



2016 ANNUAL REPORT

NEENAH PAPER, INC.

FINANCIAL HIGHLIGHTS

Continued Operations

(Dollars in millions, except share data)

	Year End December 31,		
	2014	2015	2016
Consolidated Statement of Operations Data			
Net Sales	\$839.7	\$887.7	\$941.5
Adjusted EBIT	\$92.6	\$107.9	\$121.9
% ROS	11.0%	12.2%	12.9%
Adjusted EBITDA	\$123.6	\$141.9	\$157.8
Earnings per Diluted Common Share			
Adjusted Earnings from Continuing Operations	\$3.21	\$3.70	\$4.54
Weighted-Average Shares Outstanding (in thousands)	16,872	17,012	17,087
Consolidated Balance Sheet Data			
Total Assets	\$724.5	\$751.4	\$765.6
Total Stockholders' Equity	\$288.7	\$311.6	\$338.3
Total Debt	\$228.7	\$229.4	\$220.9
Cash and Cash Equivalents	\$72.6	\$4.2	\$3.1
Debt to EBITDA	1.8x	1.6x	1.4x
Debt to Capital	44%	42%	40%

Other Financial Data

Net Cash Flow Provided by (used for):

Operating Activities	\$94.5	\$111.2	\$115.8
Capital Expenditures	\$(27.9)	\$(48.1)	\$(68.5)
Stock Price Year-End	\$60.27	\$62.43	\$85.20
Cash Dividends Paid	\$1.02	\$1.20	\$1.32

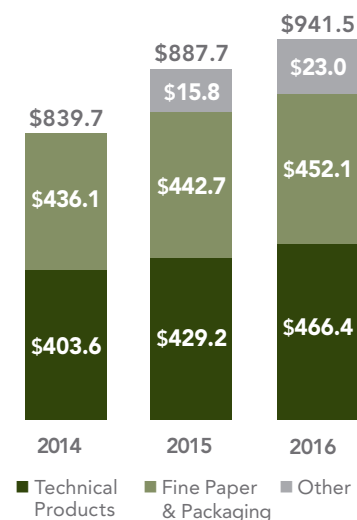
GAAP Reconciliation

A reconciliation of adjusted income measures to comparable GAAP measures is shown below:

	Year End December 31,		
	2014	2015	2016
EBIT (Operating Income)			
Integration/Restructuring Costs	2.3	6.5	7.0
Pension Settlement Charge	3.5	–	0.8
Cost for Early Redemption of Debt	0.2	–	–
Adjusted EBIT	92.6	107.9	121.9
Depreciation & Amortization	25.0	27.5	30.1
Amortization Equity-Based Compensation	6.0	6.5	5.8
Adjusted EBITDA	\$123.6	\$141.9	\$157.8
Diluted Earnings per Share			
Integration/Restructuring Costs	0.08	0.24	0.25
Pension Settlement Charge	0.13	–	0.03
Cost for Early Redemption of Debt	0.01	–	–
Prior Period R&D Tax Credits	(1.00)	(0.07)	–
Diluted Adjusted Earnings per Share	\$3.21	\$3.70	\$4.54

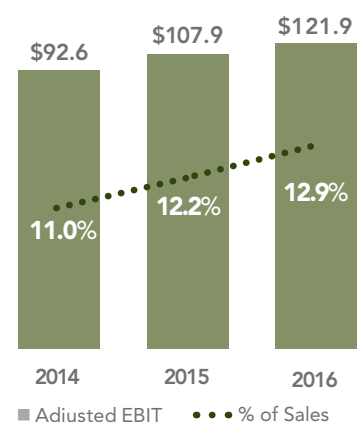
Net Sales

(In millions of U.S. dollars)

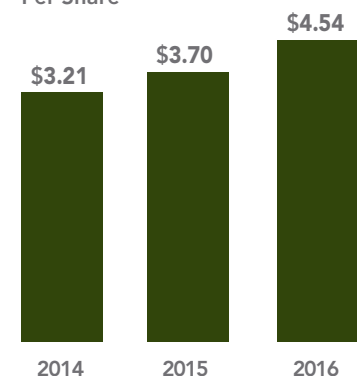


Adjusted EBIT

(In millions of U.S. dollars)

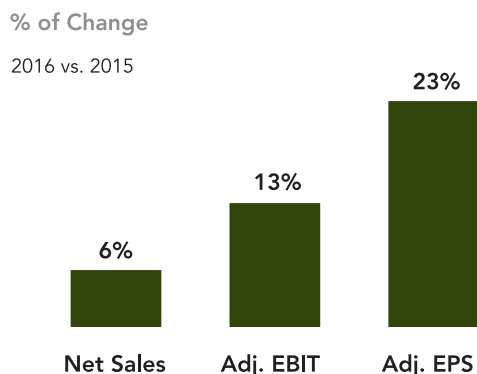


Adjusted Earnings Per Share



TO OUR SHAREHOLDERS

I am pleased to report that in 2016 Neenah again delivered record earnings and revenues as we continued our advancement toward becoming a premier global specialty materials company in defensible and growing niche markets.



Our actions remain guided by proven strategies to generate growth as we combine technological expertise and close customer relationships to produce in-demand, high quality products. We will continue to look to supplement organic growth with value-adding acquisitions.

As a company, Neenah remains financially disciplined, committed to deploying capital efficiently while also increasing direct cash returns to shareholders through a growing dividend and share buybacks.

We are well-positioned for the future, given our leading market positions, our strong cash flows and conservative balance sheet, and the recent completion of two important strategic initiatives.

FOUNDATION FOR CONTINUED GROWTH

First, we completed a large organic capital investment to expand our transportation filtration manufacturing capacity by almost 50%.

Transportation filtration is our single largest technical products category. It has been growing at 8 percent annually, and we are now at full manufacturing capacity at our plant in Germany. To support future growth, we completed a highly technical, capital-efficient project at our existing facility in Appleton, Wisconsin which converted a fine paper machine into a state-of-the-art transportation filtration asset. Complementing the paper capacity addition, we added a world-class solvent saturating facility to our local operations.

We fully expect that 2017 will be a transition year as we start up these operations and undergo lengthy qualification testing with customers. We are very pleased with the positive feedback that we are getting from our customers who continue to support the capacity addition of transportation filtration in the United States to support both domestic and global growth opportunities. This investment further solidifies Neenah's standing as a premium global transportation filtration player and positions us well for continued growth in this profitable market for years to come.

A second major accomplishment in 2016 was the completion of the FiberMark integration. We acquired these operations in August 2015, broadening our product portfolio while adding coating and finishing capabilities to support growth in both Technical Products and Fine Paper & Packaging.

By optimizing our supply chain and manufacturing footprint, we delivered synergies a year earlier than expected.

Importantly, we believe we have substantial opportunities in premium packaging and the acquisition brought complementary premium packaging capabilities

while significantly increasing the size of our premium packaging business.

This market is growing at 4 percent a year and we have targeted a very premium, \$450 million sub-segment of the packaging market. With our added capabilities and array of products, we are well-positioned to continue to demonstrate share growth.

SOLID FINANCIAL PERFORMANCE

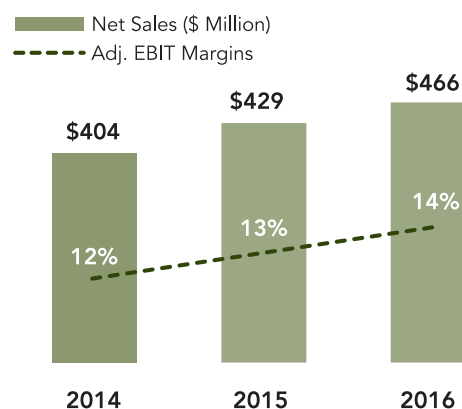
Our financial success continues to be the result of paying close attention to customers, while aggressively managing costs and unlocking capital efficient investments.

Highlights of the past year include:

- Net sales increased 6 percent to \$941.5 million. Results reflect organic growth in Technical Products, supplemented by higher volumes from acquired sales in both Fine Paper & Packaging and Technical Products.
- Consolidated operating income increased 13 percent, to \$114.1 million, while earnings per diluted share increased 21 percent to \$4.26. After excluding unusual costs for items such as integration and restructuring, adjusted earnings per share increased 23 percent to \$4.54.
- Cash provided by operations increased 4 percent to \$115.8 million. In addition to organic capital spending for our filtration expansion, we returned \$38.8 million directly to shareholders through dividends and share buybacks, a \$10.1 million increase over 2015.
- Year-end debt was reduced to \$220.9 million from \$229.4 million, and our credit ratings and balance sheet remain strong.
- Return on Invested Capital was maintained at an attractive level of more than 12 percent.
- Our total return to shareholders in 2016 was 39 percent, well above that of the broader markets.

TECHNICAL PRODUCTS

In 2016, Technical Products revenues increased nearly 9 percent, and adjusted EBIT margins increased to 14 percent.



Technical Products includes performance-based products requiring specialized technologies and chemistries to meet rigorous customer qualification standards. We group these products into two broad categories: Performance Materials and Filtration.

Our Performance Materials portfolio includes backings for tapes and abrasives, and specialty products, such as labels, security papers, medical packaging, and digital transfer media. Growth in 2016 included strong gains in backings as we continued to leverage our global manufacturing footprint. We also introduced Kimdura® DualTech® Synthetic Paper, a durable label with many industrial applications.

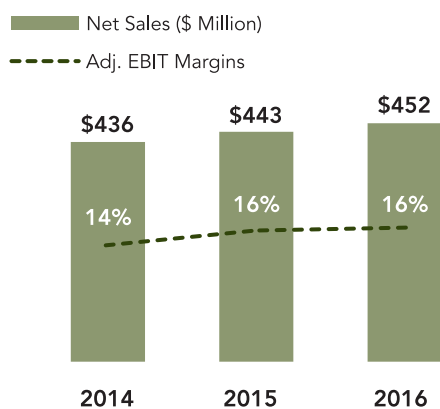
In Filtration, transportation filtration remains our largest and fastest-growing category, and includes components used in air, oil, cabin air and fuel filters. While our Appleton expansion was the major new investment in 2016, we also continued to develop and commercialize filter media for other end markets such as water, industrial and beverage filtration.

As our global technical markets grow, we continue to emphasize solutions that will benefit our customers' worldwide operations. We focus on niche categories where we are or can be a market leader because of our customer focus and technological expertise, while looking for ways to leverage our global market presence.

Through innovation and strong sales growth, we now serve more than 500 Technical Products customers in more than 80 countries, including many global blue-chip companies.

FINE PAPER & PACKAGING

Fine Paper & Packaging sales rose 2 percent to \$452 million while maintaining attractive adjusted EBIT margins of nearly 16 percent.



Within this segment, we serve markets where a premium image and high quality are both very important.

Commercial Print provides high-end business, professional, office, corporate identity and collateral materials. In 2016, we continued our market leadership

with our well-known brands, and broadened the markets we serve through the introduction of NEENAH® Wide Format, a comprehensive portfolio of paper-based solutions with multiple applications in the growing wide format printing market.

We sell fine papers for personal use through our Retail channel. In 2016, we continued our efforts to expand distribution with major retailers in the office products and mass merchandise channels, and improved our reach to the online consumer as well.

Premium Packaging includes image-enhancing folding cartons, coverings and labels for luxury goods and gift cards. Customers include prominent retailers, the makers of beauty products and high-end spirits, wines and crafts beers.

Revenue in premium packaging grew more than 30 percent in 2016, reflecting expanded capabilities and size following the FiberMark acquisition. We significantly increased our premium folded carton and box wrap portfolios, resulting in new business with several major companies, and launched the Neenah Design Studio, providing structural and graphic design services for customers.

BUILDING ON A STRONG FOUNDATION

Looking ahead, we will continue to advance our strategy of becoming a premier global specialty materials company, building upon the practices and disciplines that characterize our success.

We are about consistency. This includes consistency in making high-quality products, innovating through

our broad array of technologies, and being disciplined in how we deploy capital to produce the results our shareholders expect. Indeed, we recognize that deploying capital wisely is integral to maximizing shareholder value.

Like every year, 2017 will have its challenges. There will be start-up costs for the new transportation filtration machine in Appleton. Qualification periods, as with any new highly technical product, are expected to be lengthy. However, initial results have been very promising, and we are excited about the new opportunities from this investment.

External factors like input costs and currency may also represent short-term headwinds, but as in the past, we will find ways to offset them with operational efficiencies and our ability to recover these costs through our market activity over time.

We have a highly capable management team, with senior executives who for many years have worked closely together and exercised strong leadership in their respective areas. This team is leading Neenah to continued growth, broadening our customer base, strengthening customer relationships and developing new products.

As always, we appreciate the guidance from our Board, the dedication of our employees and your support as shareholders. We are proud of our success in 2016 and determined to build upon it.

Sincerely,

A handwritten signature in black ink, appearing to read "J P O'Donnell". The signature is stylized with a large, circular initial "J" and a long, horizontal flourish.

John P. O'Donnell
President and Chief Executive Officer

TECHNICAL PRODUCTS

Neenah is a leading producer of Technical Products, using various substrates to produce specialized materials that employ saturation, coating and other function-enhancing processes to deliver specified performance to customers.

Our products include filtration media, tape and abrasive backings, labels and other specialized products. Specific end uses include

transportation, and water filtration, industrial applications, medical packaging, digital transfer papers, publishing, and many others.

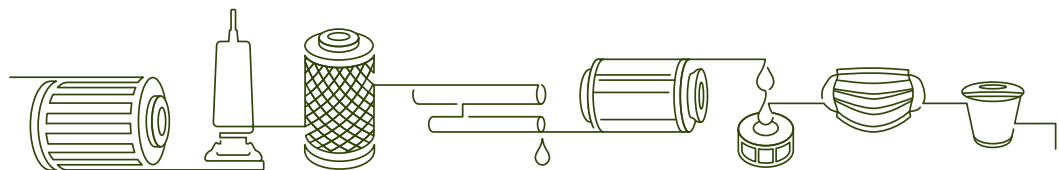
The Technical Products group serves customers in more than 80 countries through manufacturing facilities in the U.S., Germany, and the U.K., supported by R&D efforts focused on developing new processes and products that will meet customers' needs and drive our growth.

OUR PRODUCTS DELIVER HIGH-PERFORMANCE SOLUTIONS:

- providing essential filtration capabilities for transportation, water and other uses
- enabling superior performance in products for industrial applications, such as abrasives and tapes
- meeting specialized needs for strength, durability resistance to water and contamination in products as diverse as medical packaging, labels and outdoor advertising

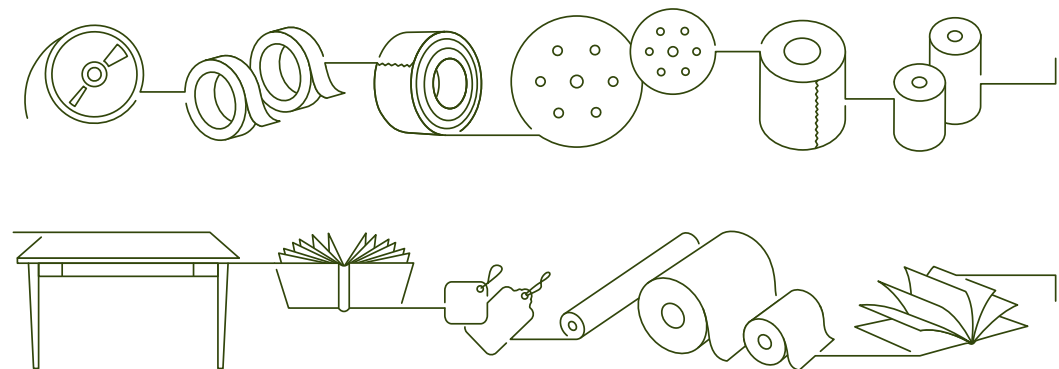
FILTRATION

High-performance filtration media for transportation, industrial water and other markets



PERFORMANCE MATERIALS

Saturated and coated papers used for backing of specialty abrasives and tapes to enhance their performance, and products for a variety of other end markets including labels, durable printing, and medical packaging applications



FINE PAPER & PACKAGING

Neenah leads the North American market in the creation and manufacturing of premium paper and packaging. The Neenah Fine Paper portfolio includes recognizable and distinguished brands like CLASSIC®, ENVIRONMENT®, ROYAL SUNDANCE®, ASTROBRIGHTS®, TOUCHE®, and Southworth®. With multiple U.S. manufacturing facilities specializing in color, texture and specialty features there is an endless combination of paper, packaging and envelopes available.

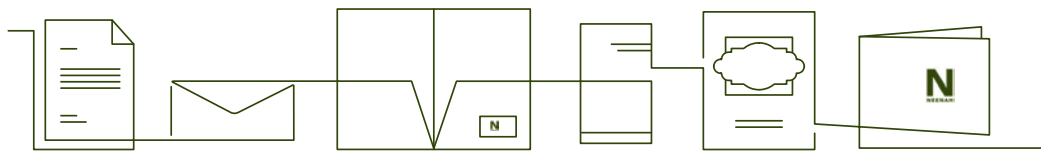
Neenah Premium Packaging provides unique, sustainable and custom solutions for many of the world's leading and emerging brands in cosmetics and fragrances; wine, spirits and craft beer; and retail. Our offering includes packaging papers for bags, box wraps, gift cards, gift card carriers, hangtags, labels, folding board and fragrance strips. We provide captivating colors and textures, customized for brands or ready-made, as well as high-performance products and hands-on customer service.

OUR PRODUCTS ARE IN DEMAND WHEREVER IMAGE MATTERS:

- high-end offset/digital printing of marketing and advertising collateral and business identity systems
- specialized uses such as upscale packaging and labels in the beauty, alcohol and retail markets
- unique, brightly colored papers for home, school or organization

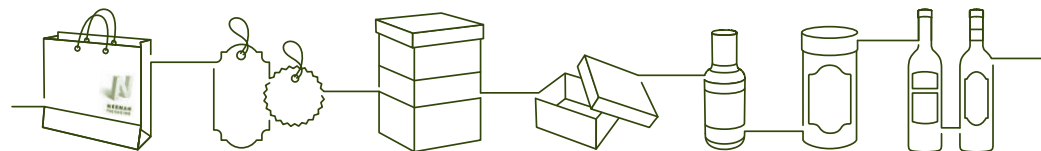
GRAPHIC IMAGING

Unique colors, textures and finishes for identity systems, invitations, advertising and marketing collateral, and envelopes



PREMIUM PACKAGING

Image-enhancing colors and textures for premium folded cartons, box wrap, bags and hang tags, and labels for wine, spirits and craft beer



NEENAH PAPER, INC. 2016 ANNUAL REPORT



**NOTICE OF 2017 ANNUAL MEETING
AND
PROXY STATEMENT**



April 11, 2017

Dear Stockholder:

On behalf of the Board of Directors, it is my pleasure to invite you to attend the 2017 Annual Meeting of Stockholders of Neenah Paper, Inc. to be held at the Company's headquarters located at Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005 on Tuesday, May 23, 2017 at 10:00 a.m., Eastern Time.

In 2016, we continued in our evolution to become a premier specialty materials company and delivered record sales, earnings and operating cash flows, along with attractive returns for our stockholders. In addition, we completed two important strategic initiatives that provide us with a growth platform for years to come. First, we concluded an organic capital investment expanding our transportation filtration manufacturing base outside of Europe, further solidifying our position with customers as a premium global transportation filtration player. Second, we finished our integration of FiberMark, which broadened our product portfolio, adding coating and finishing capabilities in both Technical Products and Fine Paper & Packaging and almost doubling the size of our premium packaging business. Guiding all of our activities is an ongoing commitment to deploy capital efficiently, maintaining an attractive Return on Invested Capital and a meaningful return of cash to shareholders. In 2016, we returned \$39 million to shareholders through dividends and share repurchases, up from \$29 million in 2015, and announced for 2017 our seventh consecutive double-digit dividend increase over the past five years.

We are proud of our results and of the contributions of Neenah's dedicated employees around the world that helped to create this value and appreciate the confidence and ongoing support of our stockholders.

The formal business to be transacted at the 2017 Annual Meeting includes:

- The election of the three nominees detailed in this Proxy Statement as Class I directors for a three-year term;
- Approval of an advisory vote on the Company's executive compensation;
- Approval of an advisory vote on the frequency of future advisory votes on the Company's executive compensation; and
- The ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2017.

At the meeting, we will provide a brief report on our results and strategies. Our directors and executive officers, as well as representatives from Deloitte & Touche LLP, will be in attendance to answer any questions you may have.

Regardless of whether you choose to attend or not, please either vote electronically using the Internet, vote by telephone, or follow the procedures for requesting written copies of the proxy materials described in the attached Proxy Statement and mark, date, sign and return the proxy card included with those materials at your earliest convenience. This will assure your shares will be represented and voted at the Annual Meeting.

Sincerely,

A handwritten signature in black ink, appearing to read "J P O'Donnell", written over a large, stylized circular flourish.

JOHN P. O'DONNELL
President and Chief Executive Officer



Neenah Paper, Inc.

**Preston Ridge III
3460 Preston Ridge Road, Suite 600
Alpharetta, Georgia 30005**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 23, 2017**

NOTICE HEREBY IS GIVEN that the 2017 Annual Meeting of Stockholders of Neenah Paper, Inc. will be held at the Company's headquarters located at Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005 on Tuesday, May 23, 2017 at 10:00 a.m., Eastern time, for the purpose of considering and voting upon:

1. A proposal to elect the three nominees named as Class I directors in the attached Proxy Statement to serve until the 2020 Annual Meeting of Stockholders;
2. A proposal to approve, on an advisory basis, the Company's executive compensation;
3. A proposal to approve an advisory vote on the frequency of future advisory votes on the Company's executive compensation;
4. A proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Neenah Paper, Inc. for the fiscal year ending December 31, 2017; and
5. Such other business as properly may come before the Annual Meeting or any adjournments thereof. The Board of Directors is not aware of any other business to be presented to a vote of the stockholders at the Annual Meeting.

Information relating to the above matters is set forth in the attached Proxy Statement. Stockholders of record at the close of business on March 31, 2017 are entitled to receive notice of and to vote at the Annual Meeting and any adjournments thereof.

The Proxy Statement and the 2016 Annual Report to Stockholders are available at www.neenah.com/proxydocs.

By order of the Board of Directors.

A handwritten signature in black ink, appearing to read "S. Heinrichs", with a long horizontal line extending to the right.

STEVEN S. HEINRICHS
*Senior Vice President, General Counsel and
Secretary*

Alpharetta, Georgia
April 11, 2017

PLEASE READ THE ATTACHED PROXY STATEMENT AND THEN VOTE ELECTRONICALLY, BY TELEPHONE, OR REQUEST PRINTED PROXY MATERIALS AND PROMPTLY COMPLETE, EXECUTE AND RETURN THE PROXY CARD INCLUDED WITH THE PROXY MATERIALS IN THE ACCOMPANYING POSTAGE-PAID ENVELOPE.

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PROXY STATEMENT

General Information

Our Board of Directors is soliciting proxies from our stockholders in connection with Neenah's Annual Meeting of Stockholders. When used in this Proxy Statement, the terms "we," "us," "our," "the Company" and "Neenah" refer to Neenah Paper, Inc. This Proxy Statement and our 2016 Annual Report are first being mailed to stockholders who requested copies, and made available on April 11, 2017.

SUMMARY

This summary highlights information contained in the Proxy Statement. It does not include all of the information that you should consider prior to voting and we encourage you to read the entire document prior to voting. For more complete information regarding Neenah's 2016 financial performance, please review the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Stockholders are being asked to vote on the following matters at the 2017 Annual Meeting of Stockholders:

Our Board's Recommendation

ITEM 1. Election of Directors (page 10)

The Board and the Nominating and Corporate Governance Committee believe that the three Class I Director nominees possess the necessary qualifications, attributes, skills and experiences to provide quality advice and counsel to the Company's management and effectively oversee the business and the long-term interests of stockholders.

FOR each Director Nominee

ITEM 2. Advisory Vote to Approve Executive Compensation (page 29)

The Company seeks a non-binding advisory vote to approve the compensation of its named executive officers as described in the Compensation Discussion and Analysis section beginning on page 19 and the Executive Compensation Tables section beginning on page 31. The Board values stockholders' opinions, and the Compensation Committee will take into account the outcome of the advisory vote when considering future executive compensation decisions.

FOR

ITEM 3. Approve the Frequency of Future Advisory Votes on the Company's Executive Compensation (page 30)

The Company seeks a non-binding advisory vote to approve the frequency of the advisory vote on executive compensation. The Board values stockholders' opinions and believes an annual advisory vote to approve executive compensation provides the appropriate opportunity for stockholders to communicate with the Board regarding the Company's executive compensation plans.

ANNUAL

ITEM 4. Ratification of the Appointment of Deloitte & Touche, LLP, as Independent Auditors (page 42)

The Audit Committee and the Board believe that the retention of Deloitte & Touche, LLP, to serve as the Independent Auditors for the fiscal year ending December 31, 2017 is in the best interest of the Company and its shareowners. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's selection of the Independent Auditors.

FOR



Questions and Answers about the Annual Meeting and Voting

When and where is the Annual Meeting?

When: Tuesday, May 23, 2017, at 10:00 A.M. Eastern Daylight Time

Where: Company headquarters located at Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005

Who is entitled to vote at the Annual Meeting?

You are entitled to vote at the Annual Meeting if you owned our common stock, par value \$0.01 per share, as of the close of business March 31, 2017 (the “Record Date”), with each share entitling its owner to one vote on each matter submitted to the stockholders. On the record date 16,787,202 shares of common stock were outstanding and eligible to be voted at the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of our common stock is necessary to constitute a quorum at the Annual Meeting.

How do I vote at the Annual Meeting?

You may vote in person at the Annual Meeting or by proxy. We recommend you vote by proxy even if you plan to attend the Annual Meeting. You can always change your vote at the meeting. Giving us your proxy means you authorize us to vote your shares at the Annual Meeting in the manner you direct. If you plan to attend the meeting in person you must provide proof of your ownership of our common stock as of the record date, such as an account statement, and a form of personal identification for admission to the meeting. If you hold your shares in street name and you also wish to be able to vote at the annual meeting, you are required to obtain a proxy from your bank or broker, executed in your favor.

If your shares are held in your name, you can vote by proxy in three convenient ways:

- *Via the Internet:* Go to <http://www.proxyvote.com> and follow the instructions.
- *By Telephone:* Call toll-free 1-800-690-6903 and follow the instructions.
- *By Mail:* Request a printed copy of the proxy materials disclosed in this Proxy Statement and complete, sign, date and return your proxy card in the envelope included with your printed proxy materials.

If your shares are held in street name, the availability of telephone and internet voting will depend on the voting processes of the applicable bank or brokerage firm; therefore, it is recommended that you follow the voting instructions on the form you receive from your bank or brokerage firm. All properly executed proxies received by Neenah in time to be voted at the Annual Meeting and not revoked will be voted at the Annual Meeting in accordance with the directions noted on the proxy card. If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters according to their judgment.

We are also sending the Notice and voting materials to participants in various employee benefit plans of Neenah. The trustee of each plan, as the stockholder of record of the shares of common stock held in the plan, will vote whole shares of stock attributable to each participant’s interest in the plan in accordance with the directions the participant gives or, if no directions are given by the participant, in accordance with the directions received from the applicable plan committees.

Can I change my vote?

Any stockholder of record delivering a proxy has the power to revoke it at any time before it is voted: (i) by giving written notice to Steven S. Heinrichs, Senior Vice President, General Counsel and

Secretary of Neenah, at Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia, 30005; (ii) by submitting a proxy card bearing a later date, including a proxy submitted via the Internet or by telephone; or (iii) by voting in person at the Annual Meeting. Please note, however, that any beneficial owner of our common stock whose shares are held in street name may (a) revoke his or her proxy and (b) attend and vote his or her shares in person at the Annual Meeting only in accordance with applicable rules and procedures as then may be employed by such beneficial owner's brokerage firm or bank.

What Proposals am I being asked to vote on at the Annual Meeting and what is required to approve each proposal?

You are being asked to vote on four proposals: Proposal 1 the election of the proposed nominees as Class I directors; Proposal 2 the approval, in a non-binding advisory vote, of Neenah's executive compensation; Proposal 3 the approval, in a non-binding advisory vote, on the frequency of future advisory votes on the Company's executive compensation; and Proposal 4 the ratification of the appointment of our independent public accounting firm.

In voting with regard to Proposal 1, you may vote in favor of each nominee, against each nominee, or may abstain from voting. A majority of the shares of common stock represented and entitled to vote on Proposal 1 is required for the election of each director, provided a quorum is present. Abstentions will be considered in determining the number of votes required to obtain the necessary majority vote for the proposal, and therefore will have the same legal effect as votes against the proposal.

In voting with regard to Proposal 2, you may vote in favor of the proposal, against the proposal, or may abstain from voting. The vote required to approve Proposal 2 is majority of the shares of common stock represented and entitled to vote on Proposal 2, provided a quorum is present. Abstentions will be considered in determining the number of votes required to obtain the necessary majority vote for the proposal, and therefore will have the same legal effect as votes against the proposal.

In voting with regard to Proposal 3, stockholders may vote for a frequency of one, two or three years. The frequency (every one, two or three years) receiving the greatest number of votes of the shares represented and entitled to vote at the Annual Meeting, provided a quorum is present, will be considered the frequency preferred by stockholders. As a result, abstentions will therefore have no effect on such vote.

In voting with regard to Proposal 4, you may vote in favor of the proposal, against the proposal, or may abstain from voting. The vote required to approve Proposal 4 is a majority of the shares of common stock represented and entitled to vote at the Annual Meeting, provided a quorum is present. Abstentions will be considered in determining the number of votes required to obtain the necessary majority vote for the proposal, and therefore will have the same legal effect as votes against the proposal.

Neenah is not aware, as of the date hereof, of any matters to be voted upon at the Annual Meeting other than those stated in this Proxy Statement. If any other matters are properly brought before the Annual Meeting, your proxy gives discretionary authority to the persons named as proxies to vote the shares represented thereby in their discretion.

What happens if I don't return my proxy card or vote my shares?

If you hold your shares directly your shares will not be voted if you do not return your proxy card or vote in person at the Annual Meeting. If your shares are held in the name of a bank or brokerage firm (in "street name") and you do not vote your shares, your bank or brokerage firm can only vote your shares in their discretion for proposals which are considered "discretionary" proposals. We believe

that Proposal 4 is a discretionary proposal. Brokers are prohibited from exercising discretionary authority for beneficial owners who have not provided voting instructions to the broker for proposals which are considered “non-discretionary” (a “broker non-vote”). We believe Proposals 1, 2 and 3 are non-discretionary proposals. As such, broker non-votes will be counted for the purpose of determining if a quorum is present, but will not be considered as shares entitled to vote on Proposals 1, 2 and 3, and therefore will have no effect on the outcome of these proposals.

What happens if I sign, date and return my proxy card but do not specify how to vote my shares?

If a signed proxy card is received which does not specify a vote or an abstention, then the shares represented by that proxy card will be voted FOR the election of all Class I director nominees described herein, FOR the approval of the Company’s executive compensation, FOR annual non-binding approvals of executive compensation, and FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2017.

Why haven’t I received a printed copy of the Proxy Statement or annual report?

We are choosing to follow the Securities and Exchange Commission (“SEC”) rules that allow companies to furnish proxy materials to stockholders via the Internet. If you received a Notice of Internet Availability of Proxy Materials, or “Notice,” by mail, you will not receive a printed copy of the proxy materials, unless you specifically request one. The Notice instructs you on how to access and review all of the important information contained in the proxy statement and annual report as well as how to submit your proxy over the Internet. If you received the Notice and would still like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials included in the Notice. We plan to mail the Notice to stockholders by April 11, 2017.

Who pays for the cost of this proxy solicitation?

We will bear the cost of preparing, printing and filing the Proxy Statement and related proxy materials. In addition to soliciting proxies through the mail, we may solicit proxies through our directors, officers and employees, in person and by telephone or email and facsimile. We expect to retain Okapi Partners LLC to aid in the solicitation at a cost of approximately \$8,500, plus reimbursement of out-of-pocket expenses. Brokerage firms, nominees, custodians and fiduciaries also may be requested to forward proxy materials to the beneficial owners of shares held of record by them. We will pay all expenses incurred in connection with the solicitation of proxies.

When will voting results be made available?

We will announce the final results on our web site at www.neenah.com shortly after the meeting and on Form 8-K immediately following the meeting.

BENEFICIAL OWNERSHIP

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding the beneficial ownership of our common stock as of March 31, 2017 with respect to: (i) each of our directors; (ii) each of the named executive officers appearing elsewhere herein; and (iii) all executive officers and directors as a group, based in each case on information furnished to us by such persons. As used in this Proxy Statement, “beneficial ownership” means that a person has, as of March 31, 2017, or may have within 60 days thereafter, the sole or shared power to vote or direct the voting of a security and/or the sole or shared investment power to dispose of or direct the disposition of a security.

<u>Name</u>	<u>Shares Beneficially Owned(1)</u>	<u>Percent of Class(2)</u>
William M. Cook	1,563(3)	*
Margaret S. Dano	2,460(4)	*
Sean T. Erwin	19,245(5)	*
Steven S. Heinrichs	22,303(6)	*
Bonnie C. Lind	31,574(7)	*
Timothy S. Lucas	16,375(8)	*
John F. McGovern	4,155	*
Philip C. Moore	19,580(9)	*
John P. O'Donnell	78,502(10)	*
James R. Piedmonte	38,927(11)	*
Julie A. Schertell	7,008(12)	*
Stephen M. Wood	45,995(13)	*
All directors and executive officers as a group (15 persons)	317,592(14)	2.0

- (1) Except as otherwise noted, the directors and executive officers, and all directors and executive officers as a group, have sole voting power and sole investment power over the shares listed. Shares of common stock held by the trustee of Neenah's 401(k) Retirement Plan for the benefit of, and which are attributable to our executive officers are included in the table.
- (2) An asterisk indicates that the percentage of common stock beneficially owned by the named individual does not exceed 1% of the total outstanding shares of our common stock.
- (3) Includes 1,063 shares of common stock issuable upon conversion of restricted stock units that are vested or will vest within 60 days of March 31, 2017.
- (4) Includes 1,170 shares of common stock issuable upon conversion of restricted stock units that are vested or will vest within 60 days of March 31, 2017.
- (5) Includes 1,170 shares of common stock issuable upon conversion of restricted stock units that are vested or will vest within 60 days of March 31, 2017. This total does not include 3,500 vested Stock Appreciation Rights.
- (6) This total does not include 9,850 vested Stock Appreciation Rights.
- (7) This total does not include 5,385 vested Stock Appreciation Rights.
- (8) Includes 1,170 shares of common stock issuable upon conversion of restricted stock units that are vested or will vest within 60 days of March 31, 2017. This total does not include 9,310 vested Stock Appreciation Rights.



- (9) Includes 1,186 shares of common stock issuable upon conversion of restricted stock units that are vested or will vest within 60 days of March 31, 2017.
- (10) This total does not include 41,811 vested Stock Appreciation Rights.
- (11) This total does not include 6,287 vested Stock Appreciation Rights.
- (12) This total does not include 18,788 vested Stock Appreciation Rights.
- (13) Includes 1,170 shares of common stock issuable upon conversion of restricted stock units that are vested or will vest within 60 days of March 31, 2017.
- (14) On July 1, 2014 the Company converted all outstanding Stock Options to Stock Appreciation Rights which are not included in the calculation of beneficial ownership. Stock Appreciation Rights are disclosed in detail under the *Outstanding Equity at the End of 2015* section of this Proxy Statement.

THIRD PARTIES

The following table sets forth information regarding the beneficial ownership of our common stock as of December 31, 2016 for each person known to us to be the beneficial owner of more than 5% of our outstanding common stock.

<u>Name and Address of Beneficial Owner</u>	<u>Common Stock Beneficially Owned</u>	
	<u>Number of Shares</u>	<u>Percent of Class</u>
Blackrock, Inc. 55 East 52 nd Street New York, NY 10055	1,867,930(1)	11.2%
Royce & Associates LP 745 Fifth Ave. New York, NY 10151	941,545(2)	5.6%
FMR LLC 245 Summer Street Boston, MA 02210	892,538(3)	5.3%
The Vanguard Group 100 Vanguard Blvd. Malverne, PA 19355	843,855(4)	5.0%

- (1) The amount shown and the following information is derived from the Schedule 13G filed by Blackrock, Inc. on January 17, 2017, reporting beneficial ownership as of December 31, 2016. Of the 1,607,005 shares shown, BlackRock, Inc. has sole dispositive power over all of the shares and sole voting power over 1,830,038 shares.
- (2) The amount shown and the following information is derived from the Schedule 13G filed by Royce & Associates LP on January 11, 2017, reporting beneficial ownership as of December 31, 2016. Royce & Associates, LP has sole dispositive power over all shares and sole voting power over all shares.
- (3) The amount shown and the following information is derived from the Schedule 13G filed by FMR LLC, on February 14, 2017, reporting beneficial ownership as of December 31, 2016. Of the 892,538 shares shown FMR LLC has sole dispositive power over all of the shares, and sole voting power over 2,238 shares.
- (4) The amount shown and the following information is derived from the Schedule 13G filed by The Vanguard Group, on February 10, 2017, reporting beneficial ownership as of December 31, 2016. Of the 843,855 shares shown The Vanguard Group has sole dispositive power over 808,542 of the shares, and sole voting power over 33,228 shares.



ELECTION OF DIRECTORS (ITEM 1)

The Board unanimously recommends that the stockholders vote “FOR” the proposal to elect John P. O’Donnell, William M. Cook, and Philip C. Moore as Class I directors for a three-year term expiring at the 2020 Annual Meeting of Stockholders and until their successors have been duly elected and qualified.

The Board currently consists of eight members divided into two classes of three directors and one class of two directors. The directors in each class serve three year terms, with the terms of the Class I directors expiring at the 2017 Annual Meeting. The Board has nominated John P. O’Donnell, William M. Cook, and Philip C. Moore, each a current director of Neenah, for re-election as Class I directors at the 2017 Annual Meeting. If elected, the nominees will serve a three-year term expiring at the 2020 Annual Meeting of Stockholders and until his or her successor has been duly elected and qualified.

Each of the nominees has consented to serve another term as a director if re-elected. If any of the nominees should be unavailable to serve for any reason (which is not anticipated), the Board may designate a substitute nominee or nominees (in which event the persons named on the enclosed proxy card will vote the shares represented by all valid proxy cards for the election of such substitute nominee or nominees), allow the vacancies to remain open until a suitable candidate or candidates are located, or by resolution provide for a lesser number of directors.

If any incumbent nominee for director in an uncontested election should fail to receive the required affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting, under Delaware law the director remains in office as a “holdover” director until his or her successor is elected and qualified or until his or her earlier resignation, retirement, disqualification, removal from office or death. In the event of a holdover director, the Board of Directors in its discretion may request the director to resign from the Board. If the director resigns, the Board of Directors may immediately fill the resulting vacancy, allow the vacancy to remain open until a suitable candidate is located and appointed or adopt a resolution to decrease the authorized number of directors.

Set forth below is certain information as of March 31, 2017, regarding the nominees and each director continuing in office, including their ages, principal occupations (which have continued for at least the past five years unless otherwise noted), current Board experience and participation, and how the background, experience and qualification of each nominee and director make them well suited to serve on Neenah’s Board.

Information Regarding Directors Nominated for Reelection

John P. O’Donnell, born in 1960, is President and Chief Executive Officer of the Company. Prior to being CEO, Mr. O’Donnell served as Chief Operating Officer of the Company and President, Fine Paper. Mr. O’Donnell was employed by Georgia Pacific Corporation from 1985 until 2007 and held increasingly senior management positions in the Consumer Products division. Mr. O’Donnell served as President of the North American Retail Business from 2004 through 2007, and as President of the North American Commercial Tissue business from 2002 through 2004. Mr. O’Donnell received his BS from Iowa State University. Mr. O’Donnell has served as a director of Neenah since November 2010. Mr. O’Donnell has also served as a Director for Clearwater Paper since April 2016. Mr. O’Donnell’s extensive experience in the paper and consumer products industries, and his leadership positions in the Company, makes him an effective member of Neenah’s Board.

William M. Cook, born 1953, is the retired Executive Chairman (2015-2016) of Donaldson Company Inc., a technology-driven global company that manufactures filtration systems to remove contaminants from air and liquids. Mr. Cook is also the former Chairman, President and Chief

Executive Officer (2004-2015) of Donaldson. Prior to that, Mr. Cook held various roles at Donaldson of increasing responsibility, including service as Senior Vice President, International (2000-2004); Chief Financial Officer (2001-2004); and Senior Vice President, Commercial and Industrial (1994-2000). Mr. Cook has served as a director of Neenah since July 21, 2016. Mr. Cook brings to the Neenah Board his filtration industry and operations experience and financial expertise for the past 35 years at Donaldson where he held a wide range of financial and business positions with global responsibilities. Mr. Cook is an experienced public company Board member having served on the Donaldson Board from 2004-2016 and as an independent public company Director for IDEX since 2008 and Valspar since 2010. Mr. Cook also has valuable Board experience from his past service to various private and charitable organizations. Mr. Cook holds a B.S. degree in Business Management and an M.B.A. degree from Virginia Tech.

Philip C. Moore, born in 1953, retired as Senior Vice President, Deputy General Counsel and Corporate Secretary of TD Bank Group, Toronto, Canada on December 31, 2016. Mr. Moore joined TD Bank Group in May 2013, prior to which he had been a partner at McCarthy Tétrault LLP, Canada's national law firm where he practiced corporate and securities law in Toronto and Sydney, Australia, with particular emphasis on corporate governance and finance, mergers and acquisitions and other business law issues. He has been involved in many corporate mergers, acquisitions, dispositions and reorganizations, as well as capital markets transactions in a variety of industries and geographies. Mr. Moore has extensive experience in corporate transactions involving the pulp and paper industries. Mr. Moore has been awarded the designation "Chartered Director" from the Directors College, Canada's leading director education program run by McMaster University and the Conference Board of Canada. He has advised on the design and implementation of numerous executive compensation plans, as well as on executive compensation governance matters. From 1994 until 2000, he was a director of Imax Corporation and is currently a director of a number of private corporations. Mr. Moore has served as a director of Neenah since November 30, 2004. Mr. Moore received his BA from McMaster University and his LLB from Queen's University. Mr. Moore's educational background and extensive experience in corporate governance and business law makes him an effective member of Neenah's Board.

Class II Directors—Term Expiring at the 2018 Annual Meeting

Margaret S. Dano, born in 1959, is Chairman of the Board for Superior Industries International, Inc., a leading manufacturer of aluminum road wheels for use in the automobile and light truck industry. Ms. Dano was appointed as Chairman of the Board in 2014 and has served as a director for Superior since 2007. In addition, Ms. Dano currently serves as a director of Douglas Dynamics, Inc., a manufacturer of snow and ice control equipment for the global light truck market, a position she has held since 2012. From 2002 to 2005, Ms. Dano served as Vice President, Worldwide Integrated Supply Chain and Operations for Honeywell Corporation. Prior to that she served as Vice President, Worldwide Supply Chain Office Products & GM Printer Papers for Avery Dennison Corporation from 1999 to 2002 and Vice President of Corporate Manufacturing & Engineering from 1996-1999. Ms. Dano has served as a director of Neenah since March 24, 2015. Ms. Dano received a BS in mechanical engineering from Kettering University (formerly the General Motors Institute). Ms. Dano's senior executive experience in global manufacturing and supply chain and her public board experience and leadership with manufacturing companies makes her an effective member of Neenah's Board.

Stephen M. Wood, Ph.D., born in 1946, is an Operating Partner with Snow Phipps Group LLC, an internationally diversified investment company. Prior to this, he served as Chairman of the Board for FiberVisions Corporation, which is a leading global manufacturer of synthetic fibers for consumer products, construction and industrial applications. Dr. Wood was President and Chief Executive Officer of FiberVisions from 2006 to 2012. Dr. Wood was also Chairman of the Board of ESFV which is a

global joint Venture with JNC Corporation, a leading Japanese chemical company. From 2001 to 2004, Dr. Wood served as President and Chief Executive Officer of Kraton Polymers, a specialties chemical company, and Chairman and Representative Director of JSR Kraton Elastomers, a Japanese joint venture company. Prior to this, Dr. Wood was President of the Global Elastomers business of Shell Chemicals, Ltd., and a Vice President of that company. Dr. Wood was also elected International President of the International Institute of Synthetic Rubber Producers. Dr. Wood has a BSc in Chemistry and a Ph.D. in Chemical Engineering from Nottingham University, United Kingdom and is a graduate of the Institute of Chemical Engineers. Dr. Wood has served as a director of Neenah since November 30, 2004. Dr. Wood's educational background and his experience as a senior executive of a chemical manufacturing company provides the knowledge base and experience to make him an effective member of Neenah's Board.

