be slightly lower than in Q3 2012, due to normal seasonality
- Selling prices and input costs are expected to be slightly lower than in Q3 2012 driven by lower input costs

Other

- In connection with the previously announced refinancing of \$200 million of its 7½% senior notes, the Company expects to record an after-tax charge of approximately \$5 million related to an early redemption premium and the write-off of unamortized deferred financing costs. The Company replaced these notes with the issuance of \$250 million of 5.375% senior notes due October 2020
- Company expects to take its normal seasonal downtime in Q4 2012

Appendix

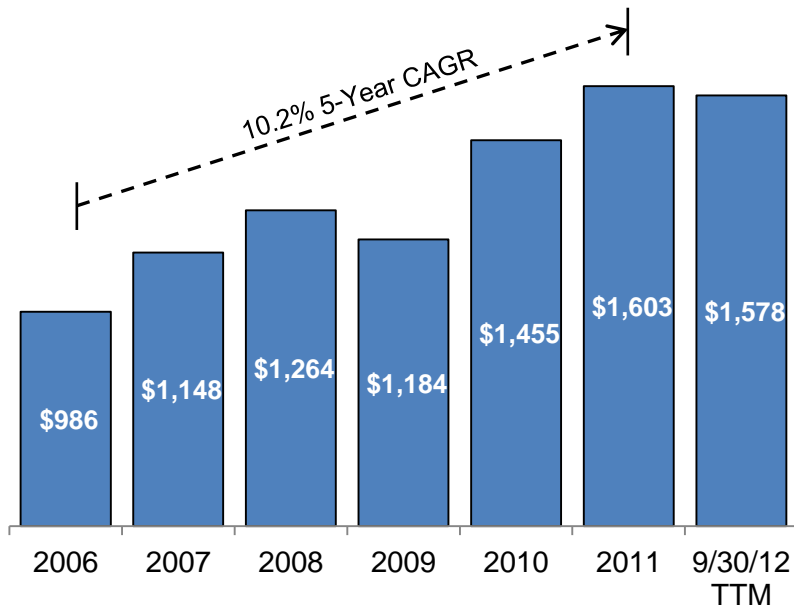


G L A T F E L T E R

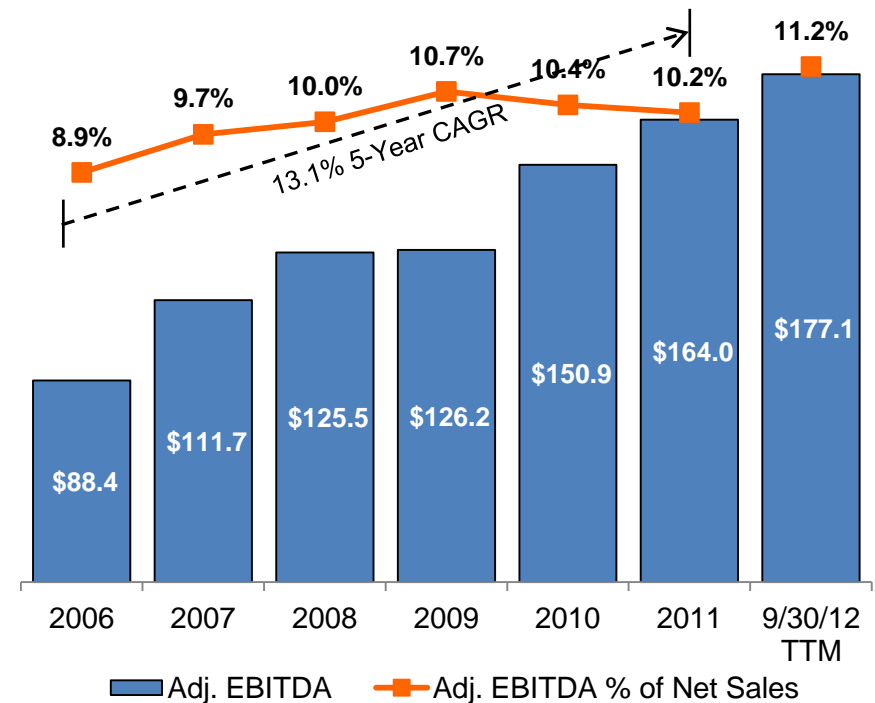
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Financial Highlights

Net Sales
(in millions)



Adj. EBITDA / Margin %
(in millions)



GLT net sales exceeded \$1.6 billion in 2011. EBITDA continues to grow, driven by organic growth, execution of continuous improvement initiatives and strategic acquisitions.

