GLATFELTER P H CO
Form 10-Q/A
August 23, 2006

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
Amendment No.1

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD**

from ___to ___

For the quarterly period ended **June 30, 2006**

Commission file number **1-3560**

P. H. Glatfelter Company

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-0628360**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
96 South George Street, Suite 500 York, Pennsylvania 17401	**(717) 225-4711**
(Address of principal executive offices)	(Registrant s telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for at least the past 90 days.
Yes ü No _.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.
_ Large Accelerated ü Accelerated _ Non-Accelerated.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
Yes _ No ü.

As of July 31, 2006, P. H. Glatfelter Company had 44,736,167 shares of common stock outstanding.

Explanatory Note

This Amendment No. 1 to our Quarterly Report on Form 10-Q/A for the period ended June 30, 2006 is being filed for the purposes of correcting a typographical error as well as an error affecting certain amounts and classifications set forth in the Operating activities category of the condensed consolidated statements of cash flows. The amount reported as total cash used by operating activities for the six months ended June 30, 2006 remains unchanged.

P. H. GLATFELTER COMPANY
REPORT ON FORM 10-Q
for the QUARTERLY PERIOD ENDED
JUNE 30, 2006

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information in the unaudited condensed consolidated financial statements and notes thereto included herein and Glatfelter s Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations included in its 2005 Annual Report on Form 10-K.

Forward-Looking Statements This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding industry prospects and future consolidated financial position or results of operations, made in this Report on Form 10-Q are forward looking. We use words such as anticipates , believes , expects , future , intends and similar expressions to identify forward-looking statements. Forward-looking statements reflect management s current expectations and are inherently uncertain. Our actual results may differ significantly from such expectations. The following discussion includes forward-looking statements regarding expectations of, among others, net sales, costs of products sold, non-cash pension income, environmental costs, capital expenditures and liquidity, all of which are inherently difficult to predict. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. Accordingly, we identify the following important factors, among others, which could cause our results to differ from any results that might be projected, forecasted or estimated in any such forward-looking statements:

i. variations in demand for, or pricing of, our products;

ii. changes in the cost or availability of raw materials we use, in particular market pulp, pulp substitutes, and abaca fiber, and changes in energy-related costs;

iii. our ability to develop new, high value-added Specialty Papers and Composite Fibers (formerly Long Fiber & Overlay Papers);

iv. the impact of competition, changes in industry paper production capacity, including the construction of new mills, the closing of mills and incremental changes due to capital expenditures or productivity increases;

v. cost and other effects of environmental compliance, cleanup, damages, remediation or restoration, or personal injury or property damages related thereto, such as the costs of natural resource restoration or damages related to the presence of polychlorinated biphenyls (PCBs) in the lower Fox River on which our Neenah mill is located; and the costs of environmental matters at our former Ecusta Division mill;

vi. the gain or loss of significant customers and/or on-going viability of such customers;

vii. risks associated with our international operations, including local economic and political environments and fluctuations in currency exchange rates;

viii. geopolitical events, including war and terrorism;

ix. enactment of adverse state, federal or foreign tax or other legislation or changes in government policy or regulation;

x. adverse results in litigation;

xi. disruptions in production and/or increased costs due to labor disputes including the successful negotiation of a new contract for our Chillicothe Union that expires in August;

xii. the resolution of the European Commission s review of our Lydney mill acquisition;

xiii. our ability to successfully implement the EURO Program;

xiv. our ability to successfully execute our timberland strategy to realize the value of our timberlands;

xv. our ability to execute the planned shutdown of the Neenah facility in an orderly manner; and

xvi. our ability to finance, consummate and integrate acquisitions.

Introduction We manufacture, both domestically and internationally, a wide array of specialty papers and engineered products. Substantially all of our revenue is earned from the sale of our products to customers in numerous markets, including book publishing, envelope & converting, carbonless papers and forms, food and beverage, decorative laminates for furniture and flooring, and other highly technical niche markets.

