# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended September 30, 2014**

**OR**

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

**For the transition period from to**

**Commission File Number: 001-32240**

# NEENAH PAPER, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **20-1308307**<br>(I.R.S. Employer Identification No.) |
| **3460 Preston Ridge Road**<br>**Alpharetta, Georgia**<br>(Address of principal executive offices) | **30005**<br>(Zip Code) |

**(678) 566-6500**

(Registrant s telephone number, including area code)

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

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

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

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

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

As of October 24, 2014, there were approximately 16,630,000 shares of the Company s common stock outstanding.

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## Part I FINANCIAL INFORMATION

### Item 1. Financial Statements

### NEENAH PAPER, INC. AND SUBSIDIARIES

### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

**(In millions, except share and per share data)**

**(Unaudited)**

| | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| **Net sales** | $ 230.6 | $ 214.1 | $ 686.1 | $ 639.6 |
| Cost of products sold | 187.8 | 177.0 | 552.7 | 516.2 |
| **Gross profit** | 42.8 | 37.1 | 133.4 | 123.4 |
| Selling, general and administrative expenses | 19.8 | 19.8 | 60.1 | 60.0 |
| Integration/restructuring costs | 0.9 | 0.4 | 1.9 | 0.6 |
| Pension plan settlement charge | | | | 0.2 |
| Loss on early extinguishment of debt | | | | 0.5 |
| Other expense - net | | 0.5 | 0.4 | 0.9 |
| **Operating income** | 22.1 | 16.4 | 71.0 | 61.2 |
| Interest expense - net | 2.7 | 2.6 | 8.4 | 8.3 |
| **Income from continuing operations before income taxes** | 19.4 | 13.8 | 62.6 | 52.9 |
| Provision for income taxes | 5.8 | 2.4 | 20.8 | 16.6 |
| **Income from continuing operations** | 13.6 | 11.4 | 41.8 | 36.3 |
| Income from discontinued operations, net of income taxes (Note 11) | | | | 2.6 |
| **Net income** | $ 13.6 | $ 11.4 | $ 41.8 | $ 38.9 |
| | | | | |
| **Earnings Per Common Share** | | | | |
| Basic | | | | |
| Continuing operations | $ 0.81 | $ 0.69 | $ 2.49 | $ 2.22 |
| Discontinued operations | | | | 0.16 |
| | $ 0.81 | $ 0.69 | $ 2.49 | $ 2.38 |
| Diluted | | | | |
| Continuing operations | $ 0.80 | $ 0.68 | $ 2.45 | $ 2.18 |
| Discontinued operations | | | | 0.16 |
| | $ 0.80 | $ 0.68 | $ 2.45 | $ 2.34 |
| | | | | |
| **Weighted Average Common Shares Outstanding (in thousands)** | | | | |
| Basic | 16,627 | 16,089 | 16,543 | 16,016 |
| Diluted | 16,913 | 16,469 | 16,831 | 16,338 |
| **Cash Dividends Declared Per Share of Common Stock** | $ 0.27 | $ 0.20 | $ 0.75 | $ 0.50 |

See Notes to Condensed Consolidated Financial Statements

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**NEENAH PAPER, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**(In millions)**

**(Unaudited)**

| | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| **Net income** | $ 13.6 | $ 11.4 | $ 41.8 | $ 38.9 |
| Unrealized foreign currency translation gain (loss) | (14.0) | 7.2 | (15.7) | 4.8 |
| Net gain from adjustments to pension and other postretirement benefit liabilities | | | | 6.6 |
| Reclassification of amortization of adjustments to pension and other postretirement benefit liabilities recognized in net periodic benefit cost (Note 6) | 1.1 | 1.6 | 3.4 | 4.9 |
| Pension plan settlement charge | | | | 0.2 |
| Unrealized gain (loss) on available-for-sale securities | | | 0.1 | (0.1) |
| **Income (loss) from other comprehensive income items** | (12.9) | 8.8 | (12.2) | 16.4 |
| Provision for income taxes | 0.4 | 0.6 | 1.3 | 4.4 |
| **Other comprehensive income (loss)** | (13.3) | 8.2 | (13.5) | 12.0 |
| **Comprehensive income** | $ 0.3 | $ 19.6 | $ 28.3 | $ 50.9 |

See Notes to Condensed Consolidated Financial Statements

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**NEENAH PAPER, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(In millions)**

**(Unaudited)**

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 24.0 | $ 73.4 |
| Accounts receivable (less allowances of $2.0 million and $1.5 million) | 107.7 | 90.5 |
| Inventories | 109.0 | 101.1 |
| Income taxes receivable | | 0.6 |
| Deferred income taxes | 18.4 | 22.8 |
| Prepaid and other current assets | 14.4 | 17.0 |
| Total Current Assets | 273.5 | 305.4 |
| **Property, Plant and Equipment, at cost** | 649.8 | 637.1 |
| Less accumulated depreciation | 382.0 | 375.4 |
| Property, plant and equipment net | 267.8 | 261.7 |
| **Deferred Income Taxes** | 3.8 | 13.3 |
| **Goodwill** | 53.1 | 43.1 |
| **Intangible Assets net** | 60.1 | 38.5 |
| **Other Assets** | 15.9 | 13.9 |
| **TOTAL ASSETS** | $ 674.2 | $ 675.9 |
| | | |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| **Current Liabilities** | | |
| Debt payable within one year | $ 1.4 | $ 21.4 |
| Accounts payable | 49.4 | 36.4 |
| Accrued expenses | 50.1 | 45.8 |
| Total Current Liabilities | 100.9 | 103.6 |
| **Long-term Debt** | 185.0 | 190.5 |
| **Deferred Income Taxes** | 14.7 | 15.6 |
| **Noncurrent Employee Benefits** | 79.4 | 97.7 |
| **Other Noncurrent Obligations** | 0.9 | 1.0 |
| **TOTAL LIABILITIES** | 380.9 | 408.4 |
| **Contingencies and Legal Matters (Note 10)** | | |
| **TOTAL STOCKHOLDERS EQUITY** | 293.3 | 267.5 |
| **TOTAL LIABILITIES AND STOCKHOLDERS EQUITY** | $ 674.2 | $ 675.9 |

See Notes to Condensed Consolidated Financial Statements

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**NEENAH PAPER, INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(In millions)**

**(Unaudited)**

| | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income | $ 41.8 | $ 38.9 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 22.4 | 21.8 |
| Stock-based compensation | 4.1 | 4.0 |
| Excess tax benefits from stock-based compensation (Note 7) | (3.0) | (0.4) |
| Deferred income tax provision | 18.0 | 13.7 |
| Inventory acquired in acquisitions (Note 3) | | (1.8) |
| Pension plan payment, net of settlement charge | | (0.2) |
| Loss on retirement of bonds | | 0.5 |
| Non-cash effects of changes in liabilities for uncertain income tax positions | (2.3) | (0.2) |
| Loss on asset dispositions | 0.1 | 0.4 |
| Decrease (increase) in working capital, net of the effect of acquisitions | 2.2 | (5.3) |
| Pension and other postretirement benefits | (10.4) | (5.9) |
| Other | (0.3) | (1.0) |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | 72.6 | 64.5 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures | (15.2) | (20.4) |
| Purchase of Crane Technical Materials (Note 3) | (72.4) | |
| Purchase of brands (Note 3) | | (5.2) |
| Purchase of equity investment | (2.9) | |
| Purchase of marketable securities | (0.4) | |
| Proceeds from sale of property, plant and equipment | | 0.6 |
| Other | (0.1) | 0.2 |
| **NET CASH USED IN INVESTING ACTIVITIES** | (91.0) | (24.8) |
| **FINANCING ACTIVITIES** | | |
| Proceeds from issuance of long-term debt | | 218.7 |
| Debt issuance costs | | (3.4) |
| Repayments of long-term debt | (5.2) | (208.3) |
| Short-term borrowings | 6.5 | 0.2 |
| Repayments of short-term debt | (25.4) | (0.2) |
| Shares purchased (Note 9) | (0.5) | (0.7) |
| Proceeds from exercise of stock options | 3.5 | 2.4 |
| Excess tax benefits from stock-based compensation (Note 7) | 3.0 | 0.4 |
| Cash dividends paid | (12.6) | (8.2) |
| Other | | (0.5) |
| **NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES** | (30.7) | 0.4 |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | (0.3) | 0.3 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (49.4) | 40.4 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | 73.4 | 7.8 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | $ 24.0 | $ 48.2 |

| | | | | |
|---|---|---|---|---|
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:** | | | | |
| Cash paid during period for interest, net of interest expense capitalized | $ | 5.5 | $ | 5.3 |
| Cash paid during period for income taxes | $ | 5.1 | $ | 4.2 |
| Non-cash investing activities: | | | | |
| Liability for equipment acquired | $ | 1.9 | $ | 1.9 |

