HERTZ GLOBAL HOLDINGS INC
Form SC 13D
June 26, 2009

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

SCHEDULE 13D

(Amendment No. __)*

Under the Securities Exchange Act of 1934

Hertz Global Holdings, Inc.

(Name of Issuer)

Common Stock, par value $0.01 per share

(Title of Class of Securities)

42805T 10 5

(CUSIP Number)

Bank of America Corporation

Bank of America Corporate Center

100 North Tryon Street

Charlotte, North Carolina 28255

Telephone: 800-900-9000

Merrill Lynch & Co., Inc.

4 World Financial Center

250 Vesey Street

New York, New York 10080

Telephone: 212-449-1000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

June 17, 2009

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. x

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Bank of America Corporation**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		x
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **58,936,605**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **58,936,605** [1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **58,936,605**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **14.41%**[1]		
14	TYPE OF REPORTING PERSON **HC**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1 NAMES OF REPORTING PERSONS

Merrill Lynch & Co., Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) x

(b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS

OO

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) x

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
	7	SOLE VOTING POWER **--0--**
	8	SHARED VOTING POWER **58,936,605**[1]
	9	SOLE DISPOSITIVE POWER **--0--**
	10	SHARED DISPOSITIVE POWER **58,936,605**[1]

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

58,936,605[1]

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES x[1]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

14.41%[1]

14 TYPE OF REPORTING PERSON

CO

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Merrill Lynch Group, Inc.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER **--0--**
		8	SHARED VOTING POWER **58,565,414[1)]**
		9	SOLE DISPOSITIVE POWER **--0--**
		10	SHARED DISPOSITIVE POWER **58,565,414[(1)]**
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **58,565,414[(1)]**		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES x[(1)]		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **14.32%[(1)]**		
14	TYPE OF REPORTING PERSON **CO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Merrill Lynch GP Inc.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER **--0--**
		8	SHARED VOTING POWER **54,692,865** [(1)]
		9	SOLE DISPOSITIVE POWER **--0--**
		10	SHARED DISPOSITIVE POWER **54,692,865** [(1)]
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **54,692,865** [(1)]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES x[(1)]		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **13.37%**[(1)]		
14	TYPE OF REPORTING PERSON **CO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **ML Global Private Equity Partners, L.P.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Cayman Islands**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **54,692,865** [1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **54,692,865** [1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **54,692,865** [1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **13.37%** [1]		
14	TYPE OF REPORTING PERSON **PN**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **MLGPE Ltd.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Cayman Islands**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **54,692,865** [1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **54,692,865** [1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **54,692,865** [1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **13.37%**[1]		
14	TYPE OF REPORTING PERSON **OO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **ML Global Private Equity Fund, L.P.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Cayman Islands**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **54,692,865** [1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **54,692,865** [1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **54,692,865** [1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **13.37%**[1]		
14	TYPE OF REPORTING PERSON **PN**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Merrill Lynch Ventures, LLC**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **3,872,549**[(1)]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **3,872,549**[(1)]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **3,872,549**[(1)]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[(1)]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.95%**[(1)]		
14	TYPE OF REPORTING PERSON **OO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Merrill Lynch Ventures L.P. 2001**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER **--0--**
		8	SHARED VOTING POWER **3,872,549[(1)]**
		9	SOLE DISPOSITIVE POWER **--0--**
		10	SHARED DISPOSITIVE POWER **3,872,549[(1)]**
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **3,872,549[(1)]**		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES x[(1)]		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.95%[(1)]**		
14	TYPE OF REPORTING PERSON **PN**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **ML Hertz Co-Investor GP, L.L.C.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **3,101,137**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **3,101,137**[1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **3,101,137**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.76%**[1]		
14	TYPE OF REPORTING PERSON **OO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **ML Hertz Co-Investor, L.P.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **3,101,137**(1)	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **3,101,137**(1)	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **3,101,137**(1)		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x(1)
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.76%**(1)		
14	TYPE OF REPORTING PERSON **PN**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **CMC-Hertz General Partner, L.L.C.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **19,362,745**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **19,362,745**[1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **19,362,745**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **4.73%**[1]		
14	TYPE OF REPORTING PERSON **OO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **CMC-Hertz Partners, L.P.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **19,362,745**[(1)]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **19,362,745**[(1)]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **19,362,745**[(1)]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[(1)]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **4.73%**[(1)]		
14	TYPE OF REPORTING PERSON **PN**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Merrill Lynch, Pierce, Fenner & Smith Incorporated**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) x		
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7	SOLE VOTING POWER **--0--**
		8	SHARED VOTING POWER **29,241**[1]
		9	SOLE DISPOSITIVE POWER **--0--**
		10	SHARED DISPOSITIVE POWER **29,241**[1]
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **29,241**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES x[1]		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.01%** [1]		
14	TYPE OF REPORTING PERSON **CO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Merrill Lynch Bank & Trust Co., FSB**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Federally chartered savings bank**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **124,341**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **124,341**[1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **124,341** [1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES x[1]		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.03%**[1]		
14	TYPE OF REPORTING PERSON **CO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **First Republic Investment Management, Inc.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **42**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **42**[1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **42**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.0%**[1]		
14	TYPE OF REPORTING PERSON **CO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **NB Holdings Corporation**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **217,609**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **217,609**[1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **217,609**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.05%**[1]		
14	TYPE OF REPORTING PERSON **OO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Bank of America, N.A.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		x
6	CITIZENSHIP OR PLACE OF ORGANIZATION **National association**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **217,609**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **217,609**[1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **217,609**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.05%**[1]		
14	TYPE OF REPORTING PERSON **OO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Banc of America Investment Advisors, Inc.**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **171,221**[1]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **171,221**[1]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **171,221**[1]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.04%**[1]		
14	TYPE OF REPORTING PERSON **CO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Columbia Management Group, LLC**		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS **OO**		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**	
	8	SHARED VOTING POWER **41,388**[(1)]	
	9	SOLE DISPOSITIVE POWER **--0--**	
	10	SHARED DISPOSITIVE POWER **41,388**[(1)]	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **41,388**[(1)]		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		x[(1)]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.01%**[(1)]		
14	TYPE OF REPORTING PERSON **OO**		

(1) See Item 5 below.

CUSIP No. **42805T 10 5** **13D**

1	NAMES OF REPORTING PERSONS **Columbia Management Advisors, LLC**	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) x (b) o	
3	SEC USE ONLY	
4	SOURCE OF FUNDS **OO**	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	x
6	CITIZENSHIP OR PLACE OF ORGANIZATION **Delaware**	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER **--0--**
	8	SHARED VOTING POWER **41,388**[1]
	9	SOLE DISPOSITIVE POWER **--0--**
	10	SHARED DISPOSITIVE POWER **41,388**[1]

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON **41,388**[1]	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	x[1]
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) **0.01%**[1]	
14	TYPE OF REPORTING PERSON **OO**	

(1) See Item 5 below.

Item 1. Security and Issuer

This Schedule 13D (this Schedule 13D) is being filed with respect to the shares of Common Stock, par value $0.01, (the Shares) of Hertz Global Holdings, Inc. (Hertz or the Issuer) by the Reporting Persons (as defined below) with the Securities and Exchange Commission (the Commission). The address of the principal executive office of the Issuer is 225 Brae Boulevard, Park Ridge, New Jersey 07656.

Item 2. Identity and Background

This Schedule 13D is being filed by the following persons (each a Reporting Person and, collectively, the Reporting Persons): (i) Bank of America Corporation (BAC), (ii) Merrill Lynch & Co., Inc. (ML&Co), (iii) Merrill Lynch Group, Inc. (ML Group), (iv) Merrill Lynch GP Inc. (ML GP), (v) ML Global Private Equity Partners, L.P. (ML Global PE LP), (vi) MLGPE Ltd., (vii) ML Global Private Equity Fund, L.P. (MLGPELP), (viii) Merrill Lynch Ventures, LLC (ML Ventures LLC), (ix) Merrill Lynch Ventures L.P. 2001 (ML Ventures LP), (x) ML Hertz Co-Investor GP, L.L.C. (Hertz Co-Investor GP), (xi) ML Hertz Co-Investor, L.P. (Hertz Co-Investor LP), (xii) CMC-Hertz General Partner, L.L.C. (CMC GP), (xiii) CMC-Hertz Partners, L.P. (CMC LP), (xiv) Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPFS), (xv) Merrill Lynch Bank & Trust Co., FSB (ML Bank),(xvi) First Republic Investment Management, Inc. (First Management), (xvii) NB Holdings Corporation (NB), (xviii) Bank of America, N.A. (BANA), (xix) Banc of America Investment Advisors, Inc. (BAIA), (xx) Columbia Management Group, LLC (Columbia Group) and (xxi) Columbia Management Advisors, LLC (Columbia Advisors).

BAC, a Delaware corporation, is the ultimate parent company of each of the other Reporting Persons, with the exception of CMC GP and CMC LP. It is a bank holding company registered under the Bank Holding Company Act of 1956, as amended and engages in the general banking and financial services businesses through its subsidiaries.

ML&Co, a Delaware corporation, is a wholly owned subsidiary of BAC. ML&Co through its subsidiaries, including some of the other Reporting Persons, provides broker-dealer, investment banking, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis.

ML Group, a Delaware corporation, is a holding company and wholly owned subsidiary of ML&Co.

ML Global PE LP, a Cayman Islands exempted limited partnership, is a private investment fund, whose general partner is ML GP, a Delaware corporation and wholly owned subsidiary of ML Group.

MLGPELP, a Cayman Islands exempted limited partnership, is a private investment fund, whose general partner is MLGPE Ltd., a Cayman Islands company and a wholly owned subsidiary of ML Global PE LP.

ML Ventures LP, a Delaware limited partnership, is a private investment fund, whose general partner is ML Ventures LLC, a Delaware limited liability company and a wholly owned subsidiary of ML Group.

Hertz Co-Investor LP, a Delaware limited partnership, was formed specifically to directly hold certain of the Shares. Its general partner is Hertz Co-Investor GP, a Delaware limited liability company, whose sole managing member is MLGPELP.

CMC LP a Delaware limited partnership, was formed specifically to directly hold certain of the Shares. Its general partner is CMC GP, a Delaware limited liability company, whose managing members are Carlyle-Hertz GP, L.P., MLGPELP and CD&R Associates VII, L.P.

MLPFS, a Delaware corporation, is a registered broker-dealer and a wholly owned subsidiary of ML&Co.

ML Bank is a federally chartered savings bank and a wholly owned subsidiary of ML&Co.

First Management, a Delaware corporation, is a registered investment advisor and wholly owned subsidiary of ML Bank.

NB, a Delaware corporation, is a holding company and wholly owned subsidiary of BAC.

BANA, a national association, is a commercial bank and wholly owned subsidiary of NB.

BAIA, a Delaware corporation, is a registered investment advisor and wholly owned subsidiary of BANA.

Columbia Group, a Delaware limited liability company, is a holding company and wholly owned subsidiary of BAIA.

Columbia Advisors, a Delaware limited liability company, is a registered investment advisor and wholly owned subsidiary of Columbia Group.

The principal business office of each of the Reporting Persons is set forth on Schedule A attached hereto.

The name, business address and present principal occupation or employment of each executive officer and director of the Reporting Persons, as applicable, is set forth in Schedule B and is incorporated herein by reference. To the knowledge of the Reporting Persons, each of the persons listed on Schedule B is a citizen of the United States.

Except as described below, during the last five years, none of the Reporting Persons (or, to the knowledge of the Reporting Persons, any of the persons listed on Schedule B hereto) have been convicted in a criminal proceeding (excluding traffic violations or judicial misdemeanors) or was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws, or finding any violation with respect to such laws.

On March 11, 2009, without admitting or denying the SEC s findings, MLPFS consented to the entry of an administrative SEC order that (1) finds violations of Section 15(f) of the Securities Exchange Act of 1934 (the Exchange Act) and Section 204A of the Investment Advisers Act of 1940 (the Advisers Act) for allegedly failing to maintain written policies and procedures reasonably designed to prevent the misuse of customer order information, (2) requires that MLPFS cease and desist from committing or causing any future violations of the provisions charged, (3) censures MLPFS, (4) imposes a $7,000,000 civil money penalty and (5) requires MLPFS to comply with certain undertakings.

On August 21, 2008, ML&Co reached an agreement in principle with the New York attorney general, state securities regulators, and the staff of the Commission relating to auction rate securities (ARS). Without admitting or denying wrongdoing, ML&Co agreed to accelerate a previously

announced offer to purchase ARS from retail clients, use best efforts to provide liquidity solutions for institutional holders of ARS, pay a civil money penalty and compensate other eligible clients who purchased ARS and sold them at a loss.

As part of a settlement relating to managing auctions for ARS, the Commission accepted the offers of settlement of 15 broker-dealer firms, including MLPFS, and issued a settlement order on May 31, 2006. The Commission found, and MLPFS neither admitted nor denied, that respondents (including MLPFS) violated section 17(a)(2) of the Securities Act of 1933 by managing auctions for ARS in ways that were not adequately disclosed or that did not conform to disclosed procedures. MLPFS consented to a cease and desist order, a censure, a civil money penalty, and compliance with certain undertakings.

On May 1, 2008, without admitting or denying the SEC s finding, Columbia Advisors consented to the entry of an order that found violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, Sections 206(2), 206(4) and 207 of the Advisers Act and Advisers Act Rule 206(4)-1(a)(5) in connection with Banc of America Investment Services, Inc. s wrap fee program, the adequacy of disclosures to customers regarding the program and Columbia Advisors receipt of additional management fees as a result thereof. Columbia Advisors will pay $2,143,273 in disgorgement, $516,382 in prejudgment interest and $1,000,000 in civil monetary penalties.

On September 28, 2006, BAC entered into a civil settlement agreement with the New York County District Attorney. The agreement provides that, from about 2002 to 2004, BAC had deficiencies in certain internal anti-money laundering controls and failed to react appropriately to the risk presented by certain South American money services business customers who moved funds illegally through BAC. The agreement requires BAC to make a total payment of $7.5 million, to cooperate with the New York County District Attorney in ongoing investigations and to abide by anti-money laundering changes recommended by BAC s regulators.

On March 13, 2006, MLPFS entered into a settlement with the Commission whereby the Commission alleged, and MLPFS neither admitted nor denied, that MLPFS failed to furnish promptly to representatives of the Commission electronic mail communications (e-mails) as required under Section 17(a) of the Exchange Act and Rule 17a-4(j) thereunder. The Commission also alleged, and MLPFS neither admitted nor denied, that MLPFS failed to retain certain e-mails related to its business as such in violation of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder. Pursuant to the terms of the settlement, MLPFS consented to a cease and desist order, a censure, a civil money penalty of $2,500,000 and compliance with certain undertakings relating to the retention of e-mails and the prompt production of e-mails to the Commission.

In March 2005, ML&Co and certain of its affiliates (ML&Co and its affiliates collectively, Merrill Lynch) reached agreements with the State of New Jersey and the New York Stock Exchange (the NYSE) and reached an agreement in principle with the State of Connecticut pursuant to which Merrill Lynch, without admitting or denying the allegations, consented to a settlement that included findings that it failed to maintain certain books and records and to reasonably supervise a team of former financial analysts (FAs) who facilitated improper market timing by a hedge fund client. Merrill Lynch terminated the FAs in October 2003, brought the matter to the attention of regulators and cooperated fully in the regulators review. The settlement will result in aggregate payments of $13.5 million.

In March 2005, Merrill Lynch reached an agreement in principle with the NYSE pursuant to which Merrill Lynch, without admitting or denying the allegations, later consented to a settlement that included findings with regard to certain matters relating to the failure to deliver prospectuses for certain auction rate preferred shares and open-end mutual funds; the failure to deliver product descriptions with regard to certain exchange-traded funds; the failure to ensure that proper registration qualifications were

obtained for certain personnel; issues with regard to the retention, retrieval and review of e-mails; isolated lapses in branch office supervision; late reporting of certain events such as customer complaints and arbitrations; the failure to report certain complaints in quarterly reports to the NYSE due to a systems error; and partial non-compliance with Continuing Education requirements. The settlement resulted in a payment of $10 million to the NYSE.

On February 9, 2005, the board of governors of the Federal Reserve System and the Federal Reserve Bank of Richmond reviewed certain activities of BAC s Wealth and Investment Group. The Federal Reserve Bank of Richmond raised concerns that BAC and its subsidiaries did not adequately assess the legal and reputational risks posed by certain mutual fund trading activities and also addresses flaws in compliance and risk management pertaining to the asset management lines of business. Following that review, BAC and the Federal Reserve Bank of Richmond executed a written agreement to ensure that BAC and its subsidiaries make progress in their efforts to adopt and implement numerous corrective actions and best practice recommendations provided by independent consultants and to address all weaknesses identified by the review.

On February 9, 2005, neither admitting nor denying the findings, Columbia Advisors entered into assurances of discontinuance with the office of the New York Attorney General to settle allegations that they had violated the Martin Act (New York General Business Law article 23-A, sections 352-353), Executive Law 63(12) and the General Business Law 349. The assurance finds that, from at least 1998 through October 2003, Columbia Advisors and Columbia Management Distributors, Inc. entered into arrangements with nine investors that allowed them to engage in short-term or excessive trading and that contrary to restrictions and/or representations in the Columbia Advisors funds prospectuses, allowed or failed to prevent other investors from engaging in a practice of short-term or excessive trading and failed to maintain policies or procedures to prevent the misuse of material non-public information about portfolio holdings. Columbia Advisors and Columbia Management Distributors, Inc. have paid $70 million in disgorgement and a civil money penalty of $70 million. These are the same payments paid under the parallel SEC orders dated February 9, 2005 (as described below).

On February 9, 2005, pursuant to offers of settlement by Columbia Advisors, the SEC entered an order on February 9, 2005 finding that, from at least 1998 through October 2003, Columbia Advisors and Columbia Management Distributors, Inc. allowed clients to engage in short-term or excessive trading, contrary to restrictions and/or representations in the Columbia Advisors funds prospectuses, allowed or failed to prevent numerous other investors, including certain employees of Columbia Advisors and their affiliates, from engaging in a practice of short-term or excessive trading and provided material non-public information about portfolio holdings to some persons. Columbia Advisors shall cease and desist from committing or causing any violations and any future violations of 204A, 206(1) and 206(2) of the Advisers Act and 17(d) and 34(b) of the Investment Company Act and Rule 17d-1 thereunder. Columbia Advisors and Columbia Management Distributors, Inc. have paid $70 million in disgorgement and a civil money penalty of $70 million. These are the same payments as described in the paragraph above.

On February 9, 2005, BANA entered into a supervisory written agreement with the Comptroller of the Currency. Under the terms of the written agreement, BANA has submitted an action plan that it shall implement and adhere to until it receives further written notice from the comptroller. The plan provides for the development of corporate governance and internal control policies and procedures for transaction documentation of each significant new customer relationship, new or unique product or service, or any significant change to an existing customer relationship, product, service or business practice recommended for the approval by the Wealth and Investment Management Group; policies and procedures governing the approval and risk management of each significant new customer, new or unique product or service or any significant change to an existing customer relationship, product, service or business practice recommended for the approval by the Wealth and Investment Management Group; and

development of audit procedures to provide comprehensive coverage of activity involving the wealth and investment management business.

On November 3, 2004, a jury in Houston, Texas convicted four former Merrill Lynch employees of criminal misconduct in connection with a Nigerian barge transaction that the government alleged helped Enron inflate its 1999 earnings by $12 million. The jury also found that the transaction led to investor losses of $13.7 million. Those convictions were reversed by a federal appellate court on August 1, 2006, except for one conviction against one employee based on perjury and obstruction of justice. The government has appealed the reversals.

The Reporting Persons have entered into a Joint Filing Agreement, dated as of June ___, 2009, a copy of which is attached hereto as Exhibit 1.

Item 3. Source and Amount of Funds or Other Consideration

On December 21, 2005, MLGPELP, ML Ventures LP, Hertz Co-Investor LP and CMC LP (collectively, the ML Funds), together with Clayton Dubilier & Rice Fund VII, L.P., CDR CCMG Co-Investor L.P. and CD&R Parallel Fund VII, L.P. (collectively, the CD&R Funds), and Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., CEP II U.S. Investments, L.P. and CEP II Participations S.à.r.l SICAR (collectively, the Carlyle Funds, and together with the ML Funds and the CD&R Funds, the Funds), through a wholly-owned subsidiary of the Funds, acquired all of The Hertz Corporation s common stock from a subsidiary of Ford Motor Company, for aggregate consideration of $4,379 million in cash, debt refinanced or assumed of $10,116 million and transaction fees and expenses of $447 million. See Item 1 Business Our Company Corporate History in the Annual Report on Form 10-K of Hertz for the year ended December 31, 2008, which is incorporated herein by reference, for a detailed description of the funds used to acquire the common stock of The Hertz Corporation. Because of such acquisition, since the initial public offering of the Issuer, the ML Funds, the CD&R Funds and the Carlyle Funds and their respective affiliates have reported their respective holdings in the Issuer annually on Schedule 13G in reliance on Rule 13d-1(d) promulgated under the Exchange Act.

