

**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, 2019

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



(Exact name of registrant as specified in its charter)

**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, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 May 2, 2019, there were approximately 16,866,725 shares of the Company's Common Stock outstanding.

---

**TABLE OF CONTENTS**

[Part I — Financial Information](#)

<a href="#">Item 1. Financial Statements</a>	<a href="#">F-1</a>
<a href="#">Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">F-17</a>
<a href="#">Item 3. Quantitative and Qualitative Disclosure About Market Risk</a>	<a href="#">F-24</a>
<a href="#">Item 4. Controls and Procedures</a>	<a href="#">F-24</a>

[Part II — Other Information](#)

<a href="#">Item 1. Legal Proceedings</a>	<a href="#">F-24</a>
<a href="#">Item 1A. Risk Factors</a>	<a href="#">F-25</a>
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">F-25</a>
<a href="#">Item 6. Exhibits</a>	<a href="#">F-26</a>

---

## Part I—FINANCIAL INFORMATION

## Item 1. Financial Statements

**NEENAH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(In millions, except share and per share data)**  
**(Unaudited)**

	Three Months Ended March 31,	
	2019	2018
<b>Net sales</b>	\$ 239.7	\$ 266.5
Cost of products sold	196.0	214.1
<b>Gross profit</b>	43.7	52.4
Selling, general and administrative expenses	25.3	26.8
SERP settlement loss (Note 7)	—	0.8
Other expense - net	1.0	0.7
<b>Operating income</b>	17.4	24.1
Interest expense - net	3.2	3.3
<b>Income from continuing operations before income taxes</b>	14.2	20.8
Provision for income taxes	2.4	4.6
<b>Net income</b>	\$ 11.8	\$ 16.2
<b>Earnings Per Common Share</b>		
Basic	\$ 0.70	\$ 0.96
Diluted	\$ 0.69	\$ 0.95
<b>Weighted Average Common Shares Outstanding (in thousands)</b>		
Basic	16,862	16,847
Diluted	16,921	17,006
<b>Cash Dividends Declared Per Share of Common Stock</b>	\$ 0.45	\$ 0.41

See Notes to Condensed Consolidated Financial Statements

**NEENAH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In millions)**  
**(Unaudited)**

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Net income</b>	<b>\$ 11.8</b>	<b>\$ 16.2</b>
Unrealized foreign currency translation gain (loss)	(3.2)	5.5
Reclassification of amortization of adjustments to pension and other postretirement benefit liabilities recognized in net periodic benefit cost (Note 7)	1.7	1.6
Reclassification of SERP settlement loss (Note 7)	—	0.8
Net gain from pension and other postretirement benefit plans	—	0.4
<b>Income (loss) from other comprehensive income items</b>	<b>(1.5)</b>	<b>8.3</b>
Provision for income taxes	0.2	1.0
<b>Other comprehensive income (loss)</b>	<b>(1.7)</b>	<b>7.3</b>
<b>Comprehensive income</b>	<b>\$ 10.1</b>	<b>\$ 23.5</b>

See Notes to Condensed Consolidated Financial Statements

**NEENAH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions)  
(Unaudited)

	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7.6	\$ 9.9
Accounts receivable (less allowances of \$1.4 million and \$1.3 million)	126.5	114.8
Inventories	135.3	131.6
Prepaid and other current assets	16.4	21.6
Total Current Assets	285.8	277.9
<b>Property, Plant and Equipment</b>		
Property, plant and equipment, at cost	838.8	840.2
Less accumulated depreciation	449.3	444.0
Property, Plant and Equipment—net	389.5	396.2
<b>Lease Right-of-Use Assets (Note 11)</b>	16.2	—
<b>Deferred Income Taxes</b>	15.6	16.4
<b>Goodwill</b>	83.1	84.0
<b>Intangible Assets—net</b>	69.6	70.7
<b>Other Noncurrent Assets</b>	16.1	16.0
<b>TOTAL ASSETS</b>	\$ 875.9	\$ 861.2
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Debt payable within one year	\$ 2.7	\$ 2.3
Lease liabilities payable within one year (Note 11)	3.1	—
Accounts payable	59.6	63.3
Accrued expenses	49.3	55.2
Total Current Liabilities	114.7	120.8
<b>Long-term Debt</b>	243.4	236.8
<b>Deferred Income Taxes</b>	14.1	14.4
<b>Noncurrent Employee Benefits</b>	91.5	92.9
<b>Noncurrent Lease Liabilities (Note 11)</b>	13.9	—
<b>Other Noncurrent Obligations</b>	4.1	6.1
<b>TOTAL LIABILITIES</b>	481.7	471.0
<b>Contingencies and Legal Matters (Note 10)</b>		
<b>TOTAL STOCKHOLDERS' EQUITY</b>	394.2	390.2
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 875.9	\$ 861.2