Financial Overview

(in millions)	Q3'11	Q3'12
Net Sales	\$416.5	\$404.4
Adjusted Operating Income, excl. Pension	\$27.7	\$32.7
Adjusted EBITDA, excl. Pension	\$45.2	\$49.8
Free Cash Flow	\$16.1	\$5.5
Adjusted Free Cash Flow	\$16.1	\$25.8
Net Debt	\$188.7	\$190.7
Cash Balance	\$38.3	\$28.3

Details of Other and Unallocated

The following sets forth details of 'Other and Unallocated' amounts presented in the Company's Business Unit Financial Information included in the earnings release.

(in millions)	Q3'11	Q3'12
Gains on dispositions of plant, equipment and timberlands	\$ 0.7	\$1.5
Acquisition and integration expenses	—	—
Net pension expense	(4.1)	(2.9)
Other costs*	(3.6)	(3.6)
Operating income (loss)	(\$7.0)	(\$5.0)

Notes: * Other costs are comprised primarily of legal fees, professional services fees and incentive compensation. The sum of individual amounts set forth above may not agree to the column totals due to rounding.

Pension Plan Remains Overfunded

(in millions)	2008	2009	2010	2011	2012 Estimate
Service and interest costs	\$31.4	\$32.0	\$33.4	\$34.3	\$34.2
Expected return on plan assets	(50.1)	(39.8)	(40.3)	(41.8)	(42.2)
Amortization of prior service and actuarial costs	2.6	14.8	16.1	15.9	19.5
One-time charge	—	—	—	2.0	—
Pension (Income) / Expense	\$(16.1)	\$7.0	\$9.2	\$10.4	\$11.5
Funded status	\$14.3	\$79.6	\$92.1	\$28.0	N/A
Cash contributions*	\$0	\$0	\$0	\$0	\$0
Discount Rate for Expense	6.25%	6.25%	6.10%	5.80%	5.09%
Return on Asset Assumption	8.5%	8.5%	8.5%	8.5%	8.5%

* Qualified plans only

**Qualified plan remains overfunded.
No cash contribution required in 2012 or expected for the foreseeable future.**

Share Repurchase Programs

- Board of directors authorized a new two-year, \$25 million share buyback program in May 2012

<i>Shares in thousands</i>	Q2'12	Q3'12
# of shares repurchased	172	16
Avg. price/share	\$15.13	\$15.50
Total purchase price (\$ millions)	\$2.6	\$0.2
Impact on diluted shares outstanding	44	184

- Completed the \$50 million share repurchase program in January 2012
 - Repurchased 3.6 million shares at an average share price of \$13.94
- Share repurchase programs increased EPS by \$0.02 during Q3 2012 compared to Q3 2011

Adjusted EPS

(EPS Before Special Items)