Overview The analysis of our financial results for the first six months of 2006 versus the first six months of 2005 reflects the following significant items:

1) We completed our $65 million acquisition of J R Crompton s Lydney mill on March 13, 2006. This mill s revenue in 2005 was approximately $75 million;

2) On April 3, 2006, we completed our acquisition of Chillicothe, the carbonless paper operation of NewPage Corporation with 2005 revenue of $441.5 million, for $81.8 million in cash, subject to post-closing working capital adjustments;

3) On June 30, 2006, we ceased production at our Neenah, WI facility and recorded shutdown related charges totaling $50.7 million;

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4) We refinanced our bank credit facility with a $100 million term loan and a $200 million revolving credit facility in addition to the issuance of $200 million $7^1/8$% bonds to replace our $150 million $6^7/8$% notes due July 2007.

5) During the second quarter we completed the regularly scheduled annual maintenance outages at our Chillicothe and Spring Grove facilities;

6) Demand for products in our North America-based Specialty Papers business unit remained strong as our domestic mills operated at or near capacity and selling prices strengthened;

7) The results of our Composite Fibers business unit, based in Europe, improved due to strengthening order patterns, although selling prices declined moderately;

RESULTS OF OPERATIONS

Six Months Ended June 30, 2006 versus the Six Months Ended June 30, 2005

The following table sets forth summarized results of operations:

In thousands, except per share	Six Months Ended June 30 **2006**	2005
Net sales	**$ 440,326**	$ 289,179
Gross profit	**25,998**	48,427
Operating income (loss)	**(40,404)**	16,344
Net income (loss)	**(32,587)**	7,999
Earnings per share	**(0.73)**	0.18

The consolidated results of operations for the six months ended June 30, 2006 includes the following significant items:

In thousands, except per share	**After-tax**	**Diluted EPS**
2006	*Gain (loss)*	
Shutdown and restructuring charges	**$ (32,506)**	**$ (0.73)**
Acquisition integration related costs	**(3,263)**	**(0.07)**
Redemption premium	**(1,820)**	**(0.04)**
Timberland sales	**590**	**0.01**
Insurance recoveries	**130**	**0.00**
2005		
Insurance recoveries	$ 1,430	$ 0.03

The above items decreased earnings by $36.9 million, or $0.83 per diluted share in the first six months of 2006.

Business Units The following table sets forth profitability information by business unit and the composition of consolidated income before income taxes:

Business Unit Performance	For The Six Months Ended June 30,							
In thousands	Specialty Papers		Composite Fibers		Other and Unallocated		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Net sales	**$ 305,810**	$ 187,227	**$ 134,516**	$ 101,924	**$ 0**	$ 28	**$ 440,326**	$ 289,179
Energy sales, net	**5,304**	5,259					**5,304**	5,259
Total revenue	**311,114**	192,486	**134,516**	101,924	**0**	28	**445,630**	294,438
Cost of products sold	**286,493**	169,353	**115,722**	84,041	**17,417**	(7,383)	**419,632**	246,011
Gross profit (loss)	**24,621**	23,133	**18,794**	17,883	**(17,417)**	7,411	**25,998**	48,427
SG&A	**23,987**	20,069	**12,585**	12,270	**5,165**	2,025	**41,737**	34,364
Shutdown and restructuring charges					**25,955**		**25,955**	
Gains on dispositions of plant, equipment and timberlands					**(1,085)**	(81)	**(1,085)**	(81)
Gain on insurance recoveries					**(205)**	(2,200)	**(205)**	(2,200)
Total operating income (loss)	**634**	3,064	**6,209**	5,613	**(47,247)**	7,667	**(40,404)**	16,344
Nonoperating income (expense)					**(10,317)**	(5,257)	**(10,317)**	(5,257)
Income (loss) before income taxes	**$ 634**	$ 3,064	**$ 6,209**	$ 5,613	**$ (57,564)**	$ 2,410	**$ (50,721)**	$ 11,087
Supplementary Data								
Net tons sold	**307,940**	221,943	**32,552**	23,727	**10**	7	**340,502**	245,677
Depreciation expense	**$ 16,354**	$ 17,869	**$ 8,291**	$ 7,787			**$ 24,645**	$ 25,656

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Results of individual business units are presented based on our management accounting practices and management structure. There is no comprehensive, authoritative body of guidance for management accounting equivalent to accounting principles generally accepted in the United States of America; therefore, the financial results of individual business units are not necessarily comparable with similar information for any other company. The management accounting process uses assumptions and allocations to measure performance of the business units. Methodologies are refined from time to time as management accounting practices are enhanced and businesses change. The costs incurred by support areas not directly aligned with the business unit are allocated primarily based on an estimated utilization of support area services or included in Other and Unallocated in the table above. Certain prior period information has been reclassified to conform to the current period presentation.

