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

FORM 10-Q

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2020

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

GLATFELTER

96 South George Street, Suite 520
York, Pennsylvania 17401
(Address of principal executive offices)

(717) 850-0170
(Registrant's telephone number, including area code)

Commission file number	Exact name of registrant as specified in its charter	IRS Employer Identification No.	State or other jurisdiction of incorporation or organization
1-03560	**P. H. Glatfelter Company**	**23-0628360**	**Pennsylvania**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**GLT**	**New York Stock Exchange**

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 the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a small reporting company or emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Common Stock outstanding on April 30, 2020 totaled 44,311,663 shares.

P. H. GLATFELTER COMPANY AND SUBSIDIARIES
REPORT ON FORM 10-Q
For the QUARTERLY PERIOD ENDED

March 31, 2020

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PART I

Item 1 – Financial Statements

P. H. GLATFELTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

In thousands, except per share	Three months ended March 31 2020	2019
Net sales	**$ 231,560**	$ 229,133
Costs of products sold	**194,685**	193,516
Gross profit	**36,875**	35,617
Selling, general and administrative expenses	**24,594**	24,622
Gains on dispositions of plant, equipment and timberlands, net	**—**	(669)
Operating income	**12,281**	11,664
Non-operating income (expense)		
Interest expense	**(1,778)**	(4,746)
Interest income	**264**	505
Other, net	**(753)**	(962)
Total non-operating expense	**(2,267)**	(5,203)
Income from continuing operations before income taxes	**10,014**	6,461
Income tax provision	**2,608**	1,858
Income from continuing operations	**7,406**	4,603
Discontinued operations:		
Income before income taxes	**—**	714
Income tax provision	**—**	31
Income from discontinued operations	**—**	683
Net income	**$ 7,406**	$ 5,286
Basic earnings per share		
Income from continuing operations	**$ 0.17**	$ 0.10
Income from discontinued operations	**—**	0.02
Basic earnings per share	**$ 0.17**	$ 0.12
Diluted earnings per share		
Income from continuing operations	**$ 0.17**	$ 0.10
Income from discontinued operations	**—**	$ 0.02
Diluted earnings per share	**$ 0.17**	$ 0.12
Cash dividends declared per common share	**$ 0.13**	$ 0.13
Weighted average shares outstanding		
Basic	**44,275**	44,027
Diluted	**44,530**	44,279

The accompanying notes are an integral part of these condensed consolidated financial statements.

P. H. GLATFELTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

In thousands	Three months ended March 31 **2020**	2019
Net income	**$ 7,406**	$ 5,286
Foreign currency translation adjustments	**(13,903)**	(5,163)
Net change in:		
Deferred gains (losses) on cash flow hedges, net of taxes of $401 and $(834), respectively	**(1,317)**	2,222
Unrecognized retirement obligations, net of taxes of $51 and $(145), respectively	**(101)**	846
Other comprehensive loss	**(15,321)**	(2,095)
Comprehensive income (loss)	**$ (7,915)**	$ 3,191

The accompanying notes are an integral part of these condensed consolidated financial statements.

P. H. GLATFELTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

In thousands	March 31 2020	December 31 2019
Assets		
Cash and cash equivalents	**$ 104,225**	$ 126,201
Accounts receivable, net	**128,738**	124,442
Inventories	**189,449**	190,415
Prepaid expenses and other current assets	**38,982**	36,274
Total current assets	**461,394**	477,332
Plant, equipment and timberlands, net	**517,431**	537,421
Goodwill	**146,986**	150,816
Intangible assets, net	**79,709**	83,735
Other assets	**38,672**	34,490
Total assets	**$ 1,244,192**	$ 1,283,794
Liabilities and Shareholders' Equity		
Current portion of long-term debt	**$ 24,952**	$ 22,940
Accounts payable	**112,905**	130,039
Dividends payable	**5,761**	5,752
Environmental liabilities	**8,000**	9,000
Other current liabilities	**60,197**	62,772
Total current liabilities	**211,815**	230,503
Long-term debt	**325,532**	336,919
Deferred income taxes	**72,369**	76,374
Other long-term liabilities	**91,566**	84,039
Total liabilities	**701,282**	727,835
Commitments and contingencies	**-**	-
Shareholders' equity		
Common stock	**544**	544
Capital in excess of par value	**59,623**	59,900
Retained earnings	**727,440**	725,795
Accumulated other comprehensive loss	**(93,217)**	(77,896)
	694,390	708,343
Less cost of common stock in treasury	**(151,480)**	(152,384)
Total shareholders' equity	**542,910**	555,959
Total liabilities and shareholders' equity	**$ 1,244,192**	$ 1,283,794

The accompanying notes are an integral part of these condensed consolidated financial statements.

P. H. GLATFELTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

In thousands	Three months ended March 31 2020	2019
Operating activities		
Net income	$ **7,406**	$ 5,286
Income from discontinued operations, net of taxes	**—**	(683)
Adjustments to reconcile to net cash provided (used) by continuing operations:		
Depreciation, depletion and amortization	**15,402**	12,788
Amortization of debt issue costs and original issue discount	**147**	1,236
Deferred income tax benefit	**(2,612)**	(1,240)
Gains on dispositions of plant, equipment and timberlands, net	**—**	(669)
Share-based compensation	**1,085**	477
Change in operating assets and liabilities		
Accounts receivable	**(7,203)**	(10,364)
Inventories	**(3,688)**	(13,233)
Prepaid and other current assets	**(2,315)**	(4,149)
Accounts payable	**(11,605)**	2,066
Accruals and other current liabilities	**(2,931)**	(15,956)
Other	**711**	296
Net cash used by operating activities from continuing operations	**(5,603)**	(24,145)
Investing activities		
Expenditures for purchases of plant, equipment and timberlands	**(7,014)**	(5,865)
Proceeds from disposals of plant, equipment and timberlands, net	**—**	689
Acquisition, net of cash acquired	**—**	(1,974)
Other	**—**	(90)
Net cash used by investing activities from continuing operations	**(7,014)**	(7,240)
Financing activities		
Net (repayments) borrowings under revolving credit facility	**2,452**	(11,488)
Repayment of 5.375% Notes	**—**	(250,000)
Proceeds from term loans	**—**	248,644
Payments of borrowing costs	**—**	(1,757)
Repayment of term loans	**(3,089)**	(2,646)
Payments of dividends	**(5,752)**	(5,720)
Payments related to share-based compensation awards and other	**(458)**	(644)
Net cash used by financing activities from continuing operations	**(6,847)**	(23,611)
Effect of exchange rate changes on cash	**(937)**	(658)
Net decrease in cash, cash equivalents and restricted cash	**(20,401)**	(55,654)
Change in cash, cash equivalents and restricted cash from discontinued operations	**(316)**	(10,365)
Cash, cash equivalents and restricted cash at the beginning of period	**126,201**	142,685
Cash, cash equivalents and restricted cash at the end of period	**105,484**	76,666
Less: restricted cash included in "Prepaid expenses and other current assets"	**(1,259)**	—
Cash and cash equivalents at the end of period	$ **104,225**	$ 76,666
Supplemental cash flow information		
Cash paid for:		
Interest	$ **1,443**	$ 5,989
Income taxes, net	**3,446**	2,956

The accompanying notes are an integral part of these condensed consolidated financial statements.

P. H. GLATFELTER COMPANY AND SUBSIDIARIES
STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

In thousands	Common stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at January 1, 2020	**$ 544**	**$ 59,900**	**$ 725,795**	**$ (77,896)**	**$ (152,384)**	**$ 555,959**
Net income			**7,406**			**7,406**
Other comprehensive loss				**(15,321)**		**(15,321)**
Comprehensive loss						**(7,915)**
Cash dividends declared ($0.13 per share)			**(5,761)**			**(5,761)**
Share-based compensation expense		**1,085**				**1,085**
Delivery of treasury shares						
RSUs and PSAs		**(1,213)**			**807**	**(406)**
Employee stock options exercised — net		**(149)**			**97**	**(52)**
Balance at March 31, 2020	**$ 544**	**$ 59,623**	**$ 727,440**	**$ (93,217)**	**$ (151,480)**	**$ 542,910**
Balance at January 1, 2019	$ 544	$ 62,239	$ 770,305	$ (137,440)	$ (156,750)	$ 538,898
Net income			5,286			5,286
Other comprehensive loss				(2,095)		(2,095)
Comprehensive income						3,191
Cash dividends declared ($0.13 per share)			(5,734)			(5,734)
Share-based compensation expense		477				477
Delivery of treasury shares						
RSUs and PSAs		(992)			670	(322)
Employee stock options exercised — net		(1,159)			837	(322)
Balance at March 31, 2019	$ 544	$ 60,565	$ 769,857	$ (139,535)	$ (155,243)	$ 536,188

The accompanying notes are an integral part of these condensed consolidated financial statements.

P. H. GLATFELTER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. ORGANIZATION

P. H. Glatfelter Company and subsidiaries ("Glatfelter") is a leading global supplier of engineered materials. Its high-quality, innovative and customizable solutions are found in tea and single-serve coffee filtration, personal hygiene as well as in many diverse packaging, home improvement and industrial applications. We are headquartered in York, PA, and operate facilities in the United States, Canada, Germany, France, the United Kingdom and the Philippines. We have sales and distribution offices in the U.S., Europe, Russia and China and our products are marketed worldwide, either directly to customers or through brokers and agents. The terms "we," "us," "our," "the Company," or "Glatfelter," refer to P. H. Glatfelter Company and subsidiaries unless the context indicates otherwise.

2. ACCOUNTING POLICIES

Basis of Presentation The unaudited condensed consolidated financial statements ("financial statements") include the accounts of Glatfelter and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

We prepared these financial statements in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission pertaining to interim financial statements. In our opinion, the financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. When preparing these financial statements, we have assumed you have read the audited consolidated financial statements included in our 2019 Annual Report on Form 10-K.

Discontinued Operations The results of operations for our former Specialty Papers business have been classified as discontinued operations for all periods presented in the condensed consolidated statements of income.

Accounting Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management believes the estimates and assumptions used in the preparation of these financial statements are reasonable, based upon currently available facts and known circumstances, but recognizes actual results may differ from those estimates and assumptions.