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

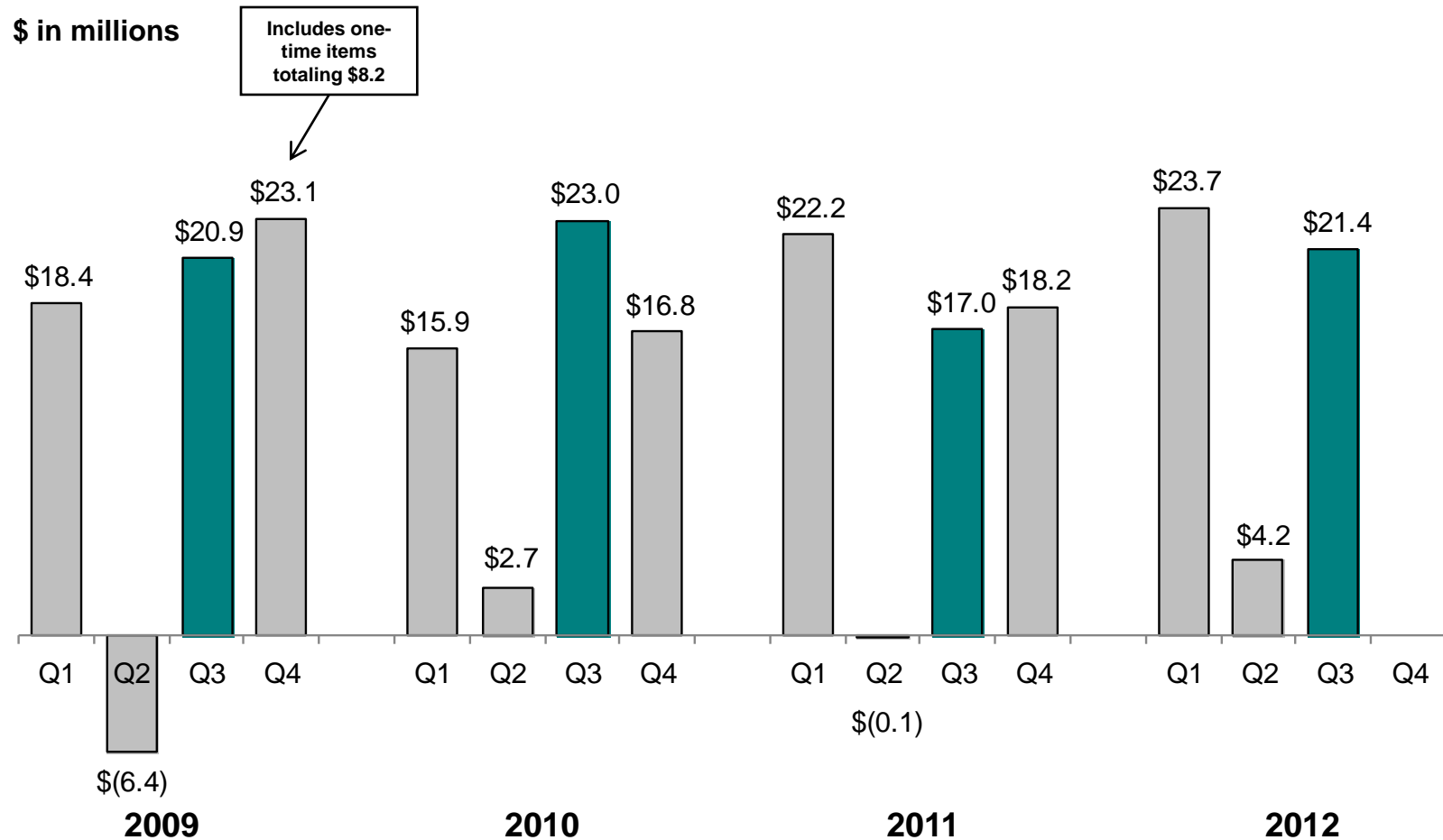
Adjusted EPS excluding Pension

(EPS Before Special Items and Net Pension Expenses)