See Notes to Condensed Consolidated Financial Statements

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**NEENAH PAPER, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(Tabular amounts 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 business.

The technical products business is an international producer of transportation and other filter media and durable, saturated and coated substrates for industrial products backings and a variety of other end markets. The fine paper business is a supplier of premium writing, text and cover papers, bright papers and 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.

On July 1, 2014, the Company purchased all of the outstanding equity of Crane Technical Materials, Inc. from Crane & Co., Inc. for approximately $72 million. The acquired Crane Technical Materials business provides performance-oriented wet laid nonwovens media for filtration end markets as well as environmental, energy and industrial uses. This technical materials business has two manufacturing facilities in Pittsfield, Massachusetts. The results of this business are reported in the Technical Products segment from the date of acquisition.

***Basis of Consolidation and Presentation***

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC ) and, in accordance with those rules and regulations, do not include all information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ( GAAP ). Management believes that the disclosures made are adequate for a fair presentation of the Company s results of operations, financial position and cash flows. In the opinion of management, the condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations, financial position and cash flows for the interim periods presented herein. The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make extensive use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s most recent Annual Report on Form 10-K. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

The condensed consolidated financial statements of Neenah and its subsidiaries included herein are unaudited, except for the December 31, 2013 condensed consolidated balance sheet, which was derived from audited financial statements. The condensed consolidated financial statements include the financial statements of the Company and its wholly owned and majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated from the condensed consolidated financial statements.

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***Earnings per Share ( EPS )***

Diluted EPS was calculated to give effect to all potentially dilutive non-participating common share equivalents using the Treasury Stock method. Outstanding stock options, stock appreciation rights ( SARs ) and target awards of Restricted Stock Units ( RSUs ) with performance conditions ( Performance Units ) represent the only potentially dilutive non-participating security effects on the Company s weighted-average shares. For the three and nine months ended September 30, 2014 approximately 5,000 and 20,000 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 three and nine month periods during which the options were outstanding. For the three and nine months ended September 30, 2013 approximately 10,000 and 600,000 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 three and nine month periods during which the options were outstanding.

The following table presents the computation of basic and diluted EPS (dollars in millions except per share amounts, shares in thousands):

**Earnings Per Basic Common Share**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Income from continuing operations | $ 13.6 | $ 11.4 | $ 41.8 | $ 36.3 |
| Distributed and undistributed amounts allocated to participating securities | (0.2) | (0.2) | (0.5) | (0.7) |
| Income from continuing operations available to common stockholders | 13.4 | 11.2 | 41.3 | 35.6 |
| Income from discontinued operations, net of income taxes | | | | 2.6 |
| Net income available to common stockholders | $ 13.4 | $ 11.2 | $ 41.3 | $ 38.2 |
| | | | | |
| Weighted-average basic shares outstanding | 16,627 | 16,089 | 16,543 | 16,016 |
| Basic | | | | |
| Continuing operations | $ 0.81 | $ 0.69 | $ 2.49 | $ 2.22 |
| Discontinued operations | | | | 0.16 |
| | $ 0.81 | $ 0.69 | $ 2.49 | $ 2.38 |

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**Earnings Per Diluted Common Share**

| | Three Months Ended September 30, 2014 | 2013 | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| Income from continuing operations | $ 13.6 | $ 11.4 | $ 41.8 | $ 36.3 |
| Distributed and undistributed amounts allocated to participating securities | (0.2) | (0.2) | (0.5) | (0.6) |
| Income from continuing operations available to common stockholders | 13.4 | 11.2 | 41.3 | 35.7 |
| Income from discontinued operations, net of income taxes | | | | 2.6 |
| Net income available to common stockholders | $ 13.4 | $ 11.2 | $ 41.3 | $ 38.3 |
| | | | | |
| Weighted-average basic shares outstanding | 16,627 | 16,089 | 16,543 | 16,016 |
| Add: Assumed incremental shares under stock compensation plans | 286 | 380 | 288 | 322 |
| | | | | |
| Weighted-average diluted shares | 16,913 | 16,469 | 16,831 | 16,338 |
| Diluted | | | | |
| Continuing operations | $ 0.80 | $ 0.68 | $ 2.45 | $ 2.18 |
| Discontinued operations | | | | 0.16 |
| | $ 0.80 | $ 0.68 | $ 2.45 | $ 2.34 |

***Fair Value of Financial Instruments***

The Company measures the fair value of financial instruments in accordance with Accounting Standards Codification ( 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). The asset s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 ). As of September 30, 2014, the cost and fair value of the Company s marketable securities were $3.1 million and $3.0 million, respectively. Fair value for the Company s marketable securities was estimated from Level 1 inputs. These marketable securities are classified as Other Assets on the condensed consolidated balance sheet and are restricted to the payment of benefits under the Company s Supplemental Executive Retirement Plan ( SERP ).

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The fair value of short and long-term debt is 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.

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value (a) | Carrying Value | Fair Value (a) |
| 2021 Senior Notes (5.25% fixed rate) | $ 175.0 | $ 166.8 | $ 175.0 | $ 163.7 |
| Second German Loan Agreement (2.5% fixed rate) | 11.4 | 11.8 | 12.4 | 10.9 |
| Neenah Germany revolving line of credit (variable rates) | | | 19.3 | 19.3 |
| Neenah Germany project financing (3.8% fixed rate) | | | 5.2 | 5.1 |
| Total debt | $ 186.4 | $ 178.6 | $ 211.9 | $ 199.0 |

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

**Note 2. Accounting Standard Changes**

As of September 30, 2014, no amendments to the ASC had been issued that will have or are reasonably likely to have a material effect on the Company s financial position, results of operations or cash flows.

**Note 3. Acquisitions**

*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 nonwovens 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 Business Combinations. The preliminary allocation of the purchase price is based on estimates of the fair value of assets acquired and liabilities assumed as of July 1, 2014 and are subject to adjustment as additional information is obtained. The Company has up to 12 months from the closing of the acquisition to finalize its valuations. Changes to the valuation of assets and liabilities acquired may result in adjustments to the carrying value of assets and liabilities acquired or goodwill. The Company has not identified any material unrecorded pre-acquisition contingencies. Prior to the end of the one-year purchase price allocation period, if information becomes available which would indicate it is probable that such events had occurred as of the acquisition date and the amounts can be reasonably estimated, such items will be included in the final purchase price allocation and may result in an adjustment to the carrying value of assets and liabilities acquired or goodwill. The Company did not acquire any in-process research and development assets as part of the acquisition.

