

Neenah Paper Inc
Form 10-Q
May 11, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2009

OR

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

For the transition period from to

Commission File Number: 001-32240

NEENAH PAPER, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

20-1308307
(I.R.S. Employer
Identification No.)

3460 Preston Ridge Road
Alpharetta, Georgia
(Address of principal executive offices)

30005
(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 No

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

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

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

As of April 30, 2009, there were approximately 14,650,000 shares of the Company's common stock outstanding.

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(In millions, except share and per share data)

(Unaudited)

	Three Months Ended March 31,	
	2009	2008
Net sales	\$ 134.1	\$ 205.6
Cost of products sold	113.6	171.4
Gross profit	20.5	34.2
Selling, general and administrative expenses	16.3	21.2
Other income - net	(0.7)	(4.9)
Operating income	4.9	17.9
Interest expense - net	5.7	6.2
Income (loss) from continuing operations before income taxes	(0.8)	11.7
Provision (benefit) for income taxes	(0.1)	3.2
Income (loss) from continuing operations	(0.7)	8.5
Income (loss) from discontinued operations, net of income taxes	0.1	(81.4)
Net loss	\$ (0.6)	\$ (72.9)
Earnings (Loss) Per Common Share		
Basic		
Continuing operations	\$ (0.05)	\$ 0.57
Discontinued operations	0.01	(5.50)
	\$ (0.04)	\$ (4.93)
Diluted		
Continuing operations	\$ (0.05)	\$ 0.57
Discontinued operations	0.01	(5.45)
	\$ (0.04)	\$ (4.88)
Weighted Average Common Shares Outstanding (in thousands)		
Basic	14,672	14,798
Diluted	14,672	14,932
Cash Dividends Declared Per Share of Common Stock	\$ 0.10	\$ 0.10

See Notes to Condensed Consolidated Financial Statements

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NEENAH PAPER, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions)

(Unaudited)

	March 31, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6.1	\$ 3.3
Accounts receivable (less allowances of \$1.8 million and \$1.7 million)	60.9	63.2
Inventories	79.5	88.6
Income taxes receivable	0.2	11.2
Deferred income taxes	53.2	53.3
Prepaid and other current assets	15.1	19.0
Assets held for sale - discontinued operations	3.2	3.3
Total Current Assets	218.2	241.9
Property, Plant and Equipment, at cost	565.0	575.4
Less accumulated depreciation	265.1	259.2
Property, plant and equipment - net	299.9	316.2
Deferred Income Taxes	41.3	42.0
Goodwill	41.5	43.8
Intangible Assets - net	26.9	28.7
Other Assets	11.6	12.0
TOTAL ASSETS	\$ 639.4	\$ 684.6
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Debt payable within one year	\$ 18.0	\$ 24.1
Accounts payable	34.2	40.6
Accrued salaries and employee benefits	15.1	16.6
Accrued income taxes	2.2	1.3
Accrued expenses	16.7	14.4
Total Current Liabilities	86.2	97.0
Long-term Debt	322.6	340.5
Deferred Income Taxes	23.2	25.4
Noncurrent Employee Benefits	104.9	107.8
Other Noncurrent Obligations	3.3	3.5
TOTAL LIABILITIES	540.2	574.2
Commitments and Contingencies (Note 11)		
TOTAL STOCKHOLDERS' EQUITY	99.2	110.4
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 639.4	\$ 684.6

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)

	Three Months Ended March 31,	
	2009	2008
OPERATING ACTIVITIES		
Net loss	\$ (0.6)	\$ (72.9)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	8.4	11.6
Stock-based compensation	1.0	1.3
Deferred income tax benefit	(0.4)	(29.9)
Gain on curtailment of postretirement benefit plan		(4.3)
Asset impairment loss (Note 4)		90.5
Estimated loss on disposal - transfer of the Pictou Mill (Note 4)		39.5
(Gain) loss on asset dispositions	0.3	(0.1)
Decrease (increase) in working capital	21.3	(37.5)
Pension and other postretirement benefits	(0.3)	(7.8)
Other	(0.3)	(0.8)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	29.4	(10.4)
INVESTING ACTIVITIES		
Capital expenditures	(2.8)	(7.1)
Other	(0.2)	1.0
NET CASH USED IN INVESTING ACTIVITIES	(3.0)	(6.1)
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt		21.1
Repayments of long-term debt	(17.3)	
Short-term borrowings	0.6	5.6
Repayments of short-term debt	(5.4)	
Share purchases		(9.6)
Cash dividends paid	(1.5)	(1.5)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(23.6)	15.6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2.8	(0.9)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3.3	2.4
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6.1	\$ 1.5
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during period for interest, net of interest expense capitalized	\$ 1.0	\$ 1.6
Cash paid (received) during period for income taxes	\$ (11.4)	\$ 0.3
Non-cash investing activities:		
Liability for equipment acquired	\$ 0.8	\$ 2.0

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 fine paper business and its technical products business.

