Neenah Paper Inc
Form 10-K
March 10, 2010
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STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2009

OR

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

For the transition period from to

Commission file number 001-32240

NEENAH PAPER, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-1308307**

(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3460 Preston Ridge Road **Alpharetta, Georgia** (Address of principal executive offices)	**30005** (Zip Code)

Registrant s telephone number, including area code: **(678) 566-6500**

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock $0.01 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the registrant s common stock held by non-affiliates on June 30, 2009 (based on the closing stock price on the New York Stock Exchange) on such date was $130 million.

As of February 26, 2010, there were 14,705,596 shares of the Company s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the definitive proxy statement for the Company s Annual Meeting of Stockholders to be held on May 19, 2010 is incorporated by reference into Part III hereof.

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PART I

In this report, unless the context requires otherwise, references to we, us, our, Neenah or the Company are intended to mean Neenah Paper, I
and its consolidated subsidiaries.

Item 1. Business

Overview

We are a leading producer of premium fine papers and technical products. We have two primary operations: our fine paper business and our technical products business. We also own approximately 475,000 acres of timberlands in Nova Scotia, Canada.

Our fine paper business is a leading producer of premium writing, text, cover and specialty papers used in corporate identity packages, corporate annual reports, invitations, personal stationery and high-end packaging for point of purchase advertising. Our products include some of the most recognized and preferred papers in North America, where we enjoy leading market positions in many of our product categories. We sell our products primarily to authorized paper distributors, converters and specialty businesses. Our fine paper manufacturing facilities are located in Appleton, Neenah and Whiting, Wisconsin.

Our technical products business is a leading international producer of transportation and other filter media, durable, saturated and coated substrates for a variety of end uses; and nonwoven wall coverings. Our technical products business is organized into five global strategic business units (SBUs) which sell into 17 product categories. We focus on categories where we believe we are a market leader or have a competitive advantage, which include, among others, transportation and other filter media, specialty tape, label, abrasive, medical packaging, nonwoven wall coverings and image transfer technical products markets. We are also a global supplier of materials used for customer-specific applications in furniture, book covers and original equipment manufacturers products. Our customers are located in more than 35 countries. Our technical products manufacturing facilities are located in Munising, Michigan and near Munich and Frankfurt, Germany.

Company Structure

Our corporate structure consists of Neenah Paper, Inc., and five wholly owned subsidiaries.

Neenah Paper, Inc. is a Delaware corporation that holds our trademarks and patents related to all of our U.S. businesses (except Fox River), all of our U.S. inventory, the real estate, mills and manufacturing assets associated with our fine paper operations in Neenah and Whiting, Wisconsin, and all of the equity in our subsidiaries listed below. The common stock of Neenah is publicly traded on the New York Stock Exchange under the symbol NP.

Neenah Paper Michigan, Inc. is a Delaware corporation and a wholly owned subsidiary of Neenah Paper, Inc. that owns the real estate, the mill and the manufacturing assets associated with our U.S. technical products business.

NPCC Holding Company LLC. is a Delaware limited liability company and wholly owned subsidiary of Neenah Paper, Inc. It owns all of the equity of Neenah Paper Company of Canada. Neenah Paper Company of Canada is a Nova Scotia unlimited liability corporation that owns approximately 475,000 acres of timberlands in Nova Scotia, Canada.

Neenah Paper FVC, Inc. is a Delaware corporation and wholly owned subsidiary of Neenah Paper, Inc., that owns all of the equity of Neenah Paper FR, LLC. Neenah Paper FR, LLC is a Delaware limited liability company that owns the real estate, mills and manufacturing assets associated with our operation in Appleton, Wisconsin.

Neenah Paper International Holding Company, LLC. is a Delaware limited liability company and wholly owned subsidiary of Neenah Paper Inc. that owns all of the equity of Neenah Paper International, LLC. Neenah Paper International, LLC is a Delaware limited liability company that owns all of the equity of Neenah Germany GmbH and in conjunction with Neenah Germany GmbH all of the equity of Neenah Services GmbH & Co. KG.

Neenah Paper International Finance Company BV is a private company with limited liability organized under the laws of the Netherlands and a wholly owned subsidiary of Neenah Paper, Inc.

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History of the Businesses

Neenah was incorporated in April 2004 in contemplation of the spin-off by Kimberly-Clark Corporation (Kimberly-Clark) of its fine paper and technical products businesses in the United States and its Canadian pulp business (collectively, the Pulp and Paper Business). We had no material assets or activities until Kimberly-Clark s transfer to us of the Pulp and Paper business on November 30, 2004. On that date, Kimberly-Clark completed the distribution of all of the shares of our common stock to the stockholders of Kimberly-Clark (the Spin-Off). Following the Spin-Off, we are an independent public company and Kimberly-Clark has no ownership interest in us.

Fine Paper. The fine paper business was incorporated in 1885 as Neenah Paper Company, which initially operated a single paper mill in Neenah, Wisconsin. Kimberly-Clark acquired the mill in 1956. In 1981, Kimberly-Clark purchased an additional mill located in Whiting, Wisconsin to increase the production capacity of the fine paper business. In the late 1980s and early 1990s, Kimberly-Clark expanded the capacity of the fine paper business in response to increased demand by building two new paper machines at the Whiting mill, rebuilding two existing paper machines at the Whiting mill and completing a major expansion of the Neenah facility with the installation of a new paper machine, a new finishing center, a new customer service center and a distribution center expansion. As a result of decreased demand, in the 2000s the Neenah mill retired two of its older paper machines. In March 2007, we acquired Fox Valley Corporation (now named Neenah Paper FVC, Inc.), which owned Fox River Paper Company, LLC (Fox River , now named Neenah Paper FR, LLC). The Fox River assets acquired consisted of four U.S. paper mills and various related assets, producing premium fine papers with well-known brands including STARWHITE®, SUNDANCE®, ESSE® and OXFORD®.

As part of our plan to integrate the operations of Fox River with those of our existing fine paper mills, we closed the Housatonic mill, located near Great Barrington, Massachusetts in May 2007. During the second quarter of 2008, we closed the former Fox River fine paper mill located in Urbana, Ohio. In May 2009, we closed the former Fox River fine paper mill located in Ripon, California. We have deposed of the Housatonic and Urbana mills and are in the process of selling the remaining assets of the Ripon mill. The Company s other premium fine paper mills have absorbed the production previously made at these facilities. See Note 3 of Notes to Consolidated Financial Statements, Closure of the Ripon Mill.

Technical Products. In 1952, Kimberly-Clark purchased the Munising mill, located in Munising, Michigan. Subsequent to the purchase, Kimberly-Clark converted the mill to produce durable, saturated and coated papers for sale and use in a variety of industrial applications for its technical products business. In October 2006, we purchased the outstanding interests of FiberMark Services GmbH & Co. KG and the outstanding interests of FiberMark Beteiligungs GmbH (collectively Neenah Germany). The Neenah Germany assets consist of two mills located near Munich, Germany and a third mill near Frankfurt, Germany, that produce a wide range of products, including transportation and other filter media, nonwoven wall coverings, masking and other tapes, abrasive backings, and specialized printing and coating substrates.

Pulp. At the Spin-Off, our pulp operations consisted of pulp mills located in Terrace Bay, Ontario and Pictou, Nova Scotia and approximately 1,000,000 acres of owned timberlands in Nova Scotia, Canada. In August 2006, we transferred our Terrace Bay mill and related woodlands operations to certain affiliates of Buchanan Forest Products Ltd. (Buchanan). See Note 5 of Notes to Consolidated Financial Statements, Discontinued Operations Transfer of the Terrace Bay Mill. In June 2006, we sold approximately 500,000 acres of woodlands in Nova Scotia. In June 2008, we sold the Pictou Mill, which was the last pulp mill we owned, to Northern Pulp Nova Scotia Corporation (Northern Pulp). See Note 5 of Notes to Consolidated Financial Statements, Discontinued Operations Sale of the Pictou Mill and the Woodlands.

Assets Held for Sale Discontinued Operations. In the first quarter of 2007, we engaged a nationally known investment banking firm to identify buyers interested in acquiring the Pictou Mill and/or approximately 475,000 acres of timberlands in Nova Scotia, Canada (the Woodlands). In February 2008, we committed to a plan to sell the Pictou Mill (which was sold in June 2008) and to separately pursue purchasers of the Woodlands. On March 1, 2010, we announced that Neenah Canada had signed a definitive agreement to sell the Woodlands for C$82.5 million ($78.6 million). See Note 17 of Notes to Consolidated Financial Statements, Subsequent Event.

Business Strategy

Increase the Size of our Paper Businesses. Following the Spin-Off, we sought to increase the size of our successful specialty and premium paper businesses. Growth in our paper businesses was pursued organically and through acquisitions, such as Neenah Germany and Fox River. Ultimately, we decided to exit the pulp business, where our scale and cost position was determined to be sub-optimal for this global commodity and our pulp mills were eventually divested.

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Deliver Consistent Profitable Growth. We believe that our fine paper and technical products production assets provide us with a flexible and effective platform for growth. Our experienced team of employees and management are pursuing business strategies designed to take advantage of existing strengths in these businesses including our strong market positions, well recognized brands, high-quality products and efficient manufacturing operations while responding to the challenges faced by each unit. We expect our fine paper business to continue to deliver significant cash flows as we gain share in a declining market and seek additional growth opportunities, and grow in Technical Products markets, both organically and through acquisitions.

Provide Investors with Attractive Returns. We believe that the successful execution of our strategies and our continued use of return on capital as an important metric to evaluate decisions and allocate capital to our core business will result in positive returns for investors. We also expect to provide returns to investors by paying dividends in line with peer companies.

Products

Fine Paper. The fine paper business manufactures and sells world-class branded premium writing, text, cover and specialty papers used in corporate identity packages, corporate annual reports, invitations, personal stationery and high-end packaging for point of purchase advertising. Our fine paper business had net sales of approximately $256 million, $336 million and $367 million in 2009, 2008 and 2007, respectively.

Premium writing papers are used for business and personal stationery, corporate identity packages, envelopes and similar end-use applications. Market leading writing papers are sold by the fine paper business under the CLASSIC®, ENVIRONMENT®, NEENAH®, CAPITOL BOND® and NEUTECH® trademarks, which are denoted by a brand watermark in each sheet of writing paper. The fine paper business also sells private watermarked paper and other specialty writing papers.

Text and cover papers are used in applications such as corporate brochures, pocket folders, corporate annual reports, advertising inserts, direct mail, business cards, hang tags, scrapbooks, and a variety of other uses where colors, textured finishes or heavier weight papers are desired. Our brands in this category include CLASSIC®, CLASSIC CREST®, STARWHITE®, SUNDANCE®, ESSE® and ENVIRONMENT®. We also sell a variety of custom colors, paper finishes, and duplex/laminated papers.

The fine paper business produces and sells other specialty papers, including translucent papers, art papers, papers for optical scanning and other specialized applications, under the UV/ULTRA® II translucent paper trademark and other brands.

In 2009, we signed an exclusive licensing agreement with Crane & Co. Inc. (Crane) for Neenah to manufacture, market and distribute Crane s business paper brands.

Technical Products. The technical products business is a leading producer of filtration media and durable, saturated and coated substrates for a variety of end uses, including tapes, premask, abrasives, labels, medical packaging, decorative components, wall covering, and image transfer papers. Our technical products business had net sales of approximately $318 million, $397 million and $401 million in 2009, 2008 and 2007, respectively. JET-PRO®, SofStretch , KIMDURA®, MUNISING LP®, PREVAIL , NEENAH®, Gessner® and varitess® are brands of our technical products business.

In general, the products of our technical products business are sold to other manufacturers as key components for their finished products. The technical products business is organized into five SBUs: Filtration; Tape; Component Materials, which includes our abrasives business; Graphics and Identification; and Wall Covering to sell its products into major market segments. Several of the key market segments served, including tape and abrasives, are global in scope.

The Filtration SBU produces filtration media for induction air, fuel, oil, and cabin air applications in automotive transportation and for vacuum cleaner bags and filters. Transportation filtration media are sold to suppliers of automotive companies as original equipment on new cars and trucks as well as to the automotive aftermarket. This business is primarily in Europe.

The Tape SBU produces both saturated and unsaturated crepe and flat papers and sells them to manufacturers to produce finished pressure sensitive products for sale in automotive, automotive aftermarket, transportation, manufacturing and building construction, and industrial general purpose applications.

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The Component Materials SBU is a leading producer of latex saturated and coated papers for use by a wide variety of manufacturers. Finished lightweight sandpaper is sold in the automotive, automotive aftermarket, construction, metal and woodworking industries for both waterproof and dry sanding applications. Premask paper is used as a protective over wrap for products during the manufacturing process and for applying signs, labeling and other finished products. Medical packaging paper is a polymer impregnated base sheet that provides a breathable sterilization barrier. When sealed together with film, this paper becomes a medical packaging material that allows sterilization from steam, ethylene oxide, or gamma radiation and at the same time provides unique barrier properties. The Component Materials SBU also produces a line of release papers and furniture backers.

The Graphics and Identification SBU produces label and tag products from saturated (latex impregnated) base label stock and purchased synthetic base label stock. Top coatings are applied to the base label stock to allow for high quality variable and digital printing. The synthetic label stock is recognized as a high quality, UV (ultra-violet) stable product used for outdoor applications. The business sells its label and tag stock to pressure sensitive coaters, who in turn sell the coated label and tag stock to the label printing community. Image transfer papers are used to transfer an image from paper to tee shirts, hats, coffee mugs, and other surfaces. The Graphics and Identification SBU produces and applies a proprietary imaging coating to its image transfer papers for use in digital printing applications. Image transfer papers are primarily sold through large retail outlets and through master distributors. Decorative components papers are made from light and medium weight latex saturated papers which can then be coated for printability. Decorative components papers are primarily sold to coater converters, distributors, publishers and printers for use in book covers, stationery and fancy packaging. The Graphics and Identification SBU also produces and sells clean room papers and durable printing papers into their respective markets.

The Wall Covering SBU produces a line of substrates made from saturated and coated wet-laid nonwovens and markets to converters serving primarily European commercial and do-it-yourself markets.

Markets and Customers

Fine Paper. Premium writing, text and cover papers represent approximately three percent of the North American uncoated free sheet market. The uncoated free sheet market has been declining two to four percent annually due to the increasing use of electronic media for communication. For 2009, the American Forestry and Paper Associations (the AF&PA) reported a 27 percent year-over-year industry decline in the premium writing, text and cover uncoated free sheet paper category. Lower industry volume reflected a sharp decline in consumption for a number of key end use market segments, including advertising, financial institutions and transportation. The stationery segment of the uncoated free sheet market is divided into cotton and sulfite grades. The text and cover paper segment of the market, used in corporate identification applications, is split between smooth papers and textured papers. Text papers have traditionally been utilized for special, high end collateral material such as corporate brochures, annual reports and special edition books. Cover papers are primarily used for business cards, pocket folders, brochures and report covers including corporate annual reports.

The fine paper business sells its products through our sales and marketing organizations primarily in three channels: authorized paper distributors, converters and direct sales. Sales to distributors, including distributor owned paper stores, account for approximately 70 percent of revenue in the fine paper business. Less than five percent of the sales of our fine paper business are exported to international distributors.

Sales to the fine paper business s two largest customers (both of which are distributors) represented approximately 30 percent of its total sales in 2009. We practice limited distribution to improve our ability to control the marketing of our products. Although a complete loss of either of these customers would cause a temporary decline in the business s sales volume, the decline could be partially offset by expanding sales to existing distributors, and further offset over a several month period with the addition of new distributors.

Technical Products. The technical products business relies on five SBUs to sell its products globally into 17 product categories. Such categories, broadly defined as polymer impregnated and synthetic paper, include papers used as raw materials in the following applications: filtration, tape, component materials for manufactured products, graphics and identification, and wall covering.

Several products (filtration media, wall coverings, abrasives, tapes, labels) are used in markets that are directly affected by economic business cycles. Other market segments such as image transfer papers used in small/home office and consumer applications are relatively stable. Price competition is common in most of the segments served by the technical products business and has increased due to a trend of using film and other lower cost substrates instead of paper in some applications.

The technical products business relies on a team of direct sales representatives and customer service representatives to market and sell approximately 95 percent of its sales volume directly to customers and converters. Less than five percent of the sales of the technical products business are sold through industrial distributors.

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The technical products business has over 500 customers worldwide. The distribution of sales in 2009 was approximately 55 percent in Europe, 25 percent in North America and 20 percent in Latin America and Asia. Customers typically convert and transform base papers and film into finished rolls and sheets by adding adhesives, coatings, and finishes. These transformed products are then sold to end-users.

Concentration. For the years ended December 31, 2009, 2008 and 2007, no customer accounted for more than 10 percent of our consolidated net sales.

The following tables present further information about our businesses by geographic area (dollars in millions):

	Year Ended December 31,		
	2009	2008	2007
Net sales			
United States	$ 360.9	$ 467.3	$ 502.9
Europe	213.0	265.0	264.4
Intergeographic items			(0.3)
Consolidated	$ 573.9	$ 732.3	$ 767.0

	December 31,		
	2009	2008	2007
Total Assets			
United States	$ 330.9	$ 371.8	$ 337.5
Canada	5.4	3.3	201.6
Europe	301.2	314.9	398.7
Total	$ 637.5	$ 690.0	$ 937.8

Net sales and total assets are attributed to geographic areas based on the physical location of the selling entities and the physical location of the assets. See Note 14 of Notes to Consolidated Financial Statements Business Segment and Geographic Information for information with respect to net sales, profits (losses) and total assets by business segment.

Raw Materials

Fine Paper. Hardwood pulp is the primary fiber used to produce products of the fine paper business. Our fine paper business consumed approximately 55,000 metric tons, 65,000 metric tons and 80,000 metric tons of hardwood pulp in 2009, 2008 and 2007, respectively. Other significant raw material inputs in the production of fine paper products include softwood pulp, cotton fiber, recycled fiber, dyes and fillers. An interruption in our supply of pulp or cotton could adversely affect our fine paper sales. The fine paper business purchases all of its raw materials externally.

