



G L A T F E L T E R

Beyond Paper



2018 First Quarter Earnings Conference Call

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NYSE: GLT

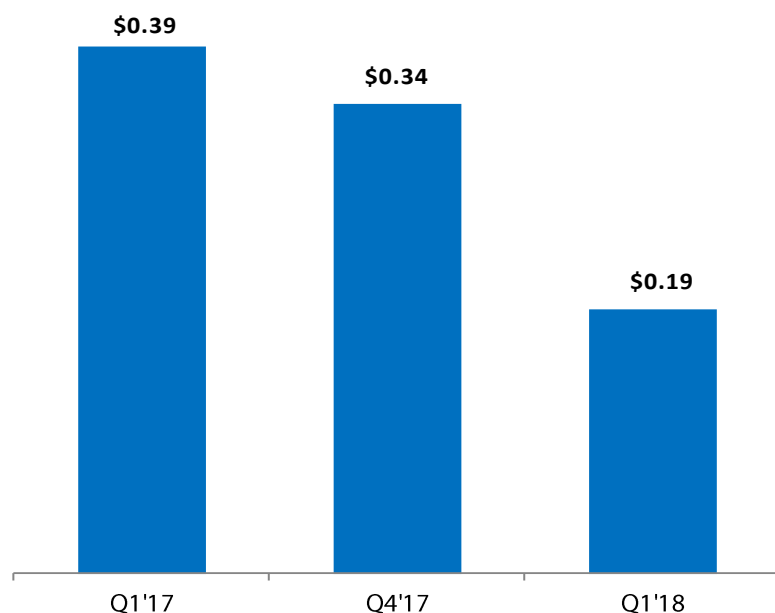
Forward-Looking Statements and Use of Non-GAAP Financial Measures

Any statements included in this press release 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 uses words such as “anticipates”, “believes”, “expects”, “future”, “intends”, “plans”, “targets”, and similar expressions to identify forward-looking statements. Any such statements are based on the Company’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, and economic conditions in the U.S., demand for or pricing of its products, and market growth and currency exchange rates. In light of these risks, uncertainties and other factors, the forward-looking matters 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.

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.

Q1 2018 Highlights

Adjusted EPS (EPS Before Special Items)

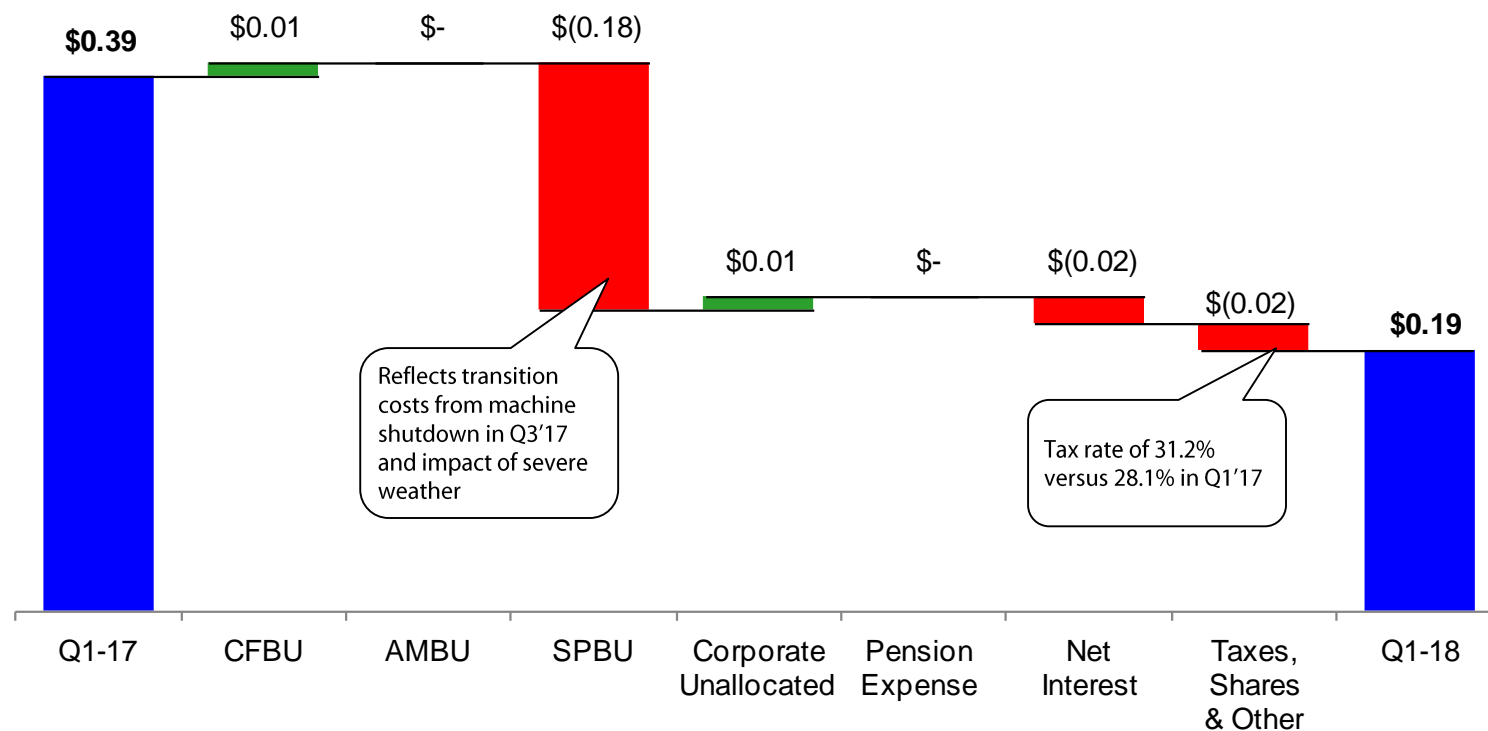


- **Engineered materials businesses continued to grow**
 - Steady growth for Composite Fibers with volume up 3%
 - Strong growth for Airlaid with volume up 6%
 - Total GLT net sales up 5% and flat on constant currency basis
- **Raw material price inflation reduced adjusted EPS by \$0.14 versus Q1'17**
- **Selling prices began improving; further improvement expected**
- **Adjusted EPS down \$0.20 from Q1 2017**
 - Composite Fibers operating profit up 6%
 - Airlaid business operating profit up 2%
 - Specialty Papers operating profit down \$11.2 million– in-line with expectations
- **Began production and commercial shipments from new Fort Smith, Arkansas facility**
- **Delivered solid operating cash flow**
- **Balance Sheet remains strong**