Class III Directors—Term Expiring at the 2019 Annual Meeting

Sean T. Erwin, born in 1951, is the Chairman of our Board of Directors. Mr. Erwin served as the Company's President and Chief Executive Officer from 2004 through May 2011. Prior to the spin-off of Neenah from Kimberly Clark Corporation on November 30, 2004 (the "spin-off"), Mr. Erwin had been an employee of Kimberly Clark since 1978, and had held increasingly senior positions in both finance and business management. In January 2004, Mr. Erwin was named President of Kimberly Clark's Pulp and Paper Sector, which comprised the businesses transferred to us by Kimberly Clark in the spin-off. He served as the President of the Global Nonwoven business from early 2001. He has also served as the President of the European Consumer Tissue business, Managing Director of Kimberly Clark Australia, as well as previously serving as President of the Pulp and Paper Sector, and President of the Technical Paper business. Mr. Erwin received his BS in Accounting and Finance from Northern Illinois University. Mr. Erwin served as a director of Carmike Cinemas, Inc. from 2012-2016. Mr. Erwin has served as a director of Neenah since November 30, 2004. Mr. Erwin's extensive experience as former CEO of the Company and his vast industry experience and leadership positions make him an effective member of Neenah's Board.

John F. McGovern, born in 1946, is the founder, and since 1999 a partner, of Aurora Capital LLC, a private investment and consulting firm based in Atlanta, Georgia. Prior to founding Aurora Capital, Mr. McGovern served in a number of positions of increasing responsibility at Georgia Pacific Corporation from 1981 to 1999, including Executive Vice President/Chief Financial Officer from 1994 to 1999. Previously, Mr. McGovern had been Vice President and Director, Forest Products and Package Division of Chase Manhattan Bank. He currently serves as a director of Xerium Technologies, Inc. where he serves as audit committee chairman. Mr. McGovern also served as a director of GenTek, Inc. from 2003 to 2009, Maxim Crane Works Holdings, Inc. from 2005 to 2008, and Collective Brands Inc. from 2003 to 2012. From 2006 to 2010, Mr. McGovern served as lead director of Neenah's Board for all executive sessions of non-management directors. Mr. McGovern has served as a director of Neenah since January 10, 2006. Mr. McGovern received his BS from Fordham University. Mr. McGovern's extensive experience as the senior financial executive of a multinational paper products company and his experience as an executive in the financial services industry as well as his experience on other public company boards make him an effective member of Neenah's Board.

Timothy S. Lucas, born in 1946, has served as an independent consultant on financial reporting issues practicing as Lucas Financial Reporting since 2002. From 1988 to 2002, Mr. Lucas worked at the Financial Accounting Standards Board ("FASB"), where he was the Director of Research and Technical Activities, and Chairman of the FASB's Emerging Issues Task Force. Mr. Lucas has served as a director of Neenah since November 30, 2004. Mr. Lucas received his BA in Economics and BS in Accounting from Rice University and his Master of Accounting from the Jesse H. Jones Graduate School, Rice University. Mr. Lucas' experience at FASB and his educational background make him an effective member of Neenah's Board.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors conducts its business through meetings of the full Board and through committees of the Board, consisting of an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee, which we refer to as the Nominating Committee. The Board of Directors held four meetings in 2016. The Company's Corporate Governance Policies provide that all directors are expected to regularly attend and participate in Board and Committee meetings and encourage the directors to attend the Company's Annual Meeting. In 2016 all of our directors attended at least 75% of the meetings of the Board and meetings of the committees of which he or she is a member. Neenah holds regularly scheduled executive sessions of the independent directors at each Board meeting. As Chairman of the Board Mr. Erwin presides at all the executive sessions other than meetings of the non-affiliated independent directors, at which Mr. McGovern presides. All of the Company's directors were in attendance at the 2016 Annual Meeting.

The following table describes the membership of each of the committees as of the 2017 Annual Meeting:

	Audit Committee	Nominating and Corporate Governance Committee	Compensation Committee
Philip C. Moore	X	X	
Timothy S. Lucas	Chair*		
John F. McGovern		Chair	X
Stephen M. Wood	X		Chair
Margaret S. Dano		X	X
William M. Cook	X*		
Number of meetings	8	6	6

* The Board has determined, based on his experience at the FASB, that Mr. Lucas and Mr. Cook are audit committee financial experts within the meaning of the SEC's rules.

Audit Committee

The Audit Committee is comprised solely of directors who meet the independence requirements of the New York Stock Exchange ("NYSE") and the Securities Exchange Act of 1934, as amended ("Exchange Act"), and are financially literate, as required by NYSE rules. At least one member of the Audit Committee is an audit committee financial expert, as defined by the rules and regulations of SEC. The Audit Committee has been established in accordance with applicable rules promulgated by the NYSE and SEC. The Audit Committee assists the Board in monitoring:

- the quality and integrity of our financial statements;
- our compliance with ethical policies contained in our Code of Business Conduct and Ethics and legal and regulatory requirements as well as the administration of our policy regarding related party transactions;
- the independence, qualification and performance of our registered public accounting firm;
- the performance of our internal auditors; and
- related party transactions.

The Audit Committee is governed by the Audit Committee Charter approved by the Board. The charter is available on our website at www.neenah.com.

Nominating and Corporate Governance Committee

The Nominating Committee is comprised solely of directors who meet the NYSE independence requirements. The Nominating Committee:

- oversees the process by which individuals are nominated to our Board;
- reviews the qualifications, performance and independence of members of our Board;
- reviews and recommends policies with respect to composition, organization, processes and practices of our Board, including diversity; and
- identifies and investigates emerging corporate governance issues and trends that may affect us.

The Nominating Committee is governed by the Nominating and Corporate Governance Committee Charter approved by the Board. The charter is available on our website at www.neenah.com.

Compensation Committee

The Compensation Committee is comprised solely of directors who meet NYSE independence requirements, meet the requirements for a “nonemployee director” under the Exchange Act, and meet the requirements for an “outside director” under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”). The Compensation Committee:

- reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer and sets such compensation;
- approves, in consultation with our Chief Executive Officer, the compensation of our officers who are elected by our Board;
- makes recommendations to our Board with respect to our equity-based plans and executive incentive compensation plans; and
- reviews with management and approves awards under our long-term incentive-compensation plans and equity-based plans.

The Compensation Committee is governed by the Compensation Committee Charter approved by the Board. The charter is available on our website at www.neenah.com.

Additional information regarding the Compensation Committee’s processes and procedures for consideration of executive compensation is provided in the Compensation Discussion and Analysis below.

CORPORATE GOVERNANCE

Board Leadership

The Board selects from among its members the Chairman of the Board. The Board also elects the Chief Executive Officer of the Company. The current Board Leadership is as Follows:

Chairman of the Board:	Sean T. Erwin
Chief Executive Officer:	John P. O'Donnell

The Board believes that at this time it is appropriate for Mr. Erwin to serve as independent Chairman while Mr. O'Donnell serves as Chief Executive Officer and a member of the Board. Mr. O'Donnell's position as both CEO and a Director provides a continuity of leadership between the senior executive team and the Board and enhances the corporate governance environment of the Board.

Independent Directors

Our Amended and Restated Bylaws provide that a majority of the directors on our Board shall be independent and currently seven out of the eight directors are independent. In addition, the Corporate Governance Policies adopted by the Board, described further below, provide for independence standards consistent with NYSE listing standards. Generally, a director does not qualify as an independent director if the director (or in some cases, members of the director's immediate family) has, or in the past three years has had, certain material relationships or affiliations with the Company, its external or internal auditors, or other companies that do business with the Company. Having seven out of eight independent directors provides Neenah with a sufficient level of oversight, governance and independence without unduly limiting the senior executives from acting in the best interest of the Company and its shareholders. Even though Mr. Erwin is considered independent according to NYSE listing standards and SEC regulations, the Board appointed John F. McGovern to serve as Presiding Director for meetings of the non-affiliated independent directors.

In evaluating the independence of our independent directors, the Board also considered whether any of the independent directors had any material relationships with Neenah and concluded that no such material relationship existed that would impair their independence. See "Approval of Related Party Transactions" below. In making this determination, the Board relied both on information provided by our directors as well as information developed internally by Neenah. As is currently the case, immediately after the election of the nominees to the Board of Directors, a majority of all directors holding office will be independent directors. The Nominating Committee and the Board have affirmatively determined that seven of the Company's eight directors do not have any relationship that would interfere with the exercise of independent judgment in carrying out their responsibilities as directors and are independent in accordance with NYSE listing standards, rules and regulations and our Corporate Governance Policies. Neenah's independent directors are Sean T. Erwin, Margaret S. Dano, Stephen M. Wood, John F. McGovern, Timothy S. Lucas, Philip C. Moore and William M. Cook.

Nomination of Directors

The Board of Directors is responsible for approving candidates for Board membership. The Board has delegated the screening and recruitment process to the Nominating Committee, in consultation with the Chairman of the Board and Chief Executive Officer. More specifically, our Nominating Committee has adopted, and the Board has ratified, the "Neenah Paper, Inc. Policy Regarding Qualification and Nomination of Director Candidates."

The Nominating Committee seeks to create a Board that is as a whole strong in its collective knowledge of, and diversity of skills and experience with respect to, accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance, education, background and global markets.

Qualified candidates for director are those who, in the judgment of the Nominating Committee, possess all of the following personal attributes and a sufficient mix of the following experience attributes to assure effective service on the Board. Personal attributes of a Board candidate considered by the Nominating Committee include: leadership, ethical nature, contributing nature, independence, interpersonal skills, and effectiveness. Experience attributes of a Board candidate considered by the Nominating Committee include: financial acumen, general business experience, industry knowledge, diversity of view-points, special business experience and expertise. When the Nominating Committee reviews a potential new candidate, the Nominating Committee looks specifically at the candidate's qualifications in light of the needs of the Board and our company at that time, given the then current mix of director attributes. Although the Company does not have a specific Board diversity policy, the Nominating Committee looks at the diversity of experience, background and Board composition in recommending director candidates as required by the Nominating Committee's charter.

The Nominating Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Nominating Committee periodically assesses the appropriate size of the Board and whether any vacancies on the Board are expected. In the event that vacancies are anticipated or otherwise arise, the Nominating Committee will seek to identify director candidates based on input provided by a number of sources, including: (i) Nominating Committee members; (ii) other directors of Neenah; (iii) management of Neenah; and (iv) stockholders of Neenah. The Nominating Committee also has the authority to consult with or retain advisors or search firms to assist in the identification of qualified director candidates.

The Nominating Committee will consider nominees recommended by stockholders as candidates for election to the Board. A stockholder wishing to nominate a candidate for election to the Board at the Annual Meeting is required to give written notice to the Secretary of Neenah of his or her intention to make a nomination. Pursuant to our Amended and Restated Bylaws, the notice of nomination must be received by Neenah not less than 50 days nor more than 75 days prior to the Annual Meeting, or if Neenah gives less than 60 days' notice of the meeting date, the notice of nomination must be received within 10 days after the Annual Meeting date is announced.

To recommend a nominee, a stockholder should write to Steven S. Heinrichs, Senior Vice President, General Counsel and Secretary of Neenah, at 3460 Preston Ridge Road, Preston Ridge III, Suite 600, Alpharetta, Georgia 30005. Any such recommendation must include:

- the name and address of the stockholder and a representation that the stockholder is a holder of record of shares of our common stock;
- a brief biographical description for the nominee, including his or her name, age, business and residence addresses, occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements set forth above;
- a description of all arrangements or understandings between the stockholder and each nominee; and
- the candidate's consent to serve as a director if elected.

Once director candidates have been identified, the Nominating Committee will then evaluate each candidate in light of his or her qualifications and credentials and any additional factors that the

Nominating Committee deems necessary or appropriate, including those set forth above. Qualified prospective candidates will be interviewed by the Chairman of the Board, the Chief Executive Officer and at least one member of the Nominating Committee. The full Board will be kept informed of the candidate's progress. Using input from such interviews and other information obtained by the Nominating Committee, the Nominating Committee will evaluate whether a prospective candidate is qualified to serve as a director and, if so qualified, will seek full Board approval of the nomination of the candidate or the election of such candidate to fill a vacancy on the Board.

Existing directors who are being considered for re-nomination will be re-evaluated by the Nominating Committee based on each director's satisfaction of the qualifications described above and his or her performance as a director during the preceding year. All candidates submitted by stockholders will be evaluated in the same manner as candidates recommended from other sources, provided that the procedures set forth above have been followed.

All of the current nominees for director are current members of the Board. Based on the Nominating Committee's evaluation of each nominee's satisfaction of the qualifications described above, the Nominating Committee determined to recommend the three directors for re-election. The Nominating Committee has not received any nominations from stockholders for the Annual Meeting.

Corporate Governance Policies

We have adopted the Neenah Paper, Inc. Corporate Governance Policies that guide the Company and the Board on matters of corporate governance, including director responsibilities, Board committees and their charters, director independence, director qualifications, director evaluations, director orientation and education, director access to management, Board access to independent advisors, and management development and succession planning. Copies of the Corporate Governance Policies are available on our website at www.neenah.com.

Code of Business Conduct and Ethics

We have adopted the Neenah Paper, Inc. Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees. The Code of Business Conduct and Ethics meets the requirements of a "code of ethics" as defined by SEC rules and regulations. The Code of Business Conduct and Ethics also meets the requirements of a code of conduct under NYSE listing standards. The Code of Business Conduct and Ethics is available on our website at www.neenah.com.

Risk Oversight

The Board participates in risk oversight through the Company's Enterprise Risk Evaluation conducted by our Chief Financial Officer and General Counsel, in conjunction with the Company's senior management team. Annual findings are reported to the Audit Committee pursuant to the requirements of its charter and the full Board reviews an annual report of the findings as required by our Corporate Governance Policies.

Communications with the Board of Directors

We have established a process for interested parties to communicate with members of the Board, including non-management members of the Board. If you have any concern, question or complaint regarding any accounting, auditing or internal controls matter, or any issue with regard to our Code of Business Conduct and Ethics or other matters that you wish to communicate to our Board or non-management directors, send these matters in writing to c/o General Counsel, Neenah Paper, Inc., Preston Ridge III, 3460 Preston Ridge Road, Suite 600, Alpharetta, Georgia 30005. Information about our Board communications policy and procedures for processing Board communications for all

interested parties can be found on our website at www.neenah.com under the link “Investor Relations—Corporate Governance—Board of Directors—Board Communications Policy.”

Approval of Related Party Transactions

The charter of the Audit Committee requires that the Audit Committee review and approve any transactions that would require disclosure under SEC rules and regulations. To help identify related party transactions and relationships, each director and named executive officer, as such term is used is “Additional Executive Compensation Information—Summary Compensation Table,” completes a questionnaire on an annual basis that requires the disclosure of any transaction or relationships that the person, or any member of his or her immediate family, has or will have with the Company. Additionally, the Company’s Code of Business Conduct and Ethics prohibits related party transactions and requires that any employee with knowledge of such a transaction provide written notice of the relationship or transaction to the Company’s General Counsel. Neither Neenah nor the Board is aware of any matter in 2016 that required the review and approval of the Audit Committee in accordance with the terms of the charter.

Shareholder Rights Plan

The Company’s stockholder Rights Agreement expired on November 30, 2014. The Company has decided at this time to not put a new plan in place. We will evaluate the need for such a plan in the future as such need may arise.

2016 DIRECTOR COMPENSATION

The Compensation Committee has responsibility for evaluating and making recommendations to the Board of Directors regarding compensation for our nonemployee directors.

Each of our directors who are not employees receives the following compensation:

Item	Amount
Annual cash retainer	\$36,000
Board and committee meeting fee	\$1,500 per meeting
Additional cash retainers for Committee and Board Chairs:	
• Board Chairman	\$30,000
• Audit Committee Chairman	\$15,000
• Compensation Committee Chairman	\$15,000
• Nominating Committee Chairman	\$10,000
Annual value of equity grant	\$80,000 (choice of 100% restricted stock units or 50% restricted stock units / 50% non-qualified stock options)

Neenah’s director compensation program is intended to align with market level compensation to attract, motivate, and retain high-performing and diverse quality director talent. Neenah bi-annually conducts a director pay study to ensure alignment with market level compensation. In 2016 the directors all received 100% RSUs, which grant was a total of 1,170 shares (except for Mr. Cook who received 1,063 shares based on the Company’s stock price on July 21, 2017). The number of stock options and RSUs granted to nonemployee directors is calculated annually using a modified Black Scholes formula used to provide a total equity value equal to the annual equity grant target in the same manner as used to calculate grants for Company employees under the Long-Term Compensation Plan (“LTCP”). Stock Options, when granted, become fully vested and exercisable on the first anniversary of the date of grant. The RSUs become fully vested and convert to shares of our common stock on the first anniversary of the date of grant. Employee directors receive no additional compensation and no perquisites for serving on our Board. Neenah also established the Neenah Paper Directors’ Deferred Compensation Plan (the “Directors’ Plan”), which enables each of our nonemployee directors to defer a portion of their cash compensation and RSU awards. In 2016 Mr. McGovern participated in the Director’s Plan.

Each of our nonemployee directors are required to own Company stock equal to two times their annual cash retainer. The valuation of restricted stock and options owned by our directors is calculated pursuant to the same guidelines detailed in this Proxy Statement for our named executive officers. All of our nonemployee directors met or exceeded the guidelines as of December 31, 2016.

The following table shows the total compensation paid to each of our nonemployee directors in 2016.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)(1)</u>	<u>Option Awards (\$)</u>	<u>Total (\$)</u>
Sean T. Erwin	72,000	79,946	—	151,946
William M. Cook	18,000(2)	79,969	—	97,969
Margaret S. Dano	57,000	79,946	—	136,946
Timothy S. Lucas	70,000	79,946	—	149,946
John F. McGovern	70,000	79,946	—	149,946
Philip C. Moore	58,500	79,946	—	138,446
Stephen M. Wood	68,000	79,946	—	147,946

- (1) Amounts reported in this column represent the grant date fair value of the 2016 RSU award granted to each director, calculated in accordance with Financial Accounting Standards Board Statement ASC Topic 718 (“ASC 718”). Due to restrictions imposed by Canadian law, Mr. Moore is not able to receive a quarterly cash dividend on his RSUs. In lieu of receiving such dividends, Mr. Moore is granted additional RSUs on the date of each dividend payment and in value to the cash dividend that he would have received. Mr. Moore received 25 of these RSUs in 2016.
- (2) Mr. Cook became a director on July 21, 2016.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following section presents an analysis, summary and overview of our compensation policies and programs, including material decisions made under those policies and programs in setting the compensation levels for 2016 for our “named executive officers” (“NEO”). Decisions made concerning the total compensation package for our executives take into consideration the individual executive’s level of responsibility within Neenah, the performance of Neenah relative to internal targets and peer companies, and the creation of long term shareholder value. We strive to achieve a balanced and competitive compensation package through a mix of base salary, performance-based cash bonuses, long-term equity based incentives and awards, deferred compensation plans, pension plans and welfare benefits.

Compensation Objectives and Philosophy

Neenah’s compensation policies are designed to incorporate the following attributes:

Included	Excluded
Significant component of pay based on performance achievement; more senior positions have a higher percentage of performance-based pay. Maximum payment limit on incentive plans	Guaranteed variable compensation and/or open ended payments
Measures are based on achievement of financial targets, attainment of strategic objectives and enhancement of stockholder value, with a clawback policy	Single trigger change-in-control arrangements
Policies validated through independent consultant reporting to Compensation Committee, comparison to independent peer companies and stockholder “say on pay” votes	Re-pricing or cash buyout of underwater stock appreciation rights without shareholder approval
Competitive mix of short term and long term performance performance-based incentives	Market timing of equity awards
Strict insider trading policy	Excise tax gross-ups

2016 Key Strategic and Financial Achievements

- **Delivered record sales, earnings and cash generated from operations.**
 - Net sales of \$942 million increased 6% versus 2015 and earnings per share of \$4.26 increased 21% versus 2015
- **Deployed cash in a disciplined fashion to maintain a strong Return on Capital and support attractive shareholder returns**
 - Return on Invested Capital increased from 11.8% to 12.7%
 - Direct cash returns to shareholders increased from \$25 to \$38 million, reflecting a double digit increase in dividend payouts and increased share buybacks
 - Debt was reduced from \$229 to \$221 million during the year, and the company maintained its good credit ratings and metrics
- **Completed important strategic initiatives**
 - Organic capital project to add transportation filtration capacity in the US
 - Integration of FiberMark acquisition and delivery of end of curve synergies ahead of schedule
- **Total shareholder return of 39.3%**
 - Neenah stock price increase of 36% in 2016 compares to 29% increase in Russell 2000

Following this section under the heading “Additional Executive Compensation Information” we have included certain tables where you will find detailed compensation information for the named executive officers. This section is intended to provide additional details regarding Neenah’s compensation practices, as well as the information and process used to create and implement our compensation program for our named executive officers and our other executive officers.

Named Executive Officers

- John P. O’Donnell, President and Chief Executive Officer
- Bonnie C. Lind, Senior Vice President, Chief Financial Officer and Treasurer
- Steven S. Heinrichs, Senior Vice President, General Counsel and Secretary
- Julie A. Schertell, Senior Vice President, President Fine Paper & Packaging
- James R. Piedmonte, Senior Vice President, Global Operations

Our Compensation-Setting Process

Role of Compensation Committee

The Compensation Committee is responsible for carrying out the Board’s responsibilities for determining the compensation for our named executive officers. In that capacity, the Compensation Committee (1) annually reviews and approves the corporate goals and objectives relating to our executive compensation programs; (2) evaluates performance against those goals and objectives; and (3) approves the compensation payable to our named executive officers.

The Role of Shareholder Say-on-Pay Votes

The Company provides its shareholders with the opportunity to cast an annual advisory vote on executive compensation (a “say-on-pay proposal”). At the Company’s annual meeting of shareholders held on May 26, 2016, greater than 98% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee considered these results and believes the voting results reflect strong shareholder support for the Company’s approach to executive compensation. The Compensation Committee will continue to consider the outcome of the Company’s say-on-pay votes in order to understand the environment of future compensation decisions for the named executive officers.

Use of Compensation Consultants

The Compensation Committee charter grants the Compensation Committee authority to independently retain compensation consultants, and in 2016 the Compensation Committee again engaged Hugessen Consulting Inc. (“Hugessen”) to provide it with independent advice and assistance in its deliberations regarding compensation matters. At the Committee’s request, Hugessen originated certain analyses, reviewed the information provided by management and assisted the Compensation Committee in assessing 2016 compensation for Neenah’s named executive officers. In addition, Hugessen provided input to assist the Compensation Committee in establishing the 2016 targeted compensation levels and performance criteria under the Company’s incentive plans.

The Compensation Committee must pre-approve any additional work of a material nature assigned to its consultant and will not approve any such work that, in its view, could compromise Hugessen’s independence as advisor to the Committee. Hugessen does not provide any other services to Neenah. Decisions made by the Compensation Committee are the responsibility of the Committee and reflect factors and considerations in addition to the information and recommendations provided by Hugessen.

In 2016, the Compensation Committee, in accordance with SEC rules, considered the independence factors having to do with consultant conflicts of interest and determined that the work of the compensation consultant did not raise any conflicts of interest.

Role of Executive Officers

At the request of the Compensation Committee, our President and Chief Executive Officer, along with our Senior Vice President and Chief Human Resources Officer, make recommendations to our Compensation Committee regarding base salary and target levels for our annual performance bonuses and long-term equity compensation for our executive officers. Mr. O'Donnell is not involved in setting or approving his own compensation levels. These recommendations are based on the philosophy and analysis described in this Compensation Discussion and Analysis section of this Proxy Statement.

Peer Comparison

To assist in evaluating and determining levels of compensation in 2016 for each element of pay, the Compensation Committee reviewed various sources of data prepared by management including:

- Proxy data collected and analyzed from a peer group of companies in the paper, packaging, and base materials and specialty chemical industries similar in size to Neenah (the "Peer Group"). In 2016 the Peer Group consisted of the following companies:

— AEP Industries Inc.	—Omnova Solutions, Inc.
—Clearwater Paper Corporation	—P.H. Glatfelter Company
—Innophos Holdings Inc.	—Quaker Chemical Corp
—Innospec, Inc.	—Rayonier Advanced Materials Inc.
—Kraton Corporation	—Schweitzer-Mauduit International, Inc.
—Mercer International, Inc.	—Tredgar Corporation

- Data collected from Equilar's database using a broad industry cut of manufacturing companies with revenues between \$500 million and \$2.0 billion.
- The only Peer Group change in 2016 was the elimination of OM Group, Inc. due to the company being taken private in 2015.

To develop market figures, compensation opportunities for the named executive officers were compared to the compensation opportunities for similarly situated executives in comparable positions. Hugessen reviewed the results of these analyses and provided feedback to the Compensation Committee in connection with their review of competitive pay practices.

Neenah's management and the Compensation Committee do not believe that it is appropriate to establish compensation levels based solely on peer comparisons or benchmarking; however, marketplace information is one of the many factors that we consider in assessing the reasonableness of compensation. Management and the Compensation Committee believe that information regarding pay practices at other companies is useful to confirm that our compensation practices are competitive in the marketplace.

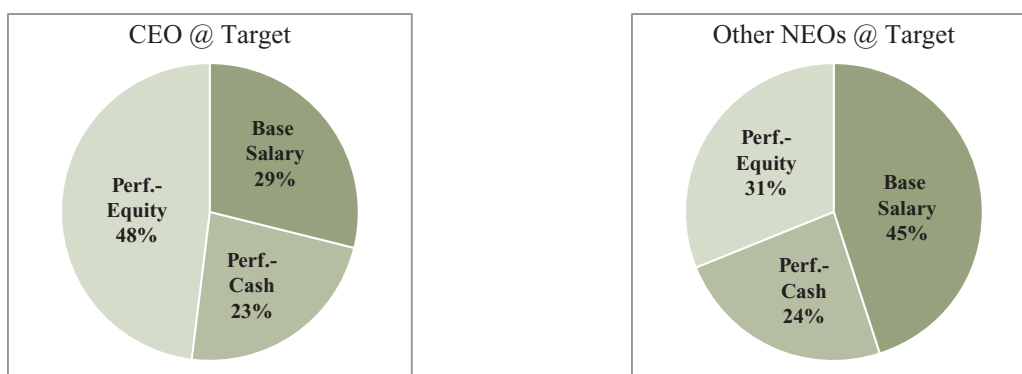
Targeted Compensation Levels

The Compensation Committee establishes targeted total compensation levels based upon performance objectives for our executive officers eligible to receive an annual cash bonus opportunity under the Management Incentive Plan ("MIP") and the equity awards under the Long-Term

Compensation Plan (“LTCP”) as authorized by the Amended and Restated Neenah Paper, Inc. 2004 Omnibus Stock and Incentive Plan (the “Omnibus Plan”). In making these determinations, our Compensation Committee is guided by the compensation philosophy described below. Our Compensation Committee also considers historical compensation levels, pay practices at companies in the Peer Group and the relative compensation among Neenah’s senior executive officers. The Compensation Committee also considers industry conditions, corporate performance versus peer companies and the overall effectiveness of Neenah’s compensation program in achieving desired performance levels.

As targeted total compensation levels are determined, our Compensation Committee also determines the portion of total compensation that will be contingent, performance-based pay. Performance-based pay includes cash awards under our MIP program and equity awards under our LTCP, which may be earned based on the Company’s achievement of performance goals and whose value depends upon long-term appreciation in stock price.

Neenah’s compensation philosophy is intended to provide competitive pay within the relevant market by targeting the total compensation opportunities and to reward the executives for short term and long term performance through an overall compensation mix that is targeted to include a minimum of 50% performance-based compensation for named executive officers. Our Chief Executive Officer’s compensation in 2016 was approximately 71% performance-based at target levels and our other NEOs compensation was approximately 55% performance-based at target.



Compensation Components

Our executive compensation includes the base components described below, each of which is designed to accomplish specific goals of our compensation philosophy described above. In connection with our discussion of each of such base components, the following questions will be addressed:

- Why Neenah chooses to pay each of the base components;
- How Neenah determines the amount of the various base components;
- How each component fits into Neenah’s overall compensation scheme and supports Neenah’s compensation philosophy.

Base Salary

Base salary is a critical element of executive compensation because it provides our executives with a base level of monthly income and also sets the base level for performance compensation. Individual base salaries for our named executive officers are generally reviewed by comparing total compensation opportunities within the Peer Group as discussed above. Salary increases, if any, are reviewed and approved by the Compensation Committee on an annual basis. Factors considered in base salary

increases include the Company's performance over the past year, changes in individual executive responsibility and the position of base salary together with all other compensation as indicated by our analysis of the Peer Group.

This approach to base salary supports our compensation philosophy. The Compensation Committee has determined that setting NEO base salaries at this level allows Neenah to be competitive in attracting and retaining talent, while at the same time a substantial portion of the executive's overall compensation is performance based, thus aligning the executive's and stockholders' interests.

2016 Base Salary Decisions

After discussing the individual performance, experience, scope of responsibilities, and Mr. O'Donnell's recommendations for the other NEOs, the Compensation Committee established the base salaries for each NEO in January of 2016. In general, any increases in base pay are intended to be competitive with the market and take into consideration the individual performance and scope of responsibilities of each NEO.

The following table provides the base salary received by each named executive officer for 2016.

	<u>2015 Base Salary</u>	<u>2016 Base Salary</u>	<u>% Increase</u>
O'Donnell	\$625,000	\$750,000	20%
Lind	\$346,000	\$370,000	7%
Heinrichs	\$310,000	\$330,000	6%
Schertell	\$336,000	\$360,000	7%
Piedmonte	\$280,000	\$280,000	0%

Annual Performance Bonuses

Annual cash incentive bonus opportunities are awarded under the MIP, and are based on our achievement of performance goals established in the beginning of each calendar year. MIP target bonuses are established as a percentage of base salary with a target bonus ranging from 45% to 80% for NEOs. The Compensation Committee annually approves the target bonus range based on data provided from the market surveys as previously described and based on the experience and knowledge of the executive and the quality and effectiveness of their leadership within Neenah as determined by the Compensation Committee. The amount of the actual MIP bonus may be adjusted up or down from the target bonus based on Neenah's year-end results (as measured by the objective and subjective criteria set forth in the MIP plan for the applicable year, as previously approved by the Compensation Committee). Actual MIP payments can range from 0-200% of the target bonus for our chief executive, legal, operations and financial officers, and 0-250% for the business unit leaders, depending on whether the results fall short of, achieve or exceed the identified performance goals.

Under the MIP, the Compensation Committee generally sets a range of possible payments from zero to a maximum percentage of the target award based on its belief that no bonus should be earned if performance is below established thresholds and its determination that the top end of the range should provide an appropriate incentive for management to achieve exceptional performance. Under the MIP, specific performance measures and thresholds are determined by the Compensation Committee in consultation with Mr. O'Donnell, based on key metrics that support the achievement of Neenah's short-term and long-term strategic objectives.

Annual performance bonuses support our compensation philosophy in that they: (i) reward Neenah's executives for meeting and exceeding goals that contribute to Neenah's short-term and long-term strategic plan and growth; (ii) promote a performance-based work environment; and (iii) serve as a material financial incentive to attract and retain executive talent.

2016 Annual Performance Bonus Awards

For 2016, the Compensation Committee approved target bonuses for our named executive officers as a percentage of base salary with a target bonus ranging from 45% to 80%. The performance goals for the 2016 MIP program were set based on the following performance criteria and the relative weighting set forth below: (i) adjusted corporate earnings before interest, income taxes, depreciation and amortization (“Corporate EBITDA”), which is calculated as net income plus income tax expenses, plus depreciation expense and amortization expense for intangibles, plus amortization expense for stock options and restricted stock units adjusted for any one time events outside of the ordinary course of business and (ii) business unit earnings before interest and taxes (“EBIT”) for our Fine Paper and Technical Products business units, and (iii) progress achieved in implementing the Company’s strategic plan:

	2016 TARGET MIP (% of Base Salary)	Performance Criteria		
		Corporate EBITDA	Business Unit EBIT	Strategic Initiatives
O’Donnell	80%	75%	—	25%
Lind	55%	75%	—	25%
Heinrichs	50%	75%	—	25%
Schertell	55%	25%	50%	25%
Piedmonte	45%	75%	—	25%

Each goal was set at levels that both the Compensation Committee and management believed to be challenging but attainable, and achievements would reflect significant performance by the Company. On a stand-alone basis, Corporate EBITDA could have yielded a payout from 0% at threshold, 100% at target and 200% at outstanding, and business unit EBIT could have yielded a payout from 0% at threshold, 100% at target and 300% at maximum, based on year-end results. These targets are consistent with our desire to incentivize and reward significant growth in profits.

The strategic plan objective was paid out at 100% of target reflecting performance in achieving a set of strategic objectives considered critical for long-term growth. Results included the successful completion of an organic capital project to add filtration capacity in the US, finishing the integration of FiberMark and delivering end of curve synergies ahead of schedule, driving organic growth of targeted categories, and other strategic corporate initiatives.

The performance goals and results for each of the financial metrics in 2016 were as follows:

Metric (\$MM)	Threshold (0%)	Target (100%)	Outstanding (200%)	Maximum (300%)	2016 Results	Payout %
Corporate EBITDA	135	160	172	N/A	158	95%
Fine Paper & Packaging EBIT	63	74	81	85	73	87%

Based on the process described above, MIP payments were awarded as follows:

	2016 MIP at Target	2016 MIP at Actual	% of Target Earned
O’Donnell	\$600,000	\$577,500	96%
Lind	\$203,500	\$195,869	96%
Heinrichs	\$165,000	\$158,813	96%
Schertell	\$198,000	\$182,655	92%
Piedmonte	\$126,000	\$121,275	96%

Long-Term Equity Compensation

Long-term equity incentives under the LTCP consist of performance share units and stock appreciation rights (“SARs”) granted on an annual basis, with stock appreciation rights representing approximately 30% of the total value of the equity incentive awards and performance shares representing approximately 70% of the total value of the equity award granted to an executive officer for that year. This reflects the Company’s desire to emphasize the performance based incentives in the LTCP. The total target LTCP grants are set at the beginning of the year for each named executive officer at a minimum of 55% of the executive’s base salary. The Company typically grants 100% of the SARs in conjunction with the first Board meeting of each fiscal year. Each year the Compensation Committee reviews and approves a target number of performance share units for each of our named executive officers and each other participant in the LTCP plan. The number of units actually earned by each participant is determined by the Company’s corporate performance. The range of possible awards is set by the Compensation Committee based on its: (i) belief that a minimal award shall be granted if the performance measures are significantly below target levels; and (ii) determination that the top end of the range provided an appropriate incentive for management to achieve exceptional performance.

The combination of SARs and performance share units focuses our executives on Neenah’s financial performance and increasing shareholder value. It is aligned with and supports our stock ownership policy. Long-term incentives also help retain employees during the performance periods.

2016 LTCP Awards

For 2016, the Compensation Committee approved equity grants under the LTCP for our named executive officers with target values ranging from 55% to 170% of base salary pay as follows:

	2016 LTCP (% of base Salary)
O’Donnell	170%
Lind	75%
Heinrichs	65%
Schertell	75%
Piedmonte	55%

For each of our named executive officers, the value was divided into awards of SARs and a target number of performance share units, with 70% of the value in performance share units and 30% of the value in SARs. The range of possible awards under the LTCP was selected to tie a substantial percentage of their compensation to Neenah’s performance.

The number of SARs to be awarded to each named executive officer in 2016 was determined by dividing the value of the portion of the LTCP award to be awarded as SARs (determined by the Compensation Committee as described above) by the fair value of one stock option (determined using a modified Black- Scholes formula), and then rounded to the nearest tens to produce the number of shares subject to the applicable option award. Each grant of SARs made in 2016 vests in increments of 33.34%, 33.33% and 33.33% over a three year period, with vesting occurring on each anniversary of the



applicable grant and a ten year term to exercise. The process described above resulted in grants of SARs in 2016 to purchase the following options:

	<u>2016 SARs</u>
O'Donnell	28,312
Lind	6,162
Heinrichs	4,763
Schertell	5,996
Piedmonte	3,420

The target number of performance share units to be awarded to each named executive officer in 2016 was determined by dividing the value of the portion of the LTCP award to be awarded as performance share units (determined by the Compensation Committee as described above) using fair market value of the stock price as of the date of grant, and then rounded to the nearest ten shares. The target number of performance share units are increased or decreased (to an amount equal to between 40% to 200% of the target number) after a one year performance period. The units are then subject to a two year holding period. After the end of the performance period, the adjustment of the target number of shares will be calculated based on the Company's achievement of performance goals relative to the following equally weighted criteria: year over year growth in sales (constant currency), year over year growth in return on invested capital, and relative total shareholder return ("Relative TSR"). The Relative TSR (including dividend yield), is compared against the Russell 2000 Value Index. The specific targets and results in 2016 were as follows:

<u>Metric</u>	<u>Threshold</u>	<u>Target</u>	<u>Outstanding</u>	<u>2016 Results</u>	<u>Payout %</u>
Payout (as a % of Target)	40%	100%	200%		
Return on Capital	No increase	Increase of 37 basis points	Increase of > 75 basis points	Increase of 64 basis points	170%
Constant Currency Sales	0% growth	9.1% growth	> 11% growth	6.4%	70 %
Total Shareholder Return	3 rd Quartile	Median	Top Quartile	39.3% 2 nd Quartile	190%
Overall Payout Percentage					138%

Based on the process described above and our performance against the targets noted, performance share unit ("PSU") grants were awarded as follows:

	<u>2016 PSUs at Target</u>	<u>2016 PSUs Earned</u>	<u>% of Target Earned</u>
O'Donnell	15,401	21,254	138%
Lind	3,352	4,626	138%
Heinrichs	2,591	3,576	138%
Schertell	3,261	4,501	138%
Piedmonte	1,860	2,567	138%

The earned shares are now in a two year hold period and are still subject to forfeiture based on continued employment. All shares are scheduled to be released to active participants on December 31, 2018.

Retirement Benefits

We maintain the Neenah Paper 401(k) Retirement Plan (the “401(k) Plan”), which is a tax-qualified defined contribution plan for employees. The 401(k) Plan is available to all Neenah’s U.S. employees, but includes a special company profit-sharing contribution feature that is only applicable for certain employees who are ineligible to participate in the Pension Plan. Further, we maintain a supplemental retirement contribution plan (the “Supplemental RCP”) which is a non-qualified defined contribution plan which is intended to provide a tax-deferred retirement savings alternative for amounts exceeding Internal Revenue Code limitations on qualified plans. Additional information regarding the Supplemental RCP can be found in the 2016 Nonqualified Deferred Compensation table later in this Proxy Statement. We also maintain the Deferred Compensation Plan, which is a non-qualified deferred compensation plan for our executive officers. The Deferred Compensation Plan enables our executive officers to defer a portion of annual cash compensation (base salary and non-equity awards under our MIP). This plan is intended to assist our executive officers in maximizing the value of the compensation they receive from the Company and assist in their retention. Additional information regarding the Deferred Compensation Plan can be found in the 2016 Nonqualified Deferred Compensation table later in this Proxy Statement.

We also maintain the Neenah Paper Pension Plan, a tax-qualified defined benefit plan (the “Pension Plan”) and the Neenah Paper Supplemental Pension Plan, a non-qualified defined benefit plan (the “Supplemental Pension Plan”) which provide tax-deferred retirement benefits for certain of our employees, including Ms. Lind and Mr. Piedmonte, who were employed by Kimberly-Clark (our predecessor company prior to being spun-off) prior to December 31, 1996. Mr. O’Donnell, Mr. Heinrichs, and Ms. Schertell do not participate in these plans. Additional information regarding the Pension Plan and the Supplemental Pension Plan can be found in the 2016 Pension Benefits table later in this Proxy Statement.

Neenah and the Compensation Committee believe that the Pension Plan, Supplemental Pension Plan, Retirement Contribution Plan, Supplemental RCP, Deferred Compensation Plan and 401(k) Plan are core components of our compensation program. The plans are competitive with plans maintained by our peer companies and are necessary to attract and retain top level executive talent. Additionally, the plans support the long-term retention of key executives by providing a strong incentive for the executive to remain with Neenah over an extended number of years.

Severance Payments

The Neenah Paper Executive Severance Plan (the “Executive Severance Plan”) covers designated officers, including all of our named executive officers, and provides certain severance benefits upon termination of employment following a change in control of Neenah. Upon termination of the officer’s employment by Neenah without “cause” or by the officer for “good reason” (as defined in the Executive Severance Plan) within the two-year period following a change in control or a termination by us without “cause” during the one-year period preceding such a change in control, the Executive Severance Plan as in effect as of December 31, 2016 provided that the officer would be entitled to a cash payment equal to the sum of: (i) two times the sum of his annual base salary and targeted annual bonus; (ii) any qualified retirement plan benefits forfeited as a result of such termination; (iii) the amount of retirement benefits such officer would have received under the qualified and supplemental retirement plans but for his or her termination for the two-year period following his or her termination; (iv) the cost of medical and dental COBRA premiums for a period of two years; and (v) a cash settlement of any accrued retiree welfare benefits. In addition, the officer will be eligible to receive outplacement services for a period of two years (up to a maximum cost to us of \$50,000).

In March 2017, the Compensation Committee amended the Executive Severance Plan (the “2017 Executive Severance Plan”), effective April 1, 2017, to provide named officers certain severance

benefits both upon termination of employment following a change in control of Neenah and outside of a change in control. The 2017 revisions also categorize the participating officers as either “Tier 1,” “Tier 2” or “Tier 3” participants in order to provide varying benefit amounts to the different officers. All NEOs are Tier 1 participants.

Upon termination of the officer’s employment by Neenah without “cause” or by the officer for “good reason” (as defined in the 2017 Executive Severance Plan) outside of a change in control of Neenah each NEO will be entitled to an amount equal to one and one-half times his or her base salary. Upon termination of the officer’s employment by Neenah without “cause” or by the officer for “good reason” within the two-year period following a change in control, the 2017 Executive Severance Plan provides that each NEO will be entitled to the sum of (i) two times the sum of his or her annual base salary, (ii) the amount of bonus under Neenah’s Management Incentive Plan that he or she has earned through the date of the change in control plus two times his or her targeted annual bonus; (iii) any profit-sharing contributions or pension plan benefits forfeited as a result of such termination; (iv) the amount of profit-sharing contributions and pension plan benefits such participant would have received under the qualified and supplemental retirement plans but for his or her termination for the two-year period following his or her termination; and (v) the cost of medical and dental COBRA premiums for a period of two years. In addition, each NEOs will be fully vested in his or her account under the Deferred Compensation Plan and any awards granted to him or her under the Omnibus Plan.

In addition, upon termination of an NEO’s employment by Neenah without “cause” or by the officer for “good reason” the NEO will be eligible to receive reimbursement for outplacement service costs for a period of two years for an amount not to exceed \$50,000.

Payment of the benefits under the Executive Severance Plan is subject to the applicable executive executing an agreement that includes restrictive covenants and a general release of claims against us. These benefits are intended to recruit and retain key executives and provide continuity in Neenah’s management in the event of a change in control. We believe the Executive Severance Plan is consistent with similar plans maintained by our peer companies and therefore is a core component of our compensation program necessary to attract and retain key executives.

Timing of Compensation

Base salary adjustments, if any, are made by our Compensation Committee at the first meeting of each fiscal year (with the adjustments effective as of January 1 of that same year). Stock option grants and performance share unit target levels and awards are made in the manner described above. We do not coordinate the timing of equity awards with the release of non-public information. The exercise price of the stock options is established at the fair market value of the closing price of our stock on the date of the grant.

Tax and Accounting Consideration

In general, the tax and accounting treatment of compensation for our named executive officers has not been a core component used in setting compensation. In limited circumstances we do consider such treatment and attempt to balance the cost to Neenah against the overall goals we intend to achieve through our compensation philosophy. In particular, our intent is to maximize deductibility of our named executive officers’ compensation under Code Section 162(m) while maintaining the flexibility necessary to appropriately compensate our executives based on performance and the existing competitive environment. The MIP and LTCP programs are performance based and are designed to be fully deductible under Code Section 162(m).

