



GLATFELTER
Beyond Paper

NEWS RELEASE

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For Immediate Release

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GLATFELTER REPORTS THIRD-QUARTER 2006 RESULTS

- Improvement in legacy composite fibers and specialty papers businesses –***
- Acquisition synergies behind schedule –***
- Timberland sales expanded and progressing –***

YORK, Pennsylvania – November 2, 2006 – Glatfelter (NYSE: GLT) today reported net sales of \$277.5 million for the third quarter ended September 30, 2006, compared with \$146.8 million for the third quarter of 2005. Net income for the 2006 third quarter was \$5.4 million, or \$0.12 per diluted share, up 46.5% from \$3.7 million, or \$0.08 per diluted share, for the prior-year period. The 2006 results include the impact of the Company's Lydney and Chillicothe acquisitions, which were completed in March and April of 2006, respectively.

Third-quarter 2006 net income includes shutdown and restructuring charges of \$1.9 million, acquisition integration costs of \$3.6 million along with \$0.3 million in gains on dispositions of timberlands, all after taxes. Net income for the previous year's third quarter included \$0.3 million of tax expense related to previous dispositions of timberlands.

Excluding these items from each period's results, adjusted earnings per share, which constitute a non-GAAP financial measure, increased 156% to \$0.23 per diluted share for the 2006 third quarter, compared with \$0.09 per diluted share for the prior-year period. For a reconciliation of adjusted earnings to GAAP earnings, see the tabular presentation at the end of this release.

"We are pleased with the results from our legacy operations, especially the Composite Fibers business unit which saw substantial volume improvements. Within the Specialty Paper business unit, our Chillicothe operation did not generate the level of earnings that we had expected. While we are disappointed in the performance of this facility, we are confident the Chillicothe acquisition will create meaningful long-term value for shareholders. We are intensely focusing our efforts at this facility on an operations improvement plan to achieve productivity and yields that are in line with our long-term targets. As previously announced, our Lydney acquisition is in a Phase II review by the European Commission, and therefore, we have not progressed with our planned integration initiatives on this front." said George H. Glatfelter II, Chairman and Chief Executive Officer.

Third-Quarter Business Unit Results

In the third quarter of 2006, Glatfelter's Specialty Papers business unit reported a net sales increase to \$202.1 million with operating income of \$10.1 million, up from \$100.5 million and \$5.4 million, respectively, a year earlier. Net sales from carbonless products related to the

Chillicothe acquisition represented \$94.9 million of this increase. An overall favorable pricing environment generated a \$5.6 million benefit in the third quarter compared with the year-earlier quarter. While prices increased in the book, envelope and engineered products markets, the Company, as expected, saw no significant impact from carbonless price increases announced during the quarter. Shipping volume excluding carbonless products declined slightly in the quarter compared to a year ago. Production costs increased for the quarter, driven by higher raw material and energy costs of \$1.2 million. Chillicothe generated operating income during the third quarter of \$3.6 million including \$1.5 million of favorable pricing related to book products included in the price variance noted above.

In Composite Fibers, net sales were \$75.4 million for the 2006 third quarter, with operating income of \$5.1 million, compared with \$46.3 million and \$1.9 million, respectively, for the prior-year period. Volume increased 20% in this business unit excluding the impact of Lydney with significant increases seen across all market segments. This favorably impacted operating income by \$6.1 million. Prices averaged lower in the third quarter by \$1.5 million compared with a year earlier, but have stabilized since the end of 2005. Energy and raw material costs were \$1.9 million higher than a year ago with further increases expected. Benefits from our EURO Program reduced operating costs by \$1.9 million during the quarter.

Year-to-Date Results

Net sales for the nine-month period ended September 30, 2006 were \$717.8 million, up from \$436.0 million a year earlier. The Company reported a net loss of \$27.2 million, or \$0.61 per share, for the 2006 period, compared with net income of \$11.7 million, or \$0.26 per share for the first nine months of 2005. The 2006 first nine month results include, all on an after-tax basis, shutdown and restructuring charges of \$34.0 million, acquisition integration costs of \$6.8 million and a debt redemption premium of \$1.8 million. Insurance recoveries and gains on dispositions of timberlands aggregated \$1.0 million, after-tax, compared with \$1.2 million for the same period in 2005.

Excluding these items, adjusted earnings was \$0.32 per diluted share for the first nine months of 2006, compared with \$0.24 per diluted share for the prior-year period.

By business unit, year-to-date 2006 net sales increased to \$507.9 million for the Specialty Papers business unit, and operating income was \$10.7 million, compared with \$287.7 million and \$8.5 million, respectively, for the prior-year period. Net sales for Composite Fibers were \$209.9 million for the 2006 nine-month period, and operating income was \$11.3 million, compared with \$148.2 million and \$7.5 million, respectively, for the year-earlier period.

Chillicothe Improvement Plan

"We understand that the successful integration of Chillicothe is crucial to the success of our business plan. As we adjusted to the increased book production volume and wider range of products at this facility, we initially underestimated the length of time it would take to accomplish this transformation and the pace at which it would become accretive to earnings. As a result, we have taken a number of actions to improve performance going forward and we are already seeing positive results," said Mr. Glatfelter.