On a GAAP basis, EPS was \$0.26, (\$0.23) and \$0.13 for Q1 2017, Q4 2017 and Q1 2018, respectively

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

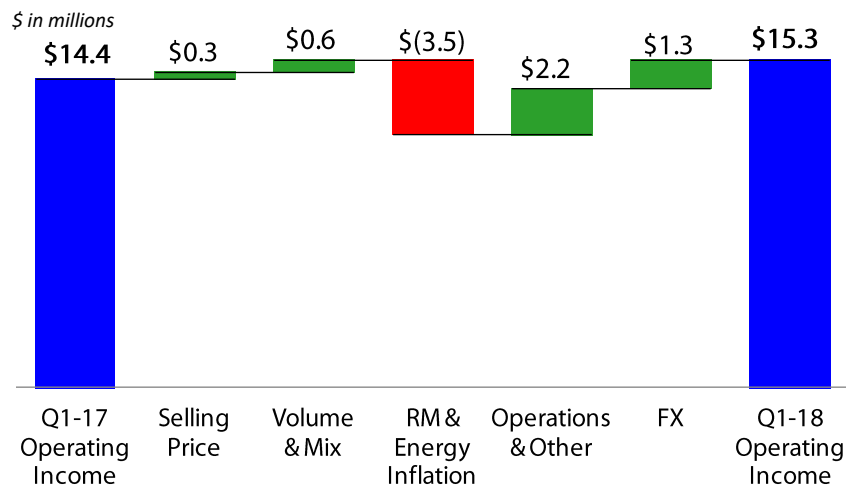
Adjusted EPS – Q1 2018 vs. Q1 2017



On a GAAP basis, Q1 2018 was a net income of \$5.7 million or \$0.13 per share compared to net income of \$11.6 million or \$0.26 per share in Q1 2017

Composite Fibers Q1 2018 Highlights

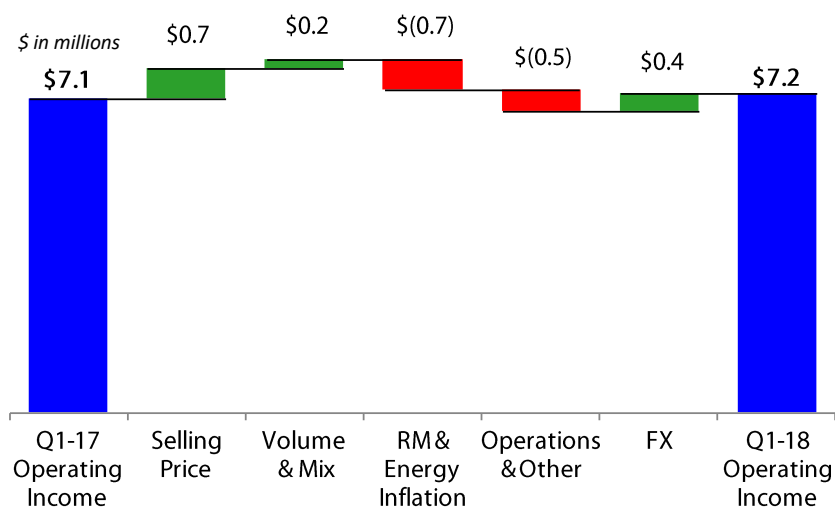
Dollars in Thousands	Q1 2017	Q4 2017	Q1 2018
Tons shipped	38,787	41,308	40,047
Net sales	\$125,103	\$143,671	\$141,598
Operating income	\$14,438	\$16,828	\$15,289
EBITDA	\$21,222	\$24,246	\$22,699
EBITDA margin	17.0%	16.9%	16.0%



- **Revenue up 13% versus Q1 2017 (flat on constant currency)**
 - Shipping volume up 3% versus Q1 2017
 - Wallcover up 14%
 - Technical Specialties up 8%
 - Food & beverage up 1%
 - Selling prices are slightly favorable year-on-year
- **Raw material inflation unfavorable \$3.5 million mainly driven by higher wood pulp prices**
- **Strong operations drove favorable \$2.2 million benefit**
 - Higher volumes improved cost efficiency
- **Operating profit up 6%**
- **Outlook (Q2 2018 vs. Q1 2018)**
 - Expect shipping volumes to be 5% higher than Q1 2018 and mix to improve
 - Expect selling prices to be in-line and raw material and energy prices to increase moderately

Advanced Airlaid Materials Q1 2018 Highlights

<i>Dollars in Thousands</i>	Q1 2017	Q4 2017	Q1 2018
Tons shipped	24,826	25,533	26,286
Net sales	\$59,838	\$65,656	\$69,609
Operating income	\$7,092	\$7,191	\$7,217
EBITDA	\$9,373	\$9,703	\$9,973
EBITDA margin	15.7%	14.8%	14.3%

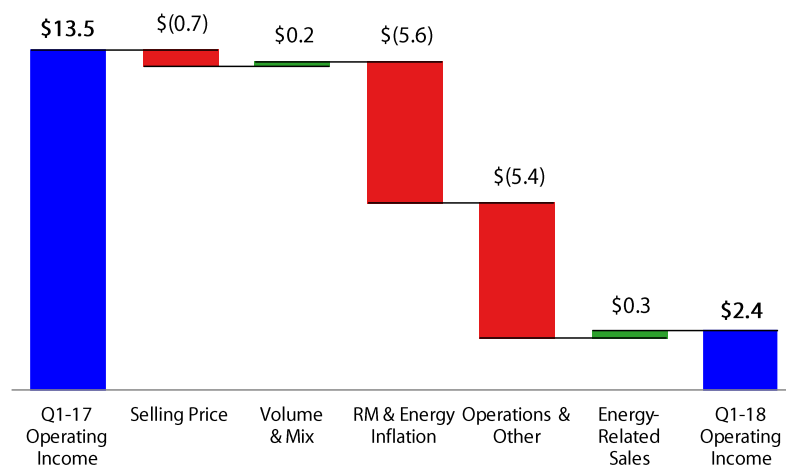


- **Net sales up 8% on constant currency basis**
 - Shipping volume up 6% versus Q1 2017
 - Wipes shipments up 19%
 - Hygiene products shipments up 2%
- **Started production and commercial shipments from Fort Smith in March**
- **Higher selling prices reflect the contractual pass through of higher raw material prices to customers**
- **Operating profit up 2%**
- **Outlook (Q2 2018 vs. Q1 2018)**
 - Expect shipping volumes to be approximately 3% higher
 - Selling prices and raw material & energy prices are expected to increase slightly
 - 2018 shipping volume expected to be 10% -12% higher than 2017