Technical Products. The technical products business purchases latex, a primary raw material used to produce its products, from various suppliers. Softwood pulp, including certain specialty pulp, is the other main raw material consumed. The technical products business purchases substantially all of its raw material requirements externally. We believe that all of the raw materials for our technical products operations, except for certain specialty latex grades and specialty softwood pulp, are readily available from several sources and that the loss of a single supplier would not cause a shutdown of our manufacturing operations. An interruption in the supply of certain latex specialty grades or specialty softwood pulp, however, could disrupt and eventually cause a shutdown of production of certain technical products.

Concentration. Except for certain specialty latex grades and specialty softwood pulp used by our technical products business, we are not aware of any significant concentration of business transacted with a particular supplier that could, if suddenly eliminated, have a material adverse affect on our operations. While we believe that alternative sources of critical supplies would be available, disruption of our primary sources could create a temporary, adverse effect on product shipments. An interruption in the supply of a latex specialty grade or of specialty softwood pulp to our technical products business, each of which is currently obtained from a single source, could disrupt and eventually cause a shutdown of production of certain technical products.

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Energy and Water

The equipment used in the manufacture of the products of our fine paper and technical products businesses uses significant amounts of energy, primarily electricity, natural gas, oil and coal. We generate substantially all of our electrical energy at the Munising mill and approximately 20 percent of the electrical energy at our mills in Bruckmühl, Germany and Appleton, Wisconsin. We also purchase electrical energy from external sources, including electricity generated from renewable sources.

Availability of energy is not expected to be a problem in the foreseeable future, but the purchase price of such energy can and likely will fluctuate significantly based on changes in demand and other factors.

An adequate supply of water is needed to manufacture our products. We believe that there is an adequate supply of water for this purpose at each of our manufacturing locations.

Working Capital

Fine Paper. The fine paper business maintains approximately 10 days of raw material inventories to support its paper making operations and about 50 days to 55 days of finished goods inventory to fill customer orders. Fine Paper sales terms range between 20 and 30 days for customer payments, with 20-day terms used most often. Supplier invoices are typically paid within 30 days.

Technical Products. Our U.S. technical products business maintains approximately 25 days to 30 days of raw materials and supplies inventories to support its manufacturing operations and approximately 25 days to 30 days of finished goods inventory to support customer orders for its products. Sales terms in the technical products business vary depending on the type of product sold and customer category. Extended credit terms of up to 120 days are offered to customers located in certain international markets. Sales are collected in approximately 45 days to 50 days and supplier invoices are generally paid within 30 days. Our German technical products business maintains approximately 20 days of raw materials and supplies inventories to support its manufacturing operations and approximately 30 days of finished goods inventory to support customer orders for its products. Sales terms in the technical products business vary depending on the type of product sold and customer category. Extended credit terms of up to 120 days are offered to customers located in certain international markets. Sales are collected in approximately 55 to 60 days and supplier invoices are generally paid within 20 days.

Competition

Fine Paper. We believe our fine paper business is a leading supplier of premium writing, text, cover and specialty papers in North America. The fine paper business competes directly in this market with Mohawk Fine Papers Inc., Wausau Paper Corp. and other smaller companies. We believe the primary bases of competition for premium writing, text and cover papers are brand recognition, product quality, customer service, product availability, promotional support and variety of colors and textures. Price also can be a factor particularly versus lower quality opaque and offset papers. We have and will continue to invest in advertising and other programs aimed at graphic designers, printers and corporate end-users in order to communicate the advantages of using our products.

Technical Products. Our technical products business competes in global markets with a number of large multinational competitors, including ArjoWiggins S.A.S. and Ahlstrom Corporation. It also competes in some, but not all, of these segments with smaller regional manufacturers, such as Monadnock Paper Mills, Inc., Fortress Paper, Ltd., Potsdam Specialty Paper, Inc. and Paper Line S.p.A. We believe the bases of competition in most of these segments are the ability to design and develop customized product features to meet customer specifications while maintaining quality, customer service and price. We believe our research and development program gives us an advantage in customizing base papers to meet customer needs.

Research and Development

Our domestic technical products business maintains research and development laboratories in the U.S. in Roswell, Georgia and Munising, Michigan to support its strategy of developing new products and technologies, and to support growth in its existing product lines and other strategically important markets. Our German technical products business maintains laboratory and research and development staff at each of its manufacturing locations and dedicated application engineers for key accounts to support product development and process improvements. Our German technical products business also has a nano fiber pilot plant for the testing of advanced filter media applications. We have continually invested in product research and development with spending of $5.5 million in 2009, $6.5 million in 2008 and $6.4 million in 2007.

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Intellectual Property

We own more than 50 trademarks with registrations in approximately 50 countries. Our business has built its market leading reputation on trademarked brands that date back as far as 1908. The CLASSIC® family of brands is one of the most well known and respected trademarks in the printing and writing industry. The CLASSIC® family includes CLASSIC CREST®, CLASSIC® Laid, CLASSIC® Linen, CLASSIC COLUMNS® and CLASSIC COTTON® papers. Our branded products, which also include the ENVIRONMENT® brand and brands such as STARWHITE®, SUNDANCE® and ESSE®, have played an important role in the marketing of the product lines of the fine paper business, which are recognized as an industry leader for quality, consistency and printing applications. In the fourth quarter of 2009, our fine paper business entered into an exclusive licensing agreement to market and distribute Crane & Co. s CRANE S CREST®, CRANE S BOND®, CRANE S LETTRA®, CRANE S PALETTE and CRANE S® Choice Papers branded fine papers. In the fourth quarter of 2008, our fine paper business acquired the trademarks for the Classic brand in certain key international markets. This investment continues to build on our long term strategy to consolidate the writing, text and cover (WT&C) categories in the US and continue to grow our strongest brands by increasing our international market penetration.

The KIMDURA® and MUNISING LP® trademarks have made a significant contribution to the marketing of synthetic film and clean room papers of the technical products business. The Gessner® and varitess® trademarks have played an important role in the marketing of Neenah Germany product lines.

We own more than 40 patents and have multiple pending patent applications in the United States, Canada, Western Europe and certain other countries covering image transfer paper, abrasives and medical packaging. We believe our image transfer patents have contributed to establishing the technical products business as a leading supplier of image transfer papers.

Backlog and Seasonality

Fine Paper. The fine paper business has historically experienced a steady flow of orders with marginally higher sales in the first quarter due to annual report production and a slight reduction in the third quarter due to scheduled maintenance downtime. Orders for stock products are typically shipped within two days, while custom orders are shipped within two to three weeks of receipt. Raw material purchases and manufacturing schedules are planned based on a combination of historical trends, customer forecasts and current market conditions. The order backlogs in the fine paper business on December 31, 2009 and December 31, 2008 were $6.1 million and $10.8 million, respectively, which represent approximately 8 days and 11 days, respectively, of sales. The order backlogs from December 31, 2009 and 2008 were filled in the respective following years.

Technical Products. In general, sales and profits for the technical products business have been relatively stronger in the first half of the year with reductions in the third quarter due to reduced customer converting schedules and in the fourth quarter due to a reduction in inventory levels by our customers. During 2009, the technical products business showed sequential growth in quarterly sales and earnings as the overall economic environment improved. The order flow for the technical products business is subject to seasonal peaks for several of its products, such as the larger volume grades of tape, abrasives, premask, and label stock used primarily in the downstream finished goods manufacturing process. To assure timely shipments during these seasonal peaks, the technical products business has agreements with certain customers to manufacture orders and hold them in inventory for later shipment. The technical products business also manages these peaks by providing certain customers with finished goods inventory on consignment. Such consignment sales represent less than five percent of the technical products business s annual sales. Orders are typically shipped within six to eight weeks of receipt of the order. However, the technical products business periodically experiences periods where order entry levels surge, and order backlogs can increase substantially. Raw materials are purchased and manufacturing schedules are planned based on customer forecasts, current market conditions and individual orders for custom products. The order backlog in the technical products business on December 31, 2009 was approximately $67 million and represented approximately 20 percent of prior year sales. The order backlogs in the technical products business on December 31, 2008 were approximately $56 million and represented approximately 15 percent of prior year sales. We have previously filled the order backlog from December 31, 2008 and expect to fill the order backlog from December 31, 2009 within the current fiscal year.

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Employee and Labor Relations

As of December 31, 2009, the Company had approximately 1,700 regular full-time employees of whom 675 hourly and 325 salaried employees were located in the United States and 450 hourly and 250 salaried employees were located in Germany.

Hourly employees at the Whiting, Neenah, Munising and Appleton paper mills are represented by the United Steelworkers Union (the USW). The collective bargaining agreement for the Munising paper mill expired on July 14, 2009. The Company is currently negotiating a new labor agreement for the mill with the USW. In December 2009, the Company and the USW signed a new collective bargaining agreement for the Whiting paper mill that is effective through January 31, 2013. In October 2009, the Company and the USW signed a new collective bargaining agreement for the Neenah paper mill that is effective through June 30, 2013. The collective bargaining agreement for the Appleton paper mill expires on May 31, 2010. Separately, the Neenah, Whiting and Munising paper mills have bargained jointly with the union on pension matters. The agreement on pension matters will remain in effect through 2019.

Approximately 50 percent of salaried employees and 80 percent of hourly employees of Neenah Germany are eligible to be represented by the Mining, Chemicals and Energy Trade Union, Industriegewerkschaft Bergbau, Chemie and Energie (the IG BCE). The collective bargaining agreement covering union employees of Neenah Germany is negotiated by the IG BCE and a national trade association representing all employers in the industry. Union membership is voluntary and under German law does not need to be disclosed to the Company. As a result, the number of employees covered by the collective bargaining agreement that expires in August 2010 cannot be determined.

Environmental, Health and Safety Matters

Our operations are subject to federal, state and local laws, regulations and ordinances relating to various environmental, health and safety matters. Our operations are in compliance with, or we are taking actions designed to ensure compliance with, these laws, regulations and ordinances. However, the nature of our operations exposes us to the risk of claims concerning non-compliance with environmental, health and safety laws or standards, and there can be no assurance that material costs or liabilities will not be incurred in connection with those claims. Except for certain orders issued by environmental, health and safety regulatory agencies with which we believe we are in compliance and which we believe are immaterial to our financial condition, results of operations and liquidity, we are not currently named as a party in any judicial or administrative proceeding relating to environmental, health and safety matters.

Greenhouse gas (GHG) emissions have increasingly become the subject of political and regulatory focus. Concern over potential climate change, including global warming, has led to legislative and regulatory initiatives directed at limiting GHG emissions. For example, legislators in the United States are considering laws that would create a cap-and-trade regime that would establish a limit (or cap) on overall GHG emissions and create a market for the purchase and sale of emissions permits or allowances. All the states in which we operate are currently considering GHG legislation or regulations, either individually and/or as part of regional initiatives, that are independent of any federal proposals. While not all are likely to become law it is reasonably possible that additional climate change related mandates will be forthcoming, and it is expected that they may adversely impact our costs by increasing energy costs and raw material prices, requiring operational or equipments modifications to reduce emissions, requiring the purchase of carbon offsets and creating costs to comply with regulations or to mitigate the financial consequences of a cap and trade regime.

While we have incurred in the past several years, and will continue to incur, capital and operating expenditures in order to comply with environmental, health and safety laws, regulations and ordinances, we believe that our future cost of compliance with environmental, health and safety laws, regulations and ordinances, and our exposure to liability for environmental, health and safety claims will not have a material adverse effect on our financial condition, results of operations or liquidity. However, future events, such as changes in existing laws and regulations, new legislation to limit GHG emissions or contamination of sites owned, operated or used for waste disposal by us (including currently unknown contamination and contamination caused by prior owners and operators of such sites or other waste generators) may give rise to additional costs which could have a material adverse effect on our financial condition, results of operations or liquidity.

We have planned capital expenditures to comply with environmental, health and safety laws, regulations and ordinances during the period 2010 through 2012 of approximately $1 million to $2 million annually. Our anticipated capital expenditures for environmental projects are not expected to have a material adverse effect on our financial condition, results of operations or liquidity.

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AVAILABLE INFORMATION

We are subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934. As such, we file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (SEC). Our SEC filings are available to the public over the Internet at the SEC s web site at www.sec.gov. You may also read and copy any document we file at the SEC s public reference room in Washington, D.C., 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our common stock is traded on the New York Stock Exchange under the symbol NP. You may inspect the reports, proxy statements and other information concerning us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Our web site is www.neenah.com. Our reports on Form 10-K, Form 10-Q and Form 8-K, as well as amendments to those reports, are and will be available free of charge on our web site as soon as reasonably practicable after we file or furnish such reports with the SEC. In addition, you may request a copy of any of these reports (excluding exhibits) at no cost upon written request to us at: Investor Relations, Neenah Paper, Inc., 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005.

Item 1A. Risk Factors

You should carefully consider each of the following risks and all of the other information contained in this Annual Report on Form 10-K. Some of the risks described below relate principally to our business and the industry in which we operate, while others relate principally to our indebtedness. The remaining risks relate principally to the securities markets generally and ownership of our common stock.

Our business, financial condition, results of operations or liquidity could be materially adversely affected by any of these risks, and, as a result, the trading price of our common stock could decline. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks Related to Our Business and Industry

Our business will suffer if we are unable to effectively respond to decreased demand for some of our products due to current conditions in the global economy.

We have experienced and may continue to experience decreased demand for some of our products due to slowing or negative global economic growth, uncertainty in credit markets, declining consumer and business confidence, fluctuating commodity prices, increased unemployment and other challenges affecting the global economy. In addition, our customers may experience deterioration of their businesses, cash flow shortages, and difficulty obtaining financing. If we are unable to implement business strategies to effectively respond to decreased demand for our products, our financial position, cash flows and results of operations would be adversely affected.

We face many competitors, several of which have greater financial and other resources.

We face competition in each of our business segments from companies that produce the same type of products that we produce or that produce lower priced alternative products that customers may use instead of our products. Some of our competitors have greater financial, sales and marketing, or research and development resources than we do. Greater financial resources and product development capabilities may also allow our competitors to respond more quickly to new opportunities or changes in customer requirements.

Our operating results are likely to fluctuate.

Our operating results are subject to substantial quarterly and annual fluctuations due to a number of factors, many of which are beyond our control. Results could be adversely affected by general economic conditions causing a downturn in the market for paper products. Additional factors that could affect our results include, among others, the relative strength of the Euro versus the U.S. dollar, changes in the market price of pulp, the effects of competitive pricing pressures, changes in average selling prices of our products, production capacity levels and manufacturing yields, availability and cost of products from our suppliers, the gain or loss of significant customers, our ability to develop, introduce and market new products and technologies on a timely basis, changes in the mix of products produced and sold, seasonal customer demand, increasing interest rates and environmental costs. The timing and effect of the foregoing factors are difficult to predict, and these or other factors could materially adversely affect our quarterly or annual operating results.

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The availability of and prices for raw materials and energy will significantly impact our business.

We purchase a substantial portion of the raw materials and energy necessary to produce our products on the open market, and, as a result, the price and other terms of those purchases are subject to change based on factors such as worldwide supply and demand and government regulation. We do not have significant influence over our raw material or energy prices and our ability to pass increases in those prices along to purchasers of our products may be challenged, unless those increases coincide with increased demand for the product. Therefore, raw material or energy prices could increase at the same time that prices for our products are steady or decreasing. In addition, we may not be able to recoup other cost increases we may experience, such as those resulting from inflation or from increases in wages or salaries or increases in health care, pension or other employee benefits costs, insurance costs or other costs.

An interruption in supply of either a latex specialty grade or of specialty softwood pulp to our technical products business, each of which we currently obtain from a single source, could disrupt and eventually cause a shutdown of production of certain technical products.

We cannot be certain that our net operating losses (NOLs ***) will continue to be available to offset our tax liability and other tax planning strategies may not be effective.***

As of December 31, 2009, we had approximately $65.3 million of U.S. Federal and $75.4 million of U.S. State tax NOLs which may be used to offset taxable income in the future. In order to utilize the NOLs, we must generate consolidated taxable income. The NOLs will expire in various amounts, if not used, between 2024 and 2029. The availability of NOLs to offset taxable income could also be substantially reduced if we were to undergo an ownership change within the meaning of Section 382(g)(1) of the Internal Revenue Code. We will be treated as having had an ownership change if there is more than a 50% increase in stock ownership during a three-year testing period by 5% stockholders. The availability of our NOLs to offset taxable income following an ownership change would be based on the market value of our common stock multiplied by the Internal Revenue Code long-term tax exempt rate.

In accordance with Accounting Standards Codification (ASC) Topic 740, *Income Taxes* (ASC Topic 740), as of December 31, 2009, we have recorded a liability of $9.5 million for uncertain tax positions where we believe it is more likely than not that the benefit reported on our income tax return will not be realized. There can be no assurance, however, that the actual amount of unrealized deductions will not exceed the amounts we have recognized for uncertain tax positions.

We derive substantial tax benefits from our corporate structure. Such benefits are subject to challenge upon audit by taxing authorities in the jurisdictions in which we operate. There can be no assurance that the tax benefits of our tax structure would survive a challenge by these tax authorities. If the tax benefits of our corporate structure are not realized, it could have a material adverse effect on our results of operations, cash flows and financial position.

We have significant obligations for pension and other postretirement benefits.

We have significant obligations for pension and other postretirement benefits which could require future funding beyond that which we have funded in the past or which we currently anticipate. At December 31, 2009, our projected pension benefit obligations were $234.7 million and exceeded the fair value of pension plan assets by approximately $66.5 million. In 2009, total contributions to our pension trusts were $10.2 million. At December 31, 2009, our projected other postretirement benefit obligations were $37.9 million. No assets have been set aside to satisfy our other postretirement benefit obligations. In 2009, we made payments for postretirement benefits other than pensions of $2.7 million. A material increase in funding requirements or benefit payments could have a material adverse effect on our cash flows.