Stock Ownership Guidelines

The Compensation Committee has adopted stock ownership guidelines to foster long-term stock holdings by company leadership. These guidelines create a strong link between stockholders' and management's interests. Named executive officers are required to own a designated multiple of their respective annual salaries. The multiples are as follow:

	<u>Stock Ownership Multiple of Salary</u>
O'Donnell	6x
Lind	4x
Heinrichs	4x
Schertell	4x
Piedmonte	4x

Each of the named executive officers is required to hold at least 50% of their annual performance share grants until they reach the ownership guidelines. The following holdings are counted toward fulfilling guidelines, with each being valued using our stock price as of December 31 of each year; (i) stock held in the 401(k) plan, other deferral plans, outright or in brokerage accounts; (ii) performance share units or restricted stock units earned but not vested or not paid out; and (iii) 'in the money' value of vested or unvested stock options and SARs. Penalties for continued failure to meet the guidelines include payment of MIP compensation in Neenah stock and reduction of LTCP compensation. All of our named executive officers met or exceeded the guidelines as of December 31, 2016.

Clawback Policy

The Compensation Committee adopted a "clawback policy" for all executives and other employees participating in our MIP program concerning the future payment of MIP payments and long term equity grants under the LTCP program. This policy gives the Board the authority to reclaim certain overstated payments made to Neenah employees due to materially inaccurate results presented in the Company's audited financial statements.

Policies against Hedging and Pledging Securities

Our insider trading policy provides that directors, officers and employees are prohibited from engaging in short sales and buying or selling puts or calls or other derivative securities of Neenah. Directors and officers are also prohibited from holding Neenah securities in a margin account or pledging Neenah securities as collateral for a loan.



COMPENSATION COMMITTEE REPORT

The Compensation Committee oversees Neenah's compensation policies and programs on behalf of the Board. In fulfilling this responsibility, the Compensation Committee has reviewed and discussed with Neenah's management the Compensation Discussion and Analysis included in this Proxy Statement. In reliance on such review and discussions, the Compensation Committee recommended to Neenah's Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Compensation Committee:

Stephen M. Wood, Chairman

John F. McGovern

Margaret S. Dano

ADVISORY VOTE ON EXECUTIVE COMPENSATION (ITEM 2)

The Board of Directors unanimously recommends that the stockholders vote “FOR” the approval of the Company’s executive compensation.

Section 14A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) requires that we include in this proxy statement a non-binding stockholder vote on our executive compensation as described in this proxy statement (commonly referred to as “Say-on-Pay”).

We encourage stockholders to review the Compensation Discussion and Analysis (“CD&A”) section of this proxy statement. Our executive compensation program has been designed to pay for performance and align our compensation programs with business strategies focused on long-term growth and creating value for stockholders while also paying competitively and focusing on total compensation. The Company’s executive compensation programs are designed to attract, motivate and retain highly qualified executive officers who are able to achieve corporate objectives and create stockholder value. The Compensation Committee believes the Company’s executive compensation programs reflect a strong pay-for-performance philosophy and are well aligned with the stockholders’ long-term interests without promoting excessive risk. We feel this design is evidenced by the following:

- A majority of our executives’ compensation is directly linked to our performance and the creation of stockholder value. The overall compensation mix is targeted to include at least 50% performance based compensation for the named executive officers with a higher percentage of our CEO’s compensation being performance based. In 2016 70% of our CEO’s compensation was performance based at target levels.
- Our long-term incentive awards are exclusively in the form of performance share units, stock options and stock appreciation rights and all of our incentive plans have capped payouts.
- LTCP grants are split with 70% of the total value of the awards granted as performance share units with a three-year vesting period, and 30% as stock appreciation rights with annual vesting over a three-year period. This reflects the Company’s desire to emphasize performance based incentives. For our performance share units, we use objective performance metrics closely tied to financial performance and shareholder value, such as increasing return on invested capital, revenue growth, cash flow generation and relative total shareholder return. In 2016 LTCP grants were awarded at 138% of target based on achieved growth in sales, return on invested capital and total shareholder return.
- Our short-term incentive plan (MIP) also is based on a pay-for-performance philosophy, with target bonus opportunities ranging from 45% to 80% of base salary based on improvements in corporate and business unit profits and successful execution of strategic objectives. In 2016, executives received a payment of 92% to 96% of target as a result of performance in corporate EBITDA, business unit EBIT and the successful execution of strategic objectives.
- We have meaningful stock ownership requirements for our named executive officers.
- We do not have employment agreements or other individual arrangements with our named executive officers that provide for a specified term of employment, compensation terms or specific benefits upon a termination of employment.
- Benefits under our Executive Severance Plan in connection with a change-in-control are payable only on a double trigger basis (i.e., following both a change in control and a qualifying termination of employment).
- The Compensation Committee is advised by an independent compensation consultant who keeps the Compensation Committee apprised of developments and best practices.

- The Company has a clawback policy which allows the Company to recoup awards if payment or vesting was based on financial criteria that are later deemed to be materially inaccurate.
- In 2017 the Compensation Committee amended the Executive Severance Plan to remove the excise tax gross up provision.

The Board strongly endorses the Company's executive compensation program and recommends that stockholders vote in favor of the following resolution:

RESOLVED, that the stockholders approve the compensation of the Company's named executive officers as described in this proxy statement under "Executive Compensation", including the Compensation Discussion and Analysis and the tabular and narrative disclosure contained in this proxy statement.

Because the vote is advisory, it will not be binding upon the Board of Directors or the Compensation Committee and neither the Board of Directors nor the Compensation Committee will be required to take any action as a result of the outcome of the vote on this proposal. The Compensation Committee will consider the outcome of the vote when considering future executive compensation arrangements.

ADVISORY VOTE ON FREQUENCY OF ADVISORY VOTE ON EXECUTIVE COMPENSATION (ITEM 3)

The Board of Directors unanimously recommends that the stockholders vote to conduct an advisory vote on executive compensation every “One Year.”

Enacted legislation requires that we include in this proxy statement a separate non-binding stockholder vote to advise on whether the frequency of the Say-on-Pay vote should occur every one, two or three years. You have the option to vote for any one of the three options, or to abstain on the matter.

The Board has determined that an advisory vote on executive compensation every one year is the best approach for the Company based on a number of considerations, including the following:

- An advisory vote on executive compensation every year will provide our stockholders the opportunity to provide us with their direct input on our compensation policies, philosophy and practices as disclosed in our proxy statement every year.
- An annual vote cycle will maximize stockholder communication by providing a direct, clear means for the Company to receive and evaluate investor sentiment concerning our executive compensation philosophy.
- Without annual stockholder input it could be difficult to understand whether a stockholder vote pertains to the compensation year being discussed in the current proxy, or pay practices from previous years. An annual vote enables the Compensation Committee to better understand the implications of each vote and to respond accordingly.

Although the vote is non-binding, our Board of Directors will take into account the outcome of the vote when making future decisions about the Company’s executive compensation policies and procedures. The Company’s stockholders also have the opportunity to provide additional feedback on important matters involving executive compensation. As discussed under “Corporate Governance—Communications with the Board” the Company provides stockholders an opportunity to communicate directly with the Board, including on issues of executive compensation. In addition, the rules of NYSE require the Company to seek stockholder approval for new employee equity compensation plans and material revisions thereto.

ADDITIONAL EXECUTIVE COMPENSATION INFORMATION

Summary Compensation Table

The following table reflects compensation paid to or earned by our named executive officers for services rendered during 2016, 2015 and 2014:

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(1)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(3)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)(4)	All Other Compensation (\$)(5)	Total (\$)
John P. O'Donnell	2016	750,000	1,103,789	382,495	577,500	—	150,573	2,964,357
President and Chief Executive Officer	2015	625,000	878,890	287,237	850,000	—	133,766	2,774,893
	2014	625,000	1,144,078	236,502	827,500	—	101,590	2,934,670
Bonnie C. Lind	2016	370,000	240,238	83,249	195,869	386,467	10,150	1,285,973
Senior Vice President, Chief Financial Officer and Treasurer	2015	346,000	242,340	79,221	322,575	410,095	9,930	1,410,161
	2014	346,000	315,685	65,268	314,036	695,665	13,079	1,749,733
Steven S. Heinrichs	2016	330,000	185,697	64,348	158,813	—	54,315	793,173
Senior Vice President, General Counsel and Secretary	2015	310,000	188,753	61,763	263,500	—	52,517	876,533
	2014	310,000	245,533	50,778	256,525	—	41,951	904,787
Julie A. Schertell	2016	360,000	233,716	81,006	182,655	—	68,477	925,854
Senior Vice President, President Fine Paper & Packaging	2015	336,000	220,745	72,139	416,724	—	53,623	1,009,231
	2014	336,000	266,430	55,062	233,251	—	46,385	937,128
James R. Piedmonte	2016	280,000	133,307	46,204	121,275	230,979	12,950	824,715
Senior Vice President, Global Operations	2015	280,000	144,764	47,269	214,200	291,444	11,183	988,860
	2014	267,883	179,859	37,170	199,506	504,763	12,800	1,201,981

- (1) Amounts shown reflect the aggregate grant date fair value with respect to performance share units, restricted stock units and restricted stock granted pursuant to our Omnibus Plan. The amounts represent the grant date fair value of the awards in accordance with ASC 718. The grant date fair value of the stock awards is equal to the fair market value of the underlying common stock on the date of grant. See Note 9 to the audited Financial Statement included in our 2016 Annual Report on Form 10-K for the assumptions used in valuing the performance share units.
- (2) Amounts shown reflect the aggregate grant date fair value with respect to stock options and stock appreciation rights ("SAR") granted pursuant to our Omnibus Plan. The amounts represent grant date fair value of the SARs in accordance with ASC 718. The grant date fair value of the SAR awards is determined using the Black-Scholes option valuation model. See Note 9 to the audited Financial Statement included in our 2016 Annual Report on Form 10-K for the assumptions used in valuing the SARs.
- (3) Amounts shown reflect annual performance bonuses earned in the fiscal year and paid in the following year, and are described in detail in the portion of our Compensation Discussion and Analysis, captioned "2016 Annual Performance Bonus Awards."
- (4) Amounts shown reflect the aggregate change during the year in the actuarial present value of accumulated benefit under our Pension Plan and Supplemental Pension Plan. The large variability in value year-to-year is caused, for the most part, by changes in the discount rates used to calculate the value from year to year, and not any increase or change in the pension plan for any individual named executive officer. Messrs. Heinrichs, O'Donnell and Ms. Schertell do not participate in any of the defined pension plans.
- (5) "All Other Compensation" includes Neenah's contribution to the 401(k) account of each of our named executive officers. The amounts shown for Messrs. Heinrichs, O'Donnell and Ms. Schertell also include Neenah's special company profit-sharing contribution to their accounts in the 401(k) Plan and Supplemental Retirement Contribution Plan. The amounts shown for Ms. Lind, Mr. Heinrichs and Ms. Schertell include expenses for an annual physical. The totals shown for Messrs. O'Donnell, Heinrichs, Piedmonte and Ms. Schertell in 2016, 2015, and 2014 include expenses for tax preparation and financial planning.

2016 Grants of Plan Based Awards

The following table contains information relating to the plan based awards grants made in 2016 to our named executive officers under the Omnibus Plan and is intended to supplement the 2016 Summary Compensation Table listed above.

Name and Principal Position	Plan	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Option Awards (3)	Exercise or Base Price of Option Award (\$/SH)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	Number of Securities Underlying Options (#)		
John P. O'Donnell President and Chief Executive Officer	MIP	01/26/2016	0	600,000	1,200,000	6,160	15,401	30,802	28,312	57.95	1,103,789 382,495
	Performance Units	01/26/2016									
	SAR	01/26/2016									
Bonnie C. Lind Senior Vice President, Chief Financial Officer and Treasurer	MIP	01/26/2016	0	203,500	407,000	1,341	3,352	6,704	6,162	57.95	240,238 83,249
	Performance Units	01/26/2016									
	SAR	01/26/2016									
Steven S. Heinrichs Senior Vice President, General Counsel and Secretary	MIP	01/26/2016	0	165,000	330,000	1,036	2,591	5,182	4,763	57.95	185,697 64,348
	Performance Units	01/26/2016									
	SAR	01/26/2016									
Julie A. Schertell Senior Vice President, President Fine Paper & Packaging	MIP	01/26/2016	0	198,000	495,000	1,304	3,261	6,522	5,996	57.95	233,716 81,006
	Performance Units	01/26/2016									
	SAR	01/26/2016									
James R. Piedmonte Senior Vice President, Global Operations	MIP	01/26/2016	0	126,000	252,000	744	1,860	3,720	3,420	57.95	133,307 46,204
	Performance Units	01/26/2016									
	SAR	01/26/2016									

- (1) Reflects the range of potential annual incentive bonus payments that could have been earned by each named executive officer under Neenah's MIP in 2016. The actual bonuses earned in 2016 are reflected in the Summary Compensation Table above under the caption "Non-Equity Incentive Plan Compensation." For more information regarding annual incentive bonus opportunities, see the discussion in the Compensation Discussion and Analysis.
- (2) Reflects the range of potential performance share units that may be earned by each named executive officer, based on the Company's level of achievement of performance goals in 2016 and total shareholder return relative to a peer group for the performance period ending December 31, 2016. For more information regarding the performance share units, including how the number of performance share units awarded was determined and the vesting terms applicable to such units, see the discussion in the Compensation Discussion and Analysis. Outstanding restricted share units receive dividends at the same rate as other stockholders.
- (3) The SARs vest as to one-third of the shares on each of the first three anniversaries of the grant date.

Outstanding Equity Awards at 2016 Fiscal Year-End

The following table sets forth information concerning outstanding equity awards for our named executive officers as of December 31, 2016.

Name and Principal Position	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units or Stock That Have Not Vested	Market Value of shares or Units of Stock	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)
John P. O'Donnell	125,000	0	0	24.09(1)	01/24/2022				
President and Chief Executive Officer	8,234	0	0	31.23(4)	01/28/2023				
	6,256	6,258	0	42.82(5)	01/27/2024				
	5,813	11,627	0	59.72(6)	01/26/2025				
		28,312	0	57.95(7)	01/25/2026				
						10,990(8)	878,980		
						15,401(9)	1,103,789		
Bonnie C. Lind	0	1,728	0	42.82(5)	01/27/2024				
Senior Vice President, Chief Financial Officer and Treasurer	1,603	3,207	0	59.72(6)	01/26/2025				
		6,162	0	57.95(7)	01/25/2026				
						3,030(8)	242,340		
						3,352(9)	240,238		
Steven S. Heinrichs	1,734	0	0	31.23(4)	01/28/2023				
Senior Vice President, General Counsel and Secretary	2,686	1,344	0	42.82(5)	01/27/2024				
	1,250	2,500	0	59.72(6)	01/26/2025				
		4,763	0	57.95(7)	01/25/2026				
						2,360(8)	188,753		
						2,591(9)	185,697		
Julie A. Schertell	1,601	0	0	19.25(2)	01/27/2021				
Senior Vice President, President Fine Paper & Packaging	3,000	0	0	24.09(3)	01/24/2022				
	4,900	0	0	31.23(4)	01/28/2023				
	2,912	1,458	0	42.82(5)	01/27/2024				
	1,460	2,220	0	59.72(6)	01/26/2025				
		5,996	0	57.95(7)	01/25/2026				
						2,760(8)	220,745		
						3,261(9)	233,716		
James R. Piedmonte	1,268	0	0	31.23(4)	01/28/2023				
Senior Vice President, Global Operations	984	983	0	42.82(5)	01/27/2024				
	956	1,914	0	59.72(6)	01/26/2025				
		3,420	0	57.95(7)	01/25/2026				
						1,810(8)	144,764		
						1,860(9)	133,307		

- (1) These options were granted to Mr. O'Donnell on January 25, 2013, and fully vested on December 31, 2016. These options were converted to stock appreciation rights on July 1, 2014.
- (2) These options were granted on January 28, 2011 and vested as follows: 33.34% on January 28, 2012 and 33.33% on both January 28, 2013 and January 28, 2014. These options were converted to stock appreciation rights on July 1, 2014.
- (3) These options were granted on January 25, 2012 and vested as follows: 33.34% on January 25, 2013 and 33.33% on both January 25, 2014 and January 25, 2015. These options were converted to stock appreciation rights on July 1, 2014.
- (4) These options were granted on January 29, 2013, and vest as follows: 33.34% on January 29, 2014 and 33.33% on both January 29, 2015 and January 29, 2016. These options were converted to stock appreciation rights on July 1, 2014.
- (5) These options were granted on January 28, 2014, and vest as follows: 33.34% on January 28, 2015 and 33.33% on both January 28, 2016 and January 28, 2017. These options were converted to stock appreciation rights on July 1, 2014.
- (6) These stock appreciation rights were granted on January 27, 2015, and vest as follows: 33.34% on January 27, 2016 and 33.33% on both January 27, 2017 and January 27, 2018.
- (7) These stock appreciation rights were granted on January 26, 2016, and vest as follows: 33.34% on January 26, 2017 and 33.33% on both January 26, 2018 and January 26, 2019.
- (8) These performance share units target levels were set on January 27, 2015 and were earned on December 31, 2015, based on the Company's achievement of performance goals relating to return on invested capital and total shareholder return during the performance period ending December 31, 2015. The awards were granted at 146% of target as disclosed in the CD&A Section of the 2016 Proxy Statement and the market

value disclosed in this table reflects the sizing of these awards. These performance share units are subject to a two year continued service requirement after the one year performance period, subject to certain exceptions.

- (9) These performance share units target levels were set on January 16, 2016 and were earned and vested on December 31, 2016, based on the Company's achievement of performance goals relating to return on invested capital and total shareholder return during the performance period ending December 31, 2016. The awards were granted at 138% of target as disclosed in the CD&A Section of this Proxy Statement and the market value disclosed in this table reflects the sizing of these awards. These performance share units are subject to a two year continued service requirement after the one year performance period, subject to certain exceptions.

Option Exercises and Stock Vested in 2016

The following table sets forth information regarding options exercised and stock awards vested for our named executive officers in 2016.

<u>Name</u>	<u>Option Awards</u>		<u>Stock Awards(2)</u>	
	<u>Number of Shares Acquired on Exercise (#)</u>	<u>Value Realized on Exercise (\$)</u>	<u>Number of Shares Acquired on Vesting (#)</u>	<u>Value Realized on Vesting (\$)(1)</u>
John P. O'Donnell	—	—	28,207	2,403,236
Bonnie C. Lind	10,187	365,668	7,783	663,112
Steven S. Heinrichs	—	—	6,054	515,801
Julie A. Schertell	—	—	6,569	559,679
James R. Piedmonte	7,215	284,894	4,434	377,777

(1) Reflects the market value of the shares on the vesting date.

(2) These shares represent the vesting of the Performance Share Units granted to each of our named executive officer in January of 2014, which vested on December 31, 2016, after a one year performance and two year holding period.

Pension Plans

The Neenah Paper Pension Plan is a broad-based, tax-qualified defined benefit pension plan, which provides a benefit upon retirement to eligible employees of the Company. The Neenah Paper Supplemental Pension Plan is a non-qualified defined benefit pension plan which covers pay and benefits above the qualified limits in the Pension Plan. The compensation covered by these defined benefit plans includes the salary and non-equity incentive payments set forth above in the Summary Compensation Table. Under our Pension Plan an employee is entitled to receive an annual standard benefit based on years of service and integrated with social security benefits. The Code generally places limits on the amount of pension benefits that may be paid from the tax qualified Pension Plan. However, we will pay any participant in our Supplemental Pension Plan the amount of the benefit payable under the Pension Plan that is limited by the Code.

Retirement benefits for participants in the Pension Plan who have at least five years of service may begin on a reduced basis at age 55 or on an unreduced basis at the normal retirement age of 65. Unreduced benefits also are available (i) for participants with ten years of service at age 62 or as early as age 60 with thirty years of service and (ii) as described below, for certain involuntary terminations. Ms. Lind and Mr. Piedmonte are eligible for early retirement on a reduced basis. None of our other named executive officers currently is eligible for retirement under our Pension Plan or Supplemental Pension Plan.

The normal form of benefit is a single-life annuity payable monthly and other optional forms of benefit are available including a joint and survivor benefit. Accrued benefits under our Supplemental Pension Plan will, at the participant's option, either be paid as monthly payments in the same form as the retirement payments from the Pension Plan or as an actuarially determined lump sum payment upon retirement after age 55.

For a discussion of how we value these obligations and the assumption we use in that valuation, see Note 8 to our financial statements included in our 2016 Annual Report on Form 10-K. For purposes of determining the present value of accumulated benefits, we have used the normal retirement age under the plans, which is 65.

2016 Pension Benefits

The following table sets forth information as of December 31, 2016 regarding accumulated benefits to our named executive officers under our Pension Plan, Supplemental Pension Plan and German Pension Plans.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years Credited Service(1)</u>	<u>Present Value of Accumulated Benefit \$(2)</u>
Bonnie C. Lind	Neenah Paper Pension Plan	35.0	1,705,500
	Neenah Paper Supplemental Pension Plan	35.0	2,504,698
James R. Piedmonte	Neenah Paper Pension Plan	38.6	1,905,022
	Neenah Paper Supplemental Pension Plan	38.6	1,625,385

- (1) Includes years of service credited for employment with Kimberly-Clark prior to Neenah’s spin-off for Ms. Lind and Mr. Piedmonte.
- (2) For a description of the assumptions applied in determining the present value of accumulated benefits reported above, see Note 8 to the audited Financial Statements included in our 2016 Annual Report on Form 10-K.

2016 Nonqualified Deferred Compensation

The Supplemental RCP is a nonqualified excess benefit and supplemental retirement plan pursuant to which the Company provides additional retirement benefits to certain highly compensated employees. These Company contributions are intended to provide contributions to those individuals whose benefits under tax-qualified programs are restricted by the limitations permitted by the Internal Revenue Code. Contributions are held for each participant in either an excess benefit or supplemental benefit unfunded separate account. Participant accounts are credited with earnings, gains and losses based on the rate of return of investment funds selected by the participant, which the participant may elect to change in accordance with the participant’s elections under the Supplemental RCP. Payments can be tied to termination of employment, including retirement, and would be paid in lump sum. If a participant dies before receiving the full value of their account balance, the participant’s beneficiary would receive the remainder of the benefit in one lump sum payment. All accounts would be distributed promptly following a change in control, subject to a 10% reduction in a current participant’s account and a 5% reduction in an account for a retired participant. The Deferred Compensation Plan enables our executive officers to defer a portion of annual cash compensation (base salary and non-equity awards under our MIP). This plan is intended to assist our executive officers in maximizing the value of the compensation they receive from the Company and assist in their retention. Named



executive officer participation in the Supplemental RCP and the Deferred Compensation Plan in 2016 is as follows:

Name	Executive Contributions in last Fiscal Year(1)	Company Contributions in last Fiscal Year(1)	Aggregate Earnings in last Fiscal Year	Aggregate Withdrawal/ Distributions	Aggregate Balance at Last Fiscal Year
John P. O'Donnell President and Chief Executive Officer	0	\$116,812	\$15,581	0	\$571,395
Steven S. Heinrichs Senior Vice President, General Counsel and Secretary	0	\$ 24,637	\$11,769	0	\$202,253
Julie A. Schertell Senior Vice President, President Fine Paper & Packaging	0	\$ 38,379	\$ 8,065	0	\$167,117

- (1) None of our named executive officers elected to defer compensation in 2016 under the Deferred Compensation Plan
- (2) Amounts are reported as 2016 compensation in the "All Other Compensation" column of the Summary Compensation Table.

Potential Payments Upon Termination

We do not have employment agreements or other individual arrangements with our named executive officers that provide for specific benefits upon a termination of employment. In general, upon termination of employment, an executive officer will receive compensation and benefits for which he or she has already vested. This includes accrued but unpaid salary, accrued and unused vacation pay, and payments and benefits accrued under our broad-based benefit programs. The following section describes certain payments and benefits that would be payable to our named executive officers in the event of their involuntary termination in connection with a change-in-control of Neenah, or other involuntary termination.

Involuntary Termination in Connection with a Change in Control

The Executive Severance Plan as in effect as of December 31, 2016 provided certain severance benefits upon termination of employment of designated officers, including all of our named executive officers, following a change in control of Neenah. Upon termination of the officer's employment by Neenah without "cause" or by the officer for "good reason" (as defined in the Executive Severance Plan) within the two year period following a change in control or a termination by us without "cause" during the one year period preceding such a change in control, the Executive Severance Plan as in effect as of December 31, 2016 provided that the officer would be entitled to a lump sum cash payment equal to the sum of: (i) two times the sum of his annual base salary and targeted annual bonus; (ii) any qualified retirement plan benefits forfeited as a result of such termination; (iii) the amount of retirement benefits such officer would have received under the qualified and supplemental retirement plans but for his or her termination for the two year period following his or her termination; (iv) the cost of medical and dental COBRA premiums for a period of two years; and (v) a cash settlement of any accrued retiree welfare benefits. In addition, the officer will be eligible to receive outplacement services for a period of two years (up to a maximum cost to us of \$50,000). Payment of the benefits under the Executive Severance Plan is subject to the applicable executive executing an agreement that includes restrictive covenants and a general release of claims against us. The Executive Severance Plan

has been designed to limit exposure for any “parachute” excise taxes; but if such excise taxes apply, we will reimburse the officer on an after-tax basis for any excise taxes incurred by that executive due to payments received under the Executive Severance Plan.

The following table shows the payments that would be made to each of our named executive officers under the Executive Severance Plan in connection with a change-in-control termination as of December 31, 2016, without giving effect to the revisions effected by the 2017 Executive Severance Plan.

<u>Payments(8)</u>	<u>John P. O'Donnell</u>	<u>Bonnie C. Lind</u>	<u>Steven S. Heinrichs</u>	<u>Julie A. Schertell</u>	<u>James R. Piedmonte</u>
Severance(1)	\$2,700,000	\$1,147,000	\$ 990,000	\$1,116,000	\$ 812,000
Prorated Non-Equity Incentive					
Payment(2)	\$ 600,000	\$ 203,500	\$ 165,000	\$ 198,000	\$ 126,000
Unvested Stock Option Spread(3)	\$1,332,930	\$ 322,820	\$ 250,451	\$ 299,542	\$ 183,665
Unvested Restricted Stock(4)	\$3,177,960	\$ 771,060	\$ 598,274	\$ 383,485	\$ 443,892
LTCP Payment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Retirement Benefit Payment(5)	\$ 272,159	\$1,014,770	\$ 78,309	\$ 89,184	\$ 196,879
Welfare Benefit Values(6)	\$ 41,408	\$ 39,813	\$ 54,231	\$ 41,408	\$ 35,630
Outplacement	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Excise Tax & Gross-Up(7)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aggregate Payments	\$8,174,457	\$3,548,963	\$2,186,265	\$2,177,619	\$1,848,066

- (1) Severance payment equal to two times the sum of the executive’s annual base salary at the time of the termination plus the target bonus.
- (2) The Target Non-Equity Incentive Payment is prorated for the number of days in the calendar year prior to termination due to assumed termination on December 31, 2016.
- (3) Total value of unvested stock option spread and unvested restricted stock that would become vested upon a change in control assuming a share price of \$85.20 and a change-in-control date of December 31, 2016.
- (4) All unearned target performance share units vest upon a change-in-control event. Amounts are based on target 2015 and 2016 performance share unit grants.
- (5) Actuarial value attributable to retirement benefits.
- (6) Estimated value associated with the continuation of life insurance, medical, dental, and disability benefits for two years post-termination.
- (7) Gross-up payments covering the full cost of applicable excise taxes under Code sections 280G and 4999. In 2011 the Compensation Committee closed the plan to new participants and determined that it would phase out the excise tax gross up provision in the Executive Severance Plan for the current named executive officers.
- (8) Reflects payments under the Executive Severance Plan as in effect on December 31, 2016. See below for a discussion of revisions to the Executive Severance Plan effective April 1, 2017.

Other Involuntary Termination

The Neenah Paper Severance Pay Plan (the “Severance Pay Plan”) provides regular severance to our executive officers until the effectiveness of the 2017 Executive Severance Plan. Participation in the Severance Pay Plan is conditioned upon each participant’s execution of a non-compete agreement. In the event of a qualifying termination of employment without “Cause” (as defined in the Severance Pay Plan), the Severance Pay Plan generally provides officers (including named executive officers) severance equal to one year of base salary.



2017 Executive Severance Plan

The 2017 Executive Severance plan (effective April 1, 2017) provides named officers certain severance benefits both upon termination of employment following a change in control of Neenah and outside of a change in control. The 2017 revisions also categorize the participating officers as either “Tier 1,” “Tier 2” or “Tier 3” participants in order to provide varying benefit amounts to the different officers. All NEOs are Tier 1 participants in the 2017 Executive Severance Plan. After April 1, 2017, officers covered by 2017 Executive Severance Plan will not be eligible to receive benefits under the Severance Play Plan.

Upon termination of the officer’s employment by Neenah without “cause” or by the officer for “good reason” (as defined in the 2017 Executive Severance Plan) outside of a change in control of Neenah each NEO will be entitled to an amount equal to one and one-half times his or her base salary. Upon termination of the officer’s employment by Neenah without “cause” or by the officer for “good reason” within the two-year period following a change in control, the 2017 Executive Severance Plan provides that each NEO will be entitled to the sum of (i) two times the sum of his or her annual base salary, (ii) the amount of bonus under Neenah’s Management Incentive Plan that he or she has earned through the date of the change in control plus two times his or her targeted annual bonus; (iii) any profit-sharing contributions or pension plan benefits forfeited as a result of such termination; (iv) the amount of profit-sharing contributions and pension plan benefits such participant would have received under the qualified and supplemental retirement plans but for his or her termination for the two-year period following his or her termination; and (v) the cost of medical and dental COBRA premiums for a period of two years. In addition, each NEOs will be fully vested in his or her account under the Deferred Compensation Plan and any awards granted to him or her under the Omnibus Plan. Excise tax gross up payments are not included as a part of this plan.

In addition, upon termination of an NEO’s employment by Neenah without “cause” or by the officer for “good reason” the NEO will be eligible to receive reimbursement for outplacement service costs for a period of two years for an amount not to exceed \$50,000.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The following directors served on the Compensation Committee during 2016: Ms. Dano, Mr. McGovern and Dr. Wood. None of the members of the Compensation Committee was an officer or employee of Neenah during 2016 or any time prior thereto, and none of the members had any relationship with Neenah during 2016 that required disclosure under Item 404 of Regulation S-K. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more of its executive officers serving as a member of our Board of Directors or Compensation Committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act and rules and regulations of the SEC thereunder require our directors, officers and persons who beneficially own more than 10% of our common stock, as well as certain affiliates of such persons, to file initial reports of their ownership of our common stock and subsequent reports of changes in such ownership with the SEC. Directors, officers and persons owning more than 10% of our common stock are required by SEC rules and regulations to furnish us with copies of all Section 16(a) reports they file. Based solely on our review of the copies of such reports received by us and on information provided by the reporting persons, we believe that during 2016, our directors, officers and owners of more than 10% of our common stock complied with all applicable filing requirements, except that Mr. Moore filed a Form 4 late on March 30, 2017 representing restricted stock units granted in lieu of a quarterly cash dividend granted in 2016 and 2017.

AUDIT COMMITTEE REPORT

The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the accuracy and integrity of Neenah’s financial reporting, including the performance and the independence of Neenah’s independent registered public accounting firm, Deloitte & Touche LLP (“Deloitte”). Our Board of Directors adopted an Audit Committee Charter, which sets forth the responsibilities of the Audit Committee. The charter is available on our website at www.neenah.com. The Audit Committee reviewed and discussed with management and Deloitte our audited financial statements for the fiscal year ended December 31, 2016. The Audit Committee also discussed with Deloitte the matters required to be discussed under Statement on Auditing Standards No. 1301, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board (“PCAOB”).

The Audit Committee received the written disclosures and other communications from Deloitte that are required by the applicable requirements of the PCAOB regarding Deloitte’s communications with the Audit Committee, which included independence considerations. The Audit Committee reviewed the audit and non-audit services provided by Deloitte for the fiscal year ended December 31, 2016 and determined to engage Deloitte as the independent registered public accounting firm of Neenah for the fiscal year ending December 31, 2017. The Audit Committee also received and reviewed a report by Deloitte outlining communications required by NYSE listing standards describing: (1) the firm’s internal quality control procedures; (2) any material issue raised by a) the most recent internal quality control review of the firm, b) peer review of the firm, or c) any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with issues; and (3) (to assess Deloitte’s independence) all relationships between Deloitte and us.

In reliance upon the Audit Committee’s review of the audited financial statements, the discussions noted above, and Deloitte’s report, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the SEC.

Audit Committee:

Timothy S. Lucas, *Chairman*

Philip C. Moore

Stephen M. Wood

William M. Cook

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (ITEM 4)

The Audit Committee and the Board unanimously recommend that the stockholders vote “FOR” the proposal to ratify the appointment of Deloitte & Touche, LLP as our independent registered public accounting firm.

The Audit Committee of our Board of Directors, in accordance with its charter and authority delegated to it by the Board, has appointed the firm of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2017. As a matter of good corporate practice, the Board has directed that such appointment be submitted to our stockholders for ratification at the Annual Meeting. Deloitte & Touche LLP has served as our independent registered public accounting firm since our spin-off from Kimberly-Clark Corporation in November 2004 and is considered by our Audit Committee to be well qualified. If the stockholders do not ratify the appointment of Deloitte & Touche LLP, the Audit Committee will reconsider the appointment. Even if the stockholders ratify the appointment, the Audit Committee, in its discretion, may appoint a different independent auditor at any time during the year if the Audit Committee determines that such a change would be in the best interests of Neenah and its stockholders.

Representatives of Deloitte & Touche LLP will be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so. They also will be available to respond to appropriate questions from stockholders.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES AND SERVICES

Audit Fees

Aggregate fees for professional services rendered for us by Deloitte & Touche LLP, the member firms of Deloitte Touche and Tohmatsu and their respective affiliates (“Deloitte & Touche”) as of or for the fiscal years ended December 31, 2016 and December 31, 2015 are set forth below. The aggregate fees included in the Audit category are fees billed *for* the fiscal year for the integrated audit of our annual financial statements and review of statutory and regulatory filings. The aggregate fees included in each of the other categories are fees billed *in* the fiscal years.

	<u>2016</u>	<u>2015</u>
Audit Fees	\$1,737,150	\$1,766,132
Audit-Related Fees	0	0
Tax Fees	0	56,100
All Other Fees	0	0
Total	<u>\$1,737,150</u>	<u>\$1,822,232</u>

Audit Fees were for professional services rendered for the audit of our annual consolidated financial statements including the audit of our internal control over financial reporting and review of quarterly reports on Form 10-Q filed by us with the SEC.

Tax Fees were for professional services rendered to assist us with compliance with the revised Tangible Property Regulations of the Internal Revenue Service.

Policy on Audit Committee Pre-Approval

To avoid potential conflicts of interest in maintaining auditor independence, the law prohibits a publicly-traded company from obtaining certain non-audit services from its independent registered public accounting firm. The law also requires the audit committee of a publicly traded company to pre-approve other services provided by the independent registered public accounting firm. Pursuant to its charter, the Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. In its pre-approval of non-audit services, the Audit Committee considers, among other factors, the possible effect of the performance of such services on the auditor's independence. The Audit Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Audit Committee member to whom pre-approval authority is delegated shall be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee pre-approved all services performed by the independent registered public accounting firm in fiscal 2016 and fiscal 2015, including those services described in the table above under the captions "Audit Fees".

STOCKHOLDERS' PROPOSALS FOR 2018 ANNUAL MEETING

Proposals of stockholders, excluding nominations for the Board, intended to be presented at the 2018 Annual Meeting should be submitted by certified mail, return receipt requested, and must be received by us at our executive offices in Alpharetta, Georgia, on or before December 9, 2017, the date that is 120 calendar days prior to the first anniversary of the date that this Proxy Statement is released to stockholders, to be eligible for inclusion in our Proxy Statement and form of proxy relating to that meeting and to be introduced for action at the 2018 Annual Meeting. In the event that the date of the 2018 Annual Meeting is changed more than thirty days from the date of this year's meeting, notice by stockholders should be received no later than the close of business on the later of the 150th calendar day prior to the 2018 meeting or the 10th calendar day on which public announcement of the date of such meeting is first made.

Any stockholder proposal must be in writing and must comply with Rule 14a-8 under the Exchange Act and must set forth (i) a description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting; (ii) the name and address, as they appear on our books, of the stockholder submitting the proposal; (iii) the class and number of shares that are beneficially owned by such stockholder; (iv) the dates on which the stockholder acquired the shares; (v) documentary support for any claim of beneficial ownership as required by Rule 14a-8; (vi) any material interest of the stockholder in the proposal; (vii) a statement in support of the proposal; and (viii) any other information required by the rules and regulations of the SEC. Stockholder nominations for the Board must comply with the procedures set forth above under "Corporate Governance—Nomination of Directors."

The failure of a stockholder to deliver a proposal in accordance with the requirements of the preceding paragraphs may result in it being excluded from our Proxy Statement and ineligible for consideration at the 2018 Annual Meeting. Further, the submission of a proposal in accordance with the requirements of the preceding paragraph does not guarantee that we will include it in our Proxy Statement or that it will be eligible for consideration at the 2018 Annual Meeting. We strongly encourage any stockholder interested in submitting a proposal to contact our Corporate Secretary in advance of the submission deadline to discuss the proposal.

OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING

Our Board knows of no matters other than those referred to in the accompanying Notice of Annual Meeting of Stockholders which may properly come before the Annual Meeting. However, if any other matter should be properly presented for consideration and vote at the Annual Meeting or any adjournment(s) thereof, it is the intention of the persons named as proxies on the enclosed form of proxy card to vote the shares represented by all valid proxy cards in accordance with their judgment of what is in the best interest of Neenah and its stockholders.

HOUSEHOLDING OF NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

The SEC's proxy rules permit companies and intermediaries, such as brokers and banks, to satisfy delivery requirements for Notices, and if applicable, the proxy statements and annual reports, with respect to two or more stockholders sharing the same address by delivering a single Notice to those stockholders. This method of delivery, often referred to as householding, should reduce the amount of duplicate information that stockholders receive and lower printing and mailing costs for companies. Neenah and certain intermediaries are householding Notices, and if applicable, proxy statements and annual reports, for shareholders of record in connection with its 2017 Annual Meeting. This means that:

- Only one Notice, and if applicable, proxy statement and annual report, will be delivered to multiple stockholders sharing an address unless you notify your broker or bank to the contrary;
- You can contact Neenah by calling 678-566-6500 or by writing to INVESTOR RELATIONS, Neenah Paper, Inc., at 3460 Preston Ridge Road, Preston Ridge III, Suite 600, Alpharetta, Georgia 30005 to request a separate copy of the Notice, and if applicable, proxy statement and annual report, for the 2017 Annual Meeting and for future meetings or, if you are currently receiving multiple copies, to receive only a single copy in the future or you can contact your bank or broker to make a similar request; and
- You can request delivery of a single copy of the Notice, and if applicable, proxy statement and annual report, from your bank or broker if you share the same address as another Neenah shareholder and your bank or broker has determined to household proxy materials.

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2016
- OR
- 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

(State or other jurisdiction of
incorporation or organization)

3460 Preston Ridge Road
Alpharetta, Georgia

(Address of principal executive offices)

20-1308307

(I.R.S. Employer
Identification No.)

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

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 No

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 No

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 No

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 No

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.

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common stock held by non-affiliates on June 30, 2016 (based on the closing stock price on the New York Stock Exchange) on such date was approximately \$1,190,000,000.

As of February 21, 2017, there were 16,805,000 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 23, 2017 is incorporated by reference into Part III hereof.

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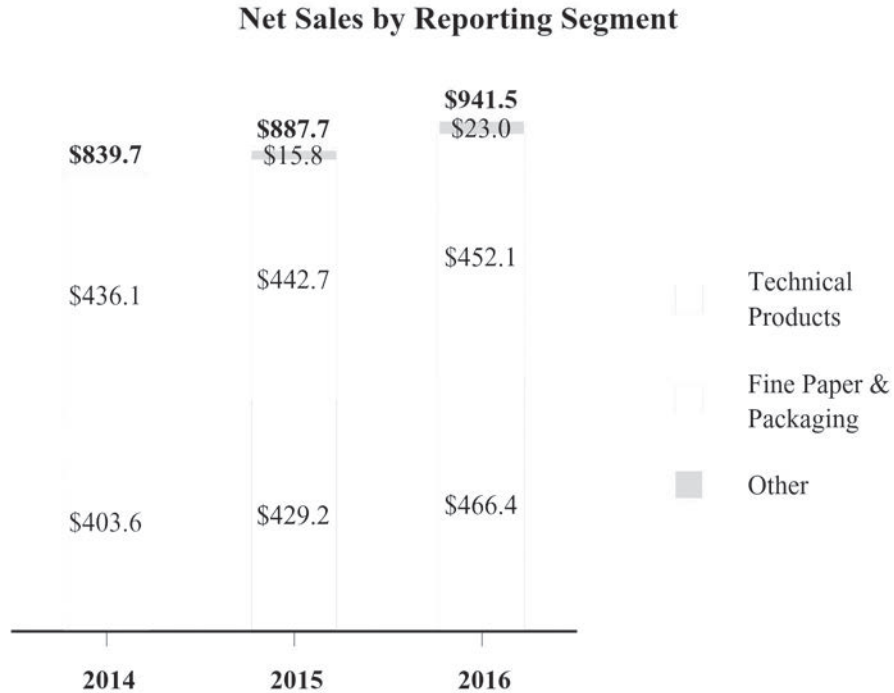
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PART I

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

Item 1. Business

Overview



We are organized into two primary businesses: a performance-based technical products business and a premium fine paper and packaging business.

Our technical products business is a leading international producer of transportation, water and other filter media and durable, saturated and coated substrates for a variety of end markets. We focus on categories where we believe we are, or can be, a market leader. These categories include filtration media for transportation, water and other uses, backings for specialty tapes and abrasives, performance labels and other specialty markets. Our dedicated technical products manufacturing facilities are located near Munich, Germany, in Bolton, England, in Munising, Michigan and in Pittsfield, Massachusetts. In addition, certain technical products are manufactured along with fine paper and packaging products in shared facilities located in upstate New York and Quakertown, Pennsylvania. In 2017, a filtration machine (which was converted from a fine paper machine) will begin production in Appleton, Wisconsin, a site also shared with the fine paper and packaging business. For a description of the shared facilities, see Item 2, "Properties."

We believe our fine paper and packaging business is the leading supplier of premium printing and other high end specialty papers in North America. 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, as well as through converters, major national retailers and specialty businesses. Our primary fine paper and packaging manufacturing facilities are located in Neenah and Whiting, Wisconsin and in Brattleboro, Vermont. In addition, certain products are manufactured in shared facilities located in upstate New York and Quakertown, Pennsylvania, as well as an existing site shared with technical products in 2017 in Appleton, Wisconsin. For a description of the shared facilities, see Item 2, "Properties."

Company Structure

Our corporate structure consists of Neenah Paper, Inc. and seven direct 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 Neenah Paper FVC, Inc), all of our U.S. fine paper and packaging inventory, the real estate, mills and manufacturing assets associated with our fine paper and packaging 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 that owns the real estate, mill and manufacturing assets associated with our U.S. technical products business in Munising, Michigan.

Neenah Paper FVC, LLC is a Delaware limited liability company and wholly owned subsidiary of Neenah that owns all of the equity of Neenah Paper FR, LLC. Neenah Paper FR, LLC ("Fox River") is a Delaware limited liability company that owns the real estate, mill and manufacturing assets associated with our fine paper and packaging operation in Appleton, Wisconsin.

Neenah Paper International Holding Company, LLC is a Delaware limited liability company and wholly owned subsidiary of Neenah 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.

NPCC Holding Company LLC is a Delaware limited liability company and wholly owned subsidiary of Neenah that owns all of the equity of Neenah Paper Company of Canada ("Neenah Canada"). Neenah Canada is a Nova Scotia unlimited liability corporation that holds certain post-employment liabilities of our former Canadian operations.

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 that facilitates the financing of our international operations.

Neenah Filtration, LLC is a Delaware limited liability company and wholly owned subsidiary of Neenah that owns all of the equity of Neenah Technical Materials, Inc. ("NTM") and Neenah Filtration Appleton, LLC ("NFA"). NTM is a Massachusetts corporation that owns all of the real estate, mills and manufacturing assets associated with our technical materials business in Pittsfield, Massachusetts. NFA is a Delaware limited liability company that owns certain assets associated with our filtration business in Appleton, Wisconsin. The filtration assets in Appleton, Wisconsin have started production in January 2017. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Neenah FMK Holdings, LLC is a Delaware limited liability company and a wholly owned subsidiary of Neenah that owns all of the equity of ASP FiberMark, LLC ("ASP"). ASP is a Delaware limited liability company that owns all of the equity of Neenah Northeast, LLC ("NNE") and Neenah International UK Limited, a United Kingdom corporation ("Neenah UK"). NNE is a Delaware limited liability company that owns certain real estate, mills and manufacturing assets associated with our fine paper and packaging business and technical products business located in Brattleboro, Vermont, West Springfield, Massachusetts, Quakertown and Reading, Pennsylvania, and Brownville and Lowville, New York. Neenah UK is a United Kingdom corporation that owns all of the equity of Neenah Red Bridge International Limited ("Red Bridge"). Red Bridge is a United Kingdom corporation that owns all of the real estate, manufacturing assets and inventory associated with our technical products business in Bolton, England.