Specialty Papers Q1 2018 Highlights

Dollars in Thousands	Q1 2017	Q4 2017	Q1 2018
Tons shipped	197,223	186,005	188,440
Net sales	\$205,772	\$190,589	\$199,440
Energy and related sales, net	\$1,129	\$1,780	\$1,428
Operating income	\$13,536	\$3,785	\$2,370
EBITDA	\$20,700	\$11,688	\$10,441
EBITDA margin	10.1%	6.1%	5.2%

\$ in millions



• Net sales down 3.1%

- Shipments down 4.5% year-over-year versus 2.2% for the broader UFS market – reflects machine shutdown in Sep 2017
- Prices slightly down year over year but up \$33 per ton versus Q4'17
- Mix of products sold has improved

• Higher raw material and energy prices

• Operations unfavorable \$5.4 million

- Higher freight costs of \$1.1 million due to truck availability
- Depreciation increased \$0.9 million driven by environmental compliance investments
- Benefits from salaried workforce reduction program were more than offset by transition issues related to PM24 shutdown, severe weather and water quality events in Ohio in Q1 2018

• Outlook (Q2 2018 vs. Q1 2018)

- Expect shipping volumes to be 5% lower versus Q1 2018
- Average selling prices are expected to increase \$30 per ton
- Raw material and energy prices are expected to increase slightly; seasonally lower energy consumption
- Transition costs associated with machine shutdown, severe weather and water quality issues are not anticipated in Q2 2018 (\$5 million)
- Annual maintenance outages in Q2 2018 expected to cost approximately \$26 million to \$28 million compared to \$22.9 million in Q2 2017

Note: Prior period amounts reflect the restatement of financials related to "ASU 2017-07"

Corporate Costs and Other Financial Items

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)	Q1'17	Q1'18	Excluded from adjusted earnings
Timberland sales and related costs	\$—	\$1.1	
Strategic initiatives	—	(2.1)	
Specialty Papers' environmental compliance	(2.3)	—	
Airlaid capacity expansion	(2.0)	(3.0)	
Cost optimization actions	(2.0)	—	
Pension service costs	(2.7)	(2.9)	
Corporate costs*	(5.3)	(4.7)	
Total corporate costs & other financial items	(\$14.3)	(\$11.6)	

Corporate costs in Q1 2018 are slightly lower than Q1 2017

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

Free Cash Flow

(in millions)	Q1'17	Q1'18
Adjusted EBITDA	\$45.9	\$38.9
Change in working capital (*)	(18.5)	(10.2)
Taxes paid	(2.2)	(3.0)
Interest paid	(0.3)	(1.5)
Other	(17.4)	(16.5)
Cash Flow from Operations	7.6	7.7
Less: Capital expenditures	(36.8)	(26.6)
Free Cash Flow	(29.2)	(18.9)
Adjustment for major capital projects	17.2	11.3
Exclude: CBC/AFM Credit	-	-
Adjusted Free Cash Flow	(\$12.0)	(\$7.6)

- **Adjusted free cash flow in Q1'18 slightly better than Q1'17**
- **Capital expenditures in Q1'18 were \$10.2 million lower than Q1'17**
 - Boiler environmental compliance projects completed in early 2017
 - Q1'18 includes \$11.3 million for airlaid capacity expansion versus \$9.6 million in Q1'17
- **With completion of major capital programs, 2018 cash flow is expected to improve significantly**

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

Capital Expenditures and Other Cost Estimates

Capital Expenditures Estimate

(in millions)	2016A	2017A	2018E
Normal Capital Expenditures	\$60	\$73	\$54 - \$59
Major Projects			
Boiler Environmental Compliance (SPBU)	\$69	\$13	–
Capacity expansion (AMBU)	\$31	\$46	13
Total	\$160	\$132	\$67 - \$72

Major Programs One-Time P&L Costs Estimates

(in millions, after-Tax)	2016A	2017A	2018E
Boiler Environmental Compliance (SPBU)	\$5	\$4	–
Capacity expansion (AMBU)	\$2	\$9	\$4
Cost Optimization Programs (CFBU & SPBU)	\$3	\$9	–
Total	\$10	\$23	\$4

- **Advanced Airlaid Materials capacity expansion project estimated at approximately \$90 million of capital**
 - Commercial shipments started in Q1'18
 - Total spend to date of \$88 million
- Expect significantly lower capital expenditures in 2018 with completion of major capital programs
- Depreciation and amortization expense for 2018 estimated at \$80 million

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

Balance Sheet Metrics

(in millions)	31-Dec-16	31-Dec-17	31-Mar-18
Cash	\$55.4	\$116.2	\$117.3
Debt			
Current portion of long term debt	9.0	11.3	11.6
5%% Notes, due October 2020	250.0	250.0	250.0
Term Loans 1.3% - 2.4% due 2022 - 2025	54.6	50.8	49.3
Revolving credit agreement	61.6	171.2	196.6
Unamortized deferred financing costs	(2.6)	(1.9)	(1.8)
Total Debt	\$372.6	\$481.4	\$505.7
Net Debt	\$317.2	\$365.2	\$388.5
Shareholders' Equity	\$653.8	\$708.9	\$724.0
TTM Adj. EBITDA (excl. Pension)	\$159.6	\$159.4	\$152.3
Leverage*	2.0	2.3	2.6
Cash available under bank facility	\$176.6	\$67.5	\$20.2

- **Net debt increased \$23 million from Dec 2017**
 - Seasonal working capital use
 - Major capital programs nearly complete
- **Leverage at 2.6x as of March 31, 2018 based on Adjusted EBITDA**
- **Total liquidity of \$138 million**
- **Expect liquidity to improve in 2018**
- **Continue to have financial flexibility to pursue strategic growth options**

Notes: *The above calculation is not intended to be used for purposes of calculating debt covenant compliance.
The sum of individual amounts set forth above may not agree to the column totals due to rounding.