Recently Issued Accounting Pronouncements In June 2016, the FASB issued ASU No. 2016-13 "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" that changes the impairment model for most financial instruments, including trade receivables from an incurred loss method to a new forward-looking approach, based on expected losses. Under the new guidance, an allowance is recognized based on an estimate of expected credit losses. We adopted this standard effective January 1, 2020 using a modified retrospective approach. The adoption of this standard did not impact our results of operations or financial position.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The update eliminates, clarifies, and modifies certain guidance related to the accounting for income taxes. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the impact this ASU will have on our financial statements and related disclosures as well as the timing of adoption.

3. RESTRUCTURING

In the first quarter of 2020 we announced restructuring actions within the Composite Fibers operating segment. The actions primarily consisted of the consolidation of our metallizing operation from Gernsbach, Germany to our Caerphilly, U.K. site. In connection with this we recorded a non-cash charge of $2.5 million associated with accelerated depreciation and cash severance costs totaling $3.5 million. The restructuring charge is recorded under the caption "Costs of product sold" in the accompanying condensed consolidated statements of income for the three months ended March 31, 2020.

We expect to record additional non-cash charges and severance costs in the second and third quarters of 2020 aggregating approximately $4.0 million to $5.0 million.

4. REVENUE

The following tables set forth disaggregated information pertaining to our net sales:

	Three months ended March 31	
In thousands	**2020**	2019
Composite Fibers		
Food & beverage	**$ 71,458**	$ 71,453
Wallcovering	**19,893**	18,550
Technical specialties	**20,007**	19,288
Composite laminates	**9,763**	8,475
Metallized	**11,590**	10,951
	132,711	128,717
Airlaid Materials		
Feminine hygiene	**50,096**	54,988
Specialty wipes	**17,212**	17,332
Table top	**15,052**	13,331
Adult incontinence	**6,145**	5,488
Home care	**5,212**	3,964
Other	**5,132**	5,313
	98,849	100,416
Total	**$ 231,560**	$ 229,133

	Three months ended March 31	
In thousands	**2020**	2019
Composite Fibers		
Europe, Middle East and Africa	**$ 79,586**	$ 77,914
Americas	**32,721**	31,640
Asia Pacific	**20,404**	19,163
	132,711	128,717
Airlaid Materials		
Europe, Middle East and Africa	**52,720**	54,439
Americas	**44,386**	44,334
Asia Pacific	**1,743**	1,643
	98,849	100,416
Total	**$ 231,560**	$ 229,133

5. DISCONTINUED OPERATIONS

On October 31, 2018, we completed the previously announced sale of our Specialty Papers business on a cash free and debt free basis to Pixelle Specialty Solutions LLC, an affiliate of Lindsay Goldberg (the "Purchaser") for $360 million. Cash proceeds from the sale were approximately $323 million in cash reflecting estimated purchase price adjustments as of the closing date and the assumption by the Purchaser of approximately $38 million in retiree healthcare liabilities. In addition, the Purchaser assumed approximately $210 million of pension liabilities relating to Specialty Papers' employees and received approximately $274 million of related assets from the Company's existing pension plan.

In connection with the sale of Specialty Papers, we entered into a Transition Services Agreement with Purchaser pursuant to which we agreed to provide various back-office and information technology support until the business is fully separated from us, which was completed in the third quarter of 2019.

The following table sets forth a summary of discontinued operations included in the condensed consolidated statements of income:

In thousands	**Three months ended March 31 2020**	2019
Net sales	**$ —**	$ —
Energy and related sales, net	**—**	—
Total revenues	**—**	—
Costs of products sold	**—**	—
Gross profit	**—**	—
Selling, general and administrative expenses	**—**	(714)
Gains on dispositions of plant, equipment and timberlands, net	**—**	—
Operating income	**—**	714
Non-operating income (expense)		
Interest expense	**—**	—
Other, net	**—**	—
Impairment charge	**—**	—
Income before income taxes	**—**	714
Income tax (provision)	**—**	31
Income from discontinued operations	**$ —**	$ 683

The following table sets forth a summary of cash flows from discontinued operations which is included in the condensed consolidated statements of cash flows:

In thousands	**Three months ended March 31 2020**	2019
Net cash (provided) used by operating activities	**$ (316)**	$ (8,931)
Net cash (used) provided by investing activities	**—**	(1,434)
Net cash provided by financing activities	**—**	—
Change in cash and cash equivalents from discontinued operations	**$ (316)**	$ (10,365)

6. GAINS ON DISPOSITION OF PLANT, EQUIPMENT AND TIMBERLANDS

The following table sets forth sales of timberlands and other assets completed during the first three months of 2019. There were no such sales in the first quarter of 2020.

Dollars in thousands	Acres	Proceeds	Gain
2019			
Timberlands	218	$ 475	$ 458
Other	n/a	214	211
Total		$ 689	$ 669

7. EARNINGS PER SHARE

The following table sets forth the details of basic and diluted earnings per share ("EPS") from continuing operations:

	Three months ended March 31	
In thousands, except per share	**2020**	2019
Income from continuing operations	**$ 7,406**	$ 4,603
Weighted average common shares outstanding used in basic EPS	**44,275**	44,027
Effect of dilutive SOSARs, PSAs and RSUs	**255**	252
Weighted average common shares outstanding and common share equivalents used in diluted EPS	**44,530**	44,279
Earnings per share from continuing operations		
Basic	**$ 0.17**	$ 0.10
Diluted	**0.17**	0.10

The numerator used to compute income per share from discontinued operations was $0.683 million for the first quarter 2019. The denominator used to compute per share amounts of loss from discontinued operations is the same as the denominator used for per share amounts of income from continuing operations.

The following table sets forth potential common shares outstanding that were not included in the computation of diluted EPS for the periods indicated, because their effect would be anti-dilutive:

	March 31	
In thousands	**2020**	2019
Three months ended	**1,231**	1,582

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table sets forth details of the changes in accumulated other comprehensive income (losses) for the three months ended March 31, 2020 and 2019.

In thousands	Currency translation adjustments	Unrealized gain (loss) on cash flow hedges	Change in pensions	Change in other postretirement defined benefit plans	Total
Balance at January 1, 2020	**$ (76,346)**	**$ 4,316**	**$ (7,253)**	**$ 1,387**	**$ (77,896)**
Other comprehensive income (loss) before reclassifications (net of tax)	**(13,903)**	**283**	**—**	**—**	**(13,620)**
Amounts reclassified from accumulated other comprehensive income (net of tax)	**—**	**(1,600)**	**148**	**(249)**	**(1,701)**
Net current period other comprehensive income (loss)	**(13,903)**	**(1,317)**	**148**	**(249)**	**(15,321)**
Balance at March 31, 2020	**$ (90,249)**	**$ 2,999**	**$ (7,105)**	**$ 1,138**	**$ (93,217)**
Balance at January 1, 2019	$ (69,622)	$ 2,199	$ (71,431)	$ 1,414	$ (137,440)
Other comprehensive income (loss) before reclassifications (net of tax)	(4,805)	2,641	—	—	(2,164)
Amounts reclassified from accumulated other comprehensive income (net of tax)	—	(419)	621	(133)	69
Net current period other comprehensive income (loss)	(4,805)	2,222	621	(133)	(2,095)
Balance at March 31, 2019	$ (74,427)	$ 4,421	$ (70,810)	$ 1,281	$ (139,535)

Reclassifications out of accumulated other comprehensive income and into the condensed consolidated statements of income were as follows:

In thousands	Three months ended March 31 2020	2019	
Description			**Line Item in Statements of Income**
Cash flow hedges (Note 16)			
Gains on cash flow hedges	**$ (2,182)**	$ (585)	Costs of products sold
Tax expense	**582**	166	Income tax provision
Net of tax	**(1,600)**	(419)	
Retirement plan obligations (Note 11)			
Amortization of deferred benefit pension plans			
Prior service costs	**12**	34	Other, net
Actuarial losses	**160**	775	Other, net
	172	809	
Tax benefit	**(24)**	(188)	Income tax provision
Net of tax	**148**	621	
Amortization of deferred benefit other plans			
Prior service costs	**(116)**	(2)	Other, net
Actuarial gains	**(209)**	(173)	Other, net
	(325)	(175)	
Tax expense	**76**	42	Income tax provision
Net of tax	**(249)**	(133)	
Total reclassifications, net of tax	**$ (1,701)**	$ 69	

9. INCOME TAXES

Income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. The effects of income taxes are measured based on enacted tax laws and rates.

In the first quarter of 2020, pretax income totaled $10.0 million and the provision for income taxes totaled $2.6 million. The effective income tax rate for the first quarter of 2020 benefited by $2.6 million recorded in connection with passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES") of 2020. This Act, which was signed into law on March 27, 2020, modified the net operating loss ("NOL") provisions of previous law to allow losses arising in a taxable year beginning after December 31, 2017 and before January 1, 2021, to be carried back five years. We are in the process of evaluating additional tax planning opportunities which may allow us to carry back additional NOLs.

For the three months ended March 31, 2020, we recorded a decrease in our valuation allowance of $4.0 million against our net deferred tax assets in connection with passage of the CARES Act and the ability to carry our "net operating loss" back five years. In assessing the need for a valuation allowance, management considers all available positive and negative evidence in its analysis. Based on this analysis, we recorded a valuation allowance for the portion of deferred tax assets where the weight of the evidence indicated it is more likely than not that the deferred assets will not be realized.

As of March 31, 2020 and December 31, 2019, we had $32.7 million and $30.5 million of gross unrecognized tax benefits. As of March 31, 2020, if such benefits were to be recognized, approximately $21.9 million would be recorded as a component of income tax expense, thereby affecting our effective tax rate.

We, or one of our subsidiaries, file income tax returns with the United States Internal Revenue Service, as well as various state and foreign authorities.