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The following table summarizes the preliminary allocation of the purchase price to the estimated fair value of the assets acquired and liabilities assumed as of September 30, 2014:

| | | |
|---|---|---|
| **Assets Acquired** | | |
| Accounts receivable | $ | 5.8 |
| Inventories | | 8.3 |
| Prepaid and other current assets | | 0.8 |
| Property, plant and equipment | | 23.5 |
| Non-amortizable intangible assets | | 11.1 |
| Amortizable intangible assets | | 13.3 |
| Deferred income taxes | | 0.1 |
| Acquired goodwill | | 13.4 |
| Total assets acquired | | 76.3 |
| | | |
| **Liabilities Assumed** | | |
| Accounts payable | | 2.8 |
| Accrued expenses | | 1.1 |
| Total liabilities assumed | | 3.9 |
| | | |
| Net assets acquired | $ | 72.4 |

The Company estimated the preliminary fair value of the assets and liabilities acquired in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. The preliminary 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 considerations. The Company estimated the preliminary fair value of acquired property, plant and equipment using a combination of cost and market approaches. In general, the preliminary fair value of other acquired assets and liabilities was estimated using the cost basis of the acquired technical materials business.

The excess of the purchase price over the preliminary 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 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 goodwill is expected to be deductible for income tax purposes and is entirely allocated to the Technical Products segment.

For the three and nine months ended September 30, 2014, the Company incurred $0.6 million and $0.8 million, respectively, of acquisition-related integration costs. The Company expects to incur an additional $1.2 million in acquisition-related integration costs during the fourth quarter, including approximately $1.1 in capital costs for IT systems and infrastructure projects. For the three months ended September 30, 2014, net sales and income from operations before income taxes for the acquired technical materials business were $11.6 million and $0.4 million (including the acquisition related costs described above), respectively.

The following selected pro forma consolidated statements of operations data for the nine months ended September 30, 2014 and 2013 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 September 30, 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.

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| | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|
| Net sales | $ 708.7 | $ 675.3 |
| Operating income | 73.8 | 61.8 |
| Income from continuing operations | 43.5 | 36.7 |
| Income from discontinued operations | | 2.6 |
| Net income | 43.5 | 39.3 |
| | | |
| Earnings Per Common Share | | |
| Basic | | |
| Continuing operations | $ 2.60 | $ 2.24 |
| Discontinued Operations | | 0.16 |
| | $ 2.60 | $ 2.40 |
| | | |
| Diluted | | |
| Continuing operations | $ 2.55 | $ 2.20 |
| Discontinued Operations | | 0.16 |
| | $ 2.55 | $ 2.36 |

*Acquisition of Southworth*

On January 31, 2013, the Company purchased certain premium paper brands and other assets from Southworth. The Company made a payment of $7.0 million for (i) certain premium fine paper brands including Southworth®, (ii) approximately one month of finished goods inventory valued at $1.8 million and (iii) certain converting equipment used for retail grades. The results of the Southworth brands are reported in the Fine Paper segment from the date of acquisition. For the three and nine months ended September 30, 2013, the Company incurred $0.2 million and $0.4 million, respectively of acquisition-related integration costs.

**Note 4. Supplemental Balance Sheet Data**

The following table presents inventories by major class:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Raw materials | $ 30.0 | $ 20.3 |
| Work in progress | 21.2 | 22.9 |
| Finished goods | 68.1 | 67.3 |
| Supplies and other | 4.3 | 4.5 |
| | 123.6 | 115.0 |
| Adjust FIFO inventories to LIFO cost | (14.6) | (13.9) |
| Total | $ 109.0 | $ 101.1 |

The FIFO values of inventories valued on the LIFO method were $90.7 million and $86.6 million as of September 30, 2014 and December 31, 2013, respectively.

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The following table presents changes in accumulated other comprehensive income ( AOCI ) for the nine months ended September 30, 2014:

| | Unrealized foreign currency translation gain (loss) | Net gain (loss) from pension and other postretirement liabilities | Unrealized gain on available-for-sale securities | Accumulated other comprehensive income (loss) |
|---|---|---|---|---|
| AOCI December 31, 2013 | $ 17.9 | $ (45.2) | $ | $ (27.3) |
| Other comprehensive income before reclassifications | (15.7) | | 0.1 | (15.6) |
| Amounts reclassified from AOCI | | 3.4 | | 3.4 |
| Income from other comprehensive income items | (15.7) | 3.4 | 0.1 | (12.2) |
| Provision for income taxes | | 1.3 | | 1.3 |
| Other comprehensive income | (15.7) | 2.1 | 0.1 | (13.5) |
| AOCI September 30, 2014 | $ 2.2 | $ (43.1) | $ 0.1 | $ (40.8) |

For the three and nine months ended September 30, 2014, the Company reclassified $1.1 million and $3.4 million, respectively, of costs from accumulated other comprehensive income to cost of products sold and selling, general and administrative expenses on the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2014, the Company recognized an income tax benefit of $0.4 million and $1.3 million, respectively, related to such reclassifications classified as Provision for income taxes on the Condensed Consolidated Statements of Operations.

For the three and nine months ended September 30, 2013, the Company reclassified $1.6 million and $4.9 million, respectively, of costs from accumulated other comprehensive income to cost of products sold and selling, general and administrative expenses on the Condensed Consolidated Statements of Operations. In addition, for the nine months ended September 30, 2013, $0.2 million was reclassified from accumulated other comprehensive income to SERP settlement charge on the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2013, the Company recognized an income tax benefit of $0.6 million and $1.9 million, respectively, related to such reclassifications classified as Provision for income taxes on the Condensed Consolidated Statements of Operations.

**Note 5. Debt**

Long-term debt consisted of the following:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| 2021 Senior Notes (5.25% fixed rate) due May 2021 | $ 175.0 | $ 175.0 |
| Neenah Germany revolving lines of credit (variable rates) | | 19.3 |
| German Loan Agreement (3.8% fixed rate) | | 5.2 |
| Second German Loan Agreement (2.5% fixed rate) due in 32 equal quarterly installments ending September 2022 | 11.4 | 12.4 |
| Total debt | 186.4 | 211.9 |
| Less: Debt payable within one year | 1.4 | 21.4 |
| Long-term debt | $ 185.0 | $ 190.5 |

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***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. The 2021 Senior Notes are fully and unconditionally guaranteed by substantially all of the Company s domestic subsidiaries (the Guarantors ). The 2021 Senior Notes 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 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. As of September 30, 2014, the Company was in compliance with all terms of the indenture for the 2021 Senior Notes.

***Secured Bank Credit Facility***

In June 2013, the Company amended its bank credit agreement (as amended, the Bank Credit Agreement ) to, among other things; (i) modify the Bank Credit Agreement s accordion feature to permit the Company, subject to certain conditions, to increase the aggregate revolving credit facility commitments by up to $30 million, to a maximum amount of $180 million (ii) increase the Company s allowable dividends paid to shareholders in any period of 12 consecutive months to $25 million, (iii) allow the Company to repurchase up to $30 million of its own common stock on or before December 31, 2014, and (iv) make certain definitional and administrative changes.

As of September 30, 2014, the Company had a $105 million revolving credit facility (the Revolver ) pursuant to the Bank Credit Agreement of which no amounts were outstanding. As of September 30, 2014, the Company had $103.9 million of available credit under the Revolver.

Terms, Covenants and Events of Default. If borrowing availability under the Revolver is less than $20 million, the Company is required to achieve a fixed charge coverage ratio (as defined in the 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. As of September 30, 2014, the Company was in compliance with all terms of the Bank Credit Agreement.

The Company s ability to pay cash dividends on its common stock is limited under the terms of both the Bank Credit Agreement and the 2021 Senior Notes. As of September 30, 2014, the Company s ability to pay cash dividends on its common stock was limited to a total of $25 million in a 12-month period.