Appendix

Outlook Summary – Q2 2018 Versus Q1 2018

Composite Fibers

- Expect shipping volumes to be 5% higher than Q1 2018 and mix to improve
- Expect selling prices to be in-line and raw material and energy prices to increase moderately

Advanced Airlaid Materials

- Expect shipping volumes to be approximately 3% higher
- Selling prices and raw material & energy prices are expected to increase slightly
- 2018 shipping volume expected to be 10%-12% higher than 2017

Specialty Papers

- Expect shipping volumes to be 5% lower versus Q1 2018
- Average selling prices are expected to increase \$30 per ton
- Raw material and energy prices are expected to increase slightly; seasonally lower energy consumption
- Transition costs associated with machine shutdown, severe weather and water quality issues are not anticipated in Q2 2018 (\$5 million)
- Annual maintenance outages in Q2 2018 expected to cost approximately \$26 million to \$28 million compared to \$22.9 million in Q2 2017

Other

- Corporate costs are expected to be in-line with Q1 2018
- Pension expense for 2018 expected to be approximately \$7.1 million compared to \$6.6 million in 2017
- Effective tax rate is expected to be approximately 33% for 2018 compared to 19% in 2017
- Capital expenditures are expected to total between \$67 million and \$72 million in 2018
- Depreciation and amortization expected to be approximately \$80 million in 2018 compared to \$76 million in 2017
- Net interest expense is expected to be \$22 million in 2018 compared to \$18 million in 2017 reflecting debt incurred for major capital programs, higher interest rates and capitalization of interest in 2017 of \$2.1 million related to major capital programs

Impact of Adopting New Pension Reporting Classification on Income Statement - Quarter

Quarter Ended March 31, 2018 (Income)/Expense

(in millions)	Pension	OPEB	Total
Total Expense	\$1.8	\$0.6	\$2.4
Amount included in Other Income	(\$1.1)	\$0.3	(\$0.8)
Amount in Operating Profit	\$2.9	\$0.3	\$3.2

Quarter Ended March 31, 2017 (Income)/Expense

(in millions)	Pension	OPEB	Total
Total Expense (previously reported in operating profit)	\$1.3	\$0.6	\$1.9
Amount included in Other Income	(\$1.4)	\$0.3	(\$1.1)
Amount in Operating Profit	\$2.7	\$0.3	\$3.0

- GLT adopted new reporting standard for pension reporting in Q1 2018
- Only the service cost component of pension and post-employment benefits remains in operating profit
- Other components of pension and post-employment benefit expense are included in other income (below operating profit)
- Q1 2017 income statements have been recast to reflect adoption of the new classification.

GLT adopted ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs, in Q1 2018.

Impact of Adopting New Pension Reporting Classification on Income Statement – Full Year

Year Ended December 31, 2018 (Income)/Expense

(in millions)	Pension	OPEB	Total
Total Expense (current estimate for 2018)	\$7.1	\$2.6	\$9.7
Amount to be classified as Other Income	(\$4.3)	\$1.4	(\$2.9)
Amount to remain in Operating Profit	\$11.4	\$1.2	\$12.6

Year Ended December 31, 2017 (Income)/Expense

(in millions)	Pension	OPEB	Total
Total Expense (currently reported in operating profit)	\$6.6	\$2.6	\$9.2
Amount to be classified as Other Income	(\$4.1)	\$1.4	(\$2.7)
Amount to remain in Operating Profit	\$10.7	\$1.2	\$11.9

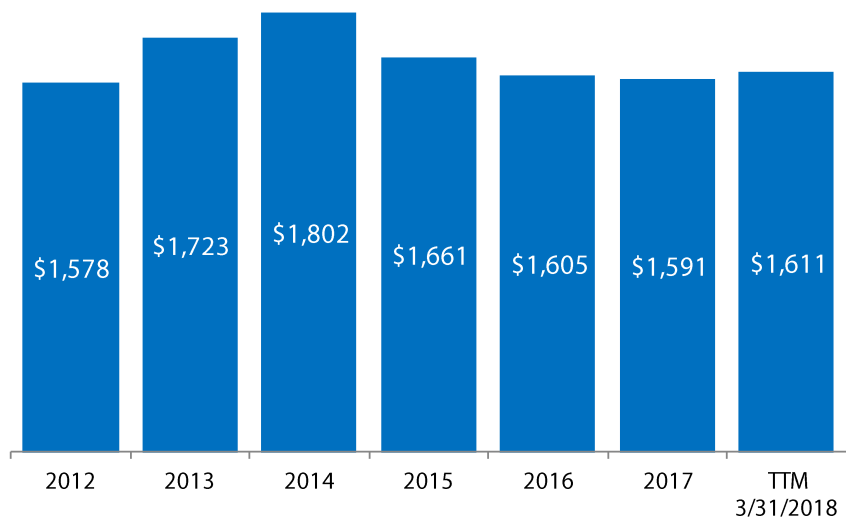
Year Ended December 31, 2016 (Income)/Expense

(in millions)	Pension	OPEB	Total
Total Expense (currently reported in operating profit)	\$12.8	\$2.1	\$14.9
Amount to be classified as Other Income	\$2.3	\$1.0	\$3.3
Amount to remain in Operating Profit	\$10.5	\$1.1	\$11.6