The following table summarizes, by major jurisdiction, tax years that remain subject to examination:

	Open Tax Years	
Jurisdiction	**Examinations not yet initiated**	**Examination in progress**
United States		
Federal	2016 - 2019	N/A
State	2015 - 2019	2015 - 2018
Canada[(1)]	2012 - 2019	N/A
Germany[(1)]	2016 - 2019	N/A
France	2018 - 2019	N/A
United Kingdom	2018 - 2019	N/A
Philippines	2019	2016 - 2018

(1) includes provincial or similar local jurisdictions, as applicable

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis and accrues amounts for uncertain tax positions. Based on these reviews and the result of discussions and resolutions of matters with certain tax authorities and the closure of tax years subject to tax audit, reserves are adjusted as necessary. However, future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are determined or resolved or as such statutes are closed. Due to potential for resolution of federal, state and foreign examinations, and the lapse of various statutes of limitation, it is reasonably possible our gross unrecognized tax benefits balance may decrease within the next twelve months by a range of zero to $1.2 million. Substantially all this range relates to tax positions taken in Canada and the U.S.

We recognize interest and penalties related to uncertain tax positions as income tax expense. The following table summarizes information included in continuing operations related to interest on uncertain tax positions:

	Three months ended March 31	
In millions	**2020**	2019
Interest expense (income)	**$ 0.1**	$ 0.1

	March 31 2020	December 31 2019
Accrued interest payable	**$ 0.5**	$ 0.4

10. STOCK-BASED COMPENSATION

The P. H. Glatfelter Amended and Restated Long Term Incentive Plan (the "LTIP") provides for the issuance of Glatfelter common stock to eligible participants in the form of restricted stock units, restricted stock awards, non-qualified stock options, performance shares, incentive stock options and performance units.

Pursuant to terms of the LTIP, we have issued to eligible participants restricted stock units ("RSUs"), performance share awards ("PSAs") and stock only stock appreciation rights.

Awards of RSUs and PSAs are made under our LTIP. The vesting of RSUs is generally based on the passage of time, generally over a three -year period or in certain instances the RSUs were issued with five-year cliff vesting. PSAs are issued to members of management and vesting is based on achievement of cumulative financial performance targets covering a two year period followed by an additional one-year service period. The performance measures include a minimum, target and maximum performance level providing the grantees an opportunity to receive more or less shares than targeted depending on actual financial performance. In addition, PSA awards include a modifier based on the three-year total shareholder return relative to a broad market index. For RSUs the grant date fair value of the awards, or the closing price per common share on the date of the award, is used to determine the amount of expense to be recognized over the applicable service period. For PSAs, the grant date fair value is estimated using a lattice model. The significant inputs include the stock price, volatility, dividend yield, and risk-free rate of return. Settlement of RSUs and PSAs will be made in shares of our common stock currently held in treasury.

The following table summarizes RSU and PSA activity during periods indicated:

Units	**2020**	2019
Balance at January 1,	**896,463**	756,786
Granted	**294,315**	384,766
Forfeited	**(17,455)**	(122,444)
Shares delivered	**(78,509)**	(67,646)
Balance at March 31,	**1,094,814**	951,462

The amount granted in 2020 and 2019 includes 168,663 and 214,899, respectively, of PSAs exclusive of reinvested dividends.

The following table sets forth aggregate RSU and PSA compensation expense included in continuing operations for the periods indicated:

	March 31	
In thousands	**2020**	2019
Three months ended	**$ 1,085**	$ 434

Stock Only Stock Appreciation Rights ("SOSARs") Under terms of the SOSAR, a recipient receives the right to a payment in the form of shares of common stock equal to the difference, if any, in the fair market value of one share of common stock at the time of exercising the SOSAR and the exercise price. The SOSARs vest ratably over a three year period and have a term of ten years. No SOSARs were awarded since 2016.

The following table sets forth information related to outstanding SOSARS:

SOSARS	2020 Shares	2020 Wtd Avg Exercise Price	2019 Shares	2019 Wtd Avg Exercise Price
Outstanding at January 1,	**1,291,947**	**$ 20.05**	2,334,742	$ 18.08
Granted	**—**	**—**	—	—
Exercised	**(44,710)**	**12.94**	(283,060)	13.95
Canceled / forfeited	**(2,841)**	**17.27**	(258,439)	20.82
Outstanding at March 31,	**1,244,396**	**$ 20.31**	1,793,243	$ 18.96

The following table sets forth SOSAR compensation expense included in continuing operations for the periods indicated:

In thousands	March 31 2020	March 31 2019
Three months ended	**$ —**	$ 43

11. RETIREMENT PLANS AND OTHER POST-RETIREMENT BENEFITS

The following tables provide information with respect to the net periodic costs of our pension and post-retirement medical benefit plans included in continuing operations.

In thousands	Three months ended March 31 2020	Three months ended March 31 2019
Pension Benefits		
Service cost	**$ 44**	$ 484
Interest cost	**301**	3,450
Expected return on plan assets	**—**	(3,696)
Amortization of prior service cost	**12**	34
Amortization of unrecognized loss	**160**	775
Total net periodic benefit cost	**$ 517**	$ 1,047
Other Benefits		
Service cost	**$ 7**	$ 9
Interest cost	**46**	84
Amortization of prior service credit	**(116)**	(2)
Amortization of actuarial gain	**(209)**	(173)
Total net periodic benefit credit	**$ (272)**	$ (82)

During 2019, our qualified pension plan was terminated, and all plan liabilities were settled by either a lump sum distribution or assumed by a third-party in exchange for a transfer of assets from the pension plan trust fund. For active participants, the pension benefit was replaced with an enhance defined contribution plan, or 401(k), to which we contributed a percent of eligible compensation. Currently we contribute 10%.

As of March 31, 2020, $51.1 million of assets remained in the pension trust and was included in cash and cash equivalents in the accompanying condensed consolidated balance sheet. We expect to complete the reversion of the qualified pension plan assets in the second quarter of 2020, after a portion of the assets are transferred to a trust fund to be used to make contributions over the next seven years to the 401(k) plan and satisfying excise tax obligations, approximately $33 million is expected to revert to us and will be available for general corporate purposes.

In December 2019, our Board of Directors approved the freezing of benefit accruals in the non-qualified pension plan for active participants effective December 31, 2019. As of January 1, 2020, each active participant's frozen non-qualified pension benefit was transferred to a newly approved Deferred Compensation Plan non-qualified benefit plan and earns interest credits going forward. The Deferred Compensation Plan also provides for employer contributions and, in the future, the Plan may provide for elective employee deferrals. Under the Deferred Compensation Plan, participants are eligible to receive annual Company contributions that such participants would have received under the P. H. Glatfelter 401(k) Savings Plan but for certain limitations imposed by the Internal Revenue Code on 401(k) plan contributions ("Company Contributions").

The remaining non-contributory pension plans are unfunded non-qualified plans.

12. INVENTORIES

Inventories, net of reserves, were as follows:

In thousands	March 31 2020	December 31 2019
Raw materials	**$ 55,940**	$ 59,164
In-process and finished	**94,059**	92,231
Supplies	**39,450**	39,020
Total	**$ 189,449**	$ 190,415

13. LEASES

We enter into a variety of arrangements in which we are the lessee for the use of automobiles, forklifts and other production equipment, production facilities, warehouses and office space. We determine if an arrangement contains a lease at inception. All our lease arrangements are operating leases and are recorded in the condensed consolidated balance sheet under the caption "Other assets" and the lease obligation is under "Other current liabilities" and "Other long-term liabilities." We currently do not have any finance leases.

Operating lease right of use ("ROU") assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received. We use our incremental borrowing rate based on information available at the commencement date in determining the lease liabilities as our leases generally do not provide an implicit rate. Lease terms may include options to extend or terminate when we are reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

The following table sets forth information related to our leases as of the periods indicated.

in thousands	March 31 2020	December 31 2019
Right of use asset	**$ 15,240**	$ 11,701
Weighted average discount rate	**3.31 %**	2.92 %
Weighted average remaining maturity *(months)*	**66**	34

	Three months ended March 31	
	2020	2019
Operating lease expense	$ **1,442**	$ 1,606

The following table sets forth required future minimum lease payments for the years indicated:

In thousands	
2020	**$ 3,553**
2021	**4,076**
2022	**2,641**
2023	**1,343**
2024	**939**
Thereafter	**4,218**

14. LONG-TERM DEBT

Long-term debt is summarized as follows:

In thousands	**March 31 2020**	December 31 2019
Revolving credit facility, due Feb. 2024	**$ 84,622**	$ 84,255
Term loan, due Feb. 2024	**231,993**	240,969
2.40% Term Loan, due Jun. 2022	**3,912**	4,012
2.05% Term Loan, due Mar. 2023	**19,006**	19,487
1.30% Term Loan, due Jun. 2023	**5,478**	5,617
1.55% Term Loan, due Sep. 2025	**7,719**	7,915
Total long-term debt	**352,730**	362,255
Less current portion	**(24,952)**	(22,940)
Unamortized deferred issuance costs	**(2,246)**	(2,396)
Long-term debt, net of current portion	**$ 325,532**	$ 336,919

On February 8, 2019, we entered into an amended and restated $400 million Revolving Credit Facility and a €220 million Term Loan with a consortium of banks (together, the "Credit Agreement"). The proceeds of the Term Loan due Feb. 2024 were used to redeem in its entirety the 5.375% Notes. The principal amount of the Term Loan amortizes in consecutive quarterly installments of principal, with each such quarterly installment to be in an amount equal to 1.25% of the Term Loan funded, commencing on July 1, 2019 and continuing quarterly thereafter.

For all U.S. dollar denominated borrowings under the Revolving Credit Facility, the borrowing rate is, at our option, either, (a) the bank's base rate which is equal to the greater of i) the prime rate; ii) the federal funds rate plus 50 basis points; or iii) the Euro-rate plus 100 basis points plus an applicable spread over either i), ii) or iii) ranging from 12.5 basis points to 100 basis points based on the Company's leverage ratio and its corporate credit ratings determined by Standard & Poor's Rating Services and Moody's Investor Service, Inc. (the "Corporate Credit Rating"); or (b) the Euro-rate plus an applicable margin ranging from 112.5 basis points to 200 basis points based on the Company's leverage ratio and the Corporate Credit Rating. For non-US dollar denominated borrowings, the borrowing rate is, at our option, based on (b) above or for Euro denominated borrowings, the Euro Interbank Offering Rate ("EURIBOR") plus an applicable margin ranging from 112.5 basis points to 200 basis points based on the Company's leverage ratio and the Corporate Credit Rating.