See Notes to Condensed Consolidated Financial Statements

**NEENAH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(In millions, shares in thousands)  
(Unaudited)

Three Months Ended March 31, 2019							
Common Stock							
	Shares	Amount	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2018	18,597	\$ 0.2	\$ (76.6)	\$ 328.5	\$ 243.2	\$ (105.1)	\$ 390.2
Net income	—	—	—	—	11.8	—	11.8
Other comprehensive loss, after income tax benefit	—	—	—	—	—	(1.7)	(1.7)
Dividends declared	—	—	—	—	(7.6)	—	(7.6)
Shares purchased (Note 9)	—	—	(0.3)	—	—	—	(0.3)
Stock options exercised	9	—	—	—	—	—	—
Restricted stock vesting (Note 9)	3	—	(0.1)	—	—	—	(0.1)
Stock-based compensation	—	—	—	1.9	—	—	1.9
Other/Currency	—	—	—	—	—	—	—
Balance, March 31, 2019	18,609	\$ 0.2	\$ (77.0)	\$ 330.4	\$ 247.4	\$ (106.8)	\$ 394.2

Three Months Ended March 31, 2018							
Common Stock							
	Shares	Amount	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2017	18,458	\$ 0.2	\$ (65.8)	\$ 323.9	\$ 235.7	\$ (94.1)	\$ 399.9
Net income	—	—	—	—	16.2	—	16.2
Other comprehensive income, after income tax benefit	—	—	—	—	—	7.3	7.3
Reclassification of the unrealized loss on "available-for-sale" securities	—	—	—	—	(0.3)	0.3	—
Reclassification of deferred income taxes on intra-entity asset transfers	—	—	—	—	(0.8)	—	(0.8)
Dividends declared	—	—	—	—	(7.0)	—	(7.0)
Shares purchased (Note 9)	—	—	(5.3)	—	—	—	(5.3)
Stock options exercised	20	—	—	0.1	—	—	0.1
Stock-based compensation	—	—	—	1.8	—	—	1.8
Other/Currency	—	—	—	—	—	—	—
Balance, March 31, 2018	18,478	\$ 0.2	\$ (71.1)	\$ 325.8	\$ 243.8	\$ (86.5)	\$ 412.2

See Notes to Condensed Consolidated Financial Statements

**NEENAH, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 11.8	\$ 16.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8.8	9.4
Stock-based compensation	1.9	1.8
Deferred income tax provision	0.5	2.3
SERP settlement loss (Note 7)	—	0.8
Non-cash effects of changes in liabilities for uncertain income tax positions	(0.4)	0.1
Increase in working capital	(20.9)	(18.9)
Pension and other postretirement benefits	1.5	(3.5)
Other	(0.2)	(0.1)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3.0</b>	<b>8.1</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(4.3)	(7.6)
Purchase of marketable securities	(0.2)	—
Other	(0.2)	(0.3)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(4.7)</b>	<b>(7.9)</b>
<b>FINANCING ACTIVITIES</b>		
Long-term borrowings (Note 6)	62.9	104.2
Repayments of long-term debt (Note 6)	(55.5)	(90.5)
Debt issuance costs	(0.2)	—
Cash dividends paid	(7.6)	(7.0)
Shares purchased (Note 9)	(0.3)	(5.3)
Proceeds from exercise of stock options	—	0.1
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(0.7)</b>	<b>1.5</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>0.1</b>	<b>0.2</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2.3)</b>	<b>1.9</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>9.9</b>	<b>4.5</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 7.6</b>	<b>\$ 6.4</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during period for interest, net of interest expense capitalized	\$ 0.6	\$ 0.8
Cash paid during period for income taxes	\$ 4.3	\$ 2.4
Non-cash investing activities:		
Liability for equipment acquired	\$ 2.6	\$ 3.0