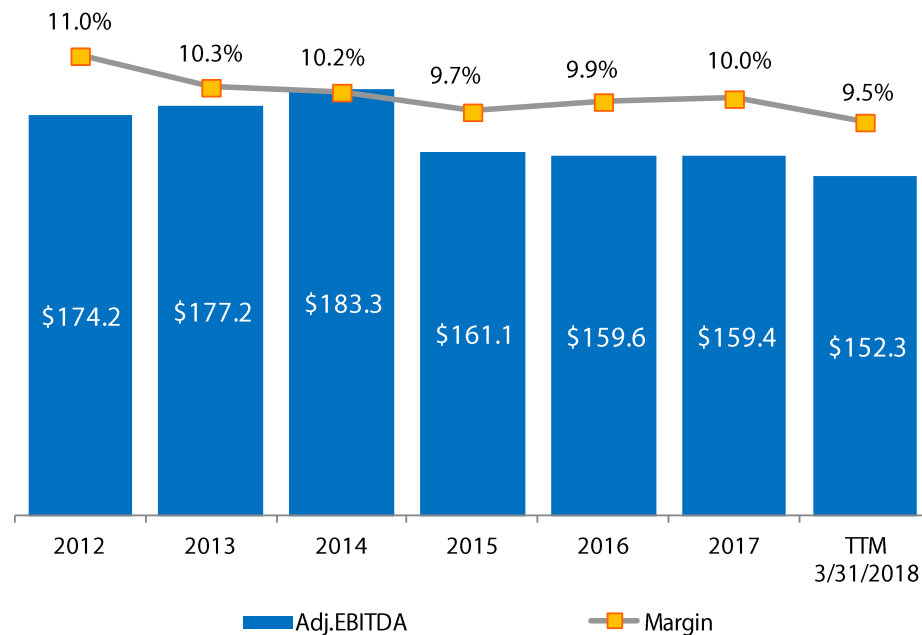
GLT adopted ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs, in Q1 2018.

Financial Highlights

Net Sales
(in millions)



Adj. EBITDA / Margin %
(in millions)



Financial Overview

(in millions)	Q1'17	Q1'18
Net Sales	\$390.7	\$410.6
Adjusted operating income, excl. Pension	\$29.7	\$19.8
Adjusted EBITDA, excl. Pension	\$45.9	\$38.9
Free Cash Flow	(\$29.2)	(\$18.9)
Adjusted Free Cash Flow	(\$12.0)	(\$7.6)

(in millions)	Dec 31 2017	Mar 31 2018
Net Debt	\$365.2	\$388.5
Cash	\$116.2	\$117.3

Pension Plan Remains Overfunded

(in millions)	2015	2016	2017	2018 Est.
Plan Assets	\$594.9	\$610.7	\$673.1	N/A
Plan Liabilities	\$541.9	\$552.0	\$600.7	N/A
Funded status	\$53.0	\$58.7	\$72.4	N/A
Pension Expense	\$9.1	\$5.5 ⁽¹⁾	\$6.6	\$7.1
Cash contributions ⁽²⁾	\$0	\$0	\$0	\$0
Discount Rate for Expense	4.22%	4.65%	4.43%	3.85%
Return on Asset Assumption	8.00%	7.75%	7.25%	7.00%

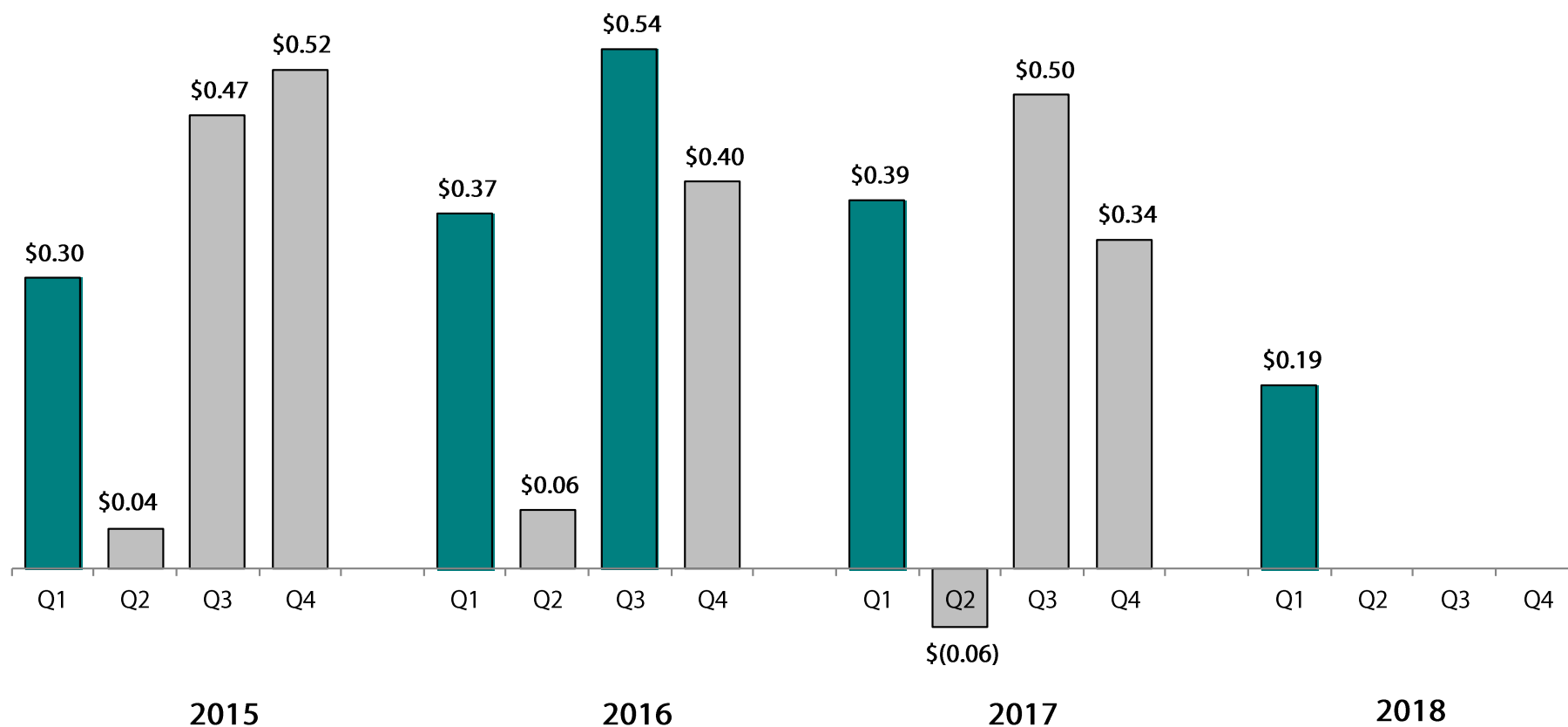
(1) Excludes one-time settlement charges of \$7.3 million

(2) Qualified plans only

No cash contribution required in 2018 or expected for the foreseeable future.