***Other Debt***

**German Project Financing**

German Loan Agreement. As of September 30, 2014, Neenah Germany had no amounts outstanding under a 10-year agreement with HypoVereinsbank and IKB Deutsche Industriebank AG (the German Loan Agreement ). In May 2014, the Company terminated the German Loan Agreement by repaying the remaining 3.7 million ($5.2 million) in outstanding German Loan Agreement borrowings.

Second German Loan Agreement. As of September 30, 2014, Neenah Germany had 9.0 million ($11.4 million, based on exchange rates at September 30, 2014) outstanding under a project financing agreement (the Second German Loan Agreement ). The Second German Loan Agreement matures in September 2022 and principal is repaid in equal quarterly installments beginning in December 2014.

**German Lines of Credit**

HypoVereinsbank Line of Credit. Neenah Germany has a revolving line of credit with HypoVereinsbank (the HypoVereinsbank Line of Credit ) that provides for borrowings of up to 15 million for general corporate purposes. As of September 30, 2014, no amounts were outstanding and 15.0 million ($19.0 million, based on exchange rates at September 30, 2014) of credit was available under the HypoVereinsbank Line of Credit.

Commerzbank Line of Credit. Neenah Germany has a revolving line of credit with Commerzbank AG ( Commerzbank ) that provides for borrowings of up to 5 million for general corporate purposes (the Commerzbank Line of Credit. As of September 30, 2014, no amounts were outstanding and 5.0 million ($6.4 million, based on exchange rates at September 30, 2014) of credit was available under the Commerzbank Line of Credit.

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**Restrictions under German Credit Facilities**

The terms of the HypoVereinsbank and Commerzbank lines of credit require Neenah Germany to maintain a ratio of stockholders equity to total assets equal to or greater than 45 percent. The Company was in compliance with all provisions of the HypoVereinsbank and Commerzbank lines of credit as of September 30, 2014.

**Note 6. Pension and Other Postretirement Benefits**

***Pension Plans***

Substantially all active employees of the Company s U.S. operations participate in defined benefit pension plans and/or defined contribution retirement plans. 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. Neenah Germany has defined benefit plans designed to provide a monthly pension upon retirement for substantially all its employees in Germany. 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 September 30, 2014, Neenah Germany had investments of $2.0 million that were restricted to the payment of certain post-retirement employee benefits. As of September 30, 2014, $0.7 million and $1.3 million of such investments are classified as prepaid and other current assets and other assets, respectively, on the consolidated balance sheet.

In February 2013, the Company reached agreement with the United Steelworkers Union on new collective bargaining agreements for all of its U.S. paper mills. The agreements resulted in a net reduction in the Company s liability for post-retirement benefits. In accordance with ASC Topic 715, Compensation Retirement Benefits ( ASC Topic 715 ), the Company measured the assets and liabilities of its U.S. post-retirement benefit plans as of February 28, 2013 and recorded a curtailment gain in OCI of $6.6 million less a provision for income taxes of $2.5 million.

The following table presents the components of net periodic benefit cost:

***Components of Net Periodic Benefit Cost***

| | Pension Benefits | | Postretirement Benefits Other than Pensions | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | | |
| | 2014 | 2013 | 2014 | 2013 |
| Service cost | $ 1.3 | $ 1.4 | $ 0.4 | $ 0.4 |
| Interest cost | 3.8 | 3.4 | 0.4 | 0.5 |
| Expected return on plan assets (a) | (4.1) | (4.3) | | |
| Recognized net actuarial loss | 1.0 | 1.4 | | 0.1 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amortization of prior service cost | | 0.1 | | 0.1 | | | | (0.1) |
| Net periodic benefit cost | $ | 2.1 | $ | 2.0 | $ | 0.8 | $ | 0.9 |

| | Pension Benefits | | | | Postretirement Benefits Other than Pensions | | | |
|---|---|---|---|---|---|---|---|---|
| | Nine Months Ended September 30, | | | | | | | |
| | 2014 | | 2013 | | 2014 | | 2013 | |
| Service cost | $ | 4.0 | $ | 4.0 | $ | 1.2 | $ | 1.3 |
| Interest cost | | 11.5 | | 10.2 | | 1.4 | | 1.4 |
| Expected return on plan assets (a) | | (12.6) | | (12.8) | | | | |
| Recognized net actuarial loss | | 3.2 | | 4.3 | | 0.1 | | 0.4 |
| Amortization of prior service cost | | 0.2 | | 0.2 | | (0.1) | | (0.2) |
| SERP settlement charge | | | | 0.2 | | | | |
| Net periodic benefit cost | $ | 6.3 | $ | 6.1 | $ | 2.6 | $ | 2.9 |

(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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The Company expects to make aggregate contributions to qualified and nonqualified defined benefit pension trusts and pay pension benefits for unfunded pension plans of approximately $25 million (based on exchange rates at September 30, 2014) in calendar 2014. For the nine months ended September 30, 2014, the Company made $16.4 million of such payments.

**Note 7. Stock Compensation Plan**

At the 2013 Annual Meeting of Stockholders, the Company s stockholders approved an amendment and restatement of the Neenah Paper, Inc. 2004 Omnibus Stock and Incentive Compensation Plan (as amended and restated the Omnibus Plan ). The amendment and restatement authorized the Company to reserve an additional 1,577,000 shares of $0.01 par value common stock ( Common Stock ) for future issuance. As of September 30, 2014, the Company had 1,750,000 shares of Common Stock reserved for future issuance under the Omnibus Plan. 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***

Substantially all stock-based compensation expense is recorded in selling, general and administrative expenses on the condensed consolidated statements of operations. The following table summarizes stock-based compensation expense and related income tax benefits.

| | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Stock-based compensation expense | $ 1.1 | $ 0.8 | $ 4.1 | $ 4.0 |
| Income tax benefit | (0.5) | (0.3) | (1.6) | (1.5) |
| Stock-based compensation, net of Income tax benefit | $ 0.6 | $ 0.5 | $ 2.5 | $ 2.5 |

The following table summarizes total compensation costs related to the Company s equity awards and amounts recognized in the nine months ended September 30, 2014.

| | Stock Options and SARs | Performance Shares and RSUs |
|---|---|---|
| Unrecognized compensation cost December 31, 2013 | $ 1.3 | $ 2.0 |
| Grant date fair value of current year grants | 1.2 | 4.0 |
| Compensation expense recognized | (1.1) | (3.0) |
| Estimated forfeitures for awards granted in prior years | | (0.2) |
| Unrecognized compensation cost September 30, 2014 | $ 1.4 | $ 2.8 |
| Expected amortization period (in years) | 2.1 | 1.8 |

***Stock Options and 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 non-qualified stock options converted. 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.

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The following tables present information regarding stock options awarded during the nine months ended September 30, 2014:

| | | |
|---|---|---|
| Nonqualified stock options granted | | 95,700 |
| Per share weighted average exercise price | $ | 43.17 |
| Per share weighted average grant date fair value | $ | 12.72 |

The weighted-average grant date fair value for stock options granted during the nine months ended September 30, 2014 was estimated using the Black-Scholes option valuation model with the following assumptions:

| | |
|---|---|
| Expected term in years | 5.9 |
| Risk free interest rate | 1.9% |
| Volatility | 36.5% |
| Dividend yield | 2.2% |

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 equivalent to the expected term of the stock option awards. Forfeitures were estimated at the date of grant.

The following table presents information regarding stock options and SARs that vested during the nine months ended September 30, 2014:

| | | |
|---|---|---|
| Nonqualified stock options and SARs vested | | 108,100 |
| Aggregate grant date fair value of stock options and SARs vested | $ | 0.9 |

For the three and nine months ended September 30, 2014, the aggregate pre-tax intrinsic value of stock options and SARs exercised was $1.9 million and $10.3 million, respectively.  For the three and nine months ended September 30, 2013, the aggregate pre-tax intrinsic value of stock options and SARs exercised was $4.4 million and $5.8 million, respectively.