- The Company has installed new leadership at Chillicothe with deep experience in book paper manufacturing. This new team will oversee accelerated training for production efficiencies and process improvements.

- By re-invigorating and enhancing Chillicothe's preventative maintenance program, the Company is expected to increase paper machine up-time and reduce off-quality paper production.
- Management plans to complete previously planned capital investments of \$3.8 million during the next two quarters to improve operating efficiencies and product quality.

"We are committed to this plan and expect to continue to make positive strides toward our goals," Mr. Glatfelter said. "Although we are behind schedule in 2006, our expectations for significant synergies in 2007 and for the long term have not changed."

Timberland Sales Update

The Company continues to move forward with its timberland monetization program and has a number of promising initiatives underway. Based on current market conditions, the Company expects to close approximately \$15 million of sales in the fourth quarter and at least \$50 million in 2007. In addition to the 40,000 acres of higher, better use property the Company previously announced it would be selling, it is now also marketing 20,000 acres of properties in Pennsylvania.

Other Financial Highlights

Cost of products sold during the third quarter of 2006 include \$0.8 million of the \$3.0 million of costs related to the shutdown of the Neenah facility.

Selling, general and administrative ("SG&A") expenses totaled \$24.6 million in the third quarter of 2006 compared to \$18.1 million in the same quarter a year ago. The increase was due to approximately \$5.6 million of acquisition integration costs and \$4.5 million from the inclusion of the Chillicothe and Lydney acquisitions in the current period's results of operations. In addition, SG&A expenses in the third quarter of 2005 included a \$2.7 million charge for certain matters related to the Company's former Ecusta division and the comparison was favorably affected by lower year-over-year professional and legal fees.

Interest expense totaled \$7.0 million for the third quarter of 2006, an increase of \$3.7 million in the quarter-to-quarter comparison. The increase was primarily due to the incurrence of debt to finance the acquisitions.

The Company's effective income tax rate for the third quarter of 2006 and 2005 was 14% and 42%, respectively. The lower effective rate in 2006 was primarily due to the impact of changes in certain state tax laws on deferred tax liabilities.

Outlook

"We continue to proceed with our strategy to improve our legacy business, grow our business through the successful integration of acquisitions, and maximize the value of our timberland assets," Mr. Glatfelter said. "Chillicothe plays an important role in that strategy and we are confident that we are on the right path for long-term profitable growth for our Company. We are determined to overcome the short-term challenges we have experienced with our acquisitions to gain the synergies expected."

For the fourth quarter of 2006 and into 2007, the Company expects a stable pricing environment in both Specialty Papers and Composite Fibers. Downtime is expected to be higher in the fourth quarter during the holiday period compared to the third quarter, but consistent with levels

experienced in the fourth quarter of 2005. Shipping volumes are expected to be lower in the fourth quarter compared to the third quarter due to seasonality.

Based on its revised estimates, the Company expects the Chillicothe acquisition to be neutral to slightly accretive for full-year 2006, and \$0.45 to \$0.50 accretive in 2007. In the fourth quarter of 2006, the Company expects to incur pre-tax integration and shutdown charges aggregating approximately \$2 million. In 2007, integration costs are estimated to total \$2.0 million.

Conference Call

As previously announced, the Company will hold a conference call today at 11:00AM (Eastern) to discuss its third-quarter results. During the conference call, management will be referring to a slide presentation to supplement their prepared remarks. This presentation is available on the Company's Investor Relations web page as well as through the webcast discussed below.

Interested persons who wish to hear the conference call webcast live should go to the Company's Investor Relations web page at www.glatfelter.com/e/investstock.asp and allow a sufficient amount of time before the start of the conference to register and download any necessary audio software. You may also participate by calling (866) 672-2663 within the US and 973-582-2772 internationally (conference ID 7996190) at 10:55 AM (Eastern). A taped replay of the conference call will be available within two hours of the conclusion of the call and until November 16, 2006. To access the taped replay, call (877) 519-4471 and enter conference PIN 7996190. The replay of the conference call also will be available on the Company's website for at least one month following the call.

Caution Concerning Forward-Looking Statements

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 uncertainty and changes in circumstances. Although the Company makes such statements based on assumptions that it believes to be reasonable, there can be no assurance that actual results will not differ materially from the Company's expectations. Actual results may differ materially from these expectations due to changes in, among others, industry conditions, demand for or pricing of its products; risks associated with integrating acquisitions; global political, economic, business, competitive and market conditions; tax legislation; the outcome of the European Commission's review of the Lydney mill acquisition; orderly closure of the Neenah facility; successful execution of the EURO Program; growth strategies and cost reduction initiatives; circumstances surrounding the Neenah facility and former Ecusta Division; successful execution of the Timberland Strategy with acceptable market conditions; and other factors. More information about these factors is contained in Glatfelter's filings with the U.S. Securities and Exchange Commission.