See Notes to Condensed Consolidated Financial Statements

**NEENAH, 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, Inc. ("Neenah" or the "Company"), is a Delaware corporation incorporated in April 2004. The Company has two primary operations: its technical products business and its fine paper and packaging business. See Note 12, "Business Segment Information."

***Basis of Consolidation and Presentation***

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

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

The condensed consolidated financial statements of Neenah and its subsidiaries included herein are unaudited. The condensed consolidated financial statements include the financial statements of the Company and its wholly owned and majority owned subsidiaries. Intercompany balances and transactions have been eliminated.

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

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

**Earnings Per Basic Common Share**

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Income from continuing operations	\$ 11.8	\$ 16.2
Amounts attributable to participating securities	—	(0.1)
Net income available to common stockholders	<u>\$ 11.8</u>	<u>\$ 16.1</u>
Weighted-average basic shares outstanding	<u>16,862</u>	<u>16,847</u>
Basic earnings per share	<u>\$ 0.70</u>	<u>\$ 0.96</u>

**Earnings Per Diluted Common Share**

	Three Months Ended March 31,	
	2019	2018
Income from continuing operations	\$ 11.8	\$ 16.2
Amounts attributable to participating securities	—	(0.1)
Net income available to common stockholders	<u>\$ 11.8</u>	<u>\$ 16.1</u>
Weighted-average basic shares outstanding	16,862	16,847
Add: Assumed incremental shares under stock compensation plans (a)	59	159
Weighted-average diluted shares	<u>16,921</u>	<u>17,006</u>
Diluted earnings per share	<u>\$ 0.69</u>	<u>\$ 0.95</u>

(a) For the three months ended March 31, 2019 and 2018, there were 231,332 and 197,200 potentially dilutive options, respectively, excluded from the computation of dilutive common shares because the exercise price of such options exceeded the average market price of the Company's Common Stock.

**Fair Value of Financial Instruments**

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

The following table presents the carrying value and the fair value of the Company's debt.

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value (a)	Carrying Value	Fair Value (a)
2021 Senior Notes (5.25% fixed rate)	\$ 175.0	\$ 171.5	\$ 175.0	\$ 170.5
Global Revolving Credit Facilities (variable rates)	65.3	65.3	57.9	57.9
German loan agreement (2.45% fixed rate)	4.4	4.6	4.8	5.1
German loan agreement (1.45% fixed rate)	4.8	4.8	4.9	4.9
Total debt	<u>\$ 249.5</u>	<u>\$ 246.2</u>	<u>\$ 242.6</u>	<u>\$ 238.4</u>

(a) The fair value for all debt instruments was estimated from Level 2 measurements using rates currently available to the Company for debt of the same remaining maturities.

As of March 31, 2019, the Company had \$3.8 million in marketable securities in the U.S. classified as "Other Noncurrent Assets" on the Condensed Consolidated Balance Sheet. The cost of such marketable securities was \$4.3 million. Fair value for the Company's marketable securities was estimated from Level 1 inputs. The Company's marketable securities are designated for the payment of benefits under its supplemental employee retirement plan ("SERP"). As of March 31, 2019, Neenah Germany had investments of \$1.6 million that were restricted to the payment of certain post-retirement employee benefits of which \$0.5 million and \$1.1 million are classified as "Prepaid and other current assets" and "Other Noncurrent Assets", respectively, on the Condensed Consolidated Balance Sheet.