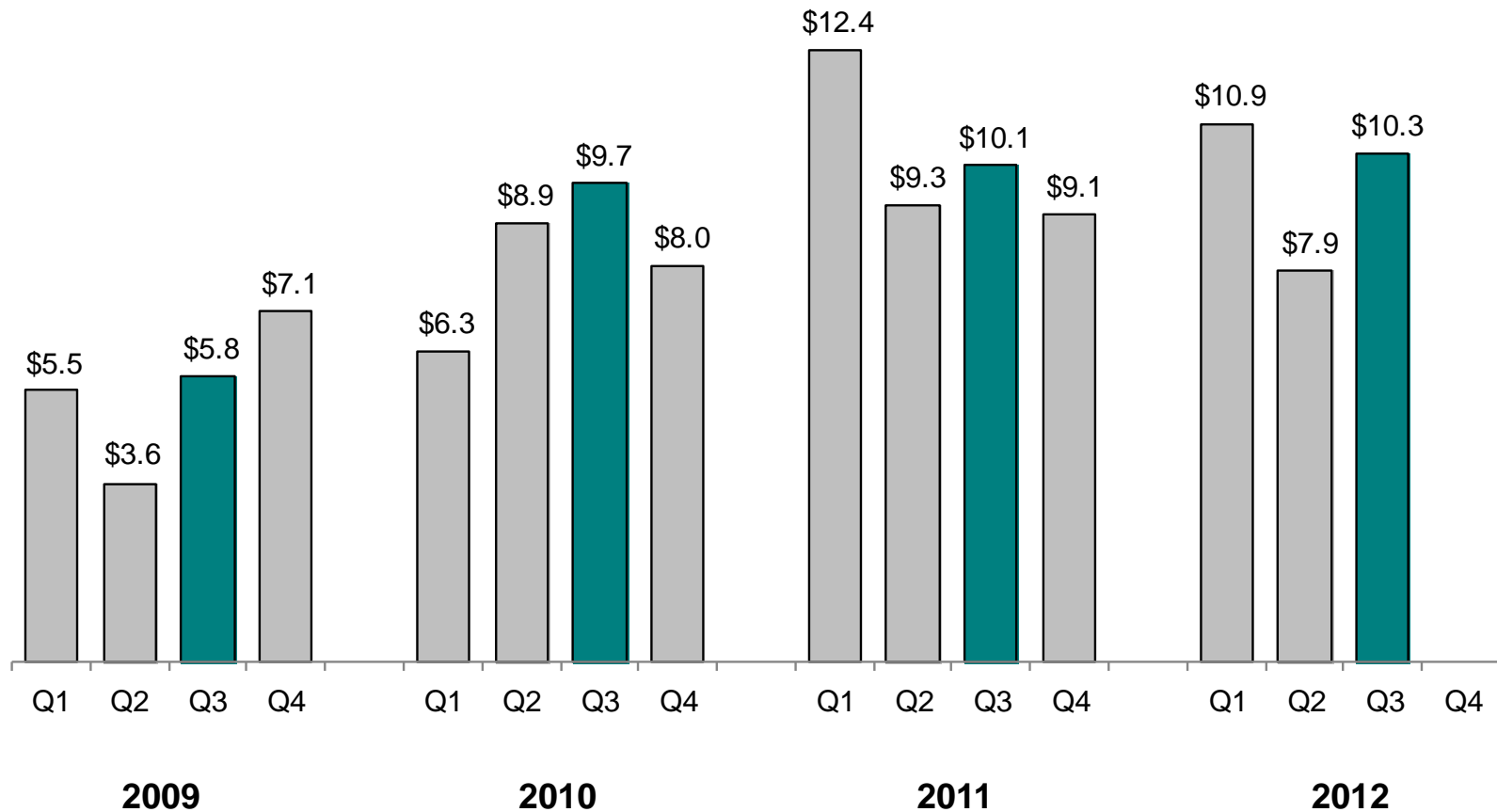
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Specialty Papers Operating Income