On May 19, 2009, each of Clayton Dubilier Rice Fund VII, L.P. and CD&R Parallel Fund VII, L.P. entered into Subscription Agreements (as defined below) pursuant to which each agreed to purchase, and the Issuer agreed to issue and sell, Shares in the Private Offering (as defined below), resulting in a greater than 2% acquisition of the outstanding Shares of the Issuer by such entities and their respective affiliates. The closing of the Private Offering is contingent upon, among other things, the receipt of governmental approvals, including clearance under the HSR Act. All material contingencies outside the control of Clayton Dubilier Rice Fund VII, L.P. and CD&R Parallel Fund VII, L.P., including the receipt of all governmental approvals, were satisfied on June 17, 2009. Such acquisition within a 12-month period requires the CD&R Funds and the Carlyle Funds to henceforth report their holdings on Schedule 13D, instead of Schedule 13G. The CD&R Funds and the Carlyle Funds each filed a Schedule 13D in respect of their respective pending acquisitions on June 8, 2009. While none of the Reporting Persons entered into a subscription agreement with the Issuer or otherwise acquired or intends to acquire any additional Shares, they are filing this Schedule 13D because they may be deemed to be part of a group with the CD&R Funds and the Carlyle Funds within the meaning of Rule 13d-5(b) under the Exchange Act (by virtue of their original joint acquisition in 2005 and their agreements with respect to the Issuer as set forth in the Stockholders Agreements (as defined and more fully described below)), and therefore may be deemed to also acquire the Shares to be acquired by CD&R Funds and the Carlyle Funds upon the closing of the Private Offering. As a result of such acquisition, the Reporting Persons are now reporting their holdings in Hertz on a Schedule 13D and will continue to do so for so long as they are required to do so.

Item 4. Purpose of Transaction

On May 19, 2009, Clayton Dubilier & Rice Fund VII, L.P., CD&R Parallel Fund VII, L.P., Carlyle Partners IV, L.P. and CP IV Coinvestment, L.P. (such stockholders, together with Clayton Dubilier & Rice Fund VII, L.P. and CD&R Parallel Fund VII, L.P., the Subscribing Stockholders) each entered into substantially identical Subscription Agreements (each, the Subscription Agreement and together, the Subscription Agreements) with Hertz, pursuant to which each Subscribing Stockholder agreed to purchase, and Hertz agreed to issue and sell, an aggregate of 32,101,182 shares, at a purchase price per share equal to $6.2303 in a private offering (the Private Offering). The Subscription Agreements were entered into substantially concurrently with a public offering of its common stock (the Common Stock Public Offering) and a public offering of $450,000,000 aggregate principal amount of 5.25% Convertible Senior Notes due 2014 of Hertz. The Reporting Persons are not participating in the transactions contemplated by the Subscription Agreements and will not acquire any Shares in connection with the Private Offering nor do they intend to acquire any additional Shares at this time.

The ML Funds acquired the Shares in 2005 for general investment purposes and in the ordinary course of business. Each Reporting Person expects to evaluate on an ongoing basis the Issuer s financial condition and prospects and its interest in, and intentions with respect to, the Issuer. Accordingly, each Reporting Person reserves the right to change its plans and intentions at any time as it deems appropriate. Each Reporting Person may at any time and from time to time, in privately negotiated transactions or otherwise, acquire additional securities of the Issuer; dispose of all or a portion of the securities of the Issuer that the Reporting Persons now own or may hereafter acquire; and/or enter into derivative transactions with institutional counterparties with respect to the Issuer s securities. In addition, the Reporting Persons may engage in discussions with management, the Issuer s board of directors, other stockholders of the Issuer and other relevant parties concerning the business, operations, board composition, management, strategy and future plans of the Issuer. Pursuant to the Stockholders Agreement, the Reporting Persons directly holding Shares are entitled to nominate, and other significant stockholders that are parties to the Stockholders Agreements are required to vote in favor of, nominees to the board of directors of the Issuer, which will afford access to, and participation in, deliberations of the board of directors regarding the business, operations, board composition, management, strategy and future plans of the Issuer.

As a result of these activities, and subject to the limitations set forth in the Stockholders Agreement and the Registration Rights Agreement (as defined below), one or more of the Reporting Persons may suggest or take a position with respect to potential changes in the operations, management, or capital structure of the Issuer as a means of enhancing shareholder value. Such suggestions or positions may include one or more plans or proposals that relate to or would result in any of the actions required to be reported herein, including, without limitation, such matters as disposing of one or more businesses; selling the Issuer or acquiring another company or business; changing operating or marketing strategies; adopting, not adopting, modifying, or eliminating certain types of anti-takeover measures; restructuring the Issuer s capitalization; reviewing dividend and compensation policies; entering into agreements with third parties relating to acquisitions of securities issued or to be issued by the Issuer; entering into agreements with the management of the Issuer relating to acquisitions of the Issuer s common stock by members of management, issuance of options to management, or their employment by the Issuer.

To the knowledge of each Reporting Person, each of the persons listed on Schedule B hereto may make the same evaluation and reserve the same rights.

The Reporting Persons have no present plans or proposals that relate to or would result in any of the actions required to be reported herein.

Item 5. Interest in Securities of the Issuer

(a)-(b) As of June 17, 2009, each of the Reporting Persons directly owned of record the number and percentage of issued and outstanding Shares of the Issuer listed opposite its name:

Reporting Person	Shares Owned	Percentage of Issuer Outstanding Shares[1]
Bank of America Corporation[2]	0	0%
Merrill Lynch & Co., Inc.[3]	0	0%
Merrill Lynch Group, Inc.[4]	0	0%
Merrill Lynch GP Inc.[5]	0	0%
ML Global Private Equity Partners, L.P.[6]	0	0%
MLGPE Ltd.[7]	0	0%
ML Global Private Equity Fund, L.P.[8]	32,228,983**	7.88%
Merrill Lynch Ventures, LLC[9]	0	0%
Merrill Lynch Ventures L.P. 2001[10]	3,872,549	0.95%
ML Hertz Co-Investor GP, L.L.C.[11]	0	0%
ML Hertz Co-Investor, L.P.[12]	3,101,137	0.76%
CMC-Hertz General Partner, L.L.C.[13]	0	0%
CMC-Hertz Partners, L.P.[14]	19,362,745	4.73%
Merrill Lynch, Pierce, Fenner & Smith Incorporated[15]	29,241	0.01%

** Includes 46,700 Shares acquirable upon the exercise of options of the Issuer.

29

Merrill Lynch Bank & Trust Co., FSB[16]	124,299	0.03%
First Republic Investment Management, Inc.[17]	42	0%
NB Holdings Corporation[18]	0	0%
Bank of America, N.A.[19]	5,000	0%
Banc of America Investment Advisors, Inc.[20]	171,221	0.04%
Columbia Management Group, LLC[21]	0	0%
Columbia Management Advisors, LLC[22]	41,388	0.01%

(1) Based on a total of 409,068,885 Shares outstanding including (a) 376,921,003 Shares outstanding as of June 3, 2009, (b) 32,101,182 Shares issued under the Private Offering and (c) the 46,700 Shares MLGPELP may acquire upon the exercise of certain options of the Issuer.

(2) BAC, as the ultimate parent company of each of the other Reporting Persons, may be deemed to beneficially own 58,936,605 Shares, representing 14.41% of the outstanding Shares of the Issuer. BAC hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(3) ML&Co may be deemed to beneficially own 58,936,605 Shares, representing 14.41% of the outstanding Shares of the Issuer. ML&Co hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(4) ML Group may be deemed to beneficially own 58,565,414 Shares, representing 14.32% of the outstanding Shares of the Issuer. ML Group hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(5) ML GP, as the sole general partner of ML Global PE LP, may be deemed to beneficially own the 54,692,865 Shares (representing 13.37% of the outstanding Shares of the Issuer) indirectly owned by ML Global PE LP. ML GP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(6) ML Global PE LP may be deemed to beneficially own the 54,692,865 Shares (representing 13.37% of the outstanding Shares of the Issuer), directly and indirectly owned by MLGPELP. ML Global PE LP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(7) MLGPE Ltd., as the sole general partner of MLGPELP, may be deemed to beneficially own the 54,692,865 Shares (representing 13.37% of the outstanding Shares of the Issuer), directly and indirectly owned by MLGPELP. MLGPE Ltd. hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(8) The investment committee of ML Global PE LP has decision-making power over the voting and disposition of shares of portfolio investments of MLGPELP, including MLGPELP s investment in the Issuer. However, the consent of ML GP is expressly required in connection with any such vote or disposition. Because of its relationship with Hertz Co-Investor GP and CMC GP, MLGPELP may be deemed to beneficially own, in addition to the 32,228,983 Shares it directly owns, (i) the 3,101,137 Shares (representing 0.76% of the outstanding Shares of the Issuer) directly owned by Hertz Co-Investor LP, as defined below and (ii) the 19,362,745 Shares (representing 4.73% of the outstanding Shares of the Issuer) directly owned by CMC LP. MLGPELP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(9) ML Ventures LLC, as the sole general partner of ML Ventures LP, may be deemed to beneficially own the 3,872,549 Shares (representing 0.95% of the outstanding Shares of the Issuer), directly owned by ML Ventures LP. ML Ventures LLC hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(10) ML Ventures LP s decisions regarding the voting or disposition of shares of its portfolio investments (including its investment in the Issuer) are made by the management and investment committee of the board of directors of ML Ventures LLC. ML Ventures LP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(11) Hertz Co-Investor GP s sole managing member is MLGPELP. It is also the sole general partner of Hertz Co-Investor LP and as such may be deemed to beneficially own the 3,101,137 Shares (representing 0.76% of the outstanding Shares of the Issuer) directly owned by Hertz Co-Investor LP. Hertz Co-Investor GP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(12) Hertz Co-Investor LP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(13) CMC GP, as the sole general partner of CMC LP, may be deemed to beneficially own all the 19,362,745 Shares (representing 4.73% of the outstanding Shares of the Issuer) directly owned by CMC LP. Investment decisions on behalf of CMC GP are made by majority vote of the Executive Committee, which comprises one representative of each of Clayton, Dubilier & Rice, Inc., The Carlyle Group and MLGPELP. However, until December 21, 2013, MLGPELP has the contractual right (subject to various restrictions) to make decisions regarding disposition or voting of the shares beneficially owned by CMC GP. As a result, beneficial ownership of the Shares held by CMC LP may be attributed to MLGPELP. CMC GP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(14) CMC LP hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(15) MLPFS hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(16) ML Bank may be deemed to beneficially own 124,341 Shares, representing 0.03% of the outstanding Shares of the Issuer. Excluding such 124,299 Shares which it holds as a fiduciary, ML Bank hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.
(17) First Management hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.
(18) NB may be deemed to beneficially own 217,609 Shares, representing 0.05% of the outstanding Shares of the Issuer. NB hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.
(19) BANA may be deemed to beneficially own 217,609 Shares, representing 0.05% of the outstanding Shares of the Issuer. Excluding such 5,000 Shares which it holds as a fiduciary, BANA hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.
(20) BAIA hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.
(21) Columbia Group may be deemed to beneficially own 41,388 Shares, representing 0.01% of the outstanding Shares of the Issuer. Columbia Group hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.
(22) Columbia Advisors hereby expressly disclaims beneficial ownership of the Shares held by the other Reporting Persons.

(c) Except as set forth on Schedule C, none of the Reporting Persons nor, to the knowledge of the Reporting Persons, any of the persons listed on Schedule B, has effected any transactions in the Shares within the last 60 days prior to the date hereof, other than transactions made on a non-proprietary basis in the ordinary course of business.

(d) Not applicable.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer

Stockholders Agreement

The ML Funds, the Carlyle Funds, the CD&R Funds and Hertz are parties to an Amended and Restated Stockholders Agreement, dated as of November 20, 2006 (the Stockholders Agreement), which is incorporated herein by reference. As a consequence of certain provisions of the Stockholders Agreement pertaining to the holding, voting and disposing of Shares, the ML Funds, the Carlyle Funds, the CD&R Funds and Hertz may be deemed a group within the meaning of Rule 13d-5(b) under the Exchange Act. The Stockholders Agreement requires the parties to vote their Shares for directors that are designated in accordance with the provisions of the Stockholders Agreement. The Stockholders Agreement also restricts the parties from selling their respective Shares in certain instances and, in some negotiated transactions, requires the seller to offer each other party an opportunity to participate in the sale. In addition, the Stockholders Agreement requires the parties to vote their respective Shares pursuant

32

to the instructions of certain groups of investors with respect to certain change of control transactions. The aggregate number of Shares to be beneficially owned collectively by the ML Funds, the Carlyle Funds, the CD&R Funds and Hertz following the completion of the Private Offering is 209,879,167, which after completion of the Private Offering is expected to represent approximately 51% of the Shares outstanding. The stock ownership reported for the Reporting Persons does not include any Shares owned by other parties to the Stockholders Agreement. Each of the Reporting Persons disclaims beneficial ownership of any Shares owned by the other parties to the Stockholders Agreement.

Registration Rights Agreement

The ML Funds are parties to the Registration Rights Agreement, dated as of December 21, 2005, as heretofore amended, among CCMG Holdings, Inc. (now known as Hertz Global Holdings, Inc.), the CD&R Funds, Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., CEP II U.S. Investments, L.P., CEP II Participations S.à.r.l, (the Registration Rights Agreement), which is incorporated herein by reference to Exhibit 4.11 to Amendment No. 3 to the Registration Statement on Form S-1 (File No. 333-135782) of Hertz Global Holdings, Inc. as filed on October 23, 2006. For a description of the Registration Rights Agreement, see Certain Relationship and Related Party Transactions Registration Rights Agreement in the Definitive Proxy Statement of Hertz Holdings filed on Schedule 14A on April 15, 2009, which is incorporated herein by reference.

Item 7. Materials to be Filed as Exhibits

1 Joint Filing Agreement, dated as of June ___, 2009, by and among the Reporting Persons.

2 Amended and Restated Stockholders Agreement, dated as of November 20, 2006, among Hertz Global Holdings, Inc., ML Global Private Equity Fund, L.P., Merrill Lynch Ventures L.P. 2001, ML Hertz Co-Investor, L.P. and CMC-Hertz Partners, L.P., Clayton, Dubilier & Rice Fund VII, L.P., CDR CCMG Co-Investor L.P., CD&R Parallel Fund VII, L.P., Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., CEP II U.S. Investments, L.P. and CEP II Participations S.à.r.l SICAR (incorporated by reference to Exhibit 4.10 to the Annual Report on Form 10-K for the year ended December 31, 2006 of Hertz Global Holdings, Inc.)

3 Registration Rights Agreement, dated as of December 21, 2005, among ML Global Private Equity Fund, L.P., Merrill Lynch Ventures L.P. 2001, ML Hertz Co-Investor, L.P., CMC-Hertz Partners, L.P., CCMG Holdings, Inc. (now known as Hertz Global Holdings, Inc.), Clayton, Dubilier & Rice Fund VII, L.P., CDR CCMG Co-Investor L.P., Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., CEP II U.S. Investments, L.P. and CEP II Participations S.à.r.l (incorporated by reference to Exhibit 4.11 to Amendment No. 3 to the Registration Statement on Form S-1 of Hertz Global Holdings, Inc. (File No. 333-135782) as filed on October 23, 2006)

4 Amendment No. 1, dated as of November 20, 2006, to the Registration Rights Agreement, dated as of December 21, 2005, among ML Global Private Equity Fund, L.P., Merrill Lynch Ventures L.P. 2001, ML Hertz Co-Investor, L.P., CMC- Hertz Partners, L.P., CCMG Holdings, Inc. (now known as Hertz Global Holdings, Inc.), Clayton, Dubilier & Rice Fund VII, L.P., CDR CCMG Co-Investor L.P., CD&R Parallel Fund VII, L.P., Carlyle Partners IV, L.P., CP IV Coinvestment, L.P., CEP II U.S. Investments, L.P. and CEP II Participations S.à.r.l SICAR (incorporated by reference to Exhibit 4.12 to the Annual Report on Form 10-K for the year ended December 31, 2006 of Hertz Global Holdings, Inc.)

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated June __, 2009

BANK OF AMERICA CORPORATION

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli

Title: Authorized Signatory

MERRILL LYNCH & CO., INC

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli

Title: Authorized Signatory

MERRILL LYNCH GROUP, INC.

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli

Title: Authorized Signatory

MERRILL LYNCH GP INC.

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

ML GLOBAL PRIVATE EQUITY PARTNERS, L.P.
By: Merrill Lynch GP Inc., its general partner

34

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

MLGPE LTD.

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

ML GLOBAL PRIVATE EQUITY FUND, L.P.
By: MLGPE Ltd., its general partner

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

MERRILL LYNCH VENTURES, LLC

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

MERRILL LYNCH VENTURES L.P. 2001
By: Merrill Lynch Ventures, LLC, its general partner

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

ML HERTZ CO-INVESTOR GP, LLC
By: ML Global Private Equity Fund, L.P., as sole member

By: MLGPE Ltd., its general partner

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

ML HERTZ CO-INVESTOR, L.P.

By: ML Hertz Co-Investor G.P., L.L.C., its general partner

By: ML Global Private Equity Fund, L.P., as sole member

By: MLGPE Ltd., its general partner

By: /s/ Douglas P. Madden

Name: Douglas P. Madden

Title: Assistant Secretary

CMC-HERTZ GENERAL PARTNER, L.L.C.

By: /s/ Angel L. Morales

Name: Angel L. Morales

Title: Executive Committee Member

CMC-HERTZ PARTNERS, L.P.
By: CMC-Hertz General Partner, L.L.C., its general partner

36

By: /s/ Angel L. Morales

Name: Angel L. Morales

Title: Executive Committee Member

MERRILL, LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli

Title: Assistant Secretary

MERRILL LYNCH BANK & TRUST CO., FSB

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli

Title: Assistant Secretary

FIRST REPUBLIC INVESTMENT MANAGEMENT, INC.

By: /s/ Jonathan N. Santelli

Name: Jonathan N. Santelli

Title: Assistant Secretary

NB HOLDINGS CORPORATION

By: /s/ Charles F. Bowman

Name: Charles F. Bowman

Title: Senior Vice President

BANK OF AMERICA, N.A.

37

By: /s/ Charles F. Bowman

Name: Charles F. Bowman

Title: Senior Vice President

BANC OF AMERICA INVESTMENT ADVISORS, INC.

By: /s/ Jeffrey Cullen

Name: Jeffrey Cullen

Title: Vice President

COLUMBIA MANAGEMENT GROUP, LLC

By: /s/ Michael A. Jones

Name: Michael A. Jones

Title: President

COLUMBIA MANAGEMENT ADVISORS, LLC

By: /s/ Michael A. Jones

Name: Michael A. Jones

Title: President

Schedule A

Principal Business and Office Address of the Reporting Persons

REPORTING PERSON	ADDRESS
Bank of America Corporation	Bank of America Corporate Center 100 North Tryon Street Charlotte, North Carolina 28255
Merrill Lynch & Co., Inc.	Bank of America Corporate Center 100 North Tryon Street Charlotte, North Carolina 28255
Merrill Lynch Group, Inc.	Bank of America Corporate Center 100 North Tryon Street Charlotte, North Carolina 28255
Merrill Lynch GP Inc.	4 World Financial Center 250 Vesey Street New York, NY 10080
ML Global Private Equity Partners, L.P.	4 World Financial Center 250 Vesey Street New York, NY 10080
MLGPE Ltd.	4 World Financial Center 250 Vesey Street New York, NY 10080
ML Global Private Equity Fund, L.P.	4 World Financial Center 250 Vesey Street New York, NY 10080
Merrill Lynch Ventures, LLC	4 World Financial Center 250 Vesey Street

	New York, NY 10080
Merrill Lynch Ventures L.P. 2001	4 World Financial Center 250 Vesey Street New York, NY 10080
ML Hertz Co-Investor GP, L.L.C.	4 World Financial Center 250 Vesey Street New York, NY 10080
ML Hertz Co-Investor, L.P.	4 World Financial Center 250 Vesey Street New York, NY 10080

CMC-Hertz General Partner, L.L.C.	4 World Financial Center 250 Vesey Street New York, NY 10080
CMC-Hertz Partners, L.P.	4 World Financial Center 250 Vesey Street New York, NY 10080
Merrill Lynch, Pierce, Fenner & Smith Incorporated	4 World Financial Center 250 Vesey Street New York, NY 10080
Merrill Lynch Bank & Trust Co., FSB	2 World Financial Center 225 Liberty Street New York, NY 10081
First Republic Investment Management, Inc.	111 Pine Street San Francisco, CA 94111
NB Holdings Corporation	401 North Tryon Street Charlotte, NC 28255
Bank of America, N.A.	Bank of America Corporate Center 100 North Tryon Street Charlotte, North Carolina 28255
Banc of America Investment Advisors, Inc.	One Financial Center Boston, MA 02111
Columbia Management Group, LLC	One Financial Center Boston, MA 02111
Columbia Management Advisors, LLC	One Financial Center Boston, MA 02111

Schedule B

Executive Officers and Directors of the Reporting Persons

Bank of America Corporation

Name	Business Address	Position with BAC	Principal Occupation
Kenneth D. Lewis	100 North Tryon Street Charlotte, NC 28255	Chief Executive Officer, President and Director	Chairman, Chief Executive Officer and President of Bank of America Corporation
Amy Woods Brinkley	100 North Tryon Street Charlotte, NC 28255	Chief Risk Officer	Chief Risk Officer of Bank of America Corporation
Barbara J. Desoer	100 North Tryon Street Charlotte, NC 28255	President, Bank of America Mortgage, Home Equity and Insurance Services	President, Bank of America Mortgage, Home Equity and Insurance Services of Bank of America Corporation
Liam E. McGee	100 North Tryon Street Charlotte, NC 28255	President, Bank of America Consumer and Small Business Bank	President, Bank of America Consumer and Small Business Bank of Bank of America Corporation
Brian T. Moynihan	100 North Tryon Street Charlotte, NC 28255	President, Global Banking and Wealth Management	President, Global Banking and Wealth Management of Bank of America Corporation
Joe L. Price	100 North Tryon Street Charlotte, NC 28255	Chief Financial Officer	Chief Financial Officer of Bank of America Corporation
Richard K. Struthers	100 North Tryon Street Charlotte, NC 28255	President, Bank of America Global Card Services	President, Bank of America Global Card Services of Bank of America Corporation
Walter E. Massey	100 North Tryon Street Charlotte, NC 28255	Chairman, Director	President Emeritus of Morehouse College
William Barnet, III	100 North Tryon Street Charlotte, NC 28255	Director	Chairman, President and Chief Executive Officer of The Barnet Company
Susan Bies	100 North Tryon Street Charlotte, NC 28255	Director	Former Chief Financial Officer of First Tennessee National Corporation
William Boardman	100 North Tryon Street Charlotte, NC 28255	Director	Former Chairman of Visa International, Inc.
Frank P. Bramble, Sr.	100 North Tryon Street Charlotte, NC 28255	Director	Former Executive Officer of MBNA Corporation
Virgis W. Colbert	100 North Tryon Street Charlotte, NC 28255	Director	Senior Advisor, MillerCoors Company
John T. Collins	100 North Tryon Street	Director	

	Charlotte, NC 28255		Chief Executive Officer of The Collins Group Inc.
Gary L. Countryman	100 North Tryon Street Charlotte, NC 28255	Director	Chairman Emeritus of Liberty Mutual Group

41

Charles K. Gifford	100 North Tryon Street Charlotte, NC 28255	Director	Former Chairman of Bank of America Corporation
D. Paul Jones	100 North Tryon Street Charlotte, NC 28255	Director	Former Chairman and Chief Executive Officer of Compass Bancshares, Inc.
Monica C. Lozano	100 North Tryon Street Charlotte, NC 28255	Director	Publisher and Chief Executive Officer of La Opinion
Thomas J. May	100 North Tryon Street Charlotte, NC 28255	Director	Chairman, President and Chief Executive Officer of NSTAR
Donald Powell	100 North Tryon Street Charlotte, NC 28255	Director	Former Chairman of the Federal Deposit Insurance Corporation
Charles O. Rossotti	100 North Tryon Street Charlotte, NC 28255	Director	Senor Advisor, The Carlyle Group
Thomas M. Ryan	100 North Tryon Street Charlotte, NC 28255	Director	Chairman, President and Chief Executive Officer of CVS/Caremark Corporation

Merrill Lynch & Co., Inc.