Management evaluates results of operations before non-cash pension income, restructuring related charges, unusual items, effects of asset dispositions and insurance recoveries because it believes this is a more meaningful representation of the operating performance of its core papermaking businesses, the profitability of business units and the extent of cash flow generated from core operations. This presentation is closely aligned with the management and operating structure of our company. It is also on this basis that the Company s performance is evaluated internally and by the Company s Board of Directors .

Sales and Costs of Products Sold

In thousands	Six Months Ended June 30 **2006**	2005	Change
Net sales	**$ 440,326**	$ 289,179	$ 151,147
Energy sales net	**5,304**	5,259	45
Total revenues	**445,630**	294,438	151,192
Costs of products sold	**419,632**	246,011	173,621
Gross profit	**$ 25,998**	$ 48,427	$ (22,429)
Gross profit as a percent of Net sales	**5.9%**	16.7%	

The following table sets forth the contribution to consolidated net sales by each business unit:

	Percent of Total **2006**	2005
Business Unit		
Specialty Papers	**69.5%**	64.7%
Composite Fibers	**30.5**	35.3
Total	**100.0%**	100.0%

Net sales totaled $440.3 million for the first six months of 2006, an increase of $151.1 million, or 52.3%, compared to the same period a year ago. Net sales from the Chillicothe and Lydney mill acquisitions totaled $127.6 million. These acquisitions are reported in the Specialty Papers and Composite Fibers business units, respectively. Organic growth was driven by a 3.8% increase in volume and $8.8 million from higher average selling prices in the Specialty Papers business unit. Excluding results of the Lydney mill, Composite Fibers volumes shipped increased 20.7%. The translation of foreign currencies unfavorably impacted this business unit s net sales by $4.0 million and average selling prices declined $3.9 million compared to the same period a year ago.

In connection with the Chillicothe acquisition, the Company permanently shutdown its Neenah, WI facility. Products previously manufactured at the Neenah facility have been transferred to Chillicothe. The results of operations for the first six months of 2006 include related pre-tax charges of $50.7 million, of which $24.8 million is reflected in the consolidated income statement as components of cost of products sold and $25.9 million is reflected as Shutdown and restructuring charges.

Costs of products sold totaled $419.6 million for the six months of 2006, an increase of $173.6 million compared with the same quarter a year ago. As discussed above, the 2006 costs of products sold includes a $24.8 million charge for inventory write-downs and accelerated depreciation on property and equipment to be abandoned in connection with the Neenah shutdown. Excluding these charges, the increase in costs of products sold was primarily due to the inclusion of the Chillicothe and Lydney acquisitions, a $22.5 million effect of increased shipping volumes, as well as higher raw material and energy prices that increased costs of products sold by approximately $8.1 million. The translation of foreign currencies reduced costs of products sold by $3.6 million. During the second quarters of 2006 and 2005, the Company completed its annually scheduled maintenance shutdown of its Spring Grove, PA facility, and, in the 2006 second quarter, the annual maintenance shutdown of the Chillicothe facility was completed. These shutdowns result in increased maintenance spending and reduced production leading to unfavorable manufacturing variances that negatively affect costs of products sold. The combined maintenance shutdowns had an estimated impact on gross profit of approximately $17.4 million in the second quarter of 2006 and $5.9 million in the comparable quarter a year ago.

Non-Cash Pension Income Non-cash pension income results from the over-funded status of our pension plans. The amount of pension income recognized each year is determined using various actuarial assumptions and certain other factors, including the fair value of our pension assets as of the beginning of the year. The following summarizes non-cash pension income for each of the first six months of 2006 and 2005:

	Six Months Ended June 30		
In thousands	**2006**	2005	Change
Recorded as:			
Costs of products sold	**$ 7,453**	$ 7,413	$ 40
SG&A expense	**512**	833	(321)
Total	**$ 7,965**	$ 8,246	$ (281)

**Selling, general and administrative (SG&A) ** expenses totaled $41.7 million in for the first six months of 2006 compared to $34.4 million a year ago. SG&A expenses increased due to approximately $5.1 million of acquisition integration costs and $4.9 million from the inclusion of the Chillicothe and Lydney acquisitions in the current period s results of operations. Lower professional and legal fees favorably impacted the period to period comparison.