## Note 2. Accounting Standards Changes

In August 2018, the SEC issued Final Rule 33-10532 that amends certain of its disclosure requirements that have become redundant, overlapping or superseded, in light of other SEC disclosure requirements, GAAP or changes in the information environment. The final rule also included a requirement to present a statement of changes in stockholders' equity in interim period filings, effective with this Form 10-Q.

As of March 31, 2019, no other amendments to disclosure requirements of the SEC and no amendments to the ASC have been issued that will have or are reasonably likely to have a material effect on the Company's financial position, results of operations or cash flows.

## Note 3. Revenue from Contracts with Customers

The Company recognizes sales revenue at a point in time following the transfer of control of the product to the customer, which typically occurs upon shipment or delivery depending on the terms of the underlying contracts. Sales are reported net of allowable discounts and estimated returns. Reserves for cash discounts, trade allowances and sales returns are estimated using historical experience. The Company accounts for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer the associated products. Accordingly, the Company records customer payments of shipping and handling costs as a component of net sales and classifies such costs as a component of cost of sales. The Company excludes tax amounts assessed by governmental authorities that are both (i) imposed on and concurrent with a specific revenue-producing transaction and (ii) collected from customers from our measurement of transaction prices. Accordingly, such tax amounts are not included as a component of net sales or cost of sales.

The following tables represent a disaggregation of segment revenue from contracts with customers for the three months ended March 31, 2019 and 2018.

The technical products business is an international producer of fiber-formed, coated and/or saturated specialized media that delivers high performance benefits to customers. Included in this segment are transportation and other filtration media ("Filtration"), tape and abrasives backings products ("Backings"), and digital image transfer, durable label and other specialty substrate products ("Specialty"). Following the disposition of the Brattleboro mill which eliminated a significant portion of the products of the Other business segment, in January 2019 the Company realigned the remaining products manufactured in the Other business segment to be managed as part of the Technical Products business segment. As a result, the Company presented the net sales and operating income for the three months ended March 31, 2019 of this remaining portion of the Other business segment within the Technical Products business segment and recast the comparable 2018 information into Specialty products. Refer to Note 12, "Business Segment Information", for further discussion on the amount recast.

	Three Months Ended March 31,	
	2019	2018
Filtration	42%	42%
Backings	25%	28%
Specialty	33%	30%
Total	100%	100%

The fine paper and packaging business is a leading supplier of premium printing and other high end specialty papers ("Graphic Imaging"), premium packaging ("Packaging") and specialty office papers ("Filing/Office") primarily in North America. With the sale of the Brattleboro mill in 2018 the Filing/Office category has been eliminated.

	Three Months Ended March 31,	
	2019	2018
Graphic Imaging	79%	77%
Packaging	21%	19%
Filing/Office	—%	4%
Total	100%	100%

The following tables represent a disaggregation of revenue from contracts with customers by location of the selling entities for the three months ended March 31, 2019 and 2018 .

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
United States	71%	70%
Germany	22%	23%
Rest of Europe	7%	7%
Total	<u>100%</u>	<u>100%</u>

The Company considers each transaction/shipment as a separate performance obligation. Neenah recognizes revenue when the title transfers to the customer. As such, the remaining performance obligations at period end are not considered significant.

Sales terms in the technical products business vary depending on the type of product sold and customer category. In general, sales are collected in approximately 45 to 55 days. Extended credit terms of up to 120 days are offered to customers located in certain international markets. Fine paper and packaging sales terms range between 20 and 30 days with discounts of 0 to 2% for customer payments, with discounts of 1% and 20 -day terms used most often. Extended credit terms are offered to customers located in certain international markets.

#### Note 4. Supplemental Balance Sheet Data

The following table presents inventories by major class:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Raw materials	\$ 35.8	\$ 35.6
Work in progress	29.6	30.1
Finished goods	81.5	78.3
Supplies and other	3.4	3.0
	<u>150.3</u>	<u>147.0</u>
Adjust FIFO inventories to LIFO cost	(15.0)	(15.4)
Total	<u>\$ 135.3</u>	<u>\$ 131.6</u>

The FIFO values of inventories valued on the LIFO method were \$121.5 million and \$109.1 million as of March 31, 2019 and December 31, 2018 , respectively. For the three months ended March 31, 2019 , income from continuing operations before income taxes was reduced by less than \$0.1 million due to a decrease in certain LIFO inventory quantities.