As of September 30, 2014, certain participants met age and service requirements that allowed their stock options and SARs to qualify for accelerated vesting upon retirement. As of September 30, 2014, such participants held options to purchase approximately 50,000 shares of common stock that would have been exercisable if they had retired as of such date. The aggregate grant date fair value of options subject to accelerated vesting was $0.5 million. Stock options subject to accelerated vesting for expense recognition become exercisable according to the contract terms of the stock-based awards.

The following table presents information regarding outstanding stock options and SARs:

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Stock options and SARs vested or expected to vest | 668,800 | 946,000 |
| Aggregate intrinsic value | $ 29.9 | $ 18.4 |
| Per share weighted average grant date fair value | $ 8.75 | $ 8.40 |
| Exercisable stock options and SARs | 358,200 | 622,000 |
| Aggregate intrinsic value | $ 16.3 | $ 12.9 |
| Unvested stock options and SARs | 315,700 | 328,000 |
| Per share weighted average grant date fair value | $ 10.38 | $ 9.11 |

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***Performance Units***

For the nine months ended September 30, 2014, the Company granted target awards of 60,900 Performance Units. The measurement period for the Performance Units is January 1, 2014 through December 31, 2014. The Performance Units vest on December 31, 2016. 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, the percentage of consolidated free cash flow to revenue and total return to shareholders relative to the companies in the Russell 2000® Value small cap index. As of September 30, 2014, the Company expects that Common Stock equal to approximately 135 percent of the Performance Unit targets will be earned. The market price on the date of grant for the Performance Units was $42.82 per share. Based on the expected achievement of performance targets, the Company is recognizing stock-based compensation expense pro-rata over the vesting term of the Performance Units.

***Excess Tax Benefits***

ASC Topic 718 requires the reporting of excess tax benefits related to the exercise or vesting of stock-based awards as cash provided by financing activities within the statement of cash flows. 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. As of September 30, 2014 and December 31, 2013, because the Company had unused net operating losses ( NOLs ) its excess tax benefits did not result in a reduction in taxes paid and therefore a reduction in cash flow from operations is recorded to offset the amount of excess tax benefits reported in cash flows from financing activities. For the nine months ended September 30, 2014 and 2013, the Company recognized excess tax benefits related to the exercise or vesting of stock-based awards of $3.0 million and $0.4 million, respectively.

**Note 8. Goodwill and Other Intangible Assets**

The following table presents changes in the carrying amount of goodwill for the nine months ended September 30, 2014. All such goodwill is reported in the Technical Products segment.

| | Gross Amount | Cumulative Impairment Losses | Net |
|---|---|---|---|
| Balance at December 31, 2013 | $ 100.1 | $ (57.0) | $ 43.1 |
| Acquisition of Crane Technical Materials | 13.4 | | 13.4 |
| Foreign currency translation | (7.9) | 4.5 | (3.4) |
| Balance at September 30, 2014 | $ 105.6 | $ (52.5) | $ 53.1 |

The following table presents the gross carrying amount of intangible assets and the related accumulated amortization for intangible assets subject to amortization.

| | Weighted-Average Amortization Period (Years) | September 30, 2014 Gross Amount | September 30, 2014 Accumulated Amortization | December 31, 2013 Gross Amount | December 31, 2013 Accumulated Amortization |
|---|---|---|---|---|---|
| Amortizable intangible assets | | | | | |
| Customer based intangibles | 15 | $ 23.3 | $ (8.0) | $ 17.5 | $ (7.6) |
| Trade names and trademarks | 10-15 | 5.4 | (4.3) | 5.8 | (4.2) |
| Acquired technology | 10-15 | 7.4 | (0.9) | 1.1 | (0.8) |
| Total amortizable intangible assets | | 36.1 | (13.2) | 24.4 | (12.6) |
| Non-amortizable trade names | Not amortized | 37.2 | | 26.7 | |
| Total | | $ 73.3 | $ (13.2) | $ 51.1 | $ (12.6) |

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In conjunction with the acquisition of the technical materials business, the Company recorded $11.1 million in non-amortizable intangible trade names and $6.9 million and $6.4 in amortizable customer based intangible assets and acquired technology, respectively. All other changes in the carrying value of the Company s intangible assets not specifically identified are due to foreign currency translation effects. The weighted average useful lives assigned to amortizable intangible trade names, trademarks and customer based intangible assets was 15 years.

**Note 9. 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. As of September 30, 2014 and December 31, 2013, the Company had 16,640,000 shares and 16,361,000 shares of Common Stock outstanding, respectively.

In May 2014, 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 2014 Stock Purchase Program ). Purchases by the Company under the 2014 Stock Purchase Program 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 2014 Stock Purchase Program does not require the Company to purchase any specific number of shares and may be suspended or discontinued at any time. The 2014 Stock Purchase Program replaced a $10 million repurchase program in place during the preceding 12 months that expired in May 2014 (the 2013 Stock Purchase Program ).

For the nine months ended September 30, 2014 the Company acquired approximately 8,000 shares of Common Stock at a cost of $0.4 million pursuant to the 2014 Stock Purchase Program. For the nine months ended September 30, 2013, there were no purchases under the 2013 Stock Purchase Program. For the nine months ended September 30, 2014 and 2013, the Company acquired approximately 3,000 shares and 21,000 shares of Common Stock at a cost of $0.1 million and $0.7 million, respectively, for shares surrendered by employees to pay taxes due on vested restricted stock awards and SARs exercised.

**Note 10. 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 cash flows of the Company.

***Income Taxes***

The Company is continuously undergoing 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.

***Employees and Labor Relations***

As of September 30, 2014, the Company had no employees covered by collective bargaining agreements that will expire in the next 12-months. The Company believes it has satisfactory relations with its employees covered by collective bargaining agreements.

**Note 11. Discontinued Operations**

In March 2010, the Company concluded its operating activities in Canada; however, the Company has certain continuing post-employment benefit obligations related to its former Canadian pulp operations. In the first quarter of 2013, the Company received a refund of excess pension contributions, less withholding taxes, from the terminated Terrace Bay pension plan. As a result, the Company recorded income from discontinued operations of $2.6 million, net of income taxes of $1.6 million, on the Condensed Consolidated Statement of Operations.

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**Note 12. Business Segment Information**

The Company reports its operations in two primary segments: Technical Products and Fine Paper. The technical products business is an international producer of transportation and other filter media and durable, saturated and coated substrates for industrial products backings and a variety of other specialty end markets. The fine paper business is a supplier of premium writing, text and cover papers, bright papers, and luxury packaging and premium label specialty papers in North America. Each segment employs different technologies and marketing strategies. In addition, the Company reports in the Other segment results for non-premium Index, Tag and Vellum Bristol product lines. 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 Unallocated corporate costs.

The following table summarizes the net sales, operating income and total assets for each of the Company s business segments.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Net sales** | | | | |
| Technical Products | $ 121.5 | $ 104.4 | $ 355.9 | $ 317.2 |
| Fine Paper | 101.4 | 102.6 | 309.5 | 302.0 |
| Other | 7.7 | 7.1 | 20.7 | 20.4 |
| Consolidated | $ 230.6 | $ 214.1 | $ 686.1 | $ 639.6 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Operating income (loss)** | | | | |
| Technical Products | $ 10.0 | $ 6.7 | $ 36.9 | $ 28.3 |
| Fine Paper | 15.2 | 13.3 | 45.8 | 45.1 |
| Other | 0.1 | 0.3 | (0.2) | |
| Unallocated corporate costs | (3.2) | (3.9) | (11.5) | (12.2) |
| Consolidated | $ 22.1 | $ 16.4 | $ 71.0 | $ 61.2 |

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| **Total Assets** | | |
| Technical Products | $ 424.2 | $ 365.9 |
| Fine Paper | 207.3 | 206.9 |
| Corporate and Other | 42.7 | 103.1 |
| Total | $ 674.2 | $ 675.9 |

***Concentrations***

In July 2014, Unisource Worldwide, Inc ( Unisource ) and xpedx, a business of International Paper ( xpedx ) merged to form Veritiv Corporation. For the year ended December 31, 2013, sales to Unisource and xpedx represented approximately 10 percent of the Company s consolidated net sales and 20 percent of net sales of the fine paper business.