Insurance Recoveries During the first six months of 2006 and 2005, we reached successful resolution of certain claims under insurance policies related to the Fox River environmental matter. Insurance recoveries included in the results of operations totaled $0.2 million in the first six months of 2006 and $2.2 million in the first six months of 2005. All recoveries were received in cash prior to the end of the applicable period.

Shutdown and Restructuring Charges **Neenah Facility Shutdown** As discussed above, in the first six months of 2006 we committed to a plan to permanently shutdown our Neenah facility. The following table summarizes restructuring charges incurred in connection with these initiatives:

In thousands	**Six Months Ended June 30, 2006**
Restructuring initiative:	
Recorded as:	
Costs of products sold	**$ 24,868**
Shutdown and restructuring charge	**25,875**
Total	**$ 50,743**

The components of the charge are as follows:

In thousands	**Six Months Ended June 30, 2006**
Accelerated depreciation	**$ 22,457**
Inventory write-down	**2,411**
Severance and benefit continuation	**6,592**

Pension and other retirement benefits curtailments		**7,675**
Contract termination costs		**11,386**
Other		**222**
Total	**$**	**50,743**

The Neenah facility supported our Specialty Papers business unit. Shutdown of this facility resulted in the elimination of approximately 200 positions. As part of the Neenah shutdown, we terminated our long-term steam supply contract, as provided for within the contract, resulting in a termination fee of approximately $11.4 million. Through June 30, 2006, approximately $0.03 million has been paid related to these charges.

The first six months results of operations also include $0.08 million of charges related to the European Restructuring and Optimization (EURO) Program.

We expect to record in the third and fourth quarters additional shutdown related charges totaling approximately $2.5 million and $4.0 million.

Non-operating Income (Expense) During April 2006, we completed the placement of a $200 million bond offering, the proceeds of which were used to redeem the then outstanding $150 million notes scheduled to mature in July 2007. In connection with the early redemption, a charge of $2.9 million, related to a redemption premium and the write-off of unamortized debt issuance costs, was recorded in Consolidated Statement of Income as Non-operating expense under the caption Other and Unallocated .

Income Taxes Our results of operations for the first six months of 2006 reflects an effective tax rate of 35.8% compared to 27.9% in the same period a year ago. The increase in the effective tax rate is primarily due to a higher effective state tax rate due to the Chillicothe acquisition and the absence of tax credits associated with the expiration of the research and development tax credit law at the end of 2005. In addition, the lower rate in 2005 reflects the resolution of certain state tax matters.

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Foreign Currency We own and operate paper and pulp mills in Germany, France and the United Kingdom as well as the Philippines. The local currency in Germany and France is the Euro, in the UK the British Pound Sterling, and in the Philippines the currency is the Peso. During the first six months of 2006, these operations generated approximately 28% of our sales and 27% of operating expenses. The translation of the results from these international operations into U.S. dollars is subject to changes in foreign currency exchange rates. The table below summarizes the effect from foreign currency translation on 2006 reported results compared to 2005:

In thousands	Six Months Ended June 30
	Favorable (unfavorable)
Net sales	**($3,981)**
Costs of products sold	**3,602**
SG&A expenses	**404**
Income taxes and other	**49**
Net income	**$ 74**

The above table only presents the financial reporting impact of foreign currency translations. It does not present the impact of certain competitive advantages or disadvantages of operating or competing in multi-currency markets.