In October 2019, we entered into a €180 million notional value floating-to-fixed interest rate swap agreement with certain financial institutions. Under the terms of the swap, we will pay a fixed interest rate of the applicable margin plus 0.0395% on €180 million of the underlying variable rate term loan. We will receive the greater of 0.00% or EURIBOR.

The Credit Agreement contains a number of customary covenants for financings of this type that, among other things, restrict our ability to dispose of or create liens on assets, incur additional indebtedness, repay other indebtedness, limits certain intercompany financing arrangements, make acquisitions and engage in mergers or consolidations. We are also required to comply with specified financial tests and ratios including: i) maximum net debt to EBITDA ratio (the "leverage ratio"); and ii) a consolidated EBITDA to interest expense ratio. The most restrictive of our covenants is a maximum leverage ratio of 4.0x provided that such ratio increases to 4.5x during the period of four fiscal quarters immediately following a material acquisition such as Steinfurt. As of March 31, 2020, the leverage ratio, as calculated in accordance with the definition in our Credit Agreement, was 2.2x. A breach of these requirements would give rise to certain remedies under the Revolving Credit Facility, among which are the termination of the agreement and accelerated repayment of the outstanding borrowings plus accrued and unpaid interest under the Credit Agreement.

All remaining principal outstanding and accrued interest under the Credit Agreement will be due and payable on February 8, 2024.

Glatfelter Gernsbach GmbH & Co. KG ("Gernsbach"), a wholly-owned subsidiary of ours, entered into a series of borrowing agreements with IKB Deutsche Industriebank AG, Düsseldorf ("IKB") as summarized below:

Amounts in thousands		Original Principal	Interest Rate	Maturity
Borrowing date				
Apr. 11, 2013	€	42,700	2.05%	Mar. 2023
Sep. 4, 2014		10,000	2.40%	Jun. 2022
Oct. 10, 2015		2,608	1.55%	Sep. 2025
Apr. 26, 2016		10,000	1.30%	Jun. 2023
May 4, 2016		7,195	1.55%	Sep. 2025

Each of the borrowings require quarterly repayments of principal and interest and provide for representations, warranties and covenants customary for financings of these types. The financial covenants contained in each of the IKB loans, which relate to the minimum ratio of consolidated EBITDA to consolidated interest expense and the maximum ratio of consolidated total net debt to consolidated adjusted EBITDA, are calculated by reference to our Credit Agreement.

P. H. Glatfelter Company guarantees all debt obligations of its subsidiaries. All such obligations are recorded in these condensed consolidated financial statements.

Letters of credit issued to us by certain financial institutions totaled $7.3 million as of March 31, 2020 and December 31, 2019. The letters of credit, which reduce amounts available under our Revolving Credit Facility, primarily provide financial assurances for the benefit of certain state workers compensation insurance agencies in conjunction with our self-insurance program and for performance of certain remediation activity related to the Fox River matter. We bear the credit risk on this amount to the extent that we do not comply with the provisions of certain agreements. No amounts are outstanding under the letters of credit.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts reported on the condensed consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value. The following table sets forth carrying value and fair value of long-term debt:

	March 31, 2020		December 31, 2019	
In thousands	Carrying Value	Fair Value	Carrying Value	Fair Value
Variable rate debt	**$ 84,622**	**$ 84,622**	$ 84,255	$ 84,255
Term loan, due Feb. 2024	**231,993**	**231,993**	240,969	240,969
2.40% Term loan	**3,912**	**3,598**	4,012	4,076
2.05% Term loan	**19,006**	**17,906**	19,487	19,764
1.30% Term Loan	**5,478**	**5,131**	5,617	5,624
1.55% Term loan	**7,719**	**7,504**	7,915	7,975
Total	**$ 352,730**	**$ 350,754**	$ 362,255	$ 362,663

The values set forth above are based on observable inputs and other relevant market data (Level 2). The fair value of financial derivatives is set forth below in Note 16.

16. FINANCIAL DERIVATIVES AND HEDGING ACTIVITIES

As part of our overall risk management practices, we enter into financial derivatives primarily designed to either i) hedge foreign currency risks associated with forecasted transactions ("cash flow hedges"); ii) mitigate the impact that changes in currency exchange rates have on intercompany financing transactions and foreign currency denominated receivables and payables ("foreign currency hedges"); or iii) convert variable-interest-rate debt to fixed rates.

Derivatives Designated as Hedging Instruments - Cash Flow Hedges We use currency forward contracts as cash flow hedges to manage our exposure to fluctuations in the currency exchange rates on certain forecasted production costs. Currency forward contracts involve fixing the exchange for delivery of a specified amount of foreign currency on a specified date. As of March 31, 2020, the maturity of currency forward contracts ranged from one month to 18 months.

We designate certain currency forward contracts as cash flow hedges of forecasted raw material purchases, certain production costs or capital expenditures with exposure to changes in foreign currency exchange rates. Changes in the fair value of derivatives designated and that qualify as cash flow hedges of foreign exchange risk is deferred as a component of accumulated other comprehensive income in the accompanying condensed consolidated balance sheets. With respect to hedges of forecasted raw material purchases or production costs, the amount deferred is subsequently reclassified into costs of products sold in the period that inventory produced using the hedged transaction affects earnings. For hedged capital expenditures, deferred gains or losses are reclassified and included in the historical cost of the capital asset and subsequently affect earnings as depreciation is recognized.

We had the following outstanding derivatives that were used to hedge foreign exchange risks associated with forecasted transactions and designated as hedging instruments:

In thousands	**March 31, 2020**	December 31, 2019
Derivative		
Sell/Buy - sell notional		
Euro / British Pound	**18,121**	17,702
U.S. Dollar / Euro	**10,446**	5,347
U.S. Dollar / Canadian Dollar	**1,160**	1,523
Sell/Buy - buy notional		
Euro / Philippine Peso	**956,431**	1,039,432
British Pound / Philippine Peso	**1,082,044**	1,077,871
Euro / U.S. Dollar	**76,032**	82,317
U.S. Dollar / Canadian Dollar	**34,079**	34,094
Canadian Dollar / U.S. Dollar	**1,160**	1,523

The €220 million Term Loan is designated as a net investment hedge of our Euro functional currency foreign subsidiaries. During the first three months of 2020, we recognized a pre-tax gain of $5.9 million from changes in currency exchange rates through Other Comprehensive Income (Loss)

Derivatives Not Designated as Hedging Instruments - Foreign Currency Hedges We also entered into forward foreign exchange contracts to mitigate the impact changes in currency exchange rates have on balance sheet monetary assets and liabilities. None of these contracts are designated as hedges for financial accounting purposes and, accordingly, changes in value of the foreign exchange forward contracts and in the offsetting underlying on-balance-sheet transactions are reflected in the accompanying condensed consolidated statements of income under the caption “Other, net.”

The following sets forth derivatives used to mitigate the impact changes in currency exchange rates have on balance sheet monetary assets and liabilities:

In thousands	**March 31, 2020**	December 31, 2019
Derivative		
Sell/Buy - sell notional		
U.S. Dollar / British Pound	**20,000**	25,500
British Pound / Euro	**3,000**	3,000
Sell/Buy - buy notional		
Euro / U.S. Dollar	**2,000**	8,000
British Pound / Euro	**3,000**	7,000

These contracts have maturities of one month from the date originally entered into.

Fair Value Measurements The following table summarizes the fair values of derivative instruments for the period indicated and the line items in the accompanying condensed consolidated balance sheets where the instruments are recorded:

In thousands	**March 31 2020**	December 31 2019	**March 31 2020**	December 31 2019
Balance sheet caption	Prepaid Expenses and Other Current Assets		Other Current Liabilities	
Designated as hedging:				
Forward foreign currency exchange contracts	**$ 4,351**	$ 4,314	**$ 1,481**	$ 34
Not designated as hedging:				
Forward foreign currency exchange contracts	**$ 402**	$ 566	**$ 591**	$ 205

The amounts set forth in the table above represent the net asset or liability giving effect to rights of offset with each counterparty. The effect of netting the amounts presented above did not have a material effect on our consolidated financial position.

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The fair values of the foreign exchange forward contracts are considered to be Level 2. Foreign currency forward contracts are valued using foreign currency forward and interest rate curves. The fair value of each contract is determined by comparing the contract rate to the forward rate and discounting to present value. Contracts in a gain position are recorded in the condensed consolidated balance sheets under the caption "Prepaid expenses and other current assets" and the value of contracts in a loss position is recorded under the caption "Other current liabilities."

The following table summarizes the amount of income or (loss) from derivative instruments recognized in our results of operations for the periods indicated and the line items in the accompanying condensed consolidated statements of income where the results are recorded:

In thousands	**Three months ended March 31 2020**	2019
Designated as hedging:		
Forward foreign currency exchange contracts:		
Cost of products sold	**$ 2,182**	$ 585
Not designated as hedging:		
Forward foreign currency exchange contracts:		
Other – net	**$ (619)**	$ 292

The impact of activity not designated as hedging was substantially all offset by the remeasurement of the underlying on-balance-sheet item.

A rollforward of fair value amounts recorded as a component of accumulated other comprehensive income (loss), before taxes, is as follows:

In thousands	**2020**	2019
Balance at January 1,	**$ 5,859**	$ 3,004
Deferred gains on cash flow hedges	**463**	3,641
Reclassified to earnings	**(2,182)**	(585)
Balance at March 31,	**$ 4,140**	$ 6,060

We expect substantially all of the amounts recorded as a component of accumulated other comprehensive income will be recorded in results of operations within the next 12 to 18 months and the amount ultimately recognized will vary depending on actual market rates.

Credit risk related to derivative activity arises in the event the counterparty fails to meet its obligations to us. This exposure is generally limited to the amounts, if any, by which the counterparty's obligations exceed our obligation to them. Our policy is to enter into contracts only with financial institutions which meet certain minimum credit ratings.

17. COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

Fox River - Neenah, Wisconsin

Background. We have previously reported that we face significant uncertainties associated with environmental claims arising out of the presence of polychlorinated biphenyls ("PCBs") in sediments in the lower Fox River, on which our former Neenah facility was located, and in the Bay of Green Bay, Wisconsin (collectively, the "Site"). Since the early 1990s, the United States, the State of Wisconsin and two Indian tribes (collectively, the "Governments") have pursued a cleanup of a 39-mile stretch of river from Little Lake Butte des Morts into Green Bay and natural resource damages ("NRDs").