History of the Businesses

Neenah was incorporated in April 2004 in contemplation of the spin-off by Kimberly-Clark Corporation ("Kimberly-Clark") of its technical products and fine paper 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.

Former Pulp Operations. At the Spin-Off, our pulp operations consisted of mills located in Terrace Bay, Ontario and Pictou, Nova Scotia and approximately 975,000 acres of related woodlands. We disposed of these mills and woodlands in a series of transactions from 2006 to 2010.

Technical Products. The Munising, Michigan mill was purchased by Kimberly-Clark in 1952. Subsequent to the purchase, the mill was converted to produce durable, saturated and coated papers for sale and use in a variety of industrial applications for our 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"). At acquisition, the Neenah Germany assets consisted of two mills located near Munich, Germany and a third mill near Frankfurt, Germany. These mills produced a wide range of products, including transportation filter media, nonwoven wall coverings, masking and other tapes, abrasive backings, and specialized printing and coating substrates.

In July 2014, we purchased all of the outstanding equity of Crane Technical Materials, Inc. from Crane & Co., Inc. The acquired business provides performance-oriented wet laid nonwoven media for water filtration end markets as well as environmental, energy and industrial uses. The business has two manufacturing facilities in Pittsfield, Massachusetts.

On October 31, 2015, we sold our paper mill located near Frankfurt, Germany (the "Lahnstein Mill") to the Kajo Neukirchen Group (the "Buyer") for net cash proceeds of approximately \$5.4 million. The Lahnstein Mill, which had annual sales of approximately €50 million, had been operating as a stand-alone business, manufacturing non-woven wallcoverings and various other specialty papers. See Note 13 of Notes to Consolidated Financial Statements, "Discontinued Operations."

Fine Paper and Packaging. The fine paper and packaging 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 and in the late 1980s and early 1990s, the capacity of the fine paper and packaging business was expanded by building two new paper machines at the Whiting mill and completing a major expansion of the Neenah facility with the installation of a new paper machine, finishing center, customer service center and an expanded distribution center.

In March 2007, we acquired the assets and brands of Fox River, which was a consolidating acquisition. In January 2012, we purchased certain premium fine paper brands and other assets from Wausau Paper Mills, LLC, a subsidiary of Wausau Paper Corp. ("Wausau") and in January 2013, we purchased certain premium business paper brands from the Southworth Company ("Southworth").

FiberMark Acquisition. On August 1, 2015, we purchased all of the outstanding equity of ASP FiberMark, LLC ("FiberMark") from ASP FiberMark Holdings, LLC ("American Securities") for approximately \$118 million (the "FiberMark Acquisition"). We added specialty coating and finishing capabilities with this acquisition, particularly in luxury packaging and technical products. The results of operations and assets related to the FiberMark Acquisition are reflected in each of our business segments.

Business Strategy

Our mission is to create value by improving the image and performance of everything we touch. We expect to create value by growing in specialized niche markets that value performance or image and where we have competitive advantages. In managing our businesses, we believe that achieving and maintaining a leadership position in our markets, responding effectively to customer needs and competitive challenges, employing capital optimally, controlling costs and managing risks are important to our long-term success. Strategies to deliver value include:

Leading in profitable, specialty niche markets — We will increase our participation in niche markets that can provide us with leading positions and value our core competencies in performance-based fiber and non-woven media production, coating and saturating. Key markets include filtration, specialty backings and technical products, and premium fine paper and packaging.

Increasing our size, growth rate and portfolio diversification — We will invest and focus resources in higher growth specialty markets to grow with customers in new geographies and to enter into adjacent markets that are growing and profitable. We will do this both through organic initiatives that build on our technologies and capabilities, and through acquisitions that fit with our competencies and provide attractive financial returns.

Delivering consistent, attractive returns to our shareholders — We will continue to use Return on Invested Capital ("ROIC") as a key metric to evaluate investment decisions, measure our performance, maintain a prudent capital structure and deploy cash flows in ways that can provide value, including direct cash returns to shareholders through a meaningful dividend.

Products

Technical Products. Our technical products business is a leading international producer of performance-based substrates such as filtration media for transportation, water and other filtration markets, and saturated and coated performance materials used for industrial backings, labels and a variety of other end markets. In general, our technical products are sold to other manufacturers as key components for their finished products. Several of our key market segments served, including filtration and specialty backings for tape and abrasives, are global in scope. JET-PRO®SofStretch™, KIMDURA®, PREVAIL™, NEENAH®, and GESSNER® are brands of our technical products business.

The following is a description of certain key products and markets:

Filtration media for transportation including induction air, fuel, oil, and cabin air applications. 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, which represents the large majority of sales.

Filtration media for water and other industrial end markets. Primary applications include reverse osmosis, catalytic conversion, nanofiltration, ultrafiltration, pervaporation and vapor permeation, as well as other applications for specialty markets.

Specialty backings including a) saturated and unsaturated crepe and flat paper tapes sold to manufacturers to produce finished pressure sensitive products for sale in automotive, transportation, manufacturing, building construction, and industrial general purpose applications, including sales in the consumer do-it-yourself retail channel and b) coated lightweight abrasive paper used in the automotive, construction, metal and woodworking industries for both dry and wet sanding applications.

Label and tag products made from both saturated base label stock and purchased synthetic base label stock, with coatings applied 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. Label and tag stock is sold to pressure sensitive coaters, who in turn sell the coated label and tag stock to the label printing community.

Other latex saturated and coated papers for use by a wide variety of manufacturers. 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 that provides unique properties. Image transfer papers used to transfer an image from paper to tee shirts, hats, coffee mugs, and other surfaces using a proprietary imaging coating for use in digital printing applications. Publishing and security papers used to produce book covers, stationery, fancy packaging and passports. Other specialty products include clean room papers, durable printing papers, release papers and furniture backers.

Fine Paper and Packaging. Our fine paper and packaging business manufactures and sells world-class branded premium writing, text, cover and specialty papers and envelopes used in corporate identity packages, advertising collateral, premium labels and packaging, and wide format applications. Often these papers are characterized by distinctive coating, finishing, colors, and textures.

Commercial printing papers include premium writing, text and cover papers, and envelopes. Uses include advertising collateral, stationery, corporate identity packages and brochures, pocket folders, annual reports, advertising inserts, direct mail, business cards, scrapbooks, and a variety of other uses where colors, texture, coating, unique finishes or heavier weight papers are desired. Our market leading brands in this category include CLASSIC®, CLASSIC CREST®, ESSE®, ENVIRONMENT®, CAPITOL BOND®, ROYAL SUNDANCE®, SOUTHWORTH®, and TOUCHE® trademarks. Our fine paper and packaging business has an exclusive agreement to manufacture, market and distribute Crane & Co.'s CRANE'S CREST®, CRANE'S BOND®, and CRANE'S LETTRA®, branded fine papers in the commercial print category. Our fine paper and packaging business has an exclusive agreement to market and distribute Gruppo Cordenons SpA's SO...SILK®, PLIKE® and STARDREAM® branded fine papers in the U.S. and Canada. The fine paper and packaging business also sells private watermarked paper and other specialty writing, text, and cover papers. Additionally, the fine paper and packaging business provides leading solutions in the wide format arena, led by its Neenah Wide Format® and CONVERD® brands.

Premium packaging and label papers are used for wine, spirits and beer labels, folding cartons, box wrap, bags, hang tags, and stored value cards servicing high-end retail, cosmetics, spirits, and electronics end-use markets. Our market leading brands in these categories include NEENAH® Folding Board, "ESTATE LABEL®", Neenah® Box Wrap, PELLAQ®, KIVAR®, SKIVERTEX®, ILLUSIO®, and SENZO®.

Bright papers are used in applications such as direct mail, advertising inserts, scrapbooks and marketing collateral. Our brands in this category include ASTROBRIGHTS® and CREATIVE COLLECTION™. Additionally, business papers for professionals and small businesses are sold under our Southworth® brand through major retailers.

The fine paper and packaging business also produces and sells other specialty papers that address a consumer's need for enhanced image such as translucent papers, art papers, papers for optical scanning and other specialized applications.

Markets and Customers

Technical Products. The technical products business sells its products globally into product categories generally used as base materials in the following applications: filtration, component backing materials for manufactured products such as tape and abrasives, and other specialized product uses such as graphics and identification.

Several products (filtration media, abrasives, specialty 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. Most products are performance-based and require qualification at customers; however, certain categories may also be subject to price competition and the substitution of lower cost substrates in some less demanding 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.

The technical products business has more than 500 customers worldwide. The distribution of sales in 2016 was approximately 43 percent in North America, 35 percent in Europe and 22 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.

Sales to the technical products business's three largest customers represented approximately 14 percent of total sales for the segment in 2016. Although a complete loss of any 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 customers, and further offset over a several month period with the addition of new customers.

Fine Paper and Packaging. We believe our fine paper and packaging business is the leading supplier of premium writing, text and cover papers, bright papers and specialty papers in North America. These products are used in high-end collateral material, business and legal professions, and corporate identity products. Our premium packaging business includes products such as food and beverage labels and high-end packaging materials such as folding cartons and box wrap used for luxury retail goods. Bright papers are generally used by consumers for flyers, direct mail and packaging.

The fine paper and packaging business sells its products in a variety of channels including authorized paper distributors, converters, retailers, and direct to end users. Sales to distributors account for approximately 60 percent of revenue in the fine paper and packaging business. During 2016, approximately 10 percent of the sales of our fine paper and packaging business were exported to markets outside the United States.

Sales to the largest customer of the fine paper and packaging business represented approximately 15 percent of its total sales in 2016. We practice limited sales distribution to improve our ability to control the marketing of our products. Although a complete loss of this customer would cause a temporary decline in the business's sales volume, the decline could be partially offset by expanding sales to existing customers, and further offset over a several month period with the addition of new customers.

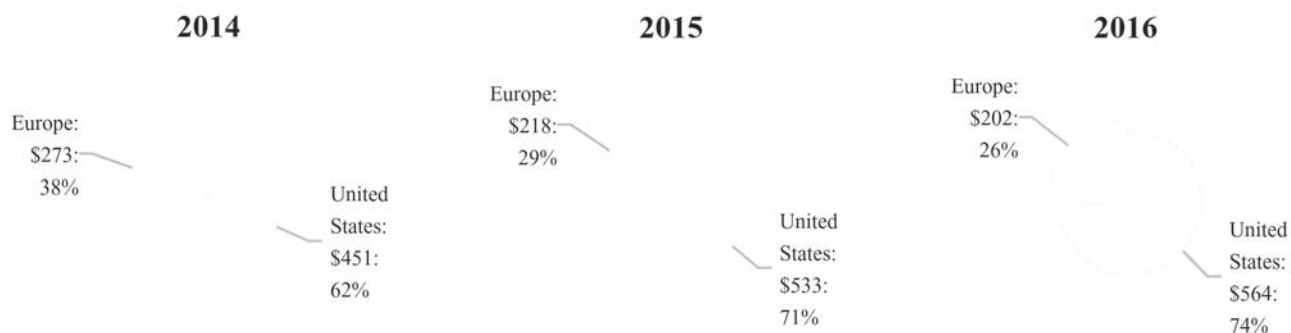
Concentration. In July 2014, Unisource Worldwide, Inc ("Unisource") and xpedx, formerly owned by International Paper ("xpedx") merged to form Veritiv Corporation ("Veritiv"). For the year ended December 31, 2016, sales to Veritiv represented approximately 8 percent of consolidated net sales and approximately 15 percent of net sales of the fine paper and packaging business. For the year ended December 31, 2015 and 2014 sales to Unisource and xpedx (and as merged Veritiv) represented approximately 10 percent of consolidated net sales and approximately 20 percent of net sales of the fine paper and packaging business.

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

Net Sales from Geographic Region (in Millions)



Total Assets by Geographic Region (in Millions)



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 and total assets by business segment.

Raw Materials

Technical Products. Softwood pulp, specialty pulp and fibers, and latex are the primary raw materials consumed by our technical products business. The technical products business purchases softwood pulp, specialty pulp and fibers, and latex from various external suppliers. 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.

Our technical products business acquires all of its specialized pulp requirements from two global suppliers and certain critical specialty latex grades from four suppliers. In general, these supply arrangements are not covered by formal contracts, but represent multi-year business relationships that have historically been sufficient to meet our needs. We expect these relationships to continue to operate in a satisfactory manner in the future. In the event of an interruption of production at any one supplier, we believe that each of these suppliers individually would be able to satisfy our short-term

requirements for specialized pulp or specialty latex. In the event of a long-term disruption in our supply of specialized pulp or specialty latex, we believe we would be able to substitute other pulp grades or other latex grades that would allow us to meet required product performance characteristics and incur only a limited disruption in our production. As a result, we do not believe that the substitution of such alternative pulp or latex grades would have a material effect on our operations.

Fine Paper and Packaging. Hardwood pulp is the primary fiber used to produce products of the fine paper and packaging business. Other significant raw material inputs in the production of fine paper and packaging products include softwood pulp, recycled fiber, cotton fiber, dyes and fillers. The fine paper and packaging business purchases all of its raw materials externally. We believe that all of the raw materials for our fine paper and packaging operations are readily available from several sources and that the loss of a single supplier would not cause a shutdown of our manufacturing operations.

Energy and Water

The equipment used to manufacture the products of our technical products and fine paper and packaging 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 25 percent of the electrical energy at our mills in Appleton, Wisconsin and Bruckmühl, Germany. 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

Technical Products. The technical products business maintains approximately 25 to 30 days of raw materials and supplies inventories to support its manufacturing operations and approximately 25 to 35 days of finished goods and semi-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. In general, sales are collected in approximately 45 to 55 days and supplier invoices are paid within 20 to 30 days.

Fine Paper and Packaging. The fine paper and packaging business maintains approximately 10 days of raw material inventories to support its paper making operations and about 55 days of finished goods inventory to fill customer orders. Fine paper and packaging sales terms range between 20 and 30 days with discounts of zero to two percent for customer payments, with discounts of one percent and 20-day terms used most often. Extended credit terms are offered to customers located in certain international markets. Supplier invoices are typically paid within 60 days.

Competition

Technical Products. Our technical products business competes in global markets with a number of large multinational competitors, including Ahlstrom Corporation, Munksjö, ArjoWiggins SAS and Hollingsworth & Vose Company. It also competes in some, but not all, of these segments with smaller regional manufacturers, such as Monadnock Paper Mills, Inc., Expera Specialty Solutions LLC., Potsdam Specialty Paper, Inc. and Paper Line S.p.A. We believe the basis 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 and developing advanced filter media to meet customer needs.

Fine Paper and Packaging. We believe our fine paper and packaging business is the leading supplier of premium printing and other high end specialty papers in North America. Our fine paper and packaging business also competes in the premium segment of the uncoated free sheet market. The fine paper and packaging business competes directly in North America with Mohawk Fine Paper Inc. and other smaller companies. We believe the primary basis of competition for premium fine 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 for lower quality printing needs that may compete with 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 maintain a high level of brand awareness as well as communicate the advantages of using our products. Our premium packaging business is focused on high-end packaging needs in end market verticals like beauty products, spirits and retail. Primary bases of competition are similarly brand recognition, product

quality, customer service, product availability, and a variety of colors and textures. Premium packaging is primarily a North American business, but we also sell to customers in Asia and other markets outside the U.S. We believe the premium packaging market to be highly fragmented, with multiple competitors, many of which produce premium packaging products as a small subset of larger packaging operations.

Research and Development

Our technical products business maintains research and development laboratories in Feldkirchen-Westerham, Germany, Munising, Michigan and Pittsfield, Massachusetts to support its strategy of developing new products and technologies, and to support growth in its existing product lines and other strategically important markets. We also have a research and development laboratory in West Springfield, Massachusetts that supports both our technical products and fine paper and packaging businesses. We have continually invested in product research and development with spending of \$9.4 million in 2016, \$6.8 million in 2015 and \$5.7 million in 2014.

Intellectual Property

We own more than 100 granted patents and have multiple pending patent applications in the United States, Canada, Europe and certain other countries covering image transfer paper, abrasives and medical packaging, and other paper processing. We also own more than 150 trademarks with registrations in approximately 80 countries. Our image transfer patents have contributed to establishing the technical products business as a leading global supplier of image transfer papers through our highly recognized JET-PRO®, 3G JET-OPAQUE®, TECHNIPRINT®, LASER-ONE OPAQUE® and IMAGE CLIP® brands, and our global trademark collection demonstrates strong product brand recognition.

For more than 100 years, Neenah's fine paper and packaging business has built its market leading reputation on creating and manufacturing trademarked brands for premium writing, text, cover, digital, packaging, and specialty needs. The Neenah Paper signature portfolio includes innovative, market leading brands such as ASTROBRIGHTS®, CLASSIC® (including CLASSIC CREST®, CLASSIC® Linen, CLASSIC® Laid, CLASSIC COLUMNS®, CLASSIC® Stipple, CLASSIC® Woodgrain, and CLASSIC® Techweave), ENVIRONMENT®, The Design Collection, ROYAL SUNDANCE® Papers, and many more. Our fine paper and packaging business provides unique and sustainable packaging papers and custom solutions for premium packaging needs. With brands that stand for consistency and quality such as NEENAH® Folding Board, NEENAH® Box Wrap, ESTATE LABEL®, BELLA® Label, and NEENAH IMAGEMAX® Paper Card, our fine paper and packaging business enables leading and emerging brands to deliver on their brand's promise. In 2012, we entered the retail channel by acquiring the brand portfolio of Wausau Paper including ASTROBRIGHTS® Papers, the first brightly colored paper in the industry, followed by the SOUTHWORTH Brand, a time-honored product for business professionals. Our fine paper and packaging business maintains a well-rounded and well-respected portfolio of brands allowing us to be recognized as an industry leader setting standards for quality, consistency, and dependability on press.

The 2015 acquisition of FiberMark added other trademarks recognized in both the publishing and packaging markets, including SKIVERTEX®, KIVAR®, CORVON®, HYFLEX®, TOUCHE®, and MULTICOLOR®. Development work after the acquisition added the MONTELENA® mark to our portfolio as well.

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. Finally, the GESSNER® trademark has played an important role in the marketing of Neenah's filtration product lines.

Backlog and Seasonality

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 year-end inventory levels by our customers. 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 specialty 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 provides certain customers with finished goods inventory on consignment. Historically, consignment sales have represented approximately 15 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, 2016 was approximately \$101 million and represented approximately 22 percent of prior year sales. The order backlog in the technical products business on December 31, 2015 was approximately \$103 million and represented approximately 25 percent of prior year sales. We previously filled the order backlog from December 31, 2015 and expect to fill the order backlog from December 31, 2016 within the next year.

Fine Paper and Packaging. The fine paper and packaging business has historically not experienced seasonality. 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 and packaging business on December 31, 2016 and 2015 were \$19.6 million and \$19.2 million, respectively, which represent approximately 15 days of sales. The order backlogs from December 31, 2016 and 2015 were filled in the respective following years.

The operating results at each of our businesses are influenced by the timing of our annual maintenance downs, which are generally scheduled in the third quarter.

Employee and Labor Relations

As of December 31, 2016, we had approximately 2,303 regular full-time employees of whom 1,099 hourly and 526 salaried employees were located in the United States and 405 hourly and 273 salaried employees were located in Europe.

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 und Energie (the "IG BCE"). In June 2015, the IG BCE and a national trade association representing all employers in the industry signed a collective bargaining agreement covering union employees of Neenah Germany that expires in June 2017. Under German law union membership is voluntary and does not need to be disclosed to the Company. As a result, the number of employees covered by the collective bargaining agreement with the IG BCE that expires in June 2017 cannot be determined.

As of December 31, 2016, no employees are covered under collective bargaining agreements that expire in the next 12 months, with the exception of the employees covered by the collective bargaining arrangement with the IG BCE. We believe we have satisfactory relations with our employees covered by collective bargaining agreements and do not expect the negotiation of new collective bargaining agreements to have a material effect on our results of operations or cash flows. See Note 12 of Notes to Consolidated Financial Statements, "Contingencies and Legal Matters — Employees and Labor Relations."

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. We believe 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. In addition to certain federal proposals in the United States to regulate GHG emissions, Germany, the United Kingdom ("U.K.") and all the states in which we operate are currently considering GHG legislation or regulations, either individually and/or as part of regional initiatives. 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 and creating costs to comply with regulations or to mitigate the financial consequences of such compliance.

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 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 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 2017 through 2018 of approximately \$1 million to \$2 million annually. Our anticipated capital expenditures for environmental projects are not expected to have a material effect on our financial condition, results of operations or liquidity.

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 on 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 located at 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. Information on our web site is not incorporated by reference in this document. 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 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 conditions in the global economy or secular pressures in some markets.

We have experienced and may experience in the future 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. Parts of our fine paper and packaging business are subject to electronic substitution. 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.

Changes in international geopolitical and macro economic conditions generally, and particularly in Germany, could adversely affect our business and results of operations. Fluctuations in the prices of and the demand for products could result in smaller profit margins and lower sales volumes.

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, the Eurozone 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, macro economic or labor conditions in any of these countries or regions could negatively affect our financial results.

On June 23, 2016, the U.K. voted by referendum to exit the European Union (“E.U.”); this vote is commonly referred to as “Brexit.” The referendum is non-binding and the exit from the E.U. is not immediate. Once the U.K. invokes E.U. Article 50, there is a two-year window in which the U.K. and European Commission can negotiate the future terms for imports, exports, taxes, employment, immigration and other areas. Brexit has caused volatility in global stock markets and currency exchange rates, affecting the markets in which we operate. The implications of Brexit could adversely affect demand for our products, our financial results and operations, and our relationships with customers, suppliers and employees in the short- or long-term.

Historically, economic and market shifts, and fluctuations in capacity have created cyclical changes in prices, sales volume and margins for products in the paper, packaging and related industries. The length and magnitude of industry cycles have varied over time and by product, but generally reflect changes in macroeconomic conditions and levels of industry capacity. The overall levels of demand for many of our products reflect fluctuations in levels of end-user demand, which depend in large part on general macroeconomic conditions in North America and regional economic conditions in our markets (including Europe, Asia, and Central and South America), as well as foreign currency exchange rates. The foregoing factors could materially and adversely impact our sales, cash flows, profitability and results of operations.

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.

Our technical products business acquires all of its specialized pulp requirements from two global suppliers and certain critical specialty latex grades from four suppliers. In general, these supply arrangements are not covered by formal contracts, but represent multi-year business relationships that have historically been sufficient to meet our needs. We expect these relationships to continue to operate in a satisfactory manner in the future. In the event of an interruption of production at any one supplier, we believe that each of these suppliers individually would be able to satisfy our short-term requirements for specialized pulp or specialty latex. In the event of a long-term disruption in our supply of specialized pulp or specialty latex, we believe we would be able to substitute other pulp grades or other latex grades that would allow us to meet required product performance characteristics and incur only a limited disruption in our production.

Our fine paper and packaging business acquires a substantial majority of the cotton fiber used in the production of certain branded bond paper products pursuant to annual agreements with two North American producers. The balance of our cotton fiber requirements are acquired through "spot market" purchases from a variety of other producers. We believe that a partial or total disruption in the production of cotton fibers at our two primary suppliers would increase our reliance on "spot market" purchases with a likely corresponding increase in cost.

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. Operating 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, changes in the market price of pulp, the effects of competitive pricing pressures, 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, the relative strength of the Euro versus the U.S. dollar, 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.

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 businesses are significantly dependent on sales to their largest customers.

Sales to the largest customer of the fine paper and packaging business represented approximately 15 percent of total sales for the segment in 2016. Sales to the three largest customers of the technical products business represented approximately 14 percent of total sales for the segment in 2016. A significant loss of business from any of our major fine paper and packaging or technical products customers may have a material adverse effect on our financial condition, results of operations and liquidity. We are also subject to credit risk associated with our customer concentration. If one or more of our largest fine paper and packaging or technical products customers were to become bankrupt, insolvent or otherwise were unable to pay for services provided, we may incur significant write-offs of accounts receivable.

We cannot be certain that our tax planning strategies will be effective and that our research and development tax credits will continue to be available to offset our tax liability.

We are continuously undergoing examination by the Internal Revenue Service (the "IRS") as well as taxing authorities in various state and foreign jurisdictions in which we operate. The IRS and other taxing authorities routinely challenge certain deductions and credits reported on our income tax returns.

As of December 31, 2016, we had \$25.2 million of U.S. federal and state research and development credits ("R&D Credits") which, if not used, will expire between 2027 and 2035 for the U.S. federal R&D Credits and between 2017 and 2031 for the state R&D Credits. The availability of state NOLs and state credits to offset taxable income and income tax, respectively, could also be substantially reduced if we were to undergo an "ownership change" as defined within certain state tax codes.

In accordance with Accounting Standards Codification ("ASC") Topic 740, *Income Taxes* ("ASC Topic 740"), as of December 31, 2016, we have recorded a liability of \$10.3 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 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, 2016, our projected pension benefit obligations were \$370.9 million and exceeded the fair value of pension plan assets by \$52.8 million. In 2016, we made total contributions to qualified pension trusts of \$17.8 million. In addition, during 2016 we paid pension benefits for unfunded qualified and supplemental retirement plans of \$0.6 million. At December 31, 2016, our projected other postretirement benefit obligations were \$40.7 million. No assets have been set aside to satisfy our other postretirement benefit obligations. In 2016, we made payments for postretirement benefits other than pensions of \$3.8 million. A material increase in funding requirements or benefit payments could have a material effect on our cash flows.

We may be required to pay material amounts under multiemployer pension plans.

We contribute to The PACE Industry Union-Management Pension Fund ("the PIUMPF"), a multiemployer pension plan. The amount of our annual contributions to the PIUMPF is negotiated with the plan and the bargaining unit representing our employees covered by the plan. In 2016, we contributed approximately \$0.1 million to the PIUMPF. In addition, in the event of a partial or complete withdrawal by us from the PIUMPF at a time when the plan is underfunded, we would be liable for a proportionate share of such plan's unfunded vested benefits, referred to as a withdrawal liability. In the event that any other contributing employer withdrew from the PIUMPF at a time when the plan is underfunded, and such employer cannot satisfy its obligations to the plan at the time of withdrawal, then the proportionate share of the plan's unfunded vested benefits that would be allocable to us and to the other remaining contributing employers, would increase and there could be an increase to our required annual contributions. In future negotiations of collective bargaining agreements with the labor union that participates in the PIUMPF, we may decide to discontinue participation in the plan.

The PIUMPF was certified to be in "critical status" for the plan year beginning January 1, 2010, and continued to be in critical status for the plan year beginning January 1, 2016. In 2013, two large employers withdrew from the PIUMPF. Further withdrawals by other contributing employers could cause a "mass withdrawal" from, or effectively a termination of, the PIUMPF or alternatively we could elect to withdraw. Although we have no current intention to withdraw from the PIUMPF, if we were to withdraw, either completely or partially, we would incur a withdrawal liability based on our share of the PIUMPF's unfunded vested benefits. Based on information as of December 31, 2015 provided by the PIUMPF and reviewed by our actuarial consultant, we estimate that, as of December 31, 2016, the payments that we would be required to make to PIUMPF in the event of our complete withdrawal would be approximately \$0.1 million per year on a pre-tax basis. These payments would continue for 20 years, unless we were deemed to be included in a "mass withdrawal" from the PIUMPF, in which case these payments would continue in perpetuity. However, we are not able to determine the exact amount of our withdrawal liability because the amount could be higher or lower depending on the nature and timing of any triggering event, the funded status of the plan and our level of contributions to the plan prior to the triggering event. These withdrawal liability payments would be in addition to pension contributions to any new pension plan adopted or contributed to by us to replace the PIUMPF and could have a material effect on our cash flows. Adverse changes to pension laws and regulations could increase the likelihood and amount of our liabilities arising under the PIUMPF.

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. Legal actions and claims against us could have a material effect on our financial condition, results of operations and liquidity.

Labor interruptions would adversely affect our business.

Except for our Pittsfield, Massachusetts, Brownville, New York and Quakertown, Pennsylvania manufacturing facilities which are non-union, substantially all of our hourly employees are unionized. In addition, some key customers and suppliers are also unionized. Strikes, lockouts or other work stoppages or slowdowns involving our unionized employees could have a material effect on us.

If we are unable to continue to implement our business strategies, our financial conditions and operating results could be materially affected.

Our future operating results will depend, in part, on the extent to which we can successfully implement our business strategies in a cost effective manner. However, our strategies are subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. If we are unable to successfully implement our business strategies, our business, financial condition and operating results could be materially adversely affected.

We may not successfully integrate acquisitions and may be unable to achieve anticipated cost savings or other synergies.

The integration of the operations of acquired companies involves a number of risks and presents financial, managerial, legal and operational challenges. We may have difficulty, and may incur unanticipated expenses related to, integrating information systems, financial reporting activities, and integrating and retaining management and personnel from acquired companies. We may not be able to achieve anticipated cost savings or commercial or growth synergies, for a number of reasons, including contractual constraints and obligations or an inability to take advantage of expected commercial opportunities, increased operating efficiencies or commercial expansion of key technologies. Failure to successfully integrate acquired companies may have an adverse effect on our business, financial condition, results of operations, and cash flows.

We may not be able to adequately protect our intellectual property and proprietary rights, which could harm our future success and competitive position.

Our future success and competitive position also depends, in part, upon our ability to obtain and maintain protection for our intellectual property and proprietary rights. Failure to protect our existing intellectual property rights may result in the loss of valuable technologies or may require us to license other companies' intellectual property rights. It is possible that any of our patents may be invalidated, rendered unenforceable, circumvented, challenged or licensed to others or any of our pending or future patent applications may not be issued within the scope of the claims sought by us, if at all. Further, others may develop technologies that are similar or superior to our technologies, duplicate our technologies or design around our patents, and steps taken by us to protect our technologies may not prevent misappropriation of such technologies.

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

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 \$175 million of senior notes due November 2021 (the "2021 Senior Notes"). As of December 31, 2016, under the most restrictive terms of our bank credit agreement and the indenture for the 2021 Senior Notes, our ability to pay cash dividends on our common stock is limited, as described under "Risks Relating to Our Indebtedness." There can be no assurance that we will continue to pay dividends in the future.

We may be required to record a charge to our earnings if our goodwill or intangible assets become impaired.

As of December 31, 2016, we had goodwill of \$70.4 million and other intangible assets of \$74.0 million. Goodwill and other intangible assets are recorded at fair value on the date of acquisition. In accordance with applicable accounting guidance, we review goodwill and other indefinite-lived intangible assets at least annually for impairment, and long-lived intangible assets when facts and circumstances warrant an impairment review. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, and a variety of other factors. The amount of any non-cash impairment would be recognized immediately through our consolidated statement of operations. Any future goodwill or other intangible asset impairment could have a material adverse effect on our results of operations and financial position.

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 technical products and fine paper and packaging 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 balance sheet and reported results of operations. See Item 7A, "Quantitative and Qualitative Disclosures About Market Risk — Foreign Currency Risk."

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 sales and 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.

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

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. In addition to certain federal proposals in the United States to regulate GHG emissions, Germany, the U.K. and all the states in which we operate are currently considering GHG legislation or regulations, either individually and/or as part of regional initiatives. 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 and creating costs to comply with regulations or to mitigate the financial consequences of compliance.

We are subject to cybersecurity risks related to breaches of security pertaining to sensitive company, customer, employee and vendor information as well as breaches in the technology that manages operations and other business processes.

We use information technologies to securely manage operations and various business functions. We rely on various technologies to process, store and report on our business and interact with customers, vendors and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. Despite our security design and controls, and those of our third party providers, our information technology and infrastructure may be vulnerable to cyber attacks by hackers or breaches due to employee error, malfeasance or other disruptions. Any such breach could result in operational disruptions or the misappropriation of sensitive data that could subject us to civil and criminal penalties, litigation or have a negative impact on our reputation. There can be no assurance that such disruptions or misappropriations and the resulting repercussions will not negatively impact our cash flows and materially affect our results of operations or financial condition. The U.S. Congress is considering cybersecurity legislation that, if enacted, could impose additional obligations on us and could expand our potential liability in the event of a cyber-security incident.

Our business may suffer if we do not retain our senior management.

We depend on our senior management. The loss of services of members of our senior management team could adversely affect our business until suitable replacements can be found. There may be a limited number of persons with the requisite skills to serve in these positions and we may be unable to locate or employ qualified personnel on acceptable terms. In addition, our future success requires us to continue to attract and retain competent personnel.

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, 2016, we have required debt payments of \$1.2 million during the year ending December 31, 2017.

We may not be able to generate sufficient cash flow to meet our debt obligations, including the 2021 Senior Notes.

Our ability to make scheduled payments or to refinance our obligations with respect to the 2021 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 our revolving credit facility, we may need to obtain waivers from the 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 our revolving credit facility.

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

As of December 31, 2016, we had \$175 million of 2021 Senior Notes, \$42.9 million in revolving credit borrowings and \$6.8 million of project financing outstanding. In addition, availability under our bank credit agreement was approximately \$125 million. 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 2021 Senior Notes and our other indebtedness;
- place us at a disadvantage to our competitors;
- 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 2021 Senior Notes, contain covenants restricting our ability to, among other things, incur certain additional debt, incur or create certain liens, make specified restricted payments, 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. Under the most restrictive terms of the Third Amended and Restated Credit Agreement, we are permitted to pay cash dividends on or repurchase shares of our common stock up to the amount available under the Third Amended and Restated Credit Agreement, as long as the availability under the Third Amended and Restated Credit Agreement exceeds \$25 million. If the availability is below \$25 million, we are restricted from paying dividends or repurchasing shares. Under the most restrictive terms of the 2021 Senior Notes, we are permitted to pay cash dividends of up to \$25 million in a calendar year, but not permitted to repurchase shares of our common stock. However, as long as the net leverage ratio (net debt/EBITDA) under the 2021 Senior Notes is below 2.5x, we can pay dividends or repurchase shares without limitation. Refer to Item 7A, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" for the current limitations on our ability to pay dividends on or repurchase shares of our common stock.

In addition, if the aggregate availability under our revolving credit facilities is less than the greater of (i) \$25 million and (ii) 12.5 percent of the maximum aggregate commitments under our revolving credit facilities as then in effect, we will be subject to increased reporting obligations and controls until such time as availability is more than the greater of (a) \$35 million and (b) 17.5 percent of the maximum aggregate commitments under our revolving credit facilities as then in effect for at least 60 consecutive days and no default or event of default has occurred or is continuing during such 60-day period.

If aggregate availability under our revolving credit facilities is less than the greater of (i) \$20 million and (ii) 10 percent of the maximum aggregate commitments under our revolving credit facilities as then in effect, we are required to comply with a fixed charge coverage ratio (as defined in our bank credit agreement) of not less than 1.1 to 1.0 for the preceding four-quarter period, tested as of the end of each quarter. Such compliance, once required, would no longer be necessary once (x) aggregate availability under our revolving credit facilities exceeds the greater of (i) 17.5 percent of the aggregate commitment for our revolving credit facilities and (ii) \$35 million for 60 consecutive days and (y) no default or event of default has occurred and is continuing during such 60-day period. As of December 31, 2016, aggregate availability under our revolving credit facilities exceeded the minimum required amount, and we are not required to comply with such fixed charge coverage ratio.

Our revolving credit facilities accrue interest at variable rates. As of December 31, 2016, we had \$42.9 million of revolving credit borrowings outstanding. 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 Item 7A, "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 2021 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 2021 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 2021 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 face may intensify.

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

Our bank credit agreement is secured by a majority of our assets. 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 effect on our liquidity.

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.

Our debt currently has a non-investment grade rating, and there can be no assurance that any rating assigned by the rating agencies will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital, which could have a material adverse impact on our financial condition and results of operations.

We depend on our subsidiaries to generate cash flow to meet our debt service obligations.

We conduct a substantial portion of our business through our subsidiaries. Consequently, our cash flow and ability to service our debt obligations 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 2021 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 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 as well as their ability to repatriate cash to us. If our subsidiaries do not generate sufficient cash flow from operations to help us satisfy our debt obligations, including payments on the 2021 Senior Notes, or if they are unable to distribute sufficient cash flow to us, 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.

FORWARD-LOOKING STATEMENTS

Certain statements in this 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 on Form 10-K 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. We caution 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 these, or similar terms. 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:

- changes in market demand for our products due to global economic and political conditions;
- the impact of competition, both domestic and international, changes in industry production capacity, including the construction of new mills or new machines, the closing of mills and incremental changes due to capital expenditures or productivity increases;
- the enactment of adverse state, federal or foreign tax or other legislation or changes in government policy or regulation;
- fluctuations in (i) exchange rates (in particular changes in the U.S. dollar/Euro currency exchange rates) and (ii) interest rates;
- increases in commodity prices, (particularly for pulp, energy and latex) due to constrained global supplies or unexpected supply disruptions;
- the availability of raw materials and energy;
- strikes, labor stoppages and changes in our collective bargaining agreements and relations with our employees and unions;
- capital and credit market volatility and fluctuations in global equity and fixed-income markets;
- 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;
- loss of key personnel;
- increases in the funding requirements for our pension and postretirement liabilities;
- changes in asset valuations including write-downs of assets including property, plant and equipment; inventory, accounts receivable, deferred tax assets or other assets for impairment or other reasons;
- our existing and future indebtedness;
- our ability to successfully integrate acquired businesses into our existing operations;

- our net operating losses may not be available to offset our tax liability and other tax planning strategies may not be effective;
- 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. We undertake no duty to update these forward-looking statements after the date of this Form 10-K, even though our situation may change in the future.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal executive offices are located in Alpharetta, Georgia, a suburb of Atlanta, Georgia. We operate 10 manufacturing facilities 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. In 2016, we converted one of the two machines at the Appleton, Wisconsin, mill into a machine that produces transportation and other filtration media, and the mill will now be a shared facility with our fine paper and packaging business. We own and operate two manufacturing facilities in Germany that produce transportation and other filter media, and durable and saturated substrates. We own and operate one manufacturing facility in the U.K. that produces durable printing and specialty paper.

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.

As of December 31, 2016, following are the locations of our principal facilities and operating equipment and the products produced at each location:

Location	Equipment/Resources	Owned or Leased	Products
Fine Paper and Packaging Segment			
Neenah Mill Neenah, Wisconsin	Two paper machines; paper finishing equipment	Owned	Printing and writing, text, cover and other specialty papers
Whiting Mill Whiting, Wisconsin	Four paper machines; paper finishing equipment	Owned	Printing and writing, text, cover and other specialty papers
Converting Center Neenah, Wisconsin	Paper finishing equipment	Owned	Printing and writing, text, cover and other specialty papers
Technical Products Segment			
Munising Mill Munising, Michigan	Two paper machines; two off line saturators; two off line coaters; specialty finishing equipment	Owned	Tapes, abrasives, premask, medical packaging and other durable, saturated and coated substrates
Pittsfield Mill Pittsfield, Massachusetts	Three paper machines; paper finishing equipment	Owned	Reverse osmosis filtration and glass applications
Bruckmühl Mill Bruckmühl, Germany	One paper machine; two saturator/coaters; finishing equipment	Owned	Masking tape backings and abrasive backings
Weidach Mill Feldkirchen-Westerham, Germany	Two paper machines; three saturators; one laminator; three meltblown machines; specialty finishing equipment	Owned	Transportation filtration and other industrial filter media
Red Bridge Mill Bolton, England	Saturating, coating, and finishing equipment	Owned	Durable printing and specialty paper
Shared Facilities			
Appleton Mill Appleton, Wisconsin	Two paper machines; saturating equipment; paper finishing equipment	Owned	Transportation filtration, printing and writing, text, cover and other specialty papers
Brattleboro Mill Brattleboro, Vermont	One paper machine; paper finishing equipment	Owned	Printing and specialty paper board
Brownville Mill Brownville, New York	One paper machine; one off-line coater	Owned	Durable printing and specialty paper
Lowville Mill Lowville, New York	Saturating, coating, embossing and finishing equipment	Owned	Durable printing and specialty paper
Quakertown Mill Quakertown, Pennsylvania	Saturating, coating, embossing and finishing equipment	Owned	Durable printing and specialty paper
Reading Mill (1) Reading, Pennsylvania	Embossing and finishing equipment	Leased	Durable printing and specialty paper

- (1) In December 2016, we ceased manufacturing operations at the Reading, Pennsylvania, facility. The facility is leased and the lease will expire June 30, 2017.

See Note 7 of Notes to Consolidated Financial Statements, "Debt", for a description of the material encumbrances attached to the properties described in the table above.

As of December 31, 2016, 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, Administration and Design Center
Neenah and Appleton, Wisconsin	Owned Office Space	Administration
Munising, Michigan	Owned Office and Laboratory Space	Administration and Research and Development for our technical products businesses
Pittsfield, Massachusetts	Owned Office and Laboratory Space	Administration and Research and Development for our technical products businesses
West Springfield, Massachusetts	Owned Office and Laboratory Space	Administration and Research and Development for our technical products and fine paper and packaging businesses
Feldkirchen-Westerham, Germany	Owned Office and Laboratory Space	Administration and Research and Development for our technical product businesses

Capacity Utilization

Paper machines in our manufacturing facilities generally operate on a combination of five- or seven-day schedules to meet demand. We are not constrained by input factors and the maximum operating capacity of our manufacturing facilities is calculated based on operating days to account for variations in mix and different units of measure between assets. Due to required maintenance downtime and contract holidays, the maximum number of operating days is defined as 350 days per year. We generally expect to utilize approximately 80 to 90 percent of our maximum operating capacity. The following table presents our percentage utilization of maximum operating capacity by segment:

	Year Ended December 31,		
	2016	2015	2014
Technical Products	87%	84%	85%
Fine Paper and Packaging	80%	80%	77%

Item 3. Legal Proceedings

Litigation

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

Income Taxes

We periodically undergo examination by the IRS as well as various state and foreign jurisdictions. The IRS and other taxing authorities routinely challenge certain deductions and credits we report on our income tax returns.

Item 4. Mine Safety Disclosures

Not applicable.

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		Dividends Declared
	High	Low	
2016			
Fourth quarter	\$ 90.23	\$ 75.50	\$ 0.33
Third quarter	\$ 82.24	\$ 70.62	\$ 0.33
Second quarter	\$ 74.15	\$ 61.77	\$ 0.33
First quarter	\$ 64.10	\$ 63.37	\$ 0.33
2015			
Fourth quarter	\$ 69.63	\$ 57.68	\$ 0.30
Third quarter	\$ 62.75	\$ 54.90	\$ 0.30
Second quarter	\$ 62.88	\$ 58.23	\$ 0.30
First quarter	\$ 63.87	\$ 55.14	\$ 0.30

For the year ended December 31, 2016 we paid cash dividends of \$1.32 per common share or \$22.4 million. For the year ended December 31, 2015, we paid cash dividends of \$1.20 per common share or \$20.3 million. In November 2016, our Board of Directors approved a 12 percent increase in the annual dividend rate on our common stock to \$1.48 per share. The dividend is scheduled to be paid in four equal quarterly installments beginning in March 2017.

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 2021 Senior Notes. Under the most restrictive terms of the Third Amended and Restated Credit Agreement, we are permitted to pay cash dividends on or repurchase shares of our common stock up to the amount available under the Third Amended and Restated Credit Agreement, as long as the availability under the Third Amended and Restated Credit Agreement exceeds \$25 million. If the availability is below \$25 million, we are restricted from paying dividends or repurchasing shares. As of December 31, 2016, our availability exceeded \$25 million, so this restriction did not apply. Under the most restrictive terms of the 2021 Senior Notes, we are permitted to pay cash dividends of up to \$25 million in a calendar year, but not permitted to repurchase shares of our common stock. However, as long as the net leverage ratio (net debt/EBITDA) under the 2021 Senior Notes is below 2.5x, we can pay dividends or repurchase shares without limitation. In the event the net leverage ratio exceeds 2.5x, we may still pay dividends in excess of \$25 million or repurchase shares by utilizing "restricted payment baskets" as defined in the indenture for the 2021 Senior Notes. As of December 31, 2016, since our leverage ratio was less than 2.5x, none of these covenants were restrictive to our ability to pay dividends on or repurchase shares of our common stock.

As of February 22, 2017, Neenah had approximately 1,400 holders of record of its common stock. The closing price of Neenah's common stock on February 22, 2017 was \$75.90.

Purchases of Equity Securities:

The following table sets forth certain information regarding purchases of our common stock during the fourth quarter of 2016.