The following table presents changes in accumulated other comprehensive income (loss) ("AOCI") for the three months ended March 31, 2019 :

	<b>Net Unrealized Foreign Currency Translation Gain (Loss)</b>	<b>Net Gain (Loss) from Pension and Other Postretirement Liabilities</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>
AOCI — December 31, 2018	\$ (15.5)	\$ (89.6)	\$ (105.1)
Other comprehensive loss before reclassifications	(3.2)	—	(3.2)
Amounts reclassified from AOCI	—	1.7	1.7
Income (loss) from other comprehensive income items	(3.2)	1.7	(1.5)
Provision (benefit) for income taxes	(0.2)	0.4	0.2
Other comprehensive income (loss)	(3.0)	1.3	(1.7)
AOCI — March 31, 2019	<u>\$ (18.5)</u>	<u>\$ (88.3)</u>	<u>\$ (106.8)</u>

For the three months ended March 31, 2019 and 2018, the Company reclassified \$1.7 million and \$1.6 million, respectively, of costs from AOCI to "Other expense - net" on the Condensed Consolidated Statements of Operations. For each of the three months ended March 31, 2019 and 2018, the Company recognized an income tax benefit of \$0.4 million related to such reclassifications classified as "Provision for income taxes" on the Condensed Consolidated Statements of Operations.

#### Note 5. Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. Income tax expense represented 17% and 22% of pre-tax book income for the three months ended March 31, 2019 and 2018, respectively. The Company's effective income tax rate in both periods reflected the benefit of research and development tax credits ("R&D Credits") and excess tax benefits from stock compensation. The effective income tax rate for the three months ended March 31, 2018 included an unfavorable adjustment to the provisional estimates of the impacts of the Tax Cuts and Jobs Act of 2017 (the "TCJA"), while the rate in the first quarter of 2019 reflected a favorable adjustment to the reserve for uncertain tax positions following completion of a German tax audit.

#### Note 6. Debt

Long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
2021 Senior Notes (5.25% fixed rate) due May 2021	\$ 175.0	\$ 175.0
Global Revolving Credit Facilities (variable rates) due December 2023	65.3	57.9
German loan agreement (2.45% fixed rate) due in quarterly installments ending September 2022	4.4	4.8
German loan agreement (1.45% fixed rate) due in quarterly installments from June 2019 through March 2023	4.8	4.9
Deferred financing costs	(3.4)	(3.5)
Total debt	246.1	239.1
Less: Debt payable within one year	2.7	2.3
Long-term debt	\$ 243.4	\$ 236.8

#### 2021 Senior Notes

In May 2013, the Company completed an underwritten offering of eight -year senior unsecured notes (the "2021 Senior Notes") at a face amount of \$175 million. The 2021 Senior Notes contain terms, covenants and events of default with which the Company must comply, which the Company believes are ordinary and standard for notes of this nature. As of March 31, 2019, the Company was in compliance with all terms of the indenture for the 2021 Senior Notes.

#### Amended and Restated Secured Revolving Credit Facility

In December 2018, the Company amended and restated its existing credit facility by entering into the Fourth Amended and Restated Credit Agreement (the "Fourth Amended Credit Agreement").

The Fourth Amended Credit Agreement contains covenants with which the Company and its subsidiaries must comply during the term of the agreement, which the Company believes are ordinary and standard for agreements of this nature. As of March 31, 2019, the Company was in compliance with all terms of the Fourth Amended Credit Agreement.

Availability under the Global Revolving Credit Facilities varies over time depending on the value of the Company's inventory, receivables and various capital assets. As of March 31, 2019, the Company had \$65.3 million of borrowings and \$0.6 million in letters of credit outstanding under the Global Revolving Credit Facilities and \$159.1 million of available credit (based on exchange rates at March 31, 2019). As of March 31, 2019, the weighted-average interest rate on outstanding Global Revolving Credit Facility borrowings was 3.4 percent per annum. As of December 31, 2018, the weighted-average interest rate under the Global Revolving Credit Facilities was 2.9 percent per annum.