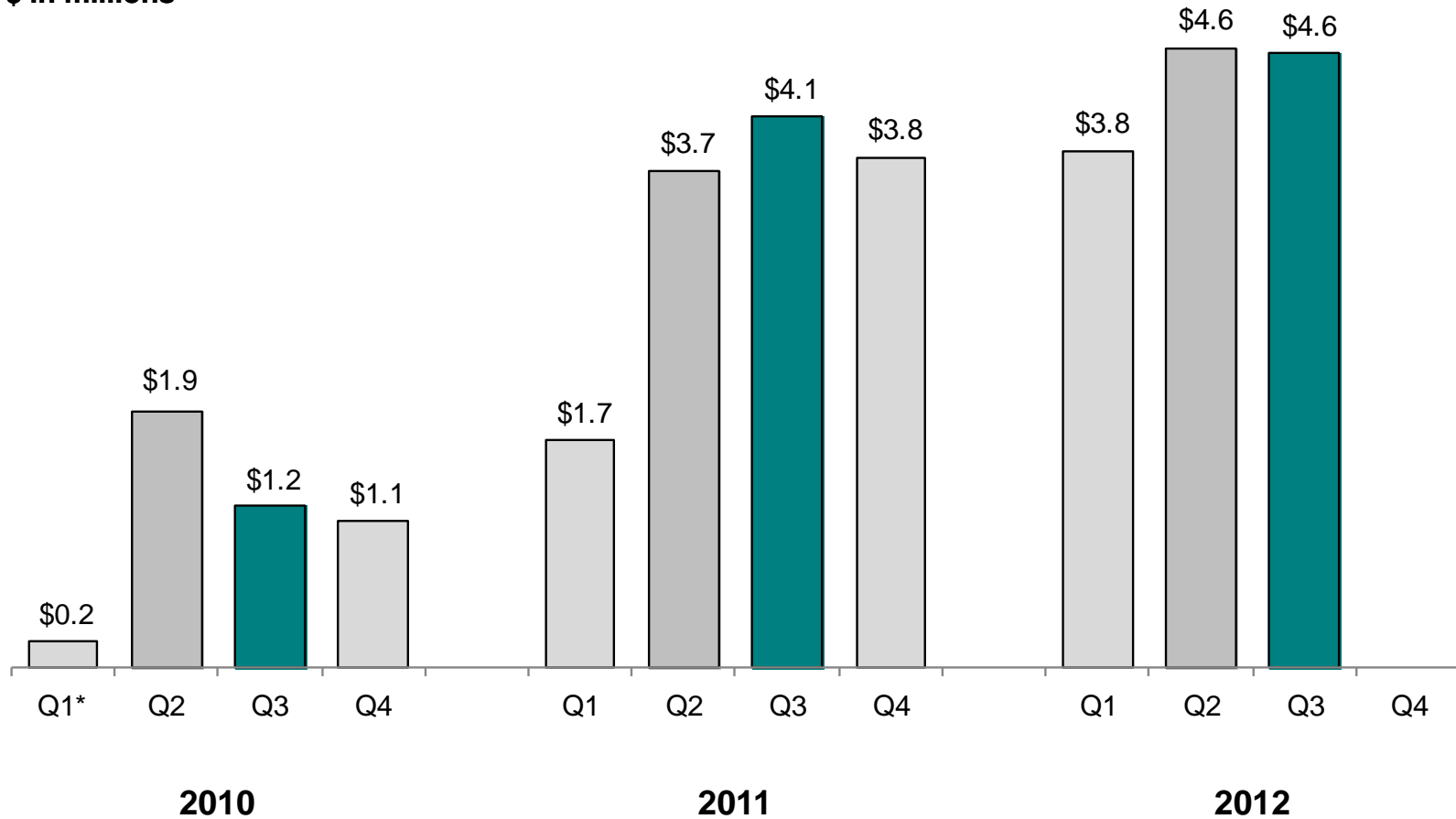
Composite Fibers Operating Income

\$ in millions



Advanced Airlaid Materials Operating Income

\$ in millions



Note: * Represents period from February 12 to March 31, 2010

Reconciliation of Non-GAAP Adjusted Earnings Per Share

	2009				2010				2011				2012			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net income (loss)	\$0.25	\$0.43	\$1.00	\$1.00	(\$0.01)	\$0.00	\$0.85	\$0.33	\$0.38	\$0.05	\$0.28	\$ 0.22	\$0.43	\$0.31	\$0.46	
Charge for workforce efficiencies	-	-	-	-	-	-	-	-	-	-	-	\$ 0.01	-	-	-	-
Cellulosic bio-fuel and alternative fuel mixture credits	-	(0.67)	(0.72)	(0.70)	-	-	(0.50)	-	-	-	-	-	-	(0.10)	-	-
Gains from sales of timberland and related transaction costs	(0.01)	0.01	-	(0.00)	-	-	-	(0.02)	(0.04)	-	(0.01)	(0.05)	-	(0.08)	(0.02)	-
Acquisition and integration related costs	-	-	-	0.04	0.15	0.03	0.01	0.01	0.01	0.01	-	-	-	-	-	-
Foreign currency hedge on acquisition price	-	-	-	-	0.05	(0.01)	-	-	-	-	-	-	-	-	-	-
Debt redemption costs	-	-	-	-	-	-	-	-	-	-	-	0.13	-	-	-	-
Adjusted earnings (loss)	\$ 0.24	\$ (0.22)	\$ 0.29	\$ 0.33	\$ 0.19	\$ 0.02	\$ 0.36	\$ 0.31	\$ 0.34	\$ 0.07	\$ 0.28	\$ 0.32	\$ 0.43	\$ 0.12	\$ 0.44	
Pension Impact on Adjusted EPS	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.02	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.03	\$ 0.02	\$ 0.06	\$ 0.03	\$ 0.04	\$ 0.04	\$ 0.04	
Adjusted earnings (loss) excl. pension	\$ 0.26	\$ (0.19)	\$ 0.32	\$ 0.35	\$ 0.22	\$ 0.05	\$ 0.39	\$ 0.34	\$ 0.37	\$ 0.09	\$ 0.34	\$ 0.36	\$ 0.47	\$ 0.16	\$ 0.48	

