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Total

$57.0 $41.3 $34.8

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

	Year Ended December 31,		
	2012	2011	2010
Provision (benefit) for income taxes:			
Current:			
Federal	$ (2.2)	$ 0.2	$ (0.4)
State		0.4	(0.1)
Foreign	8.8	3.9	3.6
Total current tax provision	6.6	4.5	3.1
Deferred:			
Federal	12.0	8.9	7.2
State	0.4	1.2	1.2
Foreign	(1.9)	(2.6)	(1.7)
Total deferred tax provision	10.5	7.5	6.7
Total provision for income taxes	$ 17.1	$ 12.0	$ 9.8

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.

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 bases of assets and liabilities. The components of deferred tax assets and liabilities are as follows:

	December 31, 2012	December 31, 2011
Net current deferred income tax assets		
Net operating losses	$ 18.9	$ 9.8
Employee benefits	1.7	4.0
Accrued liabilities	2.8	2.2
Inventory	3.6	1.4
Other	0.3	0.7
Net current deferred income tax assets before valuation allowance	27.3	18.1
Valuation allowance	(0.1)	(0.5)
Net current deferred income tax assets	27.2	17.6
Net noncurrent deferred income tax assets		
Net operating losses and credits	16.0	29.5
Employee benefits	38.2	36.9
Accelerated depreciation	(18.4)	(19.7)
Other	(0.2)	
Net noncurrent deferred income tax assets before valuation allowance	35.6	46.7
Valuation allowance	(0.3)	(1.2)
Net noncurrent deferred income tax assets	35.3	45.5
Total deferred income tax assets	$ 62.5	$ 63.1
Net noncurrent deferred income tax liability		
Accelerated depreciation	$ 18.6	$ 18.8
Intangibles	4.7	5.0
Interest limitation	(5.2)	(4.7)
Employee benefits	(5.0)	(2.7)
Net operating losses	(0.2)	(0.3)
Other	(0.4)	(0.1)
Net noncurrent deferred income tax liabilities	$ 12.5	$ 16.0

As of December 31, 2012, a valuation allowance of $0.4 million has been provided against certain U.S. state deferred income tax assets in states where the Company no longer has operations. 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.

As of December 31, 2012, the Company had $65.9 million of U.S. Federal and $76.9 million of U.S. state net operating losses ("NOLs"). If not used, substantially all of the NOLs will expire in various amounts between 2028 and 2030. The Company also has preacquisition and recognized built-in loss carryovers of approximately $13.5 million, net of expected limitations. In addition, the Company has $2.8 million of Alternative Minimum Tax carryovers, which can be carried forward indefinitely.

No provision for U.S. income taxes has been made for undistributed earnings of certain of the Company's foreign subsidiaries which have been indefinitely reinvested. The Company is unable to estimate the amount of U.S. income taxes that would be payable if such undistributed foreign earnings were repatriated.

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The following is a tabular reconciliation of the total amounts of uncertain tax positions as of and for the years ended December 31, 2012, 2011 and 2010:

	For the Years Ended December 31,		
	2012	2011	2010
Balance at January 1,	$ 8.4	$ 8.6	$ 10.5
Increases in prior period tax positions	4.4	0.2	1.7
Decreases in prior period tax positions	(7.5)	(0.3)	(3.5)
Decreases due to settlements with tax authorities	(0.5)	(0.1)	(0.1)
Balance at December 31,	$ 4.8	$ 8.4	$ 8.6

If recognized, approximately $4.2 million of the benefit for uncertain tax positions at December 31, 2012 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, 2012.

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 2009 and state and local examinations for years before 2007 and non-U.S. income tax examinations for years before 2005. As of December 31, 2012, audit findings related to the 2006 through 2007 tax years were in the process of being appealed to the German tax authorities. For a discussion of uncertainties related to tax matters see Note 11, "Contingencies and Legal Matters."

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. For the years ended December 31, 2012 and 2011, the Company recognized an expense (benefit) for interest and penalties of $(0.5) million and $0.2 million, respectively. The Company recognized interest and penalties of less than $0.1 million for the year ended December 31, 2010. As of December 31, 2012 and 2011, the Company had $0.1 million and $0.9 million, respectively, accrued for interest and penalties related to uncertain income tax positions.

Note 6. Debt

Long-term debt consisted of the following:

	December 31,	
	2012	2011
Senior Notes (7.375% fixed rate) due 2014	$ 90.0	$ 158.0
Revolving bank credit facility (variable rates), due 2017	55.7	
Term Loan (variable rates), due in quarterly installments through November 2017	30.0	
Neenah Germany project financing (3.8% fixed rate) due in 16 equal semi-annual installments ending December 2016	6.6	8.1
Neenah Germany revolving lines of credit (variable rates)		20.1
Total Debt	182.3	186.2
Less: Debt payable within one year	4.7	21.7
Long-term debt	$ 177.6	$ 164.5

Senior Unsecured Notes

On December 31, 2012, the Company had $90 million of ten-year 7.375% senior unsecured notes, originally issued on November 30, 2004 (the "Senior Notes") outstanding. A description and history of the Senior Notes is as follows:

Original Issuance. On November 30, 2004, the Company issued $225 million aggregate principal amount of Senior Notes. Interest on the Senior Notes is payable May 15 and November 15 of each year. The Senior Notes are fully and unconditionally guaranteed by substantially all of the Company's subsidiaries, with the exception of our non-Canadian international subsidiaries.

Covenants. The 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 Senior Notes contain covenants restricting our ability to incur certain additional debt, 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 the Company.

First Open Market Purchases. During the three months ended September 30, 2010, the Company completed open market purchases of $2 million aggregate principal amount of the Senior Notes for slightly less than par value.

First Early Redemption. On March 10, 2011, the Company completed an early redemption of $65 million in aggregate principal amount of the Senior Notes (the "First Early Redemption"). For the year ended December 31, 2011, the Company recognized a pre-tax loss, including the write-off of related unamortized debt issuance costs, of approximately $2.4 million in connection with the First Early Redemption.

Second Early Redemption. On April 23, 2012, the Company redeemed $10 million in aggregate principal amount of the Senior Notes (the "Second Early Redemption"). The Second Early Redemption was financed with available secured revolving credit facility borrowings. The Company recognized a pre-tax loss, including the write-off of related unamortized debt issuance costs, of approximately $0.2 million in connection with the Second Early Redemption.

Third Early Redemption. On October 16, 2012, the Company redeemed $58 million in aggregate principal amount of the Senior Notes (the "Third Early Redemption"). The Senior Notes were purchased at par value on November 15, 2012. The Third Early Redemption was financed by a combination of borrowings using the Company's revolving credit facility and a new $30 million term loan. The Company recognized a pre-tax loss, including the write-off of related unamortized debt issuance costs, of approximately $0.4 million in connection with the Third Early Redemption.

Redemption Rights/Open Market Purchases. Commencing on or after November 15, 2012, the Company may redeem all or any portion of the Senior Notes at 100 percent of the principal amount plus accrued and unpaid interest. From time-to-time, the Company may either redeem or repurchase on the open market its Senior Notes. The Company's ability to either redeem or repurchase its Senior Notes is limited under the terms of its secured revolving credit facility.

Amended and Restated Secured Revolving Credit Facility

Second Amended and Restated Credit Agreement. On October 11, 2012, the Company amended and extended its credit facility by entering into a Second Amended and Restated Credit Agreement (the "Second Amended and Restated Credit Agreement") by and among the Company and certain of its subsidiaries as co-borrowers, the financial institutions signatory to the Second Amended and Restated Credit Agreement as lenders, and JPMorgan Chase Bank, N.A., as agent for the lenders.

The Second Amended and Restated Credit Agreement, among other things: (i) extended the term of the prior credit facility by two years; (ii) increased the revolving credit commitment from $95 million to $105 million; (iii) added a $30 million deferred draw term loan commitment (the "Term Loan"), borrowings which the Company used to redeem a portion of its Senior Notes, (iv) reduced certain interest rates and fees payable on revolving credit borrowings; (v) removed Neenah Paper Company of Canada ("Neenah Canada") as a Guarantor (as defined in the prior credit agreement) and released liens and security interests previously granted by Neenah Canada; and (vi) made certain definitional, administrative and covenant changes.