Name	Business Address	Position with ML&Co	Principal Occupation
Bryan Moynihan	100 North Tryon Street Charlotte, NC 28255	Chief Executive Officer and President	President, Global Banking and Wealth Management of Bank of America Corporation
Amy Woods Brinkley	100 North Tryon Street Charlotte, NC 28255	Chief Risk Officer and Director	Chief Risk Officer of Bank of America Corporation
Neil A. Cotty	100 North Tryon Street Charlotte, NC 28255	Chief Financial Officer and Executive Vice President	Senior Vice President of Bank of America Corporation
Thomas Montag	100 North Tryon Street Charlotte, NC 28255	Executive Vice President	President, Global Markets of Bank of America Corporation
Edward P. O Keefe	100 North Tryon Street Charlotte, NC 28255	General Counsel	Deputy General Counsel of Bank of America Corporation
Thomas W. Perry	100 North Tryon Street Charlotte, NC 28255	Chief Accounting Officer and Controller	Chief Accounting Officer and Controller of Merrill Lynch & Co., Inc.
Kenneth D. Lewis	100 North Tryon Street	Chairman	Chairman, Chief Executive Officer and President of Bank of America Corporation

	Charlotte, NC 28255		
Joe L. Price	100 North Tryon Street Charlotte, NC 28255	Director	Chief Financial Officer of Bank of America Corporation

Merrill Lynch Group, Inc.

42

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Quarter	High	Low	Dividend
2017			
Fourth	$21.99	$18.54	$0.13
Third	20.72	16.53	0.13
Second	22.53	17.90	0.13
First	25.59	20.73	0.13
2016			
Fourth	$25.49	$17.50	$0.125
Third	23.43	19.16	0.125
Second	23.81	18.50	0.125
First	20.94	14.09	0.125

As of February 20, 2018, we had 969 shareholders of record.

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative 5-year total return of our common stock with the cumulative total returns of both a peer group and a broad market index. We compare our stock performance to the S&P Small Cap 600 Paper Products index comprised of us, Clearwater Paper Corp., Kapstone Paper & Packaging Corp., Neenah Paper Inc., and Schweitzer-Mauduit International. In addition, the chart includes a comparison to the Russell 2000, which we believe is an appropriate benchmark index for stocks such as ours. The following graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on December 31, 2012 and charts it through December 31, 2017.

ITEM 6 SELECTED FINANCIAL DATA

As of or for the year ended December 31

Dollars in thousands, except per share	2017		2016		2015	2014	2013	(2)
Net sales	$1,591,297		$1,604,797		$1,661,084	$1,802,415	$1,722,615	
Energy and related sales, net	5,126		6,141		5,664	7,927	3,153	
Total revenue	1,596,423		1,610,938		1,666,748	1,810,342	1,725,768	
(Losses) gains on dispositions of plant, equipment								
and timberlands, net	(26	)	(216	)	21,113	4,861	1,726	
Net income	$7,914	(1)	$21,554		$64,575	$69,246	$67,158	
Earnings per share								
Basic	$0.18		$0.49		$1.49	$1.60	$1.56	
Diluted	0.18		0.49		1.47	1.57	1.52	
Total assets	$1,730,795		$1,521,259		$1,500,416	$1,557,710	$1,674,010	
Total debt	481,396		372,608		360,662	400,818	437,925	
Shareholders' equity	708,928		653,826		663,247	649,109	684,476	
Cash dividends declared per common								
share	0.52		0.50		0.48	0.44	0.40	
Depreciation, depletion and	76,048		65,826		63,236	70,555	68,196	

amortization					
Capital expenditures	132,304	160,158	99,889	66,046	103,047
Net tons sold	1,032,322	1,045,121	1,051,911	1,059,881	1,029,819
Number of employees	4,175	4,346	4,375	4,516	4,403

(1) The 2017 results include a $20.9 million non-cash charge related to the impact of the Tax Cuts and Jobs Act ("TCJA") which was signed into law on December 22, 2017.

(2) On April 30, 2013, we acquired Dresden Papier GmbH, the results of which are included prospectively from the acquisition date.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements This Annual Report on Form 10-K 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-K are forward looking. We use words such as “anticipates”, “believes”, “expects”, “future”, “intends” and similar expressions to identify forward-looking statements. Forward-looking statements reflect management’s current expectations and are inherently uncertain. Our actual results may differ significantly from such expectations. The following discussion includes forward-looking statements regarding expectations of, among others, non-cash pension expense, environmental costs, capital expenditures and liquidity, all of which are inherently difficult to predict. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from our expectations. Accordingly, we identify the following important factors, among others, which could cause our results to differ from any results that might be projected, forecasted or estimated in any such forward-looking statements:

i. variations in demand for our products including the impact of unplanned market-related downtime, variations in product pricing, or product substitution;
ii. the impact of competition, both domestic and international, 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;
iii. risks associated with our international operations, including local/regional economic and political environments and fluctuations in currency exchange rates;
iv. geopolitical events, including Russia, Ukraine and Philippines;
v. our ability to develop new, high value-added products;
vi. changes in the price or availability of raw materials we use, in particular pulpwood, pulp, pulp substitutes, synthetic pulp, colorformers, caustic soda, and abaca fiber;
vii. changes in energy-related prices and the price of commodity raw materials with an energy component;
viii. the impact of unplanned production interruption;
ix. disruptions in production and/or increased costs due to labor disputes;
x. the impact of exposure to volatile market-based pricing for sales of excess electricity;
xi. the gain or loss of significant customers and/or on-going viability of such customers;
xii. cost and other effects of environmental compliance, cleanup, damages, remediation or restoration, or personal injury or property damages related thereto, such as the costs of natural resource restoration or damages related to the presence of polychlorinated biphenyls ("PCBs") in the lower Fox River on which our former Neenah mill was located;
xiii. adverse results in litigation in the Fox River matter;
xiv. the impact of war and terrorism;
xv. 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 tax assets;
xvi. enactment of adverse state, federal or foreign tax or other legislation or changes in government policy or regulation; and
xvii. our ability to finance, consummate and integrate future acquisitions.

Introduction We manufacture a wide array of specialty papers and engineered materials. We manage our company along three business units:

- Composite Fibers with revenue from the sale of single-serve tea and coffee filtration papers, wallcovering base materials, metallized products, composite laminate papers, and many technically special papers including substrates for electrical applications;

- Advanced 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; and
- Specialty Papers with revenue from the sale of papers for carbonless and other forms, envelopes, book publishing, and engineered products such as papers for high-speed ink jet printing, office specialty products, greeting cards, packaging, casting, release, transfer, playing card, postal, FDA-compliant food, and other niche specialty applications.

RESULTS OF OPERATIONS

2017 versus 2016

Overview Net income for the year ended December 31, 2017 was $7.9 million, or $0.18 per diluted share compared with $21.6 million, or $0.49 per diluted share in 2016. The GAAP-based results reflect the impact of significant unusual and non-recurring items including, among others, charges related to cost optimization actions including workforce efficiency and the reduction of underutilized capacity, costs related to our environmental compliance initiative, a capacity expansion project and a charge in 2016 related to the Fox River environmental matter. Our results in 2017 reflect the impact of the Tax Cuts and Jobs Act (the “TCJA”) signed into law on December 22, 2017.

Excluding these items from reported results, adjusted earnings, a non-GAAP measure, was $51.5 million, or $1.16 per diluted share for 2017, compared with $60.7 million, or $1.38 per diluted share, a year ago.

We generated $104.3 million of cash from operations in 2017 compared with $116.1 million a year ago. During 2017 and 2016, capital expenditures totaled $132.3 million and $160.2 million, respectively, reflecting spending in connection with the completion of multi-year major capital spending. We also returned additional cash to our shareholders in the form of a 4% increase in our dividend, the fifth consecutive year in which the dividend was increased.

The following table sets forth summarized consolidated results of operations:

	Year ended December 31	
In thousands, except per share	2017	2016
Net sales	$1,591,297	$1,604,797
Gross profit	192,510	218,603
Operating income	58,090	27,693
Net income	7,914	21,554
Earnings per diluted share	0.18	0.49

The Composite Fibers and Advanced Airlaid Materials business units reported 15% and 14% growth in operating profit, respectively. The performance of these businesses was driven by higher shipping volumes, strong operating performance, higher machine utilization and cost optimization and continuous improvement initiatives. However, Specialty Papers’ profitability declined with selling prices reaching eleven year lows due to declining industry operating rates. The weakness of Specialty Papers more than offset meaningful growth in the engineered materials businesses.

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 consists of net income determined in accordance with GAAP adjusted to exclude the impact of the following:

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

Cost optimization actions. This adjustment reflects charges incurred in connection with initiatives to optimize the cost structure of certain business units in response to changes in business conditions. The costs are primarily related to headcount reduction efforts, write-offs of production assets and certain contract termination costs.

Specialty Papers environmental compliance. This adjustment reflects non-capitalized, one-time costs incurred by the business unit directly related to compliance with the U.S. EPA Best Available Retrofit Technology rule and the Boiler Maximum Achievable Control Technology rule. This adjustment includes one-time costs incurred during the construction and transition period in which the newly installed equipment was brought on-line.

U.S. Tax Reform. This adjustment reflects amounts recorded estimating the impact of the Tax Cuts and Jobs Act ("TCJA") which was signed into law on December 22, 2017. The TCJA includes, among many provisions, a tax on the mandatory repatriation of earnings of the Company's non-U.S. subsidiaries and a change in the corporate tax rate from 35% to 21%.

Timberland sales and related costs. This adjustment excludes 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.

Fox River environmental matter. This adjustment reflects charges incurred to increase our reserve for estimated costs related to government oversight, remediation activity and long term monitoring and maintenance at the Fox River site.

Pension settlement charge. This adjustment reflects the one-time charge incurred during 2016 in connection with the settlement of certain pension liabilities as part of a voluntary offer to vested terminated participants. Our qualified pension plan is overfunded and this action did not require us to contribute any cash.

These adjustments are each unique and not considered to be on-going in nature. The transactions are irregular in timing and amount and may significantly impact our operating performance. As such, these items may not be indicative of our past or future performance and therefore are excluded for comparability purposes.

Adjusted earnings and adjusted earnings per diluted 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 years ended December 31, 2017 and 2016 :

	Year ended December 31			
	2017		2016	
In thousands, except per share	Amount	Diluted EPS	Amount	Diluted EPS
Net income	$7,914	$ 0.18	$21,554	$ 0.49
Adjustments (pre-tax)				
Airlaid capacity expansion costs	10,854		2,661	
Cost optimization actions	9,988		3,534	
Specialty Papers' environmental compliance	3,617		8,348	
Timberland sales and related costs	(188)		-	
Fox River environmental matter	-		40,000	
Pension settlement charge	-		7,306	
Total adjustments (pre-tax)	24,271		61,849	
Income taxes (1)	(1,641)		(22,719)	
U.S. Tax Reform	20,922		-	
Total after-tax adjustments	43,552	0.98	39,130	0.89
Adjusted earnings	$51,466	$ 1.16	$60,684	$ 1.38

(1) Tax effect on adjustments calculated based on the incremental effective tax rate of the jurisdiction in which each adjustment originated and the related impact of valuation allowances.

Business Unit Performance

Year ended December 31 Dollars in millions	Composite Fibers		Advanced Airlaid Materials		Specialty Papers		Other and Unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales	$544.3	$517.0	$256.1	$244.3	$790.9	$843.6	$—	$—	$1,591.3	$1,604.8
Energy and related sales, net	—	—	—	—	5.1	6.1	—	—	5.1	6.1
Total revenue	544.3	517.0	256.1	244.3	796.0	849.7	—	—	1,596.4	1,610.9
Cost of products sold	437.6	416.4	216.7	209.5	734.2	752.6	15.4	13.9	1,403.9	1,392.3
Gross profit (loss)	106.7	100.6	39.4	34.8	61.8	97.1	(15.4)	(13.9)	192.5	218.6
SG&A	44.4	46.3	9.3	8.4	46.4	55.9	34.3	80.1	134.4	190.7
(Gains) losses on dispositions of plant,										

equipment and timberlands, net	—	—	—	—	—	—	—	0.2	—	0.2
Total operating income (loss)	62.3	54.3	30.1	26.4	15.4	41.2	(49.7)	(94.2)	58.1	27.7
Non-operating expense	—	—	—	—	—	—	(18.8)	(16.9)	(18.8)	(16.9)
Income (loss) before income taxes	$62.3	$54.3	$30.1	$26.4	$15.4	$41.2	$(68.5)	$(111.1)	$39.3	$10.8
Supplementary Data										
Net tons sold (thousands)	165.8	151.8	102.1	99.0	764.4	794.3	—	—	1,032.3	1,045.1
Depreciation, depletion and amortization	$28.3	$27.8	$9.6	$9.0	$30.8	$26.3	$7.3	$2.7	$76.0	$65.8
Capital expenditures	15.9	18.8	50.6	36.8	51.5	99.0	14.3	5.6	132.3	160.2

The sum of individual amounts set forth above may not agree to the consolidated financial statements included herein due to rounding.

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

services or are included in “Other and Unallocated” in the Business Unit Performance table.

Management evaluates results of operations of the business units before pension expense, 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 business units 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 business unit 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

In thousands	Year ended December 31 2017	2016	Change
Net sales	$1,591,297	$1,604,797	$(13,500)
Energy and related sales, net	5,126	6,141	(1,015)
Total revenues	1,596,423	1,610,938	(14,515)
Costs of products sold	1,403,913	1,392,335	11,578
Gross profit	$192,510	$218,603	$(26,093)
Gross profit as a percent of Net sales	12.1 %	13.6 %	

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

Percent of Total	Year ended December 31 2017	2016
Business Unit		
Composite Fibers	34.2 %	32.2 %
Advanced Airlaid Material	16.1	15.2
Specialty Papers	49.7	52.6
Total	100.0%	100.0%

Net sales on a consolidated basis totaled $1,591.3 million and $1,604.8 million in 2017 and 2016, respectively. The $13.5 million decrease was primarily driven by $29.7 million of lower selling prices partially offset by $4.8 million of favorable currency translation. Shipping volumes decreased 1.2%.

Composite Fibers' net sales increased $27.3 million, or 5.3%, and totaled $544.3 million in 2017. Shipping volumes in this business unit increased 9.2% and currency translation was favorable by $2.0 million; however, selling prices unfavorably impacted the comparison by $10.1 million.

Composite Fibers' operating income for the year ended December 31, 2017 increased $8.0 million to $62.3 million compared to a year ago primarily due to higher shipping volumes, improved machine utilization rates and reduced downtime, and the impact of our cost optimization program initiated in late 2016. The primary drivers are summarized in the following chart (in millions):

Advanced Airlaid Materials' net sales totaled $256.1 million in 2017. Net sales increased $11.8 million in the year-over-year comparison primarily due to higher shipping volumes which increased 3.1%.

Advanced Airlaid Materials' operating income totaled $30.1 million, an increase of $3.7 million, or 14.0% compared to a year ago driven by strong demand. The primary drivers are summarized in the following chart (in millions):

Specialty Papers' net sales decreased $52.7 million, or 6.2% and totaled $790.9 million in 2017. The decrease was due to a $20.3 million impact from lower selling prices and a 3.8% decrease in shipping volumes.

Operating income totaled $15.4 million, a decrease of $25.8 million compared to the year ended December 31, 2016. The primary drivers of the change in operating income are summarized in the following chart (in millions):

The business unit was adversely impacted by a supply/demand imbalance affecting the broader uncoated freesheet market. The imbalance negatively impacted pricing and volume with a combined market impact $25.4 million. Our cost optimization actions including a 15% reduction in salaried workforce, aggressive cost control actions, lower maintenance spending and improved

operating performance contributed to the $7.3 million benefit from operations.

The following table summarizes Energy and related sales activity for the years of 2017 and 2016:

	Year ended December 31		
In thousands	2017	2016	Change
Energy sales	$3,258	$3,613	$(355)
Costs to produce	(3,986)	(3,972)	(14)
Net	(728)	(359)	(369)
Renewable energy credits	5,854	6,500	(646)
Total	$5,126	$6,141	$(1,015)

We sell excess power generated by the Spring Grove, PA facility. Renewable energy credits ("RECs") represent sales of certified credits earned related to burning renewable sources of energy such as black liquor and wood waste. We sell RECs into an illiquid market. The extent and value of future revenues from REC sales is dependent on many factors outside of management's control. Therefore, we may not be able to generate consistent additional sales of RECs in future periods.

Other and Unallocated The amount of net operating expenses not allocated to a business unit and reported as "Other and Unallocated" in our table of Business Unit Performance, totaled $49.7 million for 2017 compared with $94.2 million in 2016. The comparison reflects costs incurred related to the environmental compliance and capacity expansion projects and charges for cost optimization actions. The amounts reported in 2016 includes a charge of $40.0 million to increase our reserve for potential costs related to the Fox River environmental matter and a $7.3 million pension settlement charge discussed below. These charges are not allocated to a business unit and are recorded in the accompanying consolidated statements of income under the caption "Selling, general and administrative expenses." The Fox River matter is more fully discussed in Item 8, Financial Statements and Supplementary Data, Note 20.

Pension Expense The following table summarizes the amounts of normal pension expense recognized, excluding the 2016 pension settlement charge, for the periods indicated:

	Year ended December 31		
In thousands	2017	2016	Change
Recorded as:			
Costs of products sold	$3,381	$2,346	$1,035
SG&A expense	3,264	3,149	115
Total	$6,645	$5,495	$1,150

During 2016, pension expense totaled $12.8 million inclusive of a one-time pension settlement charge of $7.3 million related to the settlement of $24.2 million of benefits in connection with a voluntary program offered to deferred vested

terminated participants.

The amount of pension expense recognized each year is dependent on various actuarial assumptions and certain other factors, including discount rates and the fair value of our pension assets. Pension expense for the full year of 2018 is expected to be approximately $7.1 million compared with $6.6 million in 2017.

Gain on Sales of Plant, Equipment and Timberlands, net During each of the past three years, we completed the following sales of assets:

Dollars in thousands	Acres	Proceeds	Gain (loss)
2017			
Timberlands	332	$ 209	$ 188
Other	n/a	19	(214)
Total		$ 228	$ (26)
2016			
Timberlands	—	$ -	$ -
Other	n/a	70	(216)
Total		$ 70	$ (216)
2015			
Timberlands	15,628	$ 23,917	$ 20,867
Other	n/a	542	246
Total		$ 24,459	$ 21,113

Income taxes For the year ended December 31, 2017, we recorded a $31.4 million provision for income taxes on pretax income of $39.3 million. The comparable amounts in 2016 were a provision of $(10.7) million and pretax income of $10.8 million. As more fully discussed in Item 8 - Financial Statements and Supplementary Data, Note 8, the TCJA was passed into law on December 22, 2017. In connection with the TCJA, we recorded a charge of $20.9 million during the fourth quarter of 2017.

Tax expense in 2016 includes a benefit of $14.9 million on the increase in our reserve for the Fox River matter and benefits of $4.1 million primarily due to investment tax credits, release of reserves related to the completion of tax audits and statute closures and due to changes in statutory tax rates.

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 €145 million. For 2017 compared to 2016 the average currency exchange rate of the euro strengthened relative to the U.S. dollar by approximately 2.0% in the year over year comparison, and the British pound sterling to the dollar declined approximately 5.0%. 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 period indicated.

In thousands	Year ended December 31, 2017 Favorable (unfavorable)
Net sales	$ 4,818
Costs of products sold	(2,782)
SG&A expenses	(300)
Income taxes and other	1,122
Net income	$ 2,858

The above table only presents the financial reporting impact of foreign currency translations assuming currency exchange rates in 2017 were the same as 2016. It does not present the impact of certain competitive advantages or disadvantages of operating or competing in multi-currency markets.