Three Months Ended June 30, 2006 versus the Three Months Ended June 30, 2005

The following table sets forth summarized results of operations:

In thousands, except per share	Three Months Ended June 30 **2006**	2005
Net sales	**$ 279,720**	$ 145,283
Gross profit	**5,733**	19,833
Operating income	**(24,664)**	5,080
Net income (loss)	**(20,722)**	1,709
Earnings (loss) per share	**(0.46)**	0.04

The consolidated results of operations for the three months ended June 30, 2006 includes the following significant items:

In thousands, except per share	**After-tax**	**Diluted EPS**
2006	*Gain (loss)*	
Shutdown and restructuring charges	**$ (14,901)**	**$(0.33)**
Acquisition integration related costs	**(2,319)**	**(0.05)**
Redemption premium	**(1,820)**	**(0.04)**
Timberland sales	**590**	**0.01**
Insurance recoveries	**130**	**0.00**

	2005		
Insurance recoveries		$ 1,430	$ 0.03

Business Units The following table sets forth profitability information by business unit and the composition of consolidated income before income taxes:

Business Unit Performance	For the Three Months Ended June 30,							
In thousands, except net tons sold	Specialty Papers		Composite Fibers		Other and Unallocated		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
Net sales	**$ 203,461**	$ 94,497	**$ 76,263**	$ 50,779	**$ (4)**	$ 7	**$ 279,720**	$ 145,283
Energy sales, net	**2,847**	2,715					**2,847**	2,715
Total revenue	**206,308**	97,212	**76,263**	50,779	**(4)**	7	**282,567**	147,998
Cost of products sold	**197,459**	89,202	**66,693**	42,831	**12,682**	(3,868)	**276,834**	128,165
Gross profit (loss)	**8,849**	8,010	**9,570**	7,948	**(12,686)**	3,875	**5,733**	19,833
SG&A	**14,705**	9,707	**6,504**	6,125	**3,831**	1,142	**25,040**	16,974
Shutdown and restructuring charges					**6,657**		**6,657**	
Gains on dispositions of plant, equipment and timberlands					**(1,095)**	(21)	**(1,095)**	(21)
Gain on insurance recoveries					**(205)**	(2,200)	**(205)**	(2,200)
Total operating income (loss)	**(5,856)**	(1,697)	**3,066**	1,823	**(21,874)**	4,954	**(24,664)**	5,080
Non-operating income (expense)					**(7,940)**	(2,756)	**(7,940)**	(2,756)
Income (loss) before income taxes	**$ (5,856)**	$ (1,697)	**$ 3,066**	$ 1,823	**$ (29,814)**	$ 2,198	**$ (32,604)**	$ 2,324
Supplementary Data								
Net tons sold	**188,854**	111,205	**17,667**	12,048	**10**	2	**206,531**	123,255
Depreciation expense	**$ 7,679**	$ 9,000	**$ 4,493**	$ 3,790			**$ 12,172**	$ 12,790

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The following table summarizes sales and costs of products sold for the three months ended June 30, 2006 and 2005.

Sales and Costs of Products Sold

	Three Months Ended June 30		
In thousands	**2006**	2005	Change
Net sales	**$ 279,720**	$ 145,283	$ 134,437
Energy sales net	**2,847**	2,715	132
Total revenues	**282,567**	147,998	134,569
Costs of products sold	**276,834**	128,165	148,669
Gross profit	**$ 5,733**	$ 19,833	$ (14,100)
Gross profit as a percent of Net sales	**2.0%**	13.7%	

The following table sets forth the contribution to consolidated net sales by each business unit:

	Percent of Total	
	2006	**2005**
Business Unit		
Specialty Papers	**72.7%**	**65.0%**
Composite Fibers	**27.3**	**35.0**
Total	**100.0%**	**100.0%**

Net sales totaled $279.7 million for the second quarter of 2006, an increase of $134.4 million, or 92.5%, compared to the same quarter a year ago. Net sales from the Chillicothe and Lydney mill acquisitions totaled $124.1 million. These acquisitions are reported in the Specialty Papers and Composite Fibers business units, respectively. Organic growth, was driven by a 3.0% increase in volume and $5.6 million from higher average selling prices in the Specialty Papers business unit. Excluding results of the Lydney mill, Composite Fibers volumes shipped increased 20%. The translation of foreign currencies unfavorably impacted this business unit s net sales by $2.5 million and average selling prices declined $1.3 million compared to the same quarter a year ago.