The United States originally notified several entities that they were potentially responsible parties ("PRPs"); however, after giving effect to settlements reached with the Governments, the remaining PRPs exposed to continuing obligations to implement the remainder of the cleanup consist of us, Georgia Pacific Consumer Products, L.P. ("Georgia Pacific") and NCR Corporation ("NCR").

The United States Environmental Protection Agency ("EPA") has divided the Site into five "operable units", including the most upstream portion of the Site on which our facility was located ("OU1") and four downstream reaches of the river and bay ("OU2-5").

We, with contributions of certain other PRPs, implemented the remedial action in OU1 under a consent decree with the Governments. That work is complete, other than on-going monitoring and maintenance.

For OU2-5, work has proceeded primarily under a Unilateral Administrative Order ("UAO") issued in November 2007 by the EPA to us and seven other respondents. The majority of the work in OU 2-5 has been funded or conducted by parties other than us. The cleanup is expected to continue at least through 2020 and decommissioning thereafter.

In January 2019, we reached an agreement with the United States, the State of Wisconsin, and Georgia-Pacific to resolve all remaining claims among those parties. Under the Glatfelter consent decree, we settled the United States' and Wisconsin's claims for response costs paid by them before October 2018 and for NRDs. In addition, we are primarily responsible for long-term monitoring and maintenance in OU2-OU4a and for reimbursement of government oversight costs paid after October 2018. Finally, we remain responsible for our obligation to continue long-term monitoring and maintenance under our OU1 consent decree.

Cost estimates. Under terms of the Glatfelter consent decree, in January 2019 we paid $20.5 million to the United States in satisfaction of the governments' claims for costs incurred prior to October 2018, and NRDs.

We are subject to remaining obligations under the OU1 consent decree, which now consist primarily of long-term monitoring and maintenance and for long term monitoring and maintenance in OU2-OU4a over a period of at least 30 years. The monitoring activities consist of, among others, testing fish tissue, sampling water quality and sediment, and inspections of the engineered caps. In the first quarter of 2018, we entered into a fixed-price, 30-year agreement with a third party for the performance of all of our monitoring and maintenance obligations in OU1 through OU4a with limited exceptions, such as, for extraordinary amounts of cap maintenance or replacement. Our obligation under this agreement is included in our total reserve for the Site. We are obligated to make the regular payments under that fixed-price contract until the remaining amount due is less than the OU1 escrow account balance. We are permitted to pay for this contract using the remaining balance of the escrow account established by us and WTM I Company ("WTM I") another PRP, under the OU1 consent decree during any period that the balance in the escrow account exceeds the amount due under our fixed-price contract. As of March 31, 2020, the balance in the escrow is less than amounts due under the fixed-price contract by approximately $1.8 million. We secured our obligation to pay that difference with a letter of credit.

At March 31, 2020, the escrow account balance totaled $9.0 million which is included in the condensed consolidated balance sheet under the caption "other assets."

Under the consent decree, we will be responsible for reimbursement of government oversight costs incurred from October 2018 and later over approximately the next 30 years. We anticipate that a significant portion of the oversight costs will be incurred until such time as remediation is completed. Once completed, costs will be an order of magnitude lower in most years during the period of long-term monitoring and maintenance.

Reserves for the Site. Our reserve for past and future government oversight costs and long-term monitoring and maintenance is set forth below:

	Three months ended March 31	
In thousands	**2020**	2019
Balance at January 1,	**$ 21,870**	$ 45,001
Payments	**(131)**	(20,535)
Reserve adjustment	**—**	(2,509)
Accretion	**52**	56
Balance at March 31,	**$ 21,791**	$ 22,013

The payments set forth above represent the $20.5 million paid in 2019 pursuant to the Glatfelter consent decree and for amounts due under the long-term monitoring and maintenance agreement. Of our total reserve for the Fox River, $8.0 million is recorded in the accompanying March 31, 2020 condensed consolidated balance sheet under the caption “Environmental liabilities” and the remaining $13.8 million is recorded under the caption “Other long term liabilities.”

Range of Reasonably Possible Outcomes. Based on our analysis of all available information, including but not limited to decisions of the courts, official documents such as records of decision, discussions with legal counsel, cost estimates for future monitoring and maintenance and other post-remediation costs to be performed at the Site, we do not believe that our costs associated with the Fox River matter could exceed the aggregate amounts accrued by a material amount.

18. SEGMENT INFORMATION

The following tables set forth financial and other information by segment for the period indicated:

Three months ended March 31 *Dollars in thousands*	Composite Fibers		Airlaid Materials		Other and Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net sales	**$ 132,711**	$ 128,717	**$ 98,849**	$ 100,416	**$ —**	$ —	**$ 231,560**	$ 229,133
Cost of products sold	**106,985**	106,563	**82,246**	85,989	**5,454**	964	**194,685**	193,516
Gross profit (loss)	**25,726**	22,154	**16,603**	14,427	**(5,454)**	(964)	**36,875**	35,617
SG&A	**10,624**	10,805	**4,581**	4,389	**9,389**	9,428	**24,594**	24,622
Gains on dispositions of plant, equipment and timberlands, net	**—**	—	**—**	—	**—**	(669)	**—**	(669)
Total operating income (loss)	**15,102**	11,349	**12,022**	10,038	**(14,843)**	(9,723)	**12,281**	11,664
Non-operating expense	**—**	—	**—**	—	**(2,267)**	(5,203)	**(2,267)**	(5,203)
Income (loss) before income taxes	**$ 15,102**	$ 11,349	**$ 12,022**	$ 10,038	**$ (17,110)**	$ (14,926)	**$ 10,014**	$ 6,461
Supplementary Data								
Net tons sold (thousands)	**35,983**	31,529	**35,039**	33,177	**—**	—	**71,022**	64,706
Depreciation, depletion and amortization[(1)]	**$ 6,466**	$ 6,674	**$ 5,451**	$ 5,268	**$ 3,485**	$ 846	**$ 15,402**	$ 12,788
Capital expenditures	**3,956**	3,188	**2,103**	2,192	**955**	485	**7,014**	5,865

(1) The amount presented in 2020 in the Other and unallocated column represents accelerated depreciation incurred in connection with the restructuring of our metallized operations.

Segments Results of individual operating segments 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 segments are not necessarily comparable with similar information for any other company. The management accounting process uses assumptions and allocations to measure performance of the segments. 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 segment are allocated primarily based on an estimated utilization of support area services or are included in “Other and Unallocated” in the table set forth above.

Management evaluates results of operations of the operating segments before certain corporate level costs and the effects of certain gains or losses not considered to be related to the core business operations. Management believes that this is a more meaningful representation of the operating performance of its core businesses, the profitability of the segments and the extent of cash flow generated from these core operations. Such amounts are presented under the caption “Other and Unallocated.” In the evaluation of operating segments results, management does not use any measures of total assets. This presentation is 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.

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 our 2019 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 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. risks associated with the impact of the COVID-19 pandemic including global and regional economic conditions, changes in demand for our products, interruptions in our global supply chain, ability to continue production by our facilities, credit conditions of our customers or suppliers, or potential legal actions that could arise due to our operations during the pandemic;
ii. variations in demand for our products including the impact of unplanned market-related downtime, variations in product pricing, or product substitution;
iii. the impact of competition, changes in industry production capacity, including the construction of new mills or new machines, the closing of mills and incremental changes due to capital expenditures or productivity increases;
iv. risks associated with our international operations, including local economic and political environments and fluctuations in currency exchange rates;
v. geopolitical matters, including any impact to our operations from events in Russia, Ukraine and Philippines;
vi. our ability to develop new, high value-added products;
vii. changes in the price or availability of raw materials we use, particularly woodpulp, pulp substitutes, synthetic pulp, and abaca fiber;
viii. changes in energy-related prices and commodity raw materials with an energy component;
ix. the impact of unplanned production interruption at our facilities or at any of our key suppliers;
x. disruptions in production and/or increased costs due to labor disputes;
xi. the gain or loss of significant customers and/or on-going viability of such customers;
xii. the impact of war and terrorism;
xiii. the impact of unfavorable outcomes of audits by various state, federal or international tax authorities or changes in pre-tax income and its impact on the valuation of deferred taxes;
xiv. enactment of adverse state, federal or foreign tax or other legislation or changes in government legislation, policy or regulation; and
xv. our ability to finance, consummate and integrate acquisitions.

COVID-19 Pandemic On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic as the virus spread throughout the world. As the virus continued its rapid spread, a significant portion of the world's economies was significantly impacted, and will continue to be so, by government mandates that all "non-essential" businesses close and that residents "shelter-in-place" or practice "social distancing." These actions have had, and are likely to have, a significant adverse impact on a wide range of economies and industries throughout the world, including certain markets we serve. As disclosed in Item 1A – Risk Factors of our 2019 Annual Report on Form 10-K, we included a risk factor stating, "Our business and financial performance may be adversely affected by a weak global economic environment or downturns in the target markets that we serve. - Adverse global economic conditions could impact our target markets resulting in decreased demand for our products. Our results could be adversely affected if economic conditions weaken." The COVID-19 pandemic and the actions undertaken throughout the world in an attempt to contain the virus have had an unprecedented and significant adverse impact on global economies in terms of reduced GDP, increased unemployment, and insolvencies in a variety of industries and markets. As a result, we have experienced and expect to continue to experience weaker demand for certain of our products due to the effects of the pandemic.

Through the end of the first quarter of 2020, our financial performance and results of operations have not been meaningfully impacted by the weaker economic conditions as our business was determined to be "essential or life-sustaining" and we continued to produce products used in the global response effort to the pandemic. We believe demand for certain of our products, such as Airlaid

Materials' personal hygiene and wipes, will remain strong in the next quarter. To date, we have successfully maintained our global supply chain securing critical raw materials with minimal disruptions or incremental costs and the demand for substantially all products has been stable as our customers continued to serve critical products to end-user consumers.