2016 versus 2015

Overview Net income for 2016 was $21.6 million, or $0.49 per diluted share, compared with $64.6 million, or $1.47 per diluted share, in 2015. The GAAP-based results reflect the impact of significant unusual and non-recurring items including, among others, a $40.0 million charge to earnings to increase our reserve in the Fox River environmental matter, a pension settlement charge, and costs related to our environmental compliance initiative and a capacity expansion project. Excluding these items from reported results, adjusted earnings, a non-GAAP measure, was $60.7 million, or $1.38 per diluted share for 2016, compared with $58.9 million, or $1.34 per diluted share, a year ago.

We generated $116.1 million of cash flow from operations in 2016 compared with $133.7 million in 2015. During 2016, capital expenditures totaled $160.2 million primarily related to the environmental compliance project for Specialty Papers and a capacity expansion project for Advanced Airlaid Materials. We also returned additional cash to

our shareholders in the form of a 4% increase in the quarterly dividend beginning with the 2016 first quarter dividend payment.

The following table sets forth summarized results of operations:

	Year ended December 31	
In thousands, except per share	2016	2015
Net sales	$1,604,797	$1,661,084
Gross profit	218,603	202,965
Operating income	27,693	96,372
Net income	21,554	64,575
Earnings per diluted share	0.49	1.47

Net sales on a consolidated basis for 2016 were $1,604.8 million compared with $1,661.1 million for 2015. On a constant currency basis, net sales declined $56.3 million, or 3.4%. Shipping volumes declined less than one percent.

The following table sets forth the reconciliation of net income to adjusted earnings for the years ended December 31, 2016 and 2015.

20

	Year ended December 31			
	2016		2015	
In thousands, except per share	Amount	Diluted EPS	Amount	Diluted EPS
Net income	$21,554	$ 0.49	$64,575	$ 1.47
Adjustments (pre-tax)				
Pension settlement charge	7,306			
Specialty Papers' environmental compliance	8,348		-	
Fox River environmental matter	40,000		10,000	
Airlaid capacity expansion costs	2,661		50	
Cost optimization actions	3,534		2,461	
Asset impairment charge	-		1,201	
Timberland sales and related costs	-		(20,867)	
Acquisition and integration related costs	-		178	
Total adjustments (pre-tax)	61,849		(6,977)	
Income taxes (1) (2)	(22,719)		1,328	
Total after-tax adjustments	39,130	0.89	(5,649)	(0.13)
Adjusted earnings	$60,684	$ 1.38	$58,926	$ 1.34

(1) Tax effect for adjustments calculated based on the tax rate of the jurisdiction in which each adjustment originated.
(2) Includes release of $1.4 million of tax reserves on timberland sales in 2015.

Business Unit Performance

Year ended December 31			Advanced Airlaid				Other and			
Dollars in millions	Composite Fibers		Materials		Specialty Papers		Unallocated		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net sales	$517.0	$541.5	$244.3	$244.6	$843.6	$875.0	$—	$—	$1,604.8	$1,661.1
Energy and related sales, net	—	—	—	—	6.1	5.7	—	—	6.1	5.7

Total revenue	517.0	541.5	244.3	244.6	849.7	880.7	—	—	1,610.9	1,666.8
Cost of products sold	416.4	434.4	209.5	215.7	752.6	804.5	13.9	9.2	1,392.3	1,463.8
Gross profit (loss)	100.6	107.1	34.8	28.9	97.1	76.2	(13.9)	(9.2)	218.6	203.0
SG&A	46.3	45.7	8.4	7.6	55.9	43.3	80.1	31.0	190.7	127.7
Gains on dispositions of plant, equipment and timberlands, net	—	—	—	—	—	—	0.2	(21.1)	0.2	(21.1)
Total operating income (loss)	54.3	61.4	26.4	21.3	41.2	32.9	(94.2)	(19.1)	27.7	96.4
Non-operating expense	—	—	—	—	—	—	(16.9)	(17.8)	(16.9)	(17.8)
Income (loss) before income taxes	$54.3	$61.4	$26.4	$21.3	$41.2	$32.9	$(111.1)	$(36.9)	$10.8	$78.6
Supplementary Data										
Net tons sold (thousands)	151.8	153.8	99.0	96.0	794.3	802.2	—	—	1,045.1	1,051.9
Depreciation, depletion and amortization	$27.8	$26.2	$9.0	$8.8	$26.3	$26.0	$2.7	$2.2	$65.8	$63.2
Capital expenditures	18.8	26.8	36.8	7.8	99.0	63.5	5.6	1.8	160.2	99.9

The sum of individual amounts set forth above may not agree to the consolidated financial statements included herein due to rounding.

Sales and Costs of Products Sold

In thousands	Year ended December 31 2016	2015	Change
Net sales	$1,604,797	$1,661,084	$(56,287)
Energy and related sales, net	6,141	5,664	477
Total revenues	1,610,938	1,666,748	(55,810)
Costs of products sold	1,392,335	1,463,783	(71,448)
Gross profit	$218,603	$202,965	$15,638
Gross profit as a percent	13.6 %	12.2 %	

of Net sales

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

	Year ended December 31	
Percent of Total	2016	2015
Business Unit		
Composite Fibers	32.2 %	32.6 %
Advanced Airlaid Material	15.2	14.7
Specialty Papers	52.6	52.7
Total	100.0 %	100.0 %

Net sales on a consolidated basis totaled $1,604.8 million and $1,661.1 million in 2016 and 2015, respectively. The $56.3 million decrease was primarily driven by $30.8 million of lower selling prices and $11.5 million of unfavorable currency translation. Shipping volumes decreased 0.6%.

Composite Fibers' net sales decreased $24.5 million, or 4.5%, primarily due to $7.2 million of lower selling prices and $11.1 million of unfavorable currency translation. Shipping volumes in this business unit decreased 1.3%.

Composite Fibers' operating income for the year ended December 31, 2016 decreased $7.1 million to $54.3 million. The primary drivers are summarized in the following chart (in millions):

Advanced Airlaid Materials' net sales decreased $0.3 million in the year-over-year comparison as the impact from higher shipping volumes was substantially offset by $8.5 million of lower selling prices from the contractual adjustments due to changes in cost of certain raw materials. Shipping volumes increased 3.1%.

Advanced Airlaid Materials' operating income totaled $26.4 million, an increase of $5.1 million, or 23.9% compared to the same period a year ago. The primary drivers are summarized in the following chart (in millions):

Specialty Papers' net sales decreased $31.4 million, or 3.6% due to a $15.1 million impact from lower selling prices. Shipping volumes decreased 1.0%.

Operating income totaled $41.2 million, an increase of $8.3 million compared to the year ended December 31, 2015. The primary drivers are summarized in the following chart (in millions):

The following table summarizes Energy and related sales for 2016 and 2015:

	Year ended December 31		
In thousands	2016	2015	Change
Energy sales	$3,613	$5,315	$(1,702)
Costs to produce	(3,972)	(4,428)	456
Net	(359)	887	(1,246)
Renewable energy credits	6,500	4,777	1,723
Total	$6,141	$5,664	$477

Other and Unallocated The amount of net operating expenses not allocated to a business unit and reported as "Other and Unallocated" in our table of Business Unit Performance, totaled $94.2 million in 2016 compared with $19.1

million in 2015. The amounts include charges of $40.0 million and $10.0 million recorded in 2016 and 2015, respectively, to increase our reserve for potential costs related to the Fox River environmental matter. These charges are not allocated to a business unit and are recorded in the accompanying consolidated statements of income under the caption "Selling, general and administrative expenses." This matter is more fully discussed in Item 8, Financial Statements and Supplementary Data, Note 20. In addition, the comparison reflects $21.1 million of lower gains in 2016 than 2015 from sales of timberlands. The remaining increase is due to the environmental compliance and capacity expansion projects, a pension settlement charge and a charge for cost optimization actions.

Pension Expense Pension expenses are not allocated to a business unit. The following table summarizes the amounts of pension expense, excluding a $7.3 million pension settlement charge, recognized for the periods indicated:

In thousands	Year ended December 31 2016	2015	Change
Recorded as:			
Costs of products sold	$2,346	$7,043	$(4,697)
SG&A expense	3,149	2,038	1,111
Total	$5,495	$9,081	$(3,586)

The amount of pension expense recognized each year is dependent on various actuarial assumptions and certain other factors, including discount rates, mortality, and the fair value of our pension assets.

Gain (Loss) on Sales of Plant, Equipment and Timberlands, net During years indicated, we completed the following sales of assets:

Dollars in thousands	Acres	Proceeds	Gain (loss)
2016			
Other	n/a	$70	$(216)
Total		$70	$(216)
2015			
Timberlands	15,628	$23,917	$20,867
Other	n/a	542	246
Total		$24,459	$21,113

Income taxes For the year ended December 31, 2016, we recorded a $10.7 million benefit from income taxes on pretax income of $10.8 million. The comparable amounts in 2015 were a provision of $14.0 million and pretax income of $78.6 million. Tax expense in 2016 includes a benefit of $14.9 million on the increase in our reserve for the Fox River matter and benefits of $4.1 million primarily due to investment tax credits, release of reserves related to the completion of tax audits and statute closures and due to changes in statutory tax rates. The effective tax rate in each period reflects a greater proportion of earnings generated in lower tax foreign jurisdictions relative to the U.S.

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. During 2016, our euro denominated revenue exceeds euro expenses by an estimated €130 million. For 2016 compared to 2015 the average currency exchange rate of the euro to U.S. dollar was essentially unchanged in the year over year comparison, although the British pound sterling to the dollar declined approximately 17%. 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 year indicated:

In thousands	Year ended December 31, 2016 Favorable (unfavorable)
Net sales	$ (11,502)
Costs of products sold	5,762
SG&A expenses	1,284
Income taxes and other	550
Net income	$ (3,906)

The above table only presents the financial reporting impact of foreign currency translations assuming currency exchange rates in 2016 were the same as 2015. It does not include the impact of certain competitive advantages or disadvantages of operating or competing in multi-currency markets.

LIQUIDITY AND CAPITAL RESOURCES

Our business is capital intensive and requires significant expenditures for new or enhanced equipment, research and development efforts, environmental compliance matters including, but not limited to, the Clean Air Act, and to support our business strategy including the capacity expansion project for Advanced Airlaid Materials. 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:

	Year ended December 31	
In thousands	2017	2016
Cash and cash equivalents at beginning of period	$55,444	$105,304
Cash provided (used) by		
Operating activities	104,262	116,110
Investing activities	(132,319)	(160,888)
Financing activities	81,588	(3,019)
Effect of exchange rate changes on cash	7,244	(2,063)
Net cash provided (used)	60,775	(49,860)
Cash and cash equivalents at end of period	$116,219	$55,444

At December 31, 2017, we had $116.2 million in cash and cash equivalents held by both domestic and foreign subsidiaries. In addition to our cash and cash equivalents, $67.5 million was available under our revolving credit agreement, which matures in March 2020. Substantially all 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 provided by operating activities totaled $104.3 million in 2017 compared with $116.1 million a year ago. The decrease in cash from operations primarily reflects cash paid for the cost optimization initiatives in Specialty Papers and Composite Fibers and costs associated with the Airlaid capacity expansion and movement in other accruals. The use of cash for these factors was partially offset by $22.7 million from improved working capital.

Net cash used by investing activities decreased by $28.6 million in the year-over-year comparison primarily due to lower capital expenditures for Specialty Papers' environmental compliance and Advanced Airlaid Materials' capacity expansion projects which totaled $58.8 million in 2017 compared to $100.2 million in 2016. These two major capital projects are substantially complete with spending related to them in 2018 expected to be approximately $9 million. Capital expenditures are expected to total between $67 million and $72 million for 2018.

Net cash provided by financing activities totaled $81.6 million in 2017 compared with a use of $3.0 million in 2016. The increase in cash provided by financing activities primarily reflects additional borrowings under our revolving credit agreement to support capital

spending for our major capital programs.

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

In thousands	December 31 2017	2016
Revolving credit facility, due Mar. 2020	$171,200	$61,595
5.375% Notes, due Oct. 2020	250,000	250,000
2.40% Term Loan, due Jun. 2022	7,710	8,282
2.05% Term Loan, due Mar. 2023	33,607	35,163
1.30% Term Loan, due Jun. 2023	9,423	9,788
1.55% Term Loan, due Sep. 2025	11,390	10,333
Total long-term debt	483,330	375,161
Less current portion	(11,298)	(8,961)
Unamortized deferred issuance costs	(1,934)	(2,553)
Long-term debt, net of current portion	$470,098	$363,647

Our revolving credit facility contains a number of customary compliance covenants, the most restrictive of which is a maximum leverage ratio of 3.5x. As of December 31, 2017, the leverage ratio, as calculated in accordance with the definition in our amended credit agreement, was 2.5x, within the limits set forth in our credit agreement. 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 5.375% Notes contain cross default provisions that could result in all such notes becoming due and payable in the event of a failure to repay debt outstanding under the credit agreement at maturity, or a default under the credit agreement that accelerates the debt outstanding thereunder. As of December 31, 2017, we met all of the requirements of our debt covenants. The significant terms of the debt instruments are more fully discussed in Item 8 - Financial Statements and Supplementary Data – Note 16.

Financing activities includes cash used for common stock dividends which reflects a 4% increase in our quarterly cash dividend rate in 2017. In 2017, we used $22.5 million of cash for dividends on our common stock compared with $21.6 million in 2016. 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. We have incurred material capital costs to comply with new air quality regulations including the U.S. EPA Best Available Retrofit Technology rule (BART; otherwise known as the Regional Haze Rule) and the Boiler Maximum Achievable Control Technology rule (Boiler MACT). These rules

required process modifications and/or installation of air pollution controls on boilers at two of our facilities. We converted or replaced five coal-fired boilers to natural gas and upgraded site infrastructure to accommodate the new boilers, including connecting to gas pipelines. Net of government grants, the total cost of these projects was $105.6 million.

As more fully discussed in Item 8 - Financial Statements and Supplementary Data – Note 20 – Commitments, Contingencies and Legal Proceedings (“Note 20”), we are involved in the Lower Fox River in Wisconsin (the “Fox River”), an EPA Superfund site for which we remain potentially liable for certain response costs and long-term monitoring and maintenance related matters. Based on the recent developments more fully discussed in Note 20, it is conceivable the resolution of this matter may require us to spend in excess of $28 million in 2018 to settle past and future costs and for certain monitoring activities. Although we are unable to determine

with any degree of certainty the amount we may be required to spend, the recent developments provide greater clarity to the extent of such amounts.

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. However, as discussed in Note 20, an unfavorable outcome of the Fox River matters could have a material adverse impact on our consolidated financial position, liquidity and/or results of operations.

Off-Balance-Sheet Arrangements As of December 31, 2017 and 2016, 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 and a partnership, are reflected in the consolidated balance sheets included herein in Item 8 – Financial Statements.

1

Contractual Obligations The following table sets forth contractual obligations as of December 31, 2017:

		Payments Due During the Year Ended December 31,			
In millions	Total	2018	2019 to 2020	2021 to 2022	2023 and beyond
Long-term debt [(1)]	$535	$31	$475	$ 23	$ 6
Operating leases [(2)]	37	13	10	6	8
Purchase obligations [(3)]	168	116	50	2	—
Other long term obligations [(4), (5)]	63	6	13	13	31
Total	$803	$166	$548	$ 44	$ 45

(1) Represents principal and interest payments due on long-term debt, the significant terms of which are discussed in Item 8 – Financial Statements and Supplementary Data, Note 16, “Long-term Debt.” The amounts set forth above include expected interest payments of $52 million over the term of the underlying debt instruments based contractual rates or current market rates in the case of variable rate instruments. See Item 8 – Financial Statements,

Note 16, “Long-Term Debt”.

(2) Represents rental agreements for various buildings, vehicles, and computer and office equipment.

(3) Represents open purchase order commitments and other obligations, primarily for raw material and energy supply contracts. In certain situations, prices are subject to variations based on market prices. In such situations, the information above is based on prices in effect at December 31, 2017.

(4) Primarily represents expected benefits to be paid pursuant to retirement medical plans and nonqualified pension plans.

(5) Since we are unable to reasonably estimate the timing of ultimate payment, the amounts set forth above do not include any payments that may be made related to uncertain tax positions, including potential interest, accounted for in accordance with ASC 740-10-20. As discussed in more detail in Item 8 – Financial Statements and Supplementary Data, Note 8, “Income Taxes”, such amounts totaled $27 million at December 31, 2017.

Critical Accounting Policies and Estimates   The preceding discussion and analysis of our consolidated financial position and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to inventories, long-lived assets, pension and post-employment obligations, environmental liabilities and income taxes. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following represent the most significant and subjective estimates used in the preparation of our consolidated financial statements.

Long-lived Assets   We evaluate the recoverability of our long-lived assets, including plant, equipment, timberlands, goodwill and other intangible assets periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Goodwill and non-amortizing tradename intangible assets are reviewed, on a discounted cash flow basis, during the third quarter of each year for impairment or more frequently if impairment indicators are present. Our evaluations include considerations of a variety of qualitative factors and analyses based on the cash flows generated by the underlying assets, profitability information, including estimated future operating results, trends or other determinants of fair value. If the value of an asset determined by these evaluations is less than its carrying amount, a loss is recognized for the difference between the fair value and the carrying value of the asset. Future adverse changes in market conditions or poor operating results of the related business may indicate an inability to recover the carrying value of the assets, thereby possibly requiring an impairment charge in the future.

Pension and Other Post-Employment Obligations   Accounting for defined-benefit pension plans, and any curtailments thereof, requires various assumptions, including, but not limited to, discount rates, expected long-term rates of return on plan assets, future compensation growth rates and mortality rates. Accounting for our retiree medical plans, and any curtailments thereof, also requires various assumptions, which include, but are not limited to, discount rates and annual rates of increase in the per capita costs of health care benefits.

The following chart summarizes the more significant assumption used in the actuarial valuation of our defined-benefit plans for each of the past three years:

	2017	2016	2015
Pension plans			
Weighted average discount rate for benefit expense	4.43%	4.65%	4.21%
for benefit obligation	3.85%	4.43%	4.65%
Expected long-term rate of return on plan assets[1]	7.25%	7.75%	8.00%
Rate of compensation increase	3.00%	3.50%	4.00%
Post-employment medical			

Weighted average discount rate for benefit expense	4.18%	4.38%	3.89%
for benefit obligation	3.68%	4.18%	4.38%
Health care cost trend rate assumed for next year	6.20%	6.50%	6.80%
Ultimate cost trend rate	4.50%	4.50%	4.50%
Year that the ultimate cost trend rate is reached	2037	2037	2037

(1) For 2018, the expected long-term rate of return on plan assets was reduced to 7.00% due, in part, to a change in the investment allocation of plan assets.

We evaluate these assumptions at least once each year or as facts and circumstances dictate and we make changes as conditions warrant. Changes to these assumptions will increase or decrease our reported net periodic benefit expense, which will result in changes to the recorded benefit plan assets and liabilities.

Environmental Liabilities We maintain accruals for losses associated with environmental obligations when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing legislation and remediation technologies. These accruals are adjusted periodically as assessment and remediation actions continue and/or further legal or technical information develops. Such liabilities are exclusive of any insurance or other claims against third parties. Environmental costs are capitalized if the costs extend the life of the asset, increase its capacity and/or mitigate or prevent contamination from future operations. Recoveries of environmental remediation costs from other parties, including insurance carriers, are recorded as assets when their receipt is assured beyond a reasonable doubt.

Income Taxes We record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in our consolidated balance sheets, as well as operating loss and tax credit carry forwards. These deferred tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when such amounts are expected to reverse or be utilized. We regularly review our deferred

tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If we are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to increase the valuation allowance against our deferred tax assets, which may result in a substantial increase in our effective tax rate and a material adverse impact on our reported results.

Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is less than certain.

We and our subsidiaries are examined by various Federal, State and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current liability and deferred taxes in the period in which the facts that give rise to a revision become known.

Other significant accounting policies, not involving the same level of uncertainties as those discussed above, are nevertheless important to an understanding of the Consolidated Financial Statements. Refer to Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements for additional accounting policies.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

	Year Ended December 31					December 31, 2017	
Dollars in thousands	2018	2019	2020	2021	2022	Carrying Value	Fair Value
Long-term debt							
Average principal outstanding							
At fixed interest rates – Bond	$250,000	$250,000	$218,750	$—	$—	$250,000	$253,823
At fixed interest rates – Term Loans	56,482	45,184	33,887	22,588	11,933	62,130	62,701
At variable interest rates	171,200	171,200	35,667	—	—	171,200	171,200
						$483,330	$487,724
Weighted-average interest rate							
On fixed rate debt – Bond	5.375 %	5.375 %	5.375 %	—	—		
On fixed rate debt – Term Loans	1.88 %	1.87 %	1.85 %	1.82 %	1.77 %		
On variable rate debt	2.99 %	2.99 %	2.99 %	—	—		

The table above presents the average principal outstanding and related interest rates for the next five years for debt outstanding as of December 31, 2017. 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 December 31, 2017, we had $481.4 million of long-term debt, net of deferred debt issuance costs. Approximately 35.4% 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 LIBOR plus a margin. At December 31, 2017, the interest rate paid was 2.99%. A hypothetical 100 basis point increase or decrease in the interest rate on variable rate debt would increase or decrease annual interest expense by $1.7 million.

As part of our overall risk management practices, we enter into financial derivatives primarily designed to either i) hedge 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 8 – Financial Statements and Supplementary Data – Note 18.

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. Our euro denominated revenue exceeds euro expenses by an estimated €145 million. With respect to the British Pound Sterling, Canadian dollar, and Philippine Peso, we have greater outflows than inflows of these currencies, although to a lesser degree. 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 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of P. H. Glatfelter Company (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the chief executive and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States.