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share (c)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs
October 2016	19,497	\$ 80.15	19,497	\$ 20,815,812
November 2016	20,439	\$ 81.78	20,439	\$ 19,151,525
December 2016	61,746	\$ 86.91	17,945	\$ 17,591,939

- (a) Transactions include the purchase of vested restricted shares from employees to satisfy minimum tax withholding requirements upon vesting of stock-based awards. See Note 9 of Notes to Consolidated Financial Statements, "Stock Compensation Plans."
- (b) In May 2016, our Board of Directors authorized a program that would allow for the purchase of up to \$25 million of outstanding common stock through May 21, 2017.
- (c) Average price paid per share for shares purchased as part of our program.

Equity Compensation Plan Information

The following table summarizes information about outstanding options, share appreciation rights and restricted stock units and shares reserved for future issuance under our existing equity compensation plans as of December 31, 2016.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights (1)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	380,820 (2)(3)	\$ 38.35	950,000
Equity compensation plans not approved by security holders	—	—	—
Total	380,820	\$ 38.35	950,000

- (1) The weighted-average exercise price of outstanding options, warrants and rights does not take into account restricted stock units since they do not have an exercise price.
- (2) Includes (i) 226,000 shares issuable upon the exercise of outstanding options and stock appreciation rights ("SARs"), (ii) 74,100 shares issuable following the vesting and conversion of outstanding performance share unit awards, and (iii) 80,720 shares issuable upon the vesting and conversion of outstanding restricted stock units, all as of December 31, 2016. As of December 31, 2016, we had an aggregate of 530,462 stock options and SARs outstanding. The weighted average exercise price of the stock options and SARs was \$38.35 per share and the remaining contractual life of such awards was 6.3 years.
- (3) Includes 218,400 shares that would be issued upon the assumed exercise of 307,518 SARs at the \$85.20 per share closing price of our common stock on December 31, 2016.

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, 2016, 2015 and 2014 and the balance sheet data as of December 31, 2016 and 2015 set forth below are derived from our audited historical consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The balance sheet data as of December 31,

2014, 2013 and 2012 and the statement of operations data for the years ended December 31, 2013 and 2012 set forth below are derived from our historical consolidated financial statements not included in this Annual Report on Form 10-K.

On October 31, 2015, we sold the Lahnstein Mill for net cash proceeds of approximately \$5.4 million. For the years ended December 31, 2016 and December 31, 2015, discontinued operations reported on the consolidated statements of operations reflect the results of operations and the estimated loss on sale of the Lahnstein Mill. The consolidated statements of operations for the years ended December 31, 2014, 2013 and 2012 have been restated to report results of the Lahnstein Mill as discontinued operations. As of December 31, 2015, 2014, 2013 and 2012, the assets and liabilities of the Lahnstein Mill are classified as assets held for sale on the consolidated balance sheet. See Note 13 of Notes to Consolidated Financial Statements, "Discontinued Operations."

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Consolidated Statement of Operations Data					
Net sales	\$ 941.5	\$ 887.7	\$ 839.7	\$ 781.7	\$ 738.3
Cost of products sold	727.0	692.3	668.9	621.8	588.6
Gross profit	214.5	195.4	170.8	159.9	149.7
Selling, general and administrative expenses	92.2	86.5	78.0	74.7	71.3
Integration/restructuring costs (a)	7.0	6.5	2.3	0.4	5.8
Pension plan settlement charge (b)	0.8	—	3.5	0.2	3.5
Loss on early extinguishment of debt (c)	—	—	0.2	0.5	0.6
Other (income) expense — net	0.4	1.0	0.2	1.5	1.6
Operating income	114.1	101.4	86.6	82.6	66.9
Interest expense — net	11.1	11.5	11.1	11.0	13.4
Income from continuing operations before income taxes	103.0	89.9	75.5	71.6	53.5
Provision for income taxes (h)	29.6	29.4	7.5	23.1	16.1
Income from continuing operations	73.4	60.5	68.0	48.5	37.4
Income (loss) from discontinued operations, net of taxes (e)	(0.4)	(9.4)	0.7	3.5	6.9
Net income	<u>\$ 73.0</u>	<u>\$ 51.1</u>	<u>\$ 68.7</u>	<u>\$ 52.0</u>	<u>\$ 44.3</u>
Earnings from continuing operations per basic share	\$ 4.33	\$ 3.58	\$ 4.05	\$ 2.97	\$ 2.30
Earnings from continuing operations per diluted share	\$ 4.26	\$ 3.53	\$ 3.99	\$ 2.91	\$ 2.26
Cash dividends per common share	<u>\$ 1.32</u>	<u>\$ 1.20</u>	<u>\$ 1.02</u>	<u>\$ 0.70</u>	<u>\$ 0.48</u>
Other Financial Data					
Net cash flow provided by (used for):					
Operating activities (h)	\$ 115.8	\$ 111.2	\$ 94.5	\$ 83.5	\$ 40.1
Capital expenditures (g)	(68.5)	(48.1)	(27.9)	(28.7)	(25.1)
Other investing activities (f)	0.3	(112.0)	(77.0)	(4.6)	(7.2)
Financing activities (c)(h)	(48.4)	(18.8)	10.2	15.0	(13.0)
Ratio of earnings to fixed charges (d)	8.7x	7.7x	6.9x	6.7x	4.6x

	December 31,				
	2016	2015	2014	2013	2012
(Dollars in millions)					
Consolidated Balance Sheet Data					
Cash and cash equivalents	\$ 3.1	\$ 4.2	\$ 72.6	\$ 73.4	\$ 7.8
Working capital, less cash and cash equivalents	125.2	136.3	129.5	123.9	132.0
Total assets (h)	765.6	751.4	724.5	670.9	608.0
Long-term debt (c)(h)	219.7	228.2	226.8	185.5	174.9
Total liabilities (h)	427.3	439.8	435.8	403.4	410.2
Total stockholders' equity	338.3	311.6	288.7	267.5	197.8

- (a) For the year ended December 31, 2016, we incurred \$7.0 million of integration and restructuring costs and \$0.8 million of pension settlement charges. For the year ended December 31, 2015, we incurred \$5.3 million of integration costs related to the FiberMark Acquisition and \$1.2 million of restructuring costs. For the year ended December 31, 2014, we incurred \$1.0 million of integration costs related to the acquisition of the Crane technical materials business and \$1.3 million of restructuring costs. For the year ended December 31, 2013, we incurred \$0.4 million of integration costs related to the acquisition of the Southworth brands. For the year ended December 31, 2012, we incurred \$5.8 million integration costs related to the acquisition of the Wausau brands.
- (b) For the year ended December 31, 2016, we elected settlement accounting even though the benefit payments did not exceed the sum of expected service cost and interest costs of the affected plans, and recognized a settlement loss of \$0.8 million. For the years ended December 31, 2014, 2013 and 2012, benefit payments under certain pension plans exceeded the sum of expected service cost and interest costs for the plan for the respective calendar years. In accordance with ASC Topic 715, *Compensation — Retirement Benefits* ("ASC Topic 715"), we measured the liabilities of the post-retirement benefit plans and recognized settlement losses of \$3.5 million, \$0.2 million and \$3.5 million, respectively.
- (c) For the year ended December 31, 2014, we amended and restated our existing bank credit facility and recognized a pre-tax loss of \$0.2 million for the write-off of unamortized debt issuance costs. For the year ended December 31, 2013, we redeemed \$90 million of 2014 Senior Notes and repaid all outstanding term loan borrowings (\$29.3 million). In connection with the early extinguishment of debt we recognized a pre-tax loss of \$0.5 million for the write-off of unamortized debt issuance costs. For the year ended December 31, 2012, we completed an early redemption of \$68 million in aggregate principal amount of the 2014 Senior Notes. In connection with the early redemption we recognized a pre-tax loss of \$0.6 million, including a call premium and the write-off of unamortized debt issuance costs.
- (d) 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.
- (e) The following table presents the results of discontinued operations:

	Year Ended December 31,				
	2016 (1)	2015 (2)	2014	2013 (3)	2012 (4)
Discontinued operations: (5)					
Income from operations	\$ —	\$ 0.2	\$ 0.9	\$ 5.4	\$ (0.1)
Loss on sale of the Lahnstein Mill (5)	(0.6)	(13.6)	—	—	—
Income (loss) before income taxes	(0.6)	(13.4)	0.9	5.4	(0.1)
Provision (benefit) for income taxes	(0.2)	(4.0)	0.2	1.9	(4.5)
Income (loss) from discontinued operations, net of taxes	<u>\$ (0.4)</u>	<u>\$ (9.4)</u>	<u>\$ 0.7</u>	<u>\$ 3.5</u>	<u>\$ 4.4</u>

- (1) The loss in 2016 was due to the final adjustment of the sales price of the Lahnstein Mill.
- (2) The loss on sale of the Lahnstein Mill includes a net curtailment gain related to the divesture of the pension plan of \$15.8 million, including a \$5.5 million write-off of deferred actuarial losses in 2015.

- (3) During the first quarter of 2013, we received a refund of excess pension contributions from the terminated Terrace Bay pension plan. As a result, we recorded income before income taxes from discontinued operations of \$4.2 million and a related provision for income taxes of \$1.6 million.
 - (4) In November 2012, audits of the 2007 and 2008 tax years were finalized with a finding of no additional taxes due. As a result, we recognized a non-cash tax benefit of \$4.5 million related to the reversal of certain liabilities for uncertain income tax positions.
 - (5) On October 31, 2015, we sold the Lahnstein Mill. For the year ended December 31, 2016, 2015, 2014, 2013 and 2012, the results of operations and the loss on sale of the Lahnstein Mill are reported as discontinued operations in the Consolidated Statement of Operations Data.
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- (f) In August 2015, we purchased all of the outstanding equity of FiberMark for approximately \$118 million. In July 2014, we purchased all of the outstanding equity of Crane for approximately \$72 million.
 - (g) During the year ended December 31, 2016, we completed our U.S. Filtration project.
 - (h) At December 31, 2016, we adopted ASC Topic No. 2016-09 and applied the guidance retroactively to January 1, 2016. At December 31, 2015, we adopted ASC Topic No. 2015-03 and ASC Topic No. 2015-17 and elected to apply the guidance retroactively to all periods presented. See Note 2 of Notes to Consolidated Financial Statements, "Summary of Significant Accounting Policies — Recently Adopted Accounting Standards."

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, 2016, 2015 and 2014. Also discussed is our financial position as of the end of those years. 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 on Form 10-K. 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 is 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.

Overview of Business

We are a leading producer of technical products and premium fine papers and packaging. We have two primary operations: our technical products business and our fine paper and packaging business.

Our mission is to create value by improving the image and performance of everything we touch. We expect to create value by growing in specialized niche markets that value performance or image and where we have competitive advantages. In managing our businesses, we believe that achieving and maintaining a leadership position in our markets, responding effectively to customer needs and competitive challenges, employing capital optimally, controlling costs and managing risks are important to long-term success. Changes in input costs and general economic conditions can also impact our results. In this discussion and analysis, we will refer to these factors.

- **Competitive Environment** — Our past results have been and our future prospects will be significantly affected by the competitive environment in which we operate. While our businesses are oriented to premium performance and quality, they may also face competitive pressures from lower value products and in most of our markets our businesses compete directly with well-known competitors, some of which are larger and more diversified.
- **Economic Conditions and Input Costs** — The markets for all of our products are affected to a significant degree by economic conditions, including rapid changes in input costs, particularly for pulp, latex and natural gas that may not be recovered immediately through pricing or other actions. Our results are also affected by fluctuations in exchange rates, particularly for the Euro.

Business Segments

Our reportable operating segments consist of Technical Products, Fine Paper and Packaging, and Other.

Our technical products business is a leading international producer of transportation, water and other filter media and durable, saturated and coated substrates for a variety of end markets. We focus on categories where we believe we are, or can be, a market leader. These categories include filtration media for transportation, water and other uses, backings for specialty tapes and abrasives, performance labels and other specialty markets. Our dedicated technical products manufacturing facilities are located near Munich, Germany, in Bolton, England, in Munising, Michigan and in Pittsfield, Massachusetts. In addition, certain technical products are manufactured along with fine paper and packaging products in shared facilities located in upstate New York and Quakertown, Pennsylvania. In 2017, a filtration machine (which was

converted from a fine paper machine) will begin production in Appleton, Wisconsin, a site also shared with the fine paper and packaging business.

We believe our fine paper and packaging business is the leading supplier of premium printing and other high end specialty papers in North America. 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, as well as through converters, major national retailers and specialty businesses. Our primary fine paper and packaging manufacturing facilities are located in Neenah and Whiting, Wisconsin and in Brattleboro, Vermont. In addition, certain products are manufactured in shared facilities located in upstate New York and Quakertown, Pennsylvania, as well as an existing site shared with technical products in 2017 in Appleton, Wisconsin.

Our other segment includes certain product lines composed of papers sold to converters for end uses such as covering materials for datebooks, diaries, yearbooks and traditional photo albums. These products are primarily manufactured at our mill in Brattleboro, Vermont that also makes fine paper and packaging.

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") and other information relevant to an understanding of our results of operations.

Executive Summary

For the year ended December 31, 2016, consolidated net sales of \$941.5 million increased \$53.8 million, or 6 percent, from \$887.7 million in 2016. The increase reflects a full year of the acquired volume from the August 1, 2015 FiberMark Acquisition and other incremental volume growth which more than offset lower net selling prices and currency effects.

Consolidated operating income of \$114.1 million for the year ended December 31, 2016 increased \$12.7 million, or 13 percent, from the prior year. The favorable comparison to the prior year was primarily due to lower manufacturing material costs (including purchasing synergies resulting from the FiberMark Acquisition), and increased sales as a result of incremental volume growth. These favorable variances were partially offset by incremental acquired selling, general and administrative costs ("SG&A"), lower net selling prices, and higher integration and restructuring costs, primarily due to costs related to the Appleton filtration machine conversion and a pension settlement charge. Excluding aggregate charges of \$7.8 million in 2016 for integration and restructuring costs and pension settlement losses, and aggregate charges of \$6.5 million in 2015 for integration and restructuring costs, operating income for the year ended December 31, 2016 increased \$14.0 million from the prior year. See later in this section for further information regarding the presentation of operating income, as adjusted.

Cash provided by operating activities of \$115.8 million for the year ended December 31, 2016 was \$4.6 million higher than cash provided by operating activities of \$111.2 million in the prior year primarily due to higher operating earnings with commensurate benefits of increased utilization of federal research and development tax credits, partly offset by higher post-retirement benefit plan contributions.

Capital expenditures for the year ended December 31, 2016 were \$68.5 million compared to spending of \$48.1 million in the prior year. Higher spending in 2016 was due to an incremental investment in filtration assets in the U.S. that was completed at the end of 2016.

Analysis of Net Sales — Years Ended December 31, 2016, 2015 and 2014

The following table presents net sales by segment and net sales expressed as a percentage of total net sales:

Net sales	Year Ended December 31,					
	2016	2016	2015	2015	2014	2014
Technical Products	\$466.4	50%	\$429.2	48%	\$403.6	48%
Fine Paper and Packaging	452.1	48%	442.7	50%	436.1	52%
Other	23.0	2%	15.8	2%	—	—%
Consolidated	<u>\$941.5</u>	<u>100%</u>	<u>\$887.7</u>	<u>100%</u>	<u>\$839.7</u>	<u>100%</u>

Commentary:

Year 2016 versus 2015

	For the Year Ended December 31,		Change in Net Sales Compared to the Prior Year			
			Total Change	Change Due To		
	2016	2015		Volume	Net Price	Currency
Technical Products	\$ 466.4	\$ 429.2	\$ 37.2	\$ 49.8	\$ (11.0)	\$ (1.6)
Fine Paper and Packaging	452.1	442.7	9.4	18.2	(8.8)	—
Other	23.0	15.8	7.2	7.2	—	—
Consolidated	\$ 941.5	\$ 887.7	\$ 53.8	\$ 75.2	\$ (19.8)	\$ (1.6)

Consolidated net sales for the year ended December 31, 2016 were \$53.8 million (6%) higher than the prior year. The increase reflects a full year of the acquired volume from the August 1, 2015 FiberMark Acquisition and other incremental volume growth which more than offset lower net selling prices and currency effects. Excluding currency exchange effects, consolidated net sales increased \$55.4 million from the prior year.

- Net sales in our technical products business increased \$37.2 million (9%) from the prior year due to acquired volume and organic volume growth, which were partially offset by lower net selling prices. Excluding currency exchange effects, technical product sales increased \$38.8 million (9%). Organic volumes increased from the prior year period due to growth in transportation filtration and backings for tapes and abrasives. Net selling prices were down primarily due to a lower-priced mix of products sold but also for reduced selling prices on products with contractual adjusters for certain input costs.
- Net sales in our fine paper and packaging business increased \$9.4 million (2%) from the prior year due to acquired volume, which was partially offset by lower net selling prices. Net selling prices were down from the prior year due to a lower-priced mix of products sold in 2016, which reflected a higher proportion of sales of non-branded products.
- Net sales in our other business segment increased \$7.2 million from the prior year period due to acquired volume.

Year 2015 versus 2014

	For the Years Ended December 31,		Change in Net Sales Compared to the Prior Year			
			Total Change	Change Due To		
	2015	2014		Volume	Net Price	Currency
Technical Products	\$ 429.2	\$ 403.6	\$ 25.6	\$ 66.5	\$ (2.4)	\$ (38.5)
Fine Paper and Packaging	442.7	436.1	6.6	(4.5)	11.1	—
Other	15.8	—	15.8	15.8	—	—
Consolidated	\$ 887.7	\$ 839.7	\$ 48.0	\$ 77.8	\$ 8.7	\$ (38.5)

Consolidated net sales for the year ended December 31, 2015 were \$48.0 million (6%) higher than the prior year due to organic technical products volume growth, incremental sales from the FiberMark Acquisition and higher average selling prices, partially offset by unfavorable currency exchange effects. Excluding incremental FiberMark sales and currency exchange effects, consolidated net sales increased \$28.4 million from the prior year.

- Net sales in our technical products business increased \$25.6 million (6%) from the prior year as organic volume growth, incremental sales from the FiberMark Acquisition and higher selling prices were only partially offset by unfavorable currency exchange effects. Unfavorable currency exchange effects resulted from the Euro weakening by approximately 16 percent relative to the U.S. dollar in the year ended December 31, 2015 as compared to the prior

year. Excluding currency exchange effects and incremental FiberMark sales, technical product sales increased \$40.7 million (10%) and volumes increased approximately 11% from the prior year period due to growth in shipments of filtration and specialty performance products and incremental sales from the technical materials business acquired in July 2014.

- Net sales in our fine paper and packaging business increased \$6.6 million (2%) from the prior year due to higher average net prices and incremental FiberMark sales. Excluding acquired revenues, fine paper and packaging sales decreased \$12.3 million (3%) as higher average net price was more than offset by a four percent decrease in sales volumes. Sales volumes were unfavorable to the prior year as increases in premium packaging and retail products were more than offset by lower sales of other grades; including lower margin special make business. Average net price improved from the prior year due to a two percent increase in average selling prices and a more favorable product mix.

Analysis of Operating Income — Years Ended December 31, 2016, 2015 and 2014

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,		
	2016	2015	2014
Net sales	100.0%	100.0%	100.0%
Cost of products sold	77.2%	78.0%	79.7%
Gross profit	22.8%	22.0%	20.3%
Selling, general and administrative expenses	9.8%	9.8%	9.3%
Integration costs and settlement charges	0.8%	0.7%	0.7%
Other (income) expense — net	0.1%	0.1%	—%
Operating income	12.1%	11.4%	10.3%
Interest expense — net	1.2%	1.3%	1.3%
Income from continuing operations before income taxes	10.9%	10.1%	9.0%
Provision for income taxes	3.1%	3.3%	0.9%
Income from continuing operations	7.8%	6.8%	8.1%

Commentary:

Year 2016 versus 2015

	Change in Operating Income (Loss) Compared to the Prior Year								
	For the Years Ended December 31,		Total Change	Change Due To					Other
	2016	2015		Volume	Net Price (a)	Input Costs (b)	Currency		
Technical Products	\$ 65.6	\$ 54.1	\$ 11.5	\$ 9.1	\$ (5.5)	\$ 11.0	\$ (0.5)	\$ (2.6)	
Fine Paper and Packaging	70.7	67.3	3.4	0.2	(4.1)	10.4	—	(3.1)	
Other	(1.1)	(2.0)	0.9	0.7	—	—	—	0.2	
Unallocated corporate costs	(21.1)	(18.0)	(3.1)	—	—	—	—	(3.1)	
Consolidated	<u>\$ 114.1</u>	<u>\$ 101.4</u>	<u>\$ 12.7</u>	<u>\$ 10.0</u>	<u>\$ (9.6)</u>	<u>\$ 21.4</u>	<u>\$ (0.5)</u>	<u>\$ (8.6)</u>	

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

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

Consolidated operating income of \$114.1 million for the year ended December 31, 2016 increased \$12.7 million (13%) from the prior year. The favorable comparison to the prior year was primarily due to lower manufacturing material costs (including purchasing synergies resulting from the FiberMark Acquisition), and increased sales as a result of incremental volume growth. These favorable variances were partially offset by incremental acquired SG&A, lower net selling prices, and higher integration and restructuring costs, primarily due to costs related to the Appleton filtration machine conversion and a pension settlement charge. Excluding aggregate charges of \$7.8 million in 2016 for integration and restructuring costs and pension settlement losses, and aggregate charges of \$6.5 million in 2015 for integration and restructuring costs, operating income for the year ended December 31, 2016 increased \$14.0 million (13%) from the prior year.

- Operating income for our technical products business increased \$11.5 million (21%) from the prior year primarily due to lower manufacturing input costs and operational efficiencies, organic and acquired volume growth, and lower integration and restructuring costs. These favorable variances were partially offset by added SG&A from the acquisition, lower net selling prices and currency effects. Results for the years ended December 31, 2016 and 2015 include \$1.4 million and \$1.8 million for integration/restructuring costs, respectively. Excluding integration/restructuring costs, operating income for the technical products business increased \$11.1 million (20%).
- Operating income for our fine paper and packaging business increased \$3.4 million (5%) from the prior year period primarily due to lower manufacturing material prices and increased volume, partially offset by a lower-priced mix of products sold and added SG&A from the acquisition. Results for the years ended December 31, 2016 and 2015 include \$1.8 million and 1.5 million for integration costs related to the FiberMark Acquisition, respectively. Excluding integration costs, operating income for the fine paper and packaging business increased \$3.7 million (5%).
- Unallocated corporate costs for the year ended December 31, 2016 were \$21.1 million, or \$3.1 million unfavorable to the prior year. The unfavorable comparison to the prior year period is primarily due to pre-operating costs related to conversion of a fine paper machine to filtration, which went into production in early 2017. Excluding charges of \$2.7 million of restructuring costs and a pension plan settlement charge of \$0.8 million in 2016, and \$0.8 million of restructuring costs in 2015, unallocated corporate expenses were \$0.4 million unfavorable to the prior year.

Year 2015 versus 2014

	Change in Operating Income (Loss) Compared to the Prior Year							
	For the Years Ended December 31,		Total Change	Change Due To				
	2015	2014		Volume	Net Price (a)	Input Costs (b)	Currency	Other
Technical Products	\$ 54.1	\$ 46.0	\$ 8.1	\$ 10.8	\$ 0.6	\$ 4.4	\$ (4.9)	\$ (2.8)
Fine Paper and Packaging	67.3	60.8	6.5	(7.2)	8.5	8.7	—	(3.5)
Other	(2.0)	—	(2.0)	0.2	—	—	—	(2.2)
Unallocated corporate costs	(18.0)	(20.2)	2.2	—	—	—	—	2.2
Consolidated	\$ 101.4	\$ 86.6	\$ 14.8	\$ 3.8	\$ 9.1	\$ 13.1	\$ (4.9)	\$ (6.3)

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

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

Consolidated operating income of \$101.4 million for the year ended December 31, 2015 increased \$14.8 million (17%) from the prior year. The favorable comparison was primarily due to lower manufacturing input costs, higher net price for the fine paper and packaging business, and organic technical products volume growth; partially offset by higher manufacturing costs, increased SG&A, including amounts acquired as part of the FiberMark Acquisition; lower fine paper and packaging volume and unfavorable currency effects. Excluding results of the FiberMark Acquisition, currency effects and aggregate charges of \$6.5 million in 2015 for integration and restructuring costs and aggregate charges of \$6.0 million in 2014 for integration and restructuring costs, costs related to the early extinguishment of debt and a pension plan

settlement charge, operating income for the year ended December 31, 2015 increased \$18.8 million (20%) from the prior year.

- Operating income for our technical products business increased \$8.1 million (18%) from the prior year primarily due to lower manufacturing input costs, organic volume growth and higher selling prices. These favorable variances were partially offset by unfavorable currency exchange effects and higher manufacturing costs. Results for the years ended December 31, 2015 and 2014 include \$1.8 million and \$1.6 million for integration/restructuring costs, respectively. Excluding incremental volume from the FiberMark Acquisition, unfavorable currency exchange effects and acquisition integration/restructuring costs, operating income for the technical products business increased \$11.2 million (24%).
- Operating income for our fine paper and packaging business increased \$6.5 million (11%) from the prior year period primarily due to lower manufacturing input costs principally as a result of lower natural gas prices and higher net price. Extreme winter weather conditions during the first quarter of 2014 resulted in a temporary increase in natural gas prices. These favorable variances were partially offset by lower shipment volume and higher manufacturing costs. Results for the ended December 31, 2015 include \$1.5 million for acquisition related integration costs. Excluding incremental volume from the FiberMark Acquisition and acquisition integration costs, operating income for the fine paper and packaging business increased \$8.8 million (14%).
- Unallocated corporate costs for the year ended December 31, 2015 were \$18.0 million, or \$2.2 million favorable to the prior year. Excluding charges of \$0.8 million in 2015 for restructuring costs and aggregate charges of \$4.4 million in 2014 for a pension plan settlement charge, restructuring costs and costs related to the early extinguishment of debt, unallocated corporate expenses were \$1.4 million unfavorable to the prior year primarily due to increased employee compensation costs.

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

	Year Ended December 31,		
	2016	2015	2014
Operating income			
Technical Products	\$ 65.6	\$ 54.1	\$ 46.0
Fine Paper and Packaging	70.7	67.3	60.8
Other	(1.1)	(2.0)	—
Unallocated corporate costs	(21.1)	(18.0)	(20.2)
Operating Income as Reported	<u>114.1</u>	<u>101.4</u>	<u>86.6</u>
Non-GAAP Adjustments			
Technical Products			
Acquisition/integration/restructuring costs	<u>1.4</u>	<u>1.8</u>	<u>1.6</u>
Fine Paper and Packaging			
Acquisition/integration costs	<u>1.8</u>	<u>1.5</u>	<u>—</u>
Other			
Acquisition/integration costs	<u>1.1</u>	<u>2.4</u>	<u>—</u>
Unallocated corporate costs			
Pension plan settlement charge	0.8	—	3.5
Restructuring costs	2.7	0.8	0.7
Loss on early extinguishment of debt	—	—	0.2
Total	<u>3.5</u>	<u>0.8</u>	<u>4.4</u>
Total non-GAAP Adjustments	<u>7.8</u>	<u>6.5</u>	<u>6.0</u>
Operating Income as Adjusted	<u>\$ 121.9</u>	<u>\$ 107.9</u>	<u>\$ 92.6</u>

In accordance with generally accepted accounting principles in the United States ("GAAP"), consolidated operating income includes the pre-tax effects of integration and restructuring costs, pension plan settlement charges, and loss on early extinguishment of debt. We believe that by adjusting reported operating income to exclude the effects of these items, the resulting adjusted operating income is on a basis that reflects the results of our ongoing operations. We believe that

providing adjusted operating results will help investors gain an additional perspective of underlying business trends and results. 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.

Additional Statement of Operations Commentary:

- SG&A expense of \$92.2 million for the year ended December 31, 2016 was \$5.7 million higher than the prior year due to incremental selling and administrative costs related to the FiberMark Acquisition. SG&A expense as a percentage of net sales for the year ended December 31, 2016, was approximately 9.8 percent and was comparable to the prior year.
- SG&A expense of \$86.5 million for the year ended December 31, 2015 was \$8.5 million higher than the prior year due to incremental selling and administrative costs related to the FiberMark Acquisition. SG&A expense as a percentage of net sales for the year ended December 31, 2015, was approximately 9.8 percent and was 0.5 percentage points higher than the prior year as the increase in net sales in the current year was more than offset by higher SG&A expenses.
- For the years ended December 31, 2016, 2015 and 2014, we incurred \$11.2 million, \$11.7 million and \$11.4 million of interest expense, respectively.
- In general, our effective tax rate differs from the U.S. statutory tax rate of 35 percent primarily due to impacts of our corporate tax structure, benefits from R&D credits earned, and the mix of pre-tax income in jurisdictions with marginal tax rates that differ from the U.S. statutory tax rate. For the years ended December 31, 2016 and 2015, our effective income tax rate related to continuing operations was 29 percent and 33 percent, respectively. For 2016, the adoption of ASU 2016-09, as discussed in Note 2 of Notes to Consolidated Financial Statements, "Summary of Significant Accounting Policies — Recently Adopted Accounting Standards", allowed excess tax benefits from share-based payments to be shown as a reduction to income tax expense and reduced the rate for the year by 3 percent. For the year ended December 31, 2014, our effective income tax rate related to continuing operations was 10 percent and included the benefit from recognizing R&D credits earned in prior periods. Excluding the benefit of R&D Credits related to prior year activities, our effective income tax rate for the year ended December 31, 2014 would be approximately 33 percent. For a reconciliation of effective tax rate to the U.S. federal statutory tax rate, see Note 6 of Notes to Consolidated Financial Statements, "Income Taxes."

Liquidity and Capital Resources

	Year Ended December 31,		
	2016	2015	2014
Net cash flow provided by (used in):			
Operating activities	\$ 115.8	\$ 111.2	\$ 94.5
Investing activities:			
Capital expenditures	(68.5)	(48.1)	(27.9)
Acquisitions	—	(118.2)	(72.4)
Purchase of equity investment	—	—	(2.9)
Proceeds on sale of discontinued operations	—	5.4	—
Other investing activities	0.3	0.8	(1.7)
Total	(68.2)	(160.1)	(104.9)
Financing activities	(48.4)	(18.8)	10.2
Effect of exchange rate changes on cash and cash equivalents	(0.3)	(0.7)	(0.6)
Net decrease in cash and cash equivalents	\$ (1.1)	\$ (68.4)	\$ (0.8)

Operating Cash Flow Commentary

- Cash provided by operating activities of \$115.8 million for the year ended December 31, 2016 was \$4.6 million favorable to cash provided by operating activities of \$111.2 million in the prior year. The favorable comparison was primarily due to a \$12.7 million increase in operating income and the benefits of higher utilization of federal research and development tax credits. These favorable variances were partially offset by higher post-retirement benefit contributions in the current year and a decrease of \$1.8 million in our investment in working capital in the prior year compared to an increase of \$1.2 million in our investment in working capital for the year ended December 31, 2016.
- Cash provided by operating activities of \$111.2 million for the year ended December 31, 2015 was \$16.7 million favorable to cash provided by operating activities of \$94.5 million in the prior year. The favorable comparison was primarily due to a \$16.1 million increase in operating income and lower contributions and benefit payments for post-retirement benefit obligations. These favorable variances were partially offset by a decrease of \$9.0 million in our investment in working capital in the prior year compared to a decrease of \$1.8 million in our investment in working capital for the year ended December 31, 2015.

Investing Commentary:

- For the years ended December 31, 2016 and 2015, cash used by investing activities was \$68.2 million and \$160.1 million, respectively. Capital expenditures for the year ended December 31, 2016 were \$68.5 million compared to spending of \$48.1 million in the prior year. In general, we expect aggregate annual capital expenditures of approximately 3 to 5 percent of net sales. For the year ended December 31, 2016, annual capital expenditures were above that range due to incremental investment in filtration assets in the U.S. We expect capital spending in 2017 to return to the normal range. We believe that the level of our capital spending can be more than adequately funded from cash provided from operating activities and allows us to maintain the efficiency and cost effectiveness of our assets and also invest in expanded manufacturing capabilities to successfully pursue strategic initiatives and deliver attractive returns.
- For the year ended December 31, 2015, cash used by investing activities includes \$118.2 million for the FiberMark Acquisition. For the year ended December 31, 2014, cash used by investing activities includes \$72.4 million for the purchase of the Crane Technical Materials business and \$2.9 million for the acquisition of a non-controlling equity investment in a joint venture in India.
- For the year ended December 31, 2015, we received net cash proceeds of \$5.4 million from the sale of the Lahnstein Mill.
- Capital expenditures for the year ended December 31, 2015 were \$48.1 million compared to spending of \$27.9 million in the prior year.

Financing Commentary:

Our liquidity requirements are provided by cash generated from operations and short and long-term borrowings.

- For the year ended December 31, 2016, cash used by financing activities was \$48.4 million compared to cash used by financing activities of \$18.8 million for the prior year. The increase was due to higher net debt repayments, as well as higher share repurchases and dividends paid in 2016. For the year ended December 31, 2015, cash used by financing activities was \$18.8 million compared to cash provided by financing activities of \$10.2 million for the prior year. The change was due to lower net borrowings, and higher share repurchases and dividends paid in 2015.
- We have the following short- and long-term borrowings:

Secured Bank Credit Facility

In December 2014, we entered into the Third Amended Credit Agreement. The Third Amended Credit Agreement, among other things: (1) increased the maximum principal amount of our existing credit facility for the U.S. Revolving Credit Facility to \$125 million; (2) established the German Revolving Credit Facility in the maximum principal amount of \$75 million; (3) caused Neenah and the other domestic borrowers to guarantee, among other things, the obligations arising under the German Revolving Credit Facility; (4) provides for the Global Revolving Credit Facilities to mature on December 18, 2019; and (5) provides for an accordion feature permitting one or more increases in the Global Revolving Credit Facilities in an aggregate principal amount not exceeding \$50 million, such that the aggregate commitments under the Global Revolving Credit Facilities do not exceed \$250 million. In addition, domestic borrowers may request letters of credit under the U.S. Revolving Credit Facility in an aggregate face amount not to

exceed \$20 million outstanding at any time, and German borrowers may request letters of credit under the German Revolving Credit Facility in an aggregate face amount not to exceed \$2 million outstanding at any time. See Note 7 of Notes to Consolidated Financial Statements, "Debt."

Unsecured Senior Notes

We have \$175 million of 2021 Senior Notes. Proceeds from this offering were used to retire the remaining principal amount of 2014 Senior Notes, to repay approximately \$56 million in outstanding revolver borrowings under our bank credit agreement and for general corporate purposes. See Note 7 of Notes to Consolidated Financial Statements, "Debt."

Other Debt

In June 2014, we repaid the remaining €3.7 million (\$5.2 million) in outstanding project financing borrowings under the German Loan Agreement.

The Second German Loan Agreement provides for €9.0 million of construction financing which is secured by the melt blown machine. The loan matures in September 2022 and principal is repaid in equal quarterly installments. At December 31, 2016, €6.5 million (\$6.8 million, based on exchange rates at December 31, 2016) was outstanding under the Second German Loan Agreement.

- Availability under our revolving credit facility varies over time depending on the value of our inventory, receivables and various capital assets. As of December 31, 2016, we had \$42.9 million outstanding under our Revolver and \$125.2 million of available credit (based on exchange rates at December 31, 2016).
- We have required debt payments through December 31, 2017 of \$1.2 million on the Second German Loan Agreement.
- For the year ended December 31, 2016, cash and cash equivalents decreased \$1.1 million to \$3.1 million at December 31, 2016 from \$4.2 million at December 31, 2015. Total debt decreased \$8.5 million to \$220.9 million at December 31, 2016 from \$229.4 million at December 31, 2015. Net debt (total debt minus cash and cash equivalents) decreased by \$7.4 million primarily due to cash flow from operations.
- As of December 31, 2016, our cash balance consists of \$1.1 million in the U.S. and \$2.0 million held at entities outside of the U.S. As of December 31, 2016, there were no restrictions regarding the repatriation of our non-U.S. cash and, we believe, the repatriation of these cash balances to the U.S. would not materially increase our income tax provision.

Transactions with Shareholders

- For the years ended December 31, 2016 and 2015, we paid cash dividends of \$1.32 per common share or \$22.4 million and \$1.20 per common share or \$20.3 million, respectively.
- In November 2016, our Board of Directors approved a 12 percent increase in the annual dividend rate on our common stock to \$1.48 per share. The dividend is scheduled to be paid in four equal quarterly installments beginning in March 2017.
- In May 2016, our Board of Directors authorized the 2016 Stock Purchase Plan. The 2016 Stock Purchase Plan allows us to repurchase up to \$25 million of our outstanding Common Stock through May 2017. Purchases under the 2016 Stock Purchase Plan will be made from time to time in the open market or in privately negotiated transactions in accordance with the requirements of applicable law. The timing and amount of any purchases will depend on share price, market conditions and other factors. The 2016 Stock Purchase Plan does not require us to purchase any specific number of shares and may be suspended or discontinued at any time. For the year ended December 31, 2016, we acquired approximately 185,200 shares of Common Stock at a cost of \$12.6 million. For further details on our Stock Purchase Plans refer to Note 10 of Notes to Consolidated Financial Statements, "Stockholders' Equity."
- For the years ended December 31, 2016 and 2015, we acquired approximately 46,000 and 40,000 of Common Stock, respectively, at a cost of \$3.8 million and \$2.5 million, respectively, for shares surrendered by employees to pay taxes due on vested restricted stock awards and stock appreciation rights exercised. In addition, we received \$0.4 million and \$1.2 million in proceeds from the exercise of employee stock options for the years ended December 31, 2016 and 2015, respectively.

- Under the most restrictive terms of the Third Amended and Restated Credit Agreement, we are permitted to pay cash dividends on or repurchase shares of our common stock up to the amount available under the Third Amended and Restated Credit Agreement, as long as the availability under the Third Amended and Restated Credit Agreement exceeds \$25 million. If the availability is below \$25 million, we are restricted from paying dividends or repurchasing shares. As of December 31, 2016, our availability exceeded \$25 million, so this restriction did not apply. See our availability under the Third Amended and Restated Credit Agreement in Note 7 of Notes to Consolidated Financial Statements, "Debt." Under the most restrictive terms of the 2021 Senior Notes, we are permitted to pay cash dividends of up to \$25 million in a calendar year, but not permitted to repurchase shares of our common stock. However, as long as the net leverage ratio (net debt/EBITDA) under the 2021 Senior Notes is below 2.5x, we can pay dividends or repurchase shares without limitation. In the event the net leverage ratio exceeds 2.5x, we may still pay dividends in excess of \$25 million or repurchase shares by utilizing "restricted payment baskets" as defined in the indenture for the 2021 Senior Notes. As of December 31, 2016, since our leverage ratio was less than 2.5x, none of these covenants were restrictive to our ability to pay dividends on or repurchase shares of our common stock.

Other Items:

- As of December 31, 2016, we had \$48.8 million of state NOLs. Our state NOLs may be used to offset approximately \$2.3 million in state income taxes. If not used, substantially all of the state NOLs will expire in various amounts between 2017 and 2035. In addition, we had \$25.2 million of U.S. federal and state R&D Credits which, if not used, will expire between 2027 and 2036 for the U.S. federal R&D Credits and between 2017 and 2031 for the state R&D Credits. As of December 31, 2016, we recorded a valuation allowance of \$3.1 million against a portion of the R&D Credits.

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 2016 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, 2016:

(In millions)	2017	2018	2019	2020	2021	Beyond 2021	Total
Long-term debt payments	\$ 1.2	\$ 1.2	\$ 44.1	\$ 1.2	\$ 176.2	\$ 0.8	\$ 224.7
Interest payments on long-term debt (a)	10.5	10.5	10.4	9.3	4.2	—	44.9
Open purchase orders (b)	69.4	—	—	—	—	—	69.4
Other post-employment benefit obligations (c)	4.3	3.5	3.8	4.1	4.1	16.9	36.7
Contributions to pension trusts	14.0	—	—	—	—	—	14.0
Minimum purchase commitments (d)	14.3	2.2	1.3	—	—	—	17.8
Operating leases	3.1	2.4	1.3	1.0	1.0	4.0	12.8
Total contractual obligations	\$ 116.8	\$ 19.8	\$ 60.9	\$ 15.6	\$ 185.5	\$ 21.7	\$ 420.3

- (a) Interest payments on long-term debt includes interest on variable rate debt at December 31, 2016 weighted average interest rates.

- (b) 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.
- (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 minimum purchase commitments in 2017 are primarily for coal and corn starch contracts. Although we are primarily liable for payments on the above operating leases and minimum purchase commitments, based on historic operating performance and forecasted future cash flows, we believe our exposure to losses, if any, under these arrangements is not material.

Adoption of New Accounting Pronouncements

See Note 2 of Notes to Consolidated Financial Statements, "Summary of Significant Accounting Policies — Recently Adopted Accounting Standards" for a description of accounting standards adopted in the year ended December 31, 2016.

Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with 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 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.

Inventories

We value U.S. inventories at the lower of cost, using the Last-In, First-Out ("LIFO") method, 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 \$106.8 million and \$118.2 million at December 31, 2016 and 2015, respectively and exceeded such LIFO value by \$8.2 million and \$10.0 million, respectively. Cost includes labor, materials and production overhead. Under the LIFO inventory valuation method, changes in the cost of raw materials and production activities are recognized in cost of sales in the current period even though these materials and other costs may have been incurred at significantly different values due to the length of time of our production cycle. Since we value most of our inventory utilizing the LIFO inventory costing methodology, rapid changes in raw material costs have an impact on our operating results.

Income Taxes

Significant judgment is required in determining our worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is less than certain. Our effective income tax rates include the tax effects of certain special items such as foreign tax rate differences, inter-company financing structures, research and development credits, and domestic production activities. While we believe that these judgments and estimates are appropriate and reasonable under the circumstances, actual resolution of these matters may differ from recorded estimated amounts.

As of December 31, 2016, we have recorded aggregate deferred income tax assets of \$6.1 million related to temporary differences, net operating losses and research and development and other tax credits. As of December 31, 2015, our aggregate deferred income tax assets were \$20.0 million. As of December 31, 2016 and 2015, we recorded a valuation allowance of \$3.1 million and \$2.9 million, respectively, against a portion of our R&D Credits. In determining the need for a valuation allowance, 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, 2016 and 2015, our liability for uncertain income taxes positions was \$10.3 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.

Pension and Other Postretirement Benefits

Consolidated pension expense related to continuing operations for defined benefit pension plans was \$9.5 million, \$6.5 million and \$10.8 million for the years ended December 31, 2016, 2015 and 2014, respectively. Accounting for defined benefit pension plans requires various assumptions, including, but not limited to, discount rates, expected long-term rates of return on plan assets, future compensation growth rates and mortality rates. Accounting for our postretirement benefit plans also requires various assumptions, which include, but are not limited to, discount rates and annual rates of increase in the per capita costs of health care benefits.

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

	2016	2015	2014
Pension plans			
Weighted average discount rate for benefit expense	4.54%	3.91%	4.88%
Weighted average discount rate for benefit obligation	4.16%	4.54%	3.91%
Expected long-term rate on plan assets	6.20%	6.50%	6.50%
Rate of compensation increase	2.18%	2.92%	2.96%
Postretirement benefit plans			
Weighted average discount rate for benefit expense	4.07%	4.05%	4.84%
Weighted average discount rate for benefit obligation	3.69%	4.07%	4.05%
Health care cost trend rate assumed for next year	7.00%	7.30%	7.00%
Ultimate cost trend rate	4.50%	4.50%	4.50%
Year that the ultimate cost trend rate is reached	2037	2037	2027

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 evaluate our investment strategy and long-term rate of return on pension asset assumptions at least annually.

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.

For the years ended December 31, 2016, 2015 and 2014, consolidated postretirement health care and life insurance plan benefit expense was \$3.3 million, \$3.4 million and \$3.8 million, respectively. The discount (or settlement) rate that is utilized for determining the present value of future postretirement health care and life insurance plan benefit 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 postretirement health care and life insurance benefit payments. The discount (or settlement) rate that is utilized for determining the present value of future postretirement health care and life insurance obligations for our foreign benefit plans is generally based on an index of AA-rated corporate bonds adjusted to match the timing of expected benefit payments.

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

Useful Life and Impairment of Long-Lived Assets

Property, Plant and Equipment

For financial reporting purposes, depreciation is principally computed on the straight-line method over estimated useful asset lives. The weighted average remaining useful lives for buildings, land improvements and machinery and equipment are approximately 18 years, 13 years and 10 years, respectively. We also use units-of-production method of depreciation for \$68.6 million of production assets, which reflects the nature of the assets' utilization.