The outcome of legal actions and claims may adversely affect us.

We are involved in legal actions and claims arising in the ordinary course of our business. The outcome of such legal actions and claims against us cannot be predicted with certainty. The legal actions and claims against us could have a material adverse effect on our financial condition, results of operations and liquidity.

Labor interruptions would adversely affect our business.

Substantially all of our hourly paid employees are unionized. In addition, some of our key customers and suppliers are also unionized. As of December 31, 2009, we have approximately 300 hourly employees covered by collective bargaining agreements that have expired or will expire within the next 12-months. Strikes, lockouts or other work stoppages or slow downs involving our unionized employees could have a material adverse effect on us.

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Future dividends on our common stock may be restricted or eliminated.

For the year ended December 31, 2009, we paid cash dividends of $0.40 per common share or approximately $5.9 million. Dividends are declared at the discretion of our board of directors, and future dividends will depend on our future earnings, cash flow, financial requirements and other factors. Our ability to pay cash dividends on our common stock is limited under the terms of both our bank credit agreement and the indenture for our $225 million of ten-year senior notes due November 2014 (the Senior Notes). As of December 31, 2009, under the most restrictive terms of these agreements, our ability to pay cash dividends on our common stock is limited to a total of $8 million in a 12-month period. There can be no assurance that we will continue to pay dividends in the future.

Changes in international conditions could adversely affect our business and results of operations.

Our operating results and business prospects could be adversely affected by risks related to the countries outside the United States in which we have manufacturing facilities or sell our products, including Germany, Canada, China, Brazil and elsewhere. Downturns in economic activity, adverse tax consequences, fluctuations in the value of local currency versus the U.S. dollar, or any change in social, political or labor conditions in any of these countries or regions could negatively affect our financial results.

If we have a catastrophic loss or unforeseen or recurring operational problems at any of our facilities, we could suffer significant lost production and/or cost increases.

Our fine paper and technical products businesses may suffer catastrophic loss due to fire, flood, terrorism, mechanical failure, or other natural or man-made events. If any of our facilities were to experience a catastrophic loss, it could disrupt our operations, delay production, delay or reduce shipments, reduce revenue, and result in significant expenses to repair or replace the facility. These expenses and losses may not be adequately covered by property or business interruption insurance. Even if covered by insurance, our inability to deliver our products to customers, even on a short-term basis, may cause us to lose market share on a more permanent basis.

Fluctuations in currency exchange rates could adversely affect our results.

Exchange rate fluctuations for the Euro do not have a material effect on the operations or cash flows of our German technical products business. Our German technical products business incurs most of its costs and sells most of its production in Europe and, therefore, its operations and cash flows are not materially affected by changes in the exchange rate of the Euro relative to the U.S. dollar. Changes in the Euro exchange rate relative to the U.S. dollar will, however, have an effect on our reported results of operations.

In addition, because we transact business in other foreign countries, some of our revenues and expenses are denominated in a currency other than the local currency of our operations. As a result, changes in exchange rates between the currency in which the transaction is denominated and the local currency of our operations into which the transaction is being recorded can impact the amount of local currency recorded for such transaction. This can result in more or less local currency revenues or costs related to such transaction, and thus have an effect on our reported income before income taxes.

Our activities are subject to extensive government regulation, which could increase our costs, cause us to incur liabilities and adversely affect the manufacturing and marketing of our products.

Our operations are subject to federal, state and local laws, regulations and ordinances in the United States and Germany relating to various environmental, health and safety matters. The nature of our operations requires that we invest capital and incur operating costs to comply with those laws, regulations and ordinances and exposes us to the risk of claims concerning non-compliance with environmental, health and safety laws or standards. We cannot assure that significant additional expenditures will not be required to maintain compliance with, or satisfy potential claims arising from, such laws, regulations and ordinances. Future events, such as changes in existing laws and regulations or contamination of sites owned, operated or used for waste disposal by us (including currently unknown contamination and contamination caused by prior owners and operators of such sites or other waste generators) may give rise to additional costs that could require significantly higher capital expenditures and operating costs, which would reduce the funds otherwise available for operations, capital expenditures, future business opportunities or other purposes.

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We are subject to risks associated with possible climate change legislation and various cost and manufacturing issues associated with such legislation.

Greenhouse gas (GHG) emissions have increasingly become the subject of political and regulatory focus. Concern over potential climate change, including global warming, has led to legislative and regulatory initiatives directed at limiting GHG emissions. For example, legislators in the United States are considering laws that would create a cap-and-trade regime that would establish a limit (or cap) on overall GHG emissions and create a market for the purchase and sale of emissions permits or allowances. All the states in which we operate are currently considering GHG legislation or regulations, either individually and/or as part of regional initiatives, that are independent of any federal proposals. While not all are likely to become law it is reasonably possible that additional climate change related mandates will be forthcoming, and it is expected that they may adversely impact our costs by increasing energy costs and raw material prices, requiring operational or equipment modifications to reduce emissions, requiring the purchase of carbon offsets and creating costs to comply with regulations or to mitigate the financial consequences of a cap and trade regime.

Risks Relating to Our Indebtedness

We may not be able to fund our future capital requirements internally or obtain third-party financing.

We may be required or choose to obtain additional debt or equity financing to meet our future working capital requirements, as well as to fund capital expenditures and acquisitions. To the extent we must obtain financing from external sources to fund our capital requirements, we cannot guarantee financing will be available on favorable terms, if at all. As of December 31, 2009, we have required debt payments of $29.7 million and $226.8 million during the years ended December 31, 2013 and 2014, respectively. Such required debt payments include approximately $26.2 million in November 2013 upon termination of our bank credit agreement and $225 million on the Senior Notes in November 2014.

We may not be able to generate a sufficient amount of cash flow to meet our debt obligations, including the Senior Notes.

Our ability to make scheduled payments or to refinance our obligations with respect to the Senior Notes, our other debt and our other liabilities will depend on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and to certain financial, business and other factors beyond our control. If our cash flow and capital resources are insufficient to fund our debt obligations and other liabilities, we could face substantial liquidity problems and may be forced to reduce or delay scheduled expansions and capital expenditures, sell material assets or operations, obtain additional capital or restructure our debt. We cannot assure that our operating performance, cash flow and capital resources will be sufficient to repay our debt in the future. In the event that we are required to dispose of material assets or operations or restructure our debt to meet our debt and other obligations, we can make no assurances as to the terms of any such transaction or how quickly any such transaction could be completed.

If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;

- our senior secured lenders could terminate their commitments and commence foreclosure proceedings against our assets; and

- we could be forced into bankruptcy or liquidation.

If our operating performance declines in the future or we breach our covenants under the revolving credit facility, we may need to obtain waivers from the required lenders under our revolving credit facility to avoid being in default. We may not be able to obtain these waivers. If this occurs, we would be in default under the revolving credit facility.

We have significant indebtedness which subjects us to restrictive covenants relating to the operation of our business.

As of December 31, 2009, we had $225 million of Senior Notes, a term loan of $40.0 million, $12.9 million in German revolving line of credit borrowings and $12.5 million of project financing outstanding. In addition, our borrowing base under our bank credit agreement was approximately $90 million and $27.9 million of senior secured revolver borrowings were outstanding. Our leverage could have important consequences. For example, it could:

- make it difficult for us to satisfy our financial obligations, including making scheduled principal and interest payments on the Senior Notes and our other indebtedness;

- place us at a disadvantage to our competitors;

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- require us to dedicate a substantial portion of our cash flow from operations to service payments on our indebtedness, thereby reducing funds available for other purposes;

- increase our vulnerability to a downturn in general economic conditions or the industry in which we operate;

- limit our ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate and other purposes; and

- limit our ability to plan for and react to changes in our business and the industry in which we operate.

The terms of our indebtedness, including our bank credit agreement and the indenture governing the Senior Notes, contain covenants restricting our ability to, among other things, incur certain additional debt, make specified restricted payments and capital expenditures, pay dividends, authorize or issue capital stock, enter into transactions with our affiliates, consolidate or merge with or acquire another business, sell certain of our assets or liquidate, dissolve or wind-up our company. At December 31, 2009, under the most restrictive terms of these agreements, our ability to pay cash dividends on our common stock is limited to a total of $8 million in a 12-month period. In addition, the terms of our bank credit agreement require us to achieve and maintain compliance with a fixed charge coverage ratio if availability under the bank credit agreement is less than $20 million. These restrictions may limit our ability to engage in activities which could expand our business, including obtaining future financing, making needed capital expenditures or taking advantage of business opportunities such as strategic acquisitions and dispositions.

Our revolving credit facility accrues interest at variable rates. As of December 31, 2009, we had $27.9 million of senior secured revolver borrowings outstanding, $1.6 million in outstanding letters of credit and $60.6 million of remaining availability. We may reduce our exposure to rising interest rates by entering into interest rate hedging arrangements, although those arrangements may result in us incurring higher interest expenses than we would incur without the arrangements. If interest rates increase in the absence of such arrangements, we will need to dedicate more of our cash flow from operations to make payments on our debt. For more information on our liquidity, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

Our failure to comply with the covenants contained in our revolving credit facility or the indenture governing the Senior Notes could result in an event of default that could cause acceleration of our indebtedness.

Our failure to comply with the covenants and other requirements contained in the indenture governing the Senior Notes, our revolving credit facility or our other debt instruments could cause an event of default under the relevant debt instrument. The occurrence of an event of default could trigger a default under our other debt instruments, prohibit us from accessing additional borrowings and permit the holders of the defaulted debt to declare amounts outstanding with respect to that debt to be immediately due and payable. Our assets or cash flows may not be sufficient to fully repay borrowings under our outstanding debt instruments, and we may be unable to refinance or restructure the payments on indebtedness on favorable terms, or at all.

Despite our indebtedness levels, we and our subsidiaries may be able to incur substantially more indebtedness, which may increase the risks created by our substantial indebtedness.

Because the terms of our bank credit agreement and the indenture governing the Senior Notes do not fully prohibit us or our subsidiaries from incurring additional indebtedness, we and our subsidiaries may be able to incur substantial additional indebtedness in the future, some of which may be secured. If we or any of our subsidiaries incur additional indebtedness, the related risks that we and they now face may intensify.

Our bank credit agreement is secured by a majority of our North American assets.

Our bank credit agreement, as amended, is secured by a majority of our North American assets, including the capital stock of our subsidiaries and is guaranteed by Neenah Paper Company of Canada, a wholly owned subsidiary (Neenah Canada). Neenah Germany is not a borrower or guarantor with respect to the bank credit agreement. However, we have pledged 65 percent of our equity interest in Neenah Germany as security for our obligations under the bank credit agreement.

Availability under our bank credit agreement will fluctuate over time depending on the value of our inventory, receivables and various capital assets. An extended work stoppage or decline in sales volumes would result in a decrease in the value of the assets securing the bank credit agreement. A reduction in availability under the bank credit agreement could have a material adverse effect on our liquidity.

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Changes in credit ratings issued by nationally recognized statistical rating organizations could adversely affect our cost of financing and have an adverse effect on the market price of our securities.

A downgrade of our credit ratings below current levels (Moody s Investors Service B1, Standard & Poor s B+) may reduce our access to the capital markets, have an adverse effect on the market price of our securities and increase our cost of borrowing.

We depend on our subsidiaries to generate cash flow to meet our debt service obligations, including payments on the Senior Notes.

We conduct a substantial portion of our business through our subsidiaries. Consequently, our cash flow and ability to service our debt obligations, including the Senior Notes, depend upon the earnings of our subsidiaries and the distribution of those earnings to us, or upon loans, advances or other payments made by these entities to us. The ability of these entities to pay dividends or make other payments or advances to us will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt, including our revolving credit facility and the indenture governing the Senior Notes. These limitations are also subject to important exceptions and qualifications.

The ability of our subsidiaries to generate sufficient cash flow from operations to allow us to make scheduled payments on our debt, including the Senior Notes, will depend upon their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. If our subsidiaries do not generate sufficient cash flow from operations to help us satisfy our debt obligations, including payments on the Senior Notes, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital expenditures or seeking to raise additional capital. Refinancing may not be possible, and any assets may not be saleable, or, if sold, we may not realize sufficient amounts from those sales. Additional financing may not be available on acceptable terms, if at all, or we may be prohibited from incurring it, if available, under the terms of our various debt instruments then in effect. Our inability to generate sufficient cash flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms would have an adverse effect on our business, financial condition and results of operations, as well as on our ability to satisfy our obligations on the Senior Notes. The amount of earnings that our operating subsidiaries are able to distribute to us as dividends, or otherwise, may not be adequate for us to service our debt obligations.

FORWARD-LOOKING STATEMENTS

Certain statements in Annual Report on Form 10-K may constitute forward-looking statements as defined in Section 27A of the Securities Act of 1933 (the Securities Act), Section 21E of the Securities Exchange Act of 1934 (the Exchange Act), the Private Securities Litigation Reform Act of 1995 (the PSLRA), or in releases made by the SEC, all as may be amended from time to time. Statements contained in this annual report that are not historical facts may be forward-looking statements within the meaning of the PSLRA. Any such forward-looking statements reflect our beliefs and assumptions and are based on information currently available to us. Forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the safe harbor provisions of such laws. The Company cautions investors that any forward-looking statements we make are not guarantees or indicative of future performance. For additional information regarding factors that may cause our results of operations to differ materially from those presented herein, please see Risk Factors contained in this Annual Report on Form 10-K and as are detailed from time to time in other reports we file with the SEC.

You can identify forward-looking statements as those that are not historical in nature, particularly those that use terminology such as may, will, should, expect, anticipate, contemplate, estimate, believe, plan, project, predict, potential or continue, or the negative of th
In evaluating these forward-looking statements, you should consider the following factors, as well as others contained in our public filings from time to time, which may cause our actual results to differ materially from any forward-looking statement:

- fluctuations in global equity and fixed-income markets;

- capital and credit market volatility, which have reached unprecedented levels in 2008 and 2009;

- the competitive environment;

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- fluctuations in (i) commodity prices, (particularly for pulp, energy and latex), (ii) exchange rates (in particular changes in the U.S. dollar/Euro currency exchange rates) and (iii) interest rates;

- the ability to realize anticipated cost savings in our business;

- the cost or availability of raw materials and energy;

- unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations;

- our ability to control costs and implement measures designed to enhance operating efficiencies;

- the loss of current customers or the inability to obtain new customers;

- increases in the funding requirements for our pension and postretirement liabilities;

- changes in asset valuations including write-downs of assets including fixed assets, inventory, accounts receivable, deferred tax assets or other assets for impairment or other reasons;

- our existing and future indebtedness;

- strikes, labor stoppages and changes in our collective bargaining agreements and relations with our employees and unions;

- other risks that are detailed from time to time in reports we file with the SEC; and

- other factors described under Risk Factors .

You are cautioned not to unduly rely on such forward-looking statements, which speak only as of the date made, when evaluating the information presented in this information statement.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in the Atlanta, Georgia suburb of Alpharetta, Georgia, and we operate a research and development laboratory in the nearby suburb of Roswell, Georgia. We own and operate four paper mills in the United States that produce printing and writing, text, cover, durable saturated and coated substrates and other specialty papers for a variety of end uses. We own and operate three paper mills in Germany that produce transportation and other filter media, wall coverings and durable and saturated substrates. We lease a Fine Paper distribution center which is operated for us by a third party logistics firm. We also own the Woodlands. On March 1, 2010, we announced that Neenah Canada had signed a definitive agreement to sell the Woodlands for C$82.5 million ($78.6 million). See Note 17 of Notes to Consolidated Financial Statements, Subsequent Event.

We believe that each of these facilities is adequately maintained and is suitable for conducting our operations and business. We manage machine operating schedules at our manufacturing locations to fulfill customer orders in a timely manner and control inventory levels.

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As of December 31, 2009, following are the locations of our principal facilities and operating equipment and the products produced at each location. All the facilities are owned by us, except as otherwise noted:

Location	Equipment/Resources	Products
Fine Paper business:		
Appleton Mill Appleton, Wisconsin	Two paper machines; paper finishing equipment	Printing and writing, text, cover and other specialty papers
Converting Center Neenah, Wisconsin	Paper finishing equipment	Printing and writing, text, cover and other specialty papers
Neenah Mill Neenah, Wisconsin	Two paper machines; paper finishing equipment	Printing and writing, text, cover and other specialty papers
Whiting Mill Whiting, Wisconsin	Four paper machines; paper finishing equipment	Printing and writing, text, cover and other specialty papers
Technical Products business:		
Munising Mill Munising, Michigan	Two paper machines; two off line saturators; three off line coaters; specialty finishing equipment	Tapes, abrasives, premask, medical packaging and other durable, saturated and coated substrates
Bruckmühl Mill Bruckmühl, Germany	One paper machine; two saturators; one laminator; finishing equipment	Masking tape backings and abrasive backings
Lahnstein Mill Lahnstein, Germany	One paper machine; three impregnating and coating machines; two calendars; finishing equipment	Printing media, nonwoven wall coverings and durable substrates
Weidach Mill Feldkirchen-Westerham, Germany	Two paper machines; three saturators; one meltblowing machine; specialty finishing equipment	Vacuum cleaner, industrial and transportation filter media

See Note 7 Debt of Notes to Consolidated Financial Statements for a description of the material encumbrances attached to the properties described in the table above. In May 2009, we permanently closed our fine paper mill located in Ripon, California (the Ripon Mill). As of December 31, 2009, we have disposed of substantially all of the Ripon Mill s manufacturing equipment and are actively marketing the land and building. See Note 3 Closure of the Ripon Mill of Notes to Consolidated Financial Statements.