Although we anticipate a decline in overall economic activity, we believe demand for the majority of our products remains strong. As disclosed in Item 1A – Risk Factors to our 2019 Annual Report, "approximately $68 million of our revenue in 2019, was earned from customers located in Ukraine, Russia and members of the Commonwealth of Independent States." The large majority of our revenue from this region consists of wallcover base material. If the governmental authorities continue aggressive actions to fight the spread of COVID-19 in these regions, or if economic hardships continue, we expect sales to some of our customers, such as wallpaper printers, will be adversely impacted.

The health and safety of our employees and their families are a top priority, and we are taking all the necessary measures to protect them. We have instituted several new safety, hygiene and communication protocols throughout our facilities to ensure we maintain our ability to produce product. Accordingly, we are proactively working to identify and mitigate risks to safeguard the continuity of our business. We believe we are well positioned from a liquidity and leverage perspective following the successful cost optimization initiatives and debt refinancing in 2019. As a result, we believe we are able to supply our customers high-quality engineered materials necessary to manufacture a variety of essential and life-sustaining consumer staples including wipes, health and hygiene products, and food and beverage items during this challenging time.

RESULTS OF OPERATIONS

Introduction We manufacture a wide array of engineered materials and report our results along two segments:

- *Composite Fibers* with revenue from the sale of single-serve tea and coffee filtration products, wallcovering base materials, composite laminates, technical specialties including substrates for electrical applications, and metallized products; and
- *Airlaid Materials* with revenue from the sale of airlaid nonwoven fabric-like materials used in feminine hygiene and adult incontinence products, specialty wipes, home care products and other airlaid applications.

The former Specialty Papers business' results of operations and financial condition are reported as discontinued operations. Following is a discussion and analysis primarily of the financial results of operations and financial condition of our continuing operations.

Three months ended March 31, 2020 versus the three months ended March 31, 2019

Overview For the first three months of 2020, we reported income from continuing operations of $7.4 million, or $0.17 per share compared with $4.6 million and $0.10 per diluted share in the year earlier period. The results were driven by year-over year improved results of both of our segments. Composite Fibers' shipments increased by 14.1% and operating profit improved by 33.1% and in Airlaid Materials, shipments increased 5.6% year over year and operating profit increased 19.8%. In addition, interest expense, net declined $2.7 million reflecting the benefits of our debt refinancing in 2019. The following table sets forth summarized consolidated results of operations:

	Three months ended March 31			
In thousands, except per share		**2020**		2019
Net sales	**$**	**231,560**	$	229,133
Gross profit		**36,875**		35,617
Operating income		**12,281**		11,664
Continuing operations				
Income		**7,406**		4,603
Earnings per share		**0.17**		0.10
Discontinued operations				
Income from discontinued operations		**—**		683
Earnings per share		**—**		0.02
Net income		**7,406**		5,286
Earnings per share	**$**	**0.17**	$	0.12

In addition to the results reported in accordance with GAAP, we evaluate our performance using adjusted earnings and adjusted earnings per diluted share. We disclose this information to allow investors to evaluate our performance exclusive of certain items that impact the comparability of results from period to period and we believe it is helpful in understanding underlying operating trends and cash flow generation.

Adjusted earnings from continuing operations for the first three months of 2020 were $10.8 million, or $0.24 per diluted share compared with $7.3 million, or $0.16 per diluted share, for the same period a year ago. Adjusted earnings consists of net income determined in accordance with GAAP adjusted to exclude the impact of the following:

Restructuring charge – Metallized operations. This adjustment represents the charges incurred in connection with the decision to restructure a portion of the Composite Fibers segment, primarily consisting of the consolidation of our metallizing operation from Gernsbach, Germany to our Caerphilly, U.K. site. The charge includes a non-cash charge of $2.5 million associated with accelerated depreciation on machinery that will no longer be used and cash severance costs totaling $3.5 million.

Cost optimization actions. These adjustments reflect charges incurred in connection with initiatives to optimize the cost structure of the Company including costs related to the organizational change to a functional operating model. The costs are primarily related to executive separation, other headcount reductions, professional fees, asset write-offs and certain contract termination costs. These adjustments, which have occurred at various times in the past, are irregular in timing and relate to specific identified programs to reduce or optimize the cost structure of a particular operating segment or the corporate function.

Qualified pension plan termination. This adjustment reflects professional fees recorded in connection with the Company's termination of its qualified pension plan and the related actions to settle all obligations to the plan's participants. In the fourth quarter of 2019, the Company incurred a $75.3 million pension settlement charge in connection with the termination of the plan. Since the pension plan was fully funded, the settlement of the pension obligations did not require the use of the Company's cash, but instead was accomplished with plan assets.

Airlaid capacity expansion costs. These adjustments reflect non-capitalized, one-time costs incurred related to the start-up of a new airlaid production facility in Fort Smith, Arkansas and implementation of a new business system.

Debt refinancing costs. Represents a charge to write-off unamortized debt issuance costs in connection with the redemption of the Company's $250 million, 5.375% Notes.

Strategic initiatives. These adjustments primarily reflect professional and legal fees incurred directly related to evaluating and executing certain strategic initiatives including costs associated with acquisitions and the related integration.

Fox River environmental matter. This adjustment excludes a gain for a decrease in the Company's overall reserve for the Fox River matter primarily due to the resolution of the litigation in the first quarter of 2019.

Timberland sales and related costs. These adjustments exclude gains from the sales of timberlands as these items are not considered to be part of our core business, ongoing results of operations or cash flows. These adjustments are irregular in timing and amount and may significantly impact our operating results.

Coronavirus Aid, Relief, and Economic Security (CARES) Act 2020. This adjustment reflects the tax benefit recognized as a result of the March 27, 2020 change in U.S. tax law which, among others, allowing net operating losses to be carried back five years.

Adjusted earnings and adjusted earnings per share are considered measures not calculated in accordance with GAAP, and therefore are non-GAAP measures. The non-GAAP financial information should not be considered in isolation from, or as a substitute for, measures of financial performance prepared in accordance with GAAP. The following table sets forth the reconciliation of net income to adjusted earnings for the three months ended March 31, 2020 and 2019:

	Year to date ended March 31			
	2020		2019	
In thousands, except per share	**Amount**	**EPS**	Amount	EPS
Net income	**$ 7,406**	**$ 0.17**	$ 5,286	$ 0.12
Exclude: Net income from discontinued operations	**—**	**—**	(683)	(0.02)
Income from continuing operations	**7,406**	**0.17**	4,603	0.10
Adjustments *(pre-tax)*				
Restructuring charge - Metallized operations	**5,987**		—	
Cost optimization actions	**1,748**		3,923	
Qualified pension plan termination	**73**		—	
Airlaid capacity expansion costs	**—**		1,014	
Debt refinancing	**—**		992	
Strategic initiatives	**—**		107	
Fox River environmental matter	**—**		(2,509)	
Timberland sales and related costs	**—**		(458)	
Total adjustments (pre-tax)	**7,808**		3,069	
Income taxes (1)	**(1,835)**		(389)	
CARES Act of 2020 tax benefit (2)	**(2,569)**		-	
Total after-tax adjustments	**3,404**	**0.07**	2,680	0.06
Adjusted earnings	**$ 10,810**	**$ 0.24**	$ 7,283	$ 0.16

(1) Tax effect on adjustments calculated based on the incremental effective tax rate of the jurisdiction in which each adjustment originated.
(2) Tax benefit recorded in connection with passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES") related to provisions that modified the "net operating loss" provisions of previous law to allow certain losses to be carried back five years.

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

Segment Financial Performance

Three months ended March 31					Other and			
Dollars in thousands	Composite Fibers		Airlaid Materials		Unallocated		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net sales	**$ 132,711**	$ 128,717	**$ 98,849**	$ 100,416	**$ —**	$ —	**$ 231,560**	$ 229,133
Cost of products sold	**106,985**	106,563	**82,246**	85,989	**5,454**	964	**194,685**	193,516
Gross profit (loss)	**25,726**	22,154	**16,603**	14,427	**(5,454)**	(964)	**36,875**	35,617
SG&A	**10,624**	10,805	**4,581**	4,389	**9,389**	9,428	**24,594**	24,622
Gains on dispositions of plant, equipment and timberlands, net	**—**	—	**—**	—	**—**	(669)	**—**	(669)
Total operating income (loss)	**15,102**	11,349	**12,022**	10,038	**(14,843)**	(9,723)	**12,281**	11,664
Non-operating expense	**—**	—	**—**	—	**(2,267)**	(5,203)	**(2,267)**	(5,203)
Income (loss) before income taxes	**$ 15,102**	$ 11,349	**$ 12,022**	$ 10,038	**$ (17,110)**	$ (14,926)	**$ 10,014**	$ 6,461
Supplementary Data								
Net tons sold *(thousands)*	**35,983**	31,529	**35,039**	33,177	**—**	—	**71,022**	64,706
Depreciation, depletion and amortization(1)	**$ 6,466**	$ 6,674	**$ 5,451**	$ 5,268	**$ 3,485**	$ 846	**$ 15,402**	$ 12,788
Capital expenditures	**3,956**	3,188	**2,103**	2,192	**955**	485	**7,014**	5,865

(1) The amount presented in 2020 in the Other and unallocated column represents accelerated depreciation incurred in connection with the restructuring of the metallized operations.

Segments Results of individual operating segments 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 segments are not necessarily comparable with similar information for any other company. The management accounting process uses assumptions and allocations to measure performance of the segments. 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 segment are allocated primarily based on an estimated utilization of support area services or are included in "Other and Unallocated" in the table set forth above.