The Term Loan was drawn in a single draw on November 13, 2012, and is subject to certain borrowing conditions. The principal balance of the Term Loan is repayable in quarterly installments beginning on March 31, 2013. Both the revolving credit commitment and the Term Loan mature on November 30, 2017 (or on August 15, 2014, if by that date the Senior Notes have not been redeemed, repurchased, defeased or repaid in full, or extended or refinanced to a date at least 90 days after November 30, 2017). The Term Loan bears interest at either (1) a prime rate-based index, as defined, plus 2.25 percent, or (2) LIBOR plus 3.75 percent. As of December 31 2012, the weighted-average interest rate on outstanding Term Loan borrowings was 4.0 percent per annum.

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As of December 31, 2012, the Company had a $105 million secured revolving credit facility (the "Revolver") pursuant to the Second Amended and Restated Credit Agreement. As of December 31 2012, the weighted-average interest rate on outstanding Revolver borrowings was 2.4 percent per annum. Borrowing availability under the Revolver is reduced by outstanding letters of credit and reserves for certain other items as defined in the Amended Credit Agreement. As of December 31 2012, the Company had $55.7 million of Revolver borrowings outstanding, approximately $0.7 million of outstanding letters of credit and other items, and $48.6 million of available credit under the Revolver.

As of December 31 2012, the Second Amended and Restated Credit Agreement had the following general terms and conditions:

Borrowing Limit. The Company's ability to borrow under the Revolver is limited to the lowest of (a) $105 million; (b) the Company's borrowing base (as determined in accordance with the Second Amended and Restated Credit Agreement) and (c) the applicable cap on the amount of "credit facilities" under the indenture for the Senior Notes.

Term and Security. The Second Amended and Restated Credit Agreement will terminate on November 30, 2017 (or on August 31, 2014 if the Senior Notes have not been repurchased, defeased, refinanced or extended as of such date). The Second Amended and Restated Credit Agreement is secured by substantially all of the assets of the Company and the subsidiary borrowers. Neenah Germany is not obligated with respect to the Second Amended and Restated Credit Agreement, either as a borrower or a guarantor.

Interest Rate. The Revolver bears interest at either (1) a prime rate-based index, as defined, plus a percentage ranging from 0.25 percent to 0.75 percent, or (2) LIBOR plus a percentage ranging from 1.75 percent to 2.25 percent, depending upon the amount of borrowing availability under the Revolver. The Company is also required to pay a monthly facility fee on the unused amount of the Revolver commitment at a per annum rate ranging between 0.25 percent and 0.375 percent, depending upon usage under the Revolver.

Terms, Covenants and Events of Default. The Second Amended and Restated Credit Agreement contains terms, covenants and events of default with which the Company must comply, which the Company believed are ordinary and standard for agreements of this nature. Among other things, such covenants restrict the Company's ability to incur certain additional debt, make specified restricted payments, authorize or issue capital stock, enter into transactions with affiliates, consolidate or merge with or acquire another business, sell certain of its assets, or dissolve or wind up. In addition, if the Company has outstanding borrowings under the Term Loan or if borrowing availability under the Second Amended and Restated Credit Agreement is less than $20 million, the Company is required to achieve a fixed charge coverage ratio (as defined in the Second Amended and Restated Credit Agreement) of not less than 1.1 to 1.0 for the preceding 12-month period, tested as of the end of such quarter. As of December 31 2012, the Company was in compliance with all terms of the Second Amended and Restated Credit Agreement.
The Company's ability to pay cash dividends on its common stock was limited under the terms of both the Second Amended and Restated Credit Agreement and the Senior Notes. At December 31 2012, under the most restrictive terms of the indenture for the Senior Notes, the Company's ability to pay cash dividends on its common stock was limited to a total of $8 million in a 12-month period. However, the Company can pay dividends in excess of $8 million in a 12-month period by making restricted payments as defined in the indenture for the Senior Notes.

Stock Repurchases. The Second Amended and Restated Credit Agreement allows the Company to repurchase (1) up to $15 million of its own stock on or before December 31, 2012, and (2) up to an additional $10 million of its stock annually thereafter during the term of the Second Amended and Restated Credit Agreement, subject to the terms and conditions contained in the Second Amended and Restated Credit Agreement.

Other Debt

German Loan Agreement. In December 2006, Neenah Germany entered into a 10-year agreement with HypoVereinsbank and IKB Deutsche Industriebank AG to provide €10.0 million of project financing (the "German Loan Agreement"). As of December 31, 2012, €5.0 million ($6.6 million, based on exchange rates at December 31, 2012) was outstanding under the German Loan Agreement.

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 December 31, 2012, no amounts were outstanding under the HypoVereinsbank Line of Credit and €15.0 million ($19.8 million, based on exchange rates at December 31, 2012) of credit was available. As of December 31, 2011, the weighted-average interest rate on outstanding HypoVereinsbank Line of Credit borrowings was 3.8 percent per annum.

Commerzbank Line of Credit. In January 2011, Neenah Germany entered into an agreement with Commerzbank AG ("Commerzbank") to provide up to €3.0 million of unsecured revolving credit borrowings for general corporate purposes (the "Commerzbank Line of Credit"). In February 2012, the Company and Commerzbank amended the Commerzbank Line of Credit to provide up to €5.0 million of unsecured revolving credit borrowings. As of December 31, 2012, no amounts were outstanding under the Commerzbank Line of Credit and €5.0 million ($6.6 million, based on exchanges rates at December 31, 2012) of credit was available. As of December 31, 2011, the weighted average interest rate on Commerzbank Line of Credit borrowings was 3.6 percent per annum.

Restrictions under German Credit Facilities

Neenah Germany's ability to pay dividends or transfer funds to the Company is limited under the terms of both the HypoVereinsbank and Commerzbank lines of credit, to not exceed certain limits defined in the agreements without approval from the lenders or repayment of the amount outstanding under the lines of credit. In addition, the terms of the HypoVereinsbank and Commerzbank lines of credit require Neenah Germany to maintain a ratio of stockholder's 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 December 31, 2012.

Principal Payments

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

	2013	2014 (a)	2015	2016	2017	Thereafter	Total
Debt payments	$ 4.7	$ 94.6	$ 6.2	$ 6.1	$ 70.7	$	$ 182.3

(a) Includes principal payments on the Senior Notes of $90 million.

Note 7. 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. 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.

For the years ended December 31, 2012 and 2010, benefit payments under the SERP 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"), the Company measured the liabilities of the SERP and recognized settlement losses of $3.5 million and $0.3 million, respectively.

The Company's funding policy for qualified defined benefit plans for its U.S. operations is to contribute assets to fully fund the accumulated benefit obligation. Subject to regulatory and tax deductibility limits, any funding shortfall is to be eliminated over a reasonable number of years. Nonqualified plans providing pension benefits in excess of limitations imposed by 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.

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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. As of December 31, 2012, the Company's pension plans had cumulative unrecognized investment losses and other actuarial losses of approximately $81.2 million recorded in accumulated other comprehensive income.

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, 2012, the assumed inflationary health care cost trend rates used to determine obligations at December 31, 2012 and costs for the year ended December 31, 2013 were 7.6 percent gradually decreasing to an ultimate rate of 4.5 percent in 2027. The assumed inflationary health care cost trend rates used to determine obligations at December 31, 2011 and costs for the year ended December 31, 2012 were 7.9 percent gradually decreasing to an ultimate rate of 4.5 percent in 2027.