The fine paper business is a leading international producer of premium writing, text, cover and specialty papers used in corporate identity packages, corporate annual reports, invitations, personal stationery and high-end packaging for point of sale advertising. The technical products business is a leading producer of transportation and other filter media; durable, saturated and coated substrates for a variety of end uses, and nonwoven wall coverings.

In February 2008, the Company committed to a plan to sell its pulp mill in Pictou, Nova Scotia (the Pictou Mill) and approximately 500,000 acres of woodland assets in Nova Scotia (the Woodlands). In June 2008, the Company's wholly owned subsidiary, Neenah Paper Company of Canada (Neenah Canada) completed the sale of the Pictou Mill to Northern Pulp Nova Scotia Corporation (Northern Pulp), a new operating company jointly owned by Atlas Holdings LLC and Blue Wolf Capital Management LLC (collectively, Atlas).

The Company believes it is probable that the sale of the Woodlands will be completed within 12 months. As of March 31, 2009, the assets of the Woodlands are reported as assets held for sale - discontinued operations. For the three months ended March 31, 2009, the results of operations of the Woodlands are reported as discontinued operations in the condensed consolidated statements of operations. The consolidated results of operations for all prior periods have been restated to reflect the results of operations of the Pictou Mill and the Woodlands and the estimated loss on disposal of the Pictou Mill as discontinued operations. See Note 4, Discontinued Operations - Sale of the Pictou Mill and the Woodlands.

Basis of Consolidation and Presentation

These statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission 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

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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 interim 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 interim financial statements of Neenah and its subsidiaries included herein are unaudited, except for the December 31, 2008 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 consolidated financial statements.

Table of Contents**Earnings (Loss) per Share (EPS)**

Basic earnings (loss) per share (EPS) was computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the three months ended March 31, 2009 and 2008. Diluted EPS was calculated to give effect to all potentially dilutive common shares using the Treasury Stock method. Outstanding stock options, stock appreciation rights (SARS), restricted shares, restricted stock units (RSUs) and restricted stock units with performance conditions represent the only potentially dilutive effects on the Company's weighted-average shares. For the three months ended March 31, 2009 and 2008, approximately 1,790,000 and 1,290,000 potentially dilutive stock-based compensation awards, respectively, were excluded from the computation of dilutive common shares. In addition, as a result of the loss from continuing operations for the three months ended March 31, 2009, approximately 40,000 incremental shares resulting from the assumed vesting of restricted stock, RSUs and restricted stock units with performance conditions were excluded from the diluted earnings per share calculation, as the effect would have been anti-dilutive.

The following table presents the computation of basic and diluted shares of common stock used in the computation of EPS (amounts in thousands):

	Three Months Ended March 31,	
	2009	2008
Weighted-average basic shares outstanding	14,672	14,798
Add: Assumed incremental shares under stock compensation plans		134
Assuming dilution	14,672	14,932

Note 2. Accounting Standard Changes

On January 1, 2009, the Company adopted FASB Staff Position No. 157-2, *Effective Date of FASB Statement No. 157*, which deferred the effective date of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) to fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company does not have any assets or liabilities measured at fair value that require disclosure under SFAS 157.

On January 1, 2009, the Company adopted FASB Staff Position 141R-1 *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, (FSP 141R-1). FSP 141R-1 amends and clarifies SFAS No. 141 (revised 2007), *Business Combinations*, to require that an acquirer recognize at fair value, at the acquisition date, an asset acquired or a liability assumed in a business combination that arises from a contingency if the acquisition-date fair value of that asset or liability can be determined during the measurement period. If the acquisition-date fair value of such an asset acquired or liability assumed cannot be determined, the acquirer should apply the provisions of SFAS 5, *Accounting for Contingencies*, to determine whether the contingency should be recognized at the acquisition date or after it. The Company will apply the guidance in FSP 141R-1 to all future acquisitions.