Under the terms of the 2021 Senior Notes and the Fourth Amended Credit Agreement, the Company has limitations on its ability to repurchase shares of and pay dividends on its Common Stock. These limitations are triggered depending on the Company's credit availability under the Fourth Amended Credit Agreement and leverage levels under the Senior Notes. As of March 31, 2019, none of these covenants were restrictive to the Company's ability to repurchase shares of and pay dividends on its Common Stock.

For additional information about our debt agreements, see Note 7, "Debt" of the Notes to Consolidated Financial Statements in our 2018 Form 10-K.

***Borrowings and Repayments of Long-Term Debt***

The Condensed Consolidated Statements of Cash Flows present borrowings and repayments under the Global Revolving Credit Facilities using a gross approach. This approach presents not only discrete borrowings for transactions such as a business acquisition, but also reflects all borrowings and repayments that occur as part of daily management of cash receipts and disbursements. For the three months ended March 31, 2019, the Company made scheduled debt repayments of \$0.3 million and net long-term debt borrowings of \$7.7 million related to daily cash management activities. For the three months ended March 31, 2018, the Company made scheduled debt repayments of \$0.3 million and net long-term debt borrowings of \$14.0 million related to daily cash management activities.

**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. The Company has defined benefit plans for substantially all its employees in Germany, the Netherlands and the United Kingdom. In addition, the Company maintains a SERP which is a non-qualified defined benefit plan and a supplemental retirement contribution plan (the "SRCP") which is a non-qualified, unfunded defined contribution plan. The Company provides benefits under the SERP and SRCP to the extent necessary to fulfill the intent of its retirement plans without regard to the limitations set by the Internal Revenue Code on qualified and non-qualified retirement benefit plans.

The following table presents the components of net periodic benefit cost for the Company's defined benefit plans and postretirement plans other than pensions:

***Components of Net Periodic Benefit Cost for Defined Benefit Plans***

	Pension Benefits		Postretirement Benefits Other than Pensions	
	Three Months Ended March 31,			
	2019	2018	2019	2018
Service cost	\$ 1.3	\$ 1.7	\$ 0.3	\$ 0.3
Interest cost	4.1	4.0	0.4	0.3
Expected return on plan assets (a)	(5.0)	(5.3)	—	—
Recognized net actuarial loss	1.5	1.3	0.2	0.2
Amortization of prior service benefit	0.1	0.1	—	—
Amount of settlement loss recognized (b)	—	0.8	—	\$ —
Net periodic benefit cost	\$ 2.0	\$ 2.6	\$ 0.9	\$ 0.8

(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. The Dutch pension plan is funded through an insurance contract, and the expected return on plan assets is calculated based on the discount rate of the insured obligations.

(b) For the three months ended March 31, 2018, the Company recognized a settlement loss of \$0.8 million related to the SERP.

[Table of Contents](#)

The Company records the service cost component of net periodic benefit cost as part of cost of sales and selling, general and administrative ("SG&A") expenses; and the non-service cost components of net periodic benefit cost (i.e., interest cost, expected return on plan assets, net actuarial gains or losses, and amortization of prior service cost or credits) as part of "Other expense - net" on the Condensed Consolidated Statements of Operations.

The Company expects to make aggregate contributions to qualified and nonqualified defined benefit pension trusts and to pay pension benefits for unfunded pension and other postretirement benefit plans of approximately \$15.1 million in calendar 2019. For the three months ended March 31, 2019, the Company made \$2.0 million of such payments. The Company made similar payments of \$5.9 million and \$20.3 million for the three months ended March 31, 2018 and for the year ended December 31, 2018, respectively.