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 Measures GLATFELTER

Adjusted EBITDA, Excluding Pension

Adjusted Operating Income, Excluding Pension

<i>In millions</i>	Q3 2011	Q3 2012
Income before Income Taxes	\$ 17.7	\$ 27.2
Net Pension Expenses	4.1	2.9
Depreciation and Amortization	17.5	17.1
Net Interest Expense	<u>6.3</u>	<u>4.0</u>
EBITDA, excluding pension	\$ 45.7	\$ 51.2
Adjustments / exclusions		
Gains on Timberland Sales and Transaction Related Costs	(0.4)	(1.5)
Acquisition and Integration Related Costs	<u>-</u>	<u>-</u>
Adjusted EBITDA, excluding pension	<u>\$ 45.2</u>	<u>\$ 49.8</u>
Less: Depreciation and Amortization	(17.5)	(17.1)
Less: Other Income / (Deductions)	<u>(0.0)</u>	<u>0.0</u>
Adjusted Operating Income, excluding pension	<u>\$ 27.7</u>	<u>\$ 32.7</u>

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.

Reconciliation of Non-GAAP Measures GLATFELTER

Adjusted EBITDA, Excluding Pension

Adjusted Operating Income, Excluding Pension

<i>In millions</i>	2006	2007	2008	2009	2010	2011	9/30/2012 LTM
Income before Income Taxes	\$ (22.2)	\$ 93.9	\$ 81.0	\$ 143.1	\$ 33.5	\$ 50.8	\$ 76.3
Net Pension Expenses	(17.0)	(12.9)	(16.1)	7.0	9.2	10.4	10.9
Depreciation and Amortization	50.0	56.0	60.6	61.3	65.8	69.3	68.7
Net Interest Expense	21.3	25.1	18.2	17.3	24.7	31.1	24.5
EBITDA, excluding Pension	\$ 32.1	\$ 162.1	\$ 143.8	\$ 228.8	\$ 133.4	\$ 161.7	\$ 180.3
Adjustments / exclusions							
Gains on Timberland Sales and Transaction Related Costs	(15.7)	(79.0)	(18.6)	(0.5)	(0.4)	(3.4)	(7.7)
Gains from Insurance Recoveries	(0.2)	-	-	-	-	-	-
Environmental Remediation	-	26.0	-	-	-	-	-
Debt Redemption Costs	2.9	-	-	-	-	3.6	3.6
Cellulosic Bio-fuel and Alternative Fuel Mixture Credits	-	-	-	(105.5)	0.1	-	-
Acquisition and Integration Related Costs	69.3	2.5	0.4	3.5	11.9	1.1	-
Workforce Efficiency Charge	-	-	-	-	-	1.0	1.0
Write-off of Concert Indemnification Receivable	-	-	-	-	2.5	-	-
Foreign Currency Hedge on Acquisition Price	-	-	-	-	3.4	-	-
Adjusted EBITDA, excluding pension	\$ 88.4	\$ 111.7	\$ 125.5	\$ 126.2	\$ 150.9	\$ 164.0	\$ 177.1
Less: Depreciation and Amortization	(50.0)	(56.0)	(60.6)	(61.3)	(65.8)	(69.3)	(68.7)
Less: Other Income / (Deductions)	(3.6)	0.1	0.2	(0.3)	0.3	(0.5)	(1.4)
Adjusted Operating Profit, excluding Pension	\$ 34.8	\$ 55.7	\$ 65.1	\$ 64.6	\$ 85.3	\$ 94.2	\$ 107.0

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.

Reconciliation of Non-GAAP Measures

Net Debt and Free Cash Flow

Net debt	December 31	September 30
<i>In thousands</i>	2011	2012
Short term debt	\$0	\$0
Long term debt	227,000	219,000
Total debt	227,000	219,000
Less: Cash	(38,277)	(28,322)
Net Debt	188,723	190,678

Free Cash Flow	Nine months ended September 30		9/30/12 TTM
<i>In thousands</i>	2011	2012	
Cash from operations	\$81,136	\$48,465	\$107,636
Less: Capital expenditures	(44,642)	(45,027)	(64,876)
Free cash flow	\$36,494	\$3,438	\$42,760

Adjusted Free Cash Flow	Nine months ended September 30		9/30/12 TTM
<i>In thousands</i>	2011	2012	
Cash from operations	\$81,136	\$48,465	\$107,636
Less: Capital expenditures	(44,642)	(45,027)	(64,876)
Add back: Composite Fibers Capacity Expansion	0	10,765	10,765
Exclude: CBC/AFM Credits	(17,833)	9,387	9,387
Adjusted Free cash flow	\$18,661	\$23,590	\$62,912

Note: The sum of individual amounts set forth above may not agree to the column totals due to rounding.