On January 1, 2009, the Company adopted Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* (SFAS 160). SFAS 160 requires:

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- The ownership interests in subsidiaries held by parties other than the parent be clearly identified in the consolidated statement of financial position;
- The amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income;
- Changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently;
- When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value; and
- Entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

The adoption of SFAS 160 did not have a material effect on the Company's results of operations or financial position.

On January 1, 2009, the Company adopted FASB Staff Position on EITF 03-6-1 *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, (FSP 03-6-1). FSP 03-6-1 requires that invested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method in FASB Statement No. 128, *Earnings Per Share*.

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For the three months ended March 31, 2009 and 2008, the Company's adoption of FSP 03-6-1 resulted in an increase in weighted-average basic shares outstanding of 23 thousand shares and 33 thousand shares, respectively.

In December 2008, the FASB issued FASB Staff Position No. 132R-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (FSP 132R-1). FSP 132R-1 provides additional guidance regarding disclosures about plan assets of defined benefit pension or other postretirement plans. FSP 132R-1 is effective for financial statements issued for fiscal years ending after December 15, 2009. The Company adopted the disclosure requirements of FSP 132R-1 on January 1, 2009.

Note 3. Comprehensive Income (Loss)

Comprehensive income (loss) includes, in addition to net income (loss), gains and losses recorded directly into stockholders' equity on the condensed consolidated balance sheet. These gains and losses are referred to as other comprehensive income items. Accumulated other comprehensive income (loss) consists of foreign currency translation gains and (losses), deferred gains and (losses) on cash flow hedges, and adjustments related to pensions and other post-retirement benefits. Income taxes are not provided for foreign currency translation adjustments because they relate to indefinite investments in Neenah Germany. The Company also does not provide income taxes for foreign currency translation adjustments for its Canadian operations. For the three months ended March 31, 2009, the Company did not record deferred taxes related to future funds expected to be repatriated upon the sale of the Woodlands because there are no expected tax consequences considering the anticipated proceeds from the disposal of the Woodlands. As of March 31, 2009 and December 31, 2008, accumulated other comprehensive income was \$81.6 million and \$91.7 million, respectively.

The following table presents the components of comprehensive income (loss):

	Three Months Ended March 31,	
	2009	2008
Net loss	\$ (0.6)	\$ (72.9)
Other comprehensive income (loss):		
Unrealized foreign currency translation gain (loss)	(10.5)	18.0
Adjustments to pension and other post-employment benefit liabilities	0.4	(2.3)
Deferred loss on cash flow hedges		(0.3)
Total other comprehensive income (loss)	(10.1)	15.4
Comprehensive loss	\$ (10.7)	\$ (57.5)

Note 4. Discontinued Operations*Sale of the Pictou Mill and the Woodlands*

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As of December 31, 2006, the Company's pulp operations consisted of the Pictou Mill and the Woodlands. The Company considered its pulp operations as non-strategic assets and sought opportunities to reduce its exposure to the cyclical commodity pulp business. In the first quarter of 2007, the Company engaged a nationally known investment banking firm to identify buyers who would be interested in acquiring the Pictou Mill and/or the Woodlands. Throughout 2007, the Company actively pursued opportunities to maximize the value of these assets through a sale or divestiture, however, as of December 31, 2007, the Company did not believe it was probable that the assets could be sold within twelve months and had not received any binding offers for the Pictou Mill and/or the Woodlands.

In February 2008, Atlas was identified as a party that was interested in acquiring the Pictou Mill. The transaction with Atlas did not include the Woodlands. At that time, the Company committed to a plan to sell the Pictou Mill to Atlas and to separately pursue purchasers of the Woodlands. In June 2008, Neenah Canada sold the Pictou Mill to Northern Pulp. In connection with the transfer of the Pictou Mill, Neenah Canada made payments of approximately \$10.3 million to Northern Pulp. In addition, the Company incurred transaction costs of approximately \$3.3 million. Pursuant to the terms of the transaction, Northern Pulp assumed all of the assets and liabilities associated with the Pictou Mill, as well as existing customer contracts, supply agreements (including a pulp supply agreement with Kimberly-Clark Corporation (Kimberly-Clark)), labor agreements and pension obligations.