#### *Multi-Employer Plan*

In June 2018, the Company and representatives of the United Steelworkers Union (the "USW") of the Lowville mill reached an agreement to withdraw from the Pace Industry Union-Management Pension Fund ("PIUMPF"), effective July 1, 2018. As a result, the Company recorded an estimated withdrawal liability of \$1.0 million, which assumes payment of \$0.1 million per year over 20 years, discounted at a credit adjusted risk-free rate of 5.7%. In addition to the withdrawal liability, PIUMPF may also demand payment from the Company of a pro-rata share of the fund's accumulated funding deficiency. Based on the latest information available from PIUMPF, the Company estimates the demand of accumulated funding deficiency to be in the range of \$1.0 to \$1.25 million. The Company reserves the right to challenge any such demand and believes this demand is unenforceable. As such, the Company has not recorded a liability for this amount as of March 31, 2019.

### **Note 8. Stock Compensation Plan**

#### ***Stock Options and Stock Appreciation Rights ("Options")***

The following table presents information regarding Options awarded during the three months ended March 31, 2019 :

Options granted		1,338
Per share weighted average exercise price	\$	69.20
Per share weighted average grant date fair value	\$	11.50

The weighted-average grant date fair value for Options granted during the three months ended March 31, 2019 was estimated using the Black-Scholes option valuation model with the following assumptions:

Expected term in years	5.0
Risk free interest rate	2.6%
Volatility	22.9%
Dividend yield	3.0%

The following table presents information regarding Options that vested during the three months ended March 31, 2019 :

Options vested		104,577
Aggregate grant date fair value of Options vested (in millions)	\$	1.5

The following table presents information regarding outstanding Options:

	March 31, 2019		December 31, 2018	
Options outstanding	437,539		451,081	
Aggregate intrinsic value (in millions)	\$	3.3	\$	2.7
Per share weighted average exercise price	\$	68.81	\$	67.46
Exercisable Options	333,235		240,903	
Aggregate intrinsic value (in millions)	\$	3.3	\$	2.6
Unvested Options	104,304		210,178	
Per share weighted average grant date fair value	\$	14.43	\$	14.21

#### ***Performance Share Units ("PSUs") and Restricted Share Units ("RSUs")***

For the three months ended March 31, 2019, the Company granted target awards of 47,412 PSUs. The measurement period for three fourths of the PSUs is January 1, 2019 through December 31, 2019, and for the remaining fourth of the PSUs is January 1, 2019 through December 31, 2021. The PSUs vest on December 31, 2021. Common Stock equal to not less than 0 percent and not more than 200 percent of the PSUs target will be awarded based on the Company's return on invested capital, consolidated revenue growth, EPS and total return to shareholders relative to the companies in the Russell 2000® Value small cap index. The Company's return on invested capital, consolidated revenue growth and EPS are adjusted for certain items as further described in the Performance Share Award Agreement. The market price on the date of grant for the PSUs was \$69.20 per share.

For the three months ended March 31, 2019, the Company awarded 35,374 RSUs to certain employees. The weighted average grant date fair value of such awards was \$69.20 per share and the one third of the shares will vest on each of the first three anniversaries of the grant date, with certain exceptions for retiring employees. During the vesting period, the holders of the RSUs are entitled to dividends, but the RSUs do not have voting rights and are forfeited in the event the holder is no longer an employee.

#### **Note 9. Stockholders' Equity**

##### ***Common Stock***

As of March 31, 2019 and December 31, 2018, the Company had 16,866,000 shares and 16,859,000 shares of Common Stock outstanding, respectively.

In November 2018, the Company's Board of Directors authorized a program for the purchase of up to \$25 million of outstanding Common Stock effective January 1, 2019 (the "2019 Stock Purchase Plan"). The program does not require the Company to purchase any specific number of shares and may be suspended or discontinued at any time. Purchases under the 2019 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 Company also had \$25 million repurchase programs in place during the preceding two years that expired in December 2018 (the "2018 Stock Purchase Plan") and December 2017 (the "2017 Stock Purchase Plan"), respectively.