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

We test goodwill for impairment at least annually on November 30 in conjunction with preparation of Neenah's annual business plan, or more frequently if events or circumstances indicate it might be impaired.

We tested goodwill for impairment as of November 30, 2016. We elected the option under ASC Topic 350, *Intangibles — Goodwill and Other*, to perform a qualitative assessment of our reporting units to determine whether further impairment testing is necessary. In this qualitative assessment, we considered the following items for each of the reporting units: macroeconomic conditions, industry and market conditions, overall financial performance and other entity specific events. In addition, for each of these reporting units, the most recent fair value determination results in an amount that exceeds the carrying amount of the reporting units. Based on these assessments, we determined that the likelihood that a current fair value determination would be less than the current carrying amount of the reporting unit is not more likely than not. As of November 30, 2016 no impairment was indicated.

Other Intangible Assets

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.

Acquired intangible assets with finite useful lives are amortized on a straight-line basis over their respective estimated useful lives, 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.

Our annual test of other intangible assets for impairment at November 30, 2016, 2015 and 2014 indicated that the carrying amount of such assets was recoverable.

Acquisition Accounting

We account for acquisitions under ASC Topic 805, which requires companies to record assets acquired and liabilities assumed at their respective fair market values at the date of acquisition. The accounting for acquisitions involves a considerable amount of judgment and estimate, including the fair value of certain forms of consideration; fair value of acquired intangible assets involving projections of future revenues and cash flows that are then either discounted at an estimated discount rate or measured at an estimated royalty rate; fair value of other acquired assets and assumed liabilities, including potential contingencies; and the useful lives of the acquired assets. The assumptions used are determined at the

time of the acquisition in accordance with accepted valuation models. Projections are developed using internal forecasts, available industry and market data and estimates of long-term rates of growth for our business. The impact of prior or future acquisitions on our financial position or results of operations may be materially impacted by the change in or initial selection of assumptions and estimates. Refer to Note 4, "Acquisitions", of Notes to Consolidated Financial Statements included elsewhere in this Annual Report for further discussion of business combination accounting valuation methodology and assumptions.

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 local currencies of our non-U.S. operations relative to the U.S. dollar. For the year ended December 31, 2016, a hypothetical 10 percent strengthening of the U.S. dollar relative to the local currencies of our non-U.S. operations would have decreased our income before income taxes by approximately \$3.3 million. We do not hedge our exposure to exchange risk on reported operating results.

The translation of the balance sheets of our non-U.S. operations from their local currencies into U.S. dollars is also sensitive to changes in the exchange rate of the U.S. dollar. 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 non-U.S. operations into U.S. dollars. These translation gains or losses are recorded as unrealized translation adjustments ("UTA", a component of accumulated other comprehensive income) within stockholders' equity. The hypothetical change in UTA is calculated by multiplying the net assets of our non-U.S. operations by a 10 percent change in the exchange rate of their local currencies compared to the U.S. dollar. As of December 31, 2016, the net assets of our non-U.S. operations exceeded their net liabilities by approximately \$113 million. As of December 31, 2016, a 10 percent strengthening of the U.S. dollar relative to the local currencies of our non-U.S. operations would have decreased our stockholders' equity by approximately \$12 million.

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 2016 pulp purchases, a \$100 per ton increase in the average market price for pulp would have increased our annual costs for pulp purchases by approximately \$23 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.

Our technical products business acquires certain of its specialized pulp requirements from two global suppliers and certain critical specialty latex grades from four suppliers. In general, these supply arrangements are not covered by formal

contracts, but represent multi-year business relationships that have historically been sufficient to meet our needs. We expect these relationships to continue to operate in a satisfactory manner in the future. In the event of an interruption of production at any one supplier, we believe that each of these suppliers individually would be able to satisfy our short-term requirements for specialized pulp or specialty latex. In the event of a long-term disruption in our supply of specialized pulp or specialty latex, we believe we would be able to substitute other pulp grades or other latex grades that would allow us to meet required product performance characteristics and incur only a limited disruption in our production. As a result, we do not believe that the substitution of such alternative pulp or latex grades would have a material effect on our operations.

We generate substantially all of the electrical energy used by our Munising mill and approximately 25 percent of the electrical energy at our Appleton and Bruckmühl 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.

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.

Interest Rate Risk

We are exposed to interest rate risk on our variable rate bank debt. At December 31, 2016, we had \$42.9 million of variable rate borrowings outstanding. A 100 basis point increase in interest rates would increase our annual interest expense on outstanding variable rate borrowings by approximately \$0.4 million.

Environmental Regulation/Climate Change Legislation

Our manufacturing operations are subject to extensive regulation primarily by U.S., German 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 2017 through 2018 of approximately \$1 million to \$2 million annually.

We believe these risks can be managed and will not have a material 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

Our 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, our 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 us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our 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

Our 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 our 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, 2016. 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 (2013). Based upon its assessment, management believes that as of December 31, 2016, the Company's internal controls over financial reporting were effective.

The effectiveness of internal control over financial reporting as of December 31, 2016, has been audited by Deloitte & Touche LLP, the independent registered public accounting firm who also audited our 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 Schedule."

Neenah Paper, Inc

February 24, 2017

Changes in Internal Control Over Financial Reporting

There has been no significant change in the Company's internal control over financial reporting during the three months ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information required to be set forth herein, except for the information included under Executive Officers of the Company, 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 23, 2017. 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, 2016.

Executive Officers of the Company

Set forth below is information concerning our executive officers.

<u>Name</u>	<u>Position</u>
John P. O'Donnell	President, Chief Executive Officer and Director
Matthew L. Duncan	Senior Vice President, Chief Human Resource Officer
Steven S. Heinrichs	Senior Vice President, General Counsel and Secretary
Bonnie C. Lind	Senior Vice President, Chief Financial Officer and Treasurer
James R. Piedmonte	Senior Vice President — Operations
Julie A. Schertell	Senior Vice President — President, Fine Paper and Packaging
Armin S. Schwinn	Senior Vice President — Managing Director of Neenah Germany
Larry N. Brownlee	Vice President — Controller and Principal Accounting Officer

John P. O'Donnell, born in 1960, is our President and Chief Executive Officer and serves as a Director. He has been in that role since May 2011. Prior to becoming President and Chief Executive Office, Mr. O'Donnell served as our Senior Vice President, Chief Operating Officer since June 2010. In November 2007, Mr. O'Donnell joined Neenah as President, Fine Paper. Mr. O'Donnell was employed by Georgia-Pacific Corporation from 1985 until 2007 and held increasingly senior roles in the Consumer Products division. Mr. O'Donnell served as President of the North America Retail Business from 2004 through 2007, and as President of the North American Commercial Tissue business from 2002 through 2004.

Matthew L. Duncan, born in 1973, is our Senior Vice President, Chief Human Resources Officer and has been in that role since joining Neenah in March 2016. Prior to his employment with Neenah, Mr. Duncan served as Vice President Human Resources for Coca-Cola Refreshments, the North American operating unit of The Coca-Cola Company. Before joining The Coca-Cola Company in 2008, Mr. Duncan served in a variety of Human Resource leadership roles with The Home Depot and Nestle.

Steven S. Heinrichs, born in 1968, is our Senior Vice President, General Counsel and Secretary and has been in that role since June 2004 when he joined Kimberly-Clark as Chief Counsel, Pulp and Paper and General Counsel for Neenah Paper, Inc. Prior to his employment with Kimberly-Clark, Mr. Heinrichs served as Associate General Counsel and Assistant Secretary for Mariner Health Care, Inc., a nursing home and long-term acute care hospital company. Before joining Mariner Health Care in 2003, Mr. Heinrichs served as Associate General Counsel and Assistant Secretary for American Commercial Lines LLC, a leading inland barge and shipbuilding company from 1998 through 2003. Mr. Heinrichs engaged in the private practice of law with Skadden, Arps, Slate, Meagher and Flom LLP and Shuttleworth, Smith, McNabb and Williams PLLC from 1994 through 1998. Mr. Heinrichs received his MBA from the Kellogg School of Management at Northwestern University in 2008.

Bonnie C. Lind, born in 1958, is our Senior Vice President, Chief Financial Officer and Treasurer and has been in that role since June 2004. Ms. Lind was an employee of Kimberly-Clark from 1982 until 2004, holding a variety of increasingly senior financial and operations positions. From 1999 until June 2004, Ms. Lind served as the Assistant Treasurer of Kimberly-Clark and was responsible for managing Kimberly-Clark's global treasury operations. Prior to that, she was

Director of Kimfibers with overall responsibility for the sourcing and distribution of pulp to Kimberly-Clark's global operations.

James R. Piedmonte, born in 1956, is our Senior Vice President — Operations and has been in that role since June 2004. Mr. Piedmonte had been employed by Kimberly-Clark from 1978 until 2004, and held increasingly senior positions within Kimberly-Clark's operations function. Mr. Piedmonte was responsible for Kimberly-Clark's pulp mill and forestry operations in Pictou, Nova Scotia, from 2001 until 2004. Previously he was the Director of Operations for the fine paper business operations, as well as mill manager at the Whiting, Wisconsin mill.

Julie A. Schertell, born in 1969, is our Senior Vice President — President, Fine Paper and Packaging and has been in that role since January 2014. Ms. Schertell joined Neenah in 2008 and served as Vice President of Sales and Marketing for the Fine Paper division through December 2010 and as a Senior Vice President and President, Fine Paper through December 2013. Ms. Schertell was employed by Georgia-Pacific Corporation in the Consumer Products Retail division, where she served as Vice President of Sales Strategy from 2007-2008, and as Vice President of Customer Solutions from 2003 through 2007.

Armin S. Schwinn, born in 1959, has been our Senior Vice President — Managing Director of Neenah Germany since April 2010, and he is responsible for our filtration operating unit. Mr. Schwinn had been Vice President, Finance of Neenah Germany since our acquisition of FiberMark Germany in October 2006. Mr. Schwinn joined FiberMark Germany in 1995 and held increasingly senior positions within FiberMark Germany's financial, purchasing and administrative functions. Prior to this, Mr. Schwinn served in various leadership positions in other German manufacturing and service companies.

Larry N. Brownlee, born in 1956, is our Vice President — Controller and Principal Accounting Officer and has been in that role since July 2004. From 1990 to 2004, Mr. Brownlee served as Controller of several public companies in the electric utility, telephone and healthcare industries. From 1979 to 1990, Mr. Brownlee was with Arthur Andersen & Co. and provided audit services to clients primarily in the manufacturing, utility and healthcare industries. Mr. Brownlee received his Masters of Accountancy from the University of Georgia in 1979.

There are no family relationships among our directors or executive officers.

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. We intend 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. Information on our web site is not incorporated by reference in this document.

Item 11. Executive Compensation

Information 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.

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:

	<u>Page</u>
Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting	F-2
Report of Independent Registered Public Accounting Firm	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Other Comprehensive Income	F-5
Consolidated Balance Sheets	F-6
Consolidated Statements of Changes in Stockholders' Equity	F-7
Consolidated Statements of Cash Flows	F-8
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2. Financial Statement schedule

The following schedule is filed herewith:

Schedule II — Valuation and Qualifying Accounts	F-52
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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
2.1	Interest Purchase Agreement by and among ASP FiberMark Holdings, LLC, ASP FiberMark, LLC, Neenah FMK Holdings, LLC and Neenah Paper, Inc. dated as of July 16, 2015 (filed as Exhibit 2.1 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended September 30, 2015, filed November 9, 2015 and incorporated herein by reference).
2.2	Asset Purchase Agreement, by and among Neenah Paper, Inc., Wausau Paper Corp. and Wausau Paper Mills, LLC, dated as of December 7, 2011 (filed as Exhibit 2.1 to the Neenah Paper, Inc. Current Report on Form 8-K filed January 31, 2012 and incorporated herein by reference).

Exhibit Number	Exhibit
2.30	Securities Purchase Agreement by and among Crane Technical Materials, Inc., Crane & Co., Inc., Neenah Paper, Inc. and Neenah Filtration, LLC dated as of June 2, 2014 (filed as Exhibit 2.1 to the Neenah Paper, Inc. Quarterly Report on Form 10-Q for the three months ended June 30, 2014, filed August 7, 2014) (confidential treatment has been granted for certain portions of this exhibit pursuant to a Confidential Treatment Request filed with the Securities Exchange Commission).
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 May 23, 2013, by and among the Company, the Guarantors named therein, and the 2021 Notes Trustee filed as Exhibit 4.1 to the Neenah Paper, Inc. Current Report on Form 8-K, filed May 24, 2013 and incorporated herein by reference).
4.2	Form of Notation of Subsidiary Guarantee (included as Exhibit E to Exhibit 4.1).
10.1	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).
10.2	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).
10.3*	Neenah Paper 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, 2012, filed March 7, 2013 and incorporated herein by reference).
10.4*	First Amendment to Neenah Paper Supplemental Pension Plan (filed as Exhibit 10.31 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 4, 2014 and incorporated herein by reference).
10.5*	Neenah Paper Amended and Restated Supplemental Retirement Contribution Plan, effective as of January 1, 2016 (filed herewith).
10.6*	Neenah Paper 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, 2012, filed March 7, 2013 and incorporated herein by reference).
10.7*	First Amendment to Neenah Paper Executive Severance Plan (filed as Exhibit 10.33 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 4, 2014 and incorporated herein by reference).
10.8*	Neenah Paper, Inc. Amended and Restated 2004 Omnibus Stock and Incentive Compensation Plan (filed as Annex A to the Neenah Paper, Inc. Definitive Proxy Statement on Schedule 14A for the year ended December 31, 2013, filed April 12, 2013 and incorporated herein by reference).
10.9*	Neenah Paper Deferred Compensation Plan approved on December 11, 2006 (filed as Exhibit 10.21 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2012, filed March 7, 2013 and incorporated herein by reference).
10.10*	Neenah Paper Directors' Deferred Compensation Plan approved on December 11, 2006. (filed as Exhibit 10.7 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2012, filed March 7, 2013 and incorporated herein by reference).
10.11	Third Amended and Restated Credit Agreement dated December 18, 2014 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 10.31 to the Neenah Paper, Inc. Annual Report on Form 10-K for the year ended December 31, 2014, filed February 27, 2015 and incorporated herein by reference) (confidential treatment has been granted for certain portions of this exhibit pursuant to a Confidential Treatment Request filed with the Securities Exchange Commission).
10.12	First Amendment, dated as of July 28, 2016, to the Third Amended and Restated Credit Agreement dated December 18, 2014 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 99.1 to the Neenah Paper, Inc. Current Report on Form 8-K, filed August 2, 2016 and incorporated herein by reference).
10.13	Second Amendment, dated as of December 13, 2016, to the Third Amended and Restated Credit Agreement dated December 18, 2014 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 99.1 to the Neenah Paper, Inc. Current Report on Form 8-K, filed December 16, 2016 and incorporated herein by reference).

Exhibit Number	Exhibit
10.14*	Form of Performance Share Award as of 2017 (filed as Exhibit 10.1 to Neenah Paper, Inc. Current Report on Form 8-K filed February 3, 2017 and incorporated by reference herein).
12	Statement Regarding Computation of Ratio of Earnings to Fixed Charges (filed herewith)
21	List of Subsidiaries of Neenah Paper, Inc. (filed herewith).
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 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).
32.2	Certification of 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).
101.INS	XBRL Instance Document (filed herewith).
101.SC H	XBRL Taxonomy Extension Schema Document (filed herewith).
101.CA L	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DE F	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LA B	XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).

* Indicates management contract or compensatory plan or arrangement.

+ Pursuant to a confidential treatment request portions of this exhibit have been furnished separately to the Securities and Exchange Commission.

(c) Financial Statement Schedule

See Item 15(a) (2) above

Item 16. Form 10-K Summary

None.

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/ JOHN P. O'DONNELL

Name:	John P. O'Donnell
Title:	President, Chief Executive Officer and Director (in his capacity as a duly authorized officer of the Registrant and in his capacity as Chief Executive Officer)
Date:	February 24, 2017

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.

<u>/s/ JOHN P. O'DONNELL</u> John P. O'Donnell	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2017
<u>/s/ BONNIE C. LIND</u> Bonnie C. Lind	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	February 24, 2017
<u>/s/ LARRY N. BROWNLIEE</u> Larry N. Brownlee	Vice President — Controller (Principal Accounting Officer)	February 24, 2017
<u>/s/ SEAN T. ERWIN*</u> Sean T. Erwin	Chairman of the Board and Director	February 24, 2017
<u>/s/ WILLIAM M. COOK*</u> William M. Cook	Director	February 24, 2017
<u>/s/ MARGARET S. DANO*</u> Margaret S. Dano	Director	February 24, 2017
<u>/s/ TIMOTHY S. LUCAS*</u> Timothy S. Lucas	Director	February 24, 2017
<u>/s/ JOHN F. MCGOVERN*</u> John F. McGovern	Director	February 24, 2017
<u>/s/ PHILIP C. MOORE*</u> Philip C. Moore	Director	February 24, 2017
<u>/s/ STEPHEN M. WOOD*</u> Stephen M. Wood	Director	February 24, 2017

*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

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, 2016 based on criteria established in Internal Control — Integrated Framework (2013) 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 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 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, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) 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, 2016, of the Company and our report dated February 24, 2017, expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

February 24, 2017

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, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These consolidated financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated 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 consolidated financial position of Neenah Paper Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

February 24, 2017

NEENAH PAPER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except share and per share data)

	Year Ended December 31,		
	2016	2015	2014
Net sales	\$ 941.5	\$ 887.7	\$ 839.7
Cost of products sold	727.0	692.3	668.9
Gross profit	214.5	195.4	170.8
Selling, general and administrative expenses	92.2	86.5	78.0
Integration/restructuring costs	7.0	6.5	2.3
Pension plan settlement charge	0.8	—	3.5
Loss on early extinguishment of debt	—	—	0.2
Other expense — net	0.4	1.0	0.2
Operating income	114.1	101.4	86.6
Interest expense	11.2	11.7	11.4
Interest income	(0.1)	(0.2)	(0.3)
Income from continuing operations before income taxes	103.0	89.9	75.5
Provision for income taxes	29.6	29.4	7.5
Income from continuing operations	73.4	60.5	68.0
(Loss) income from discontinued operations, net of taxes (Note 13)	(0.4)	(9.4)	0.7
Net income	<u>\$ 73.0</u>	<u>\$ 51.1</u>	<u>\$ 68.7</u>
Earnings (Loss) Per Common Share			
Basic			
Continuing operations	4.33	3.58	4.05
Discontinued operations	(0.02)	(0.56)	0.04
	<u>\$ 4.31</u>	<u>\$ 3.02</u>	<u>\$ 4.09</u>
Diluted			
Continuing operations	4.26	3.53	3.99
Discontinued operations	(0.02)	(0.55)	0.04
	<u>\$ 4.24</u>	<u>\$ 2.98</u>	<u>\$ 4.03</u>
Weighted Average Common Shares Outstanding (in thousands)			
Basic	<u>16,773</u>	<u>16,754</u>	<u>16,584</u>
Diluted	<u>17,087</u>	<u>17,012</u>	<u>16,872</u>

See Notes to Consolidated Financial Statements

NEENAH PAPER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

	Year Ended December 31,		
	2016	2015	2014
Net income	\$ 73.0	\$ 51.1	\$ 68.7
Reclassification of amounts recognized in the consolidated statement of operations:			
Amortization of adjustments to pension and other postretirement benefit liabilities	7.2	7.1	4.7
Pension plan settlement/curtailment charge (2015 amount in discontinued operations)	0.8	5.5	3.5
Amounts recognized in the consolidated statement of operations	8.0	12.6	8.2
Unrealized foreign currency translation loss	(7.1)	(15.0)	(23.7)
Net loss from pension and other postretirement benefit plans	(18.0)	(6.3)	(34.3)
Loss from other comprehensive income items before income taxes	(17.1)	(8.7)	(49.8)
(Benefit) provision for income taxes	(3.4)	1.2	(8.7)
Other comprehensive loss	(13.7)	(9.9)	(41.1)
Comprehensive income	\$ 59.3	\$ 41.2	\$ 27.6

See Notes to Consolidated Financial Statements

NEENAH PAPER, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except share data)

	December 31,	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3.1	\$ 4.2
Accounts receivable, net	96.5	97.3
Inventories	116.3	120.6
Prepaid and other current assets	20.4	24.5
Total Current Assets	236.3	246.6
Property, Plant and Equipment — net	364.6	323.0
Deferred Income Taxes	6.1	20.0
Goodwill (Note 5)	70.4	72.2
Intangible Assets — net (Note 5)	74.0	79.1
Other Assets	14.2	10.5
TOTAL ASSETS	<u>\$ 765.6</u>	<u>\$ 751.4</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	\$ 1.2	\$ 1.2
Accounts payable	55.6	53.7
Accrued expenses	51.2	51.2
Total Current Liabilities	108.0	106.1
Long-Term Debt	219.7	228.2
Deferred Income Taxes	10.1	11.8
Noncurrent Employee Benefits	86.7	89.7
Other Noncurrent Obligations	2.8	4.0
TOTAL LIABILITIES	<u>427.3</u>	<u>439.8</u>
Commitments and Contingencies (Notes 11 and 12)		
Stockholders' Equity		
Common stock, par value \$0.01 — authorized: 100,000,000 shares; issued and outstanding: 16,771,000 shares and 16,819,000 shares	0.2	0.2
Treasury stock, at cost: 1,475,000 shares and 1,244,000 shares	(56.5)	(40.1)
Additional paid-in capital	317.0	310.8
Retained earnings	169.6	119.0
Accumulated other comprehensive loss	(92.0)	(78.3)
Total Stockholders' Equity	338.3	311.6
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 765.6</u>	<u>\$ 751.4</u>

See Notes to Consolidated Financial Statements

NEENAH PAPER, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In millions, shares in thousands)

	Common Stock			Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss
	Shares	Amount	Treasury Stock			
Balance, December 31, 2013	17,383	\$ 0.2	\$ (27.2)	\$ 285.2	\$ 36.6	\$ (27.3)
Net income	—	—	—	—	68.7	—
Other comprehensive income, net of income taxes	—	—	—	—	—	(41.1)
Dividends declared	—	—	—	—	(17.1)	—
Excess tax benefits from stock-based compensation	—	—	—	5.6	—	—
Shares purchased (Note 10)	—	—	(1.1)	—	—	—
Stock options exercised	316	—	—	3.6	—	—
Restricted stock vesting (Note 10)	150	—	(3.4)	—	—	—
Stock-based compensation	—	—	—	6.0	—	—
Balance, December 31, 2014	17,849	0.2	(31.7)	300.4	88.2	(68.4)
Net income	—	—	—	—	51.1	—
Other comprehensive loss, net of income taxes	—	—	—	—	—	(9.9)
Dividends declared	—	—	—	—	(20.3)	—
Excess tax benefits from stock-based compensation	—	—	—	2.6	—	—
Shares purchased (Note 10)	—	—	(5.9)	—	—	—
Stock options exercised	108	—	—	1.2	—	—
Restricted stock vesting (Note 10)	106	—	(2.5)	—	—	—
Stock-based compensation	—	—	—	6.5	—	—
Other/Currency	—	—	—	0.1	—	—
Balance, December 31, 2015	18,063	0.2	(40.1)	310.8	119.0	(78.3)
Net income	—	—	—	—	73.0	—
Other comprehensive loss, net of income taxes	—	—	—	—	—	(13.7)
Dividends declared	—	—	—	—	(22.4)	—
Shares purchased (Note 10)	—	—	(12.6)	—	—	—
Stock options exercised	71	—	—	0.4	—	—
Restricted stock vesting (Note 10)	111	—	(3.8)	—	—	—
Stock-based compensation	—	—	—	5.8	—	—
Balance, December 31, 2016	18,245	\$ 0.2	\$ (56.5)	\$ 317.0	\$ 169.6	\$ (92.0)

See Notes to Consolidated Financial Statements

NEENAH PAPER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Year Ended December 31,		
	2016	2015	2014
OPERATING ACTIVITIES			
Net income	\$ 73.0	\$ 51.1	\$ 68.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	32.0	31.5	30.0
Stock-based compensation	5.8	6.5	6.0
Excess tax benefit from stock-based compensation (Note 2 and 9)	—	(2.6)	(5.6)
Deferred income tax provision	16.9	8.3	3.7
Non-cash effects of changes in liabilities for uncertain income tax positions	(1.5)	(0.1)	(2.0)
Loss on early extinguishment of debt	—	—	0.2
Pension settlement charge, net of plan payments	0.8	—	3.5
Non-cash loss on discontinued operations	—	12.0	—
Loss (gain) on asset dispositions	0.1	(0.1)	0.2
Net cash (used in) provided by changes in operating working capital, net of effect of acquisitions (Note 15)	(1.2)	1.8	9.0
Pension and other post-employment benefits	(10.9)	2.9	(18.3)
Other	0.8	(0.1)	(0.9)
NET CASH PROVIDED BY OPERATING ACTIVITIES	115.8	111.2	94.5
INVESTING ACTIVITIES			
Capital expenditures	(68.5)	(48.1)	(27.9)
Purchases of marketable securities	(0.1)	(0.2)	(0.6)
Net proceeds from sale of discontinued operations	—	5.4	—
Proceeds from sale of property, plant and equipment	0.1	0.5	—
Acquisitions (Note 4)	—	(118.2)	(72.4)
Purchase of equity investment	—	—	(2.9)
Other	0.3	0.5	(1.1)
NET CASH USED IN INVESTING ACTIVITIES	(68.2)	(160.1)	(104.9)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt (Note 7)	243.0	151.6	49.5
Debt issuance costs	(0.1)	—	(2.4)
Repayments of long-term debt (Note 7)	(252.9)	(145.6)	(5.6)
Short-term borrowings	—	—	6.5
Repayments of short-term borrowings	—	—	(25.4)
Proceeds from exercise of stock options	0.4	1.2	3.6
Excess tax benefit from stock-based compensation (Note 2 and 9)	—	2.6	5.6
Cash dividends paid	(22.4)	(20.3)	(17.1)
Shares purchased (Note 10)	(16.4)	(8.4)	(4.5)
Other	—	0.1	—
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(48.4)	(18.8)	10.2
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(0.3)	(0.7)	(0.6)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1.1)	(68.4)	(0.8)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4.2	72.6	73.4
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3.1	\$ 4.2	\$ 72.6

See Notes to Consolidated Financial Statements

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in millions, except as noted)

Note 1. Background and Basis of Presentation

Background

Neenah Paper, Inc. ("Neenah" or the "Company"), is a Delaware corporation incorporated in April 2004. The Company has two primary operations: its technical products business and its fine paper and packaging business.

The technical products business is an international producer of fiber-formed, coated and/or saturated specialized media that delivers high performance benefits to customers. Included in this segment are filtration media, tape and abrasives backings products, and durable label and specialty substrate products. The fine paper and packaging business is a supplier of branded premium printing, packaging and other high end specialty papers primarily in North America. The Company's premium writing, text and cover papers, and specialty papers are used in commercial printing and imaging applications for corporate identity packages, invitations, personal stationery and high-end advertising, as well as premium labels and luxury packaging.

Basis of Presentation

The consolidated financial statements include the financial statements of the Company and its wholly owned and majority owned subsidiaries. All inter-company balances and transactions have been eliminated in consolidation.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Actual results could differ from these estimates, and changes in these estimates are recorded when known. Significant management judgment is required in determining the accounting for, among other things, pension and postretirement benefits, retained insurable risks, reserves for sales discounts and allowances, purchase price allocations, useful lives for depreciation and amortization, future cash flows associated with impairment testing for tangible and intangible long-lived assets, goodwill, income taxes, contingencies, inventory obsolescence and market reserves and the valuation of stock-based compensation.

Revenue Recognition

The Company recognizes 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. Sales are reported net of allowable discounts and estimated returns. Reserves for cash discounts, trade allowances and sales returns are estimated using historical experience.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. As of December 31, 2016 and 2015, \$0.3 million of the Company's cash and cash equivalents is restricted to the payment of postretirement benefits for certain former Fox River executives.

Inventories

U.S. inventories are valued 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. Cost includes labor, materials and production overhead.

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Foreign Currency

Balance sheet accounts of the Company's operations in Germany, the United Kingdom (the "U.K.") and Canada are translated from Euros, British Pounds and Canadian dollars, respectively, into U.S. dollars at period-end exchange rates, and income and expense accounts are translated at average exchange rates during the period. Translation gains or losses related to net assets located in Germany, the U.K. and Canada are recorded as unrealized foreign currency translation adjustments within Accumulated other comprehensive loss in stockholders' equity. Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included in Other expense — net in the consolidated statements of operations.

Property and Depreciation

Property, plant and equipment are stated at cost, less accumulated depreciation. Certain costs of software developed or obtained for internal use are capitalized. When property, plant and equipment is sold or retired, the costs and the related accumulated depreciation are removed from the accounts, and the gains or losses are recorded in other (income) expense — net. For financial reporting purposes, depreciation is principally computed on the straight-line method over estimated useful asset lives. The weighted average remaining useful lives for buildings, land improvements and machinery and equipment are approximately 18 years, 13 years and 10 years, respectively. Units-of-production method of depreciation is used for \$68.6 million of production assets, which reflects the nature of the assets' utilization. For income tax purposes, accelerated methods of depreciation are used.

The costs of major rebuilds and replacements of plant and equipment are capitalized, and the cost of maintenance performed on manufacturing facilities, composed of labor, materials and other incremental costs, is expensed as incurred. Start-up costs for new or expanded facilities, including costs related to trial production, are expensed as incurred.

The Company accounts for asset retirement obligations ("AROs") in accordance with ASC Topic 410, *Asset Retirements and Environmental Obligations*, which requires companies to make estimates regarding future events in order to record a liability for AROs in the period in which a legal obligation is created. Such liabilities are recorded at fair value, with an offsetting increase to the carrying value of the related long-lived asset. As of December 31, 2016, the Company is unable to estimate its AROs for environmental liabilities at its manufacturing facilities.

Stock-Based Compensation

The Company accounts 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.

Research and Development Expense

Research and development costs are charged to expense as incurred and are recorded in "Selling, general and administrative expenses" on the consolidated statement of operations. See Note 15, "Supplemental Data — Supplemental Statement of Operations Data."

Fair Value Measurements

The Company measures the fair value of pension plan assets in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820") which establishes a framework for measuring fair value. ASC Topic 820 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short maturities. The fair value of short and long-term debt is

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

estimated using rates currently available to the Company for debt of the same remaining maturities. The following table presents the carrying value and the fair value of the Company's debt.

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value (a)	Carrying Value	Fair Value (a)
2021 Senior Notes (5.25% fixed rate)	\$ 175.0	\$ 169.5	\$ 175.0	\$ 169.9
Global Revolving Credit Facilities (variable rates)	42.9	42.9	51.1	51.1
Second German Loan Agreement (2.5% fixed rate)	6.8	6.8	8.3	8.3
Total debt	\$ 224.7	\$ 219.2	\$ 234.4	\$ 229.3

(a) Fair value for all debt instruments was estimated from Level 2 measurements.

The Company's investments in marketable securities are accounted for as "available-for-sale securities" in accordance with ASC Topic 320, *Investments — Debt and Equity Securities* ("ASC Topic 320"). Pursuant to ASC Topic 320, marketable securities are reported at fair value on the consolidated balance sheet and unrealized holding gains and losses are reported in other comprehensive income until realized upon sale. At December 31, 2016, the Company had \$3.5 million in marketable securities classified as Other assets on the consolidated balance sheet. The cost of such marketable securities was \$3.4 million. Fair value for the Company's marketable securities was estimated from Level 1 inputs. The Company's marketable securities are designated for the payment of benefits under its supplemental employee retirement plan (the "SERP").

Fair Value of Pension Plan Assets

With the exception of cash and cash equivalents which are considered Level 1, pension plan assets are measured at NAV (or its equivalent) as an alternative to fair market value due to the absence of readily available market prices, and as such are not subject to the fair value hierarchy. Following is the fair value of each investment category:

- Cash and cash equivalents (\$1.5 million and \$6.9 million at December 31, 2016 and 2015, respectively).
- U.S and non-U.S. Equities (\$112.2 million and \$92.4 million at December 31, 2016 and 2015, respectively) — These proprietary mutual funds have observable net asset values (based on the fair value of the underlying investments of the funds) that are provided to investors and provide for liquidity either immediately or within a few days.
- U.S and non-U.S. Fixed Income Securities (\$181.1 million and \$185.8 million at December 31, 2016 and 2015, respectively) — These proprietary mutual funds have observable net asset values (based on the fair value of the underlying investments of the funds) that are provided to investors and provide for liquidity either immediately or within a few days.
- Hedge Funds (\$23.3 million and \$23.2 million at December 31, 2016 and 2015, respectively) — These funds are valued using net asset values calculated by the fund managers and allow for quarterly or more frequent redemptions.

Recently Adopted Accounting Standards

In March 2016, the FASB issued ASU 2016-09, *Compensation — Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). ASU 2016-09 modifies the accounting for excess tax benefits and tax deficiencies associated with share-based payments and amends the associated cash flow presentation. ASU 2016-09 (i) eliminates the requirement to recognize excess tax benefits in additional paid-in capital ("APIC"), (ii) eliminates the requirement to evaluate tax deficiencies for APIC or income tax expense classification and (iii) provides for these benefits or deficiencies to be recorded as an income tax expense or benefit in the income statement. Additionally, the tax benefits related to dividends paid on share-based payment awards will be reflected as an income tax benefit in the

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

income statement. With these changes, tax-related cash flows resulting from share-based payments will be classified as operating activities as opposed to financing activities. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, although early adoption is permitted. The Company has elected to early adopt the standard in the three month period ended September 30, 2016, effective as if adopted on the first day of the fiscal year, January 1, 2016. As of December 31, 2015, there were no unrecognized deferred tax assets attributable to excess tax benefits. The adoption of the new standard decreased the provision for income taxes and increased income from continuing operations by \$0.4 million and \$1.8 million in the third quarter and the fourth quarter of 2016, respectively. In addition, the Company recast its previously reported provision for income taxes and increased income from continuing operations by \$0.2 million and \$0.7 million for the first and second quarter of 2016, respectively. Further, as part of the adoption, the Company elected to account for forfeitures in compensation cost as they occur. The cumulative impact for the change in election was not material. The Company elected to adopt prospectively the classification of tax-related cash flows resulting from share-based payments in operating cash flows.

Accounting Standards Changes

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance specifies how and when an entity will recognize revenue arising from contracts with customers and requires entities to disclose information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. The new revenue recognition standard and clarifying standards are effective for interim and annual periods beginning on January 1, 2018, and may be adopted earlier, but not before January 1, 2017. The Company has substantially completed its assessment of the new standards and does not believe there will be a material impact from adoption on its consolidated financial statements. The Company will continue to evaluate any additional changes, modifications or interpretations of the standard which may impact its current conclusions, and believes it will adopt the new standards using the modified retrospective method as of January 1, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to current lease accounting. The guidance also eliminates current real estate-specific provisions for all entities. ASU 2016-09 is effective for fiscal years beginning after December 15, 2018, although early adoption is permitted. The Company is currently assessing the impact of the adoption of ASU 2016-09 on its consolidated financial statements.

As of December 31, 2016, no other amendments to the ASC had been issued and not adopted by the Company that will have or are reasonably likely to have a material effect on the its financial position, results of operations or cash flows.

Note 3. Earnings per Share ("EPS")

The Company's restricted stock units ("RSUs") are paid non-forfeitable common stock dividends and thus meet the criteria of participating securities. Accordingly, basic EPS has been calculated using the two-class method, under which earnings are allocated to both common stock and participating securities. Basic EPS has been computed by dividing net income allocated to common stock by the weighted average common shares outstanding. For the computation of basic EPS, weighted average RSUs outstanding are excluded from the calculation of weighted average shares outstanding.

Accounting Standards Codification ("ASC") Topic 260, *Earnings per Share* ("ASC Topic 260") requires companies with participating securities to calculate diluted earnings per share using the "Two Class" method. The "Two Class" method requires first calculating diluted earnings per share using a denominator that includes the weighted average share equivalents from the assumed conversion of dilutive securities. Diluted earnings per share is then calculated using net income reduced by the amount of distributed and undistributed earnings allocated to participating securities calculated using the "Treasury Stock" method and a denominator that includes the weighted average share equivalents from the assumed conversion of dilutive securities excluding participating securities. Companies are required to report the lower of the diluted earnings per share amounts under the two calculations subject to the anti-dilution provisions of ASC Topic 260.

Diluted EPS has been computed by dividing net income allocated to common stock by the weighted average number of common shares used in computing basic EPS, further adjusted to include the dilutive impact of the exercise or conversion

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

of common stock equivalents, such as stock options, stock appreciation rights ("SARs") and target awards of Restricted Stock Units with performance conditions ("Performance Units"), into shares of common stock as if those securities were exercised or converted. For the years ended December 31, 2016, 2015 and 2014, approximately 35,000, 45,000 and 15,000 potentially dilutive options, respectively, were excluded from the computation of dilutive common shares because the exercise price of such options exceeded the average market price of the Company's common stock for the respective 12-month periods during which the options were outstanding.

The following table presents the computation of basic and diluted shares of common stock used in the calculation of EPS (amounts in millions, except share and per share amounts):

Earnings per basic common share

	Year Ended December 31,		
	2016	2015	2014
Income from continuing operations	\$ 73.4	\$ 60.5	\$ 68.0
Amounts attributable to participating securities	(0.7)	(0.6)	(0.8)
Income from continuing operations available to common stockholders	72.7	59.9	67.2
Income (loss) from discontinued operations, net of income taxes	(0.4)	(9.4)	0.7
Amounts attributable to participating securities	—	0.1	—
Net income available to common stockholders	\$ 72.3	\$ 50.6	\$ 67.9
Weighted-average basic shares outstanding	16,773	16,754	16,584
Basic earnings (loss) per share			
Continuing operations	\$ 4.33	\$ 3.58	\$ 4.05
Discontinued operations	(0.02)	(0.56)	0.04
	\$ 4.31	\$ 3.02	\$ 4.09

Earnings per diluted common share

	Year Ended December 31,		
	2016	2015	2014
Income from continuing operations	\$ 73.4	\$ 60.5	\$ 68.0
Amounts attributable to participating securities	(0.6)	(0.5)	(0.8)
Income from continuing operations available to common stockholders	72.8	60.0	67.2
Income (loss) from discontinued operations, net of income taxes	(0.4)	(9.4)	0.7
Amounts attributable to participating securities	—	0.1	—
Net income available to common stockholders	\$ 72.4	\$ 50.7	\$ 67.9
Weighted-average basic shares outstanding	16,773	16,754	16,584
Add: Assumed incremental shares under stock-based compensation plans	314	258	288
Weighted average diluted shares	17,087	17,012	16,872
Diluted earnings (loss) per share			
Continuing operations	\$ 4.26	\$ 3.53	\$ 3.99
Discontinued operations	(0.02)	(0.55)	0.04
	\$ 4.24	\$ 2.98	\$ 4.03

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Note 4. Acquisitions

Acquisition of FiberMark

On August 1, 2015, the Company purchased all of the outstanding equity of FiberMark from American Securities for approximately \$118 million. FiberMark is a specialty coatings and finishing company with a strong presence in luxury packaging and technical products. In September 2015, the Company announced the planned closure of the Fitchburg Mill, acquired in the FiberMark Acquisition to consolidate its manufacturing footprint. Manufacturing operations at the Fitchburg Mill ceased in December 2015. See Note 13, "Discontinued Operations."

The Company accounted for the transaction using the acquisition method in accordance with ASC Topic 805, *Business Combinations* ("ASC Topic 805"). The allocation of the purchase price was based on estimates of the fair value of assets acquired and liabilities assumed as of August 1, 2015. The Company has not identified any material unrecorded pre-acquisition contingencies. The Company did not recognize any in-process research and development assets as part of the acquisition.

The following table summarizes the allocation of the purchase price to the estimated fair value of the assets acquired and liabilities assumed as of December 31, 2015.

	December 31, 2015
Assets Acquired	
Cash and cash equivalents	\$ 4.8
Accounts receivable	13.7
Inventories	27.5
Deferred income taxes	2.3
Prepaid and other current assets	3.6
Property, plant and equipment	68.9
Non-amortizable intangible assets	1.3
Amortizable intangible assets	25.6
Acquired goodwill	25.5
Total assets acquired	173.2
Liabilities Assumed	
Accounts payable	8.0
Accrued expenses	5.6
Deferred income taxes	24.1
Noncurrent employee benefits	9.1
Other noncurrent obligations	3.1
Total liabilities assumed	49.9
Net assets acquired	\$ 123.3

(1) As a result of finalizing the acquisition accounting for Fibermark in the first quarter of 2016, an adjustment of \$0.4 million was recorded as a reduction to the net deferred tax liability and to goodwill.

The Company estimated the fair value of the assets and liabilities acquired in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC Topic 820"). The fair value of amortizable and non-amortizable intangible assets was estimated by applying a royalty rate to projected revenue, net of tax impacts and adjusted for present value

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

considerations. The Company estimated the fair value of acquired property, plant and equipment using a combination of cost and market approaches. In general, the fair value of other acquired assets and liabilities was estimated using the cost basis of FiberMark.

The excess of the purchase price over the estimated fair value of the tangible net assets and identifiable intangible assets acquired was recorded as acquired goodwill. The factors contributing to the amount of goodwill recognized are based on several strategic and synergistic benefits that are expected to be realized from the acquisition of FiberMark. These benefits include entry into profitable new markets for premium packaging, performance materials and specialty papers with new capabilities and recognized brands, synergies from combining the business with Neenah's existing infrastructure, and the opportunity to accelerate sales growth in areas like premium packaging. None of the goodwill recognized as part of the FiberMark acquisition will be deductible for income tax purposes. However, the Company did acquire all of the tax attributes associated with the FiberMark assets and liabilities, including an insignificant amount of tax deductible goodwill.

Approximately \$18.9 million, \$6.2 million and \$0.4 million of the goodwill acquired in the FiberMark acquisition was allocated to the Technical Products, Fine Paper and Packaging and Other segments, respectively.

For the year ended December 31, 2016, the Company incurred \$4.3 million of integration and restructuring costs. For the year ended December 31, 2015, the Company incurred \$5.3 million of acquisition and integration costs. For the year ended December 31, 2015, net sales and income from operations before income taxes for the acquired businesses were \$58.1 million and \$1.5 million (excluding the acquisition related costs described above), respectively.

In conjunction with the FiberMark acquisition, the Company identified various uncertain tax positions totaling \$4.7 million. Such amount was reflected in the purchase price allocation as \$3.7 million of goodwill and \$1.0 million of other current assets.

The following selected unaudited pro forma consolidated statements of operations data for the year ended December 31, 2015 and 2014 was prepared as though the FiberMark acquisition had occurred on January 1, 2014. The information does not reflect future events that may occur after December 31, 2015 or any operating efficiencies or inefficiencies that may result from the FiberMark acquisition. Therefore, the information is not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented or the results that the Company will experience going forward.

	Year Ended December 31,	
	2015	2014
Net sales	\$ 984.0	\$ 1,003.8
Operating income	103.7	95.6
Income from continuing operations	61.7	72.8
Income (loss) from discontinued operations	(9.4)	0.7
Net income	52.3	73.5
Earnings (Loss) Per Common Share		
Basic		
Continuing operations	\$ 3.65	\$ 4.34
Discontinued Operations	(0.56)	0.04
	<u>\$ 3.09</u>	<u>\$ 4.38</u>
Diluted		
Continuing operations	\$ 3.60	\$ 4.27
Discontinued Operations	(0.55)	0.04
	<u>\$ 3.05</u>	<u>\$ 4.31</u>

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Acquisition of Crane Technical Materials

On July 1, 2014, the Company purchased all of the outstanding equity of the Crane Technical Materials business for approximately \$72 million. The acquired business provides performance-oriented wet laid nonwoven media for filtration end markets as well as environmental, energy and industrial uses. The results of this business are reported in the Technical Products segment from the date of acquisition.

The Company accounted for the transaction using the acquisition method in accordance with ASC Topic 805. The allocation of the purchase price is based on estimates of the fair value of assets acquired and liabilities assumed as of July 1, 2014. The Company did not identify any material unrecorded pre-acquisition contingencies. The Company did not acquire any in-process research and development assets as part of the acquisition.

The excess of the purchase price over the estimated fair value of the tangible net assets and identifiable intangible assets acquired was recorded as acquired goodwill. The factors contributing to the amount of goodwill recognized are based on several long-term strategic benefits that are expected to be realized from the acquisition of the technical materials business. These benefits include entry into growing and profitable global markets for water filtration, environmental/emissions control, and energy management with defensible technologies and brands, and the opportunity to accelerate sales growth through synergies with the Company's existing European-based filtration business. In addition, the acquisition of brands and complementary offerings facilitates the Company's expansion into non-woven product lines containing fiberglass, polymer fibers and carbon fibers. Substantially all of the acquired goodwill will be deductible for income tax purposes and is entirely allocated to the Technical Products segment.