As of December 31, 2009, following are the locations of our owned and leased office and laboratory space and the functions performed at each location.

Administrative Location	Office/Other Space	Function
Alpharetta, Georgia	Leased Office Space	Corporate Headquarters and Administration and Sales
Roswell, Georgia	Leased Laboratory Space	Research and Development for our paper businesses
Appleton, Wisconsin (1)	Leased Office Space	Administration and Sales
Neenah, Wisconsin	Owned Office Space	Administration and Sales

(1) The lease on the Appleton, Wisconsin location expired on January 1, 2010 and was not renewed.

Item 3. Legal Proceedings

We are involved in certain legal actions and claims arising in the ordinary course of business. While the outcome of those legal actions and claims cannot be predicted with certainty, we believe that the outcome of any such claim which is pending or threatened, either individually or on a combined basis, will not have a material adverse effect on our financial condition, results of operations or liquidity.

Item 4. (Removed and Reserved)

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Neenah common stock is listed on the New York Stock Exchange and is traded under the ticker symbol NP. Trading, as reported on the New York Stock Exchange, Inc. Composite Transactions Tape, and dividend information follows:

	Common Stock Market Price High	Low	Dividends Declared
2009			
Fourth quarter	$ 15.50	$ 9.32	$ 0.10
Third quarter	$ 12.62	$ 6.56	$ 0.10
Second quarter	$ 10.63	$ 3.33	$ 0.10
First quarter	$ 9.51	$ 3.26	$ 0.10
2008			
Fourth quarter	$ 20.04	$ 4.90	$ 0.10
Third quarter	$ 23.70	$ 14.28	$ 0.10
Second quarter	$ 27.41	$ 16.33	$ 0.10
First quarter	$ 29.62	$ 22.95	$ 0.10

Dividends are declared at the discretion of the board of directors, and future dividends will depend on our future earnings, cash flow, financial requirements and other factors. Our ability to pay cash dividends on our common stock is limited under the terms of both our bank credit agreement and our Senior Notes. As of December 31, 2009, under the most restrictive terms of these agreements, our ability to pay cash dividends on our common stock is limited to a total of $8 million in a 12-month period. For the year ended December 31, 2009, we paid cash dividends of $0.40 per common share or approximately $5.9 million. For the year ended December 31, 2008, we paid cash dividends of $0.40 per common share or approximately $6.0 million.

As of February 26, 2010, Neenah had approximately 2,300 holders of record of its common stock. The closing price of Neenah s common stock on February 26, 2010 was $14.17.

Purchases of Equity Securities:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs

October 2009		$	
November 2009(a)	833	$	10.55
December 2009 (a)	3,745	$	13.99

(a) Transactions represent the purchase of vested restricted shares from employees to satisfy minimum tax withholding requirements upon vesting of stock-based awards. None of these transactions were made in the open market. The average price paid is based upon the closing sales price on the New York Stock Exchange on the date of the transaction. Such purchases are held as treasury shares.

Equity Compensation Plans

The following table provides information about our equity compensation plans as of December 31, 2009:

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**		**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	2,269,848	$	23.60	1,960,000
Equity compensation plans not approved by security holders				
Total	2,269,848	$	23.60	1,960,000

For further information regarding our equity compensation plans, refer to Note 9, Stock Compensation Plans of Notes to Consolidated Financial Statements.

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Item 6. Selected Financial Data

The following table sets forth our selected historical financial and other data. You should read the information set forth below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Annual Report. The statement of operations data for the years ended December 31, 2009, 2008 and 2007 and the balance sheet data as of December 31, 2009 and 2008 set forth below are derived from our audited historical consolidated financial statements included elsewhere in this Annual Report. The balance sheet data as of December 31, 2007, 2006 and 2005 and the statement of operations data for the years ended December 31, 2006 and 2005 set forth below are derived from our historical consolidated financial statements not included in this Annual Report.

During the three months ended September 30, 2009, we identified and restated the December 31, 2008, 2007, 2006 and 2005 consolidated balance sheet data for the following errors: (i) an overstatement of Canadian deferred tax assets and unrealized foreign currency translation gains within stockholders equity and (ii) an understatement of the liability for uncertain tax positions and deferred tax assets as a result of errors identified in prior year income tax returns. Interest associated with the uncertain tax positions noted above was immaterial for all historical years. We believe the effects of these prior year corrections individually and in the aggregate are immaterial to any prior year consolidated financial statements. The net effect of these corrections on the consolidated balance sheet data is presented in the following table. See Note 1 of Notes to Consolidated Financial Statements, Background and Basis of Presentation Prior Year Adjustments.

			As of December 31,		
	2009	2008	2007	2006	2005
			(Dollars in millions)		
Consolidated Balance Sheet Data					
Working capital	$	$ (0.6)	$ 0.2	$	$
Total assets		5.4	5.0	(2.2)	(2.2)
Total liabilities		12.7	12.3		
Total stockholders equity		(7.3)	(7.3)	(2.2)	(2.2)

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	Year Ended December 31,				
	2009	2008	2007 (e)	2006 (f)	2005
	(Dollars in millions, except per share data)				
Consolidated Statement of Operations Data					
Net sales	$ 573.9	$ 732.3	$ 767.0	$ 405.0	$ 352.8
Cost of products sold	472.3	633.2	635.5	305.4	250.0
Gross profit	101.6	99.1	131.5	99.6	102.8
Selling, general and administrative expenses	69.1	75.2	79.3	54.4	40.9
Other (income) expense - net	(1.0)	(11.3)	(1.7)	(0.5)	0.1
Restructuring costs (a)	17.1				
Goodwill and other intangible asset impairment charge (b)		54.5			
Operating income (loss)	16.4	(19.3)	53.9	45.7	61.8
Interest expense - net	23.2	25.0	25.4	16.9	18.4
Income (loss) from continuing operations before income taxes	(6.8)	(44.3)	28.5	28.8	43.4
Provision (benefit) for income taxes	(5.0)	3.0	(3.7)	9.4	16.3
Income (loss) from continuing operations	(1.8)	(47.3)	32.2	19.4	27.1
Income (loss) from discontinued operations (c) (d) (i)	0.6	(111.2)	(22.0)	43.1	(56.8)
Net income (loss)	$ (1.2)	$ (158.5)	$ 10.2	$ 62.5	$ (29.7)
Earnings from continuing operations per basic share	$ (0.12)	$ (3.23)	$ 2.17	$ 1.31	$ 1.32
Earnings from continuing operations per diluted share	$ (0.12)	$ (3.23)	$ 2.13	$ 1.31	$ 1.31
Cash dividends per common share	$ 0.40	$ 0.40	$ 0.40	$ 0.40	$ 0.40
Other Financial Data					
Net cash flow provided by (used for):					
Operating activities	$ 64.9	$ 13.1	$ 69.5	$ 65.8	$ 22.8
Capital expenditures	(8.4)	(30.0)	(58.3)	(25.1)	(25.7)
Other investing activities (c) (e) (f)	0.1	(0.4)	(55.1)	(102.6)	(0.1)
Financing activities (e) (f)	(54.2)	18.2	43.8	50.8	(3.6)
Ratio of earnings to fixed charges (g) (h)			2.1x	2.5x	3.3x

	As of December 31,				
	2009	2008	2007 (e)	2006 (f)	2005
	(Dollars in millions)				
Consolidated Balance Sheet Data					
Working capital	$ 96.0	$ 144.3	$ 120.5	$ 92.9	$ 123.9
Total assets	637.5	690.0	937.8	742.5	534.8
Long-term debt	263.6	340.5	321.2	282.3	226.3
Total liabilities	529.8	586.9	657.1	559.8	371.7
Total stockholders equity	107.7	103.1	280.7	182.7	163.1

(a) In May 2009, we permanently closed the Ripon Mill. The closure resulted in a pre-tax charge of $17.1 million comprised of approximately $5.8 million in non-cash charges primarily for losses related to the carrying value of property, plant and equipment, a curtailment loss of $0.8 million related to postretirement benefit plans in which employees of the Ripon Mill participated and cash payments for contract terminations, severances and other employee costs of approximately $10.5 million.

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(b) For the year ended December 31, 2008, we recognized a pre-tax loss of $52.7 million (we did not recognize a tax benefit related to the non tax deductible loss) to write-off the excess of the carrying value of goodwill assigned to Neenah Germany over the estimated fair value of goodwill. In addition, for the year ended December 31, 2008, we recognized a non-cash pre-tax charge of approximately $1.8 million for the impairment of certain trade names and customer based intangible assets acquired in the Neenah Germany acquisition.

(c) In February 2008, we committed to a plan to sell our pulp mill in Pictou, Nova Scotia (the Pictou Mill) and approximately 475,000 acres of woodland assets in Nova Scotia (the Woodlands). In June 2008, Neenah Canada sold the Pictou Mill to Northern Pulp. Neenah Canada made a payment of approximately $10.3 million to Northern Pulp in connection with the sale of the Pictou Mill. In addition, we paid approximately $3.3 million of transaction costs. In August 2006, we transferred our Terrace Bay mill and related woodlands operations to Buchanan in exchange for a payment of approximately $18.6 million.

(d) For the year ended December 31, 2009 and 2008, the results of operations of the Pictou Mill and the Woodlands and the loss on disposal of the Pictou Mill are reported as discontinued operations in the Consolidated Statement of Operations Data. The consolidated results of operations for all other periods presented have been restated to reflect the results of operations of the Terrace Bay mill, the Pictou Mill and the Woodlands and the loss on transfer of the Terrace Bay mill as discontinued operations.

(e) In March 2007, we acquired the stock of Fox Valley Corporation and its subsidiary, Fox River for approximately $54.7 million in cash. We financed the acquisition through a combination of cash and debt drawn against our existing revolving credit facility. The results of Fox River are being reported as part of our Fine Paper segment and have been included in our consolidated financial results since the acquisition date.

(f) In October 2006, we purchased the outstanding interests of Neenah Germany from FiberMark, Inc. and FiberMark International Holdings LLC for approximately $220.1 million in cash. We financed the acquisition through a combination of cash and debt drawn against our existing revolving credit facility. The results of Neenah Germany are being reported as part of our Technical Products segment and have been included in our consolidated financial results since the acquisition date.

(g) For purposes of determining the ratio of earnings to fixed charges, earnings consist of income before income taxes (less interest) plus fixed charges. Fixed charges consist of interest expense, including amortization of debt issuance costs, and the estimated interest portion of rental expense.

(h) For the years ended December 31, 2009 and 2008, the deficit of earnings to fixed charges was $6.8 and $44.3 million, respectively.

(i) The following table presents the results of discontinued operations:

	Year Ended December 31, 2009	2008	2007 (Dollars in millions)	2006	2005
Discontinued operations:					
Income (loss) from operations (1) (3) (4) (5) (6)	$ 2.8	$ (97.8)	$ (31.6)	$ 76.3	$ (92.4)
Income (loss) on disposal - Terrace Bay Mill				(6.5)	
Income (loss) on disposal - Pictou Mill (1)	(0.3)	(29.4)			
Loss on settlement of post-employment benefit plans (2)		(53.7)			
Loss on disposal	(0.3)	(83.1)		(6.5)	
Income (loss) before income taxes	2.5	(180.9)	(31.6)	69.8	(92.4)
(Provision) benefit for income taxes	(1.9)	69.7	9.6	(26.7)	35.6
Income (loss) from discontinued operations, net of income taxes	$ 0.6	$ (111.2)	$ (22.0)	$ 43.1	$ (56.8)

(1) During the first quarter of 2008, we determined that the estimated value we would receive from a sale of the Pictou Mill indicated that we would not recover the carrying value of the mill s long-lived assets. As a result, for the year ended December 31, 2008, we recognized aggregate non-cash, pre-tax impairment charges of $91.2 million to write-off the carrying value of the Pictou Mill s long-lived assets. In addition, for the year ended December 31, 2008, we recorded a pre-tax loss of $29.4 million to recognize the loss on disposal of the Pictou Mill.

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(2) In conjunction with the sale of the Pictou Mill, Northern Pulp assumed responsibility for all pension and other postretirement benefit obligations for active and retired employees of the mill. We accounted for the transfer of the Nova Scotia, Canada defined benefit pension plan (the Nova Scotia Plan) to Northern Pulp as a settlement of postretirement benefit obligations pursuant to ASC Topic 715, *Compensation Retirement Benefits* (ASC Topic 715). For the year ended December 31, 2008, we recognized a non-cash, pre-tax settlement loss of $53.7 million for the reclassification of deferred pension and other postretirement benefit adjustments related to the Nova Scotia Plan from accumulated other comprehensive income to the loss on disposal of the Pictou Mill.

(3) In December 2007, the Ontario Plan was terminated and all outstanding pension obligations for active employees were settled through the purchase of annuity contracts or lump-sum payments pursuant to participant elections. For the year ended December 31, 2008, Neenah Canada recognized a non-cash pre-tax settlement loss of $38.7 million upon termination of the Ontario Plan.

(4) In August 2006, Neenah Canada made a payment to the pension trust of approximately $10.8 million for the purchase of annuity contracts to settle its pension liability for current retirees. As a result, Neenah Canada recognized a pension curtailment and settlement loss of approximately $26.4 million in the year ended December 31, 2006.

(5) In June 2006, Neenah Canada sold approximately 500,000 acres of woodlands in Nova Scotia for gross proceeds of $139.1 million. The transaction resulted in a net pre-tax gain of $131.7 million. Neenah Canada immediately recognized approximately $122.6 million of such gain and deferred approximately $9.1 million which was recognized in income pro-rata through December 2007. For the years ended December 31, 2007and 2006, Neenah Canada recognized $6.2 million and $2.9 million, respectively, of such deferred gain in income.

(6) In 2005, we recorded a $53.7 million non-cash pre-tax impairment loss to write-off the carrying value of the Terrace Bay facility s tangible long-lived assets. In addition, we recorded a $6.1 million pre-tax charge for exit costs in connection with the closure of the smaller of the two single-line pulp mills at our Terrace Bay facility.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis presents the factors that had a material effect on our results of operations during the years ended December 31, 2009, 2008 and 2007. Also discussed is our financial position as of the end of those periods. You should read this discussion in conjunction with our consolidated financial statements and the notes to those consolidated financial statements included elsewhere in this Annual Report. This Management s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements.

Introduction

This Management s Discussion and Analysis of Financial Condition and Results of Operations are intended to provide investors with an understanding of the historical performance of our business, its financial condition and its prospects. We will discuss and provide our analysis of the following:

- Overview of Business;
- Business Segments;
- Results of Operations and Related Information;
- Liquidity and Capital Resources;
- Adoption of New Accounting Pronouncements; and
- Critical Accounting Policies and Use of Estimates.

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Overview of Business

We are a leading producer of premium fine papers and technical products. We have two primary operations: our fine paper business and our technical products business. We also own approximately 475,000 acres of timberlands in Nova Scotia, Canada (the Woodlands). On March 1, 2010, we announced that Neenah Canada had signed a definitive agreement to sell the Woodlands for C$82.5 million ($78.6 million). See Note 17 of Notes to Consolidated Financial Statements, Subsequent Event.

In managing our businesses, we believe that achieving and maintaining a leadership position in our markets, responding effectively to competitive challenges, employing capital optimally, controlling costs and managing risks are important to long-term success. Changes in input costs and general economic conditions also impact our results. In this discussion and analysis, we will refer to these factors.

- *Market Leadership.* Achieving and maintaining market leadership through strong brands, product quality and performance, innovation and supply chain management is an important factor in our results. Our fine paper business, with its well-known brands, has long been recognized as a leading manufacturer of world-class premium writing, text and cover papers used in corporate identity packages, corporate annual reports, invitations, personal stationery and high-end packaging. Our technical products business is also recognized as a leading international supplier in the tape, filtration, component materials, graphics and identification and wall covering markets with products that meet unique and exacting customer requirements.

- *Competitive Environment.* Our past results have been and our future prospects will be significantly affected by the competitive environment in which we operate. In most of our markets, our businesses compete directly with well-known competitors, some of which are larger and more diversified. Our businesses also face competitive pressures from lower value products.

- *Economic Condition and Input Costs.* The markets for all of our products are affected to a significant degree by economic conditions, including fluctuations in exchange rates, particularly for the Euro. Rapid changes in input costs, particularly for pulp, latex and natural gas, also affect our results.

Business Segments

Our fine paper business is a leading producer of premium writing, text, cover and specialty papers used in corporate identity packages, corporate annual reports, invitations, personal stationery and high-end packaging. Our products include some of the most recognized and preferred papers in North America, where we enjoy leading market positions in many of our product categories. We sell our products primarily to authorized paper distributors, converters and specialty businesses, with sales to distributors and distributor-owned paper stores accounting for more than two-thirds of sales. We believe that our fine paper manufacturing facilities located in Appleton, Neenah and Whiting, Wisconsin are among the most efficient in their markets and make us one of the lowest cost producers in the product categories in which we compete.

Our technical products business is a leading international producer of transportation and other filter media; durable, saturated and coated base papers for a variety of end uses and nonwoven wall coverings. We sell our technical products globally in 17 product categories through five SBUs. We focus on categories where we believe we are, or can be, a market leader, which include, among others, the tape, abrasive, transportation and other filtration media, nonwoven wall coverings, medical packaging and image transfer technical products markets. We are also a global supplier of materials used for customer-specific applications in furniture, book covers and original equipment manufacturers products. Our customers are located in more than 35 countries. Our technical products manufacturing facilities are located in Munising, Michigan and near Munich and Frankfurt, Germany.

Results of Operations and Related Information

In this section, we discuss and analyze our net sales, income before interest and income taxes (which we refer to as operating income in this Management s Discussion and Analysis of Financial Condition and Results of Operations) and other information relevant to an understanding of our results of operations.