As of December 31, 2017, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has determined that the Company's internal control over financial reporting as of December 31, 2017, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures are being made only in accordance with authorizations of management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

The Company's internal control over financial reporting as of December 31, 2017, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017.

The Company's management, including the chief executive officer and chief financial officer, does not expect that our internal control over financial reporting will prevent or detect all errors and all frauds. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based, in part, on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

28

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of P. H. Glatfelter Company

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of P. H. Glatfelter Company and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 23, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

DELOITTE & TOUCHE LLP

Philadelphia, Pennsylvania

February 23, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and Board of Directors of P. H. Glatfelter Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of P. H. Glatfelter Company and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

DELOITTE & TOUCHE LLP

Philadelphia, Pennsylvania

February 23, 2018

We have served as the Company's auditor since at least 1940, however the specific year has not been determined.

30

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year ended December 31		
In thousands, except per share	2017	2016	2015
Net sales	$1,591,297	$1,604,797	$1,661,084
Energy and related sales, net	5,126	6,141	5,664
Total revenues	1,596,423	1,610,938	1,666,748
Costs of products sold	1,403,913	1,392,335	1,463,783
Gross profit	192,510	218,603	202,965
Selling, general and administrative expenses	134,394	190,694	127,706
Losses (gains) on dispositions of plant, equipment and timberlands, net	26	216	(21,113)
Operating income	58,090	27,693	96,372
Non-operating income (expense)			
Interest expense	(17,772)	(15,822)	(17,464)
Interest income	237	206	283
Other, net	(1,220)	(1,271)	(615)
Total non-operating expense	(18,755)	(16,887)	(17,796)
Income before income taxes	39,335	10,806	78,576
Income tax provision (benefit)	31,421	(10,748)	14,001
Net income	$7,914	$21,554	$64,575
Earnings per share			
Basic	$0.18	$0.49	$1.49
Diluted	0.18	0.49	1.47
Cash dividends declared per common share	$0.52	$0.50	$0.48
Weighted average shares outstanding			
Basic	43,609	43,558	43,397
Diluted	44,439	44,129	43,942

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

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands	Year ended December 31 2017	2016	2015
Net income	$7,914	$21,554	$64,575
Foreign currency translation adjustments	58,609	(27,407)	(38,817)
Net change in:			
Deferred gains (losses) on cash flow hedges, net of taxes of $1,930, $(335) and $880, respectively	(5,592)	1,725	(2,581)
Unrecognized retirement obligations, net of taxes of $(6,293), $(7,247) and $(2,920), respectively	10,914	11,562	5,782
Other comprehensive income (loss)	63,931	(14,120)	(35,616)
Comprehensive income	$71,845	$7,434	$28,959

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

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

In thousands	December 31 2017	2016
Assets		
Cash and cash equivalents	$116,219	$55,444
Accounts receivable (less allowance for doubtful accounts: 2017 - $1,957; 2016 - $1,719)	174,154	152,989
Inventories	252,064	249,669
Prepaid expenses and other current assets	42,534	36,157
Total current assets	584,971	494,259
Plant, equipment and timberlands, net	865,743	775,898
Goodwill	82,744	73,094
Intangible assets, net	58,859	56,259
Other assets	138,478	121,749
Total assets	$1,730,795	$1,521,259
Liabilities and Shareholders' Equity		
Current portion of long-term debt	$11,298	$8,961
Accounts payable	190,478	164,345
Dividends payable	5,678	5,455
Environmental liabilities	28,500	25,000
Other current liabilities	111,222	119,250
Total current liabilities	347,176	323,011
Long-term debt	470,098	363,647
Deferred income taxes	83,571	54,995
Other long-term liabilities	121,022	125,780
Total liabilities	1,021,867	867,433
Commitments and contingencies	—	—
Shareholders’ equity		
Common stock, $0.01 par value; authorized - 120,000,000; issued - 54,361,980 (including treasury shares: 2017 - 10,748,127; 2016 - 10,812,341)	544	544
Capital in excess of par value	62,594	57,917
Retained earnings	948,411	962,884
Accumulated other comprehensive loss	(140,675)	(204,606)
	870,874	816,739

Less cost of common stock in treasury	(161,946)	(162,913)
Total shareholders’ equity	708,928	653,826
Total liabilities and shareholders’ equity	$1,730,795	$1,521,259

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

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands	Year ended December 31 2017	2016	2015
Operating activities			
Net income	$7,914	$21,554	$64,575
Adjustments to reconcile to net cash provided by operations:			
Depreciation, depletion and amortization	76,048	65,826	63,236
Amortization of debt issue costs and original issue discount	1,157	1,153	1,184
Pension expense, net of unfunded benefits paid	4,933	11,180	7,383
Charge for impairment of intangible asset	—	—	1,200
Deferred income tax provision (benefit)	19,026	(22,055)	(1,902)
(Gains) losses on dispositions of plant, equipment and timberlands, net	26	216	(21,113)
Share-based compensation	6,214	5,889	7,244
Change in operating assets and liabilities			
Accounts receivable	(10,189)	8,372	(13,312)
Inventories	9,198	(10,778)	(8,054)
Prepaid and other current assets	(6,300)	(2,430)	5,506
Accounts payable	13,065	(8,174)	26,042
Accruals and other current liabilities	(17,615)	43,195	(2,186)
Other	785	2,162	3,940
Net cash provided by operating activities	104,262	116,110	133,743
Investing activities			
Expenditures for purchases of plant, equipment and timberlands	(132,304)	(160,158)	(99,889)
Proceeds from disposals of plant, equipment and timberlands, net	228	70	24,459
Acquisition, net of cash acquired	—	—	(224)
Other investing	(243)	(800)	(1,600)
Net cash used by investing activities	(132,319)	(160,888)	(77,254)
Financing activities			
Net borrowings (repayments) under revolving credit facility	109,436	2,891	(22,294)
Payments of borrowing costs	—	(136)	(1,329)
Proceeds from term loans	—	19,428	2,873
Repayment of term loans	(9,771)	(8,205)	(5,229)
Payments of dividends	(22,480)	(21,589)	(20,443)
Proceeds from government grants	4,875	5,582	421
Payments related to share-based compensation awards and other	(472)	(990)	(2,015)
Net cash provided (used) by financing activities	81,588	(3,019)	(48,016)
Effect of exchange rate changes on cash	7,244	(2,063)	(3,006)
Net increase (decrease) in cash and cash equivalents	60,775	(49,860)	5,467
Cash and cash equivalents at the beginning of period	55,444	105,304	99,837
Cash and cash equivalents at the end of period	$116,219	$55,444	$105,304

Supplemental cash flow information			
Cash paid for:			
Interest, net of amounts capitalized	$16,476	$14,569	$16,256
Income taxes, net	9,336	14,020	15,849

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

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2017, 2016 and 2015

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, 2015	$ 544	$54,342	$919,468	$ (154,870)	$(170,375)	$ 649,109
Net income			64,575			64,575
Other comprehensive loss				(35,616)		(35,616)
Comprehensive income						28,959
Tax effect on exercise of stock awards		843				843
Cash dividends declared ($0.48 per share)			(20,900)			(20,900)
Share-based compensation expense		4,403				4,403
Delivery of treasury shares						
RSUs and PSAs		(5,078)			3,102	(1,976)
401 (k) plans		838			2,010	2,848
Employee stock options exercised — net		(436)			397	(39)
Balance at December 31, 2015	544	54,912	963,143	(190,486)	(164,866)	663,247
Net income			21,554			21,554
Other comprehensive loss				(14,120)		(14,120)
Comprehensive income						7,434
Tax effect on exercise of stock awards		58				58
Cash dividends declared ($0.50 per share)			(21,813)			(21,813)
Share-based compensation expense		5,889				5,889
Delivery of treasury shares						
RSUs and PSAs		(2,375)			1,624	(751)
Employee stock options exercised — net		(567)			329	(238)
Balance at December 31, 2016	544	57,917	962,884	(204,606)	(162,913)	653,826
Previously unrecognized excess tax benefit on exercise of stock awards			317			317
Net income			7,914			7,914
Other comprehensive income				63,931		63,931
Comprehensive income						71,845
Cash dividends declared ($0.52 per share)			(22,704)			(22,704)
Share-based compensation expense		6,214				6,214
Delivery of treasury shares						
RSUs and PSAs		(535)			421	(114)

Employee stock options exercised — net		(1,002)			546	(456)
Balance at December 31, 2017	$ 544	$62,594	$948,411	$ (140,675)	$(161,946)	$ 708,928

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

P. H. GLATFELTER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

P. H. Glatfelter Company and subsidiaries ("Glatfelter") is a manufacturer of specialty papers and engineered materials. Headquartered in York, PA, U.S. operations include facilities in Fort Smith, Arkansas, Spring Grove, PA and Chillicothe and Fremont, OH. International operations include facilities in Canada, Germany, France, the United Kingdom and the Philippines. In addition to many of our manufacturing locations, we have sales and distribution offices in the U.S., Russia and China. Our products are marketed worldwide, either through wholesale paper merchants, brokers and agents, or directly to customers.

2. ACCOUNTING POLICIES

Principles of Consolidation   The consolidated financial statements include the accounts of Glatfelter and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Accounting Estimates   The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements are reasonable, based upon currently available facts and known circumstances, but recognizes that actual results may differ from those estimates and assumptions.

Cash and Cash Equivalents   We classify all highly liquid instruments with an original maturity of three months or less at the time of purchase as cash equivalents.

Inventories   Inventories are stated at the lower of cost or market. Raw materials, in-process and finished inventories of our U.S. manufacturing operations are valued using the last-in, first-out (LIFO) method, and the supplies inventories are valued principally using the average-cost method. Inventories at our foreign operations are valued using the average cost method.

Plant, Equipment and Timberlands   For financial reporting purposes, depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

The range of estimated service lives used to calculate financial reporting depreciation for principal items of plant and equipment are as follows:

Buildings	15 – 45 Years
Machinery and equipment	5 – 40 Years
Other	3 – 25 Years

Maintenance and Repairs   Maintenance and repairs costs are charged to income and major renewals and betterments are capitalized. At the time property is retired or sold, the net carrying value is eliminated and any resultant gain or loss is included in income.

Valuation of Long-lived Assets, Intangible Assets and Goodwill   We evaluate long-lived assets for impairment when a specific event indicates that the carrying value of an asset may not be recoverable. Recoverability is assessed based on estimates of future cash flows expected to result from the use and eventual disposition of the asset. If the sum of expected undiscounted cash flows is less than the carrying value of the asset, the asset's fair value is estimated and an impairment loss is recognized for the amount by which the carrying value exceeds the estimated fair value.

Goodwill and non-amortizing tradename intangible assets are reviewed, on a discounted cash flow basis, during the third quarter of each year for impairment or more frequently if impairment indicators are present. For Goodwill, impairment losses, if any, are recognized for the amount by which the carrying value of the reporting unit exceeds its fair value. The carrying value of a reporting unit is defined using an enterprise premise which is generally determined by the difference between the unit's assets and operating liabilities. With respect to tradename, impairment losses, if any, are recognized for the amount by which the carrying value of the tradename exceeds its fair value.

Income Taxes   Income taxes are determined using the asset and liability method of accounting for income taxes in accordance with FASB ASC 740 Income Taxes ("ASC 740"). Under ASC 740, tax expense includes U.S. and international income taxes plus the provision for U.S. taxes on undistributed earnings of international subsidiaries not deemed to be permanently invested. Tax credits and other incentives reduce tax expense in the year the credits are claimed. Certain items of income and expense are not reported in tax returns and financial statements in the same year. The tax effect of such temporary differences is reported in deferred income taxes. Deferred tax assets are recognized if it is more likely than not that the assets will be realized in future years. We establish a valuation allowance for deferred tax assets for which realization is not more likely than not.

Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is less than certain. We and our subsidiaries are examined by various Federal, State, and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and record any necessary adjustments in the period in which the facts that give rise to a revision become known.

Investment tax credits are accounted for by the flow-through method, which results in recognition of the benefit in the year in which the credit become available.

Treasury Stock   Common stock purchased for treasury is recorded at cost. At the date of subsequent reissue, the treasury stock account is reduced by the cost of such stock on the weighted-average cost basis.

Foreign Currency Translation   Foreign currency translation gains and losses and the effect of exchange rate changes on transactions designated as hedges of net foreign investments are included as a component of other comprehensive income (loss). Transaction gains and losses are included in income in the period in which they occur.

Revenue Recognition   We recognize revenue on product sales when the customer takes title and assumes the risks and rewards of ownership. Substantially all of our revenue is earned pursuant to contracts under which we have one performance obligation that is satisfied at a point-in-time. Estimated costs for sales incentives, discounts and sales returns and allowances are recorded as sales deductions in the period in which the related revenue is recognized.

Revenue from energy sales is recognized when electricity is delivered to the customer. Certain costs associated with the production of electricity, such as fuel, labor, depreciation and maintenance are netted against energy sales for presentation on the consolidated statements of income.

Revenue from renewable energy credits is recorded under the caption “Energy and related sales, net” in the consolidated statements of income and is recognized when all risks, rights and rewards to the certificate are transferred to the counterparty.

Environmental Liabilities   Accruals for losses associated with environmental obligations are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing legislation and remediation technologies. These accruals are adjusted periodically as

assessment and remediation actions continue and/or further legal or technical information develops. Such undiscounted liabilities are exclusive of any insurance or other claims against third parties. Environmental costs are capitalized if the costs extend the life of the asset, increase its capacity and/or mitigate or prevent contamination from future operations. Recoveries of environmental remediation costs from other parties, including insurance carriers, are recorded as assets when their receipt is assured beyond a reasonable doubt.

Earnings Per Share   Basic earnings per share is computed by dividing net income by the weighted-average common shares outstanding during the respective periods. Diluted earnings per share is computed by dividing net income by the weighted-average common shares and common share equivalents outstanding during the period. The dilutive effect of common share equivalents is considered in the diluted earnings per share computation using the treasury stock method.

Financial Derivatives and Hedging Activities   We use financial derivatives to manage exposure to changes in foreign currencies. In accordance with FASB ASC 815 Derivatives and Hedging (“ASC 815”), we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative in a hedging relationship and apply hedge

accounting, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting.

The effective portion of the gain or loss on those derivative instruments designated and qualifying as a hedge of the exposure to variability in expected future cash flows related to forecasted transactions is deferred and reported as a component of accumulated other comprehensive income (loss). Deferred gains or losses are reclassified to our results of operations at the time the hedged forecasted transaction is recorded in our results of operations. The effectiveness of cash flow hedges is assessed at inception and quarterly thereafter. If the instrument becomes ineffective or it becomes probable that the originally forecasted transaction will not occur, the related change in fair value of the derivative instrument is also reclassified from accumulated other comprehensive income (loss) and recognized in earnings.

Fair Value of Financial Instruments   Under the accounting for fair value measurements and disclosures, a fair value hierarchy was established that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant

to the fair value measurement. The three levels of the fair value hierarchy are described below:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs that are both significant to the fair value measurement and unobservable.

Recently Issued Accounting Pronouncements In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-09, Compensation – Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting designed to simplify certain aspects of accounting for share-based awards. The new ASU requires entities to recognize as a component of income tax expense all excess tax benefits or deficiencies arising from the difference between compensation costs recognized and the intrinsic value at the time an option is exercised or, in the case of restricted stock and similar awards, the fair value upon vesting of an award. Previously such differences were recognized in additional paid in capital as part of an "APIC pool." The ASU also requires entities to exclude excess tax benefits and tax deficiencies from the calculation of common share equivalents for purposes of calculating earnings per share. In addition, as permitted by the ASU, we have elected to account for the impact of forfeitures as they occur rather to estimate forfeitures for purposes of recognizing compensation expense. We adopted this standard effective January 1, 2017, on a prospective basis; however, the adoption of the new standard did not have a material impact on our reported results of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers which clarifies the principles for recognizing revenue and develops a common revenue standard for GAAP and International Financial Reporting Standards. The new standard is required to be adopted retrospectively for fiscal years beginning after December 15, 2017. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and

changes in judgments. Substantially all of our revenue is earned pursuant to contracts under which we have one performance obligation that is satisfied at a point-in-time. We have completed our review of our contracts and have determined this ASU will not have an impact on the timing or amount of revenue recognition, our results of operations or our financial position. We have elected to use the modified retrospective method of adoption.

In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"). The update requires entities to present the service cost component of the net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. All other components are to be presented below the determination of operating income. Entities will be required to disclose the line(s) used to present the other components of net periodic benefit cost, if the components are not presented separately in the income statement. ASU 2017-07 is effective for fiscal years and interim periods beginning after December 15, 2017, and early adoption is permitted. We will adopt this standard beginning with first quarter 2018 financial statements and all previously presented consolidated statements of income will be represented to reflect the reclassification and will result in a reduction of operating income of $2.7 million in 2017 and an increase of $3.4 million for 2016. Such amounts will be reclassified to "Non-operating income (expense)."

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU will require organizations such as us that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will be effective for annual periods beginning after December 15, 2018, and interim periods therein. Early adoption is permitted. We are in the process of assessing the impact this standard will have on us and expect to follow a modified retrospective method provided for under the standard.

38

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities" ("ASU 2017-12"), which simplifies the application of hedge accounting and more closely aligns hedge accounting with an entity's risk management strategies. ASU 2017-12 also amends the manner in which hedge effectiveness may be performed and changes the presentation of hedge ineffectiveness in the financial statements. ASU 2017-12 is effective for us beginning January 1, 2019, with early adoption permitted. ASU 2017-12 requires a cumulative-effect adjustment for certain items upon adoption. We are currently evaluating the impact the adoption of ASU 2017-12 will have on our consolidated financial statements.

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. This standard is effective for us in the first quarter of 2020 and must be adopted using a modified retrospective transition approach. We are currently assessing the impact this standard may have on our results of operations and financial position.

3. ENERGY AND RELATED SALES, NET

We sell excess power generated by the Spring Grove, PA facility. We also sell renewable energy credits generated by the Spring Grove, PA and Chillicothe, OH facilities representing sales of certified credits earned related to burning renewable sources of energy such as black liquor and wood waste.

The following table summarizes this activity for each of the past three years:

	Year ended December 31		
In thousands	2017	2016	2015
Energy sales	$3,258	$3,613	$5,315
Costs to produce	(3,986)	(3,972)	(4,428)
Net	(728)	(359)	887
Renewable energy credits	5,854	6,500	4,777
Total	$5,126	$6,141	$5,664

4. GAIN ON DISPOSITIONS OF PLANT, EQUIPMENT AND TIMBERLANDS

During 2017, 2016 and 2015, we completed the following sales of assets:

Dollars in thousands	Acres	Proceeds	Gain (loss)
2017			
Timberlands	332	$209	$188
Other	n/a	19	(214)

Total		$ 228	$ (26)
2016			
Timberlands	—	$ -	$ -
Other	n/a	70	(216)
Total		$ 70	$ (216)
2015			
Timberlands	15,628	$ 23,917	$ 20,867
Other	n/a	542	246
Total		$ 24,459	$ 21,113

5. ASSET IMPAIRMENT CHARGES

In connection with our annual test of potential impairment of indefinite lived intangible assets, in 2015 we recorded a non-cash impairment charge of $1.2 million. No such charges were recorded in 2017 or 2016. A trade name intangible asset was acquired in connection with our Composite Fibers business unit’s 2013 Dresden acquisition. The charge was due to changes in the estimated fair value of the trade name, primarily driven by lower forecasted revenues associated with the business, an increase in discount rates related to Dresden’s business in Russia and Ukraine and this region’s political and economic instability. The fair value of the asset was estimated using a discounted cash flow model under a relief from royalty method. The significant assumptions used included projected financial performance and discount rates, which resulted in a Level 3 fair value classification.

The charge is recorded in the accompanying consolidated statements of income under the caption “Selling, general and administrative expenses.” For additional information on Goodwill and Intangible Assets, see Note 13.

6. EARNINGS PER SHARE

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

	Year ended December 31		
In thousands, except per share	2017	2016	2015
Net income	$7,914	$21,554	$64,575
Weighted average common shares outstanding used in basic EPS	43,609	43,558	43,397
Common shares issuable upon exercise of dilutive stock options and PSAs / RSUs	830	571	545
Weighted average common shares outstanding and common share equivalents used in diluted EPS	44,439	44,129	43,942
Earnings per share			
Basic	$0.18	$0.49	$1.49
Diluted	0.18	0.49	1.47

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

	Year ended December 31		
In thousands	2017	2016	2015
Potential common shares	610	596	678

7. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table sets forth details of the changes in accumulated other comprehensive income (losses) for the three years ended December 31, 2017, 2016 and 2015.

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, 2017	$ (100,448)	$ 1,500	$ (110,656)	$ 4,998	$ (204,606)
Other comprehensive income before reclassifications (net of tax)	58,609	(5,182)	2,981	(1,099)	55,309
Amounts reclassified from accumulated other comprehensive income (net of tax)	—	(410)	9,380	(348)	8,622
Net current period other comprehensive income (loss)	58,609	(5,592)	12,361	(1,447)	63,931
Balance at December 31, 2017	$ (41,839)	$ (4,092)	$ (98,295)	$ 3,551	$ (140,675)
Balance at January 1, 2016	$ (73,041)	$ (225)	$ (120,714)	$ 3,494	$ (190,486)
Other comprehensive income before reclassifications (net of tax)	(27,407)	1,247	(4,334)	2,086	(28,408)
Amounts reclassified from accumulated other comprehensive income (net of tax)	—	478	14,392	(582)	14,288
Net current period other comprehensive income (loss)	(27,407)	1,725	10,058	1,504	(14,120)
Balance at December 31, 2016	$ (100,448)	$ 1,500	$ (110,656)	$ 4,998	$ (204,606)
Balance at January 1, 2015	$ (34,224)	$ 2,356	$ (120,260)	$ (2,742)	$ (154,870)
Other comprehensive income before reclassifications (net of tax)	(38,817)	1,620	(12,995)	6,266	(43,926)
Amounts reclassified from accumulated other comprehensive income (net of tax)	—	(4,201)	12,541	(30)	8,310
Net current period other comprehensive income (loss)	(38,817)	(2,581)	(454)	6,236	(35,616)
Balance at December 31, 2015	$ (73,041)	$ (225)	$ (120,714)	$ 3,494	$ (190,486)

40

The following table sets forth the amounts reclassified from accumulated other comprehensive income (losses) for the years indicated.