Costs of products sold totaled $276.8 million for the second quarter of 2006, an increase of $148.7 million compared with the same quarter a year ago. As discussed above, the 2006 second quarter costs of products sold includes a $16.6 million pre-tax charge for inventory write-downs and accelerated depreciation on property and equipment to be abandoned in connection with the Neenah shutdown. Excluding these charges, the increase in costs of products sold was primarily due to the inclusion of the Chillicothe and Lydney acquisitions, an $8.3 million effect of increased shipping volumes, as well as higher raw material and energy prices that increased costs of products sold by approximately $4.4 million. The translation of foreign currencies reduced costs of products sold by $2.1 million. During the second quarters of 2006 and 2005, we completed our annually scheduled maintenance shutdown of the Spring Grove, PA facility, and, in the 2006 second quarter, the annual maintenance shutdown of the Chillicothe facility was completed. These shutdowns result in increased maintenance spending and reduced production leading to unfavorable manufacturing variances that negatively affect costs of products sold. The combined maintenance shutdowns had an estimated impact on gross profit of approximately $17.4 million in the second quarter of 2006 and $5.9 million in the comparable quarter a year ago.

Non-Cash Pension Income Non-cash pension income results from the considerably over-funded status of our pension plans. The amount of pension income recognized each year is determined using various actuarial assumptions and certain other factors, including the fair value of our pension assets as of the beginning of the year. The following summarizes non-cash pension income for each quarter:

	Three Months Ended June 30		
In thousands	**2006**	2005	Change
Recorded as:			
Costs of products sold	**$ 3,964**	$ 3,877	$ 87
SG&A expense	**280**	489	(209)
Total	**$ 4,244**	$ 4,366	$ (122)

Selling, general and administrative (SG&A) expenses totaled $25.0 million in the second quarter of 2006 compared with $17.0 million in the year-earlier second quarter. The amounts reported for the second quarter of 2006 include approximately $3.7 million of acquisition integration related expenses. Excluding these non-recurring costs, the balance of the increase in SG&A expenses, is primarily due to the inclusion of the Chillicothe and Lydney acquisitions in the current quarter s results of operations.

Shutdown and restructuring charges **Neenah Facility Shutdown** As discussed above, in the first six months of 2006 we committed to a plan to permanently shutdown our Neenah facility. The following table summarizes restructuring charges incurred in connection with these initiatives:

In thousands	**Three Months Ended June 30, 2006**
Restructuring initiative:	
Recorded as:	
Costs of products sold	**$ 16,645**
Shutdown and restructuring charges	**6,616**
Total	**$ 23,261**

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The components of the charge are as follows:

In thousands	Three Months Ended June 30, 2006
Accelerated depreciation	**$ 16,645**
Inventory write-down	**-**
Severance and benefit continuation	**4,831**
Pension and other retirement benefits curtailments	**1,372**
Contract termination costs	**277**
Other	**136**
Total	**$ 23,261**

Income Taxes Our results of operations for the second quarter of 2006 reflects an effective tax rate of 36.4% compared to 26.5% in the same period a year ago. The increase in the effective tax rate is primarily due to a higher effective state tax rate due to the Chillicothe acquisition and the absence of tax credits associated with the expiration of the research and development tax credit law at the end of 2005.

Foreign Currency We own and operate paper and pulp mills in Germany, France and the United Kingdom as well as the Philippines. The local currency in Germany and France is the Euro, in the UK the British Pound Sterling, and in the Philippines the currency is the Peso. During the second quarter of 2006, these operations generated approximately 25% of our sales and 24% of operating expenses. The translation of the results from these international operations into U.S. dollars is subject to changes in foreign currency exchange rates.

The table below summarizes the effect from foreign currency translation on reported results for the second quarter of 2006 compared to the same quarter of 2005:

In thousands	Three Months Ended June 30, 2006
	Favorable (unfavorable)
Net sales	**$ (2,467)**
Costs of products sold	**2,075**
SG&A expenses	**258**
Income taxes and other	**(29)**
Net income	**$ (163)**

The above table only presents the financial reporting impact of foreign currency translations. It does not present the impact of certain competitive advantages or disadvantages of operating or competing in multi-currency markets. Nor does it reflect the impact of making certain A/R, A/P and other transactions to market at the end of the period.