During the first quarter of 2008, the Company determined that the estimated value it would receive from a sale of the Pictou Mill indicated that it would not recover the carrying value of the mill's long-lived assets. For the three months ended March 31, 2008, the Company recognized a non-cash, pre-tax impairment charge of \$90.5 million to write-off the carrying value of the Pictou Mill's long-lived assets and a pre-tax charge of \$39.5 million to recognize the estimated loss on disposal of the Pictou Mill. At March 31, 2009, assets held for sale - discontinued operations on the condensed consolidated balance sheet consisted solely of the historic book value of the Woodland's timberlands net of accumulated depletion. The Company believes it is probable that the sale of the Woodlands will be completed within twelve months.

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In conjunction with the sale of the Pictou Mill, the Company entered into a stumpage agreement (the Stumpage Agreement) which allows Northern Pulp to harvest an average of approximately 400,000 metric tons of softwood timber annually from the Woodlands. The Stumpage Agreement is for a term of ten years and Northern Pulp has the option to extend the agreement for an additional three years. For calendar year 2008, Northern Pulp paid a nominal amount for approximately 236,000 metric tons of softwood timber harvested under the Stumpage Agreement. As a result, the Company recorded \$2.8 million in deferred revenue for the estimated fair value of the timber to be harvested by Northern Pulp in calendar 2008. For the year ended December 31, 2008, the Company recognized all of such deferred revenue. For timber purchases during calendar year 2009, Northern Pulp has agreed to pay the stumpage rate charged by the Nova Scotia provincial government for harvesting on government licensed lands. The price paid for timber purchases during the remainder of the Stumpage Agreement will be based on an agreed upon formula for estimating market prices. The Company believes the Stumpage Agreement prices for calendar year 2009 and beyond represent market rates. Northern Pulp has agreed to pay substantially all costs associated with maintaining the Woodlands and harvesting the timber. An agreement to sell the Woodlands will require the buyer to assume the Stumpage Agreement.

The results of operations of the Pictou Mill and the Woodlands and the estimated loss on sale of the Pictou Mill are reported as discontinued operations in the condensed consolidated statements of operations for each period presented. The following table summarizes the results of discontinued operations:

	Three Months Ended March 31,			
	2009		2008	
Net sales (a)	\$	0.8	\$	50.8
Discontinued operations:				
Income (loss) from operations (b)	\$	0.2	\$	(92.3)
Estimated loss on disposal				(39.5)
Gain (loss) before income taxes		0.2		(131.8)
(Provision) benefit for income taxes		(0.1)		50.4
Income (loss) from discontinued operations, net of income taxes	\$	0.1	\$	(81.4)

- (a) Represent net sales of the Pictou Mill and the Woodlands only.
- (b) For the three months ended March 31, 2008, the loss from operations includes non-cash, pre-tax impairment charges of \$90.5 million to write-off the carrying value of the Pictou Mill's long-lived assets.

Note 5. Other Income - Net

In August 2006, Neenah Canada transferred the Terrace Bay, Ontario pulp mill and related woodlands operations (Terrace Bay) to certain affiliates of Buchanan Forest Products, Ltd. (Buchanan). Buchanan assumed responsibility for substantially all liabilities related to the future operation of Terrace Bay. At closing, Neenah Canada retained pension and long-term disability obligations for current and former mill employees and postretirement medical and life insurance obligations for current retirees. During the first quarter of 2008, Neenah Canada paid approximately \$5.0 million to settle litigation related to the reduction and/or elimination of certain retiree benefits following Neenah Canada's transfer of Terrace Bay to Buchanan. In conjunction with the settlement, Neenah Canada agreed to continue certain retiree life insurance benefits at a reduced rate in the future. As a result of the settlement, for the three months ended March 31, 2008, Neenah Canada recorded a curtailment gain of approximately \$4.3 million which is recorded in Other income-net on the condensed consolidated statement of operations.

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The Company recognized gains of \$0.2 million from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) for each of the three months ended March 31, 2009 and 2008. For the three months ended March 31, 2008, approximately \$1.0 million of such gains related to the operations of the Pictou Mill and are recorded in loss from discontinued operations on the condensed consolidated statements of operations. For the three months ended March 31, 2008, the Company realized gains on foreign currency forward exchange contracts of approximately \$0.5 million. All such foreign currency forward exchange contracts gains related to the operations of the Pictou Mill and are recorded in loss from discontinued operations on the condensed consolidated statements of operations.