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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,			
	2012	2011	2012	2011
Change in Benefit Obligation:				
Benefit obligation at beginning of year	$ 287.4	$ 252.7	$ 42.5	$ 42.0
Service cost	4.6	4.1	1.8	1.7
Interest cost	14.1	14.5	2.1	2.3
Currency	1.1	(1.1)	0.1	(0.1)
Actuarial loss	36.9	28.9	3.2	0.2
Benefit payments from plans	(12.5)	(11.8)	(3.0)	(2.8)
Loss on plan settlement	(6.9)			
Plan amendments	0.6			(0.8)
Other		0.1		
Benefit obligation at end of year	$ 325.3	$ 287.4	$ 46.7	$ 42.5
Change in Plan Assets:				
Fair value of plan assets at beginning of year	$ 210.6	$ 192.2	$	$
Actual gain on plan assets	23.9	15.2		
Employer contributions	15.3	12.9		
Benefit payments	(10.5)	(9.7)		(0.2)
Settlement payments				
Other				0.2
Fair value of plan assets at end of year	$ 239.3	$ 210.6	$	$
Reconciliation of Funded Status				
Fair value of plan assets	$ 239.3	$ 210.6	$	$
Projected benefit obligation	325.3	287.4	46.7	42.5
Net liability recognized in statement of financial position	$ (86.0)	$ (76.8)	$ (46.7)	$ (42.5)
Amounts recognized in statement of financial position consist of:				
Current liabilities	$ (2.8)	$ (9.2)	$ (3.6)	$ (3.4)
Noncurrent liabilities	(83.2)	(67.6)	(43.1)	(39.1)
Net amount recognized	$ (86.0)	$ (76.8)	$ (46.7)	$ (42.5)

Amounts recognized in accumulated other comprehensive income consist of:

	Pension Benefits		Postretirement Benefits Other than Pensions	
	December 31,			
	2012	2011	2012	2011
Accumulated actuarial loss	$ 81.2	$ 60.4	$ 9.8	$ 7.1
Prior service cost	1.6	1.2	0.4	0.6
Total recognized in accumulated other comprehensive income	$ 82.8	$ 61.6	$ 10.2	$ 7.7

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Summary disaggregated information about the pension plans follows:

	December 31,					
	Assets Exceed ABO		ABO Exceed Assets		Total	
	2012	2011	2012	2011	2012	2011
Projected benefit obligation	$	$	$ 325.3	$ 287.4	$ 325.3	$ 287.4
Accumulated benefit obligation			311.9	274.0	311.9	274.0
Fair value of plan assets			239.3	210.6	239.3	210.6

Components of Net Periodic Benefit Cost

	Pension Benefits			Postretirement Benefits Other than Pensions		
	Year Ended December 31,					
	2012	2011	2010	2012	2011	2010
Service cost	$ 4.6	$ 4.1	$ 4.4	$ 1.8	$ 1.7	$ 1.6
Interest cost	14.1	14.5	14.0	2.1	2.3	2.2
Expected return on plan assets (a)	(15.3)	(15.0)	(13.8)			
Recognized net actuarial loss	4.1	1.6	1.3	0.5	0.2	0.1
Amortization of prior service cost	0.3	0.2	0.1	0.2	0.5	0.4
Amount of curtailment loss recognized				0.3		
Amount of settlement loss recognized	3.5		0.3			
Net periodic benefit cost	$ 11.3	$ 5.4	$ 6.3	$ 4.9	$ 4.7	$ 4.3

(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.

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

	Pension Benefits			Postretirement Benefits Other than Pensions		
	Year Ended December 31,					
	2012	2011	2010	2012	2011	2010
Net periodic benefit expense	$ 11.3	$ 5.4	$ 6.3	$ 4.9	$ 4.7	$ 4.3
Accumulated actuarial loss	20.8	27.1	5.0	2.7	0.1	3.7
Prior service cost (credit)	0.4	(0.1)	0.7	(0.2)	(1.4)	(0.4)
Total recognized in other comprehensive income	21.2	27.0	5.7	2.5	(1.3)	3.3
Total recognized in net periodic benefit cost and other comprehensive income	$ 32.5	$ 32.4	$ 12.0	$ 7.4	$ 3.4	$ 7.6

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 $6.2 million and $0.2 million, respectively. The estimated net actuarial loss and prior service cost 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 $0.6 million and $0.1 million, respectively.

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

	Pension Benefits		Postretirement Benefits Other than Pensions	
	2012	2011	2012	2011
Discount rate	4.19%	5.14%	4.12%	5.03%
Rate of compensation increase	2.96%	2.95%		

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,					
	2012	2011	2010	2012	2011	2010
Discount rate	5.14%	5.86%	6.06%	5.03%	5.70%	5.92%
Expected long-term return on plan assets	7.25%	7.75%	8.00%			
Rate of compensation increase	2.95%	3.91%	3.91%			

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 7.00 percent. The expected long-term rate of return on the assets in the plans was based on an asset allocation assumption of approximately 40 percent with equity managers, with expected long-term rates of return of approximately 8 to10 percent, and 60 percent with fixed income managers, with an expected long-term rate of return of about 5 to 7 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:

	Percentage of Plan Assets At December 31,		
	2012	2011	2010
Asset Category			
Equity securities	40%	43%	62%
Debt securities	59%	55%	37%
Cash and money-market funds	1%	2%	1%
Total	100%	100%	100%

The Company's investment objective for pension plan assets is 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, this objective includes 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:

	Strategic Target	Permitted Range
Asset Category		
Equity securities	40%	40-50%
Debt securities / Fixed Income	60%	50-60%

As of December 31, 2012, no company or group of companies in a single industry represented more than five percent of plan assets.

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The Company's investment policies are established by an investment committee composed of members of senior management and are validated periodically against actual investment returns. As of December 31, 2012, 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;

(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, 2012, 2011 and 2010, no plan assets were invested in the Company's securities.

Cash Flows

At December 31, 2012, the Company expects to make aggregate contributions to qualified pension trusts and payments of pension benefits for unfunded pension plans in 2013 of approximately $12.8 million (based on exchange rates at December 31, 2012).

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
2013	$ 14.1	$ 3.6
2014	14.3	3.1
2015	14.9	3.6
2016	15.7	3.9
2017	17.3	4.1
Years 2018 - 2022	95.8	21.2

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	One Percentage-Point Decrease
Effect on total of service and interest cost components	$ 0.1	$ (0.1)

Effect on post-retirement benefit obligation	0.5	(0.5)

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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 $1.8 million in 2012, $1.6 million in 2011 and $1.5 million in 2010. 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 limitations set by the Internal Revenue Code on qualified defined contribution plans. For the years ended December 31, 2012 and 2011, the Company recognized expense related to the SRCP of approximately $0.2 million and $0.1 million, respectively. For the year ended December 31, 2010, the Company recognized expense related to the SRCP of less than $0.1 million.

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, 2012, 2011 and 2010, costs charged to expense for company matching contributions under these plans were $1.7 million, $1.5 million and $1.3 million, respectively.

Note 8. Stock Compensation Plans

The Company established the 2004 Omnibus Stock and Incentive Plan (the "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 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 ("Performance Shares") 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 ten years from the date of grant and vest over a three-year service period. As of December 31, 2012, approximately 1,060,000 shares of Common Stock were reserved for future issuance under the Omnibus Plan. As of December 31, 2012, the number of shares available for future issuance was reduced by approximately 10,000 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, 2012	2011	2010
Stock-based compensation expense	$ 4.9	$ 4.3	$ 4.9
Income tax benefit	(1.9)	(1.6)	(1.9)
Stock-based compensation, net of income tax benefit	$ 3.0	$ 2.7	$ 3.0

The following table summarizes total compensation costs related to the Company's equity awards and amounts recognized in the year ended December 31, 2012.

	Stock Options	Performance Shares and RSUs
Unrecognized compensation cost December 31, 2011	$ 0.8	$ 2.4
Grant date fair value current year grants	2.0	3.5
Compensation expense recognized	(1.2)	(3.7)
Change in estimate of shares to be forfeited		0.3
Unrecognized compensation cost December 31, 2012	$ 1.6	$ 2.5
Expected amortization period (in years)	3.1	1.6

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Stock Options

For the year ended December 31, 2012, the Company awarded nonqualified stock options to Long-Term Compensation Plan (the "LTCP") participants to purchase approximately 96,000 shares of Common Stock (subject to forfeiture due to termination of employment and other conditions). In addition, the Company awarded to a non-employee member of the Board of Directors (the "Board of Directors") nonqualified stock options to purchase 1,570 shares of Common Stock. For the year ended December 31, 2012, the weighted-average exercise price of such nonqualified stock option awards was $24.14 per share. The weighted-average grant date fair value for stock options granted for the years ended year ended December 31, 2012 and 2011 was $8.13 per share and $8.34 per share, respectively, and was estimated using the Black-Scholes option valuation model with the following assumptions:

	Year Ended December 31,	
	2012	**2011**
Expected term in years	4.9	5.3
Interest rate	1.1%	2.3%
Volatility	45.4%	57.1%
Dividend yield	2.0%	2.3%

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 equivalent 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. If certain absolute total return to shareholder targets are achieved, 25 percent of the options will vest on December 31, 2014, 50 percent will vest on December 31, 2015 and 100 percent will vest on December 31, 2016. Any unvested shares as of December 31, 2016 will be forfeited. The grant date fair value of such stock options was $9.55 per share and was estimated using a "Monte-Carlo" simulation valuation model.