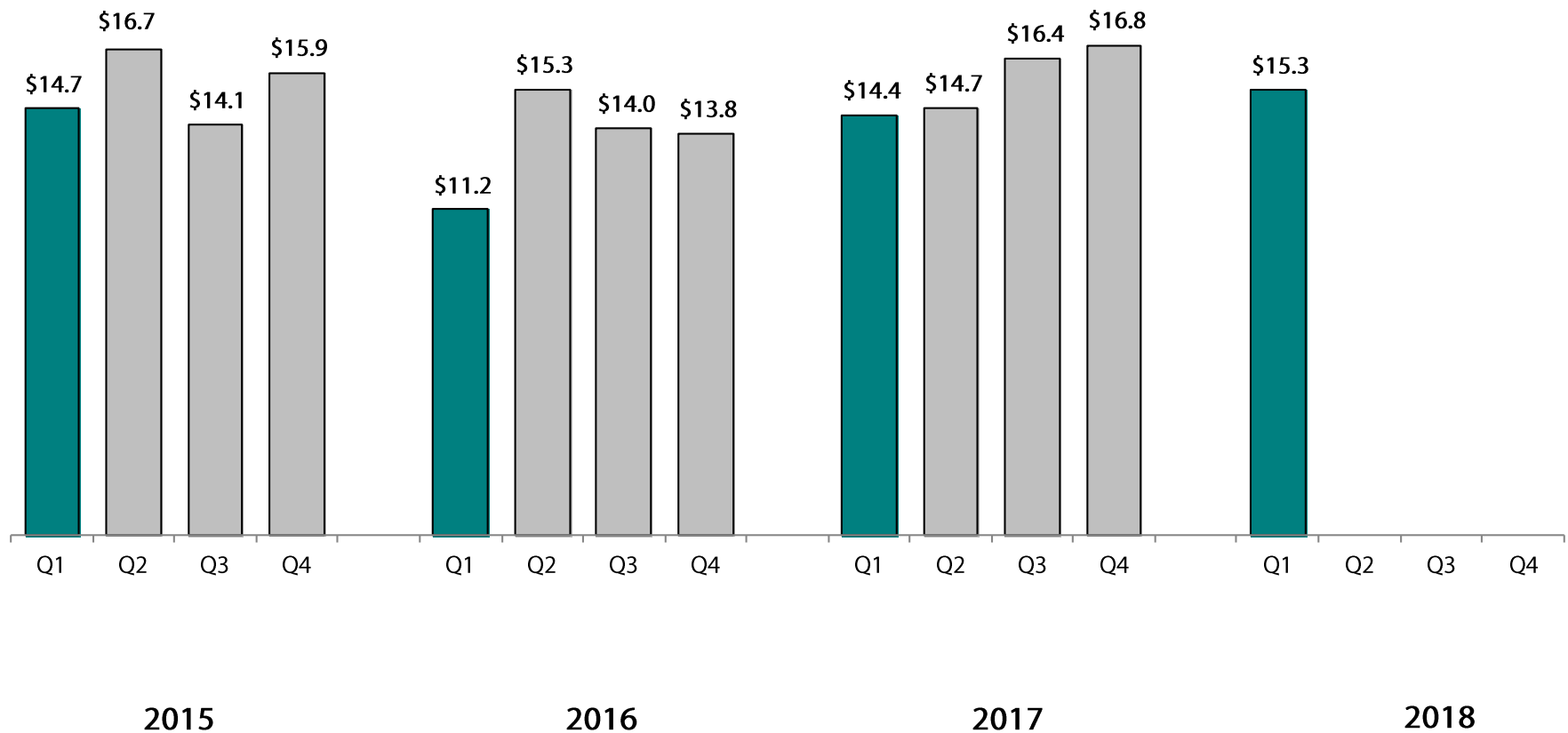
Adjusted EPS

(EPS Before Special Items)