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The following table presents the components of Other income - net on the condensed consolidated statement of operations:

	Three Months Ended March 31,	
	2009	2008
Terrace Bay employee benefits	\$ 0.2	\$ (5.0)
Loss on property disposals	0.3	
Gains on foreign currency forward exchange contracts		(0.5)
Gains from foreign currency transactions	(0.2)	(0.2)
Miscellaneous other income	(1.0)	(0.6)
Other income - net	(0.7)	(6.3)
Less: Amounts related to discontinued operations		(1.4)
Other income - net related to continuing operations	\$ (0.7)	\$ (4.9)

Note 6. Supplemental Balance Sheet Data

The following presents inventories by major class:

	March 31, 2009	December 31, 2008
Inventories by major class:		
Raw materials	\$ 17.8	\$ 21.8
Work in progress	12.7	13.0
Finished goods	50.3	59.0
Supplies and other	3.9	3.0
	84.7	96.8
Adjust FIFO inventories to LIFO cost	(5.2)	(8.2)
Total	\$ 79.5	\$ 88.6

The FIFO values of total inventories valued on the LIFO method were \$62.6 million and \$66.5 million at March 31, 2009 and December 31, 2008, respectively.

	March 31, 2009	December 31, 2008
Summary of Property, Plant and Equipment - Net		
Land and land improvements	\$ 23.0	\$ 23.9
Buildings	97.9	99.9
Machinery and equipment	435.8	439.1
Construction in progress	8.3	12.5
Property, plant and equipment, at cost	565.0	575.4
Less accumulated depreciation and depletion	265.1	259.2
Net Property, Plant and Equipment	\$ 299.9	\$ 316.2

Depreciation expense for the three months ended March 31, 2009 and 2008 was \$7.5 million and \$10.6 million (including \$1.9 million related to discontinued operations), respectively. On January 1, 2009, the Company changed the estimated useful life of its Enterprise Resource Planning software from five years to eight years to more accurately reflect its expected future utilization of the software. The change in the estimated

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useful life reduced depreciation expense for the three months ended March 31, 2009 by approximately \$0.5 million or \$0.02 per diluted share and is expected to reduce depreciation expense for the year ended December 31, 2009 by \$1.9 million or \$0.08 per diluted share.

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Long-term debt consisted of the following:

	March 31, 2009	December 31, 2008
Senior Notes (7.375% fixed rate) due November 2014	\$ 225.0	\$ 225.0
Revolving bank credit facility (variable rates) due November 2010	85.0	101.1
Term Loan (variable rates) due November 2010	6.0	7.2
Neenah Germany project financing (3.8% fixed rate) due in 16 equal semi-annual installments beginning June 2009	13.3	14.0
Neenah Germany revolving line of credit (variable rates) due November 2009	11.3	17.3
Total debt	340.6	364.6
Less: Debt payable within one year	18.0	24.1
Long-term debt	\$ 322.6	\$ 340.5

Senior Unsecured Notes

In November 2004, the Company completed an underwritten offering of ten-year senior unsecured notes (the Senior Notes) at an aggregate face amount of \$225 million. The Senior Notes bear interest at a rate of 7.375 percent, payable May 15 and November 15 of each year and mature on November 15, 2014. The Senior Notes are fully and unconditionally guaranteed by all of the Company's subsidiaries, with the exception of Neenah Germany.

Secured Revolving Credit Facility

On November 30, 2004, the Company entered into a Credit Agreement by and among the Company, certain of its subsidiaries, the lenders listed in the Credit Agreement and JP Morgan Chase Bank, N.A. as agent for the lenders (the Initial Credit Agreement). Under the Initial Credit Agreement, the Company had a secured revolving credit facility that provided for borrowings of up to \$150 million.

In May 2008, the Company entered into the Sixth Amendment to the Initial Credit Agreement (the Sixth Amendment). In the Sixth Amendment, the Lenders consented to consummation of the sale of the Pictou Mill. As of March 31, 2009, the Initial Credit Agreement (as amended the Amended Credit Agreement) provides for a secured revolving credit facility (the Revolver) to provide for borrowings of up to \$210 million. The Company's ability to borrow under the Revolver is limited to the lowest of (a) \$210 million, (b) the Company's borrowing base (as determined in accordance with the Amended Credit Agreement), and (c) the applicable cap on the amount of credit facilities under the indenture for the Senior Notes. The Amended Credit Agreement is currently scheduled to terminate on November 30, 2010.