The following table summarizes stock option activity under the Omnibus Plan for the year ended December 31, 2012:

		Number of Stock Options	Weighted-Average Exercise Price	
Options outstanding	December 31, 2011	2,052,769	$	23.61
Add: Options granted		222,220	$	24.11
Less: Options exercised		408,818	$	15.74
Less: Options forfeited/cancelled		161,459	$	32.74
Options outstanding	December 31, 2012	1,704,712	$	24.70

The status of outstanding and exercisable stock options as of December 31, 2012, summarized by exercise price follows:

	Options Vested or Expected to Vest							Options Exercisable				
Exercise Price	**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 - $21.13	566,151	6.8	$	13.12	$	8.7	450,335	$	12.15	$	7.3
$22.44 - $29.43	440,366	6.7	$	25.55		1.3	218,615	$	27.06		0.4
$30.15 - $34.61	527,121	2.1	$	32.66		-	527,121	$	32.66		-
$35.92 - $42.24	163,610	4.3	$	37.09		-	163,610	$	37.09		-
	1,697,248	5.1	$	24.72	$	10.0	1,359,681	$	25.50	$	7.7

(a) Represents the total pre-tax intrinsic value as of December 31, 2012 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 $28.47 on December 31, 2012.

The aggregate pre-tax intrinsic value of stock options exercised for the years ended December 31, 2012, 2011 and 2010 was $5.1 million, $2.9 million and $0.9 million, respectively.

The following table summarizes the status of the Company's unvested stock options as of December 31, 2012 and activity for the year then ended:

	Number of Stock Options	Weighted-Average Grant Date Fair Value
Outstanding December 31, 2011	394,959	$ 5.25
Add: Options granted	222,220	$ 8.93
Less: Options vested	271,398	$ 4.42
Less: Options forfeited/cancelled	750	$ 7.36
Outstanding December 31, 2012	345,031	$ 8.26

As of December 31, 2012, certain participants met age and service requirements that allowed their options to qualify for accelerated vesting upon retirement. As of December 31, 2012, there were approximately 47,000 stock options subject to accelerated vesting that such participants would have been eligible to exercise if they had retired as of such date. The aggregate grant date fair value of options subject to accelerated vesting was $0.4 million. For the year ended December 31, 2012, stock-based compensation expense for such options was $0.2 million. For the year ended December 31, 2012, the aggregate grant date fair value of options vested, including options subject to accelerated vesting, was $1.6 million. Stock options that reflect accelerated vesting for expense recognition become exercisable according to the contract terms of the stock option grant.

Performance Shares

For the year ended December 31, 2012, the Company granted target awards of 103,000 Performance Units (subject to forfeiture due to termination of employment and other conditions) to LTCP participants. The measurement period for the Performance Units is January 1, 2012 through December 31, 2012. The Performance Units vest on December 31, 2014. The Company will issue Common Stock equal to approximately 150 percent of the Performance Unit target awards 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. The market price on the date of grant for the Performance Units was $24.09 per share. Based on the achievement of performance targets, the Company is recognizing stock-based compensation expense pro-rata over the vesting term of the Performance Units.

RSUs

For the year ended December 31, 2012, the Company awarded 12,025 RSUs to members of the Board of Directors (the "Director Awards"). The weighted average grant date fair value of the Director Awards was $27.05 per share and the awards vest one year from the date of grant. During the vesting period, the holders of Director Awards are entitled to dividends, but the shares do not have voting rights and are forfeited in the event the holder is no longer a member of the Board of Directors.

The following table summarizes the activity of the Company's unvested stock-based awards (other than stock options) for the year ended December 31, 2012:

	RSUs	Weighted-Average Grant Date Fair Value	Performance Shares	Weighted-Average Grant Date Fair Value
Outstanding December 31, 2011	1,045,830	$ 9.87		
Shares granted (a)	12,912	$ 22.72	103,000	$ 36.13
Shares vested	(837,179)	$ 8.23		
Shares expired or cancelled			(5,100)	$ 36.13
Outstanding December 31, 2012 (b)	221,563	$ 16.81	97,900	$ 36.13

(a)

Includes 887 RSUs 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, 2012 was $6.3 million.

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The aggregate pre-tax intrinsic value of restricted stock and RSUs that vested for the years ended December 31, 2012, 2011 and 2010 was $21.6 million, $1.7 million and $2.5 million, respectively.

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. Excess tax benefits are a non-cash item 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 years ended December 31, 2012 and 2011, the Company recognized excess tax benefits related to the exercise or vesting of stock-based awards of $6.1 million and $1.0 million, respectively. For the year ended December 31, 2010, the Company recognized in its provision for income taxes on the consolidated statement of operations excess tax costs related to the exercise or vesting of stock-based awards of approximately $0.2 million.

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.

On May 17, 2012, the Company announced that its Board of Directors authorized a program that would allow the Company to repurchase up to $10 million of its outstanding Common Stock through May 16, 2013 (the "Stock Purchase Plan"). Purchases by the Company under the 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 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 Company expects to fund the Stock Purchase Plan using cash on hand or Revolver borrowings. For the year ended December 31, 2012, the Company purchased approximately 158,000 shares of Common Stock at an aggregate cost of $4.1 million.

For the years ended December 31, 2012, 2011 and 2010, the Company acquired 302,000 shares, 25,000 shares and 15,500 shares of Common Stock, respectively, at a cost of approximately $7.6 million, $0.5 million and $0.2 million, respectively, for shares surrendered by employees to pay taxes due on vested restricted stock awards.

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 ten 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 our 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 our 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.

Note 10. Commitments

Leases

The future minimum obligations under operating leases having a noncancelable term in excess of one year as of December 31, 2012, are as follows:

2013	$ 1.4
2014	1.2
2015	0.9
2016	0.7
2017	0.2
Thereafter	
Future minimum lease obligations	$ 4.4

For the years ended December 31, 2012, 2011 and 2010 rent expense under operating leases was $4.2 million, $3.2 million and $2.5 million, respectively.

Purchase Commitments

The Company has certain minimum purchase commitments, primarily for coal purchases, that extend beyond December 31, 2012. Commitments under these contracts are approximately $7.7 million in 2013 and $5.0 million in 2014. 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 11. 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 is continuously undergoing examination by the Internal Revenue Service (the "IRS") as well as various state and foreign jurisdictions. The IRS and other taxing authorities routinely challenge certain deductions and credits reported by the Company on its income tax returns. See Note 5, "Income Taxes" for additional detail.

US Tax Audit Tax Years 2007 and 2008

In December 2010, the IRS issued a Revenue Agent's Report for the 2007 and 2008 tax years. The Company submitted a protest to the Appeals Division of the IRS with respect to certain unresolved issues which involve a proposed IRS adjustment with respect to dual consolidated losses ("DCLs") and the recapture of net operating losses emanating from the Company's former Canadian operations. The Company's protest asserted that the IRS made several errors in its assessment of the DCL rules and, as such, the proposed adjustment was erroneous. In November 2012, the Company's protest was upheld and the audit of the 2007 and 2008 tax years was finalized with a finding of no additional taxes due.