Headquartered in York, PA, Glatfelter is a global manufacturer of specialty papers and engineered products. 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 common stock is traded on the New York Stock Exchange under the ticker symbol GLT.

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	
	2006	2005	2006	2005
Net sales	\$277,489	\$146,780	\$717,815	\$435,959
Energy sales – net	2,706	2,414	8,010	7,673
Total revenues	280,195	149,194	725,825	443,632
Costs of products sold	242,292	123,578	661,924	369,589
Gross profit	37,903	25,616	63,901	74,043
Selling, general and administrative expenses	24,590	18,061	66,327	52,425
Shutdown and restructuring charges	2,222	–	28,177	–
Gains on dispositions of plant, equipment and timberlands, net	(923)	(1,327)	(2,008)	(1,408)
Gains from insurance recoveries	–	–	(205)	(2,200)
Operating income (loss)	12,014	8,882	(28,390)	25,226
Nonoperating income (expense)				
Interest expense	(7,012)	(3,331)	(17,575)	(9,881)
Interest income	558	475	2,350	1,532
Other – net	704	293	(840)	529
Total other income (expense)	(5,750)	(2,563)	(16,065)	(7,820)
Income (loss) before income taxes	6,264	6,319	(44,455)	17,406
Income tax provision (benefit)	896	2,656	(17,238)	5,744
Net income (loss)	\$5,368	\$3,663	\$(27,217)	\$11,662
Earnings (Loss) Per Share				
Basic	\$0.12	\$0.08	\$(0.61)	\$0.27
Diluted	0.12	0.08	(0.61)	0.26

Business Unit Financial Information
(unaudited)

Three months ended September 30 <i>In thousands</i>	Specialty Papers		Composite Fibers		Other and Unallocated		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
Net sales	\$202,096	\$100,500	\$75,393	\$46,259	\$–	\$21	\$277,489	\$146,780
Energy sales, net	2,706	2,414	–	–	–	–	2,706	2,414
Total revenue	204,802	102,914	75,393	46,259	–	21	280,195	149,194
Cost of products sold	183,364	87,808	62,240	39,475	(3,312)	(3,705)	242,292	123,578
Gross profit (loss)	21,438	15,106	13,153	6,784	3,312	3,726	37,903	25,616
SG&A	11,374	9,716	8,023	4,926	5,193	3,419	24,590	18,061
Shutdown and restructuring charges					2,222		2,222	
Gains on dispositions of plant, equipment and timberlands					(923)	(1,327)	(923)	(1,327)
Gain on insurance recoveries								
Total operating income (loss)	10,064	5,390	5,130	1,858	(3,180)	1,634	12,014	8,882
Non-operating income (expense)					(5,750)	(2,563)	(5,750)	(2,563)
Income (loss) before income taxes	\$10,064	\$5,390	\$5,130	\$1,858	\$(8,930)	\$(929)	\$6,264	\$6,319
Supplementary Data								
Net tons sold	180,365	119,257	17,919	11,454	–	9	198,284	130,720
Depreciation expense	\$8,163	\$8,963	\$4,344	\$3,567	–	–	\$12,507	\$12,530

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Selected Financial Information
(unaudited)

<i>In thousands</i>	Nine Months Ended September 30	
	2006	2005
Cash Flow Data		
Cash provided (used) by:		
Operating activities	\$(45,572)	\$11,596
Investing activities	(190,398)	(20,808)
Financing activities	193,182	(13,107)
Depreciation, depletion and amortization	37,122	38,186
Capital expenditures	35,225	22,033
	Sept 30 2006	December 31 2005
Balance Sheet Data		
Cash and cash equivalents	\$13,881	\$57,442
Total assets	1,266,884	1,044,977
Total debt	414,422	207,073
Shareholders' equity	407,435	432,312

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, restructuring charges, merger integration costs, the charge for the early redemption of the Company's 6-7/8% notes due July 2007 and insurance recoveries 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 and insurance recoveries are distinct from revenues generated from paper product sales. Unlike items such as cost of raw materials and overhead costs, restructuring costs, the charge for early redemption of outstanding debt, and merger integration 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 September 30			
	2006		2005	
	After tax income	Diluted EPS	After tax income	Diluted EPS
Net income	\$5,368	\$0.12	\$3,663	\$0.08
Timberland sales	(250)	(0.01)	259	0.01
Shutdown and restructuring charges	1,904	0.04	–	–
Acquisition integration	3,560	0.08	–	–
Adjusted earnings	\$10,582	\$0.23	\$3,922	\$0.09

<i>In thousands, except per share</i>	Nine Months Ended September 30			
	2006		2005	
	After tax income	Diluted EPS	After tax income	Diluted EPS
Net income (loss)	\$(27,219)	\$(0.61)	\$11,662	\$0.26
Timberland sales	(832)	(0.02)	259	0.01
Insurance recoveries	(130)	–	(1,430)	(0.03)
Shutdown and restructuring charges	34,034	0.76	–	–
Acquisition integration	6,817	0.15	–	–
Redemption premium	1,820	0.04	–	–
Adjusted earnings	\$14,490	\$0.32	\$10,491	\$0.24

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