	Year ended December 31			
In thousands	2017	2016	2015	
Description				Line Item in Statements of Income
Cash flow hedges (Note 18)				
(Gains) losses on cash flow hedges	$(532)	$551	$(5,752)	Costs of products sold
Tax expense (benefit)	122	(73)	1,551	Income tax provision (benefit)
Net of tax	(410)	478	(4,201)	
Retirement plan obligations (Note 10)				
Amortization of deferred benefit pension plan items				
Prior service costs	2,122	2,026	2,300	Costs of products sold
	704	672	762	Selling, general and administrative
Actuarial losses	9,134	9,798	12,745	Costs of products sold
	3,145	3,373	4,388	Selling, general and administrative
Settlement recognition	—	7,306	—	Selling, general and administrative
	15,105	23,175	20,195	
Tax expense (benefit)	(5,725)	(8,783)	(7,654)	Income tax provision (benefit)
Net of tax	9,380	14,392	12,541	
Amortization of deferred benefit other plan items				
Prior service costs	(150)	(150)	(230)	Costs of products sold
	(32)	(32)	(50)	Selling, general and administrative
Actuarial losses	(311)	(621)	190	Costs of products sold
	(67)	(134)	41	Selling, general and administrative
	(560)	(937)	(49)	
Tax expense (benefit)	212	355	19	Income tax provision (benefit)
Net of tax	(348)	(582)	(30)	
Total reclassifications, net of tax	$8,622	$14,288	$8,310	

8. INCOME TAXES

Effects of the Tax Cuts and Jobs Act

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (“TCJA”) was signed into U.S. law. Among other things, the TCJA reduces the U.S. federal corporate tax rate from 35% to 21% beginning in 2018 and requires companies to pay a one-time transition tax on previously unremitted earnings of non-U.S. subsidiaries that were previously tax deferred. ASC Topic 740, Accounting for Income Taxes, requires companies to recognize the effect of tax law changes in the period of enactment even though the effective date for most provisions is for tax years beginning after December 31, 2017.

Given the significance of the legislation, the U.S. Securities and Exchange Commission (the "SEC") staff issued Staff Accounting Bulletin No. 118 (“SAB 118”), which allows registrants to record provisional amounts during a one year

“measurement period” similar to that used when accounting for business combinations. However, the measurement period is deemed to have ended earlier when the registrant has obtained, prepared, and analyzed the information necessary to finalize its accounting. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared, or analyzed.

SAB 118 summarizes a three-step process to be applied at each reporting period to account for and qualitatively disclose: (1) the effects of the change in tax law for which accounting is complete; (2) provisional amounts (or adjustments to provisional amounts) for the effects of the tax law where accounting is not complete, but that a reasonable estimate has been determined; and (3) a reasonable estimate cannot yet be made and therefore taxes are reflected in accordance with law prior to the enactment of the Tax Cuts and Jobs Act.

Amounts recorded where we consider accounting to be complete for the year ended December 31, 2017, principally relate to the reduction in the U.S. corporate income tax rate to 21%, which resulted in us recording an income tax benefit of $18.1 million to remeasure net deferred taxes liabilities.

The TCJA includes a one-time mandatory repatriation transition tax on the net accumulated earnings and profits of a U.S. taxpayer’s foreign subsidiaries. We performed a preliminary earnings and profits analysis which resulted in us recording provisional U.S. federal income tax expense of $41.8 million, $3.8 million of non-US taxes and $0.3 million of state taxes associated with the repatriation of such earnings and profits. Although we have made a reasonable estimate of the tax associated with our net accumulated earnings, a final determination of the TCJA’s impact remains incomplete pending a full analysis of the provisions and their interpretations.

Other significant provisions that are not yet effective but may impact income taxes in future years include: an exemption from U.S. tax on dividends of future earnings, limitation on the current deductibility of net interest expense in excess of 30% of adjusted taxable income, a limitation of the use of net operating losses generated after fiscal 2018 to 80% of taxable income but with an indefinite carryforward period, an incremental tax (base erosion anti-abuse tax or "BEAT") on excessive amounts paid to foreign related parties, and a minimum tax on certain foreign earnings in excess of 10% of the foreign subsidiaries' tangible assets (i.e., global intangible low-taxed income or "GILTI"). We are still evaluating whether to make a policy election to treat the GILTI tax as a period expense or to provide U.S. deferred taxes on foreign temporary differences that are expected to generate GILTI when they reverse in future years.

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.

The provision for (benefit from) income taxes from operations consisted of the following:

	Year ended December 31		
In thousands	2017	2016	2015
Current taxes			
Federal	$(1,961)	$2,216	$5,047
State	64	(1,112)	(1,680)
Foreign	14,292	10,203	12,536
	12,395	11,307	15,903
Deferred taxes and other			
Federal	11,662	(24,411)	(7,287)
State	3,388	(1,723)	564
Foreign	3,976	4,079	4,821
	19,026	(22,055)	(1,902)
Income tax provision (benefit)	$31,421	$(10,748)	$14,001

The following are the domestic and foreign components of pretax income (loss) from operations:

	Year ended December 31		
In thousands	2017	2016	2015
United States	$(40,920)	$(63,315)	$2,382
Foreign	80,255	74,121	76,194
Total pretax income	$39,335	$10,806	$78,576

A reconciliation between the income tax provision, computed by applying the statutory federal income tax rate of 35% to income before income taxes, and the actual income tax provision is as follows:

	Year ended December 31		
	2017	2016	2015
Federal income tax provision at statutory rate	35.0 %	35.0 %	35.0%
State income taxes, net of federal income tax benefit	0.4	(15.0)	0.3
Foreign income tax rate differential	(28.7)	(96.3)	(8.6)
Rate changes due to enacted legislation	(0.6)	(6.7)	—
Tax effect of credits	(16.1)	(30.3)	(1.9)
Provision for (resolution of) tax matters	16.9	2.8	(2.1)
State benefit due to enacted legislation	(4.1)	—	—
Effect of U.S. tax law change (1)	53.2	—	—
Valuation allowance	23.3	7.1	0.4
Permanent differences on non-U.S. earnings	—	—	(4.4)
Other	0.6	3.9	(0.9)
Actual tax rate	79.9 %	(99.5)%	17.8%

(1) Due to the TCJA which was enacted in December 2017, provisional mandatory transition tax on accumulated foreign earnings was accrued as of December 31, 2017. Our U.S. deferred tax assets and liabilities as of December 31, 2017 were re-measured from 35% to 21%.

The provisional effects of the TCJA are $39.0 million of deferred income tax expense, including a $6.8 million reversal of a valuation allowance, and $18.1 million of deferred income tax benefit for the year ended December 31, 2017.

The sources of deferred income taxes were as follows at December 31:

In thousands	2017	2016
Reserves	$3,145	$4,625
Environmental	11,189	20,868
Compensation	6,782	8,950
Post-retirement benefits	12,570	18,318
Research & development expenses	6,787	6,949
Inventories	1,891	1,464
Tax carryforwards	21,988	14,438
Other	2,106	993
Deferred tax assets	66,458	76,605

Valuation allowance	(7,405)	(4,066)
Net deferred tax assets	59,053	72,539
Property	(98,809)	(81,837)
Intangible assets	(17,647)	(16,561)
Pension	(21,941)	(29,041)
Other	(4,110)	—
Deferred tax liabilities	(142,507)	(127,439)
Net deferred tax liabilities	$(83,454)	$(54,900)

42

Non-current deferred tax assets and liabilities are included in the following balance sheet captions:

	December 31	
In thousands	2017	2016
Other assets	$117	$95
Deferred income taxes	83,571	54,995

At December 31, 2017 we had federal, state and foreign tax net operating loss ("NOL") carryforwards of $47.9 million, $188.4 million and $3.7 million, respectively. These NOL carryforwards are available to offset future taxable income, if any. The federal NOL carryforward expires in 2037, state NOLs expire at various times and in various amounts beginning in 2018 and through 2037. Certain foreign NOL carryforwards begin to expire after 2023.

The state and foreign NOL carryforwards and federal tax credits on the income tax returns filed included unrecognized tax benefits taken in prior years. The NOLs for which a deferred tax asset is recognized for financial statement purposes in accordance with ASC 740 are presented net of these unrecognized tax benefits.

In addition, we had various federal tax credit carryforwards totaling $9.1 million which begin to expire after 2035, state tax credit carryforwards totaling $0.2 million, which begin to expire in 2018, and foreign investment tax credits of $2.4 million which begin to expire after 2027.

As of December 31, 2017 and 2016, we had a valuation allowance of $7.4 million and $4.1 million, respectively, against net deferred tax assets, primarily due to uncertainty regarding the ability to utilize state and foreign tax NOL carryforwards and certain state tax credits. 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 available evidence indicated it is more likely than not that the deferred tax assets will not be realized.

Tax credits and other incentives reduce tax expense in the year the credits are claimed. We recorded tax credits of $6.3 million, $1.1 million and $1.5 million in 2017, 2016 and 2015, respectively, related to research and development credits and fuels tax credits.

As a result of the mandatory deemed repatriation provisions in the TCJA, we recorded a provisional estimate on $397.8 million of undistributed earnings of foreign subsidiaries in U.S. taxable income at the reduced tax rates. With respect to other basis differences in connection with our foreign subsidiaries at December 31, 2017, we assert that such basis differences are indefinite

in duration, and as a result, no deferred taxes have been provided.

As of December 31, 2017, 2016 and 2015, we had $26.9 million, $14.2 million and $12.2 million of gross unrecognized tax benefits, respectively. As of December 31, 2017, if such benefits were to be recognized, approximately $16.8 million would be recorded as a component of income tax expense, thereby affecting our effective tax rate.

A reconciliation of the beginning and ending balances of the total amounts of gross unrecognized tax benefits is as follows:

In millions	2017	2016	2015
Balance at January 1	$14.2	$12.2	$14.9
Increases in tax positions for prior years	1.7	2.0	0.0
Decreases in tax positions for prior years	—	(1.4)	(4.3)
Increases in tax positions for current year	11.9	1.9	1.9
Settlements	—	(0.2)	0.0
Lapse in statutes of limitation	(0.9)	(0.3)	(0.3)
Balance at December 31	$26.9	$14.2	$12.2

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 tax years that remain subject to examination by major jurisdiction:

	Open Tax Years	
Jurisdiction	Examinations not yet initiated	Examination in progress
United States		
Federal	2014 - 2017	N/A
State	2013 - 2017	2014
Canada[(1)]	2010-2013; 2017	2014 - 2016
Germany[(1)]	2016 - 2017	2011 - 2015
France	2015 - 2017	2012
United Kingdom	2016 - 2017	N/A
Philippines	2015, 2017	2016

(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 expiration 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 $0.6 million. The majority of this range relates to tax positions taken in the U.S.

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

	As of or for the year ended December 31,		
In millions	2017	2016	2015
Accrued interest payable	$0.8	$0.5	$0.6
Interest expense (income)	0.3	(0.1)	–
Penalties	–	–	–

9. 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. As of December 31, 2017, there were 2,188,572 shares of common stock available for future issuance under the LTIP.

Since the approval of the LTIP, we have issued to eligible participants restricted stock units, performance share awards and stock only stock appreciation rights (“SOSARs”).

Restricted Stock Units (“RSUs”) and Performance Share Awards (“PSAs”)Awards of RSUs and PSAs are made under our LTIP. The vesting of RSUs is generally based on the passage of time, generally on a graded scale over a three, four, and five-year period. Beginning in March of 2011, PSAs were issued annually to members of senior management and each respective grant cliff vests each December 31, assuming the achievement of predetermined, multi-year cumulative performance targets. 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. For both RSUs and PSAs, the grant date fair value of the awards, which is equal to 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. 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 the past three years:

Units	2017	2016	2015
Balance at January 1,	679,038	674,523	888,942
Granted	375,435	302,722	164,666
Forfeited	(96,306)	(148,232)	(92,183)

Shares delivered	(28,781)	(149,975)	(286,902)
Balance at December 31,	929,386	679,038	674,523

	2017	2016	2015
Compensation expense	$4,843	$3,154	$1,758

The amount granted in 2017, 2016 and 2015 includes 163,274, 199,693 and 105,017 PSAs, respectively, exclusive of reinvested dividends. The weighted average grant date fair value per unit for awards in 2017, 2016 and 2015 was $22.32, $18.08 and $24.62, respectively. As of December 31, 2017, unrecognized compensation expense for outstanding RSUs and PSAs totaled $6.7 million. The weighted average remaining period over which the expense will be recognized is 1.9 years.

Stock Only Stock Appreciation Rights The following table sets forth information related to outstanding SOSARS:

SOSARS	2017 Shares	2017 Wtd Avg Exercise Price	2016 Shares	2016 Wtd Avg Exercise Price	2015 Shares	2015 Wtd Avg Exercise Price
Outstanding at January 1,	2,736,616	$ 17.64	2,199,742	$ 17.82	1,864,707	$ 16.20
Granted	—	—	743,925	17.54	423,590	24.62
Exercised	(157,140)	13.76	(61,190)	10.70	(70,347)	14.12
Canceled / forfeited	(17,630)	18.46	(145,861)	22.80	(18,208)	25.41
Outstanding at December 31,	2,561,846	$ 17.87	2,736,616	$ 17.64	2,199,742	$ 17.82
Exercisable at December 31,	2,011,075	17.56	1,740,591	16.19	1,504,599	14.48
Vested and expected to vest	2,561,846		2,725,611		2,178,708	

SOSAR Grants	2017	2016	2015
Weighted average grant date fair value per share	—	$4.07	$7.46
Aggregate grant date fair value (in thousands)	—	$3,013	$3,134
Black-Scholes assumptions			
Dividend yield	—	2.85 %	1.94 %
Risk free rate of return	—	1.34 %	1.64 %
Volatility	—	31.97 %	36.38 %
Expected life	—	6	6
Compensation expense (in thousands)	$1,371	$2,735	$2,645

Under terms of the SOSAR, the recipients receive the right to receive 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. No SOSARs were issued during 2017. As of December 31, 2017, the intrinsic value of SOSARs vested and expected to vest totaled $12.4 million and the remaining weighted average contractual life of outstanding SOSARs was 5.2 years.

10. RETIREMENT PLANS AND OTHER POST-RETIREMENT BENEFITS

We provide non-contributory retirement benefits under both funded and unfunded plans to all U.S. employees and to certain non-U.S. employees. Participation and benefits under the plans are based upon the employees' date of hire and the covered group in which that employee falls. U.S. benefits are based on either a unit-benefit formula for bargained hourly employees, or a final average pay formula or cash balance formula for salaried employees. Non-U.S. benefits are based, in the case of certain plans, on average salary and years of service and, in the case of other plans, on a fixed amount for each year of service. U.S. plan provisions and funding meet the requirements of the Employee Retirement Income Security Act of 1974. We use a December 31-measurement date for all of our defined benefit plans.

We also provide certain health care benefits to eligible U.S.-based retired employees. Participation in the plan is closed to any salaried employees hired after December 31, 2006. Participation is closed to any hourly union employees in our Pennsylvania operations hired after January 16, 2011. Hourly union employees in our Ohio operations are eligible to participate upon attaining age 55 with five years of service. These benefits include a comprehensive medical plan for retirees prior to age 65 and a fixed payment to certain retirees over age 65 to help defray the costs of Medicare. Claims are paid as reported.

	Pension Benefits		Other Benefits	
In millions	2017	2016	2017	2016
Change in Benefit Obligation				
Balance at beginning of year	$552.0	$541.9	$47.9	$51.0
Service cost	10.7	10.5	1.2	1.1
Interest cost	23.8	24.5	2.0	2.0
Plan amendments	4.1	5.5	—	—
Participant contributions	—	—	1.1	1.0
Actuarial (gain)/loss	45.5	17.0	1.5	(3.4)
Benefits paid	(36.5)	(22.9)	(3.0)	(3.8)
One-time settlement	—	(24.2)	—	—
Effect of currency rate changes	1.2	(0.3)	—	—
Balance at end of year	$600.8	$552.0	$50.7	$47.9
Change in Plan Assets				
Fair value of plan assets at beginning of year	$610.7	$594.9	$—	$—
Actual return on plan assets	96.8	60.8	—	—
Total contributions	2.1	2.1	3.0	3.8

Benefits paid	(36.5)	(22.9)	(3.0)	(3.8)
One-time settlement	—	(24.2)	—	—
Fair value of plan assets at end of year	$673.1	610.7	—	—
Funded status at end of year	$72.3	$58.7	$(50.7)	$(47.9)

In 2016, we recorded a pension settlement charge of $7.3 million and settled $24.2 million of benefits in connection with a voluntary program offered to deferred vested terminated participants.

Amounts recognized in the consolidated balance sheets consist of the following as of December 31:

	Pension Benefits		Other Benefits	
In millions	2017	2016	2017	2016
Other assets	$115.5	$96.7	$—	$—
Current liabilities	(2.2)	(2.0)	(3.5)	(3.2)
Other long-term liabilities	(41.0)	(36.0)	(47.2)	(44.7)
Net amount recognized	$72.3	$58.7	$(50.7)	$(47.9)

The components of amounts recognized as “Accumulated other comprehensive income” consist of the following on a pre-tax basis:

	Pension Benefits		Other Benefits	
In millions	2017	2016	2017	2016
Prior service cost/(credit)	$16.1	$14.8	$(0.5)	$(0.6)
Net actuarial loss	145.6	165.9	(5.6)	(7.4)

The accumulated benefit obligation for all defined benefit pension plans was $584.3 million and $537.6 million at December 31, 2017 and 2016, respectively.

The weighted-average assumptions used in computing the benefit obligations above were as follows:

	Pension Benefits		Other Benefits	
	2017	2016	2017	2016
Discount rate – benefit obligation	3.85 %	4.43 %	3.68 %	4.18 %
Future compensation growth rate	3.00	3.00	—	—

The discount rates set forth above were estimated based on the modeling of expected cash flows for each of our benefit plans and selecting a portfolio of high-quality debt instruments with maturities matching the respective cash flows of each plan. The resulting discount rates as of December 31, 2017 ranged from 1.90% to 4.55% for pension plans and from 4.02% to 4.21% for other benefit plans.

Information for pension plans with an accumulated benefit obligation in excess of plan assets was as follows:

In millions	2017	2016
Projected benefit obligation	$43.1	$37.9
Accumulated benefit obligation	38.6	34.6
Fair value of plan assets	—	—

Net periodic benefit cost includes the following components:

	Year Ended December 31		
In millions	2017	2016	2015
Pension Benefits			
Service cost	$10.7	$10.5	$11.6
Interest cost	23.8	24.5	23.3
Expected return on plan assets	(43.0)	(45.4)	(46.0)
Amortization of prior service cost	2.8	2.7	3.1
Amortization of actuarial loss	12.3	13.2	17.1
One-time settlement charge	—	7.3	—
Total net periodic benefit cost	$6.6	$12.8	$9.1
Other Benefits			
Service cost	$1.2	$1.1	$1.4
Interest cost	2.0	2.0	2.0
Amortization of prior service cost/(credit)	(0.2)	(0.2)	(0.3)
Amortization of actuarial loss	(0.4)	(0.8)	0.2
Total net periodic benefit cost	$2.6	$2.1	$3.3

The prior service cost and actuarial net loss for our defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into our results of operations as a component of net periodic benefit cost over the next fiscal year are $3.1 million and $13.5 million, respectively. The comparable amounts of expected amortization for other benefit plans are a credit of $0.2 million and $0.3 million, respectively.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) were as follows:

	Year Ended December 31	
In millions	2017	2016

Pension Benefits		
Actuarial (gain) loss	$(8.3)	$1.4
Plan amendments	4.1	5.5
Recognized prior service cost	(2.8)	(2.7)
Recognized actuarial losses	(12.3)	(20.5)
Total recognized in other comprehensive loss	(19.3)	(16.3)
Total recognized in net periodic benefit cost and other comprehensive loss	$(12.7)	$(3.5)
Other Benefits		
Actuarial (gain) loss	$1.5	$(3.4)
Amortization of prior service cost	0.2	0.2
Amortization of actuarial losses	0.4	0.8
Total recognized in other comprehensive (income) loss	2.1	(2.4)
Total recognized in net periodic benefit cost and other comprehensive (income) loss	$4.7	$(0.3)

The weighted-average assumptions used in computing the net periodic benefit cost information above were as follows:

	Year Ended December 31		
	2017	2016	2015
Pension Benefits			
Discount rate – benefit expense	4.43%	4.65%	4.21%
Future compensation growth rate	3.00	3.50	4.00
Expected long-term rate of return on plan assets	7.25	7.75	8.00
Other Benefits			
Discount rate – benefit expense	4.18%	4.38%	3.89%

To develop the expected long-term rate of return assumption, we considered the historical returns and the future expected returns for each asset class, as well as the target asset allocation of the pension portfolio.

Assumed health care cost trend rates used to determine benefit obligations at December 31 were as follows:

	2017	2016
Health care cost trend rate assumed for next year	6.20 %	6.50 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50	4.50
Year that the rate reaches the ultimate rate	2037	2037

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

In millions	One Percentage Point Increase	Decrease
Effect on:		
Post-retirement benefit obligation	$ 3.9	$ (3.5)
Total of service and interest cost components	0.3	(0.3)

Plan Assets All pension plan assets in the U.S. are invested through a single master trust fund. The strategic asset allocation for this trust fund is selected by management, reflecting the results of comprehensive asset and liability modeling. The general principles guiding U.S. pension asset investment policies are those embodied in the Employee Retirement Income Security Act of 1974 (ERISA). These principles include discharging our investment responsibilities for the exclusive benefit of plan participants and in accordance with the “prudent expert” standard and other ERISA rules and regulations. We establish strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk.