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Executive Summary

Strategic Initiatives

Since the Spin-Off in 2004, we have completed several initiatives that have allowed us to succeed in our strategy to transform the Company into a more focused and larger premium fine paper and technical products company. In 2006, we divested our Terrace Bay pulp operations, acquired the German technical and specialty paper business of FiberMark, Inc. and sold 500,000 acres of woodlands in Nova Scotia. In 2007, we purchased Fox Valley Corporation and its subsidiary, Fox River Paper Company, LLC (collectively, Fox River) to expand our fine paper business. In June 2008, Neenah Canada sold our remaining pulp mill located in Pictou, Nova Scotia to Northern Pulp, which assumed responsibility for all of the assets and liabilities associated with operation of the mill.

We currently own approximately 475,000 acres of woodlands in Nova Scotia, Canada (the Woodlands). On March 1, 2010, we announced that Neenah Canada had signed a definitive agreement to sell the Woodlands. See Note 17, Subsequent Event of Notes to Consolidated Financial Statements. We expect the sale of the Woodlands to result in a substantial gain. The Woodlands operation currently generates revenue through a stumpage agreement (the Stumpage Agreement) with Northern Pulp which allows them to harvest an average of approximately 400,000 metric tons of softwood timber annually from the Woodlands at market prices. The Stumpage Agreement will be terminated in conjunction with the sale of the Woodlands. For the years ended December 31, 2009, 2008 and 2007, the results of the Pictou Mill and the Woodlands are reported as discontinued operations.

Results of Continuing Operations

For the year ended December 31, 2009, consolidated net sales decreased approximately 22 percent from the prior year to $573.9 million. The decrease was primarily due to lower volume in both businesses as a result of sharply reduced market demand following severe global economic weakness, particularly in the first half of 2009. The effect on demand of the global economic contraction was exacerbated in the first half of 2009 by a sharp decline in consumption for a number of key end use market segments, including advertising, financial institutions and the transportation and real estate segments and inventory destocking by our direct customers.

Despite the lower volumes, consolidated operating income of $16.4 million for the year ended December 31, 2009 increased $35.7 million from the prior year. Operating results for the year ended December 31, 2009 include costs of $17.1 million related to the closure of the Ripon Mill in May 2009. Operating results for the year ended December 31, 2008, include a charge of $54.5 million related to the impairment of goodwill and other intangible assets, and gains of approximately $6.3 million from the sale of certain Fox River assets and $4.3 million from the settlement of certain Terrace Bay postretirement benefits. Excluding such items, consolidated operating income as adjusted in 2009 increased $8.9 million from the prior year primarily due to reduced spending as a result of initiatives implemented to control operating costs and also lower manufacturing input costs. These favorable factors were only partially offset by the effects of lower volume and reduced paper mill operating schedules.

Results of Discontinued Operations

For the year ended December 31, 2009, timber sales to Northern Pulp pursuant to the Stumpage Agreement resulted in net sales from discontinued operations of $3.7 million. Net sales of discontinued operations for the year ended December 31, 2008 were $101.9 million primarily from pulp sales at the Pictou Mill in the first six months of 2008. For the year ended December 31, 2009, pre-tax income from discontinued operations was $2.5 million. For the year ended December 31, 2008, we recorded a pre-tax loss from discontinued operations of $180.9 million. The pre-tax loss in 2008 included non-cash charges of $91.2 million to write-off the long-lived assets of the Pictou Mill and a loss of $83.1 million on disposal of the Pictou Mill.

Income Taxes

In general, our effective tax rate differs from the U.S. statutory tax rate of 35 percent primarily due to the benefits of our corporate tax structure and the proportion of pre-tax income in jurisdictions with marginal tax rates that differ from the U.S. statutory tax rate. For the year ended December 31, 2009, we recorded an income tax benefit related to continuing operations of $5.0 million which resulted in an effective income tax (benefit) rate of approximately (74) percent. For the year ended December 31, 2008, we recorded an income tax provision related to continuing operations of $3.0 million which resulted in an effective income tax rate of approximately 7 percent. Our effective tax rate for the year ended December 31, 2008 was also significantly affected by the non tax deductible nature of the goodwill impairment charge and an increase in the limitation on available tax benefits acquired in the Fox River acquisition. Excluding such items, our effective income tax rate for the year ended December 31, 2008 was approximately 36 percent.

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For the year ended December 31, 2007, our effective tax rate was approximately 13 percent. Our effective tax rate for the year ended December 31, 2007 was significantly affected by a reduction in German statutory income tax rates effective as of January 1, 2008. Application of the new rates to our existing deferred tax assets and liabilities reduced our net deferred tax liabilities at December 31, 2007. The reduction in our net deferred tax liabilities due to the benefit of the tax rate change resulted in an income tax benefit of $8.8 million for the year ended December 31, 2007 in accordance with ASC Topic 740. Excluding the impact of the German tax law amendment on our deferred tax liabilities and other tax adjustments, our effective tax rate for the year ended December 31, 2007 was approximately 17 percent.

Analysis of Net Sales Years Ended December 31, 2009, 2008 and 2007

The following table presents net sales by segment, expressed as a percentage of total net sales before intersegment eliminations:

	Year Ended December 31,		
	2009	**2008**	**2007**
Fine Paper	45%	46%	48%
Technical Products	55%	54%	52%
Total	100%	100%	100%

The following table presents our net sales by segment for the periods indicated:

	Years Ended December 31,					
	2009		**2008**		**2007**	
Net sales						
Fine Paper	$	255.6	$	335.5	$	366.5
Technical Products		318.3		396.8		400.8
Intersegment sales						(0.3)
Consolidated	$	573.9	$	732.3	$	767.0

Commentary:

Year 2009 versus 2008

	For the Year Ended December 31,				Change in Net Sales Compared to the Prior Year							
									Change Due To			
	2009		**2008**		**Total Change**		**Volume**		**Average Net Price**		**Currency**	
Fine Paper	$	255.6	$	335.5	$	(79.9)	$	(84.4)	$	4.5	$	
Technical Products		318.3		396.8		(78.5)		(64.5)		(3.0)		(11.0)
Consolidated	$	573.9	$	732.3	$	(158.4)	$	(148.9)	$	1.5	$	(11.0)

Consolidated net sales of $573.9 million for the year ended December 31, 2009 were $158.4 million lower than the prior year primarily due to lower volumes. In addition, results reflected unfavorable currency translation effects due to the weakening of the Euro versus the U.S. dollar.

- Net sales in our fine paper business of $255.6 million decreased $79.9 million or 24 percent primarily due to a 25 percent decrease in shipments. We believe that we were able to improve our market share position based on the AF&PA report of a 27 percent year-over-year industry decline in the premium writing, text and cover uncoated free sheet paper category. Lower sales volume reflected a sharp decline in consumption for a number of key end use market segments, including advertising, financial institutions and the transportation and real estate segments. Market demand began to decline in late 2008 and continued throughout 2009. The increase in average net price reflected the realization of price increases on branded and non-branded products that were implemented in 2008. Price increases of approximately three percent on branded products announced late in 2009 will not meaningfully impact results until 2010.

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• Net sales in our technical products business of $318.3 million decreased $78.5 million or 20 percent, primarily due to a 16 percent decrease in shipments. Lower sales volume reflected decreased demand in most markets due to weaker economic conditions and inventory destocking by our direct customers, particularly in the first half of 2009. Sales were also lower as a result of unfavorable currency translation effects due to average Euro/U.S. dollar exchange rates that were five percent lower in 2009 than in the prior year. Net sales were also adversely affected by lower selling prices for certain products in our European business, particularly Tape and Wall Cover, which were influenced by currency factors for export prices and additional market capacity, respectively.

Year 2008 versus 2007

	For the Year Ended December 31,		Change in Net Sales Compared to the Prior Year			
					Change Due To	
	2008	2007	Total Change	Volume	Average Net Price	Currency
Fine Paper	$ 335.5	$ 366.5	$ (31.0)	$ (31.6)	$ 0.6	$
Technical Products	396.8	400.8	(4.0)	(40.9)	16.3	20.6
Intersegment sales		(0.3)	0.3	0.3		
Consolidated	$ 732.3	$ 767.0	$ (34.7)	$ (72.2)	$ 16.9	$ 20.6

Consolidated net sales of $732.3 million in the year ended December 31, 2008 were $34.7 million lower than the prior year primarily due to lower volumes and a less favorable product mix in our fine paper business, partially offset by the realization of price increases and favorable currency translation effects due to the strengthening of the Euro versus the U.S. dollar.

• Net sales in our fine paper business of $335.5 million decreased $31.0 million or 8 percent primarily due to a 9 percent decrease in shipments. The lower volume was primarily due to an unusually large market decline in 2008 for premium uncoated free sheet papers as a result of weaker economic conditions, partially offset by incremental sales related to the acquisition of Fox River in March 2007. The increase in average net price reflected higher selling prices for most products that were partially offset by a less favorable mix. The less favorable mix was primarily due to the dilutive nature of the relatively lower priced grades acquired with Fox River.

• Net sales in our technical products business of $396.8 million decreased $4.0 million or 1 percent, primarily due to lower volumes for certain products that were partially offset by favorable currency effects and higher net prices. Average net prices increased approximately 4.1 percent due to a more favorable mix and higher selling prices. The mix improvement reflected an increased proportion of sales of higher priced products such as filtration and abrasives. Volumes declined primarily due to weaker economic conditions and lower export tape sales from Germany as a result of the strengthening of the Euro.

The following table sets forth line items from our consolidated statements of operations as a percentage of net sales for the periods indicated and is intended to provide a perspective of trends in our historical results:

	Year Ended December 31,		
	2009	2008	2007
Net sales	100.0%	100.0%	100.0%

Cost of products sold	82.3	86.5	82.9
Gross profit	17.7	13.5	17.1
Selling, general and administrative expenses	12.0	10.3	10.3
Other income - net	(0.1)	(1.6)	(0.2)
Restructuring costs	3.0		
Goodwill and other intangible asset impairment charge		7.4	
Operating income (loss)	2.8	(2.6)	7.0
Interest expense-net	4.0	3.4	3.3
Income (loss) from continuing operations before income taxes	(1.2)	(6.0)	3.7
Provision (benefit) for income taxes	(0.9)	0.5	(0.5)
Income (loss) from continuing operations	(0.3)%	(6.5)%	4.2%

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Analysis of Operating Income Years Ended December 31, 2009, 2008 and 2007

The following table sets forth our operating income (loss) by segment for the periods indicated:

	Year Ended December 31, 2009	2008	2007
Operating income (loss)			
Fine Paper	$ 17.5	$ 34.0	$ 46.6
Technical Products	14.4	(42.3)	24.7
Unallocated corporate costs	(15.5)	(11.0)	(17.4)
Consolidated Operating Income as Reported	16.4	(19.3)	53.9
Adjustments for Unusual Items			
Fine Paper adjustments			
Closure of the Ripon Mill	17.1		
Gain on sale of Fox River Assets		(6.3)	
Fox River integration costs			5.2
Total	17.1	(6.3)	5.2
Technical Products adjustment			
Goodwill impairment charge		54.5	
Unallocated corporate costs adjustment			
Settlement of Terrace Bay retiree litigation		(4.3)	5.2
Total Adjustments	17.1	43.9	10.4
Consolidated Operating Income as Adjusted	$ 33.5	$ 24.6	$ 64.3

In accordance with generally accepted accounting principles in the United States (GAAP), consolidated operating income (loss) includes the pre-tax effects of unusual items. We believe that by adjusting reported operating income (loss) to exclude the effects of these items, the resulting adjusted operating income are on a basis that reflects the results of our ongoing operations. We believe that investors gain additional perspective of underlying business trends and results by providing a measure of operating results that exclude certain gains and losses that are not expected to affect future consolidated or segment operating performance. Adjusted operating income is not a recognized term under GAAP and should not be considered in isolation or as a substitute for operating income derived in accordance with GAAP. Other companies may use different methodologies for calculating their non-GAAP financial measures and, accordingly, our non-GAAP financial measures may not be comparable to their measures.

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Commentary:

Year 2009 versus 2008

	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	Change in Operating Income (Loss) Compared to the Prior Year: Total Change	Change Due To: Volume	Net Price (a)	Material Costs (b)	Currency	Other (c)
Fine Paper (d)	$ 17.5	$ 34.0	$ (16.5)	$ (23.4)	$ 5.4	$ 13.3	$	$ (11.8)
Technical Products (e)	14.4	(42.3)	56.7	(23.2)	(6.3)	12.6	(0.1)	73.7
Unallocated corporate costs (f)	(15.5)	(11.0)	(4.5)					(4.5)
Consolidated	$ 16.4	$ (19.3)	$ 35.7	$ (46.6)	$ (0.9)	$ 25.9	$ (0.1)	$ 57.4

(a) Includes price changes, net of changes in product mix.

(b) Includes price changes for raw materials and energy.

(c) Includes $30.7 million of improvements from reductions in other manufacturing costs, distribution, selling, general and administrative expenses and net improvements of $26.8 million related to items described in notes (d), (e) and (f).

(d) For the year ended December 31, 2009, results for the Fine Paper segment include a pre-tax charge of $17.1 million related to the closure of the Ripon Mill. For the year ended December 31, 2008 results include gains of $6.3 million from the sale of certain Fox River assets.

(e) For the year ended December 31, 2008, results for the Technical Products segment include a non-cash pre-tax goodwill and other intangible asset impairment charge of $54.5 million.

(f) For the year ended December 31, 2008, unallocated corporate costs include a gain of $4.3 million for a settlement of certain benefits earned by Terrace Bay retirees.

Consolidated operating income of $16.4 million for the year ended December 31, 2009 increased $35.7 million compared to the prior year. Operating results for the year ended December 31, 2009 include costs of $17.1 million related to the closure of the Ripon Mill in May 2009. Operating results for the year ended December 31, 2008, include a charge of $54.5 million related to the impairment of goodwill and other intangible assets, and gains of approximately $6.3 million from the sale of certain Fox River assets and $4.3 million the settlement of certain Terrace Bay postretirement benefits. Excluding such items, consolidated operating income as adjusted for the year ended December 31, 2009 increased $8.9 million from the prior year due to actions taken across all businesses to reduce costs and control spending and from lower manufacturing input costs, particularly for pulp and latex. These favorable factors were only partially offset by lower volume and reductions in paper machine operating schedules.

- Operating income for our fine paper business of $17.5 million decreased $16.5 million compared to the prior year. Excluding costs of $17.1 million associated with closing the Ripon Mill and the gain of approximately $6.3 million in 2008 from assets sales, operating income for our fine paper business increased $6.9 million primarily due to lower manufacturing input costs, principally for hardwood pulp, lower operating and administrative spending due to cost reduction initiatives, including closing the Ripon Mill, and higher average net selling prices due to the realization of price increases implemented in 2008. These favorable factors were partially offset by the effects of lower volume and reductions in paper machine operating schedules.

- Operating income for our technical products business of $14.4 million increased $56.7 million compared to the prior year. Excluding the asset impairment charge, operating income for our technical products business increased $2.2 million from the prior year primarily due to lower spending resulting from the implementation of cost reduction initiatives and from lower manufacturing input costs, principally for pulp and latex. These favorable factors were partially offset by lower volume, reduced paper machine operating schedules and, to a lesser extent, lower average net selling prices.

- Unallocated corporate expenses increased $4.5 million compared to the prior year. Unallocated corporate expense for the year ended December 31, 2008 included a non-cash gain of approximately $4.3 million related to the settlement of certain postretirement benefits we retained following the sale of our Terrace Bay pulp mill. Excluding this gain, unallocated corporate expenses were essentially unchanged from the prior year.

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Year 2008 versus 2007

	For the Year Ended December 31,		Change in Operating Income (Loss) Compared to the Prior Year					
				Change Due To				
	2008	2007	Total Change	Volume	Net Price (a)	Material Costs (b)	Currency	Other (c)
Fine Paper (d)	$ 34.0	$ 46.6	$ (12.6)	$ (4.1)	$ (0.7)	$ (12.2)	$	$ 4.4
Technical Products (e)	(42.3)	24.7	(67.0)	(7.3)	8.1	(13.7)	1.9	(56.0)
Unallocated corporate costs (f)	(11.0)	(17.4)	6.4					6.4
Consolidated	$ (19.3)	$ 53.9	$ (73.2)	$ (11.4)	$ 7.4	$ (25.9)	$ 1.9	$ (45.2)

(a) Includes price changes, net of changes in product mix.

(b) Includes price changes for raw materials and energy.

(c) Includes other manufacturing costs, distribution, selling, general and administrative expenses and gains and losses on asset sales.

(d) For the year ended December 31, 2008, results for the Fine Paper segment include gains of $6.3 million from the sale of certain Fox River assets. For the year ended December 31, 2007, results for Fine Paper segment includes costs of approximately $5.2 million related to the integration of the Fox River acquisition.

(e) For the year ended December 31, 2008, results for the Technical Products segment include a non-cash pre-tax goodwill and other intangible asset impairment charge of $54.5 million.

(f) For the year ended December 31, 2008, unallocated corporate costs include a gain of $4.3 million for a settlement of certain benefits earned by Terrace Bay retirees. For the year ended December 31, 2007, unallocated corporate costs include a loss of approximately $5.2 million related to the settlement of Terrace Bay retiree litigation.

For the year ended December 31, 2008, we incurred a consolidated operating loss of $19.3 million primarily due to a non-cash pre-tax goodwill and other intangible asset impairment charge of $54.5 million. In addition, consolidated operating results for the year ended December 31, 2008 included gains of approximately $6.3 million from the sale of certain Fox River assets and $4.3 million the settlement of certain Terrace Bay postretirement benefits. Operating results for the year ended December 31, 2007 include approximately $5.2 million for costs related to the integration of the Fox River acquisition and $5.2 related to the settlement of Terrace Bay retiree litigation. Excluding these items, consolidated operating income as adjusted for the year ended December 31, 2008 decreased $39.7 million compared to 2007 primarily due to increased manufacturing input costs that exceeded selling price increases in both businesses, lower volumes and a less favorable mix of products in our fine paper business. These unfavorable factors more than offset benefits related to improved manufacturing operations and lower administrative costs.