The weighted-average interest rate on outstanding Revolver borrowings as of March 31, 2009 and December 31, 2008 was 2.5 percent per annum and 3.6 percent per annum, respectively. 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. Availability under the Amended Credit Agreement will fluctuate

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over time depending on the value of the Company's inventory, receivables and various capital assets. As of March 31, 2009, the Company had approximately \$1.6 million of letters of credit outstanding and \$62.2 million of borrowing availability under the Revolver. As of March 31, 2009, the Company had approximately \$85.0 million in outstanding Revolver borrowings of which approximately \$22.5 million are due within the next 12-months. The Company has the ability and intent to refinance such borrowings and therefore has excluded these amounts from current liabilities.

The Amended Credit Agreement contains events of default customary for financings of this type, including failure to pay principal or interest, materially false representations or warranties, failure to observe covenants and other terms of the Amended Credit Agreement, cross-defaults to other indebtedness, bankruptcy, insolvency, various ERISA violations, the incurrence of material judgments and changes in control. As of March 31, 2009, no events of default had occurred.

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Term Loan

In March 2007, the Company entered into an agreement by and among the Company, certain of its subsidiaries and JP Morgan Chase Bank, N.A. (the Term Loan Agreement) to borrow up to \$25 million (the Term Loan). The weighted-average interest rate on outstanding Term Loan borrowings as of March 31, 2009 and December 31, 2008, was 2.3 percent per annum and 3.6 percent per annum, respectively. Borrowings under the Term Loan are being repaid in equal quarterly installments which began in November 2007. As of March 31, 2009, required Term Loan amortization payments are \$1.25 million per quarter. Any remaining amounts outstanding under the Term Loan are due and payable upon termination of the Term Loan Agreement, currently scheduled to occur in November 2010.

Other Financing

In December 2006, Neenah Germany entered into an agreement with HypoVereinsbank and IKB Deutsche Industriebank AG (the Lenders) to provide 10.0 million of project financing for the construction of a saturator and the financing matures in December 2016. As of March 31, 2009, 10.0 million (\$13.3 million, based on exchange rates at March 31, 2009) was outstanding under this agreement.

Neenah Germany has an unsecured revolving line of credit (the Line of Credit) with HypoVereinsbank that provides for borrowings of up to 15 million for general corporate purposes. The Line of Credit matures on November 30, 2009. The weighted-average interest rate on outstanding Line of Credit borrowings as of March 31, 2009 and December 31, 2008 was 3.2 percent and 5.7 percent per annum, respectively. As of March 31, 2009, the Company had 8.6 million (\$11.3 million, based on exchange rates at March 31, 2009) outstanding under the Line of Credit and 6.4 million (\$8.6 million, based on exchange rates at March 31, 2009) of available credit.

Note 8. Pension and Other Postretirement Benefits

Pension Plans

Substantially all active employees of the Company's U.S. paper 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 all its employees in Germany. There is no legal or governmental obligation to fund Neenah Germany's benefit plans and as such the plans are currently unfunded.

In conjunction with the sale of the Pictou Mill, Northern Pulp assumed responsibility for all pension and other postretirement benefit obligations for active and retired employees of the mill. The Company accounted for the transfer of these liabilities as a settlement of postretirement benefit obligations pursuant to Statement of Financial Accounting Standards No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*.

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

Components of Net Periodic Benefit Cost

	Pension Benefits		Postretirement Benefits Other than Pensions	
	2009	2008	2009	2008
Service cost	\$ 1.2	\$ 2.0	\$ 0.5	\$ 0.6
Interest cost	3.5	6.0	0.6	0.7
Expected return on plan assets (a)	(2.8)	(6.8)		
Recognized net actuarial loss	0.4	0.6		0.2
Amortization of prior service cost (credit)		0.5	0.1	(1.3)
Amount of curtailment gain recognized				(4.3)
Net periodic benefit cost (credit)	2.3	2.3	1.2	(4.1)
Less: Costs related to discontinued operations (b)		0.9		0.3
Net periodic benefit cost (credit) related to continuing operations	\$ 2.3	\$ 1.4	\$ 1.2	