German Tax Audit Tax Years 2006 to 2007

In November 2010, the Company received a tax examination report from the German tax authorities challenging the validity of certain interest expense deductions claimed on the Company's tax returns for the years 2006 and 2007. The Company is indemnified by FiberMark, Inc. for any tax liabilities arising from the operations of Neenah Germany prior to October 2006. In August 2011, the Company received tax assessments totaling €3.7 million from the German tax authorities and submitted an appeal challenging these assessments. The Company believes that the finding which invalidates the deductibility of certain interest expense deductions is improper and is vigorously contesting the finding. As of

December 31, 2011, no amounts were reserved related to these issues. In November 2011 and January 2012, the Company paid a total of €1.9 million against the August 2011 tax assessments. The

Company reflected these payments as assets ($2.5 million in "Income taxes receivable" on the consolidated balance sheet as of December 31, 2012) in recognition that such amounts would be treated as prepayments against any assessments ultimately owed. During 2012, the Company submitted additional information to the German tax authorities to support the validity of its interest expense deductions; however, as of December 31, 2012, they had not rendered a decision on the Company's appeal.

In the fourth quarter of 2012, legislation was proposed in the German legislature that would eliminate certain previously allowable interest expense deductions on a prospective and retroactive basis. The legislation was subsequently enacted in the first quarter of 2013. Management believes the retroactive application of the legislation is unconstitutional and the likelihood of it being sustained is remote. As of December 31, 2012, the Company recorded a liability for uncertain income tax positions based on an assessment of the likelihood of alternative outcomes, including, the possibility of a potential compromise related to this issue for the 2006 and 2007 tax years and for subsequent periods through 2012. Management believes it is remote that the Company's liability for unrecognized tax benefits related to these matters will significantly increase within the next 12 months. While Management believes that retroactive application of this legislation is remote, should retroactive application of the legislation be sustained, the outcome could have a material effect on the Company's results of operations, cash flows and financial position.

Indemnifications

Pursuant to a Distribution Agreement, an Employee Matters Agreement and a Tax Sharing Agreement, the Company has agreed to indemnify Kimberly-Clark for certain liabilities or risks related to the Spin-Off. Many of the potential indemnification liabilities under these agreements are unknown, remote or highly contingent. Furthermore, even in the event that an indemnification claim is asserted, liability for indemnification is subject to determination under the terms of the applicable agreement. For these reasons, the Company is unable to estimate the maximum potential amount of the possible future liability under the indemnity provisions of these agreements. However, the Company accrues for any potentially indemnifiable liability or risk under these agreements for which it believes a future payment is probable and a range of loss can be reasonably estimated. As of December 31, 2012, management believes the Company's liability under such indemnification obligations was not material to the consolidated financial statements.

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. For these purposes, the Company has planned capital expenditures for environmental projects during the period 2012 through 2014 of approximately $1 million to $2 million annually. The Company's anticipated capital expenditures for environmental projects are not expected to have a material effect on our financial condition, results of operations or liquidity.

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Employees and Labor Relations

As of December 31, 2012, the Company had approximately 1,870 regular full-time employees of whom 725 hourly and 345 salaried employees were located in the United States and 495 hourly and 305 salaried employees were located in Germany.

Hourly employees at the Whiting, Neenah, Munising and Appleton paper mills are represented by the United Steelworkers Union (the "USW"). The collective bargaining agreements between the Whiting paper mills and the USW expired on January 31, 2013. The collective bargaining agreements between the Neenah, Munising and Appleton paper mills and the USW expire on June 30, 2013, July 14, 2013 and May 31, 2014, respectively. Separately, the Whiting, Neenah, Munising and Appleton paper mills have bargained jointly with the union on pension matters. The 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 and Energie (the "IG BCE"). In December 2011, the IG BCE and a national trade association representing all employers in the industry signed a new collective bargaining agreement covering union employees of Neenah Germany that expires in May 2013.

As of December 31, 2012, 645 hourly employees in the United States were covered by collective bargaining agreements that have expired or will expire within the next 12-months. The Company believes it has satisfactory relations with its employees covered by such collective bargaining agreements. 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 May 2013 cannot be determined. In February 2013, the Company reached agreement with the USW on new collective bargaining agreements for all of its U.S. paper mills. The new agreements between the Whiting, Neenah, Munising and Appleton paper mills and the USW expire on January 31, 2018, June 30, 2018, July 14, 2018 and May 31, 2019, respectively.

Note 12. Discontinued Operations

Sale of the Pictou Mill and the Woodlands

In March 2010, Neenah Canada sold the Woodlands to Northern Pulp for C$82.5 million ($78.6 million). The sale resulted in a pre-tax gain, net of fees and other transaction costs, of $74.1 million. The sale of the Woodlands resulted in the substantially complete liquidation of the Company's investment in Neenah Canada. In accordance with ASC Topic 830, $87.9 million of cumulative currency translation adjustments attributable to the Company's Canadian subsidiaries were reclassified into earnings and recognized as part of the gain on sale of the Woodlands. The sale of the Woodlands represented the cessation of the Company's operating activities in Canada; however, the Company will have certain continuing post-employment benefit obligations related to its Canadian operations. The transaction did not generate a cash tax liability because the tax basis for the Woodlands was approximately equal to the sale price.

In conjunction with the sale of the Pictou Mill, the Company entered into a stumpage agreement (the "Stumpage Agreement") which allowed Northern Pulp to harvest softwood timber from the Woodlands. The Stumpage Agreement was terminated in March 2010 in conjunction with the sale of the Woodlands. For the year ended December 31, 2010, the Company recognized revenue of approximately $1.4 million, respectively, related to timber sales pursuant to the Stumpage Agreement.

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The following table presents the results of discontinued operations:

	Year Ended December 31,		
	2012	2011	2010
Net sales, net of intersegment sales	$	$	$ 1.4
Discontinued operations:			
Income (loss) from operations	$ (0.1)	$ (0.3)	$ 1.0
Gain on disposal of the Woodlands			74.1
Reclassification of cumulative translation adjustments related to investments in Canada (b)			87.9
Loss on disposal - Pictou Mill			
Gain on disposal			162.0
Income (loss) before income taxes	(0.1)	(0.3)	163.0
(Provision) benefit for income taxes (a)	4.5	0.1	(28.9)
Income (loss) from discontinued operations, net of income taxes	$ 4.4	$ (0.2)	$ 134.1

(a) In November 2012, IRS audits of the 2007 and 2008 tax years were finalized with a finding of no additional taxes due. As a result, the Company recognized a non-cash tax benefit of $4.5 million related to the reversal of certain liabilities for uncertain income tax positions.

(b) The reclassification of cumulative foreign currency translation gains had no tax consequences.

Note 13. Business Segment and Geographic 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 end markets. The fine paper business is a supplier of premium writing, text and cover papers, bright papers and specialty papers in North America. Each segment employs different technologies and marketing strategies. The Other segment includes the Index, Tag and Vellum Bristol brands. 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 accounting policies of the reportable operating segments are the same as those described in Note 2, "Summary of Significant Accounting Policies."

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Business Segments

	Year Ended December 31,		
	2012	2011	2010
Net sales			
Technical Products	$ 406.6	$ 421.1	$ 384.3
Fine Paper	372.7	274.9	273.4
Other	29.5		
Consolidated	$ 808.8	$ 696.0	$ 657.7

	Year Ended December 31,		
	2012	2011	2010
Operating income (loss)			
Technical Products	$ 37.6	$ 33.8	$ 29.2
Fine Paper (a)	50.0	39.7	40.5
Other	2.4		
Unallocated corporate costs (b)	(19.6)	(16.9)	(14.6)
Consolidated	$ 70.4	$ 56.6	$ 55.1

(a) Operating income for the year ended December 31, 2012 include integration costs of $5.8 million related to the acquisition of the Wausau brands. Operating income for the year ended December 31, 2010 includes a gain related to the sale of the Ripon Mill of $3.4 million.

(b) Unallocated corporate costs for the year ended December 31, 2012 includes a SERP settlement charge of $3.5 million and a pre-tax loss of approximately $0.6 million related to the Third Early Redemption. For the year ended December 31, 2011, unallocated corporate costs include a pre-tax loss of approximately $2.4 million related to the Second Early Redemption.