- Operating income for our fine paper business of $34.0 million decreased $12.6 million primarily due to higher manufacturing input costs, principally for hardwood pulp and energy, a less favorable product mix due to the dilutive effect of selling relatively lower priced grades acquired in the Fox River acquisition and lower volumes. These unfavorable factors were only partially offset by gains on asset sales of approximately $6.3 million, higher selling prices, improved manufacturing efficiencies and incremental volume related to the acquisition of Fox River.

- Our technical products business incurred an operating loss of $42.3 million for the current year due to a non-cash pre-tax goodwill and other intangible asset impairment charge of $54.5 million. Excluding the asset impairment charge in 2008, operating income for our technical products business of $12.2 million decreased $12.5 million from the prior year primarily due to higher manufacturing input costs and lower volume. The increase in manufacturing costs primarily reflected higher input prices for energy, pulp and latex and increased costs in Germany following the start-up of new and rebuilt assets. These unfavorable factors were partially offset by improved pricing and mix, improved manufacturing operations and the favorable translation impact from a stronger Euro relative to the U.S. dollar.

- Unallocated corporate expenses decreased $6.4 million primarily due to the favorable settlement of certain employee benefit liabilities that we retained following the sale of our Terrace Bay pulp mill and due to decreased spending for other corporate expenses

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Additional Statement of Operations Commentary:

- For the years ended December 31, 2009, 2008 and 2007, we incurred $23.4 million, $25.0 million and $25.5 million, respectively, of interest expense. The decrease in interest expense for 2009 as compared to 2008 was due to lower average borrowings and lower average interest rates. In addition, during the fourth quarter of 2009, we recognized additional interest expense of approximately $1.4 million for costs incurred in conjunction with amending and restating our bank credit agreement and to write-off deferred financing costs associated with our previous bank credit agreement. The decrease in net interest expense in 2008 versus 2007 was primarily due to lower average interest rates, partially offset by higher average borrowings.

- In general, our effective tax rate differs from the U.S. statutory tax rate of 35 percent primarily due to the benefits of our corporate tax structure and the proportion of pre-tax income in jurisdictions with marginal tax rates that differ from the U.S. statutory tax rate. For the year ended December 31, 2009, we recorded an income tax benefit related to continuing operations of $5.0 million which resulted in an effective income tax (benefit) rate of approximately (74) percent. For the year ended December 31, 2008, we recorded an income tax provision related to continuing operations of $3.0 million which resulted in an effective income tax rate of approximately 7 percent. Our effective tax rate for the year ended December 31, 2008 was also significantly affected by the non tax deductible nature of the goodwill impairment charge and an increase in the limitation on available tax benefits acquired in the Fox River acquisition. Excluding such items, our effective income tax rate for the year ended December 31, 2008 was approximately 36 percent.

- For the year ended December 31, 2007, our effective tax rate was approximately 13 percent. Our effective tax rate for the year ended December 31, 2007 was significantly affected by a reduction in German statutory income tax rates effective as of January 1, 2008. Application of the new rates to our existing deferred tax assets and liabilities reduced our net deferred tax liabilities at December 31, 2007. The reduction in our net deferred tax liabilities due to the benefit of the tax rate change resulted in an income tax benefit of $8.8 million for the year ended December 31, 2007 in accordance with ASC Topic 740. Excluding the impact of the German tax law amendment on our deferred tax liabilities and other tax adjustments, our effective tax rate for the year ended December 31, 2007 was approximately 17 percent.. See Executive Summary Income Taxes. See Note 6 Income Taxes of Notes to Consolidated Financial Statements for a reconciliation of our annual effective tax rates.

Liquidity and Capital Resources

	Year Ended December 31, 2009	2008	2007
Net cash flow provided by (used in):			
Operating activities	$ 64.9	$ 13.1	$ 69.5
Investing activities			
Capital expenditures	(8.4)	(30.0)	(58.3)
Other investing activities	0.1	(0.4)	(55.1)
Total	(8.3)	(30.4)	(113.4)
Financing activities	(54.2)	18.2	43.8

Operating Cash Flow Commentary

- Cash provided by operating activities of $64.9 million for the year ended December 31, 2009 was $51.8 million favorable to cash provided by operating activities of $13.1 million in the prior year. The favorable comparison to the prior year was due to cash provided by decreased investments in working capital of $27.4 million, including the receipt of a refund of U.S. income taxes. For the year ended December 31, 2008, cash used for increased investments in working capital was $21.1 million.

- For the year ended December 31, 2009, we received approximately $10.9 million in refunds of U.S. income taxes. As of December 31, 2009, we had approximately $65.3 million of U.S. Federal and $75.4 million of U.S. State NOLs that may be carried forward to offset future taxable income through 2029.

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- Cash provided by operating activities of $13.1 million for the year ended December 31, 2008 was $56.4 million lower than cash provided by operating activities in the prior year. The unfavorable comparison to the prior year was primarily due to an increase in cash used by operating activities of our discontinued pulp operations of approximately $33.4 million, lower earnings (excluding the effects of non-cash items) and increased investments in working capital in 2008.

Investing Commentary:

- For the year ended December 31, 2009, cash used in investing activities was $8.3 million, a decrease of $22.1 million versus the prior year due to a reduction of $21.6 million in capital spending.

- For the year ended December 31, 2008, cash used in investing activities includes payments by Neenah Canada of approximately $10.3 million to Northern Pulp in connection with the transfer of the Pictou Mill. In addition, we paid approximately $3.3 million in transaction costs. Such payments were more than offset by proceeds of $13.8 million, primarily from the sale of certain Fox River assets.

- We have aggregate planned capital expenditures for 2010 of approximately $15 million. We believe that the level of our capital spending for 2010 is consistent with current economic conditions and will allow us to maintain the efficiency and cost effectiveness of our manufacturing assets.

- For the year ended December 31, 2008, cash used in investing activities was $30.4 million, a decrease of $83.0 million versus the prior year. The decrease in cash used was primarily due to spending of $54.7 million for the acquisition of Fox River in 2007. Capital spending for the year ended December 31, 2008 was $30.0 million compared to spending of $58.3 million in the 2007. The reduction in capital spending is primarily due to expenditures in 2007 for major projects to increase capacity and improve efficiency at Neenah Germany and for capital spending related to our enterprise resource planning system.

Financing Commentary:

In November 2009, we renewed and modified our bank credit agreement by entering into an amended and restated credit agreement (the Restated Credit Agreement). The Restated Credit Agreement consists of a $100 million senior secured revolving credit facility (the New Revolver) and a $40 million senior secured term loan (the New Term Loan). The Restated Credit Agreement matures in November 2013. Under certain conditions, the Company has the ability to increase the size of the New Revolver by up to $50 million. The total amount outstanding under the Restated Credit Agreement cannot exceed $150 million.

Our liquidity requirements are provided by cash generated from operations, short- and long-term borrowings and proceeds from asset sales. Availability under the New Revolver varies over time depending on the value of our inventory, receivables and various capital assets. As of December 31, 2009, we had $27.9 million outstanding under the New Revolver, outstanding letters of credit of $1.0 million and $60.6 million of available credit. In addition, we have 6.0 million ($8.6 million, based on exchange rates at December 31, 2009) of available credit under a secured 15 million revolving line of credit at Neenah Germany (the German Line of Credit).

- For the year ended December 31, 2009, net repayments on our New Revolver and the German Line of Credit were $73.2 million and $4.1 million, respectively. We repaid $7.2 million on a previous term loan, including amounts repaid with proceeds from the New Term Loan. In addition, we repaid $1.8 million on a 10 million construction financing agreement (the German Loan Agreement).

- We paid aggregate annual cash dividends of $0.40 per share or approximately $5.9 million, $6.0 million and $6.0 million for the years ended December 31, 2009, 2008 and 2007, respectively.

- For the year ended December 31, 2009, cash and cash equivalents increased $2.3 million.

- For the year ended December 31, 2008, we paid approximately $9.4 million to purchase shares of common stock in connection with a reverse/forward split of issued and outstanding shares of common stock.

- Our required debt payments through December 31, 2010 are $55.6 million. Such payments include $40 million to prepay the New Term Loan with proceeds from the sale of the Woodlands, required amortization payments on the German Loan Agreement of approximately $1.8 million and $12.9 million on our German Line of Credit which we expect to renew in November 2010.

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• On March 1, 2010, we announced that Neenah Canada had signed a definitive agreement to sell the Woodlands for C$82.5 million ($78.6 million). Proceeds from the sale will be used to repay the $40 million New Term Loan in full and reduce the balance of revolving loans outstanding under our Restated Credit Agreement to zero. In addition, approximately $3.1 million in contract termination payments related to the closure of the Ripon Mill will become due and payable upon the sale of the Woodlands. Our ability to use proceeds in excess of amounts outstanding under the Restated Credit Agreement is restricted to permitted uses as defined in the indenture for the Senior Notes. The transaction is not expected to generate a cash tax liability because the tax basis for the Woodlands is approximately equal to the sale price. Fees and other costs associated with the transaction are minimal.

Management believes that our ability to generate cash from operations and our borrowing capacity are adequate to fund working capital, capital spending and other cash needs for the next 12 months. Our ability to generate adequate cash from operations beyond 2010 will depend on, among other things, our ability to successfully implement our business strategies, control costs in line with market conditions and manage the impact of changes in input prices and currencies. We can give no assurance we will be able to successfully implement these items.

Contractual Obligations

The following table presents the total contractual obligations for which cash flows are fixed or determinable as of December 31, 2009:

(In millions)	**2010**	**2011**	**2012**	**2013**	**2014**	**Beyond 2014**	**Total**
Minimum purchase commitments (a)	$ 4.4	$ 0.4	$ 0.4	$ 0.4	$ 0.4	$ 1.8	$ 7.8
Long-term debt payments	55.6	1.8	1.7	29.7	226.8	3.6	319.2
Interest payments on long-term debt (b)	19.6	18.1	18.2	18.0	16.1	0.1	90.1
Other post-employment benefit obligations (c)	2.5	1.7	2.0	2.4	2.7	18.5	29.8
Operating leases	3.0	2.6	2.0	0.8	0.5	1.2	10.1
Open purchase orders (d)	59.2						59.2
Contributions to pension trusts	11.4	3.4	3.3	3.3	3.3		24.7
Liability for uncertain tax positions	9.5						9.5
Total contractual obligations	$ 165.2	$ 28.0	$ 27.6	$ 54.6	$ 249.8	$ 25.2	$ 550.4

(a) The minimum purchase commitments in 2010 are primarily for natural gas contracts. Although we are primarily liable for payments on the above operating leases and minimum purchase commitments, based on historical operating performance and forecasted future cash flows, we believe our exposure to losses, if any, under these arrangements is not material.

(b) Interest payments on long-term debt includes interest on variable rate debt at December 31, 2009 weighted average interest rates.

(c) The above table includes future payments that we will make for postretirement benefits other than pensions. Those amounts are estimated using actuarial assumptions, including expected future service, to project the future obligations.

(d) The open purchase orders displayed in the table represent amounts we anticipate will become payable within the next 12 months for goods and services that we have negotiated for delivery.

Adoption of New Accounting Pronouncements

On July 1, 2009, we adopted Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162* (SFAS No. 168). SFAS No. 168 established the ASC as the source of authoritative U.S. GAAP to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. SFAS No. 168 supersedes all existing non-SEC accounting and reporting standards. All non-SEC accounting literature not included in the ASC is non authoritative. The Company s adoption of SFAS No. 168 did not have an effect on its financial position, results of operation or cash flows.

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As of January 1, 2009, we adopted the enhanced required annual disclosures about plan assets in an employer s defined benefit pension or other postretirement plan in ASC Topic 715. Such enhanced disclosures include, but are not limited to, investment allocation decisions, the inputs and valuation techniques used to measure the fair value of plan assets and significant concentrations of risk within plan assets. See Note 8 Pension and Other Postretirement Benefits Plan Assets of Notes to Consolidated Financial Statements.

On December 15, 2009, we adopted the disclosure requirements of *Accounting Standards Update No. 2009-12* which amends ASC sub-topic 820-10, *Fair Value Measurements and Disclosures* (ASU No. 2009-12). ASU No. 2009-12 permits a reporting entity, as a practical expedient, to estimate the fair value of an investment using the net asset value per share (or its equivalent) of the investment, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of ASC Topic 946, *Financial Services Investment Companies* as of the reporting entity s measurement date. The adoption of ASU No. 2009-12 did not have an effect on our results of operations, financial position or cash flows.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in the United States requires estimates and assumptions that affect the reported amounts and related disclosures of assets and liabilities at the date of the financial statements and net sales and expenses during the reporting period. Actual results could differ from these estimates, and changes in these estimates are recorded when known. The critical accounting policies used in the preparation of the consolidated financial statements are those that are important both to the presentation of financial condition and results of operations and require significant judgments with regard to estimates used. These critical judgments relate to the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses.

The following summary provides further information about the critical accounting policies and should be read in conjunction with the notes to the Consolidated Financial Statements. We believe that the consistent application of our policies provides readers of our financial statements with useful and reliable information about our operating results and financial condition.

We have discussed the application of these critical accounting policies with our Board of Directors and Audit Committee.

Revenue Recognition

We recognize sales revenue when all of the following have occurred: (1) delivery has occurred, (2) persuasive evidence of an agreement exists, (3) pricing is fixed or determinable, and (4) collection is reasonably assured. Delivery is not considered to have occurred until the customer takes title and assumes the risks and rewards of ownership. The timing of revenue recognition is largely dependent on shipping terms. In general, our shipments are designated free on board shipping point and we recognize revenue at the time of shipment. Sales are reported net of allowable discounts and estimated returns. Reserves for cash discounts, trade allowances and sales returns are estimated using historical experience.

Inventories

We value U.S. inventories at the lower of cost, using the Last-In, First-Out (LIFO) method for financial reporting purposes, or market. German inventories are valued at the lower of cost, using a weighted-average cost method, or market. The First-In, First-Out value of U.S. inventories valued on the LIFO method was $58.2 million and $66.5 million at December 31, 2009 and 2008, respectively and exceeded such LIFO value by $8.7 million and $8.2 million, respectively. Cost includes labor, materials and production overhead.

Income Taxes

As of December 31, 2009, we have recorded aggregate deferred income tax assets of $100.6 million related to temporary differences, and have established a valuation allowance against these deferred income tax assets of $1.5 million. As of December 31, 2008, our aggregate deferred income tax assets were $100.7 million. In determining the need for valuation allowances, we consider many factors, including specific taxing jurisdictions, sources of taxable income, income tax strategies and forecasted earnings for the entities in each jurisdiction. A valuation allowance would be recognized if, based on the weight of available evidence, we conclude that it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

As of December 31, 2009 and 2008, our liability for uncertain income taxes positions was $9.5 million and $12.9 million, respectively. In evaluating and estimating tax positions and tax benefits, we consider many factors which may result in periodic adjustments and which may not accurately anticipate actual outcomes.

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Pension Benefits

Substantially all active employees of our U.S. paper operations participate in defined benefit pension plans and/or defined contribution retirement plans. In July 2007, the Financial Services Commission of Ontario approved our request to settle our pension obligations for active employees and terminate the Ontario, Canada defined benefit pension plan (the Ontario Plan). In December 2007, the Ontario Plan was terminated and all outstanding pension obligations were settled through the purchase of annuity contracts or lump-sum payments pursuant to participant elections. In conjunction with the sale of the Pictou Mill, Northern Pulp assumed responsibility for the Nova Scotia, Canada defined benefit pension plan (the Nova Scotia Plan) and other postretirement benefit obligations for active and retired employees of the mill. The Company accounted for the transfer of these liabilities as a settlement of postretirement benefit obligations pursuant to ASC Topic 715. Substantially all of Neenah Germany s employees participate in defined benefit plans designed to provide a monthly pension benefit upon retirement. There is no legal or governmental obligation to fund Neenah Germany s benefit plans and as such the plans are currently unfunded.

Our funding policy for qualified defined benefit plans is to contribute assets to fully fund the accumulated benefit obligation, as required by the Pension Protection Act of 2006. Subject to regulatory and tax deductibility limits, any funding shortfall is to be eliminated over a reasonable number of years. Nonqualified plans providing pension benefits in excess of limitations imposed by the taxing authorities are not funded.

Consolidated pension expense for defined benefit pension plans was $9.2 million, $7.8 million and $49.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. Pension expense for the year ended December 31, 2008, excludes a non-cash, pre-tax settlement loss of $53.7 million due to the reclassification of deferred pension and other postretirement benefit adjustments related to the transfer of the Nova Scotia Plan to Northern Pulp from accumulated other comprehensive income to loss from discontinued operations in the consolidated statement of operations. Pension expense for the year ended December 31, 2007, includes $38.7 million for losses related to the settlement of pension obligations for active employees in the Ontario Plan. In addition, we recognized a reduction in pension expense of $1.2 million related to an amendment to the Fox River defined benefit pension plan to freeze the vested pension benefit for salaried employees born after December 31, 1957. Pension expense is calculated based upon a number of actuarial assumptions applied to each of the defined benefit plans.

The weighted-average expected long-term rate of return on pension fund assets used to calculate pension expense was 7.92 percent, 8.02 percent and 7.90 percent for the years ended December 31, 2009, 2008 and 2007, respectively. The expected long-term rate of return on pension fund assets held by our pension trusts was determined based on several factors, including input from pension investment consultants and projected long-term returns of broad equity and bond indices. We also considered the plans historical 10-year and 15-year compounded annual returns. We anticipate that, on average, actively managed U.S. pension plan assets will generate annual long-term rates of return of at least 8 percent. Our expected long-term rate of return on the assets in the plans is based on an asset allocation assumption of about 60 percent with equity managers, with expected long-term rates of return of approximately 10 percent, and 40 percent with fixed income managers, with an expected long-term rate of return of about 6 percent. The actual asset allocation is regularly reviewed and periodically rebalanced to the targeted allocation when considered appropriate. We evaluate our investment strategy and long-term rate of return on pension asset assumptions at least annually.