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**Item 2. 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 financial position as of September 30, 2014 and our results of operations for the three and nine months ended September 30, 2014 and 2013. You should read this discussion in conjunction with our consolidated financial statements and the notes to those consolidated financial statements included in our most recent 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.*

**Executive Summary**

In July 2014, we purchased all of the outstanding equity of the Crane Technical Materials business from Crane & Co., Inc. for $72.4 million. The acquisition purchase price was paid from cash on hand. The acquired technical materials business provides performance-oriented wet laid nonwovens media for fast growing filtration end markets as well as environmental, energy and industrial uses. This technical materials business has two manufacturing facilities in Pittsfield, Massachusetts.

For the three months ended September 30, 2014, consolidated net sales increased $16.5 million from the prior year period to $230.6 million primarily due to incremental technical products volume related to the acquisition of the technical materials business and higher average net prices for our heritage businesses. Excluding incremental sales from the acquired technical materials business, consolidated net sales increased $4.9 million or two percent from the prior year primarily due to higher average selling prices for both businesses and growth in technical products volume.

Consolidated operating income of $22.1 million for the three months ended September 30, 2014 increased $5.7 million from the prior year period. The favorable comparison to the prior year was primarily due to higher net price for both businesses, increased sales volumes for our technical products business and fine paper manufacturing efficiencies. These favorable variances were partially offset by higher manufacturing input costs.

Cash provided by operating activities of $20.7 million for the three months ended September 30, 2014 was $13.8 million unfavorable to cash provided by operating activities of $34.5 million in the prior year period. Cash flows from operations resulting from higher operating earnings in the current year period were more than offset by a larger year-over-year decrease in our investment in working capital in the prior year period.

**Results of Operations and Related Information**

In this section, we discuss and analyze our net sales, earnings before interest and taxes (which we refer to as operating income ) and other information relevant to an understanding of our results of operations for the three and nine months ended September 30, 2014 and 2013.

***Analysis of Net Sales Three and nine months ended September 30, 2014 and 2013***

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

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| **Net sales** | | | | | | | | |
| Technical Products | $ 121.5 | 53% | $ 104.4 | 49% | $ 355.9 | 52% | $ 317.2 | 50% |
| Fine Paper | 101.4 | 44% | 102.6 | 48% | 309.5 | 45% | 302.0 | 47% |
| Other | 7.7 | 3% | 7.1 | 3% | 20.7 | 3% | 20.4 | 3% |
| Consolidated | $ 230.6 | 100% | $ 214.1 | 100% | $ 686.1 | 100% | $ 639.6 | 100% |

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***Commentary:***

The following table presents our net sales by segment for the three months ended September 30, 2014 and 2013:

| | Three Months Ended September 30, | | Change in Net Sales Compared to Prior Period | | | |
|---|---|---|---|---|---|---|
| | | | | Change Due To | | |
| | 2014 | 2013 | Total Change | Volume | Average Net Price | Currency |
| Technical Products | $ 121.5 | $ 104.4 | $ 17.1 | $ 13.7 | $ 3.2 | $ 0.2 |
| Fine Paper | 101.4 | 102.6 | (1.2) | (2.3) | 1.1 | |
| Other | 7.7 | 7.1 | 0.6 | 0.4 | 0.2 | |
| Consolidated | $ 230.6 | $ 214.1 | $ 16.5 | $ 11.8 | $ 4.5 | $ 0.2 |

Consolidated net sales for the three months ended September 30, 2014 were $16.5 million or eight percent higher than the prior year period primarily due to incremental technical products volume related to the acquired technical materials business and higher average selling prices for both businesses.

- Net sales in our technical products business increased $17.1 million or 16 percent from the prior year due to incremental sales volume related to the acquired technical materials business and higher average net prices.  Excluding incremental sales from the acquisition, technical product sales increased $5.5 million or five percent.  Average net price was favorable to the prior year due to a more favorable product mix and marginally higher average selling prices. Excluding incremental sales volume from the acquisition, sales volumes increased approximately two percent from the prior year period due to growth in filtration and specialty products shipments.

- Net sales in our fine paper business decreased $1.2 million or one percent from the prior year period as higher average net prices were more than offset by a two percent decrease in sales volumes.  Average net price improved from the prior year due to a more favorable product mix and an increase in average selling prices.  Sales volume was unfavorable to the prior year as growth in shipments of core premium products was more than offset by lower sales of unbranded writing, text and cover papers.

The following table presents our net sales by segment for the nine months ended September 30, 2014 and 2013:

| | Nine Months Ended September 30, | | Change in Net Sales Compared to Prior Period | | | |
|---|---|---|---|---|---|---|
| | | | | Change Due To | | |
| | 2014 | 2013 | Total Change | Volume | Average Net Price | Currency |
| Technical Products | $ 355.9 | $ 317.2 | $ 38.7 | $ 30.0 | $ 1.9 | $ 6.8 |
| Fine Paper | 309.5 | 302.0 | 7.5 | 2.5 | 5.0 | |
| Other | 20.7 | 20.4 | 0.3 | (0.3) | 0.6 | |
| Consolidated | $ 686.1 | $ 639.6 | $ 46.5 | $ 32.2 | $ 7.5 | $ 6.8 |

Consolidated net sales for the nine months ended September 30, 2014 were $46.5 million or seven percent higher than the prior year period due to increased volume for both businesses, incremental technical products volume related to the acquired technical materials business, higher average selling prices and favorable currency effects.

- Net sales in our technical products business increased $38.7 million or 12 percent from the prior year due to increased volume and favorable currency effects. Excluding incremental sales from the acquisition, technical product sales increased $27.1 million or nine percent. Excluding incremental sales volume from the acquisition, sales volumes increased approximately six percent from the prior year period due to growth in shipments for all product categories led by transportation filtration, specialty products and backings. Favorable currency exchange effects resulted from the Euro strengthening by approximately three percent relative to the U.S. dollar during the first nine months of 2014. Average net price was favorable to the prior year as a result of higher average selling prices and a more favorable product mix.

- Net sales in our fine paper business increased $7.5 million or two percent from the prior year period due to higher average net prices and increased volume. Average net price improved from the prior year due to a more favorable product mix and a one percent increase in average selling prices. Sales volumes increased approximately two percent from the prior year period primarily due to growth in luxury packaging and core premium product shipments, and incremental volume of $1.5 million in the first quarter of 2014 from the acquisition of the Southworth brands (acquired on January 31, 2013).