Management evaluates results of operations of the operating segments before certain corporate level costs and the effects of certain gains or losses not considered to be related to the core business operations. Management believes that this is a more meaningful representation of the operating performance of its core businesses, the profitability of the segments and the extent of cash flow generated from these core operations. Such amounts are presented under the caption "Other and Unallocated." In the evaluation of operating segments results, management does not use any measures of total assets. This presentation is 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

	Three months ended March 31		
In thousands	**2020**	2019	Change
Net sales	**$ 231,560**	$ 229,133	$ 2,427
Costs of products sold	**194,685**	193,516	1,169
Gross profit	**$ 36,875**	$ 35,617	$ 1,258
Gross profit as a percent of Net sales	**15.9%**	15.5%	

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

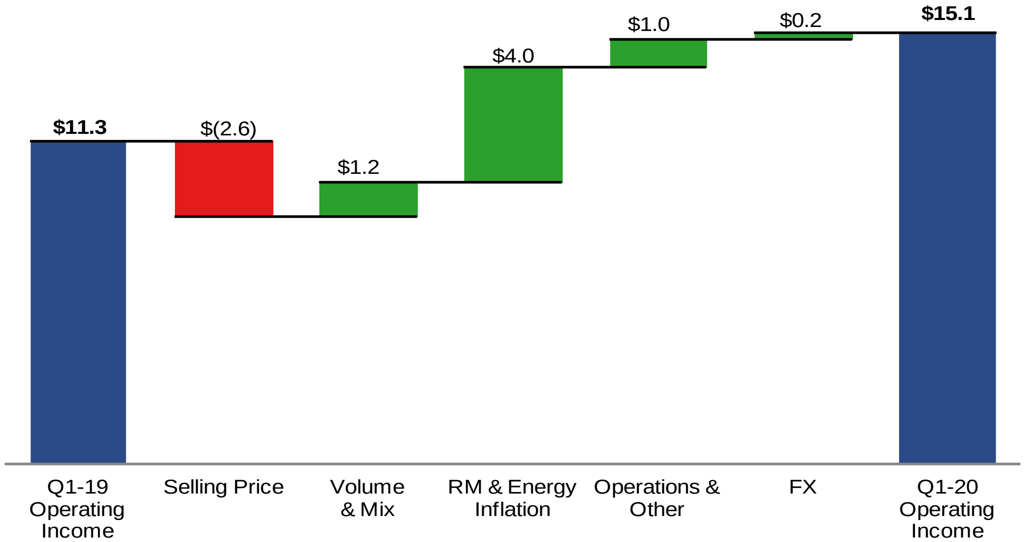
	Three months ended March 31	
Percent of Total	**2020**	2019
Segment		
Composite Fibers	**57.3%**	56.2%
Airlaid Materials	**42.7**	43.8
Total	**100.0%**	100.0%

Net sales totaled $231.6 million and $229.1 million in the first three months of 2020 and 2019, respectively. On a constant currency basis, and Composite Fibers' net sales increased by 5.5% and Airlaid Material's net sales increased 0.1%, which in each segment was primarily due to higher shipping volumes.

Composite Fibers' net sales increased $4.0 million or 3.1%, compared to the year-ago first quarter, driven by stronger shipments in all product categories which was partially offset by unfavorable foreign currency translation of $3.1 million.

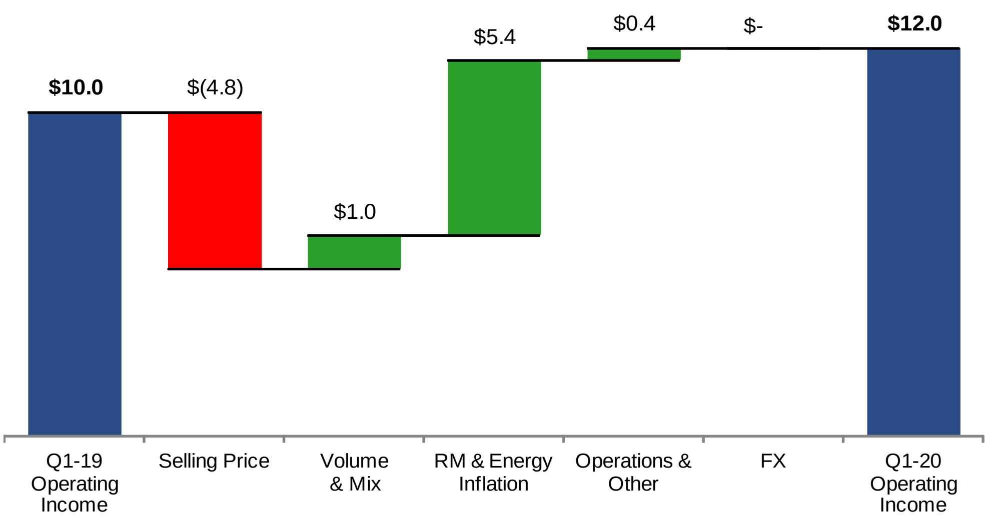
Composite Fibers' first quarter 2020 operating income of $15.1 million and was $3.8 million, or 33.1%, higher than the first quarter of 2019. Higher shipping volumes across all product categories favorably impacted results by $1.2 million. Operations added $1.0 million primarily driven by higher production rates to meet demand, as well as cost reduction initiatives. A $4.0 million benefit from lower prices for wood pulp and energy was partially offset by a $2.6 million impact from lower selling prices in certain product categories. Currency favorably impacted results by $0.2 million compared to the year-ago quarter.

The primary drivers of the change in Composite Fibers' operating income are summarized in the following chart:



Airlaid Materials' net sales decreased $1.6 million, or 1.6%, in the year-over-year comparison. Strong shipments of table top, home care and wipes products increased volume by 5.6%, while lower selling prices of $4.8 million for contractual pass-through arrangements and a $1.7 million impact from currency translation exceeded the benefits of favorable volume.

Airlaid Materials' operating income for the first three months of 2020 totaled $12.0 million, or 19.8% higher than the comparable period a year ago. Higher shipping volumes contributed $1.0 million of additional earnings while price declines due to raw material pass-through provisions were more than offset by lower raw material and energy prices, adding net $0.5 million of profit. Operations were $0.4 million favorable, mainly driven by higher production to support the stronger demand. The primary drivers are summarized in the following chart:



Other and Unallocated The amount of "Other and Unallocated" operating expense in our table of Segment Financial Information totaled $14.8 million in the first three months of 2020 compared with $9.7 million in the first three months of 2019. Excluding the items identified to present "adjusted earnings," unallocated expenses for the first quarter of 2020 declined $0.6 million compared to the first quarter of 2019, primarily reflecting lower corporate costs.

Income taxes In the first quarter of 2020, income from continuing operations totaled $10.0 million and income tax expense totaled $2.6 million. The income tax expense in the first quarter of 2020 includes a $2.6 million tax benefit recorded in connection with passage of the Coronavirus Aid, Relief, and Economic Security Act ("CARES"). This Act, which was signed into law on March 27, 2020, modified the "net operating loss" provisions of previous law to allow certain losses to be carried back five years. This tax benefit is excluded from net income when arriving at adjusted earnings. We are in the process of evaluating additional tax planning opportunities which may allow us to carry back additional NOLs.

On adjusted pre-tax income of $17.8 million, income tax expense was $7.0 million in the first quarter of 2020. The comparable amounts in the same quarter of 2019 were $9.5 million and $2.2 million, respectively. The effective tax rate on adjusted earnings was 39.3% in the first quarter of 2020.

Foreign Currency We own and operate facilities in Canada, Germany, France, the United Kingdom and the Philippines. The functional currency of our Canadian operations is the U.S. dollar. However, in Germany and France it is the Euro, in the UK, it is the British Pound Sterling, and in the Philippines the functional currency is the Peso. On an annual basis, our Euro denominated revenue exceeds Euro expenses by an estimated €140 million. For the first three months of 2020, the average currency exchange rate was 1.10 dollar/euro compared with 1.14 in the same period of 2019. With respect to the British Pound Sterling, Canadian Dollar, and Philippine Peso, we have differing amounts of inflows and outflows of these currencies, although to a lesser degree than the Euro. As a result, we are exposed to changes in currency exchange rates and such changes could be significant. The translation of the results from international operations into U.S. dollars is subject to changes in foreign currency exchange rates.

The table below summarizes the translation impact on reported results that changes in currency exchange rates had on our non-U.S. based operations from the conversion of these operation's results for the first three months of 2020.

In thousands	Three months ended March 31, 2020
	Favorable (unfavorable)
Net sales	**$ (4,811)**
Costs of products sold	**4,656**
SG&A expenses	**364**
Income taxes and other	**190**
Net income	**$ 399**

The above table only presents the financial reporting impact of foreign currency translations assuming currency exchange rates in 2020 were the same as 2019. It does not present the impact of certain competitive advantages or disadvantages of operating or competing in multi-currency markets.

Discontinued Operations We completed the sale of our Specialty Papers business on October 31, 2018. Its results of operations are reported as discontinued operations for all periods presented. For the first three months 2020 there was no activity in results of discontinued operations and in the first three months of 2019 we reported income from discontinued operations of $0.7 million.

LIQUIDITY AND CAPITAL RESOURCES

Our business requires significant expenditures for new or enhanced equipment, to support our research and development efforts, and to support our business strategy. In addition, we have mandatory debt service requirements of both principal and interest. The following table summarizes cash flow information for each of the periods presented:

In thousands	Three months ended March 31 2020	2019
Cash, cash equivalents and restricted cash at the beginning of period	**$ 126,201**	$ 142,685
Cash used by		
Operating activities	**(5,603)**	(24,145)
Investing activities	**(7,014)**	(7,240)
Financing activities	**(6,847)**	(23,611)
Effect of exchange rate changes on cash	**(937)**	(658)
Change in cash and cash equivalents from discontinued operations	**(316)**	(10,365)
Net cash used	**(20,717)**	(66,019)
Cash, cash equivalents and restricted cash at the end of period	**105,484**	76,666
Less: restricted cash included in "Prepaid expenses and other current assets"	**(1,259)**	—
Cash and cash equivalents at the end of period	**$ 104,225**	$ 76,666

At March 31, 2020, we had $104.2 million in cash and cash equivalents held by both domestic and foreign subsidiaries. Unremitted earnings of our foreign subsidiaries as of January 1, 2018 and forward are deemed to be indefinitely reinvested and therefore no U.S. tax liability is reflected in the accompanying condensed consolidated financial statements. Approximately 47% of our cash and cash equivalents is held by our foreign subsidiaries but could be repatriated without incurring a significant amount of additional taxes.

Cash used by operating activities in the first three months of 2020 totaled $5.6 million compared with a use of $24.1 million in the same period a year ago. The improvement in operating cash flow was primarily due to improved profitability, a decrease in cash used for inventory and other working capital and the effect on the comparison of using $20.5 million in the first three months of 2019 to settle Fox River related claims. In addition, cash used for interest payments declined $4.5 million in the year-over-year comparison reflecting savings from our debt refinancing in early 2019.