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	Year Ended December 31,		
	2012	2011	2010
Depreciation and amortization			
Technical Products	$ 15.7	$ 17.6	$ 16.9
Fine Paper	9.4	9.5	9.7
Corporate	3.7	3.9	4.7
Consolidated	$ 28.8	$ 31.0	$ 31.3

	Year Ended December 31,		
	2012	2011	2010
Capital expenditures			
Technical Products	$ 14.7	$ 18.0	$ 10.7
Fine Paper	10.2	4.2	6.7
Corporate	0.2	0.9	
Consolidated	$ 25.1	$ 23.1	$ 17.4

	December 31,	
	2012	2011
Total Assets		
Technical Products	$ 348.5	$ 336.3
Fine Paper (a)	214.0	162.2
Corporate and other	48.2	66.6
Total	$ 610.7	$ 565.1

(a) The increase in total assets was primarily due to assets acquired in the acquisition of the Wausau brands.

Geographic Information

	Year Ended December 31,		
	2012	2011	2010
Net sales			
United States	$ 543.4	$ 416.2	$ 413.6
Europe	265.4	279.8	244.1
Consolidated	$ 808.8	$ 696.0	$ 657.7

	December 31,	
	2012	2011
Total Assets		
United States	$ 322.5	$ 286.4
Canada	0.2	0.3
Europe	288.0	278.4

Total	$ 610.7	$ 565.1

Net sales are attributed to geographic areas based on the physical location of the selling entities. Segment identifiable assets are those that are directly used in the segments operations. Corporate assets are primarily cash, deferred income taxes and deferred financing costs.

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Concentrations

For the years ended December 31, 2012, 2011 and 2010, sales to the three largest customers of the fine paper business represented approximately 30 percent, 40 percent and 40 percent, respectively, of its total sales. For the years ended December 31, 2012, 2011 and 2010, no single customer accounted for more than 10 percent of the Company's consolidated revenue. 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 affect on its operations.

Note 14. Supplemental Data

Supplemental Statement of Operations Data

Summary of Advertising and Research Expenses

	Year Ended December 31,		
	2012	2011	2010
Advertising expense	$ 8.4	$ 6.2	$ 6.1
Research expense	5.6	5.4	5.3

Supplemental Balance Sheet Data

Summary of Accounts Receivable net

	December 31,	
	2012	2011
Accounts Receivable:		
From customers	$ 81.5	$ 73.1
Other		0.2
Less allowance for doubtful accounts and sales discounts	(1.9)	(1.9)
Total	$ 79.6	$ 71.4

Summary of Inventories

	December 31,	
	2012	2011
Inventories by Major Class:		
Raw materials	$ 20.8	$ 17.1
Work in progress	24.9	11.8
Finished goods	66.3	51.6
Supplies and other	3.7	1.7
	115.7	82.2
Excess of FIFO over LIFO cost	(12.8)	(13.4)
Total	$ 102.9	$ 68.8

Summary of Prepaid and Other Current Assets

	December 31,	
	2012	2011
Prepaid and other current assets	$ 7.7	$ 8.3
Spare parts	6.4	5.7
Total	$ 14.1	$ 14.0

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Summary of Property, Plant and Equipment Net

	December 31, 2012	December 31, 2011
Land and land improvements	$ 20.8	$ 20.5
Buildings	105.1	102.3
Machinery and equipment	465.1	448.8
Construction in progress	13.7	7.6
	604.7	579.2
Less accumulated depreciation	349.9	326.9
Net Property, Plant and Equipment	$ 254.8	$ 252.3

Depreciation expense for the years ended December 31, 2012, 2011 and 2010 was $26.2 million, $28.2 million and $28.0 million, respectively. Interest expense capitalized as part of the costs of capital projects was $0.1 million for each of the years ended December 31, 2012, 2011 and 2010.

Summary of Accrued Expenses

	December 31, 2012	December 31, 2011
Accrued salaries and employee benefits	$ 23.4	$ 25.1
Amounts due to customers	7.9	4.2
Liability for uncertain income tax positions	1.6	8.4
Accrued interest	0.8	1.5
Accrued income taxes	3.1	3.8
Other	10.8	8.6
Total	$ 47.6	$ 51.6

Summary of Noncurrent Employee Benefits

	December 31, 2012	December 31, 2011
Pension benefits	$ 83.7	$ 67.6
Post-employment benefits other than pensions	47.4	45.4
Total (a)	$ 131.1	$ 113.0

(a) Includes $4.8 million and $6.0 million in long-term disability benefits due to Terrace Bay retirees and SRCP benefits as of December 31, 2012 and 2011, respectively.

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Supplemental Cash Flow Data

Supplemental Disclosure of Cash Flow Information

	Year Ended December 31,		
	2012	2011	2010
Cash paid during the year for interest, net of interest expense capitalized	$ 13.1	$ 15.2	$ 18.9
Cash paid during the year for income taxes, net of refunds	6.7	4.7	0.5
Non-cash investing activities:			
Liability for equipment acquired	2.2	2.4	2.9

Net cash used in changes in working capital

	Year Ended December 31,		
	2012	2011	2010
Accounts receivable	$ (7.7)	$ (1.9)	$ (5.3)
Inventories	(26.8)	(0.1)	(0.3)
Income taxes (receivable) payable	(1.1)	(0.5)	2.9
Prepaid and other current assets		(0.1)	(0.7)
Accounts payable	5.0	0.5	2.6
Accrued expenses	9.7	(5.1)	(3.1)
Total	$ (20.9)	$ (7.2)	$ (3.9)

Note 15. Condensed Consolidating Financial Information

Neenah Paper Company of Canada, Neenah Paper Michigan, Inc. and Neenah Paper Sales, Inc. (the "Guarantor Subsidiaries") guarantee the Company's Senior Notes. The Guarantor Subsidiaries are 100 percent owned by the Company and all guarantees are full and unconditional. The following condensed consolidating financial information is presented in lieu of consolidated financial statements for the Guarantor Subsidiaries as of December 31, 2012 and 2011 and for the years ended December 31, 2012, 2011 and 2010.

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2012

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
Net sales	$ 403.3	$ 140.0	$ 265.5	$	$ 808.8
Cost of products sold	312.9	111.4	225.4		649.7
Gross profit	90.4	28.6	40.1		159.1
Selling, general and administrative expenses	48.9	10.4	18.1		77.4
Acquisition integration costs	5.8				5.8
SERP settlement charge	3.5				3.5
Loss on retirement of bonds	0.6				0.6
Other expense net		1.1	0.3		1.4
Operating income	31.6	17.1	21.7		70.4
Equity in earnings of subsidiaries	(33.3)			33.3	
Interest expense-net	12.8		0.6		13.4
Income from continuing operations before income taxes	52.1	17.1	21.1	(33.3)	57.0
Provision for income taxes	7.8	2.5	6.8		17.1
Income from continuing operations	44.3	14.6	14.3	(33.3)	39.9
Loss from discontinued operations, net of income tax benefit		4.4			4.4
Net income	$ 44.3	$ 19.0	$ 14.3	$ (33.3)	$ 44.3

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CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2011

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
Net sales	$ 272.7	$ 143.4	$ 279.9	$	$ 696.0
Cost of products sold	207.6	116.6	246.4		570.6
Gross profit	65.1	26.8	33.5		125.4
Selling, general and administrative expenses	42.3	10.1	15.8		68.2
Loss on retirement of bonds	2.4				2.4
Other (income) expense net	(0.6)	0.4	(1.6)		(1.8)
Operating income	21.0	16.3	19.3		56.6
Equity in earnings of subsidiaries	(27.3)			27.3	
Interest expense net	14.1	0.1	1.1		15.3
Income from continuing operations before income taxes	34.2	16.2	18.2	(27.3)	41.3
Provision for income taxes	5.1	5.5	1.4		12.0
Income from continuing operations	29.1	10.7	16.8	(27.3)	29.3
Loss from discontinued operations, net of income tax benefit		(0.2)			(0.2)
Net income	$ 29.1	$ 10.5	$ 16.8	$ (27.3)	$ 29.1

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the Year Ended December 31, 2010