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The following table sets forth line items from our condensed 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:

| | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Nine Months Ended September 30, 2014 | Nine Months Ended September 30, 2013 |
|---|---|---|---|---|
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of products sold | 81.4 | 82.7 | 80.6 | 80.7 |
| Gross profit | 18.6 | 17.3 | 19.4 | 19.3 |
| Selling, general and administrative expenses | 8.6 | 9.3 | 8.8 | 9.4 |
| Integration/restructuring costs | 0.4 | 0.2 | 0.3 | 0.1 |
| Loss on early extinguishment of debt | | | | 0.1 |
| Other expense - net | | 0.2 | | 0.1 |
| Operating income | 9.6 | 7.6 | 10.3 | 9.6 |
| Interest expense-net | 1.2 | 1.2 | 1.2 | 1.3 |
| Income from continuing operations before income taxes | 8.4 | 6.4 | 9.1 | 8.3 |
| Provision for income taxes | 2.5 | 1.1 | 3.0 | 2.6 |
| Income from continuing operations | 5.9% | 5.3% | 6.1% | 5.7% |

***Analysis of Operating Income Three and nine months ended September 30, 2014 and 2013***

***Commentary:***

The following table presents our operating income by segment for the three months ended September 30, 2014 and 2013:

| | Three Months Ended September 30, 2014 | Three Months Ended September 30, 2013 | Total Change | Change in Operating Income Compared to Prior Period — Change Due To: Volume | Net Price (a) | Material Costs (b) | Currency | Other (c) |
|---|---|---|---|---|---|---|---|---|
| Technical Products | $ 10.0 | $ 6.7 | $ 3.3 | $ 1.4 | $ 2.9 | $ (0.2) | $ 0.1 | $ (0.9) |
| Fine Paper | 15.2 | 13.3 | 1.9 | (0.6) | 1.9 | (0.5) | | 1.1 |
| Other | 0.1 | 0.3 | (0.2) | | 0.1 | | | (0.3) |
| Unallocated corporate costs | (3.2) | (3.9) | 0.7 | | | | | 0.7 |
| Consolidated | $ 22.1 | $ 16.4 | $ 5.7 | $ 0.8 | $ 4.9 | $ (0.7) | $ 0.1 | $ 0.6 |

(a) Includes changes in selling price and product mix.

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

(c) Includes other manufacturing costs, over (under) absorption of fixed costs, distribution and selling, general and administrative ( SG&A ) expenses.

Consolidated operating income of $22.1 million for the three months ended September 30, 2014 increased $5.7 million or 35 percent from the prior year period. The favorable comparison was primarily due to higher net price for both businesses and incremental technical products volume related to the acquired technical materials business.

- Operating income for our technical products business increased $3.3 million or 49 percent from the prior year period primarily due to higher net price and incremental volume related to the acquisition. Results for the three months ended September 30, 2014 and 2013 include $1.1 million and $0.2 million for integration/restructuring costs, respectively.

- Operating income for our fine paper business increased $1.9 million or 14 percent from the prior year period primarily due to higher net price and manufacturing efficiencies. These favorable variances were partially offset by higher manufacturing input costs and lower shipment volume. Results for the three months ended September 30, 2013 include $0.2 million for acquisition related integration costs.

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- Unallocated corporate expenses for the three months ended September 30, 2014 of $3.2 million were $0.7 million favorable to the prior year period. The favorable comparison to the prior year period is primarily due to the timing of certain corporate spending in the prior year period. Costs for the three months ended September 30, 2014 include a credit of $0.2 million for second quarter costs related to the acquisition of the technical materials business which were allocated to the Technical Products segment.

The following table presents our operating income by segment for the nine months ended September 30, 2014 and 2013:

| | Nine Months Ended September 30, | | | Change in Operating Income Compared to Prior Period | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Change Due To | | | |
| | 2014 | 2013 | Total Change | Volume | Net Price (a) | Material Costs (b) | Currency | Other (c) |
| Technical Products | $ 36.9 | $ 28.3 | $ 8.6 | $ 4.7 | $ 3.3 | $ 0.5 | $ 0.6 | $ (0.5) |
| Fine Paper | 45.8 | 45.1 | 0.7 | 0.6 | 4.9 | (6.6) | | 1.8 |
| Other | (0.2) | | (0.2) | | 0.6 | | | (0.8) |
| Unallocated corporate costs | (11.5) | (12.2) | 0.7 | | | | | 0.7 |
| Consolidated | $ 71.0 | $ 61.2 | $ 9.8 | $ 5.3 | $ 8.8 | $ (6.1) | $ 0.6 | $ 1.2 |

(a) Includes changes in selling price and product mix.

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

(c) Includes other manufacturing costs, over (under) absorption of fixed costs, distribution and SG&A expenses.

Consolidated operating income of $71.0 million for the nine months ended September 30, 2014 increased $9.8 million or 16 percent from the prior year period. The favorable comparison is primarily due to higher average selling prices for both businesses, increased technical products shipment volume and lower manufacturing costs for fine paper. These favorable variances were partially offset by higher manufacturing input costs for our fine paper business, primarily for natural gas and pulp.

- Operating income for our technical products business increased $8.6 million or 30 percent from the prior year period primarily due to growth in shipments for all product categories, higher average selling prices and lower manufacturing input costs. Results for the nine months ended September 30, 2014 and 2013 include $1.9 million and $0.2 million for integration/restructuring costs, respectively.

- Operating income for our fine paper business increased $0.7 million or 2 percent from the prior year period primarily due to higher average net selling prices, manufacturing operating efficiencies and increased shipment volume. These favorable variances were partially offset by $6.6 million in higher manufacturing input costs, including more than $3.0 million for natural gas in the first quarter of 2014. Results for the nine months ended September 30, 2013 include $0.4 million for acquisition related integration costs.

- Unallocated corporate expenses for the nine months ended September 30, 2014 of $11.5 million were $0.7 million favorable to the prior year period. Results for the nine months ended September 30, 2013, include a supplemental executive pension plan settlement charge of $0.2 million and costs related to the early extinguishment of debt of $0.5 million.

***Additional Statement of Operations Commentary:***

- SG&A expense of $19.8 million for the three months ended September 30, 2014 was unchanged from SG&A expense of $19.8 million in the prior year period.  For the three months ended September 30, 2014 and 2013, SG&A expense as a percent of sales improved to 8.6 percent from 9.3 percent in the prior year period.  SG&A expense of $60.1 million for the nine months ended September 30, 2014 was essentially unchanged from the prior year period.

- For the three months ended September 30, 2014, we incurred net interest expense of $2.7 million which was $0.1 million higher than the prior year period.

- For the three months ended September 30, 2014 and 2013, we recorded an income tax provision related to continuing operations of $5.8 million and $2.4 million, respectively.  The effective income tax rate for the three months ended September 30, 2014 and 2013 was 30 percent and 17 percent, respectively. The increase in our consolidated effective tax rate was primarily due to a higher level of state research and development credits in the prior year period.

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**Liquidity and Capital Resources**

| | Nine Months Ended September 30, 2014 | 2013 |
|---|---|---|
| Net cash flow provided by (used in): | | |
| Operating activities | $ 72.6 | $ 64.5 |
| Investing activities: | | |
| Capital expenditures | (15.2) | (20.4) |
| Purchase of Neenah Technical Materials | (72.4) | |
| Purchase of brands | | (5.2) |
| Purchase of equity investment | (2.9) | |
| Other investing activities | (0.5) | 0.8 |
| Total | (91.0) | (24.8) |
| Financing activities | (30.7) | 0.4 |
| Net increase in cash and cash equivalents (a) | (49.4) | 40.4 |

(a) Includes the effect, if any, of exchange rate changes on cash and cash equivalents.

***Operating Cash Flow Commentary***

- Cash provided by operating activities of $72.6 million for the nine months ended September 30, 2014 was $8.1 million favorable to cash provided by operating activities of $64.5 million in the prior year period. The favorable comparison was primarily due to higher operating income and a $2.2 million decrease in our investment in working capital for the nine months ended September 30, 2014 compared to an increase in our investment in working capital of $5.3 million in the prior year. These favorable variances were partially offset by increased contributions and benefit payments for post-retirement benefit obligations.

***Investing Commentary:***

- For the nine months ended September 30, 2014 and 2013, cash used by investing activities was $91.0 million and $24.8 million, respectively. For the nine months ended September 30, 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. Cash used by investing activities for the nine months ended September 30, 2013 includes a payment of $5.2 million to acquire the Southworth brands.