LIQUIDITY AND CAPITAL RESOURCES

Our business is capital intensive and requires expenditures for new or enhanced equipment, for environmental compliance matters and to support our business strategy and research and development efforts. The following table summarizes cash flow information for each of the periods presented.

	Six Months Ended June 30	
In thousands	**2006**	2005
Cash and cash equivalents at beginning of period	**$ 57,442**	$ 39,951
Cash provided by (used for)		
Operating activities	**(31,534)**	4,911
Investing activities	**(175,763)**	(13,875)
Financing activities	**172,282**	(6,460)
Effect of exchange rate changes on cash	**1,374**	(1,878)
Net cash provided (used)	**(33,641)**	(17,302)
Cash and cash equivalents at end of period	**$ 23,801**	$ 22,649

During the first six months of 2006 operations used $31.5 million of cash compared to $4.9 million of cash provided by operating activities in the prior year period. The change in the comparison was primarily due to $21.7 million used to settle a cross currency rate swap that matured in June 2006 and $17.1 million of income tax payments made during the first six months of 2006.

The changes in investing cash flows reflects the use of approximately $151.6 million to fund the Chillicothe and Lydney mill acquisitions. The acquisitions were financed with additional borrowings under our revolving credit facility and new term loan.

The following table sets forth our outstanding long-term indebtedness:

In thousands	**June 30, 2006**	December 31, 2005
New revolving credit facility, due April 2011	**$ 52,893**	$
Term loan, due April 2011	**99,440**	
Revolving credit facility, due June 2006		19,650
7 1/8% Notes, due May 2016	**200,000**	
6 1/8% Notes, due July 2007		150,000
Note payable SunTrust, due March 2008	**34,000**	34,000
Total long-term debt	**386,333**	203,650
Less current portion	**(7,500)**	(19,650)
Long-term debt, excluding current portion	**$ 378,833**	$ 184,000

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As more fully discussed in Item 1 Financial Statements, Note 10, on April 3, 2006 we refinanced the revolving credit facility set forth in the table above. The significant terms of the new credit facility are also set forth therein. In addition, on April 28, 2006, we completed a private placement offering of $200.0 million aggregate principal amount of our $7^1/8$% Senior Notes due 2016. We used the net proceeds to redeem $150.0 million aggregate principal amount of our outstanding $6^7/8$% notes due July 2007, plus the payment of the applicable redemption premium and accrued interest. We expect to use the remaining net proceeds for working capital and general corporate purposes.

During the first six months of 2006 and 2005, cash dividends paid on common stock totaled $7.9 million in each period. Our Board of Directors determines what, if any, dividends will be paid to our shareholders. Dividend payment decisions are based upon then-existing factors and conditions and, therefore, historical trends of dividend payments are not necessarily indicative of future payments.

We are subject to loss contingencies resulting from regulation by various federal, state, local and foreign governmental authorities with respect to the environmental impact of mills we operate, or have operated. To comply with environmental laws and regulations, we have incurred substantial capital and operating expenditures in past years. We anticipate that environmental regulation of our operations will continue to become more burdensome and that capital and operating expenditures necessary to comply with environmental regulations will continue, and perhaps increase, in the future. In addition, we may incur obligations to remove or mitigate any adverse effects on the environment resulting from our operations, including the restoration of natural resources and liability for personal injury and for damages to property and natural resources. Because environmental regulations are not consistent worldwide, our ability to compete in the world marketplace may be adversely affected by capital and operating expenditures required for environmental compliance.

We expect to meet all of our near- and longer-term cash needs from a combination of operating cash flow, cash and cash equivalents, proceeds generated from the execution of our Timberland Strategy existing credit facility or other bank lines of credit and other long-term debt. However, as discussed in Item 1 Financial Statements Note 11, an unfavorable outcome of various environmental matters could have a material adverse impact on our consolidated financial position, liquidity and/or results of operations.

Off-Balance-Sheet Arrangements As of June 30, 2006 and December 31, 2005, we had not entered into any off-balance-sheet arrangements. A financial derivative instrument to which we are a party and guarantees of indebtedness, which solely consists of obligations of subsidiaries and a partnership, are reflected in the consolidated balance sheets included herein in Item 1 Financial Statements.