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
Net sales	$ 269.4	$ 144.2	$ 244.1	$	$ 657.7
Cost of products sold	204.9	117.1	215.7		537.7
Gross profit	64.5	27.1	28.4		120.0
Selling, general and administrative expenses	44.2	10.7	14.4		69.3
Gain on sale of the Ripon Mill		(3.4)			(3.4)
Other (income) expense net	(0.4)	0.6	(1.2)		(1.0)
Operating income	20.7	19.2	15.2		55.1
Equity in earnings of subsidiaries	(157.5)			157.5	
Interest expense-net	19.0	0.3	1.0		20.3
Income from continuing operations before income taxes	159.2	18.9	14.2	(157.5)	34.8
Provision for income taxes	0.1	7.9	1.8		9.8
Income from continuing operations	159.1	11.0	12.4	(157.5)	25.0
Income from discontinued operations, net of income tax provision		134.1			134.1
Net income	$ 159.1	$ 145.1	$ 12.4	$ (157.5)	$ 159.1

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2012

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
Net income	$ 44.3	$ 19.0	$ 14.3	$ (33.3)	$ 44.3
Unrealized foreign currency translation gain (loss)		(0.1)	4.5		4.4
Net loss from adjustments to pension and other postretirement benefit liabilities	(4.6)	(19.9)	(6.7)		(31.2)
Reclassification of amortization of adjustments to pension and other postretirement benefit liabilities recognized in net periodic benefit cost	1.9	2.9	0.3		5.1
SERP settlement charge	3.5				3.5
Curtailment loss	0.2	0.1			0.3
Unrealized gain on "available-for-sale" securities	0.1				0.1
Income (loss) from other comprehensive income items	1.1	(17.0)	(1.9)		(17.8)
Provision (benefit) for income taxes	0.4	(6.4)	(1.7)		(7.7)
Other comprehensive income (loss)	0.7	(10.6)	(0.2)		(10.1)
Comprehensive income	$ 45.0	$ 8.4	$ 14.1	$ (33.3)	$ 34.2

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2011

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
Net income	$ 29.1	$ 10.5	$ 16.8	$ (27.3)	$ 29.1
Unrealized foreign currency translation gain		0.1	(5.1)		(5.0)
Net loss from pension and other postretirement benefit liabilities	(10.9)	(16.7)	(2.3)		(29.9)
Reclassification of amortization of adjustments to pension and other postretirement benefit liabilities recognized in net periodic benefit cost	1.5	1.0			2.5
Loss from other comprehensive income items	(9.4)	(15.6)	(7.4)		(32.4)
Benefit for income taxes	(3.6)	(6.0)	(0.6)		(10.2)
Other comprehensive loss	(5.8)	(9.6)	(6.8)		(22.2)
Comprehensive income	$ 23.3	$ 0.9	$ 10.0	$ (27.3)	$ 6.9

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CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2010

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
Net income	$ 159.1	$ 145.1	$ 12.4	$ (157.5)	$ 159.1
Unrealized foreign currency translation loss		(0.2)	(14.9)		(15.1)
Net gain (loss) from pension and other postretirement benefit liabilities	0.3	(7.2)	(4.0)		(10.9)
Reclassification of amortization of adjustments to pension and other postretirement benefit liabilities recognized in net periodic benefit cost	1.2	0.7			1.9
Reclassification of cumulative currency translation adjustments related to investments in Canada		(87.9)			(87.9)
Income (loss) from other comprehensive income items	1.5	(94.6)	(18.9)		(112.0)
Provision (benefit) for income taxes	0.6	(2.5)	(1.1)		(3.0)
Other comprehensive income (loss)	0.9	(92.1)	(17.8)		(109.0)
Comprehensive income (loss)	$ 160.0	$ 53.0	$ (5.4)	$ (157.5)	$ 50.1

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CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2012

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
ASSETS					
Current assets					
Cash and cash equivalents	$ (0.7)	$ 1.9	$ 6.6	$	$ 7.8
Accounts receivable, net	34.2	16.8	28.6		79.6
Inventories	62.3	10.9	29.7		102.9
Income taxes receivable			2.5		2.5
Deferred income taxes	24.4	2.8			27.2
Intercompany amounts receivable	19.4	49.4	0.3	(69.1)	
Prepaids and other current assets	5.8	2.0	6.3		14.1
Total current assets	145.4	83.8	74.0	(69.1)	234.1
Property, plant and equipment at cost	275.4	105.1	224.2		604.7
Less accumulated depreciation	205.4	70.1	74.4		349.9
Property, plant and equipment net	70.0	35.0	149.8		254.8
Investments In Subsidiaries	241.2			(241.2)	
Deferred Income Taxes	28.8	6.5			35.3
Goodwill			41.4		41.4
Intangible Assets, net	16.1		17.9		34.0
Other Assets	5.5		5.6		11.1
TOTAL ASSETS	$ 507.0	$ 125.3	$ 288.7	$ (310.3)	$ 610.7
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Debt payable within one year	$ 3.0	$	$ 1.7	$	$ 4.7
Accounts payable	20.7	4.8	9.6		35.1
Intercompany amounts payable	49.7	19.4		(69.1)	
Accrued expenses	23.9	9.2	14.5		47.6
Total current liabilities	97.3	33.4	25.8	(69.1)	87.4
Long-Term Debt	172.7		4.9		177.6
Deferred Income Taxes			12.5		12.5
Noncurrent Employee Benefits and Other Obligations	39.2	47.5	48.7		135.4
TOTAL LIABILITIES	309.2	80.9	91.9	(69.1)	412.9
STOCKHOLDERS' EQUITY	197.8	44.4	196.8	(241.2)	197.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 507.0	$ 125.3	$ 288.7	$ (310.3)	$ 610.7

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CONDENSED CONSOLIDATING BALANCE SHEET
As of December 31, 2011

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
ASSETS					
Current assets					
Cash and cash equivalents	$ 9.7	$ 2.0	$ 1.1	$	$ 12.8
Restricted cash	7.0				7.0
Accounts receivable, net	22.9	18.1	30.4		71.4
Inventories	33.4	9.4	26.0		68.8
Income taxes receivable			1.9		1.9
Deferred income taxes	15.4	2.2			17.6
Intercompany amounts receivable	18.1	42.4		(60.5)	
Prepaids and other current assets	5.6	2.0	6.4		14.0
Total current assets	112.1	76.1	65.8	(60.5)	193.5
Property, plant and equipment at cost	269.2	100.4	209.6		579.2
Less accumulated depreciation	198.5	66.8	61.6		326.9
Property, plant and equipment net	70.7	33.6	148.0		252.3
Investments In Subsidiaries	225.0			(225.0)	
Deferred Income Taxes	38.7	6.8			45.5
Goodwill			40.5		40.5
Intangible Assets, net	2.8		19.1		21.9
Other Assets	5.8	0.1	5.5		11.4
TOTAL ASSETS	$ 455.1	$ 116.6	$ 278.9	$ (285.5)	$ 565.1
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Debt payable within one year	$	$	$ 21.7	$	$ 21.7
Accounts payable	16.0	6.6	7.6		30.2
Intercompany amounts payable	42.4	18.1		(60.5)	
Accrued expenses	32.4	7.5	11.7		51.6
Total current liabilities	90.8	32.2	41.0	(60.5)	103.5
Long-Term Debt	158.0		6.5		164.5
Deferred Income Taxes			16.0		16.0
Noncurrent Employee Benefits and Other Obligations	39.6	37.7	37.1		114.4
TOTAL LIABILITIES	288.4	69.9	100.6	(60.5)	398.4
STOCKHOLDERS' EQUITY	166.7	46.7	178.3	(225.0)	166.7
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 455.1	$ 116.6	$ 278.9	$ (285.5)	$ 565.1