Pension expense is estimated based on the fair value of assets rather than a market-related value that averages gains and losses over a period of years. Investment gains or losses represent the difference between the expected return calculated using the fair value of the assets and the actual return based on the fair value of assets. The variance between the actual and the expected gains and losses on pension assets is recognized in pension expense more rapidly than it would be if a market-related value for plan assets was used. As of December 31, 2009, our pension plans had cumulative unrecognized investment losses and other actuarial losses of approximately $28.9 million. These unrecognized net losses may increase our future pension expense if not offset by (i) actual investment returns that exceed the assumed investment returns, (ii) other factors, including reduced pension liabilities arising from higher discount rates used to calculate our pension obligations or (iii) other actuarial gains, including whether such accumulated actuarial losses at each measurement date exceed the corridor determined under ASC Topic 715.

The discount (or settlement) rate that is utilized for determining the present value of future pension obligations in the U.S. is generally based on the yield for a theoretical basket of AA-rated corporate bonds currently available in the market place, whose duration matches the timing of expected pension benefit payments. The discount (or settlement) rate that is utilized for determining the present value of future pension obligations in Germany is generally based on the IBOXX index of AA-rated corporate bonds adjusted to match the timing of expected pension benefit payments. The weighted average discount rate utilized to determine the present value of future pension obligations at December 31, 2009 and 2008 was 6.17 percent and 6.80 percent, respectively.

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Our consolidated pension expense in 2009 is based on the expected weighted-average long-term rate of return on assets and the weighted-average discount rate described above and various other assumptions. Pension expense beyond 2009 will depend on future investment performance, our contributions to the pension trusts, changes in discount rates and various other factors related to the covered employees in the plans.

The fair value of the assets in our defined benefit plans at December 31, 2009 of approximately $168 million increased approximately $25 million from the fair value of about $143 million at December 31, 2008, as investment gains and employer contributions exceeded benefit payments. At December 31, 2009, the projected benefit obligations of our defined benefit plans exceeded the fair value of plan assets by approximately $66 million which was approximately $5 million smaller than the $71 million deficit at December 31, 2008. The accumulated benefit obligation exceeded the fair value of plan assets by approximately $51.3 million and $52.8 million at December 31, 2009 and 2008, respectively. Contributions to pension trusts for the year ended December 31, 2009 were $10.2 million compared with $7.5 million for the year ended December 31, 2008. In addition, we made direct benefit payments for unfunded supplemental retirement benefits of approximately $2.3 million and $2.5 million for the years ended December 31, 2009 and 2008, respectively.

Impairment of Long-Lived Assets

Property, Plant and Equipment

Property, plant and equipment are tested for impairment in accordance with ASC Topic 360, *Property, Plant, and Equipment* (ASC Topic 360), whenever events or changes in circumstances indicate that the carrying amounts of such long-lived assets may not be recoverable from future net pre-tax cash flows. Impairment testing requires significant management judgment including estimating the future success of product lines, future sales volumes, growth rates for selling prices and costs, alternative uses for the assets and estimated proceeds from disposal of the assets. Impairment testing is conducted at the lowest level where cash flows can be measured and are independent of cash flows of other assets. An asset impairment would be indicated if the sum of the expected future net pre-tax cash flows from the use of the asset (undiscounted and without interest charges) is less than the carrying amount of the asset. An impairment loss would be measured based on the difference between the fair value of the asset and its carrying amount. We determine fair value based on an expected present value technique using multiple cash flow scenarios that reflect a range of possible outcomes and a risk free rate of interest are used to estimate fair value.

The estimates and assumptions used in the impairment analysis are consistent with the business plans and estimates we use to manage our business operations. The use of different assumptions would increase or decrease the estimated fair value of the asset and would increase or decrease the impairment charge. Actual outcomes may differ from the estimates.

Goodwill and Other Intangible Assets with Indefinite Lives

Goodwill arising from a business combination is recorded as the excess of purchase price and related costs over the fair value of identifiable assets acquired and liabilities assumed in accordance with ASC Topic 805, *Business Combinations*. All of our goodwill was acquired in conjunction with the acquisition of Neenah Germany in October 2006.

Under ASC Topic 350, *Intangibles Goodwill and Other* (ASC Topic 350), goodwill is subject to impairment testing at least annually. A fair-value-based test is applied at the reporting unit level, which is generally one level below the segment level. The test compares the fair value of an entity s reporting units to the carrying value of those reporting units. This test requires various judgments and estimates. We estimate the fair value of the reporting unit using a market approach in combination with a probability-weighted discounted operating cash flow approach for a number of scenarios representing differing operating and economic assumptions. We record an adjustment to goodwill for any goodwill that is determined to be impaired.

Impairment of goodwill is measured as the excess of the carrying amount of goodwill over the fair values of recognized assets and liabilities of the reporting unit. We test goodwill for impairment at least annually on November 30 in conjunction with preparation of our annual business plan, or more frequently if events or circumstances indicate it might be impaired.

Certain trade names are estimated to have indefinite useful lives and as such are not amortized. Intangible assets with indefinite lives are annually reviewed for impairment in accordance with ASC Topic 350.

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Other Intangible Assets with Finite Lives

Acquired intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with ASC Topic 360. Intangible assets consist primarily of customer relationships, trade names and acquired intellectual property. Such intangible assets are amortized using the straight-line method over estimated useful lives of between 10 and 15 years.

Impairment of Goodwill and Other Intangible Assets

Our annual test of goodwill for impairment at November 30, 2009, indicated that the carrying amount of goodwill assigned to Neenah Germany was considered recoverable. Significant assumptions used in developing the discounted operating cash flow approach were revenue growth rates and pricing, costs for manufacturing inputs, levels of capital investment and estimated cost of capital for high, medium and low growth environments.

Our annual test of goodwill for impairment at November 30, 2008, indicated that the carrying value of Neenah Germany exceeded its estimated fair value. For the year ended December 31, 2008, we recognized a non-cash pre-tax loss of $52.7 million (we did not recognize a tax benefit related to the non tax deductible loss) for the excess of the carrying value of goodwill assigned to Neenah Germany over the estimated fair value of goodwill. The impairment loss was primarily due to a substantial increase in the estimated cost of capital we used to calculate the present value of Neenah Germany s estimated future cash flows which resulted in a substantially lower estimated fair value. The higher estimated cost of capital reflected market/financial conditions at the time the annual impairment test was performed which indicated higher risk premiums for debt and equity.

As of December 31, 2009, a one percentage point increase in the estimate for our cost of capital used in the impairment test would result in an approximately $25 million change in the estimated fair value of the Neenah Germany and a corresponding reduction in the implied value of goodwill but would not result in an impairment of goodwill.

Our annual test of other intangible assets for impairment at November 30, 2009, indicated that the carrying amount of such assets was recoverable. During our annual test of other intangible assets for impairment, we determined that certain trade names and customer based intangible assets were also impaired at December 31, 2008. For the year ended December 31, 2008, we recognized a non-cash pre-tax charge of approximately $1.8 million for the impairment of such assets.

Stock-Based Compensation

We account for stock-based compensation in accordance with the fair value recognition provisions of ASC Topic 718, *Compensation Stock Compensation* (ASC Topic 718). The amount of stock-based compensation cost recognized is based on the fair value of grants that are ultimately expected to vest and is recognized pro-rata over the requisite service period for the entire award. ASC Topic 718 also requires the reporting of excess tax benefits related to the exercise or vesting of stock-based awards as cash provided by financing activities.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a multinational enterprise, we are exposed to risks such as changes in commodity prices, foreign currency exchange rates, interest rates and environmental regulation. A variety of practices are employed to manage these risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes and not for speculation or trading.

Presented below is a description of our most significant risks.

Foreign Currency Risk

Our reported operating results are affected by changes in the exchange rates of the Euro relative to the U.S. dollar. For the year ended December 31, 2009, a hypothetical 10 percent decrease in the exchange rates of the Euro relative to the U.S dollar would have decreased our income before income taxes by approximately $0.7 million. We do not hedge our exposure to such exchange risk on reported operating results.

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Currency transactional exposures are sensitive to changes in the exchange rate of the U.S. dollar against the Euro. We performed a sensitivity test to quantify the effects that possible changes in the exchange rate of the U.S. dollar would have on pre-tax comprehensive income based on the transactional exposure at December 31, 2009. The effect is calculated by multiplying our net monetary asset or liability position by a 10 percent change in the exchange rate of the Euro versus the U.S. dollar. The results of this sensitivity test are as follows. As of December 31, 2009, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the Euro involving balance sheet transactional exposures would have resulted in net pre-tax losses of approximately $11 million.

Finally, the translation of the balance sheets of our German operations from Euros into U.S. dollars also is sensitive to changes in the exchange rate of the U.S. dollar against the Euro. Consequently, we performed a sensitivity test to determine if changes in the exchange rate would have a significant effect on the translation of the balance sheets of our German operations into U.S. dollars. These translation gains or losses are recorded as unrealized translation adjustments (UTA , a component of comprehensive income) within stockholders equity. The hypothetical change in UTA is calculated by multiplying the net assets of our German operations by a 10 percent change in the U.S.$/Euro exchange rates. As of December 31, 2009, a 10 percent unfavorable change in the exchange rate of the U.S. dollar against the Euro would have decreased our stockholders equity by approximately $27 million. The hypothetical decrease in UTA is based on the difference between the December 31, 2009 exchange rate and the assumed exchange rate.

Commodity Risk

Pulp

We purchase the wood pulp used to produce our products on the open market, and, as a result, the price and other terms of those purchases are subject to change based on factors such as worldwide supply and demand and government regulation. We do not have significant influence over the price paid for our wood pulp purchases. Therefore, an increase in wood pulp prices could occur at the same time that prices for our products are decreasing and have an adverse effect on our results of operations, financial position and cash flows.

Based on 2009 pulp purchases, a 10 percent increase in the average market price for pulp (approximately $65 per ton) would have increased our annual costs for pulp purchases by approximately $15 million.

Other Manufacturing Inputs

We purchase a substantial portion of the other manufacturing inputs necessary to produce our products on the open market, and, as a result, the price and other terms of those purchases are subject to change based on factors such as worldwide supply and demand and government regulation. We do not have significant influence over our costs for such manufacturing inputs. Therefore, an increase in other manufacturing inputs could occur at the same time that prices for our products are decreasing and have an adverse effect on our results of operations, financial position and cash flows.

While we believe that alternative sources of critical supplies would be available, an interruption in supply of either single source specialty grade latex or specialty softwood pulp to our technical products business could disrupt and eventually cause a shutdown of production of certain technical products.

We generate substantially all of the electrical energy used by our Munising mill and approximately 20 percent of the electrical energy at our Bruckmühl and Appleton mills. Availability of energy is not expected to be a problem in the foreseeable future, but the purchase price of such energy can and likely will fluctuate significantly based on fluctuations in demand and other factors. There is no assurance that that we will be able to obtain electricity or natural gas purchases on favorable terms in the future.

Interest Rate Risk

We are exposed to interest rate risk on our fixed rate debt and our variable rate bank debt. At December 31, 2009, we had $238.4 million of fixed rate debt outstanding and $80.8 million of variable rate borrowings outstanding. We are exposed to fluctuations in the fair value of our fixed rate long-term debt resulting from changes in market interest rates, but not to fluctuations in our earnings or cash flows. At December 31, 2009, the fair market value of our fixed rate debt was $221.5 million based upon the quoted market price of the Senior Notes or rates currently available to us for debt of the same remaining maturities. A 100 basis point increase in interest rates would increase our annual interest expense on outstanding variable rate borrowings by approximately $0.6 million.

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We could in the future, reduce our exposure to interest rate fluctuations on our variable rate debt by entering into interest rate hedging arrangements, although those arrangements could result in us incurring higher costs than we would incur without the arrangements.

Environmental Regulation/Climate Change Legislation

Our manufacturing operations are subject to extensive regulation primarily by U.S., Germany and other international authorities. We have made significant capital expenditures to comply with environmental laws, rules and regulations. Due to changes in environmental laws and regulations, including potential future legislation to limit GHG emissions, the application of such regulations and changes in environmental control technology, we are not able to predict with certainty the amount of future capital spending to be incurred for environmental purposes. Taking these uncertainties into account, we have planned capital expenditures for environmental projects during the period 2010 through 2012 of approximately $1 million to $2 million annually.

We believe these risks can be managed and will not have a material adverse effect on our business or our consolidated financial position, results of operations or cash flows.

Item 8. Financial Statements and Supplementary Data

The information required in Item 8 is contained in and incorporated herein by reference from pages F-1 through F-52 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company s management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company s Chief

Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management s Annual Report on Internal Control Over Financial Reporting

The Company s management is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rules 13a-15(f) or 15a-15(f) under the Securities Exchange Act of 1934. The Company s internal control over financial reporting is designed to provide reasonable assurance to the Company s management and board of directors regarding the preparation and fair presentation of published financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2009. The scope of management s assessment of the effectiveness of internal control over financial reporting includes all of the Company s businesses. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based upon its assessment, management believes that as of December 31, 2009, the Company s internal controls over financial reporting were effective.

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A material weakness is a significant control deficiency, or a combination of significant control deficiencies, such that there is a reasonable possibility that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely basis.

Controls Over Income Tax Accounting: As discussed in our Annual Report on Form 10-K for the year ended December 31, 2008, as of December 31, 2008 and 2007 the Company did not maintain effective controls over the determination and reporting of the provision for income taxes and related income tax balances. At December 31, 2008, there were certain auditor identified misstatements in our December 31, 2008 deferred tax balances. These misstatements were the result of a failure in the operating effectiveness of our underlying control activities related to the preparation and review of the provision for income taxes and related income tax balances.

Remediation and Changes in Internal Controls

During 2009, the following remedial actions were implemented to address our material weakness:

- we improved communications between a major public accounting firm engaged to prepare and analyze our income tax provision and our management personnel responsible for reviewing and approving our income tax provision;
- the major public accounting firm is utilizing additional quality control procedures and resources in the preparation and analysis of our income tax provision and income tax accounts;
- we reviewed prior year tax returns to determine if additional accruals were required for uncertain tax positions;
- we expanded the number of management personnel utilized to test and review the tax strategies and assumptions supporting our income tax provision and income tax accounts; and
- The Audit Committee of our Board of Directors is meeting regularly with management personnel to monitor the progress of our remediation efforts.

As a result of the implementation of these processes, management believes that the consolidated financial statements are fairly stated in all material respects as of and for the year ended December 31, 2009. Management has concluded that the design and operation of our internal controls over financial reporting as it relates to accounting for income taxes were effective at December 31, 2009 and that the material weakness in accounting for income taxes has been remediated.

The effectiveness of internal control over financial reporting as of December 31, 2009, has been audited by Deloitte & Touche LLP, the independent registered public accounting firm who also audited the Company s consolidated financial statements. Deloitte & Touche s attestation report on the Company s internal control over financial reporting is included herein. See Item 15 Exhibits and Financial Statement Schedules.

Neenah Paper, Inc

March 10, 2010

Changes in Internal Control Over Financial Reporting

Changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting have been described in Remediation and Changes in Internal Controls above.

Item 9B. Other Information

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Information relating to nominees for director of Neenah and compliance with Section 16(a) of the Securities Exchange Act of 1934 is set forth under the captions Election of Directors, Meetings and Committees of the Board of Directors, Corporate Governance and Section 16(a) Beneficial Ownership Reporting Compliance, respectively, in the Proxy Statement for the Annual Meeting of Stockholders to be held on May 19, 2010. Such information is incorporated herein by reference. The definitive Proxy Statement will be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2009. Information relating to the executive officers of Neenah, pursuant to Instruction 3 of Item 401(b) of Regulation S-K and General Instruction G(3) of Form 10-K, is set forth at Part I, Item 4A of this report under the caption Executive Officers of the Registrant. Such information is incorporated herein by reference.

Code of Ethics

The Neenah Paper, Inc. Code of Business Conduct and Ethics, applies to all directors, officers and employees of Neenah. The Code of Business Conduct and Ethics meets the requirements of a code of ethics as defined by Item 406 of Regulation S-K, and applies to our Chief Executive Officer, Chief Financial Officer (our principal financial officer) and Vice President Controller (our principal accounting officer), as well as all other employees, as indicated above. The Code of Business Conduct and Ethics also meets the requirements of a code of conduct under New York Stock Exchange listing standards. The Code of Business Conduct and Ethics is posted on our web site at www.neenah.com under the links Investor Relations Corporate Governance Code of Ethics and print copies are available upon request without charge. You can request print copies by contacting our General Counsel in writing at Neenah Paper, Inc., 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005 or by telephone at 678-566-6500. The Company intends to disclose any amendments to the Code of Business Conduct and Ethics, as well as any waivers for executive officers or directors, on our web site at www.neenah.com.

Item 11. Executive Compensation

Information required by this Item 11 relating to executive compensation and other matters is set forth under the captions Compensation, Discussion and Analysis, Additional Executive Compensation, Director Compensation, and Compensation Committee Report in the Proxy Statement referred to in Item 10 above. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information relating to ownership of common stock of Neenah by certain persons is set forth under the caption Security Ownership of Certain Beneficial Owners and Management in the Proxy Statement referred to in Item 10 above. Such information is incorporated herein by reference. Information regarding securities authorized for issuance under equity compensation plans of Neenah is set forth under the caption Equity Compensation Plan Information in the Proxy Statement referred to in Item 10 above. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Director Independence.