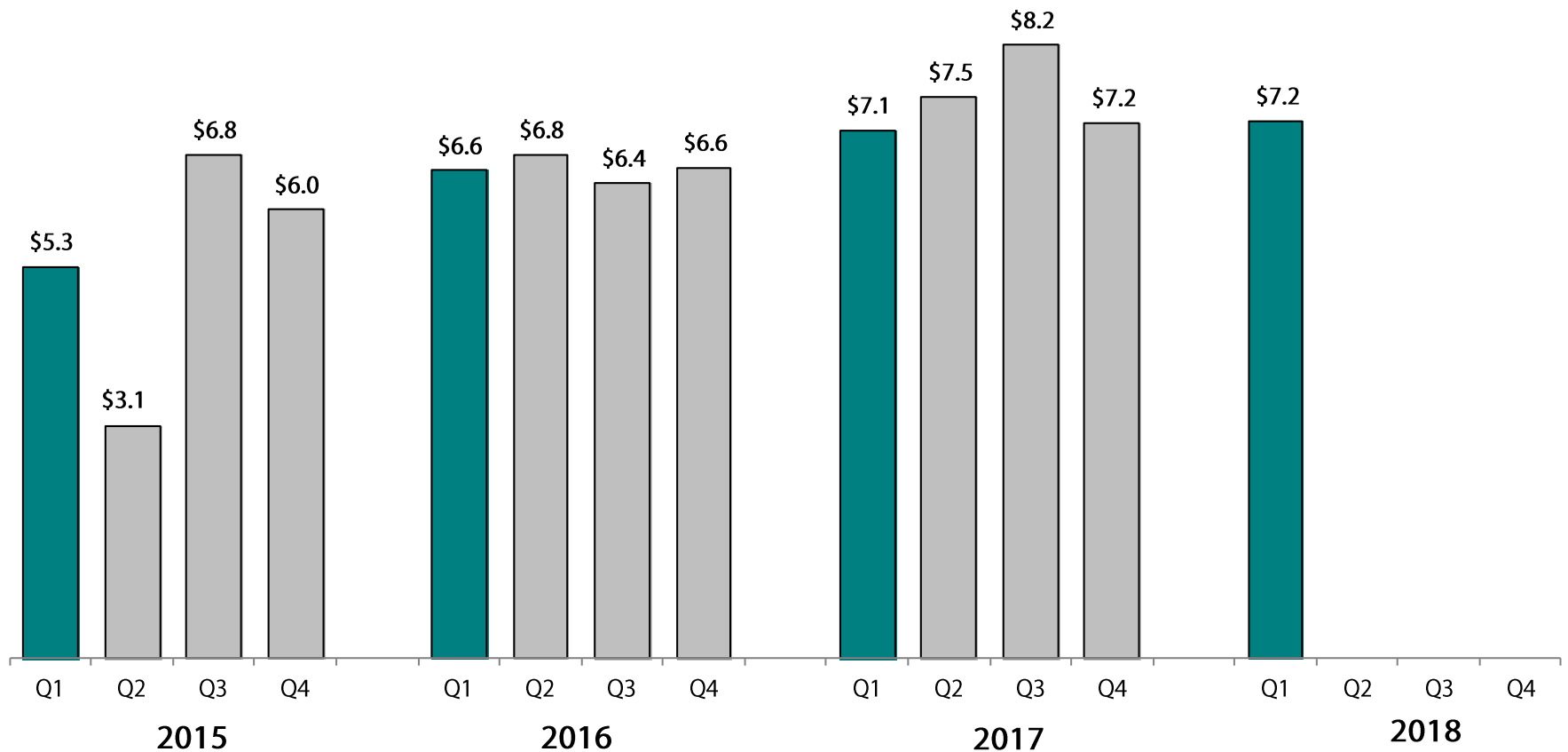


Note: See appendix of this presentation for the reconciliation of adjusted EPS to its nearest GAAP measure.

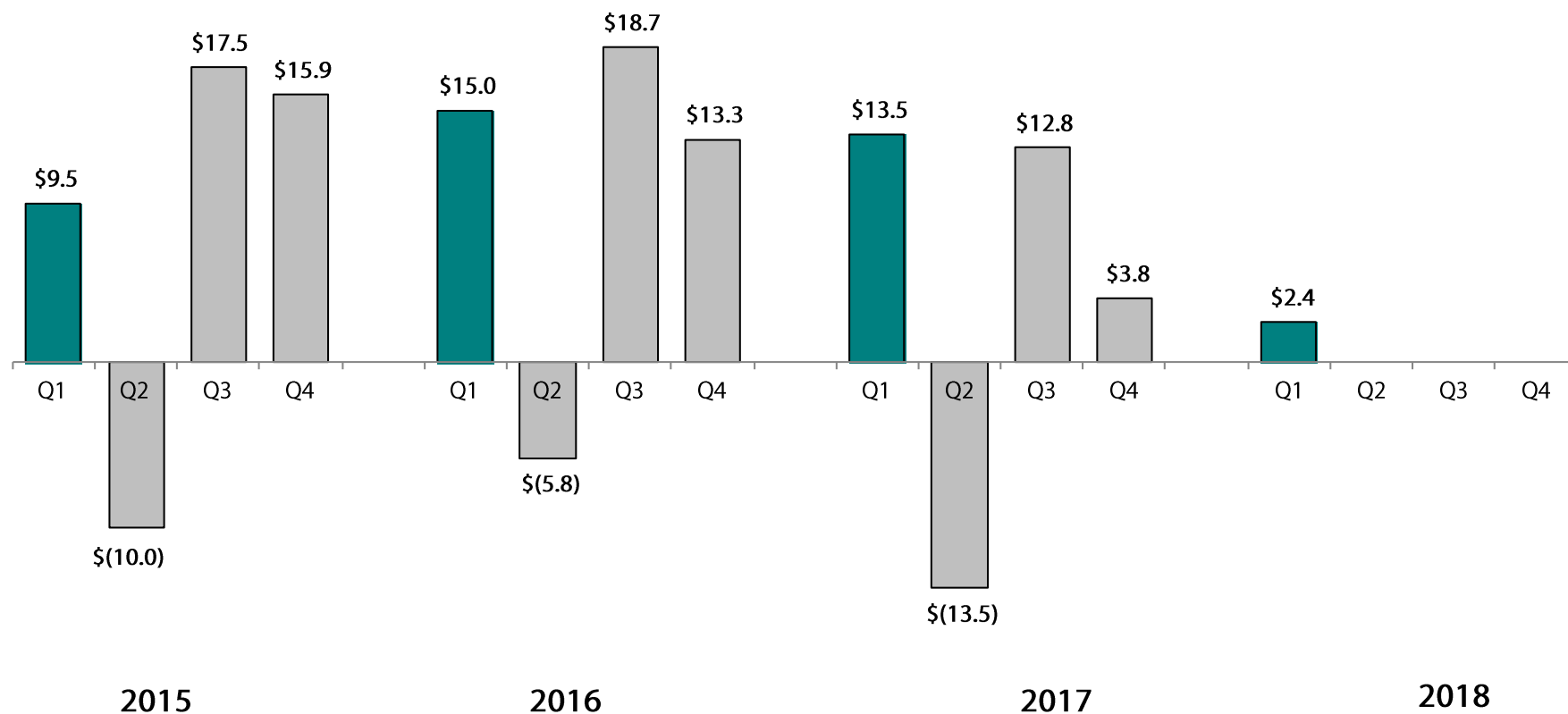
Composite Fibers Operating Income



Advanced Airlaid Materials Operating Income



Specialty Papers Operating Income



Note – Operating profit is adjusted for new pension reporting classification standard “ASU 2017-07” for only 2017 and 2018