Investments and decisions will be made solely in the interest of the Plan’s participants and beneficiaries, and for the exclusive purpose of providing benefits accrued thereunder. The primary goal of the Plan is to ensure the

solvency of the Plan over time and thereby meet its distribution objectives. All investments in the Plan will be made in accordance with ERISA and other applicable statutes.

Risk is minimized by diversification by asset class, by style of each manager and by sector and industry limits when applicable. The targeted range of investment allocations of Plan assets is as follows:

	Range	
Domestic Equity	35%	- 45%
International equity	8	- 14
Real Estate Investment Trusts (REIT)	2	- 6
Fixed income, cash and cash equivalents	55	- 35

Diversification of plan assets is achieved by:

i. placing restrictions on the percentage of equity investments in any one company, percentage of investment in any one industry, limiting the amount of assets placed with any one manager; and
ii. setting targets for duration of fixed income securities, maintaining a certain level of credit quality, and limiting the amount of investment in a single security and in non-investment grade paper.

A formal asset allocation review is done periodically to ensure that the Plan has an appropriate asset allocation based on the Plan's projected benefit obligations. It is expected that asset class performance will meet or exceed that of the assigned indices, and be at least at the median relative to other professionally managed accounts in its peer group. The target return for cash and cash equivalents is a return that at least equals that of the 90-day T-bills.

The Investment Policy statement lists specific categories of securities or activities that are prohibited including options, futures, commodities, hedge funds, limited partnerships, and our stock.

The table below presents the fair values of our benefit plan assets by level within the fair value hierarchy, as described in Note 2:

	December 31, 2017			
In millions	Total	Level 1	Level 2	Level 3
Domestic Equity				
Large cap	$214.9	$12.4	$202.5	$ —
Small and mid cap	46.2	46.2	—	—
International equity	81.4	7.2	74.2	—
REIT	27.6	27.6	—	—
Fixed income	290.9	24.0	266.9	—

Cash and equivalents	12.1	0.1	12.0	—
Total	$673.1	$117.5	$555.6	$ —

	December 31, 2016			
In millions	Total	Level 1	Level 2	Level 3
Domestic Equity				
Large cap	$201.9	$7.1	$194.8	$ —
Small and mid cap	50.9	50.9	—	—
International equity	79.5	38.8	40.7	—
REIT	27.9	27.9	—	—
Fixed income	237.7	28.5	209.2	—
Cash and equivalents	12.8	—	12.8	—
Total	$610.7	$153.2	$457.5	$ —

Cash Flow We were not required to make contributions to our qualified pension plan in 2017 nor do we expect to make any to this plan in 2018. Benefit payments expected to be made in 2018 under our non-qualified pension plans and other benefit plans are summarized below:

In thousands	
Nonqualified pension plans	$2,160
Other benefit plans	3,500

The following benefit payments under all pension and other benefit plans, and giving effect to expected future service, as appropriate, are expected to be paid:

In thousands	Pension Benefits	Other Benefits
2018	$41,106	$3,500
2019	39,993	4,129
2020	39,468	4,500
2021	39,375	4,663
2022	39,041	4,620
2023 through 2027	188,907	21,053

Defined Contribution Plans   We maintain 401(k) plans for certain hourly and salaried employees. Employees may contribute up to 50% of their earnings, subject to certain restrictions. Through November 2015, we matched a portion of the employee's contribution, subject to certain limitations, in the form of shares of Glatfelter common stock out of treasury. Company matches are now made in cash. The expense associated with our 401(k) match was $2.3 million, $2.0 million and $2.1 million in 2017, 2016 and 2015, respectively.

11. INVENTORIES

Inventories, net of reserves were as follows:

	December 31	
In thousands	2017	2016
Raw materials	$60,806	$66,359
In-process and finished	116,678	112,507
Supplies	74,580	70,803
Total	$252,064	$249,669

We value all of our U.S. inventories, excluding supplies, on the LIFO method. If we had valued these inventories using the first-in, first-out method, inventories would have been $22.7 million and $21.3 million higher than reported at December 31, 2017 and 2016, respectively.

12. PLANT, EQUIPMENT AND TIMBERLANDS

Plant, equipment and timberlands at December 31 were as follows:

In thousands	2017	2016
Land and buildings	$221,436	$192,877
Machinery and equipment	1,484,545	1,335,669
Furniture, fixtures, and other	174,462	142,110
Accumulated depreciation	(1,125,203)	(1,036,825)
	755,240	633,831
Construction in progress	105,673	137,665
Timberlands, less depletion	4,830	4,402
Total	$865,743	$775,898

As of December 31, 2017 and 2016, we had $21.0 million and $24.3 million, respectively, of accrued capital expenditures.

The following table sets forth amounts of interest expense capitalized in connection with major capital projects:

Year Ended December 31

	2017	2016	2015
Interest cost incurred	$19,852	$17,431	$17,815
Interest capitalized	2,080	1,609	351
Interest expense	$17,772	$15,822	$17,464

13. GOODWILL AND INTANGIBLE ASSETS

The following table sets forth information with respect to goodwill and other intangible assets:

	December 31	
In thousands	2017	2016
Goodwill – Composite Fibers	$82,744	$73,094
Specialty Papers		
Customer relationships	$6,155	$6,155
Composite Fibers		
Tradename	4,773	4,195
Technology and related	40,686	35,874
Customer relationships and related	36,705	32,310
Advanced Airlaid Materials		
Technology and related	1,488	1,377
Customer relationships and related	3,001	2,638
Total intangibles	92,808	82,549
Accumulated amortization	(33,949)	(26,290)
Net intangibles	$58,859	$56,259

The change in the gross value of goodwill and intangible assets was due to currency translation adjustments. Other than non-amortizable goodwill and tradename, intangible assets are amortized on a straight-line basis. Customer relationships are amortized over periods ranging from 10 years to 14 years and technology and related intangible assets are amortized over periods ranging from 14 years to 20 years. The following table sets forth information pertaining to amortization of intangible assets:

In thousands	2017	2016	2015
Aggregate amortization expense:	$4,773	$4,852	$5,340
Estimated amortization expense:			
2018	4,773		
2019	4,773		
2020	4,639		

2021	4,254
2022	4,139

The remaining weighted average useful life of intangible assets was 12.2 years at December 31, 2017.

14. OTHER LONG-TERM ASSETS

Other long-term assets consist of the following:

	December 31	
In thousands	2017	2016
Pension	$115,482	$96,699
Other	22,996	25,050
Total	$138,478	$121,749

15. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

In thousands	December 31 2017	2016
Accrued payroll and benefits	$39,375	$48,306
Other accrued compensation and retirement benefits	7,864	6,828
Income taxes payable	1,927	211
Accrued rebates	16,126	14,329
Other accrued expenses	45,930	49,576
Total	$111,222	$119,250

16. LONG-TERM DEBT

Long-term debt is summarized as follows:

In thousands	December 31 2017	2016
Revolving credit facility, due Mar. 2020	$171,200	$61,595
5.375% Notes, due Oct. 2020	250,000	250,000
2.40% Term Loan, due Jun. 2022	7,710	8,282
2.05% Term Loan, due Mar. 2023	33,607	35,163
1.30% Term Loan, due Jun. 2023	9,423	9,788
1.55% Term Loan, due Sep. 2025	11,390	10,333
Total long-term debt	483,330	375,161
Less current portion	(11,298)	(8,961)
Unamortized deferred issuance costs	(1,934)	(2,553)
Long-term debt, net of current portion	$470,098	$363,647

On March 12, 2015, we amended our revolving credit agreement with a consortium of banks (the “Revolving Credit Facility”) which increased the amount available for borrowing to $400 million, extended the maturity of the facility to March 12, 2020, and instituted a revised interest rate pricing grid. On February 1, 2017, the Revolving Credit Agreement was further amended to, among other things, change the definition of earnings before interest, taxes, depreciation and amortization (“EBITDA”) for purposes of calculating covenant compliance.

For all US 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 daily 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 daily 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, interest is based on

(b) above.

The Revolving Credit Facility 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 3.5x. As of December 31, 2017, the leverage ratio, as calculated in accordance with the definition in our amended credit agreement was 2.5x. 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 facility.

On October 3, 2012, we completed a private placement offering of $250.0 million aggregate principal amount of 5.375% Senior Notes due 2020 (the “5.375% Notes”). The 5.375% Notes, which are now publically registered, are fully and unconditionally guaranteed, jointly and severally, by PHG Tea Leaves, Inc., Mollanvick, Inc., Glatfelter Composite Fibers N. A., Inc., Glatfelter Advanced Materials N.A., Inc., and Glatfelter Holdings, LLC (the “Guarantors”). Interest on the 5.375% Notes is payable semiannually in arrears on April 15 and October 15.

The 5.375% Notes are redeemable, in whole or in part, at any time on or after October 15, 2016 at the redemption prices specified in the applicable Indenture. These Notes and the guarantees of the notes are senior obligations of the Company and the Guarantors, respectively, rank equally in right of payment with future senior indebtedness of the Company and the Guarantors and will mature on October 15, 2020.

The 5.375% Notes contain various covenants customary to indebtedness of this nature including limitations on i) the amount of indebtedness that may be incurred; ii) certain restricted payments including common stock dividends; iii) distributions from certain subsidiaries; iv) sales of assets; v) transactions amongst subsidiaries; and vi) incurrence of liens on assets. In addition, the 5.375% Notes contain cross default provisions that could result in all such notes becoming due and payable in the event of a failure to repay debt outstanding under the Revolving Credit Agreement at maturity or a default under the Revolving Credit Agreement that accelerates the debt outstanding thereunder. As of December 31, 2017, we met all of the requirements of our debt covenants.

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, will be calculated by reference to our Revolving Credit Agreement.

Aggregated unamortized deferred debt issuance costs incurred in connection with all of our outstanding debt totaled $3.0 million at December 31, 2017. The deferred costs are being amortized on a straight line basis over the life of the underlying instruments. Amortization expense related to deferred debt issuance costs totaled $1.2 million in 2017.

The following schedule sets forth the amortization of our term loan agreements together with the maturity of our other long-term debt during the indicated year.

In thousands	
2018	$11,298
2019	11,297
2020	432,497
2021	11,297
2022	10,441
Thereafter	6,500

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

As of December 31, 2017 and 2016, we had $5.2 million and $5.1 million, respectively, of letters of credit issued to us by certain financial institutions. 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. 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.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts reported on the consolidated balance sheets for cash and cash equivalents, accounts receivable and short-term debt approximate fair value. The following table sets forth the carrying value and fair value of long-term debt as of December 31:

	2017		2016	
	Carrying	Fair	Carrying	Fair
In thousands	Value	Value	Value	Value
Variable rate debt	$171,200	$171,200	$61,595	$61,595
Fixed-rate bonds	250,000	253,823	250,000	256,563
2.40% Term loan	7,710	7,889	8,282	8,877
2.05% Term loan	33,607	34,122	35,163	37,089
1.30% Term Loan	9,423	9,370	9,788	10,062
1.55% Term loan	11,390	11,320	10,333	10,082
Total	$483,330	$487,724	$375,161	$384,268

As of December 31, 2017 and 2016, we had $250.0 million of 5.375% fixed rate bonds. These bonds are publicly registered, but thinly traded. Accordingly, the values set forth above for the bonds, as well as our other debt instruments, are based on observable inputs and other relevant market data (Level 2). The fair value of financial derivatives is set forth below in Note 18.

18. 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”; 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."

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 or capital expenditures expected to be incurred over a maximum of eighteen months. Currency forward contracts involve fixing the EUR-USD exchange rate or USD-CAD for delivery of a specified amount of foreign currency on a specified date.

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. The effective portion of 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 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. The ineffective portion of the change in fair value of the derivative is recognized directly to earnings and reflected in the accompanying consolidated statements of income as non-operating income (expense) under the caption "Other-net."

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

	December 31	
In thousands	2017	2016
Derivative		
Sell/Buy - sell notional		
Philippine Peso / British Pound	19,047	—
Euro / British Pound	13,586	10,373
Euro / U.S. Dollar	1,048	—
U.S. Dollar / Euro	946	—
Sell/Buy - buy notional		
Euro / Philippine Peso	890,096	699,279
British Pound / Philippine Peso	797,496	557,025
Euro / U.S. Dollar	60,519	43,951
U.S. Dollar / Canadian Dollar	32,265	35,290
British Pound / Euro	335	—
U.S. Dollar / Euro	4,253	15,379

These contracts have maturities of eighteen months or less.

Derivatives Not Designated as Hedging Instruments - Foreign Currency Hedges We also enter 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 consolidated statements of income under the caption "Other, net."

	December 31	
In thousands	2017	2016
Derivative		
Sell/Buy - sell notional		
U.S. Dollar / Euro	—	—
U.S. Dollar / British Pound	17,500	10,500
Euro / British Pound	—	—
British Pound / Euro	1,000	2,500
Sell/Buy - buy notional		
Euro / U.S. Dollar	4,500	3,500
British Pound / Euro	13,000	18,500

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 as of December 31 for the year indicated and the line items in the accompanying

consolidated balance sheets where the instruments are recorded:

In thousands	December 31 2017	2016	December 31 2017	2016
Balance sheet caption	Prepaid Expenses and Other Current Assets		Other Current Liabilities	
Designated as hedging:				
Forward foreign currency exchange contracts	$1,066	$2,625	$4,787	$1,493
Not designated as hedging:				
Forward foreign currency exchange contracts	$151	$60	$43	$104

The amounts set forth in the table above represent the net asset or liability giving effect to rights of offset with each counterparty.

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 consolidated statements of income where the results are recorded:

In thousands	Year ended December 31 2017	2016	2015
Designated as hedging:			

Forward foreign currency exchange contracts:			
Effective portion – cost of products sold	$532	$(551)	$5,752
Ineffective portion – other – net	182	(166)	(152)
Not designated as hedging:			
Forward foreign currency exchange contracts:			
Other – net	$882	$806	$599

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

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 three levels of the fair value hierarchy are described in Note 2.

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

accompanying 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."

A rollforward of fair value amounts recorded as a component of accumulated other comprehensive income is as follows:

In thousands	2017	2016
Balance at January 1,	$1,882	$(178)
Deferred (losses) gains on cash flow hedges	(6,990)	1,509
Reclassified to earnings	(532)	551
Balance at December 31,	$(5,640)	$1,882

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

Credit risk related to derivative activity arises in the event a 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.

19. SHAREHOLDERS' EQUITY

The following table summarizes outstanding shares of common stock:

	Year ended December 31		
In thousands	2017	2016	2015
Shares outstanding at beginning of year	43,550	43,420	43,054
Treasury shares issued for:			
Restricted stock awards	28	108	206
401(k) plan	—	—	134
Employee stock options exercised	36	22	26
Shares outstanding at end of year	43,614	43,550	43,420

20. COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS

Contractual Commitments The following table summarizes the minimum annual payments due on noncancelable operating leases and other similar contractual obligations having initial or remaining terms in excess of one year:

In thousands	Leases	Other
2018	$12,683	$115,710
2019	5,926	31,415
2020	4,393	18,674
2021	3,276	1,705
2022	2,932	4
Thereafter	8,431	1

Other contractual obligations primarily represent minimum purchase commitments under energy supply contracts and other purchase obligations.

At December 31, 2017, required minimum annual payments due under operating leases and other similar contractual obligations aggregated $37.6 million and $167.5 million, respectively.

Fox River - Neenah, Wisconsin

Background. We have 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 Site has been subject to certain studies, demonstration projects and interim cleanups. The permanent cleanup, known as a “remedial action” under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), consists of sediment dredging, installation of engineered caps and placement of sand covers in various areas in the bed of the river.

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 and WTM I Company, one of the PRPs, implemented the remedial action in OU1 under a consent decree with the Governments; Menasha Corporation made a financial contribution to that work. That project began in 2004 and the 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 that work to date has been funded or conducted by

parties other than us. Prior to the UAO we contributed to a project in that area. Since the issuance of the UAO we have conducted about $13.4

million of cleanup work under the UAO in 2015 and 2016. The cleanup is expected to continue through 2019. However, as discussed below, under a consent decree between the United States, Wisconsin, NCR and Appvion we are not responsible for any additional cleanup at the Site.

Litigation and Settlement. In 2008, in an allocation action, NCR and Appvion sued us and many other defendants in an effort to allocate among the liable parties the costs of cleaning up this Site and compensating the Governments for their costs and the natural resource trustees for NRDs. This case has been called the “Whiting litigation.” After several summary judgment rulings and a trial, the trial court entered judgment in the Whiting Litigation allocating to NCR 100% of the costs of (a) the OU2-5 cleanup, (b) NRDs, (c) past and future costs incurred by the Governments in OU2-5, and (d) past and future costs incurred by any of the other parties net of an appropriate equitable adjustment for insurance recoveries.

On appeal, the United States Court of Appeals for the Seventh Circuit affirmed the district court’s ruling, holding that if knowledge and fault were the only equitable factors governing allocation of costs and NRDs at the Site, NCR would owe 100% of all costs and damages in OU2-5, but would not have a share of costs in OU1 -- which is upstream of the outfall of the facilities for which NCR is responsible -- solely as an “arranger for disposal” of PCB-containing waste paper by recycling it at our mill. However, the court of appeals vacated the judgment and remanded the case for the district court’s further consideration of whether any other equitable factors might cause the district court to alter its allocation to something less than 100% to NCR.

In 2010, in an enforcement action, the Governments sued us and other defendants for (a) an injunction to require implementation of the cleanup ordered by the 2007 UAO, (b) recovery of the Governments’ past and future costs of response, (c) recovery of NRDs, and (d) recovery of a declaration of liability for the Site. After appeals, the Governments did not obtain an injunction and they withdrew their claims for NRDs. The Governments obtained a declaration of our liability to comply with the 2007 UAO. The Governments’ costs claims remained pending.

On January 17, 2017, the United States filed a consent decree with the federal district court among the United States, Wisconsin, NCR, and Appvion (the “NCR/Appvion consent decree”) under which NCR would agree to complete the remaining cleanup and both NCR and Appvion would agree not to seek to recover from us or anyone else any amounts they have spent or will spend, and we and others would be barred from seeking claims against NCR or Appvion. On March 29, 2017, the United States moved for entry of a somewhat revised version of the NCR/Appvion consent decree, which the federal district court entered on August 23, 2017. Under the consent decree, if it were to withstand appeal, we would only face exposure to: (i) government past oversight costs, (ii) government future oversight costs, (iii) long term monitoring and maintenance, and (iv) depending on the reason, a further remedy if necessary in the event the currently ordered remedy fails, over 30 or more years, to achieve its objectives. As the result of earlier settlements, Georgia Pacific is only jointly liable with us to the Governments for monitoring and maintenance costs incurred in the most downstream three miles of the river (“OU4b”) and the bay of Green Bay (“OU5”).

In addition, we and Georgia Pacific had claims against each other to reallocate the costs that we have each incurred or will incur. We have settled those claims. Under this settlement, Georgia Pacific has agreed to implement the monitoring and maintenance in OU4b and OU5 and we would be responsible for monitoring and maintenance of all other upstream Operable Units. We paid Georgia Pacific $9.5 million in August 2017.

The NCR/Appvion consent decree and our settlement with Georgia Pacific resulted in all claims among the responsible parties being barred, waived, or withdrawn. Accordingly, on October 10, 2017, the federal district court approved a stipulation dismissing all remaining claims in the Whiting litigation. Therefore, unless certain limited circumstances occur permitting reassertion of claims, we are not subject to claims for reallocation of costs or damages incurred by any of the other parties and we cannot seek contribution or reallocation from them.

On October 20, 2017, we appealed the district court's approval of the NCR/Appvion consent decree. We contend that the court did not do what was required to properly conclude that the NCR/Appvion consent decree was substantially fair to us. We contend that the consent decree was unfair to us because the costs we have already incurred and the costs that we would have to incur were the NCR/Appvion consent decree to remain in effect would exceed our fair share of costs for this site. If we prevail on appeal, the circumstances that caused us to prevail would lead us to anticipate that, while all costs would again be subject to reallocation, that reallocation to be in our favor.

Cost estimates. The NCR/Appvion consent decree, as revised, states that all parties combined have spent more than $1 billion through March 2017 towards remedial actions and NRDs, of which we have contributed approximately $75 million. In addition, work to complete the remaining site remedy under the UAO was anticipated to cost approximately $200 million at the beginning of the 2017 remediation season. So long as the NCR/Appvion consent decree remains in effect, we are not exposed to reallocation of any of those amounts, and no other party will be exposed to reallocation of any of the amounts that we have incurred or may incur in the future.

So long as the NCR/Appvion consent decree remains in effect, we (and not NCR) would remain responsible for the Governments' unreimbursed past costs. Many parties have entered into settlements with the Governments over time, including us, that have called for payments of cash or in-kind provision of natural resource restoration projects. Certain amounts were allocated to the United States and the State to reimburse their costs, and other amounts were allocated to the Natural Resource Damages Assessment and Restoration ("NRDAR") Fund to pay for natural resource damages assessment, if any, and restoration projects. The Governments may not recover costs from us that anyone has reimbursed previously. As of the end of 2015, the United States claimed to have

incurred about $34 million in unreimbursed costs, an amount that we dispute. The State had no unreimbursed costs, and had on hand approximately $4 million of unspent settlement money. Further, the NRDAR Fund had received what the Governments claim to have been approximately $104 million in settlement payments, of which more than $60 million remained unspent. On February 5, 2018, the district court decided that the Governments' recovery of costs would be reduced by the funds held by the State at the end of 2015 and by any amount by which the Governments had applied settlement payments to natural resource damages in excess of the actual amount of natural resource damages. We contend that the natural resource restoration projects already constructed fully compensate the public for any natural resource damages, and therefore that the entire unspent balance in the NRDAR Fund remains as an off-set, an amount likely to exceed all of the Governments' past and future costs of response. The Governments disagree. No date has yet been set for trial of the issue.