Capital expenditures for the nine months ended September 30, 2014 were $15.2 million compared to spending of $20.4 million in the prior year period. In general, we expect aggregate annual capital expenditures of approximately 3 to 5 percent of net sales. For 2014, we expect annual capital expenditures at the lower end of that range or approximately $30 million. We believe that the level of our capital spending allows us to maintain the efficiency and cost effectiveness of our assets and invest in expanded capabilities for our manufacturing assets to successfully pursue strategic initiatives and deliver attractive returns.

***Financing Commentary:***

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

- For the nine months ended September 30, 2014, cash used in financing activities was $30.7 million compared to cash provided by financing activities of $0.4 million for the nine months ended September 30, 2013.

- Availability under our revolving credit facility varies over time depending on the value of our inventory, receivables and various capital assets. As of September 30, 2014, we had no outstanding borrowings under our Revolver and $103.9 million of available credit. Under our German Lines of Credit we had no outstanding borrowings and 20.0 million ($25.4 million, based on exchanges rates at September 30, 2014) of available credit.

- In June 2014, we repaid the remaining 3.7 million ($5.2 million) in outstanding project financing borrowings.

- We have required debt principal payments through September 30, 2015 of $1.4 million for principal payments on the Second German Loan Agreement.

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- For the nine months ended September 30, 2014, cash and cash equivalents decreased $49.4 million to $24.0 million at September 30, 2014 from $73.4 million at December 31, 2013. Total debt decreased $25.5 million to $186.4 million at September 30, 2014 from $211.9 million at December 31, 2013. Net debt (total debt minus cash and cash equivalents) increased by $23.9 million primarily due to the acquisition of the Crane Technical Materials business for $72.4 million partially offset by cash flow from operations.

- As of September 30, 2014, our cash balance of $24.0 million consists of $21.5 million in the U.S. and $2.5 million held at entities outside of the U.S. As of September 30, 2014 there were no restrictions regarding the repatriation of our non-U.S. cash; however, if we repatriated these cash balances to the U.S., we would incur additional income tax expense.

***Transactions With Shareholders***

- In May 2014, our Board of Directors approved a thirteen percent increase in the annual dividend rate on our common stock to $1.08 per share. Effective August 1, 2014, the dividend is being paid in four equal quarterly installments of $0.27 per share. For the nine months ended September 30, 2014 and 2013, we paid cash dividends of $0.75 per common share or $12.6 million and $0.50 per common share or $8.2 million, respectively.

- In May 2014, our Board of Directors authorized the 2014 Stock Purchase Plan. The 2014 Stock Purchase Plan allows us to repurchase up to $25 million of our outstanding Common Stock through May 2015. Purchases under the 2014 Stock Purchase Program 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 2014 Stock Purchase Program does not require us to purchase any specific number of shares and may be suspended or discontinued at any time. For the nine months ended September 30, 2014, we acquired approximately 8,000 shares of common stock at a cost of $0.4 million pursuant to the 2014 Stock Purchase Program.

***Other Items:***

- As of September 30, 2014, we had $19.4 million and $41.9 million of U.S. federal and state NOLs, respectively. If not used, substantially all of the NOLs will expire in various amounts between 2028 and 2030. In addition, we had $2.4 million of state research and developments credits which, if not used, will expire in 2017. We do not expect to pay U.S. federal income taxes in 2014; however, we anticipate that we will substantially reduce our U.S. federal NOLs.

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 2014 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.

**Critical Accounting Policies and Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires 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 period. We believe that the estimates, assumptions and judgments described in Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. 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 timing of recognizing sales revenue, the recoverability of deferred income tax assets, pension benefits and future cash flows associated with impairment testing of long-lived assets. Actual results could differ from these estimates and changes in these estimates are recorded when known. We believe that the consistent application of these policies enables us to provide readers of our financial statements with useful and reliable information about our operating results and financial condition. There have been no significant changes in these policies, or the estimates used in the application of the policies, since December 31, 2013.

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**Cautionary Note Regarding Forward-Looking Statements**

Certain statements in this Quarterly Report on Form 10-Q 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 quarterly report that are not historical facts may be forward-looking statements within the meaning of the PSLRA and we caution investors that any forward-looking statements we make are not guarantees or indicative of future performance. These forward-looking statements rely on a number of assumptions concerning future events and are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to materially differ from such statements. Such risks, uncertainties and other factors include, but are not necessarily limited to, those set forth under the captions Cautionary Note Regarding Forward-Looking Statements and/or Risk Factors of our latest Form 10-K filed with the SEC as periodically updated by subsequently filed Form 10-Qs (these securities filings can be located on our website at www.neenah.com). Unless specifically required by law, we assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances. 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.

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

- changes in market demand for our products due to global economic conditions;
- the competitive environment;
- 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;
- the loss of current customers or the inability to obtain new customers;
- our ability to control costs and implement measures designed to enhance operating efficiencies;
- strikes, labor stoppages and changes in our collective bargaining agreements and relations with our employees and unions;
- fluctuations in (i) exchange rates (in particular changes in the U.S. dollar/Euro currency exchange rates) and (ii) interest rates;
- 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;
- 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 tax planning strategies may not be effective; and
- other risks that are detailed from time to time in reports we file with the SEC.

Any subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth or referred to above, as well as the risk factors contained in our most recent Annual Report on Form 10-K. Except as required by law, we disclaim any obligation to update such statements or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2013.

**Item 4. Controls and Procedures**

***Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management in a timely manner.

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As of September 30, 2014, an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The scope of management s assessment of the effectiveness of internal control over financial reporting includes all of the Company s businesses except for the Crane Technical Materials business acquired in July 2014. The acquired business constituted approximately 11 percent of total assets, five percent of revenues, and one percent of net income of the consolidated financial statement amounts as of and for the three months ended September 30, 2014. Further discussion of this acquisition can be found in Note 3 Acquisitions to our condensed consolidated financial statements. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2014.

***Internal Controls over Financial Reporting***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in our internal control over financial reporting occurred during the three months ended September 30, 2014. Based on that evaluation, we have concluded that there has been no change in our internal control over financial reporting during the three months ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

See Note 10, Contingencies and Legal Matters of Notes to Condensed Consolidated Financial Statements of Item 1 Financial Statements.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our most recent Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

***Purchases of Equity Securities:***

The following table contains information about our purchases of our equity securities for the three months ended September 30, 2014.

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs (a) |
|---|---|---|---|---|---|
| July 1, 2014 July 31, 2014 | 2,000 | $ | 49.80 | 2,000 | 24,900,000 |
| August 1, 2014 August 31, 2014 | 5,728 | $ | 49.89 | 5,728 | 24,600,000 |
| September 1, 2014 September 30, 2014 | | $ | | | 24,600,000 |

(a) In May 2014, our Board of Directors authorized a program that would allow us to repurchase up to $25 million of our outstanding Common Stock over the next 12 months (the 2014 Stock Purchase Program ). The $10 million 2013 Stock Purchase Plan expired in May 2014. For the three and nine months ended September 30, 2014, there were no purchases of Common Stock made under the 2013 Stock Purchase Plan.

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**Item 6. Exhibits**

| Exhibit Number | Exhibit |
|---|---|
| 31.1 | Certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32 | Certification of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document (furnished herewith). |
| 101.SCH | XBRL Taxonomy Extension Schema Document (furnished herewith). |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document (furnished herewith). |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document (furnished herewith). |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document (furnished herewith). |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document (furnished herewith). |

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## SIGNATURES

Pursuant to the requirements 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<br>John P. O Donnell<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| | /s/ Bonnie C. Lind<br>Bonnie C. Lind<br>Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) |
| | /s/ Larry N. Brownlee<br>Larry N. Brownlee<br>Vice President Controller (Principal Accounting Officer) |

November 6, 2014