For the year ended December 31, 2014, the Company incurred \$1.0 million of acquisition-related integration costs. In addition, the Company incurred approximately \$1.1 in capital costs for IT systems and infrastructure projects. For the year ended December 31, 2014, net sales and income from operations before income taxes for the acquired technical materials business were \$24.1 million and \$3.1 million (excluding the acquisition related integration costs described above), respectively.

The following selected unaudited pro forma consolidated statements of operations data for the year ended December 31, 2014 was prepared as though the acquisition of the technical materials business had occurred on January 1, 2013. The information does not reflect future events that may occur after December 31, 2014 or any operating efficiencies or inefficiencies that may result from the acquisition of the technical materials business. Therefore, the information is not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented or the results that the Company will experience going forward.

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

	Year Ended December 31, 2014
Net sales	\$ 862.3
Operating income	89.2
Income from continuing operations	69.6
Income from discontinued operations	0.7
Net income	70.3
Earnings Per Common Share	
Basic	
Continuing operations	\$ 4.15
Discontinued Operations	0.04
	\$ 4.19
Diluted	
Continuing operations	\$ 4.08
Discontinued Operations	0.04
	\$ 4.12

Note 5. Goodwill and Other Intangible Assets

The Company follows the guidance of ASC Topic 805, *Business Combinations* ("ASC Topic 805"), in recording goodwill arising from a business combination as the excess of purchase price over the fair value of identifiable assets acquired and liabilities assumed.

The Company tests goodwill for impairment at least annually on November 30 in conjunction with preparation of its annual business plan, or more frequently if events or circumstances indicate it might be impaired.

The Company tested goodwill for impairment as of November 30, 2016. The Company elected the option under ASC Topic 350, *Intangibles — Goodwill and Other*, to perform a qualitative assessment of the Company's reporting units to determine whether further impairment testing is necessary. In this qualitative assessment, the Company considered the following items for each of the reporting units: macroeconomic conditions, industry and market conditions, overall financial performance and other entity specific events. In addition, for each of these reporting units, the most recent fair value determination results in an amount that exceeds the carrying amount of the reporting units. Based on these assessments, the Company determined that the likelihood that a current fair value determination would be less than the current carrying amount of the reporting unit is not more likely than not. There was no impairment in the carrying value of goodwill for the years ended December 31, 2016, 2015 and 2014 .

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, *Property, Plant, and Equipment*. 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. Certain trade names are estimated to have indefinite useful lives and as such are not amortized. Intangible assets with indefinite lives are reviewed for impairment at least annually.

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

The following table presents the carrying value of goodwill by business segment and changes in the carrying value of goodwill.

	Technical Products			Fine Paper and Packaging	Other	
	Gross Amount	Accumulated Impairment Losses	Net	Gross Amount	Gross Amount	Net
Balance at December 31, 2014	\$ 100.8	\$ (50.3)	\$ 50.5	\$ —	\$ —	\$ 50.5
Goodwill acquired in the Fibermark Acquisition	18.9	—	18.9	6.2	0.4	25.5
Foreign currency translation	(9.0)	5.2	(3.8)	—	—	(3.8)
Balance at December 31, 2015	110.7	(45.1)	65.6	6.2	0.4	72.2
Adjustment of goodwill acquired in the Fibermark Acquisition ⁽¹⁾	(0.4)	—	(0.4)	—	—	(0.4)
Foreign currency translation	(2.9)	1.5	(1.4)	—	—	(1.4)
Balance at December 31, 2016	<u>\$ 107.4</u>	<u>\$ (43.6)</u>	<u>\$ 63.8</u>	<u>\$ 6.2</u>	<u>\$ 0.4</u>	<u>\$ 70.4</u>

- (1) As a result of finalizing the acquisition accounting for Fibermark in the first quarter of 2016, an adjustment of \$0.4 million was recorded as a reduction to the net deferred tax liability and to goodwill.

Other Intangible Assets

As of December 31, 2016, the Company had net identifiable intangible assets of \$74.0 million. All such intangible assets were acquired in the acquisitions of Neenah Germany, Fox River, FiberMark and the Crane technical materials business, and the acquisition of the Wausau and Southworth brands. The following table details amounts related to those assets.

	December 31, 2016		December 31, 2015	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortizable intangible assets				
Customer based intangibles	\$ 34.4	\$ (11.1)	\$ 35.5	\$ (9.2)
Trade names and trademarks	6.8	(4.2)	4.4	(1.8)
Acquired technology	14.6	(2.7)	16.0	(1.4)
Total amortizable intangible assets	55.8	(18.0)	55.9	(12.4)
Trade names	36.2	—	35.6	—
Total	<u>\$ 92.0</u>	<u>\$ (18.0)</u>	<u>\$ 91.5</u>	<u>\$ (12.4)</u>

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

The following table presents intangible assets acquired in conjunction with the FiberMark acquisition:

	Intangibles	Estimated Useful Lives (Years)
Intangible assets — definite lived		
Trade names and trademarks	\$ 2.3	15
Customer based intangibles	14.1	15
Acquired technology	8.7	13
Total	25.1	
Non-amortizable trade names	1.8	
Total intangible assets	\$ 26.9	

As of December 31, 2015, \$49.8 million, \$28.3 million and \$1.0 million of such intangible assets are reported within the Technical Products, Fine Paper and Packaging and Other segments, respectively. See Note 14, "Business Segment and Geographic Information." Aggregate amortization expense of acquired intangible assets for the years ended December 31, 2016, 2015 and 2014 was \$3.9 million, \$2.9 million and \$2.3 million, respectively and was reported in Cost of products sold on the Consolidated Statement of Operations. Estimated amortization expense for the years ended December 31, 2017, 2018, 2019, 2020 and 2021 is \$3.6 million, \$3.6 million, \$3.6 million, \$3.6 million and \$3.3 million, respectively.

Note 6. Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. Income tax expense represented 28.7 percent, 32.7 percent and 9.9 percent of income from continuing operations before income taxes for the years ended December 31, 2016, 2015 and 2014, respectively. The following table presents the principal reasons for the difference between the Company's effective income tax rate and the U.S. federal statutory income tax rate:

	Year Ended December 31,					
	2016	2016	2015	2015	2014	2014
U.S. federal statutory income tax rate	35.0 %	\$ 36.1	35.0 %	\$ 31.5	35.0 %	\$ 26.4
U.S. state income taxes, net of federal income tax benefit	1.9 %	2.0	2.1 %	1.9	2.1 %	1.6
Tax on foreign dividends	4.5 %	4.6	3.6 %	3.2	3.0 %	2.3
Foreign tax rate differences (a)	(2.7)%	(2.8)	(2.2)%	(2.0)	(2.8)%	(2.1)
Foreign financing structure (b)	(1.6)%	(1.7)	(1.3)%	(1.2)	(2.5)%	(1.9)
Excess tax benefits from stock compensation (c)	(3.0)%	(3.1)	—	—	—	—
Research and development and other tax credits (d)	(2.8)%	(2.9)	(3.9)%	(3.5)	(31.9)%	(24.1)
Domestic production activities deduction	(1.5)%	(1.5)	(2.2)%	(2.0)	— %	—
Uncertain income tax positions	(0.4)%	(0.4)	1.3 %	1.2	6.5 %	4.9
Other differences — net	(0.7)%	(0.7)	0.3 %	0.3	0.5 %	0.4
Effective income tax rate	28.7 %	\$ 29.6	32.7 %	\$ 29.4	9.9 %	\$ 7.5

(a) Represents the impact on the Company's effective tax rate due to changes in the mix of earnings among taxing jurisdictions with differing statutory rates.

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

- (b) Represents the impact on the Company's effective tax rate of the Company's financing strategies.
- (c) In 2016, the Company adopted ASU 2016-09, Compensation — Stock Compensation (Topic 718). See Note 2, "Summary of Significant Accounting Policies — Recently Adopted Accounting Standards."
- (d) For 2015, the Company recognized a \$1.4 million benefit related to research and development ("R&D") tax credits of FiberMark for the period 2012 through July 2015. For 2014, following an extensive study of the Company's R&D activities for the years 2005 through 2013 and a change in methodology, the Company recognized a \$21.9 million net benefit related to R&D tax credits.

The Company's effective income tax rate can be affected by many factors, including but not limited to, changes in the mix of earnings in taxing jurisdictions with differing statutory rates, the availability of R&D and other tax credits, changes in corporate structure as a result of business acquisitions and dispositions, changes in the valuation of deferred tax assets and liabilities, the results of audit examinations of previously filed tax returns and changes in tax laws. The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions and foreign jurisdictions. The Company is no longer subject to U.S. federal examination for years before 2013, to state and local examinations for years before 2012 and to non-U.S. income tax examinations for years before 2012.

The following table presents the U.S. and foreign components of income from continuing operations before income taxes:

	Year Ended December 31,		
	2016	2015	2014
Income from continuing operations before income taxes:			
U.S.	\$ 68.3	\$ 62.2	\$ 46.5
Foreign	34.7	27.7	29.0
Total	<u>\$ 103.0</u>	<u>\$ 89.9</u>	<u>\$ 75.5</u>

The following table presents the components of the provision (benefit) for income taxes:

	Year Ended December 31,		
	2016	2015	2014
Provision (benefit) for income taxes:			
Current:			
Federal	\$ 7.1	\$ 12.7	\$ 0.5
State	(0.5)	1.3	—
Foreign	5.9	5.1	3.4
Total current tax provision	<u>12.5</u>	<u>19.1</u>	<u>3.9</u>
Deferred:			
Federal	14.8	7.7	6.9
State	1.8	2.3	(5.9)
Foreign	0.5	0.3	2.6
Total deferred tax provision	<u>17.1</u>	<u>10.3</u>	<u>3.6</u>
Total provision for income taxes	<u>\$ 29.6</u>	<u>\$ 29.4</u>	<u>\$ 7.5</u>

The Company has elected to treat its Canadian operations as a branch for U.S. income tax purposes. Therefore, the amount of income (loss) before income taxes from Canadian operations are included in the Company's consolidated U.S. income tax returns and such amounts are subject to U.S. income taxes.

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. The components of deferred tax assets and liabilities, net of reserves for uncertain tax positions and valuation allowances, are as follows:

	December 31,	
	2016	2015
Net deferred income tax assets		
Employee benefits	\$ 26.0	\$ 27.8
Research and development tax credits	15.0	20.9
Net operating losses and credits	10.5	10.7
Accrued liabilities	3.2	2.9
Inventories	(0.5)	1.3
Accelerated depreciation	(34.0)	(34.8)
Intangibles	(10.8)	(10.2)
Undistributed foreign earnings	(4.4)	—
Other	1.1	1.4
Net deferred income tax assets	<u>\$ 6.1</u>	<u>\$ 20.0</u>
Net deferred income tax liabilities		
Accelerated depreciation	\$ 12.3	\$ 12.8
Intangibles	2.8	3.5
Employee benefits	(5.0)	(3.9)
Interest limitation	0.3	(0.5)
Net operating losses	(0.3)	(0.1)
Net deferred income tax liabilities	<u>\$ 10.1</u>	<u>\$ 11.8</u>

The net deferred tax assets relate to U.S. federal and state jurisdictions and the net deferred tax liabilities relate to operations of Germany and the U.K. As of December 31, 2016, the Company had \$12.5 million of undistributed earnings (net of foreign taxes) of foreign subsidiaries. There were no undistributed earnings of foreign subsidiaries as of December 31, 2015.

As of December 31, 2016, the Company had \$25.2 million of U.S. federal and state R&D credits which, if not used, will expire between 2029 and 2036 for the U.S. federal R&D credits and between 2017 and 2031 for the state R&D credits. As of December 31, 2016, we had \$48.8 million of state NOLs which may be used to offset state taxable income. The NOLs are reflected in the consolidated financial statements as a deferred tax asset of \$2.3 million. If not used, substantially all of the NOLs will expire in various amounts between 2017 and 2035. The Company also had pre-acquisition and recognized built-in loss carryovers of \$10.2 million, reflected as a deferred tax asset of \$3.6 million. In addition, the Company had \$3.4 million of federal Alternative Minimum Tax Credit carryovers, which can be carried forward indefinitely.

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

The following is a tabular reconciliation of the total amounts of uncertain tax positions as of and for the years ended December 31, 2016, 2015 and 2014:

	For the Years Ended December 31,		
	2016	2015	2014
Balance at January 1,	\$ 12.9	\$ 7.0	\$ 4.3
Increases in prior period tax positions	—	0.5	—
Decreases in prior period tax positions	(2.6)	—	(2.2)
Increases in current period tax positions	0.6	5.5	5.3
Decreases due to lapse of statute of limitations	(0.3)	—	—
Decreases due to settlements with tax authorities	—	—	(0.2)
Decreases from foreign exchange rate changes	(0.3)	(0.1)	(0.2)
Balance at December 31,	<u>\$ 10.3</u>	<u>\$ 12.9</u>	<u>\$ 7.0</u>

The \$10.3 million of reserves for uncertain tax positions as of December 31, 2016 were reflected on the consolidated balance sheets as follows: \$7.6 million netted against deferred tax assets, \$1.2 million netted against (added to) deferred tax liabilities and \$1.5 million in other noncurrent obligations. The \$12.9 million of reserves for uncertain tax positions as of December 31, 2015 were reflected on the consolidated balance sheets as follows: \$8.9 million netted against deferred tax assets, \$1.2 million netted against (added to) deferred tax liabilities and \$2.8 million in other noncurrent obligations.

If recognized, \$9.3 million of the benefit for uncertain tax positions at December 31, 2016 would favorably affect the Company's effective tax rate in future periods. The Company does not expect that the expiration of the statute of limitations or the settlement of audits in the next 12 months will result in liabilities for uncertain income tax positions that are materially different than the amounts that were accrued as of December 31, 2016.

The Company recognizes accrued interest and penalties related to uncertain income tax positions in the Provision for income taxes on the consolidated statements of operations. As of December 31, 2016 and 2015, the Company had \$0.2 million and \$0.4 million, respectively, accrued for interest and penalties related to uncertain income tax positions.

As of December 31, 2016, the Company had a valuation allowance of \$3.1 million against its state R&D credits and \$0.4 million against its other state tax credits. As of December 31, 2015, the Company had a valuation allowance of \$2.9 million against its state R&D credits and \$0.1 million against its state NOLs. In determining the need for a valuation allowance, the Company considers 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 is recognized if, based on the weight of available evidence, the Company concludes that it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Note 7. Debt

Long-term debt consisted of the following:

	December 31,	
	2016	2015
2021 Senior Notes (5.25% fixed rate) due May 2021	\$ 175.0	\$ 175.0
Global Revolving Credit Facilities (variable rates) due December 2019	42.9	51.1
Second German Loan Agreement (2.45% fixed rate) due in 32 equal quarterly installments ending September 2022	6.8	8.3
Deferred financing costs	(3.8)	(5.0)
Total Debt	220.9	229.4
Less: Debt payable within one year	1.2	1.2
Long-term debt	\$ 219.7	\$ 228.2

Unsecured Senior Notes

2021 Senior Notes

In May 2013, the Company completed an underwritten offering of eight-year senior unsecured notes (the "2021 Senior Notes") at a face amount of \$175 million. The 2021 Senior Notes bear interest at a rate of 5.25%, payable in arrears on May 15 and November 15 of each year, commencing on November 15, 2013, and mature on May 15, 2021. Proceeds from this offering were used to redeem the remaining \$70 million outstanding principal amount of ten-year 7.375% senior unsecured notes, originally issued on November 30, 2004, to repay approximately \$56 million in outstanding revolving credit agreement borrowings and for general corporate purposes. The 2021 Senior Notes are fully and unconditionally guaranteed by substantially all of the Company's domestic subsidiaries (the "Guarantors"). The 2021 Senior Notes were sold in a private placement transaction, have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold absent registration or an applicable exemption from registration requirements.

The 2021 Senior Notes rank equally in right of payment with all the Company's existing and future senior unsecured indebtedness. The guarantees of the 2021 Senior Notes are senior unsecured obligations of the Guarantors and rank equally in right of payment with all existing and future senior unsecured indebtedness of the Guarantors. The 2021 Senior Notes and the guarantees of the 2021 Senior Notes are effectively subordinated to the Company's and the Guarantors' existing and future secured indebtedness (to the extent of the value of the collateral) and are structurally subordinated to all indebtedness and other obligations of the Company's subsidiaries that do not guarantee the 2021 Senior Notes, including the trade creditors of such non-guarantor subsidiaries.

The 2021 Senior Notes contain terms, covenants and events of default with which the Company must comply, which the Company believes are ordinary and standard for notes of this nature. Among other things, the 2021 Senior Notes contain covenants restricting the Company's ability to incur certain additional debt, make specified restricted payments, pay dividends, authorize or issue capital stock, enter into transactions with the Company's affiliates, consolidate or merge with or acquire another business, sell certain of the Company's assets or liquidate, dissolve or wind-up the Company. As of December 31, 2016, the Company was in compliance with all terms of the indenture for the 2021 Senior Notes.

Amended and Restated Secured Revolving Credit Facility

In December 2014, the Company amended and restated its existing credit facility by entering into the Third Amended and Restated Credit Agreement (the "Third Amended Credit Agreement") by and among the Company and certain of its domestic subsidiaries as the "Domestic Borrowers", Neenah Services GmbH & Co. KG ("Neenah Services") and certain of its German subsidiaries as the "German Borrowers", certain other subsidiaries as the "German Guarantors", the financial

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

institutions signatory to the Third Amended Credit Agreement as lenders (the "Lenders"), and JPMorgan Chase Bank, N.A., as agent for the Lenders (the "Administrative Agent").

The Third Amended Credit Agreement, among other things: (1) increased the maximum principal amount of the existing credit facility for the Domestic Borrowers to \$125 million (the "U.S. Revolving Credit Facility"); (2) established a secured, multicurrency, revolving credit facility for the German Borrowers in the maximum principal amount of \$75 million (the "German Revolving Credit Facility," and together with the U.S. Revolving Credit Facility, the "Global Revolving Credit Facilities"); (3) caused the Company and the other Domestic Borrowers to guarantee, among other things, the obligations of the German Borrowers arising under the German Revolving Credit Facility; (4) provides for the Global Revolving Credit Facilities to mature on December 18, 2019; and (5) provides for an accordion feature permitting one or more increases in the Global Revolving Credit Facilities in an aggregate principal amount not exceeding \$50 million, such that the aggregate commitments under the Global Revolving Credit Facilities do not exceed \$250 million. In addition, the Domestic Borrowers may request letters of credit under the U.S. Revolving Credit Facility in an aggregate face amount not to exceed \$20 million outstanding at any time, and the German Borrowers may request letters of credit under the German Revolving Credit Facility in an aggregate face amount not to exceed \$2 million outstanding at any time.

Proceeds of borrowings under the Global Revolving Credit Facilities may be used to finance working capital needs, permitted acquisitions, permitted investments (including certain inter-company loans), certain dividends, distributions and other restricted payments, and for other general corporate purposes.

The consolidated statements of cash flows present borrowings and repayments under the Global Revolving Credit Facilities and the predecessor revolving bank credit facility using a gross approach. This approach presents not only discrete borrowings for transactions such as a business acquisition, but also reflects all borrowings and repayments that occur as part of daily management of cash receipts and disbursements. For the year ended December 31, 2016, all of the borrowings related to daily cash management. For the year ended December 31, 2015, \$38.0 million was borrowed in conjunction with the FiberMark Acquisition and the remaining \$113.6 million included borrowings for daily cash management. For the year ended December 31, 2014, all of the borrowings related to daily cash management.

The right of the Domestic Borrowers to borrow and obtain letters of credit under the U.S. Revolving Credit Facility is subject to, among other things, the borrowing base of the Domestic Borrowers on a consolidated basis (the "Domestic Borrowing Base"). The right of the German Borrowers to borrow and obtain letters of credit under the German Revolving Credit Facility is similarly subject to a borrowing base requirement (the "German Borrowing Base"). The German Borrowing Base is initially determined on a combined basis for all German Borrowers. Under certain circumstances (including the occurrence of an event of default resulting from an act or omission of any German Borrower or German Guarantor), the Administrative Agent may require the German Borrowing Base to be determined separately for each of the German Borrowers. At its option the Company may, from time to time, allocate a portion of the Domestic Borrowing Base to the German Borrowing Base (resulting in a corresponding reduction of the Domestic Borrowing Base); however, the principal amount of borrowings and the outstanding letter of credit exposure under the German Revolving Credit Facility may not at any time exceed the German Revolving Credit Facility commitment amount then in effect.

The guarantees of the German Guarantors are limited solely to the German Revolving Credit Facility obligations. Under the terms of the Third Amended Credit Agreement and related loan documentation, neither the German Borrowers nor the German Guarantors (collectively, the "German Loan Parties") will be liable for any obligations relating to the U.S. Revolving Credit Facility. The Global Revolving Credit Facilities are secured by liens on all or substantially all of the assets of the Domestic Borrowers. The German Revolving Credit Facility is secured by liens on all or substantially all of the assets of the German Borrowers and certain assets of the German Guarantors. Any liens granted by the German Loan Parties secure only the German Revolving Credit Facility obligations.

Terms, Covenants and Events of Default. In general, borrowings under the Global Revolving Credit Facilities will bear interest at LIBOR (which cannot be less than zero percent) plus an applicable margin ranging from 1.50% to 2.00%, depending on the amount of availability under the Third Amended Credit Agreement. In addition, the Company may elect an Alternate Borrowing Rate ("ABR") for borrowings under the Global Revolving Credit Facilities. ABR borrowings under the Global Revolving Credit Facilities will bear interest at the highest interest rate shown in the following table:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

	Applicable Margin	
	U.S. Revolving Credit Facility	German Revolving Credit Facility
Prime rate	0.00%-0.50%	Not applicable
Federal funds rate +0.50%	0.00%-0.50%	Not applicable
Monthly LIBOR (which cannot be less than zero percent) +1.00%	0.00%-0.50%	Not applicable
Overnight LIBOR (which cannot be less than zero percent)	Not applicable	1.50%-2.00%

The Company is also required to pay a monthly commitment fee on the unused amounts available under the Global Revolving Credit Facilities at a per annum rate of 0.25%.

If aggregate availability under the Global Revolving Credit Facilities is less than the greater of (i) \$20 million and (ii) 10% of the maximum aggregate commitments under the Global Revolving Credit Facilities as then in effect, the Company is required to comply with a fixed charge coverage ratio (as defined in the Third Amended Credit Agreement) of not less than 1.1 to 1.0 for the preceding four-quarter period, tested as of the end of each quarter. Such compliance, once required, would no longer be necessary once (x) aggregate availability under the Global Revolving Credit Facilities exceeds the greater of (i) 17.5% of the aggregate commitment for the Global Revolving Credit Facilities and (ii) \$35 million for 60 consecutive days and (y) no default or event of default has occurred and is continuing during such 60-day period. As of December 31, 2016, aggregate availability under the Global Revolving Credit Facilities exceeded the minimum required amount, and the Company is not required to comply with such fixed charge coverage ratio.

The Third Amended Credit Agreement contains covenants, which the Company believes are ordinary and standard for agreements of this nature, with which the Company and its subsidiaries must comply during the term of the agreement. Among other things, such covenants restrict the ability of the Company and its subsidiaries to incur certain debt, incur or create certain liens, make specified restricted payments, authorize or issue capital stock, enter into transactions with their affiliates, consolidate, merge with or acquire another business, sell certain of their assets, or dissolve or wind up. In addition, if the aggregate availability under the Global Revolving Credit Facilities is less than the greater of (i) \$25 million and (ii) 12.5% of the maximum aggregate commitments under the Global Revolving Credit Facilities as then in effect, the Company will be subject to increased reporting obligations and controls until such time as availability is more than the greater of (a) \$35 million and (b) 17.5% of the maximum aggregate commitments under the Global Revolving Credit Facilities as then in effect.

Under the most restrictive terms of the Third Amended and Restated Credit Agreement, we are permitted to pay cash dividends on or repurchase shares of our common stock up to the amount available under the Third Amended and Restated Credit Agreement, as long as the availability under the Third Amended and Restated Credit Agreement exceeds \$25 million. If the availability is below \$25 million, we are restricted from paying dividends or repurchasing shares. As of December 31, 2016, the Company's availability exceeded \$25 million, so this restriction did not apply.

The Third Amended Credit Agreement also contains events of default customary for financings of this type, including failure to pay principal or interest, materially false representations or warranties, failure to observe covenants and certain other terms of the Third Amended Credit Agreement, cross-defaults to certain other indebtedness, bankruptcy, insolvency, various ERISA and foreign pension violations, the incurrence of material judgments and changes in control.

Availability under the Global Revolving Credit Facilities varies over time depending on the value of the Company's inventory, receivables and various capital assets. As of December 31, 2016, the Company had \$42.9 million of borrowings and \$1.2 million in letters of credit outstanding under the Global Revolving Credit Facilities and \$125.2 million of available credit (based on exchanges rates at December 31, 2016). As of December 31, 2016 and 2015, the weighted-average interest rate on outstanding Revolver borrowings was 2.8 percent and 1.8 percent per annum, respectively.

Under the most restrictive terms of the 2021 Senior Notes, the Company is permitted to pay cash dividends of up to \$25 million in a calendar year, but not permitted to repurchase shares of the Company's common stock. However, as long as the

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net leverage ratio (net debt/EBITDA) under the 2021 Senior Notes is below 2.5x, the Company can pay dividends or repurchase shares without limitation. In the event the net leverage ratio exceeds 2.5x, the Company may still pay dividends in excess of \$25 million or repurchase shares by utilizing "restricted payment baskets" as defined in the indenture for the 2021 Senior Notes. As of December 31, 2016, since the Company's leverage ratio was less than 2.5x, none of these covenants were restrictive to the Company's ability to pay dividends on or repurchase shares of the Company's common stock.

Other Debt

In January 2013, Neenah Germany entered into a project financing agreement for the construction of a melt blown machine (the "Second German Loan Agreement"). The agreement provides for €9.0 million of construction financing which is secured by the melt blown machine. The loan matures in September 2022 and principal is repaid in equal quarterly installments beginning in December 2014. The interest rate on amounts outstanding is 2.45% based on actual days elapsed in a 360-day year and is payable quarterly. At December 31, 2016, €6.5 million (\$6.8 million, based on exchange rates at December 31, 2016) was outstanding under the Second German Loan Agreement.

Principal Payments

The following table presents the Company's required debt payments:

	2017	2018	2019	2020	2021	Thereafter	Total
Debt payments	\$ 1.2	\$ 1.2	\$ 44.1	\$ 1.2	\$ 176.2	\$ 0.8	\$ 224.7

Note 8. Pension and Other Postretirement Benefits

Pension Plans

Except as described below for FiberMark, substantially all active employees of the Company's U.S. operations participate in defined benefit pension plans and/or defined contribution retirement plans. Neenah Germany has defined benefit plans designed to provide a monthly pension upon retirement for substantially all its employees in Germany. In addition, the Company maintains a SERP which is a non-qualified defined benefit plan. The Company provides benefits under the SERP to the extent necessary to fulfill the intent of its defined benefit retirement plans without regard to the limitations set by the Internal Revenue Code on qualified defined benefit plans.

During 2016, the Company offered a lump sum payout option to all eligible U.S. participants in the Neenah Paper Pension Plan and the FiberMark Pension Plan with a deferred vested pension benefit (the participant had a vested pension benefit but was no longer an employee of the Company). For the year ended December 31, 2016, 265 individuals elected the option and the Company paid a total of \$8.1 million in lump-sum payments. For the year ended December 31, 2016, as allowed under ASC Topic 715, *Compensation — Retirement Benefits* ("ASC Topic 715"), the Company adopted a policy to recognize settlement losses for deferred vested pension benefit payments regardless of whether the amount exceeded the sum of expected service cost and interest costs of the pension plan for the respective calendar year. In accordance with ASC Topic 715, for the year ended December 31, 2016, the Company measured the liabilities of the post-retirement benefit plans and recognized a settlement loss of \$0.8 million.

During 2014, the Company offered a lump sum payout option to all eligible U.S. participants in the Neenah Paper Pension Plan with a deferred vested pension benefit (the participant had a vested pension benefit but was no longer an employee of the Company). For the year ended December 31, 2014, 425 individuals elected the option and the Company paid a total of \$14.0 million in lump-sum payments. For the year ended December 31, 2014, benefit payments under certain post-retirement benefit plans exceeded the sum of expected service cost and interest costs for these plans. In accordance with ASC Topic 715, for the year ended December 31, 2014, the Company measured the liabilities of the post-retirement benefit plans and recognized a settlement loss of \$3.5 million.

The Company's funding policy for its U.S. qualified defined benefit plan and its U.K. defined benefit plan is to contribute assets to fully fund the projected benefit obligation. Subject to regulatory and tax deductibility limits, any funding shortfall

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is to be eliminated over a reasonable number of years. Nonqualified plans providing pension benefits in excess of limitations imposed by taxing authorities are not funded. There is no legal or governmental obligation to fund Neenah Germany's benefit plans and as such the Neenah Germany defined benefit plans are currently unfunded. As of December 31, 2016, Neenah Germany had investments of \$1.6 million that were restricted to the payment of certain post-retirement employee benefits. As of December 31, 2016, \$0.6 million and \$1.0 million of such investments are classified as Prepaid and other current assets and Other assets, respectively, on the consolidated balance sheet. The Company also holds \$3.5 million of marketable securities that are designated for the payment of benefits under the SERP as of December 31, 2016, classified as Other assets on the consolidated balance sheet.

The Company uses the fair value of pension plan assets to determine pension expense, rather than averaging 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 Company's pension obligations are measured annually as of December 31.

FiberMark

Defined benefit plans

FiberMark has a qualified defined benefit plan covering certain U.S. employees. During 2009, FiberMark fully froze this plan so that additional benefits cannot be earned as a result of additional years of service or increases in annual earnings. Plan assets are principally invested in equity, government and corporate debt securities and fixed income mutual funds. FiberMark has a defined benefit plan covering all U.K. employees, which is designed to provide a monthly pension upon retirement. This plan was fully frozen during 2011 and plan assets are primarily invested in equity mutual funds.

Multi-Employer plan

The hourly employees of the Lowville, New York facility are covered by a multi-employer defined benefit plan. The Company's expense under this plan was less than \$0.1 million for the year ended December 31, 2016. The Company contributes to the multi-employer pension plan under a collective bargaining agreement which provides retirement benefits for certain union employees. The risks of participating in a multi-employer plan are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan's termination or the Company's withdrawal from the plan, the Company may be liable for a portion of the plan's unfunded vested benefits. The Company does not anticipate withdrawing from the plan, nor is it aware of any expected plan terminations.

The most recent Pension Protection Act zone status available is for the plan's year-end at December 31, 2015. The zone status in the following table is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. Information for the multi-employer pension plan in which the Company participates is shown in the table below. The "FIP/RP Status Pending/Implemented" column indicates a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented for the plan. For the year ended December 31, 2015, FiberMark's contributions to the plan were less than 5% of total plan contributions.

Pension Fund	EIN/Pension Plan Number	Pension Zone Status 2015	FIP/RP Status Pending or Implemented	Contributions 2016	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
PACE Industry Union Management Pension Fund	11-6166763	Red	Implemented	\$ 0.1 million	Yes	11/9/2021

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Other Postretirement Benefit Plans

The Company maintains postretirement health care and life insurance benefit plans for active employees of the Company and former employees of the Canadian pulp operations. The plans are generally noncontributory for employees who were eligible to retire on or before December 31, 1992 and contributory for most employees who became eligible to retire on or after January 1, 1993. The Company does not provide a subsidized benefit to most employees hired after 2003.

The Company's obligations for postretirement benefits other than pensions are measured annually as of December 31. At December 31, 2016, the assumed inflationary health care cost trend rates used to determine obligations at December 31, 2016 and costs for the year ended December 31, 2017 is 7.0 percent gradually decreasing to an ultimate rate of 4.5 percent in 2037. The assumed inflationary health care cost trend rates used to determine obligations at December 31, 2015 and costs for the year ended December 31, 2016 were 7.3 percent gradually decreasing to an ultimate rate of 4.5 percent in 2037.

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The following table reconciles the benefit obligations, plan assets, funded status and net liability information of the Company's pension and other postretirement benefit plans.

	Pension Benefits		Postretirement Benefits Other than Pensions	
	Year Ended December 31,			
	2016	2015	2016	2015
Change in Benefit Obligation:				
Benefit obligation at beginning of year	\$ 360.1	\$ 330.2	\$ 40.5	\$40.7
Service cost	4.9	5.5	1.3	1.7
Interest cost	15.9	13.8	1.6	1.6
Currency	(3.1)	(4.0)	0.1	(0.5)
Actuarial (gain) loss	18.2	(18.8)	(1.2)	1.5
Benefit payments from plans	(17.1)	(14.9)	(3.8)	(4.0)
Settlement payments	(8.1)	—	—	—
Net transfer in/(out) (1)	0.1	48.3	—	(0.5)
Other	—	—	2.2	—
Benefit obligation at end of year	<u>\$ 370.9</u>	<u>\$ 360.1</u>	<u>\$ 40.7</u>	<u>\$ 40.5</u>
Change in Plan Assets:				
Fair value of plan assets at beginning of year	\$ 308.3	\$ 288.3	\$ —	\$ —
Actual gain (loss) on plan assets	17.6	(6.0)	—	—
Employer contributions	17.8	1.0	—	—
Currency	(1.7)	(0.5)	—	—
Benefit payments	(15.8)	(13.6)	—	—
Settlement payments	(8.1)	—	—	—
Net transfers in (1)	—	39.1	—	—
Fair value of plan assets at end of year	<u>\$ 318.1</u>	<u>\$ 308.3</u>	<u>\$ —</u>	<u>\$ —</u>
Reconciliation of Funded Status				
Fair value of plan assets	\$ 318.1	\$ 308.3	\$ —	\$ —
Projected benefit obligation	370.9	360.1	40.7	40.5
Net liability recognized in statement of financial position	<u>\$ (52.8)</u>	<u>\$ (51.8)</u>	<u>\$ (40.7)</u>	<u>\$ (40.5)</u>
Amounts recognized in statement of financial position consist of:				
Current liabilities	\$ (3.8)	\$ (1.5)	\$ (4.3)	\$ (3.8)
Noncurrent liabilities	(49.0)	(50.3)	(36.4)	(36.7)
Net amount recognized	<u>\$ (52.8)</u>	<u>\$ (51.8)</u>	<u>\$ (40.7)</u>	<u>\$ (40.5)</u>

(1) For the year ended December 31, 2015, the Company acquired \$48.3 million of pension liabilities and \$39.1 million of pension assets in conjunction with the FiberMark Acquisition.

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(Dollars in millions, except as noted)

Amounts recognized in accumulated other comprehensive income consist of:

	Pension Benefits		Postretirement Benefits Other than Pensions	
	December 31,			
	2016	2015	2016	2015
Accumulated actuarial loss	\$ 95.8	\$ 84.1	\$ 4.9	\$ 5.8
Prior service cost	0.9	1.2	(0.4)	(0.5)
Total recognized in accumulated other comprehensive income	<u>\$ 96.7</u>	<u>\$ 85.3</u>	<u>\$ 4.5</u>	<u>\$ 5.3</u>

Summary disaggregated information about the pension plans follows:

	December 31,					
	Assets Exceed ABO		ABO Exceed Assets		Total	
	2016	2015	2016	2015	2016	2015
Projected benefit obligation	\$ 291.3	\$ 280.1	\$ 79.6	\$ 80.0	\$ 370.9	\$ 360.1
Accumulated benefit obligation	281.5	269.1	79.4	79.8	360.9	348.9
Fair value of plan assets	284.2	270.4	33.9	37.9	318.1	308.3

Components of Net Periodic Benefit Cost

	Pension Benefits			Postretirement Benefits Other than Pensions		
	Year Ended December 31,					
	2016	2015	2014	2016	2015	2014
Service cost	\$ 4.9	\$ 5.5	\$ 5.0	\$ 1.3	\$ 1.7	\$ 1.7
Interest cost	15.9	13.8	14.5	1.6	1.6	1.9
Expected return on plan assets (a)	(18.9)	(19.3)	(16.7)	—	—	—
Recognized net actuarial loss	6.6	6.3	4.2	0.6	0.3	0.4
Amortization of prior service cost (credit)	0.2	0.2	0.3	(0.2)	(0.2)	(0.2)
Amount of settlement loss recognized	0.8	—	3.5	—	—	—
Net periodic benefit cost (credit)	<u>9.5</u>	<u>6.5</u>	<u>10.8</u>	<u>3.3</u>	<u>3.4</u>	<u>3.8</u>
Amounts related to discontinued operations	—	(14.9)	1.0	—	—	—
Net periodic benefit cost	<u>\$ 9.5</u>	<u>\$ (8.4)</u>	<u>\$ 11.8</u>	<u>\$ 3.3</u>	<u>\$ 3.4</u>	<u>\$ 3.8</u>

- (a) The expected return on plan assets is determined by multiplying the fair value of plan assets at the prior year-end (adjusted for estimated current year cash benefit payments and contributions) by the expected long-term rate of return.

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Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income

	Pension Benefits			Postretirement Benefits Other than Pensions		
	Year Ended December 31,					
	2016	2015	2014	2016	2015	2014
Net periodic benefit expense	\$ 9.5	\$ (8.4)	\$ 11.8	\$3.3	\$ 3.4	\$ 3.8
Accumulated actuarial gain (loss)	11.7	(7.1)	26.4	(0.9)	1.1	—
Prior service cost (credit)	(0.3)	(0.3)	(0.3)	0.1	0.2	0.2
Total recognized in other comprehensive income	11.4	(7.4)	26.1	(0.8)	1.3	0.2
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 20.9</u>	<u>\$ (15.8)</u>	<u>\$ 37.9</u>	<u>\$2.5</u>	<u>\$ 4.7</u>	<u>\$ 4.0</u>

The estimated net actuarial loss and prior service cost for the defined benefit pension plans expected to be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$7.3 million and \$0.2 million, respectively. The estimated net actuarial loss and prior service (credit) for postretirement benefits other than pensions expected to be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is \$0.2 million and \$(0.2) million, respectively.

Weighted-Average Assumptions Used to Determine Benefit Obligations at December 31

	Pension Benefits		Postretirement Benefits Other than Pensions	
	2016	2015	2016	2015
	Discount rate	4.16%	4.54%	3.69%
Rate of compensation increase	2.22%	2.18%	—%	—%

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended December 31

	Pension Benefits			Postretirement Benefits Other than Pensions		
	Year Ended December 31,					
	2016	2015	2014	2016	2015	2014
Discount rate	4.54%	3.91%	4.88%	4.07%	4.05%	4.84%
Expected long-term return on plan assets	6.20%	6.50%	6.50%	—%	—%	—%
Rate of compensation increase	2.18%	2.92%	2.96%	—%	—%	—%

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Expected Long-Term Rate of Return and Investment Strategies

The expected long-term rate of return on pension fund assets held by the Company's 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. Also considered were the plans' historical 10-year and 15-year compounded annual returns. It is anticipated that, on average, actively managed U.S. pension plan assets will generate annual long-term rates of return of at least 6.20 percent. The expected long-term rate of return on the assets in the plans was based on an asset allocation assumption of approximately 43 percent with equity managers, with expected long-term rates of return of approximately 8 to 10 percent, and 57 percent with fixed income managers, with an expected long-term rate of return of about 4 to 6 percent. The actual asset allocation is regularly reviewed and periodically rebalanced to the targeted allocation when considered appropriate.

Plan Assets

Pension plan asset allocations are as follows:

Asset Category	Percentage of Plan Assets At December 31,		
	2016	2015	2014
Equity securities	43%	34%	35%
Debt securities	57%	64%	65%
Cash and money-market funds	—%	2%	—%
Total	100%	100%	100%

The Company's investment objective for pension plan assets are to ensure, over the long-term life of the pension plans, an adequate pool of assets to support the benefit obligations to participants, retirees, and beneficiaries. Specifically, these objectives include the desire to: (a) invest assets in a manner such that future assets are available to fund liabilities, (b) maintain liquidity sufficient to pay current benefits when due and (c) diversify, over time, among asset classes so assets earn a reasonable return with acceptable risk to capital.

The target investment allocation and permissible allocation range for plan assets by category are as follows:

Asset Category	Strategic Target	Permitted Range
Equity securities	43%	38-48%
Debt securities / Fixed Income	57%	52-62%

As of December 31, 2016, no company or group of companies in a single industry represented more than five percent of plan assets.

The Company's investment assumptions are established by an investment committee composed of members of senior management and are validated periodically against actual investment returns. As of December 31, 2016, the Company's investment assumptions are as follows:

- (a) The plan should be substantially fully invested in debt and equity securities at all times because substantial cash holdings will reduce long-term rates of return;
- (b) Equity investments will provide greater long-term returns than fixed income investments, although with greater short-term volatility;
- (c) It is prudent to diversify plan investments across major asset classes;

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- (d) Allocating a portion of plan assets to foreign equities will increase portfolio diversification, decrease portfolio risk and provide the potential for long-term returns;
- (e) Investment managers with active mandates can reduce portfolio risk below market risk and potentially add value through security selection strategies, and a portion of plan assets should be allocated to such active mandates;
- (f) A component of passive, indexed management can benefit the plans through greater diversification and lower cost, and a portion of the plan assets should be allocated to such passive mandates, and
- (g) It is appropriate to retain more than one investment manager, given the size of the plans, provided that such managers offer asset class or style diversification.

For the years ended December 31, 2016, 2015 and 2014, no plan assets were invested in the Company's securities.

Cash Flows

At December 31, 2016, the Company expects to make aggregate contributions to qualified pension trusts and payments of pension benefits for unfunded pension plans in 2017 of approximately \$14.0 million (based on exchange rates at December 31, 2016).

Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Plans	Postretirement Benefits Other than Pensions
2017	\$ 20.7	\$ 4.3
2018	19.3	3.5
2019	22.1	3.8
2020	20.0	4.1
2021	21.4	4.1
Years 2022-2026	113.2	16.9

Health Care Cost Trends

Assumed health care cost trend rates affect the amounts reported for postretirement health care benefit plans. A one percentage-point change in assumed health care cost trend rates would have the following effects:

	One Percentage- Point	
	Increase	Decrease
Effect on total of service and interest cost components	\$ —	\$ —
Effect on post-retirement benefit other than pension obligation	0.3	(0.3)

Defined Contribution Retirement Plans

Company contributions to defined contribution retirement plans are primarily based on the age and compensation of covered employees. Contributions to these plans, all of which were charged to expense, were \$2.7 million in 2016, \$2.5 million in 2015 and \$1.9 million in 2014. In addition, the Company maintains a supplemental retirement contribution plan (the "SRCP") which is a non-qualified, unfunded defined contribution plan. The Company provides benefits under the SRCP to the extent necessary to fulfill the intent of its defined contribution retirement plans without regard to the

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limitations set by the Internal Revenue Code on qualified defined contribution plans. For the years ended December 31, 2016, 2015 and 2014, the Company recognized expense related to the SRCP of \$0.4 million, \$0.2 million and \$0.1 million, respectively. At December 31, 2016 and December 31, 2015, the unfunded obligation of the SRCP was \$1.3 million and \$0.9 million, respectively.

Investment Plans

The Company provides voluntary contribution investment plans to substantially all North American employees. Under the plans, the Company matches a portion of employee contributions. For the years ended December 31, 2016, 2015 and 2014, costs charged to expense for Company matching contributions under these plans were \$3.1 million, \$2.7 million and \$1.9 million, respectively.

Note 9. Stock Compensation Plans

The Company established the 2004 Omnibus Stock and Incentive Plan (the "2004 Omnibus Plan") in December 2004 and reserved 3,500,000 shares of \$0.01 par value common stock ("Common Stock") for issuance under the Omnibus Plan. Pursuant to the terms of the 2004 Omnibus Plan, the compensation committee of the Company's Board of Directors may grant various types of equity-based compensation awards, including incentive and nonqualified stock options, SARs, restricted stock, RSUs, RSUs with performance conditions and performance units, in addition to certain cash-based awards. All grants under the Omnibus Plan will be made at fair market value and no grant may be repriced. In general, the options expire 10 years from the date of grant and vest over a 3-year service period.