So long as the NCR/Appvion consent decree remains in effect, we would also remain subject to our obligations under the OU1 consent decree, which now consist of long term monitoring and maintenance that we expect earlier contributions to the OU1 escrow account to fund these costs. Furthermore, we, along with Georgia Pacific, but not NCR, would be responsible for long term monitoring and maintenance required pursuant to the Lower Fox River 100% Remedial Design Report dated December 2009 – Long Term Monitoring Plan (the "Plan"). The Plan requires long term monitoring of each of OU2 through OU5 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. Each operable unit is required to be monitored; however, because of our settlement with Georgia Pacific, our obligations are in OU1-OU4a. Although we are unable to determine with certainty the timing of cash expenditures for the above matters, they are reasonably likely to extend over a period of at least 30 years.

Reserves for the Site. Our reserve for all remaining claims against us relating to PCB contamination is set forth below:

	Year ended	
	December 31	
In thousands	2017	2016
Balance at January 1,	$52,788	$17,105
Payments	(9,644)	(4,317)
Accruals	-	40,000
Balance at December 31,	$43,144	$52,788

The payments set forth above represent cash paid towards completion of remediation activities in connection with the 2016 and 2015 Work Plans, the Georgia-Pacific settlement and ongoing monitoring activities. Of our total reserve for the Fox River, $28.5 million is recorded in the accompanying December 31,

2017 consolidated balance sheet under the caption “Environmental liabilities” and the remaining $14.6 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 believe it is reasonably possible that our costs associated with the Fox River matter could exceed the aggregate amounts accrued by amounts ranging from insignificant to approximately $30 million. We believe the likelihood of an outcome in the upper end of the monetary range is less than other possible outcomes within the range and the possibility of an outcome in excess of the upper end of the monetary range is remote.

Summary. Our current assessment is we will be able to manage this environmental matter without a long-term, material adverse impact on the Company. This matter could, however, at any particular time or for any particular year or years, have a material adverse effect on our consolidated financial position, liquidity and/or results of operations or could result in a default under our debt covenants. Moreover, there can be no assurance our reserves will be adequate to provide for future obligations related to this matter, or our share of costs and/or damages will not exceed our available resources, or those obligations will not have a material adverse effect on our consolidated financial position, liquidity and results of operations and might result in a default under our loan covenants.

21. SEGMENT AND GEOGRAPHIC INFORMATION

The following tables set forth profitability and other information by business unit:

For the year ended December 31, 2017 In millions	Composite Fibers	Advanced Airlaid Materials	Specialty Papers	Other and Unallocated	Total
Net sales	$ 544.3	$ 256.1	$ 790.9	$ —	$ 1,591.3
Energy and related sales, net	—	—	5.1	—	5.1
Total revenue	544.3	256.1	796.0	—	1,596.4
Cost of products sold	437.6	216.7	734.2	15.4	1,403.9
Gross profit	106.7	39.4	61.8	(15.4)	192.5
SG&A	44.4	9.3	46.4	34.3	134.4
Loss on dispositions of plant, equipment and timberlands, net	—	—	—	—	—
Total operating income (loss)	62.3	30.1	15.4	(49.7)	58.1
Non-operating expense	—	—	—	(18.8)	(18.8)
Income (loss) before income taxes	$ 62.3	$ 30.1	$ 15.4	$ (68.5)	$ 39.3
Supplementary Data					
Plant, equipment and timberlands, net	$ 254.0	$ 235.6	$ 360.5	$ 15.6	$ 865.7
Depreciation, depletion and amortization	28.3	9.6	30.8	7.3	76.0
Capital expenditures	15.9	50.6	51.5	14.3	132.3

For the year ended December 31, 2016 In millions	Composite Fibers	Advanced Airlaid Materials	Specialty Papers	Other and Unallocated	Total
Net sales	$ 517.0	$ 244.3	$ 843.6	$ —	$ 1,604.8
Energy and related sales, net	—	—	6.1	—	6.1
Total revenue	517.0	244.3	849.7	—	1,610.9
Cost of products sold	416.4	209.5	752.6	13.9	1,392.3
Gross profit	100.6	34.8	97.1	(13.9)	218.7
SG&A	46.3	8.4	55.9	80.1	190.7
Gains on dispositions of plant, equipment and timberlands, net	—	—	—	0.2	0.2
Total operating income (loss)	54.3	26.4	41.2	(94.2)	27.8
Non-operating expense	—	—	—	(16.9)	(16.9)
Income (loss) before income taxes	$ 54.3	$ 26.4	$ 41.2	$ (111.1)	$ 10.9
Supplementary Data					
Plant, equipment and timberlands, net	$ 235.1	$ 179.3	$ 352.9	$ 8.6	$ 775.9
Depreciation, depletion and amortization	27.8	9.0	26.3	2.7	65.8
Capital expenditures	18.8	36.8	99.0	5.6	160.2

For the year ended December 31, 2015	Composite	Advanced	Specialty	Other and

In millions	Fibers	Airlaid Materials	Papers	Unallocated	Total
Net sales	$ 541.5	$ 244.6	$ 875.0	$ —	$1,661.1
Energy and related sales, net	—	—	5.7	—	5.7
Total revenue	541.5	244.6	880.7	—	1,666.8
Cost of products sold	434.4	215.7	804.5	9.2	1,463.8
Gross profit	107.1	28.9	76.2	(9.2)	203.0
SG&A	45.7	7.6	43.3	31.0	127.7
Gains on dispositions of plant, equipment and timberlands, net	—	—	—	(21.1)	(21.1)
Total operating income (loss)	61.4	21.3	32.9	(19.1)	96.4
Non-operating expense	—	—	—	(17.8)	(17.8)
Income (loss) before income taxes	$ 61.4	$ 21.3	$ 32.9	$ (36.9)	$78.6
Supplementary Data					
Plant, equipment and timberlands, net	$ 258.1	$ 153.5	$ 282.0	$ 5.7	$698.9
Depreciation, depletion and amortization	26.2	8.8	26.0	2.2	63.2
Capital expenditures	26.8	7.8	63.5	1.8	99.9

The sum of individual amounts set forth above may not agree to the consolidated financial statements included herein due to rounding.

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

Management evaluates results of operations of the business units before pension expense, 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 business units 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 business unit 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.

Our Composite Fibers business unit serves customers globally and focuses on higher value-added products in the following markets:

- Food & Beverage filtration paper primarily used for single-serve coffee and tea products;
- Wallcovering base materials used by the world's largest wallpaper manufacturers;
- Technical Specialties a diverse line of special paper products used in applications such as electrical energy storage, transport and transmission, wipes, and other highly-engineered fiber-based applications;
- Composite Laminate paper used in production of decorative laminates, furniture, and flooring applications; and
- Metallized products used in labels, packaging liners, gift wrap, and other consumer product applications.

Composite Fibers' revenue composition by market consisted of the following for the years indicated:

In thousands	2017	2016	2015
Food & beverage	$268,474	$258,463	$274,865
Wallcovering	103,011	90,767	91,620
Technical specialties and other	76,991	71,558	71,689
Composite laminates	38,696	35,107	34,897
Metallized	57,088	61,059	68,397
Total	$544,260	$516,954	$541,468

The Advanced Airlaid Materials business unit is a leading global supplier of highly absorbent cellulose-based airlaid nonwoven materials primarily used to manufacture consumer products for growing global end-user markets. These products include:

- feminine hygiene;
- specialty wipes;
- adult incontinence;

- home care; and
- other consumer products.

Advanced Airlaid Materials’ revenue composition by market consisted of the following for the years indicated:

In thousands	2017	2016	2015
Feminine hygiene	$179,670	$173,902	$182,048
Specialty wipes	29,519	25,206	22,950
Adult incontinence	14,425	12,281	10,720
Home care	13,029	12,630	13,345
Other	19,458	20,243	15,526
Total	$256,101	$244,262	$244,589

Our Specialty Papers business unit focuses on producing papers for the following markets:

- Carbonless & non-carbonless forms papers for credit card receipts, multi-part forms, security papers and other end-user applications;
- Engineered products for high speed ink jet printing, office specialty products, greeting cards, and other niche specialty applications;
- Envelope and converting papers primarily utilized for transactional and direct mail envelopes; and
- Book publishing papers for the production of high quality hardbound books and other book publishing needs.

Specialty Papers’ revenue composition by market consisted of the following for the years indicated:

In thousands	2017	2016	2015
Carbonless & forms	$292,071	$319,648	$349,831
Engineered products	189,930	189,463	190,943
Envelope & converting	154,291	173,362	178,067
Book publishing	152,576	157,541	152,647
Other	2,067	3,568	3,538
Total	$790,935	$843,582	$875,026

No individual customer accounted for more than 10% of our consolidated net sales in 2017, 2016 and 2015. However, one customer accounted for the majority

of Advanced Airlaid Materials' net sales in each of the past three years ended December 31, 2017.

Our net sales to external customers and location of net plant, equipment and timberlands are summarized below. Net sales are attributed to countries based upon origin of shipment.

	2017		2016		2015	
In thousands	Net sales	Plant, Equipment and Timberlands – Net	Net sales	Plant, Equipment and Timberlands – Net	Net sales	Plant, Equipment and Timberlands – Net
United States	$880,708	$ 456,223	$918,567	$ 391,977	$959,730	$ 287,447
Germany	450,668	240,932	427,520	220,380	444,009	232,340
United Kingdom	76,594	55,495	78,759	51,903	86,442	62,931
Canada	120,434	78,220	115,902	79,727	118,568	81,201
Other	62,893	34,873	64,049	31,911	52,335	34,945
Total	$1,591,297	$ 865,743	$1,604,797	$ 775,898	$1,661,084	$ 698,864

22. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

Our 5.375% Notes issued by P. H. Glatfelter Company (the "Parent") are fully and unconditionally guaranteed, on a joint and several basis, by certain of our 100%-owned domestic subsidiaries, PHG Tea Leaves, Inc., Mollanvick, Inc., Glatfelter Composite Fibers N. A., Inc., Glatfelter Advance Materials N.A., Inc., and Glatfelter Holdings, LLC. The guarantees are subject to certain customary release provisions including i) the designation of such subsidiary as an unrestricted or excluded subsidiary; (ii) in connection with any sale or disposition of the capital stock of the subsidiary guarantor; and (iii) upon our exercise of our legal defeasance option or our covenant defeasance option, all of which are more fully described in the Indenture dated as of October 3, 2012 and the First Supplemental Indenture dated as of October 27, 2015, among us, the Guarantors and US Bank National Association, as Trustee, relating to the 5.375% Notes.

The following presents our condensed consolidating statements of income, including comprehensive income and cash flows for the years ended December 31, 2017, 2016 and 2015 and our condensed consolidating balance sheets as of December 31, 2017 and 2016.

Condensed Consolidating Statement of Income for the

year ended December 31, 2017

In thousands	Parent Company	Guarantors	Non Guarantors	Adjustments/ Eliminations	Consolidated
Net sales	$790,933	$ 89,787	$ 798,603	$ (88,026)	$ 1,591,297
Energy and related sales, net	5,126	—	—	—	5,126
Total revenues	796,059	89,787	798,603	(88,026)	1,596,423
Costs of products sold	747,736	85,196	659,007	(88,026)	1,403,913
Gross profit	48,323	4,591	139,596	—	192,510
Selling, general and administrative expenses	69,483	2,598	62,313	—	134,394
(Gain) loss on dispositions of plant equipment and timberlands, net	223	(188)	(9)	—	26
Operating income (loss)	(21,383)	2,181	77,292	—	58,090
Other non-operating income (expense)					
Interest expense	(20,394)	(971)	(1,801)	5,394	(17,772)
Interest income	599	4,947	85	(5,394)	237
Equity in earnings of subsidiaries	18,864	60,871	—	(79,735)	—
Other, net	2,241	(6,776)	3,315	—	(1,220)
Total other non-operating income (expense)	1,310	58,071	1,599	(79,735)	(18,755)
Income (loss) before income taxes	(20,073)	60,252	78,891	(79,735)	39,335
Income tax provision (benefit)	(27,987)	41,388	18,020	—	31,421
Net income	7,914	18,864	60,871	(79,735)	7,914
Other comprehensive income	63,931	52,290	51,828	(104,118)	63,931
Comprehensive income	$71,845	$ 71,154	$ 112,699	$ (183,853)	$ 71,845

Condensed Consolidating Statement of Income for the

year ended December 31, 2016

In thousands	Parent Company	Guarantors	Non Guarantors	Adjustments/ Eliminations	Consolidated
Net sales	$843,582	$75,000	$755,860	$(69,645)	$1,604,797
Energy and related sales, net	6,141	—	—	—	6,141
Total revenues	849,723	75,000	755,860	(69,645)	1,610,938
Costs of products sold	763,109	70,991	627,880	(69,645)	1,392,335
Gross profit	86,614	4,009	127,980	—	218,603
Selling, general and administrative expenses	133,387	(156)	57,463	—	190,694
Loss on dispositions of plant equipment and timberlands, net	177	—	39	—	216
Operating income (loss)	(46,950)	4,165	70,478	—	27,693
Other non-operating income (expense)					
Interest expense	(17,436)	(41)	(3,060)	4,715	(15,822)
Interest income	687	4,177	57	(4,715)	206
Equity in earnings of subsidiaries	61,007	58,347	—	(119,354)	—
Other, net	(2,312)	(3,966)	5,007	—	(1,271)
Total other non-operating income (expense)	41,946	58,517	2,004	(119,354)	(16,887)
Income (loss) before income taxes	(5,004)	62,682	72,482	(119,354)	10,806
Income tax provision (benefit)	(26,558)	1,675	14,135	—	(10,748)
Net income	21,554	61,007	58,347	(119,354)	21,554
Other comprehensive loss	(14,120)	(25,916)	(25,176)	51,092	(14,120)
Comprehensive income	$7,434	$35,091	$33,171	$(68,262)	$7,434

Condensed Consolidating Statement of Income for the

year ended December 31, 2015

In thousands	Parent Company	Guarantors	Non Guarantors	Adjustments/ Eliminations	Consolidated
Net sales	$875,026	$84,704	$779,380	$(78,026)	$1,661,084
Energy and related sales, net	5,664	—	—	—	5,664
Total revenues	880,690	84,704	779,380	(78,026)	1,666,748
Costs of products sold	811,329	80,455	650,025	(78,026)	1,463,783
Gross profit	69,361	4,249	129,355	—	202,965
Selling, general and administrative expenses	71,751	821	55,134	—	127,706
Gain on dispositions of plant					

equipment and timberlands, net	(19,720)	(1,183)	(210)	—	(21,113)
Operating income	17,330	4,611	74,431	—	96,372
Other non-operating income (expense)					
Interest expense	(18,147)	—	(36,859)	37,542	(17,464)
Interest income	673	37,127	26	(37,543)	283
Equity in earnings of subsidiaries	61,946	24,737	—	(86,683)	—
Other, net	(3,389)	(1,471)	4,245	—	(615)
Total other non-operating income (expense)	41,083	60,393	(32,588)	(86,684)	(17,796)
Income before income taxes	58,413	65,004	41,843	(86,684)	78,576
Income tax provision (benefit)	(6,162)	2,922	17,241	—	14,001
Net income	64,575	62,082	24,602	(86,684)	64,575
Other comprehensive income (loss)	(35,616)	(41,010)	29,680	11,330	(35,616)
Comprehensive income	$ 28,959	$ 21,072	$ 54,282	$ (75,354)	$ 28,959

Condensed Consolidating Balance Sheet as of December 31, 2017

In thousands	Parent Company	Guarantors	Non Guarantors	Adjustments/ Eliminations	Consolidated
Assets					
Cash and cash equivalents	$1,292	$720	$114,207	$—	$116,219
Other current assets	249,293	217,822	279,626	(277,989)	468,752
Plant, equipment and timberlands, net	375,231	80,992	409,520	—	865,743
Investments in subsidiaries	829,895	653,128	—	(1,483,023)	—
Other assets	139,552	—	140,529	—	280,081
Total assets	$1,595,263	$952,662	$943,882	$(1,761,012)	$1,730,795
Liabilities and Shareholders' Equity					
Current liabilities	$402,787	$54,640	$167,738	$(277,989)	$347,176
Long-term debt	368,496	51,000	50,602	—	470,098
Deferred income taxes	14,081	16,814	52,676	—	83,571
Other long-term liabilities	100,971	313	19,738	—	121,022
Total liabilities	886,335	122,767	290,754	(277,989)	1,021,867
Shareholders’ equity	708,928	829,895	653,128	(1,483,023)	708,928
Total liabilities and shareholders’ equity	$1,595,263	$952,662	$943,882	$(1,761,012)	$1,730,795

Condensed Consolidating Balance Sheet as of December 31, 2016

In thousands	Parent Company	Guarantors	Non Guarantors	Adjustments/ Eliminations	Consolidated
Assets					
Cash and cash equivalents	$5,082	$1,461	$48,901	$—	$55,444
Other current assets	206,002	256,289	242,187	(265,663)	438,815
Plant, equipment and timberlands, net	360,521	31,455	383,922	—	775,898
Investments in subsidiaries	789,565	540,029	—	(1,329,594)	—
Other assets	123,010	—	128,092	—	251,102
Total assets	$1,484,180	$829,234	$803,102	$(1,595,257)	$1,521,259
Liabilities and Shareholders' Equity					
Current liabilities	$426,628	$26,085	$135,961	$(265,663)	$323,011
Long-term debt	283,686	14,000	65,961	—	363,647
Deferred income taxes	10,221	(729)	45,503	—	54,995
Other long-term liabilities	109,819	313	15,648	—	125,780
Total liabilities	830,354	39,669	263,073	(265,663)	867,433
Shareholders’ equity	653,826	789,565	540,029	(1,329,594)	653,826
Total liabilities and shareholders’ equity	$1,484,180	$829,234	$803,102	$(1,595,257)	$1,521,259

Condensed Consolidating Statement of Cash Flows for the year

ended December 31, 2017

In thousands	Parent Company	Guarantors	Non Guarantors	Adjustments/ Eliminations	Consolidated
Net cash provided (used) by					
Operating activities	$(4,259)	$(3,506)	$112,027	$—	$104,262
Investing activities					
Expenditures for purchases of plant, equipment and timberlands	(65,822)	(45,644)	(20,838)	—	(132,304)
Proceeds from disposals of plant, equipment and timberlands, net	11	209	8	—	228
Repayments from intercompany loans	—	12,000	—	(12,000)	—
Advances of intercompany loans	—	(14,400)	—	14,400	—
Intercompany capital contributed	(14,000)	(400)	—	14,400	—
Acquisitions, net of cash acquired	—	—	—	—	—
Other	(243)	—	—	—	(243)
Total investing activities	(80,054)	(48,235)	(20,830)	16,800	(132,319)
Financing activities					
Net long-term borrowings	84,200	37,000	(21,535)	—	99,665
Payment of dividends to shareholders	(22,480)	—	—	—	(22,480)
Repayments of intercompany loans	—	—	(12,000)	12,000	—
Borrowings of intercompany loans	14,400	—	—	(14,400)	—
Intercompany capital received	—	14,000	400	(14,400)	—
Proceeds from government grants	4,875	—	—	—	4,875
Payments related to share-based compensation awards and other	(472)	—	—	—	(472)
Total financing activities	80,523	51,000	(33,135)	(16,800)	81,588
Effect of exchange rate on cash	—	—	7,244	—	7,244
Net increase (decrease) in cash	(3,790)	(741)	65,306	—	60,775
Cash at the beginning of period	5,082	1,461	48,901	—	55,444
Cash at the end of period	$1,292	$720	$114,207	$—	$116,219

Condensed Consolidating Statement of Cash Flows for the year

ended December 31, 2016

In thousands	Parent Company	Guarantors	Non Guarantors	Adjustments/ Eliminations	Consolidated
Net cash provided (used) by					
Operating activities	$33,109	$1,275	$81,726	$—	$116,110
Investing activities					

Expenditures for purchases of plant, equipment and timberlands	(104,595)	(30,682)	(24,881)	—	(160,158)
Proceeds from disposals of plant, equipment and timberlands, net	41	—	29	—	70
Repayments from intercompany loans	—	15,601	—	(15,601)	—
Advances of intercompany loans	—	(18,330)	—	18,330	—
Intercompany capital (contributed) returned	(17,000)	(500)	—	17,500	—
Other	(800)	—	—	—	(800)
Total investing activities	(122,354)	(33,911)	(24,852)	20,229	(160,888)
Financing activities					
Net repayments of indebtedness	36,000	14,000	(35,886)	—	14,114
Payments of borrowing costs	(136)	—	—	—	(136)
Payment of dividends to shareholders	(21,589)	—	—	—	(21,589)
Repayments of intercompany loans	—	—	(15,601)	15,601	—
Borrowings of intercompany loans	18,330	—	—	(18,330)	—
Intercompany capital (returned) received	—	17,000	500	(17,500)	—
Payment of intercompany dividend	—	632	(632)	—	—
Proceeds from government grants	3,582	2,000	—	—	5,582
Payments related to share-based compensation awards and other	(990)	—	—	—	(990)
Total financing activities	35,197	33,632	(51,619)	(20,229)	(3,019)
Effect of exchange rate on cash	—	—	(2,063)	—	(2,063)
Net increase (decrease) in cash	(54,048)	996	3,192	—	(49,860)
Cash at the beginning of period					