Outlook We expect orders for our product offerings in the North America-based Specialty Papers business unit to be at or near capacity. In addition, pricing has strengthened and is expected to remain at or above these levels. We expect these conditions to prevail through most of 2006.

In our Composite Fibers business unit we expect order patterns to continue to improve and pricing conditions are expected to remain stable.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

	Year Ended December 31					At June 30, 2006	
Dollars in thousands	2006	2007	2008	2009	2010	Carrying Value	Fair Value
Long-term debt							
Average principal outstanding							
At fixed interest rates	$ 234,000	$ 234,000	$ 208,500	$ 200,000	$ 200,000	$ 234,000	$ 222,931
At variable interest rates	152,333	146,709	129,834	107,959	82,959	152,333	152,333
Weighted-average interest rate							
On fixed interest rate debt	6.64%	6.64%	6.99%	7.13%	7.13%		
On variable interest rate debt	5.49	5.47	5.47	5.25	4.99		

Our market risk exposure primarily results from changes in interest rates and currency exchange rates. At June 30, 2006, we had long-term debt outstanding of $386.3 million, of which $152.3 million or 39.4% was at variable interest rates.

The table above presents average principal outstanding and related interest rates for the next five years. Fair values included herein have been determined based upon rates currently available to us for debt with similar terms and remaining maturities.

Variable-rate debt outstanding represents borrowings under our revolving credit facility that incur interest based on the domestic prime rate or a Eurocurrency rate, at our option, plus a margin. At June 30, 2006, the interest rate paid was 5.49%. A hypothetical 100 basis point increase or decrease in the interest rate on variable rate debt would increase or decrease annual interest expense by $1.5 million.

We are subject to certain risks associated with changes in foreign currency exchange rates to the extent our operations are conducted in currencies other than the U.S. Dollar. During the six months ended June 30, 2006, approximately 72.0% of our net sales were shipped from the United States, 19.5% from Germany, and 8.5% from other international locations.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures Our chief executive officer and our principal financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2006, have concluded that, as of the evaluation date, our disclosure controls and procedures are effective.

Changes in Internal Controls On March 13, 2006, we completed the acquisition of the Lydney mill from J R Crompton Limited and on April 3, 2006, we completed the acquisition of Chillicothe, the carbonless paper operation of NewPage Corporation. We performed due diligence procedures associated with these acquisitions and are in the process of evaluating how the separate financial reporting processes applicable to these newly acquired entities will be incorporated into our internal control structure. There were no other changes in our internal control over financial reporting during the six months ended June 30, 2006, that have materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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PART II

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Annual Meeting of holders of Glatfelter common stock was held on April 26, 2006. At this meeting, shareholders voted on the following matters (with the indicated tabulated results).

i. The election of two members of the Board of Directors to serve for full three-year terms expiring in 2009.

Director	For	Withheld
George H. Glatfelter II	38,223,792	241,283
Ronald J. Naples	38,111,900	353,175
Richard J. Smoot	37,556,332	908,743

ITEM 6. EXHIBITS

(a) Exhibits

The following exhibits are filed herewith.

31.1	Certification of George H. Glatfelter II, Chairman and Chief Executive Officer of Glatfelter, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of John P. Jacunski, Senior Vice President and Chief Financial Officer of Glatfelter, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of George H. Glatfelter II, Chairman and Chief Executive Officer of Glatfelter, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.
32.2	Certification of John P. Jacunski, Senior Vice President and Chief Financial Officer of Glatfelter, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

P. H. GLATFELTER COMPANY
(Registrant)

August 23, 2006

By: /s/ David C. Elder
David C. Elder
Corporate Controller

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EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of George H. Glatfelter II, Chairman and Chief Executive Officer of Glatfelter, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 Chief Executive Officer, filed herewith.
31.2	Certification of John P. Jacunski, Senior Vice President and Chief Financial Officer of Glatfelter, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Chief Financial Officer, filed herewith.
32.1	Certification of George H. Glatfelter II, Chairman and Chief Executive Officer of Glatfelter, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 Chief Executive Officer, filed herewith.
32.2	Certification of John P. Jacunski, Senior Vice President and Chief Financial Officer of Glatfelter, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 Chief Financial Officer, filed herewith.