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
OPERATING ACTIVITIES					
Net income	$ 44.3	$ 19.0	$ 14.3	$ (33.3)	$ 44.3
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	11.7	4.2	12.9		28.8
Stock-based compensation	2.8		2.1		4.9
Excess tax benefit from stock-based compensation	(6.1)				(6.1)
Deferred income tax provision (benefit)	7.2	5.4	(1.9)		10.7
Non-cash effects of changes in uncertain income tax positions	(5.2)	(2.7)	4.0		(3.9)
Loss on retirement of bonds	0.6				0.6
Purchase of inventory	(6.6)				(6.6)
SERP settlement, net of settlement charge	(3.4)				(3.4)
Loss on other asset dispositions	0.1				0.1
Net cash (used in) provided by changes in operating working capital	(22.5)	(0.5)	2.1		(20.9)
Equity in earnings of subsidiaries	(33.3)			33.3	
Pension and other post-employment benefits	(7.4)	(1.0)	1.1		(7.3)
Other		(1.0)	(0.1)		(1.1)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(17.8)	23.4	34.5		40.1
INVESTING ACTIVITIES					
Capital expenditures	(10.4)	(4.7)	(10.0)		(25.1)
Decrease in restricted cash	7.0				7.0
Purchase of marketable securities	(0.1)				(0.1)
Purchase of brands	(14.1)				(14.1)
Other	0.8	(0.9)	0.1		
NET CASH USED IN INVESTING ACTIVITIES	(16.8)	(5.6)	(9.9)		(32.3)
FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt	111.9				111.9
Repayments of long-term debt	(94.4)		(1.6)		(96.0)
Short-term borrowings			1.2		1.2
Repayments of short-term borrowings			(21.1)		(21.1)
Proceeds from exercise of stock options	5.3				5.3
Excess tax benefit from stock-based compensation	6.1				6.1
Cash dividends paid	(7.8)				(7.8)
Shares purchased	(11.7)				(11.7)
Other	(0.9)				(0.9)
Intercompany transfers net	15.7	(17.9)	2.2		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	24.2	(17.9)	(19.3)		(13.0)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			0.2		0.2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10.4)	(0.1)	5.5		(5.0)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9.7	2.0	1.1		12.8

CASH AND CASH EQUIVALENTS, END OF YEAR	$ (0.7)	$ 1.9	$ 6.6	$	$ 7.8

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
OPERATING ACTIVITIES					
Net income	$ 29.1	$ 10.5	$ 16.8	$ (27.3)	$ 29.1
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	12.0	4.2	14.8		31.0
Stock-based compensation	4.1		0.2		4.3
Excess tax benefit from stock-based compensation	(1.0)				(1.0)
Deferred income tax provision (benefit)	5.1	4.9	(2.6)		7.4
Loss on retirement of bonds	2.4				2.4
Loss on other asset dispositions	0.1				0.1
Net cash used in changes in operating working capital	(0.4)	(1.1)	(5.7)		(7.2)
Equity in earnings of subsidiaries	(27.3)			27.3	
Pension and other post-employment benefits	0.6	(8.8)	0.5		(7.7)
Other		(1.3)	0.1		(1.2)
NET CASH PROVIDED BY OPERATING ACTIVITIES	24.7	8.4	24.1		57.2
INVESTING ACTIVITIES					
Capital expenditures	(5.2)	(2.2)	(15.7)		(23.1)
Increase in restricted cash	(7.0)				(7.0)
Sale of marketable securities	7.0				7.0
Purchase of marketable securities	(5.8)				(5.8)
Other	0.6	(0.4)	(0.2)		
NET CASH USED IN INVESTING ACTIVITIES	(10.4)	(2.6)	(15.9)		(28.9)
FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt	30.3				30.3
Repayments of long-term debt	(97.0)		(1.7)		(98.7)
Short-term borrowings			16.4		16.4
Repayments of short-term borrowings			(7.8)		(7.8)
Proceeds from exercise of stock options	2.6				2.6
Excess tax benefit from stock-based compensation	1.0				1.0
Cash dividends paid	(6.7)				(6.7)
Shares purchased	(0.5)				(0.5)
Other	(0.4)				(0.4)
Intercompany transfers net	21.1	(6.2)	(14.9)		
NET CASH USED IN FINANCING ACTIVITIES	(49.6)	(6.2)	(8.0)		(63.8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35.3)	(0.4)	0.2		(35.5)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	45.0	2.4	0.9		48.3
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9.7	$ 2.0	$ 1.1	$	$ 12.8

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CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

	Neenah Paper, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Consolidated Amounts
OPERATING ACTIVITIES					
Net income	$ 159.1	$ 145.1	$ 12.4	$ (157.5)	$ 159.1
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	13.1	4.4	13.8		31.3
Stock-based compensation	4.8		0.1		4.9
Deferred income tax provision (benefit)	2.2	36.5	(1.7)		37.0
Gain on sale of the Woodlands		(74.1)			(74.1)
Reclassification of cumulative translation adjustments related to investments in Canada		(87.9)			(87.9)
Gain on sale of the Ripon Mill		(3.4)			(3.4)
Loss on other asset dispositions	0.2				0.2
Net cash provided by (used in) changes in operating working capital	(0.3)	1.0	(4.6)		(3.9)
Equity in earnings of subsidiaries	(157.5)			157.5	
Pension and other post-employment benefits	(0.9)	(6.9)			(7.8)
Other	0.8	(1.6)	(0.1)		(0.9)
NET CASH PROVIDED BY OPERATING ACTIVITIES	21.5	13.1	19.9		54.5
INVESTING ACTIVITIES					
Capital expenditures	(6.7)	(2.6)	(8.1)		(17.4)
Net proceeds from sale of the Woodlands		78.0			78.0
Purchase of marketable securities	(3.5)				(3.5)
Proceeds from asset sales	8.7				8.7
Other	(0.3)		1.0		0.7
NET CASH USED IN INVESTING ACTIVITIES	(1.8)	75.4	(7.1)		66.5
FINANCING ACTIVITIES					
Proceeds from issuance of long-term debt	0.1				0.1
Repayments of long-term debt	(69.9)		(1.6)		(71.5)
Short-term borrowings			13.3		13.3
Repayments of short-term borrowings	(1.0)		(13.8)		(14.8)
Cash dividends paid	(5.9)				(5.9)
Proceeds from exercise of stock options	0.7				0.7
Shares purchased	(0.2)				(0.2)
Intercompany transfers net	99.4	(88.1)	(11.3)		
NET CASH USED IN FINANCING ACTIVITIES	23.2	(88.1)	(13.4)		(78.3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	42.9	0.4	(0.6)		42.7
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2.1	2.0	1.5		5.6
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 45.0	$ 2.4	$ 0.9	$	$ 48.3

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Note 16. Unaudited Quarterly Data

	2012 Quarters				
	First (b)	Second	Third	Fourth	Year (a)(b)(c)
Net Sales	$ 198.2	$ 211.7	$ 206.3	$ 192.6	$ 808.8
Gross Profit	41.9	43.8	35.7	37.7	159.1
Operating Income	16.2	22.0	16.3	15.9	70.4
Income From Continuing Operations	8.9	12.7	9.2	9.1	39.9
Earnings Per Common Share From Continuing Operations:					
Basic	$ 0.55	$ 0.78	$ 0.56	$ 0.56	$ 2.46
Diluted	$ 0.54	$ 0.77	$ 0.55	$ 0.55	$ 2.41

	2011 Quarters				
	First (d)	Second	Third	Fourth	Year (d)
Net Sales	$ 172.7	$ 182.9	$ 174.9	$ 165.5	$ 696.0
Gross Profit	33.2	33.5	27.4	31.3	125.4
Operating Income	14.8	15.7	12.5	13.6	56.6
Income From Continuing Operations	7.0	7.8	6.8	7.7	29.3
Earnings Per Common Share From Continuing Operations:					
Basic	$ 0.47	$ 0.52	$ 0.44	$ 0.49	$ 1.91
Diluted	$ 0.45	$ 0.49	$ 0.42	$ 0.47	$ 1.82

(a) Includes acquisition integration costs of $5.8 million.

(b) Includes a SERP settlement charge of $3.5 million

(c) Includes an aggregate loss of $0.6 million related to the Second and Third Early Redemptions.

(d) Includes a loss of $2.4 million related to the First Early Redemption.

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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, 2012					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	$ 1.4	$ 0.2	$	$ (0.2)	$ 1.4
Allowance for sales discounts	0.5				0.5
Valuation allowance deferred income taxes	1.7	(1.3)			0.4
December 31, 2011					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	$ 1.4	$ 0.6	$	$ (0.6)	$ 1.4
Allowance for sales discounts	0.5				0.5
Valuation allowance deferred income taxes	1.7				1.7
December 31, 2010					
Allowances deducted from assets to which they apply					
Allowance for doubtful accounts	$ 1.2	$ 1.2	$	$ (1.0)	$ 1.4
Allowance for sales discounts	0.7	(0.2)			0.5
Valuation allowance deferred income taxes	1.5	0.2			1.7