Information relating to existing or proposed relationships or transactions between Neenah and any affiliate of Neenah is set forth under the caption Certain Relationships and Related Transactions in the Proxy Statement referred to in Item 10 above. Such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information relating to Neenah s principal accounting fees and services is set forth under the caption Independent Registered Public Accounting Firm Fees and Services in the Proxy Statement referred to in Item 10 above. Such information is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) Documents filed as part of this report:

1. Consolidated Financial Statements

The following reports and financial statements are filed herewith on the pages indicated:

2. Financial Statement schedule

The following schedule is filed herewith:

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits

See (b) below

(b) Exhibits

The following exhibits are filed with or incorporated by reference in this report. Where such filing is made by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses. We will furnish any exhibit at no cost upon written request to us at: Investor Relations, Neenah Paper, Inc., 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005.

Exhibit Number	**Exhibit**
2	Distribution Agreement dated as of November 20, 2004 between Kimberly-Clark Corporation and Neenah Paper, Inc. (filed as Exhibit 2.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
2.1	Sale and Purchase Agreement dated as of August 9, 2006 by and between FiberMark, Inc., FiberMark International Holdings LLC, and Neenah Paper, Inc. (filed as Exhibit 2.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed October 11, 2006 and incorporated herein by reference).
2.2	Assignment of Sale and Purchase Agreement Rights dated October 11, 2006 by and between Neenah Paper, Inc. and Neenah Paper International, LLC (filed as Exhibit 2.2 to the Neenah Paper, Inc. Current Report on Form 8-K filed October 11, 2006 and incorporated herein by reference).
2.3	Asset Purchase Agreement dated as of August 4, 2006 by and among Neenah Paper Company of Canada, NPCC Holding Company, LLC and Eagle Logging Inc. (filed as Exhibit 2.3 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q filed November 9, 2006 and incorporated herein by reference).
2.4	Asset Purchase Agreement dated as of August 4, 2006 by and among Neenah Paper Company of Canada, NPCC Holding Company, LLC and Terrace Bay Pulp Inc. (filed as Exhibit 2.4 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q filed November 9, 2006 and incorporated herein by reference).

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2.5	Agreement and Plan of Merger, among Neenah Paper, Inc., and Fox Valley Corporation, Fox River Paper Company, LLC and AF/CPS Holding Corporation, dated as of February 5, 2007 (filed as Exhibit 2.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed March 1, 2007 and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation of Neenah Paper, Inc. (filed as Exhibit 3.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Neenah Paper, Inc. (filed as Exhibit 3.2 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
4.1	Indenture dated as of November 30, 2004 between Neenah Paper, Inc., the Subsidiary Guarantors named therein and The Bank of New York Trust Company, N.A., as Trustee, including Form of 73/8 Senior Note due 2014 (filed as Exhibit 10.8 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
4.2	Rights Agreement between Neenah Paper, Inc. and EquiServe Trust Company, N.A., as Rights Agent (filed as Exhibit 4.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 19, 2004 and incorporated herein by reference.
4.3	Form of Subsidiary Guarantee (included as Exhibit E to Exhibit 4.1).
4.4	Form of 73/8% Exchange Senior Notes (filed as Exhibit 4.5 to the Neenah Paper, Inc. Registration Statement on Form S-4 filed May 23, 2005 and incorporated herein by reference).
10.1	Corporate Services Agreement dated as of November 30, 2004 by and between Kimberly-Clark Corporation and Neenah Paper, Inc. (filed as Exhibit 10.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
10.2	Tax Sharing Agreement dated as of November 30, 2004 by and between Kimberly-Clark Corporation and Neenah Paper, Inc. (filed as Exhibit 10.2 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
10.3	Lease Agreement dated June 29, 2004 between Neenah Paper, Inc. and Germania Property Investors XXXIV, L.P. (filed as Exhibit 10.3 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
10.4	Industrial Lease Agreement dated October 8, 2004 by and between Neenah Paper, Inc. and Duke Realty Limited Partnership (filed as Exhibit 10.4 to the Neenah Paper, Inc. Current Report on Form 8-K filed November 30, 2004 and incorporated herein by reference).
10.5*	Neenah Paper Inc. Supplemental Pension Plan (filed as Exhibit 10.5 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 and incorporated herein by reference).
10.6*	Neenah Paper Inc. Supplemental Retirement Contribution Plan (filed as Exhibit 10.6 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 and incorporated herein by reference).
10.7*	Neenah Paper Inc. Executive Severance Plan (filed as Exhibit 10.7 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 and incorporated herein by reference).
10.8*	Neenah Paper, Inc. Severance Pay Plan (filed as Exhibit 10.8 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2006, filed March 16, 2007 and incorporated herein by reference).
10.9	Form of Pulp Supply Agreement by and between Kimberly-Clark Global Sales and Neenah Paper, Inc. (filed as Exhibit 10.4 to the Neenah Paper, Inc. Registration Statement on Form 10, as amended, filed August 26, 2004 and incorporated herein by reference).
10.10	Amendment to Pulp Supply Agreement between Neenah Paper, Inc. and Kimberly-Clark Global Sales, Inc. dated as of January 17, 2006 (filed as Exhibit 10.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed January 20, 2006 and

incorporated herein by reference).

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10.11	Amended and Restated Pulp Supply Agreement dated August 29, 2006 between Neenah Paper, Inc. and Kimberly-Clark Global Sales, Inc. (filed as Exhibit 10.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed September 5, 2006 and incorporated herein by reference).
10.12	Form of Employee Matters Agreement by and between Kimberly-Clark Corporation and Neenah Paper, Inc. (filed as Exhibit 10.2 to the Neenah Paper, Inc. Registration Statement on Form 10, as amended, filed August 26, 2004 and incorporated herein by reference).
10.13	Credit Agreement dated as of November 30, 2004, by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed as Exhibit 10.10 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 and incorporated herein by reference).
10.14	First Amendment and Waiver, dated as of January 31, 2005 to the Credit Agreement dated as of November 30, 2004, by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed as Exhibit 10.11 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 and incorporated herein by reference).
10.15	Second Amendment and Waiver, dated as of May 9, 2006 to the Credit Agreement dated as of November 30, 2004, by and among, Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank N.A., as agent for the Lenders (filed as Exhibit 10.1 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2006, filed August 9, 2006 and incorporated herein by reference).
10.16	Third Amendment, dated as of October 3, 2006, to Credit Agreement dated as of November 30, 2004, by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed as Exhibit 10.16 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2006, filed March 16, 2007 and incorporated herein by reference).
10.17	Fourth Amendment, dated as of March 1, 2007 to Credit Agreement dated as of November 30, 2004, by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed as Exhibit 10.17 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2006, filed March 16, 2007 and incorporated herein by reference).
10.18	Fifth Amendment, dated as of October 24, 2007 to the Credit Agreement dated as of November 30, 2004, by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed as Exhibit 10.1 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended September 30, 2007, filed November 8, 2007 and incorporated herein by reference).
10.19	Sixth Amendment, dated as of May 15, 2008 to the Credit Agreement dated as of November 30, 2004, by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed as Exhibit 10.1 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 200, filed August 11, 2008 and incorporated herein by reference).
10.20*	Neenah Paper, Inc. 2004 Omnibus Stock and Incentive Compensation Plan (filed as Exhibit 10.12 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 and incorporated herein by reference).
10.21*	Neenah Paper Deferred Compensation Plan approved on December 11, 2006 (filed as Exhibit 10.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed December 15, 2006 and incorporated herein by reference).
10.22*	Neenah Paper Directors Deferred Compensation Plan approved on December 11, 2006. (filed as Exhibit 99.1 to the Neenah Paper, Inc. Registration Statement on Form S-8 filed December 21, 2006 and incorporated herein by reference).
10.23	Timberland Purchase and Sale Agreement, dated as of May 5, 2006, by and between Neenah Paper Company of Canada and Wagner Forest Management, LTD. (filed as Exhibit 10.2 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2006, filed August 9, 2006 and incorporated herein by reference).

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10.24	Stumpage Agreement dated as of June 29, 2006, by and among Neenah Paper Company of Canada, Atlantic Star Forestry LTD. and Nova Star Forestry LTD. (filed as Exhibit 10.3 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2006, filed August 9, 2006 and incorporated herein by reference).
10.25	First Amendment to Purchase and Sale Agreement, dated as of June 29, 2006, by and between Neenah Paper Company of Canada and Wagner Forest Management, LTD. (filed as Exhibit 10.4 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2006, filed August 9, 2006 and incorporated herein by reference).
10.26	Assignment and Assumption of Timberland Purchase and Sale Agreement, dated as of June 29, 2006, by and among Neenah Paper Company of Canada, Wagner Forest Management, LTD. and Nova Star Forestry LTD. (filed as Exhibit 10.5 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2006, filed August 9, 2006 and incorporated herein by reference).
10.27	Assignment and Assumption of Timberland Purchase and Sale Agreement, dated as of June 29, 2006, by and among Neenah Paper Company of Canada, Wagner Forest Management, LTD. and Atlantic Star Forestry LTD. (filed as Exhibit 10.6 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2006, filed August 9, 2006 and incorporated herein by reference).
10.28	Amended and Restated Share Purchase Agreement dated as of June 24, 2008, by and among Neenah Paper Company of Canada, NPCC Holding Company, LLC, Neenah Paper, Inc., Azure Mountain Capital Holdings LP, Northern Pulp NS LP, and Azure Mountain Capital Financial LP (filed as Exhibit 10.2 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 200, filed August 11, 2008 and incorporated herein by reference).
10.29	Asset Purchase Agreement dated as of June 24, 2008, by and between Neenah Paper Company of Canada and Azure Mountain Financial Corporation (filed as Exhibit 10.3 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 200, filed August 11, 2008 and incorporated herein by reference).
10.30	Asset Purchase Agreement dated as of June 24, 2008, by and between Neenah Paper Company of Canada and Northern Pulp Nova Scotia Corporation (filed as Exhibit 10.4 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 200, filed August 11, 2008 and incorporated herein by reference).
10.31	Stumpage Agreement, dated as of June 24, 2008, by and between Neenah Paper Company of Canada, and Northern Pulp Nova Scotia Corporation (filed as Exhibit 10.5 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 200, filed August 11, 2008 and incorporated herein by reference).
10.32	Subscription Agreement, dated as of June 24, 2008, by and between Neenah Paper Company of Canada, and Azure Mountain Capital Financial Corporation (filed as Exhibit 10.6 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 200, filed August 11, 2008 and incorporated herein by reference).
10.33	Consent and Guarantee Agreement Concerning Amended and Restated Pulp Supply Agreement, dated as of June 19, 2008, by and between Neenah Paper, Inc. and Kimberly-Clark Global Sales, LLC (filed as Exhibit 10.7 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2009, filed August 11, 2008 and incorporated herein by reference).
10.34	Amended and Restated Credit Agreement dated as of November 5, 2009 by and among by and among Neenah Paper, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders, (filed herewith).
11	Statement Regarding Computation of Earnings per Share (filed herewith)
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges (filed herewith)
21	List of Subsidiaries of Neenah Paper, Inc. (filed herewith).

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23	Consent of Deloitte & Touche LLP (filed herewith)
24	Power of Attorney (filed herewith)
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act) (filed herewith).
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code (filed herewith).

* Indicates management contract or compensatory plan or arrangement.

(c) Financial Statement Schedule

See Item 15(a) (2) above

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SIGNATURES

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

NEENAH PAPER, INC.

By: /s/ SEAN T. ERWIN

Name:	Sean T. Erwin
Title:	Chairman of the Board, President and Chief Executive Officer (in his capacity as a duly authorized officer of the Registrant and in his capacity as Chief Executive Officer)
Date:	March 10, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ SEAN T. ERWIN Sean T. Erwin	Chairman of the Board, President and Chief Executive Officer	March 10, 2010
/s/ BONNIE C. LIND Bonnie C. Lind	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 10, 2010
/s/ LARRY N. BROWNLEE Larry N. Brownlee	Vice President Controller (Principal Accounting Officer)	March 10, 2010
/s/ EDWARD GRZEDZINSKI* Edward Grzedzinski	Director	March 10, 2010
/s/ MARY ANN LEEPER* Mary Ann Leeper	Director	March 10, 2010
/s/ TIMOTHY S. LUCAS Timothy S. Lucas	Director	March 10, 2010
/s/ JOHN F. MCGOVERN* John F. McGovern	Director	March 10, 2010
/s/ PHILIP C. MOORE* Philip C. Moore	Director	March 10, 2010
/s/ STEPHEN M. WOOD Stephen M. Wood	Director	March 10, 2010

*By: /s/ STEVEN S. HEINRICHS
Steven S. Heinrichs
Senior Vice President, General

Counsel and Secretary
Attorney-in-fact

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Neenah Paper, Inc.
Alpharetta, Georgia

We have audited the internal control over financial reporting of Neenah Paper, Inc. and subsidiaries (the Company) as of December 31, 2009, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 Annual 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 over financial reporting 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.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2009 of the Company and our report dated March 10, 2010 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

March 10, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Neenah Paper, Inc.
Alpharetta, Georgia

We have audited the accompanying consolidated balance sheets of Neenah Paper, Inc. and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Neenah Paper, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2010 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Atlanta, Georgia
March 10, 2010

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NEENAH PAPER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share data)

	Year Ended December 31, 2009	2008	2007
Net sales	$ 573.9	$ 732.3	$ 767.0
Cost of products sold	472.3	633.2	635.5
Gross profit	101.6	99.1	131.5
Selling, general and administrative expenses	69.1	75.2	79.3
Other income - net	(1.0)	(11.3)	(1.7)
Restructuring costs	17.1		
Goodwill and other intangible asset impairment charge		54.5	
Operating income (loss)	16.4	(19.3)	53.9
Interest expense	23.4	25.0	25.5
Interest income	(0.2)		(0.1)
Income (loss) from continuing operations before income taxes	(6.8)	(44.3)	28.5
Provision (benefit) for income taxes	(5.0)	3.0	(3.7)
Income (loss) from continuing operations	(1.8)	(47.3)	32.2
Income (loss) from discontinued operations, net of taxes (Note 5)	0.6	(111.2)	(22.0)
Net income (loss)	$ (1.2)	$ (158.5)	$ 10.2
Earnings (Loss) Per Common Share			
Basic			
Continuing operations	$ (0.12)	$ (3.24)	$ 2.15
Discontinued operations	0.04	(7.59)	(1.48)
	$ (0.08)	$ (10.83)	$ 0.67
Diluted			
Continuing operations	$ (0.12)	$ (3.24)	$ 2.11
Discontinued operations	0.04	(7.59)	(1.46)
	$ (0.08)	$ (10.83)	$ 0.65
Weighted Average Common Shares Outstanding (in thousands)			
Basic	14,655	14,642	14,874
Diluted	14,655	14,642	15,141

See Notes to Consolidated Financial Statements

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NEENAH PAPER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions)

	December 31, 2009		December 31, 2008	
ASSETS				
Current Assets				
Cash and cash equivalents	$	5.6	$	3.3
Accounts receivable, net		67.7		63.2
Inventories		70.7		88.6
Income taxes receivable		0.8		11.2
Deferred income taxes		61.7		65.4
Prepaid and other current assets		13.7		19.0
Assets held for sale (Note 3 and Note 5)		10.0		3.3
Total Current Assets		230.2		254.0
Property, Plant and Equipment net		284.4		316.2
Deferred Income Taxes		37.4		35.3
Goodwill (Note 4)		44.9		43.8
Intangible assets net (Note 4)		27.5		28.7
Other Assets		13.1		12.0
TOTAL ASSETS	$	637.5	$	690.0
LIABILITIES AND STOCKHOLDERS EQUITY				
Current Liabilities				
Debt payable within one year	$	55.6	$	24.1
Accounts payable		30.0		35.3
Accrued expenses		48.6		50.3
Total Current Liabilities		134.2		109.7
Long-term Debt		263.6		340.5
Deferred Income Taxes		23.7		25.4
Noncurrent Employee Benefits and Other Obligations		108.3		111.3
TOTAL LIABILITIES		529.8		586.9
Commitments and Contingencies (Notes 11 and 12)				
Stockholders Equity				
Common stock, par value $0.01 authorized: 100,000,000 shares; issued and outstanding: 15,085,709 shares and 15,054,852 shares		0.1		0.1
Treasury stock, at cost: 410,654 shares and 405,744 shares		(10.2)		(10.1)
Additional paid-in capital		243.4		238.7
Accumulated deficit		(217.1)		(210.0)
Accumulated other comprehensive income		91.5		84.4
Total Stockholders Equity		107.7		103.1
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	637.5	$	690.0

See Notes to Consolidated Financial Statements

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NEENAH PAPER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(In millions, shares in thousands)

	Common Stock Shares	Common Stock Amount	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Comprehensive Income/(Loss)
Balance, December 31, 2006	14,812	$ 0.1	$ (0.1)	$ 224.7	$ (49.7)	$ 9.9	
Net income					10.2		$ 10.2
Other comprehensive income (loss)							
Unrealized foreign currency translation						58.0	58.0
Minimum pension liability						30.7	30.7
Loss on cash flow hedges						(0.1)	(0.1)
Dividends declared					(6.0)		$ 98.8
Excess tax benefits from stock-based compensation				0.5			
Stock options exercised	124			3.7			
Restricted stock vesting (Note 10)	33		(0.3)				
Stock-based compensation				6.4			
Balance, December 31, 2007	14,969	0.1	(0.4)	235.3	(45.5)	98.5	
Net income					(158.5)		$ (158.5)
Other comprehensive income (loss)							
Unrealized foreign currency translation						(30.1)	(30.1)
Adjustment to pension and other benefit liabilities						16.3	16.3
Loss on cash flow hedges						(0.3)	(0.3)
Dividends declared					(6.0)		$ (172.6)
Excess tax provision from stock-based compensation				(0.6)			
Share purchases			(9.4)				
Restricted stock vesting (Note 10)	86		(0.3)				
Stock-based compensation				4.0			