At the 2013 Annual Meeting of Stockholders, the Company's stockholders approved an amendment and restatement of the 2004 Omnibus Plan (as amended and restated the "2013 Omnibus Plan"). The amendment and restatement authorized the Company to reserve an additional 1,577,000 shares of Common Stock for future issuance. As of December 31, 2016, the Company had 950,000 shares of Common Stock reserved for future issuance under the 2013 Omnibus Plan. As of December 31, 2016, the number of shares available for future issuance was reduced by approximately 17,000 shares for outstanding SARs where the closing market price for the Company's common stock was greater than the exercise price of the SAR. The Company accounts for stock-based compensation pursuant to the fair value recognition provisions of ASC Topic 718, *Compensation — Stock Compensation* ("ASC Topic 718").

Valuation and Expense Information Under ASC Topic 718

Substantially all stock-based compensation expense has been recorded in selling, general and administrative expenses. The following table summarizes stock-based compensation costs and related income tax benefits.

	Year Ended December 31,		
	2016	2015	2014
Stock-based compensation expense	\$ 5.8	\$ 6.5	\$ 6.0
Income tax benefit	(2.2)	(2.5)	(2.3)
Stock-based compensation, net of income tax benefit	<u>\$ 3.6</u>	<u>\$ 4.0</u>	<u>\$ 3.7</u>

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The following table summarizes total compensation costs related to the Company's equity awards and amounts recognized in the year ended December 31, 2016.

	Stock Options	Performance Shares and RSUs
Unrecognized compensation cost — December 31, 2015	\$ 0.8	\$ 1.6
Grant date fair value current year grants	1.5	4.2
Compensation expense recognized	(1.7)	(4.1)
Unrecognized compensation cost — December 31, 2016	\$ 0.6	\$ 1.7
Expected amortization period (in years)	1.7	1.5

Stock Options/SARs

In August 2014, the Compensation Committee of the Board of Directors approved the conversion of approximately 545,000 outstanding non-qualified stock options held by U.S. employees and U.S. non-employee directors to an equal number of SARs. Upon exercise, the holder of an SAR will receive common shares equal to the number of SARs exercised multiplied by a fraction where the numerator is equal to the market price at the time of exercise minus the exercise price of the SAR and the denominator is equal to the market price at the time of exercise. The SARs can only be settled for shares of Common Stock and the Company will not receive any cash proceeds upon exercise. All other contractual terms of the SARs are unchanged from those of the converted non-qualified stock options. At the date of conversion the fair value of the SARs was equal to the fair value of the stock options exchanged. As a result, the Company did not recognize any additional compensation expense due to the conversion.

The following tables present information regarding stock options awarded during the years ended December 31, 2016, 2015 and 2014.

	2016	2015	2014
Nonqualified stock options granted	113,935	87,930	95,670
Per share weighted-average exercise price	\$ 58.03	\$ 59.72	\$ 43.17
Per share weighted-average grant date fair value	\$ 13.51	\$ 16.47	\$ 12.72

The weighted-average grant date fair value for stock options granted for the years ended December 31, 2016, 2015 and 2014 was estimated using the Black-Scholes option valuation model with the following assumptions:

	2016	2015	2014
Expected term in years	5.8	5.8	5.9
Risk free interest rate	1.8%	1.4%	1.9%
Volatility	32.1%	34.4%	36.5%
Dividend yield	3.0%	2.0%	2.2%

Expected volatility and the expected term were estimated by reference to the historical stock price performance of the Company and historical data for the Company's stock option awards, respectively. The risk-free interest rate was based on the yield on U.S. Treasury bonds with a remaining term approximately equal to the expected term of the stock option awards. Forfeitures were estimated at the date of grant.

During the year ended December 31, 2012, the Company awarded nonqualified stock options to its President and Chief Executive Officer to purchase 125,000 shares of Common Stock (subject to forfeiture due to termination of employment and other conditions). The exercise price of such nonqualified stock option awards was \$24.09 per share and the options expire in ten years. As of December 31, 2016, 100 percent of the option award had been earned. The grant date fair value of such stock options was \$9.55 per share and was estimated using a "Monte Carlo" simulation valuation model.

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The following table summarizes stock option activity under the Omnibus Plan for the year ended December 31, 2016:

	Number of Stock Options	Weighted-Average Exercise Price
Options outstanding — December 31, 2015	526,611	\$ 31.94
Add: Options granted	113,935	\$ 58.03
Less: Options exercised	105,806	\$ 27.29
Less: Options forfeited/cancelled	4,278	\$ 46.89
Options outstanding — December 31, 2016	<u>530,462</u>	\$ 38.35

The status of outstanding and exercisable stock options as of December 31, 2016, summarized by exercise price follows:

Exercise Price	Options Vested or Expected to Vest				Options Exercisable		
	Number of Options	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (a)	Number of Options	Weighted- Average Exercise Price	Aggregate Intrinsic Value (a)
\$7.41 — \$19.42	65,095	3.1	\$ 13.15	\$ 4.7	65,095	\$ 13.15	\$ 4.7
\$21.13 — \$32.84	202,695	5.2	\$ 25.67	12.1	202,695	\$ 25.67	12.1
\$32.87 — \$42.82	66,550	6.4	\$ 42.26	2.9	39,699	\$ 41.88	1.7
\$50.60 — \$59.72	192,553	8.6	\$ 58.45	5.2	28,847	\$ 58.09	0.8
>\$60.55	3,569	9.2	\$ 60.56	0.1	—	\$ 60.56	—
	<u>530,462</u>	6.3	\$ 38.35	\$ 25.0	<u>336,336</u>	\$ 27.94	\$ 19.3

- (a) Represents the total pre-tax intrinsic value as of December 31, 2016 that option holders would have received had they exercised their options as of such date. The pre-tax intrinsic value is based on the closing market price for the Company's common stock of \$85.20 on December 31, 2016.

The aggregate pre-tax intrinsic value of stock options exercised for the years ended December 31, 2016, 2015 and 2014 was \$4.7 million, \$5.5 million and \$12.7 million, respectively.

The following table summarizes the status of the Company's unvested stock options as of December 31, 2016 and activity for the year then ended:

	Number of Stock Options	Weighted-Average Grant Date Fair Value
Outstanding — December 31, 2015	294,017	\$ 12.09
Add: Options granted	113,935	\$ 13.51
Less: Options vested	213,826	\$ 10.07
Outstanding — December 31, 2016	<u>194,126</u>	\$ 15.15

As of December 31, 2016, certain participants met age and service requirements that allowed their options to qualify for accelerated vesting upon retirement. As of December 31, 2016, there were approximately 114,000 stock options subject to accelerated vesting that such participants would have been eligible to exercise if they had retired as of such date. The

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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aggregate grant date fair value of options subject to accelerated vesting was \$1.6 million. For the year ended December 31, 2016, stock-based compensation expense for such options was \$0.9 million. For the year ended December 31, 2016, the aggregate grant date fair value of options vested, including options subject to accelerated vesting, was \$2.1 million. Stock options that reflect accelerated vesting for expense recognition become exercisable according to the contract terms of the stock option grant.

Performance Units/RSUs

For the year ended December 31, 2016, the Company granted target awards of 54,364 Performance Units. The measurement period for the Performance Units is January 1, 2016 through December 31, 2016. The Performance Units vest on December 31, 2018. Common Stock equal to not less than 40 percent and not more than 200 percent of the Performance Unit target will be awarded based on the Company's return on invested capital, consolidated revenue growth and total return to shareholders relative to the companies in the Russell 2000® Value small cap index. As of December 31, 2016, the Company expects that Common Stock equal to approximately 138 percent of the Performance Unit targets will be earned. The market price on the date of grant for the Performance Units was \$57.95 per share. The Company is recognizing stock-based compensation expense pro-rata over the vesting term of the RSUs.

For the year ended December 31, 2016, the Company awarded 8,083 RSUs to non-employee members of the Board of Directors and 1,652 RSUs (net of forfeitures) to employees. The weighted-average grant date fair value of such awards was \$67.77 per share and the awards vest one year from the date of grant. During the vesting period, the holders of the RSUs are entitled to dividends, but the RSUs do not have voting rights and are forfeited in the event the holder is no longer an employee or member of the Board of Directors on the vesting date.

The following table summarizes the activity of the Company's unvested stock-based awards (other than stock options) for the years ended December 31, 2016, 2015 and 2014:

	RSUs	Weighted-Average Grant Date Fair Value	Performance Units	Weighted-Average Grant Date Fair Value
Outstanding — December 31, 2013	152,191	\$ 24.36	77,000	\$ 49.28
Shares granted (a)	11,492	\$ 49.78	60,900	\$ 74.79
Shares vested	(150,270)	\$ 22.60	—	\$ —
Performance Shares vested	94,710	\$ 29.15	(77,000)	\$ 35.85
Shares expired or cancelled	(2,829)	\$ 29.15	(2,630)	\$ 74.79
Outstanding — December 31, 2014	105,294	\$ 31.15	58,270	\$ 74.79
Shares granted (a)	13,415	\$ 61.41	45,060	\$ 78.32
Shares vested	(105,564)	\$ 32.12	(810)	\$ 78.32
Performance Shares vested	107,219	\$ 40.65	(58,270)	\$ 74.79
Shares expired or cancelled	(1,526)	\$ 51.14	(1,200)	\$ 78.32
Outstanding — December 31, 2015	118,838	\$ 43.29	43,050	\$ 78.32
Shares granted (a)	10,047	\$ 68.25	54,364	\$ 73.82
Shares vested	(110,749)	\$ 42.96	—	\$ —
Performance Shares vested	62,874	\$ 53.63	(43,050)	\$ 78.32
Shares expired or cancelled	(291)	\$ 40.65	(858)	\$ 75.98
Outstanding — December 31, 2016 (b)	<u>80,719</u>	\$ 54.91	<u>53,506</u>	\$ 73.79

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

- (a) For the years ended December 31, 2016, 2015 and 2014, includes 312 RSUs, 495 RSUs and 622 RSUs, respectively, that were granted in lieu of cash dividends. Such dividends-in-kind vest concurrently with the underlying RSUs.
- (b) The aggregate pre-tax intrinsic value of outstanding RSUs as of December 31, 2016 was \$6.9 million.

The aggregate pre-tax intrinsic value of restricted stock and RSUs that vested for the years ended December 31, 2016, 2015 and 2014 was \$9.3 million, \$6.6 million and \$8.9 million, respectively.

Excess Tax Benefits

Excess tax benefits represent the difference between the tax deduction the Company will receive on its tax return for compensation recognized by employees upon the vesting or exercise of stock-based awards and the tax benefit recognized for the grant date fair value of such awards. For the years ended December 31, 2016, 2015 and 2014, the Company recognized excess tax benefits related to the exercise or vesting of stock-based awards of \$3.1 million, \$2.6 million and \$5.6 million, respectively. In 2016, the Company adopted ASC Topic No. 2016-09. See Note 2, "Summary of Significant Accounting Policies — Recently Adopted Accounting Standards."

Note 10. Stockholders' Equity

Common Stock

The Company has authorized 100 million shares of Common Stock. Holders of the Company's Common Stock are entitled to one vote per share.

In May 2016, the Company's Board of Directors authorized a program that would allow the Company to repurchase up to \$25 million of its outstanding Common Stock over the next 12 months (the "2016 Stock Purchase Plan"). Purchases by the Company under the 2016 Stock Purchase Plan would be made from time to time in the open market or in privately negotiated transactions in accordance with the requirements of applicable law. The timing and amount of any purchases will depend on share price, market conditions and other factors. The 2016 Stock Purchase Plan does not require the Company to purchase any specific number of shares and may be suspended or discontinued at any time. The 2016 Stock Purchase Plan is expected to be funded using cash on hand or borrowings under the Company's bank credit facility. The Company had a substantially identical \$25 million repurchase program in place during the preceding 12 months that expired in May 2016 (the "2015 Stock Purchase Plan"). The Company had a \$10 million share repurchase program in place during the preceding 12 months that expired in May 2014 (the "2013 Stock Purchase Plan"). The following table shows shares purchased under the respective stock purchase plans:

	Year Ended December 31,					
	2016		2015		2014	
	Shares	\$	Shares	\$	Shares	\$
2016 Stock Purchase Plan	91,542	\$ 7.4				
2015 Stock Purchase Plan	93,600	\$ 5.2	42,100	\$ 2.4	—	\$ —
2014 Stock Purchase Plan			60,900	\$ 3.5	22,600	\$ 1.2
2013 Stock Purchase Plan						

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

As of December 31, 2016, under the terms of the Third Amended and Restated Credit Agreement and the 2021 Senior Notes, the Company has limitations on its ability to repurchase shares of its Common Stock, as further discussed in Note 7, "Debt."

For the years ended December 31, 2016, 2015 and 2014, the Company acquired 46,000 shares, 40,000 shares and 56,000 shares of Common Stock, respectively, at a cost of \$3.8 million, \$2.5 million and \$3.4 million, respectively, for shares surrendered by employees to pay taxes due on vested restricted stock awards and SARs exercised.

Each share of Common Stock contains a preferred stock purchase right that is associated with the share. These preferred stock purchase rights are transferred only with shares of Common Stock. The preferred stock purchase rights become exercisable and separately certificated only upon a "Rights Distribution Date" as that term is defined in the stockholder rights agreement adopted by the Company at the time of the Spin-Off. In general, a Rights Distribution Date occurs 10 business days following either of these events: (i) a person or group has acquired or obtained the right to acquire beneficial ownership of 15 percent or more of the outstanding shares of the Company's Common Stock then outstanding or (ii) a tender offer or exchange offer is commenced that would result in a person or group acquiring 15 percent or more of the outstanding shares of Common Stock then outstanding.

Preferred Stock

The Company has authorized 20 million shares of \$0.01 par value preferred stock. The preferred stock may be issued in one or more series and with such designations and preferences for each series as shall be stated in the resolutions providing for the designation and issue of each such series adopted by the Board of Directors of the Company. The Board of Directors is authorized by the Company's articles of incorporation to determine the voting, dividend, redemption and liquidation preferences pertaining to each such series. No shares of preferred stock have been issued by the Company.

Other Comprehensive Income (Loss)

Comprehensive income (loss) includes, in addition to net income (loss), gains and losses recorded directly into stockholders' equity on the consolidated balance sheet. These gains and losses are referred to as other comprehensive income items. Accumulated other comprehensive income (loss) consists of foreign currency translation gains and (losses), deferred gains and (losses) on "available-for-sale" securities, and adjustments related to pensions and other post-retirement benefits. The Company does not provide income taxes for foreign currency translation adjustments related to indefinite investments in foreign subsidiaries.

The components of accumulated other comprehensive income (loss), net of applicable income taxes are as follows:

	December 31,	
	2016	2015
Unrealized foreign currency translation losses, net of income tax benefit of \$0.4 and \$0.0, respectively	\$ (27.5)	\$ (20.8)
Net loss from pension and other postretirement benefit liabilities (net of income tax benefits of \$36.8 million and \$33.8 million, respectively)	(64.5)	(57.5)
Accumulated other comprehensive loss	<u>\$ (92.0)</u>	<u>\$ (78.3)</u>

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NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

The following table presents changes in accumulated other comprehensive income ("AOCI"):

	Year Ended December 31,								
	2016			2015			2014		
	Pretax Amount	Tax Effect	Net Amount	Pretax Amount	Tax Effect	Net Amount	Pretax Amount	Tax Effect	Net Amount
Unrealized foreign currency translation gains (losses)	\$ (7.1)	\$ 0.4	\$ (6.7)	\$ (15.0)	\$ —	\$ (15.0)	\$ (23.7)	\$ —	\$ (23.7)
Adjustment to pension and other benefit liabilities	(10.0)	3.0	(7.0)	6.3	(1.2)	5.1	(26.1)	8.7	(17.4)
Other comprehensive income (loss)	<u>\$ (17.1)</u>	<u>\$ 3.4</u>	<u>\$ (13.7)</u>	<u>\$ (8.7)</u>	<u>\$ (1.2)</u>	<u>\$ (9.9)</u>	<u>\$ (49.8)</u>	<u>\$ 8.7</u>	<u>\$ (41.1)</u>

For the years ended December 31, 2016, 2015 and 2014, the Company reclassified \$7.2 million, \$7.1 million and \$4.7 million, respectively, of costs from accumulated other comprehensive income to cost of products sold and selling, general and administrative expenses on the Consolidated Statements of Operations. For the years ended December 31, 2016, 2015 and 2014, the Company recognized an income tax benefit of \$2.8 million, \$2.7 million and \$1.7 million, respectively, related to such reclassifications classified as Provision for income taxes on the Consolidated Statements of Operations.

For the year ended December 31, 2016, the Company reclassified \$0.8 million of costs from accumulated other comprehensive income to pension plan settlement charge on the Consolidated Statements of Operations. For the year ended December 31, 2015, the Company reclassified \$5.5 million of costs from accumulated other comprehensive income to loss from discontinued operations on the Consolidated Statements of Operations. For the year ended December 31, 2014, the Company reclassified \$3.5 million of costs from accumulated other comprehensive income to pension plan settlement charge on the Consolidated Statements of Operations. For the years ended December 31, 2016 and 2014, the Company recognized an income tax benefit of \$0.2 million and \$1.3 million, respectively, related to such reclassifications classified as Provision for income taxes on the Consolidated Statements of Operations. For the year ended December 31, 2015, the Company recognized an income tax benefit of \$2.1 million, related to reclassifications classified as Loss from discontinued operations, net of income taxes on the Consolidated Statements of Operations.

Note 11. Commitments

Leases

The future minimum obligations under operating leases having a noncancelable term in excess of one year as of December 31, 2016, are as follows:

2017	\$ 3.1
2018	2.4
2019	1.3
2020	1.0
2021	1.0
Thereafter	4.0
Future minimum lease obligations	<u>\$ 12.8</u>

For the years ended December 31, 2016, 2015 and 2014 rent expense under operating leases was \$6.4 million, \$5.4 million and \$4.5 million, respectively.

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Purchase Commitments

The Company has certain minimum purchase commitments that extend beyond December 31, 2016. Commitments under these contracts are approximately \$14.3 million, \$2.2 million and \$1.3 million for the years ended December 31, 2017, 2018 and 2019, respectively. Such purchase commitments for the year ended December 31, 2017 are primarily for coal and corn starch contracts. Although the Company is primarily liable for payments on the above-mentioned leases and purchase commitments, management believes exposure to losses, if any, under these arrangements is not material.

Note 12. Contingencies and Legal Matters

Litigation

The Company is involved in certain legal actions and claims arising in the ordinary course of business. While the outcome of these legal actions and claims cannot be predicted with certainty, it is the opinion of management that the outcome of any such claim which is pending or threatened, either individually or on a combined basis, will not have a material effect on the consolidated financial condition, results of operations or liquidity of the Company.

Income Taxes

The Company periodically undergoes examination by the Internal Revenue Service (the "IRS") as well as various state and foreign jurisdictions. These tax authorities routinely challenge certain deductions and credits reported by the Company on its income tax returns. No significant tax audit findings are being contested at this time with either the IRS or any state or foreign tax authority.

Environmental, Health and Safety Matters

The Company is subject to federal, state and local laws, regulations and ordinances relating to various environmental, health and safety matters. The Company is in compliance with, or is taking actions designed to ensure compliance with, these laws, regulations and ordinances. However, the nature of the Company's business exposes it to the risk of claims with respect to environmental, health and safety matters, and there can be no assurance that material costs or liabilities will not be incurred in connection with such claims. Except for certain orders issued by environmental, health and safety regulatory agencies, with which management believes the Company is in compliance and which management believes are immaterial to the results of operations of the Company's business, Neenah is not currently named as a party in any judicial or administrative proceeding relating to environmental, health and safety matters.

While the Company has 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, management believes that the Company's future cost of compliance with environmental, health and safety laws, regulations and ordinances, and its exposure to liability for environmental, health and safety claims will not have a material effect on its financial condition, results of operations or liquidity. However, future events, such as changes in existing laws and regulations or contamination of sites owned, operated or used for waste disposal by the Company (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 effect on the Company's financial condition, results of operations or liquidity.

The Company incurs capital expenditures necessary to meet legal requirements and otherwise relating to the protection of the environment at its facilities in the United States and internationally. The Company's anticipated capital expenditures for environmental projects are not expected to have a material effect on the Company's financial condition, results of operations or liquidity.

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Employees and Labor Relations

As of December 31, 2016, the Company had approximately 2,303 regular full-time employees of whom 1,099 hourly and 526 salaried employees were located in the United States and 405 hourly and 273 salaried employees were located in Europe. All of the Company's U.S. hourly union employees are represented by the United Steelworkers Union (the "USW"). Hourly union employees at the Company's Bolton, England manufacturing facility are represented by Unite the Union ("UNITE"). The following table shows the status of the Company's bargaining agreements as of December 31, 2016.

Contract Expiration Date	Location	Union	Number of Employees
June 2017	Neenah Germany	IG BCE	(a)
January 2018	Whiting, WI (b)	USW	201
June 2018	Neenah, WI (b)	USW	267
July 2018	Munising, MI (b)	USW	198
May 2019	Appleton, WI (b)	USW	75
August 2021	Brattleboro, VT	USW	69
November 2021	Lowville, NY	USW	98

-
- (a) Under German law union membership is voluntary and does not need to be disclosed to the Company. As a result, the number of employees covered by the collective bargaining agreement with the IG BCE cannot be determined.
 - (b) On pension matters the Whiting, Neenah, Munising and Appleton paper mills have bargained jointly with the USW. The current agreement on pension matters will remain in effect until September 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 und Energie (the "IG BCE"). In June 2015, the IG BCE and a national trade association representing all employers in the industry signed a collective bargaining agreement covering union employees of Neenah Germany that expires in June 2017. Under German law union membership is voluntary and does not need to be disclosed to the Company. As a result, the number of employees covered by the collective bargaining agreement with the IG BCE that expires in June 2017 cannot be determined. As of December 31, 2016, no employees are covered under collective bargaining agreements that expire in the next 12 months, with the exception of the employees covered by the collective bargaining arrangement with the IG BCE.

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Note 13. Discontinued Operations

Discontinued Operations

On October 31, 2015, the Company sold the Lahnstein Mill to a privately-owned enterprise specializing in equity holdings in German medium-sized companies, for net cash proceeds of approximately \$5.4 million. The buyer acquired all the assets and liabilities of the Lahnstein Mill, including pension and related liabilities of approximately \$21 million. The Lahnstein Mill, which had annual sales of approximately €50 million, had been operating as a stand-alone business, manufacturing non-woven wallcoverings and various other specialty papers. The sale focuses the Company's portfolio on targeted growth markets such as filtration, premium fine papers and packaging and other performance materials.

Upon reaching an agreement for the sale of the Lahnstein Mill, the Company compared the carrying value of the Lahnstein Mill assets to the fair value of such assets reflected in the sales agreement. As a result, the Company recognized an impairment charge of \$12.0 million to reduce the carrying value of the Lahnstein Mill assets to fair value. In addition, the Company recognized approximately \$1.7 million of transaction costs related to the sale in 2015. For the year ended December 31, 2016, discontinued operations reported on the consolidated statements of operations includes an additional loss on sale arising from final adjustments to the transaction price.

The following table presents selected financial information for discontinued operations:

	Year Ended December 31,		
	2016	2015	2014
Net sales	\$ —	\$ 43.2	\$ 63.0
Cost of products sold	—	39.7	56.6
Gross Profit	—	3.5	6.4
Selling, general and administrative expenses	—	3.5	5.2
Restructuring costs	—	0.1	0.6
Other income — net	—	(0.3)	(0.3)
Income (Loss) From Discontinued Operations Before Income Taxes	—	0.2	0.9
Loss on sale (a)	(0.6)	(13.6)	—
Income (loss) before income taxes	(0.6)	(13.4)	0.9
Income tax provision (benefit) (a)	(0.2)	(4.0)	0.2
Income (loss) from discontinued operations	<u>\$ (0.4)</u>	<u>\$ (9.4)</u>	<u>\$ 0.7</u>

(a) For 2015, this amount includes a net curtailment gain related to the divestiture of the pension plan of \$15.8 million, including a \$5.5 million write-off of deferred actuarial losses.

The following table presents selected cash flow information for discontinued operations for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
Depreciation and amortization	<u>\$ 2.7</u>	<u>\$ 3.9</u>
Capital expenditures	<u>\$ 0.6</u>	<u>\$ 0.7</u>

NEENAH PAPER INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Note 14. Business Segment and Geographic Information

On July 1, 2015, the Company reorganized its internal management structure and, accordingly, addressed its segment reporting structure. As a result of this reorganization, the Other operating segment (composed of the non-premium Index, Tag and Vellum Bristol product lines acquired as part of the purchase of the Wausau brands) was combined with the Fine Paper and Packaging operating segment to reflect the manner in which this business is managed. Segment information for prior periods has been restated to conform to the current period presentation. In addition, as part of the FiberMark acquisition, the Company acquired certain product lines composed of papers sold to converters for end uses such as covering materials for datebooks, diaries, yearbooks and traditional photo albums. Due to the dissimilar nature of these products, management decided that they would not be managed as part of either the existing Fine Paper and Packaging or Technical Products businesses. These product lines represent an operating segment which does not meet the quantitative threshold for a reportable segment.

The Company's reportable operating segments now consist of Technical Products, Fine Paper and Packaging and Other. The Technical Products segment is an aggregation of the Company's filtration and performance materials businesses which are similar in terms of economic characteristics, nature of products, processes, customer class and product distribution methods.

The technical products business is an international producer of fiber-formed, coated and/or saturated specialized media that delivers high performance benefits to customers. Included in this segment are filtration media ("Filtration"), tape and abrasives backings products ("Backings"), and durable label and specialty substrate products ("Specialty"). The following table presents sales by product category for the technical products business:

	For the Year ended December 31,		
	2016	2015	2014
Filtration	42%	45%	42%
Backings	31%	30%	29%
Specialty	27%	25%	29%
Total	100%	100%	100%

The fine paper and packaging business is a leading supplier of premium printing and other high end specialty papers ("Graphic Imaging"), premium packaging ("Packaging") and specialty office papers ("Filing/Office") primarily in North America. The following table presents sales by product category for the fine paper and packaging business:

	For the Year ended December 31,		
	2016	2015	2014
Graphic Imaging	81%	80%	91%
Packaging	14%	15%	9%
Filing/Office	5%	5%	—%
Total	100%	100%	100%

Each segment employs different technologies and marketing strategies. Disclosure of segment information is on the same basis that management uses internally for evaluating segment performance and allocating resources. Transactions between segments are eliminated in consolidation. The costs of shared services, and other administrative functions managed on a common basis, are allocated to the segments based on usage, where possible, or other factors based on the nature of the activity. General corporate expenses that do not directly support the operations of the business segments are shown as

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Unallocated corporate costs. The accounting policies of the reportable operating segments are the same as those described in Note 2, "Summary of Significant Accounting Policies."

Business Segments

	Year Ended December 31,		
	2016	2015	2014
Net sales			
Technical Products	\$ 466.4	\$ 429.2	\$ 403.6
Fine Paper and Packaging	452.1	442.7	436.1
Other	23.0	15.8	—
Consolidated	<u>\$ 941.5</u>	<u>\$ 887.7</u>	<u>\$ 839.7</u>

	Year Ended December 31,		
	2016	2015	2014
Operating income (loss)			
Technical Products (a)	\$ 65.6	\$ 54.1	\$ 46.0
Fine Paper and Packaging (b)	70.7	67.3	60.8
Other (c)	(1.1)	(2.0)	—
Unallocated corporate costs (d)	(21.1)	(18.0)	(20.2)
Consolidated	<u>\$ 114.1</u>	<u>\$ 101.4</u>	<u>\$ 86.6</u>

- (a) Operating income for the year ended December 31, 2016 included integration costs of \$1.4 million. Operating income for the year ended December 31, 2015 included acquisition, integration and restructuring costs of \$1.7 million. Operating income for the year ended December 31, 2014 includes integration and restructuring costs of \$1.6 million.
- (b) Operating income for the years ended December 31, 2016 and 2015 included acquisition and integration costs of \$1.8 million and \$1.5 million, respectively.
- (c) Operating income for the year ended December 31, 2016 and 2015 included acquisition and integration costs of \$1.1 million and \$2.4 million, respectively.
- (d) Unallocated corporate costs for the year ended December 31, 2016 included \$2.7 million of pre-operating costs related to conversion of a fine paper machine to filtration and \$0.8 million for a pension plan settlement charge. December 31, 2015 included \$0.8 million of costs related to this filtration project. Unallocated corporate costs for the year ended December 31, 2014 included a pension plan settlement charge of \$3.5 million, a loss on the early extinguishment of debt of \$0.2 million and \$0.7 million of restructuring costs.

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

	Year Ended December 31,		
	2016	2015	2014
Depreciation and amortization			
Technical Products	\$ 18.1	\$ 16.5	\$ 14.6
Fine Paper and Packaging	11.1	9.8	8.6
Other	1.3	0.6	—
Corporate	1.5	1.9	2.9
Total Continuing Operations	32.0	28.8	26.1
Discontinued operations	—	2.7	3.9
Consolidated	<u>\$ 32.0</u>	<u>\$ 31.5</u>	<u>\$ 30.0</u>

	Year Ended December 31,		
	2016	2015	2014
Capital expenditures			
Technical Products	\$ 57.9	\$ 36.0	\$ 16.1
Fine Paper and Packaging	7.6	10.3	10.0
Other	0.3	0.4	—
Corporate	2.7	0.8	1.1
Total Continuing Operations	68.5	47.5	27.2
Discontinued operations	—	0.6	0.7
Consolidated	<u>\$ 68.5</u>	<u>\$ 48.1</u>	<u>\$ 27.9</u>

	December 31,	
	2016	2015
Total Assets (a)		
Technical Products	\$ 487.6	\$ 483.4
Fine Paper and Packaging	248.9	261.9
Corporate and other (b)	29.1	6.1
Total	<u>\$ 765.6</u>	<u>\$ 751.4</u>

(a) Segment identifiable assets are those that are directly used in the segments operations.

(b) Corporate assets are primarily cash and deferred income taxes.

Geographic Information

	Year Ended December 31,		
	2016	2015	2014
Net sales			
United States	\$ 727.6	\$ 687.3	\$ 612.0
Europe	213.9	200.4	227.7
Consolidated	<u>\$ 941.5</u>	<u>\$ 887.7</u>	<u>\$ 839.7</u>

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Net sales are attributed to geographic areas based on the physical location of the selling entities.

	December 31,	
	2016	2015
Total Assets		
United States	\$ 563.6	\$ 533.2
Europe	201.9	218.1
Canada	0.1	0.1
Total	<u>\$ 765.6</u>	<u>\$ 751.4</u>

	December 31,	
	2016	2015
Long-Lived Assets		
United States	\$ 377.4	\$ 342.0
Europe	151.9	162.8
Total	<u>\$ 529.3</u>	<u>\$ 504.8</u>

Long-lived assets consist principally of property and equipment, intangibles, goodwill and other assets.

Concentrations

In July 2014, Unisource Worldwide, Inc ("Unisource") and xpedx, formerly owned by International Paper ("xpedx") merged to form Veritiv Corporation ("Veritiv"). For the year ended December 31, 2016, sales to Veritiv represented approximately 8 percent of consolidated net sales and approximately 15 percent of net sales of the fine paper and packaging business. For the years ended December 31, 2015 and 2014 sales to Unisource and xpedx (and as merged Veritiv) represented approximately 10 percent of consolidated net sales and approximately 20 percent of net sales of the fine paper and packaging business. Except for certain specialty latex grades and specialty softwood pulp used by Technical Products, management is not aware of any significant concentration of business transacted with a particular supplier that could, if suddenly eliminated, have a material effect on its operations.

Note 15. Supplemental Data

Supplemental Statement of Operations Data

Summary of Advertising and Research and Development Expenses

	Year Ended December 31,		
	2016	2015	2014
Advertising expense	\$ 6.2	\$ 6.8	\$ 7.0
Research and development expense	9.4	6.8	5.7

- (a) Advertising expense and research and development expense are recorded in selling, general and administrative expenses on the consolidated statements of operations.

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Supplemental Balance Sheet Data

Summary of Accounts Receivable — net

	December 31,	
	2016	2015
From customers	\$ 98.0	\$ 99.0
Less allowance for doubtful accounts and sales discounts	(1.5)	(1.7)
Total	<u>\$ 96.5</u>	<u>\$ 97.3</u>

Summary of Inventories

	December 31,	
	2016	2015
Inventories by Major Class:		
Raw materials	\$ 31.6	\$ 30.4
Work in progress	26.8	28.9
Finished goods	63.0	67.2
Supplies and other	3.1	4.1
	<u>124.5</u>	<u>130.6</u>
Excess of FIFO over LIFO cost	(8.2)	(10.0)
Total	<u>\$ 116.3</u>	<u>\$ 120.6</u>

The FIFO value of inventories valued on the LIFO method was \$106.8 million and \$118.2 million at December 31, 2016 and 2015, respectively. For the year ended December 31, 2016 and 2015, income from continuing operations before income taxes was reduced by approximately \$0.1 million due to a decrease in certain LIFO inventory quantities.

Summary of Prepaid and Other Current Assets

	December 31,	
	2016	2015
Prepaid and other current assets	\$ 10.5	\$ 13.5
Spare parts	5.8	9.9
Receivable for income taxes	4.1	1.1
Total	<u>\$ 20.4</u>	<u>\$ 24.5</u>

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Summary of Property, Plant and Equipment — Net

	December 31,	
	2016	2015
Land and land improvements	\$ 18.3	\$ 19.6
Buildings	126.1	121.4
Machinery and equipment	597.5	512.2
Construction in progress	13.7	41.3
	<u>755.6</u>	<u>694.5</u>
Less accumulated depreciation	391.0	371.5
Net Property, Plant and Equipment	<u>\$ 364.6</u>	<u>\$ 323.0</u>

Depreciation expense for the years ended December 31, 2016, 2015 and 2014 was \$27.1 million, \$24.8 million and \$23.2 million, respectively. Interest expense capitalized as part of the costs of capital projects was \$0.8 million, \$0.2 million and \$0.1 million, respectively, for the years ended December 31, 2016, 2015 and 2014.

Summary of Accrued Expenses

	December 31,	
	2016	2015
Accrued salaries and employee benefits	\$ 26.3	\$ 25.2
Amounts due to customers	7.3	9.5
Accrued interest	1.3	1.2
Accrued income taxes	2.0	0.7
Other	14.3	14.6
Total	<u>\$ 51.2</u>	<u>\$ 51.2</u>

Summary of Noncurrent Employee Benefits

	December 31,	
	2016	2015
Pension benefits	\$ 49.0	\$ 51.2
Post-employment benefits other than pensions (a)	37.7	38.5
Total	<u>\$ 86.7</u>	<u>\$ 89.7</u>

(a) Includes \$1.3 million of SRCP benefits as of December 31, 2016 and \$2.7 million of long-term disability benefits due to Terrace Bay retirees and SRCP benefits as of December 31, 2015.

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

Supplemental Cash Flow Data

Supplemental Disclosure of Cash Flow Information

	Year Ended December 31,		
	2016	2015	2014
Cash paid during the year for interest, net of interest expense capitalized	\$ 10.0	\$ 10.6	\$ 10.3
Cash paid during the year for income taxes, net of refunds	15.0	16.2	6.3
Non-cash investing activities:			
Liability for equipment acquired	11.1	6.6	4.1

Net cash provided by (used in) changes in operating working capital, net of effect of acquisitions

	Year Ended December 31,		
	2016	2015	2014
Accounts receivable	\$ 1.5	\$ (5.2)	\$ 4.7
Inventories	4.3	7.7	(5.6)
Income taxes receivable/payable	(1.5)	1.0	(0.3)
Prepaid and other current assets	—	(4.8)	1.2
Accounts payable	(2.7)	(0.5)	6.8
Accrued expenses	(2.8)	3.2	2.0
Other	—	0.4	0.2
Total	<u>\$ (1.2)</u>	<u>\$ 1.8</u>	<u>\$ 9.0</u>

Note 16. Unaudited Quarterly Data

	2016 Quarters				
	First (c)	Second (c)	Third	Fourth	Year (a)(b)
Net Sales	\$ 242.1	\$ 246.0	\$ 232.9	\$ 220.5	\$ 941.5
Gross Profit	58.8	60.0	49.2	46.5	214.5
Operating Income	31.4	33.9	26.9	21.9	114.1
Income From Continuing Operations	19.2	21.4	16.4	16.4	73.4
Earnings Per Common Share From Continuing Operations:					
Basic	<u>\$ 1.13</u>	<u>\$ 1.26</u>	<u>\$ 0.97</u>	<u>\$ 0.97</u>	<u>\$ 4.33</u>
Diluted	<u>\$ 1.11</u>	<u>\$ 1.24</u>	<u>\$ 0.95</u>	<u>\$ 0.95</u>	<u>\$ 4.26</u>

- (a) Includes integration/restructuring costs of \$7.0 million.
(b) Includes a pension plan settlement charge of \$0.8 million.
(c) Includes recasting for excess tax benefits from stock compensation. See Note 2, "Summary of Significant Accounting Policies — Recently Adopted Accounting Standards."

NEENAH PAPER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in millions, except as noted)

	2015 Quarters				
	First	Second	Third	Fourth	Year (a)
Net Sales	\$ 214.4	\$ 211.3	\$ 231.6	\$ 230.4	\$ 887.7
Gross Profit	49.5	48.0	48.4	49.5	195.4
Operating Income	28.4	27.7	24.4	20.9	101.4
Income From Continuing Operations	16.1	16.4	13.5	14.5	60.5
Earnings Per Common Share From Continuing Operations:					
Basic	<u>\$ 0.95</u>	<u>\$ 0.97</u>	<u>\$ 0.79</u>	<u>\$ 0.86</u>	<u>\$ 3.58</u>
Diluted	<u>\$ 0.94</u>	<u>\$ 0.96</u>	<u>\$ 0.78</u>	<u>\$ 0.85</u>	<u>\$ 3.53</u>

(a) Includes integration/restructuring costs of \$6.5 million.

SCHEDULE II

NEENAH PAPER, INC. AND SUBSIDIARIES
SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS
(Dollars in millions)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Write-offs and Reclassifications	Balance at End of Period
December 31, 2016					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	\$ 1.1	\$ (0.1)	\$ —	\$ —	\$ 1.0
Allowance for sales discounts	0.6	(0.1)	—	—	0.5
Valuation allowance — deferred income taxes	3.0	0.1	—	0.4	3.5
December 31, 2015					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	\$ 0.9	\$ (0.4)	\$ 1.0	\$ (0.4)	\$ 1.1
Allowance for sales discounts	0.6	—	—	—	0.6
Valuation allowance — deferred income taxes	—	3.0	—	—	3.0
December 31, 2014					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	\$ 0.8	\$ 0.3	\$ —	\$ (0.2)	\$ 0.9
Allowance for sales discounts	0.6	—	—	—	0.6

NEENAH PAPER, INC. 2016 ANNUAL REPORT

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS

Neenah Paper, Inc.
3460 Preston Ridge Road
Suite 600
Alpharetta, GA 30005
678.566.6500
www.neenah.com

ANNUAL MEETING OF SHAREHOLDERS

The 2017 annual meeting of the shareholders of Neenah Paper, Inc. will be held Tuesday, May 23, 2017 at 10:00 a.m., Eastern time at Neenah's headquarters in Alpharetta, Georgia.

As of March 31, 2017, Neenah had approximately 1,340 holders of record of its common stock.

REGISTRAR AND TRANSFER AGENT

Computershare
P.O. Box 30170
College Station, TX 77842
Contact Center:
Toll Free U.S. and Canada: 877-498-8847
TDD for hearing impaired: 800-231-5469
Foreign Shareowners: 201-680-6578
TDD Foreign Shareowners: 201-680-6610
www.computershare.com/investor

FINANCIAL AND OTHER COMPANY INFORMATION

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 is available on our website at www.neenah.com along with financial reports, recent filings with the Securities and Exchange Commission (SEC), news releases and other information.

For a printed copy of our Form 10-K and Annual Report materials, without charge, please contact:

Neenah Paper, Inc.
Attn: Stockholder Services
3460 Preston Ridge Road
Suite 600
Alpharetta, GA 30005
866.548.6569
or via email to investors@neenah.com

CERTIFICATIONS

Certifications of Neenah's Chief Executive Officer and Chief Financial Officer regarding the quality of our public disclosure have been included as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the SEC.

TRADEMARKS

Brand names mentioned in this report are trademarks of Neenah Paper, Inc. Crane is a registered trademark of Crane & Co. Inc.

STOCK EXCHANGE

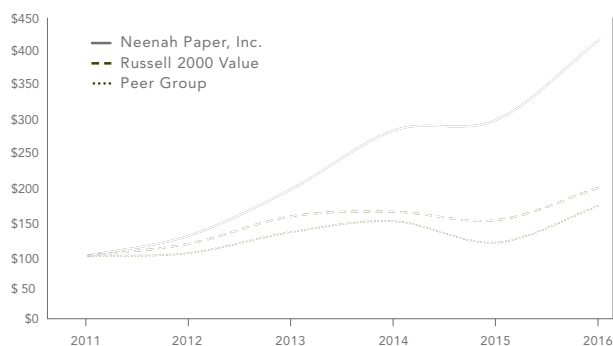
NP LISTED NYSE Neenah Paper's common stock is traded on the New York Stock Exchange under the symbol NP.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte & Touche LLP
191 Peachtree Street
Suite 1500
Atlanta, GA 30303

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN*

Among Neenah Paper, Inc., the Russell 2000 Value Index and a Peer Group



Peer Group: AEP Industries, Inc., Clearwater Paper Corporation, Innophos Holdings, Inc., Innospec, Inc., Kraton Performance Polymers, Inc., Mercer International, Omnova Solutions, Inc., P.H. Glatfelter Co., Quaker Chemical Corp., Rayonier Advanced Materials, Inc., Schweitzer-Mauduit International, Inc., Tredegar Corp. The peer group average is weighted by market capitalization.

* \$100 invested on December 31, 2011 in stock or index, including reinvestment of dividends.

STOCK PRICE PERFORMANCE

	Russell 2000 Value	Year on Year % Change	Neenah Paper, Inc	Year on Year % Change
2016	1,779.87	29%	\$85.20	36%
2015	1,380.60	-9%	\$62.43	4%
2014	1,523.45	2%	\$60.27	41%
2013	1,491.42	32%	\$42.77	50%
2012	1,130.98	15%	\$28.47	28%

Reflects stock price for the 12 months ending December 31 of the year indicated.

LEADERSHIP

EXECUTIVE TEAM



John P. O'Donnell
President and
Chief Executive Officer



Bonnie C. Lind
Senior Vice President,
Chief Financial Officer
and Treasurer



Steven S. Heinrichs
Senior Vice President,
General Counsel
and Secretary



Julie A. Schertell
Senior Vice President,
President Fine Paper
and Packaging



Armin G. Schwinn
Senior Vice President,
Managing Director,
Neenah Germany



Matt L. Duncan
Senior Vice President
and Chief Human
Resources Officer

BOARD OF DIRECTORS



William M. Cook
Retired Executive
Chairman of Donaldson
Company Inc.



Margaret S. Dano
Former Vice President,
Honeywell International
Inc., Worldwide
Operations of Garrett
Engine Boosting Systems



Sean T. Erwin
Chairman of the Board,
Former President and
Chief Executive Officer,
Neenah Paper, Inc.



Timothy S. Lucas, CPA
Independent Consultant,
Lucas Financial Reporting
and Former Director of
Research, FASB



John F. McGovern
Partner, Aurora Capital LLC
and Former Executive
Vice President and
Chief Financial Officer,
Georgia Pacific Corporation



Philip C. Moore
Senior Vice President,
Deputy General Counsel
and Corporate Secretary,
TD Bank Group

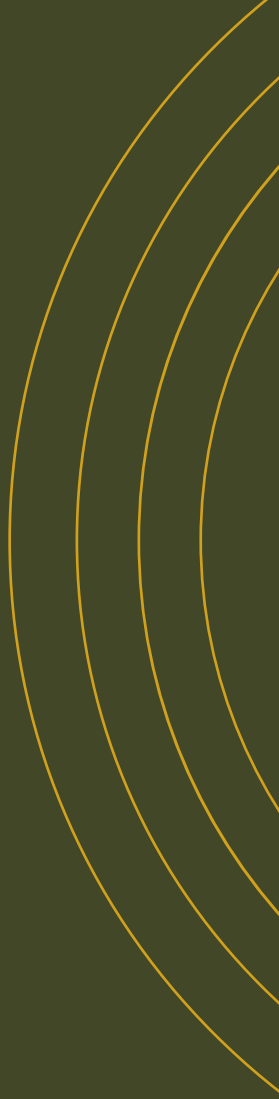


John P. O'Donnell
President and
Chief Executive Officer,
Neenah Paper, Inc.



Stephen M. Wood, Ph.D.
Former President and
Chief Executive Officer,
FiberVisions Corporation

NEENAH PAPER, INC. 2016 ANNUAL REPORT



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