Net cash used by investing activities was essentially unchanged in the year-over-year comparison. Capital expenditures totaled $7.0 million and $5.9 million for the three months ended March 31, 2020 and 2019, respectively, and are expected to be $30 million to $35 million for the full year 2020.

Net cash used by financing activities totaled $6.8 million in the first three months of 2020 compared with $23.6 million in the same period of 2019. The change in cash used by financing activities primarily reflects $2.5 million of net borrowings in the first three months of 2020 compared with a net repayment of $11.5 million in the first three months of 2019.

In the first quarter of 2019, we significantly changed our debt capital structure. On February 8, 2019, we entered into a new credit facility with a consortium of financial institutions. The new five-year facility (the “2019 Facility”) replaces our then existing revolving credit facility and consists of a $400 million variable rate revolver and a €220 million, amortizing term loan. The other terms of the 2019 Facility are substantially similar to our previous revolving credit facility. On February 28, 2019, we redeemed all outstanding 5.375% Notes with proceeds from the new term loan.

The 2019 Facility contains a number of customary compliance covenants, the most restrictive of which is a maximum leverage ratio of 4.0x provided that such ratio increases to 4.5x during the period of four fiscal quarters immediately following a material acquisition. As of March 31, 2020, the leverage ratio, as calculated in accordance with the definition in our amended credit agreement, was 2.2x, within the limits set forth in our credit agreement. As part of our proactive management of potential risks presented by the COVID-19 pandemic we assessed our liquidity position in a number of more severe scenarios projecting potential implications of the economic crises. We believe the strength of our balance sheet and our production of engineered materials essential to the global response effort provides adequate financial flexibility in this challenging time. Based on our expectations of future results of operations and capital needs, we do not believe the debt covenants will impact our operations or limit our ability to undertake financings that may be necessary to meet our capital needs.

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

In thousands		**March 31 2020**		December 31 2019
Revolving credit facility, due Feb. 2024	**$**	**84,622**	$	84,255
Term loan, due Feb. 2024		**231,993**		240,969
2.40% Term Loan, due Jun. 2022		**3,912**		4,012
2.05% Term Loan, due Mar. 2023		**19,006**		19,487
1.30% Term Loan, due Jun. 2023		**5,478**		5,617
1.55% Term Loan, due Sep. 2025		**7,719**		7,915
Total long-term debt		**352,730**		362,255
Less current portion		**(24,952)**		(22,940)
Unamortized deferred issuance costs		**(2,246)**		(2,396)
Long-term debt, net of current portion	**$**	**325,532**	$	336,919

Financing activities include cash used for common stock dividends. In both the first three months of 2020 and 2019, we used $5.8 million and $5.7 million, respectively, of cash for dividends on our common stock. 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 various federal, state and local laws and regulations intended to protect the environment as well as human health and safety. At various times, we have incurred significant costs to comply with these regulations and we could incur additional costs as new regulations are developed or regulatory priorities change.

At March 31, 2020, we had ample liquidity consisting of $104.2 million of cash on hand and $108.0 million of capacity under our revolving credit facility. We expect to meet all of our near and long-term cash needs from a combination of operating cash flow, cash and cash equivalents, our existing credit facility and other long-term debt.

Off-Balance-Sheet Arrangements As of March 31, 2020 and December 31, 2019, we had not entered into any off-balance-sheet arrangements. Financial derivative instruments, to which we are a party, and guarantees of indebtedness, which solely consist of obligations of subsidiaries, are reflected in the condensed consolidated balance sheets included herein in Item 1 – Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*S*

In thousands, except percentages	Year Ended December 31 2020	2021	2022	2023	2024	March 31, 2020 Carrying Value	Fair Value
Long-term debt							
Average principal outstanding							
At variable interest rates	$ 309,083	$ 298,538	$ 286,486	$ 274,435	$ 28,680	$ 316,615	$ 316,615
At fixed interest rates – Term Loans	39,986	30,954	20,635	10,901	5,070	36,115	34,139
						$ 352,730	$ 350,754
Weighted-average interest rate							
On variable rate debt	1.50%	1.50%	1.50%	1.50%	1.50%		
On fixed rate debt – Term Loans	1.87%	1.86%	1.82%	1.77%	1.67%		
Interest rate swap							
Pay fixed/received variable *(notional)*	€ 180,000	€ 180,000	€ 180,000	—	—		
Rate paid	0.0395%	0.0395%	0.0395%	—	—		
Rate received	—	—	—	—	—		

The table above presents the average principal outstanding and related interest rates for the next five years for debt outstanding as of March 31, 2020. Fair values included herein have been determined based upon rates currently available to us for debt with similar terms and remaining maturities.

Our market risk exposure primarily results from changes in interest rates and currency exchange rates. At March 31, 2020, we had $350.5 million of long-term debt, net of unamortized debt issuance costs, of which 90.3% was at variable interest rates. After giving effect to the interest rate swap agreement, approximately 33.4% of our debt was at variable interest rates. The fixed rate Term Loans and the variable rate debt are all euro-based borrowings and thus the value of which is also subject to currency risk. Variable-rate debt outstanding represents borrowings under our revolving credit agreement that accrues interest based on one-month EURIBOR, but in no event less than zero, plus the applicable margin. At March 31, 2020, the weighted average EURIBOR on our outstanding debt was (0.38)%. Accordingly, the interest rate paid was equal to the margin, or 1.50%. A hypothetical 100 basis point increase in the interest rate on variable rate debt would increase annual interest expense by $0.7 million. In the event rates are lower, interest expense would be unchanged.

We entered into a €180 million notional value floating-to-fixed interest rate swap agreement with certain financial institutions. Under the terms of the swap, we will pay a fixed interest rate of 0.0395% on €180 million of the underlying variable rate term loan. We will receive the greater of 0.00% or EURIBOR.

As part of our overall risk management practices, we enter into financial derivatives primarily designed to either i) hedge foreign currency risks associated with forecasted transactions – “cash flow hedges”; or ii) mitigate the impact that changes in currency exchange rates have on intercompany financing transactions and foreign currency denominated receivables and payables – “foreign currency hedges.” For a more complete discussion of this activity, refer to Item 1 – Financial Statements – Note 16.

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. On an annual basis, our Euro denominated revenue exceeds euro expenses by an estimated €140 million. With respect to the British Pound Sterling, Canadian Dollar, and Philippine Peso, we have differing amounts of inflows and outflows of these currencies, although to a lesser degree than the Euro. As a result, particularly with respect to the Euro, we are exposed to changes in currency exchange rates and such changes could be significant.

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 March 31, 2020, have concluded that, as of the evaluation date, our disclosure controls and procedures are effective.

Changes in Internal Controls There were no changes in our internal control over financial reporting during the three months ended March 31, 2020, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II

ITEM 1A. RISK FACTORS

The following additional risk factor relating to COVID-19 should be read in conjunction with the risk factors set forth under “Item 1A. Risk Factors” (“Item 1A”) in our 2019 Annual Report on Form 10-K (“2019 Form 10-K”). The developments described in this additional risk factor have heightened, or in some cases developed since the filing of our 2019 Form 10-K, certain of the risks disclosed in Item 1A. Except as described herein, there have been no material changes with respect to the risk factors disclosed in our 2019 Form 10-K.

The risks described below and in our 2019 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us, or that we currently deem to be immaterial, may occur or become material in the future and adversely affect our business, reputation, financial condition or results of operations. Therefore, historical operating results, financial and business performance, events and trends are often not a reliable indicator of future operating results, financial and business performance, events or trends.

The COVID-19 pandemic outbreak could impact our ability to operate our facilities in an economical manner or could adversely impact demand for our products, which could have a material adverse effect on our operations and business.

On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic as the virus spread throughout the world. As the virus continued its rapid spread, a significant portion of the world’s economies was significantly impacted, and will continue to be so, by government mandates that all “non-essential” businesses close and that residents “shelter-in-place” or practice “social distancing.” The actions undertaken across the globe in an attempt to contain the spread of the virus have had an unprecedented and significant adverse impact on global economies in terms of reduced GDP, increased unemployment, and insolvencies in a variety of industries and markets.

In the event economic activity continues to be adversely impacted, or the impact intensifies, due to the spread of COVID-19 or due to actions to control the spread, we could be forced to curtail operations due to reduced customer demand, compliance with government mandates or the inability to adequately staff production facilities due to a widespread or sustained outbreak of COVID-19 at one or more of our facilities. In addition, our global supply chain could be disrupted, demand for our products, or the prices the products are sold, could be adversely impacted if economic conditions in the target markets that we serve remain weak or weaken further. We also could face potential legal actions that could arise due to our operations during the pandemic.

In addition, the COVID-19 pandemic’s impact on various economies throughout the world could lead to financial instabilities or insolvencies of some of our customers or the customers they in turn serve which could impact our ability to sell our products.

As we cannot predict the duration or scope of the COVID-19 pandemic, in the event the spread continues or the government actions intensify, our results of operations and/or financial position could be adversely impacted.

ITEM 6. EXHIBITS

The following exhibits are filed herewith or incorporated by reference as indicated.

31.1	Certification of Dante C. Parrini, Chairman and Chief Executive Officer of Glatfelter, pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of Samuel L. Hillard, Senior Vice President and Chief Financial Officer, pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of Dante C. Parrini, Chairman and Chief Executive Officer of Glatfelter, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, furnished herewith.
32.2	Certification of Samuel L. Hillard, Senior Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, furnished herewith.
101.INS	Inline XBRL Instance Document - – the instance document does not appear in the Interactive Data file because its iXBRL tags are embedded within the Inline XBRL document, filed herewith.
101.SCH	XBRL Taxonomy Extension Schema, filed herewith.
101.CAL	XBRL Extension Calculation Linkbase, filed herewith.
101.DEF	XBRL Extension Definition Linkbase, filed herewith.
101.LAB	XBRL Extension Label Linkbase, filed herewith.
101.PRE	XBRL Extension Presentation Linkbase, filed herewith.
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, has been formatted in Inline XBRL.

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)

May 5, 2020

By /s/ David C. Elder
David C. Elder
Vice President, Finance and Chief
Accounting Officer