Reconciliation of Non-GAAP Measures

Adjusted EPS

	2015				2016				2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<i>In thousands, except per share</i>																
Net income (loss)	\$13,925	\$2,848	\$13,504	\$34,298	\$16,167	\$1,966	\$19,601	(\$16,180)	\$11,603	(\$5,714)	\$12,105	(\$10,080)	\$5,716	\$ -	\$ -	\$ -
Adjustments (<i>pre-tax</i>)																
Costs related to strategic initiatives	—	—	—	—	—	—	—	—	—	—	—	—	2,109	—	—	—
Specialty Papers' environmental compliance	—	—	—	—	37	1,088	5,520	1,703	2,264	216	596	541	—	—	—	—
Airlaid capacity expansion costs	—	—	—	50	56	201	1,051	1,353	1,958	2,495	2,581	3,820	3,033	—	—	—
Fox River environmental matter	—	—	10,000	—	—	—	—	40,000	—	—	—	—	—	—	—	—
Asset impairment charge	—	—	1,201	—	—	—	—	—	—	—	—	—	—	—	—	—
Timberland sales and related costs	(2,654)	(51)	—	(18,162)	—	—	—	—	—	(74)	(114)	—	(1,115)	—	—	—
Cost Optimization	1,339	614	296	212	88	—	—	3,446	2,013	775	6,839	361	—	—	—	—
Pension Settlement	—	—	—	—	—	—	—	7,306	—	—	—	—	—	—	—	—
Acquisition and integration related costs	160	—	18	—	—	—	—	—	—	—	—	—	—	—	—	—
Total adjustments (<i>pre-tax</i>)	(1,155)	563	11,515	(17,900)	181	1,289	6,571	53,808	6,235	3,412	9,902	4,722	4,027	—	—	—
Income tax (benefits) provision	604	(1,567)	(4,212)	6,503	(56)	(487)	(2,193)	(19,983)	(682)	(317)	(123)	(519)	(955)	—	—	—
U.S. Tax Reform	—	—	—	—	—	—	—	—	—	—	—	20,922	(180)	—	—	—
Total after-tax adjustments	(551)	(1,004)	7,303	(11,397)	125	802	4,378	33,825	5,553	3,095	9,779	25,125	2,892	—	—	—
Adjusted earnings	\$13,374	\$1,844	\$20,807	\$22,901	\$16,292	\$2,768	\$23,979	\$17,645	\$17,156	(\$2,619)	\$21,884	\$15,045	\$8,608	\$ -	\$ -	\$ -
Adjusted EPS	\$0.30	\$0.04	\$0.47	\$0.52	\$0.37	\$0.06	\$0.54	\$0.40	\$0.39	(\$0.06)	\$0.50	\$0.34	\$0.19	\$ -	\$ -	\$ -
Shares	43,949	44,032	43,865	43,878	43,871	44,062	44,133	43,577	44,493	43,604	44,182	43,634	44,567	-	-	-

Reconciliation of Non-GAAP Measures

Adjusted EBITDA, Excluding Pension

Adjusted Operating Income, Excluding Pension

<i>In millions</i>	Q1 2017	Q1 2018
Net Income	\$ 11.6	\$ 5.7
Taxes	6.0	2.8
Net Pension Expenses	1.3	1.8
Depreciation and Amortization	17.3	19.4
Net Interest Expense	3.9	5.1
EBITDA, excluding pension	\$ 40.1	\$ 34.8
<u>Adjustments / Exclusions:</u>		
Gains on Timberland Sales and Transaction Related Costs	-	(1.1)
Specialty Paper Environmental Compliance	2.3	-
Airlaid Capacity Expansion	2.0	3.0
Cost optimization actions (net of asset write off)	1.5	-
Costs related to strategic initiatives	-	2.1
Adjusted EBITDA, excluding pension	\$ 45.9	\$ 38.9
Depreciation and Amortization (excludes asset write off)	(16.8)	(19.4)
Other (Income)/Expense	0.6	0.3
Adjusted Operating Income, excluding pension	\$ 29.7	\$ 19.8

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

Reconciliation of Non-GAAP Measures

Adjusted EBITDA, Excluding Pension

<i>In millions</i>	2012	2013	2014	2015	2016	2017	TTM 3/31/2018
Net Income	\$ 59.4	\$ 67.2	\$ 69.2	\$ 64.6	\$ 21.6	\$ 7.9	\$ 2.0
Taxes	19.6	2.0	18.1	14.0	(10.7)	31.4	28.2
Pension Expense	11.6	14.2	6.7	9.1	5.5	6.6	7.1
Depreciation and Amortization	69.5	68.2	70.6	63.2	65.8	76.0	78.2
Net Interest Expense	<u>18.2</u>	<u>17.7</u>	<u>18.8</u>	<u>17.2</u>	<u>15.6</u>	<u>17.5</u>	<u>18.8</u>
EBITDA, excluding Pension	\$ 178.3	\$ 169.3	\$ 183.4	\$ 168.1	\$ 97.7	\$ 139.6	\$ 134.3
<u>Adjustments / exclusions:</u>							
Gains on Timberland Sales and Transaction Related Costs	(9.2)	(1.4)	(4.9)	(20.9)	-	(0.2)	(1.3)
Pension settlement charges	-	-	-	-	7.3	-	-
SPBU Environmental Compliance	-	-	-	-	8.3	3.6	1.4
Asset Impairment Charge	-	-	3.3	1.2	-	-	-
Debt Redemption Costs	5.1	-	-	-	-	-	-
Strategic Initiatives	-	-	-	-	-	-	2.1
Acquisition and Integration Related Costs	-	6.5	1.1	0.2	-	-	-
Cost optimization actions (net of asset write off)	-	-	0.5	2.5	3.5	5.5	4.0
International Legal Entity Restructuring	-	2.8	-	-	-	-	-
AMBU Capacity Expansion	-	-	-	0.1	2.7	10.9	11.9
Fox River Environmental matter	<u>-</u>	<u>-</u>	<u>-</u>	<u>10.0</u>	<u>40.0</u>	<u>-</u>	<u>-</u>
Adjusted EBITDA, excluding pension	<u>\$ 174.2</u>	<u>\$ 177.2</u>	<u>\$ 183.3</u>	<u>\$ 161.1</u>	<u>\$ 159.6</u>	<u>\$ 159.4</u>	<u>\$ 152.3</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

Net Debt and Leverage

Net debt & Leverage	December 31	December 31	3/31/2018
<i>In millions</i>	2016	2017	2018
Current Portion of Long-Term Debt	\$9.0	\$11.3	\$11.6
Long-Term Debt	363.6	470.1	494.1
Total Debt	372.6	481.4	505.7
Less: Cash	(55.4)	(116.2)	(117.3)
Net Debt	\$317.2	\$365.2	\$388.5
Net Debt	\$317.2	\$365.2	\$388.5
Divided by: TTM Adjusted EBITDA	159.6	159.4	152.3
Leverage*	2.0x	2.3x	2.6x

* - The above calculation is not intended to be used for purposes of calculating debt covenant compliance.