The following table shows shares purchased and value (\$ in millions) under the respective stock purchase plans:

	Three Months Ended March 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
2019 Stock Purchase Plan	4,285	\$ 0.3	—	\$ —
2018 Stock Purchase Plan	—	—	66,724	5.3

For the three months ended March 31, 2019, the Company acquired 923 shares of Common Stock, at a cost of less than \$0.1 million for shares surrendered by employees to pay taxes due on vested restricted stock awards.

## Note 10. Contingencies and Legal Matters

### Litigation

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

### Income Taxes

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

### Employees and Labor Relations

The Company's U.S. union employees are represented by the USW. Approximately 50 percent of salaried employees and 80 percent of hourly employees of Neenah Germany are eligible to be represented by the Mining, Chemicals and Energy Trade Union, Industriegewerkschaft Bergbau, Chemie und Energie (the "IG BCE"). In the Netherlands, most of our employees are eligible to be represented by the Christelijke Nationale Vakbond ("CNV") and the Federatie Nederlandse Vakvereniging ("FNV"). As of March 31, 2019, the Company had approximately 116 U.S. employees covered under collective bargaining agreements that will expire in the next 12 months. The following table shows the expiration dates of the Company's various bargaining agreements and the number of employees covered under each of these agreements.

Contract Expiration Date	Location	Union	Number of Employees
May 2019 (b)	Appleton, WI	USW	116
April 2020	Eerbeek, Netherlands	CNV, FNV	(a)
August 2020	Neenah Germany	IG BCE	(a)
January 2021	Whiting, WI	USW	210
June 2021	Neenah, WI	USW	266
July 2021	Munising, MI	USW	192
November 2021	Lowville, NY	USW	102

(a) Under German and Dutch laws, 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, and the CNV and FNV cannot be determined.

(b) The Company is currently in negotiations with the USW. Until a new contract is signed, the terms of the previous contract still apply.

The Company's United Kingdom salaried and hourly employees are eligible to participate in Unite the Union ("UNITE") on an individual basis, but not under a collective bargaining agreement.

## Note 11. Leases

Effective January 1, 2019, the Company adopted ASU 2016-02, *Leases (Topic 842)* using the modified retrospective transition option. The Company also elected the package of transition provisions available for expired or existing contracts, which allowed us to carry forward our historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. The most significant change was related to the recognition of right-of-use ("ROU") assets and corresponding lease liabilities of \$17 million on the Condensed Consolidated Balance Sheet as of January 1, 2019. The adoption of this standard did not have a material impact related to existing leases and as a result, a cumulative-effect adjustment was not recorded. The Company also completed the implementation of new processes to assist in the ongoing lease data

collection and analysis, and updated its accounting policies and internal controls in connection with the adoption of the new standard.

The Company has operating leases for corporate offices, warehouses and certain equipment, with remaining lease terms of up to 11 years, some of which include options to extend the leases for up to 5 years. The Company determines if an arrangement is a lease at inception. Operating leases with terms greater than 12 months are included in "Lease Right-of-Use Assets", "Lease liabilities payable within one year" and "Noncurrent lease liabilities" on the Condensed Consolidated Balance Sheets. As of March 31, 2019, the Company did not have any finance leases.

Operating lease ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company's lease agreements contain lease and non-lease components, which are accounted for as a single lease component. Additionally, for certain equipment leases, the Company applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

The components of lease expense were as follows:

	<b>Three Months Ended March 31, 2019</b>
Operating lease cost	\$ 0.9
Short-term lease cost	0.5
Variable lease cost (a)	0.4

(a) The variable lease costs consist mainly of a warehouse lease where the cost is determined based on the square footage used each month.

Supplemental cash flow information related to leases was as follows:

	<b>Three Months Ended March 31, 2019</b>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 0.9
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	0.8

	<b>Three Months Ended March 31, 2019</b>
Weighted average remaining lease term	
Operating leases	8.4 years
Weighted average discount rate	
Operating leases	4.8%

Maturities of lease liabilities were as follows:

Year Ending December 31,	<u>Operating Leases</u>
2019 (excluding the three months ended March 31, 2019)	\$ 2.5
2020	2.7
2021	2.6
2022	2.3
2023	2.1
Thereafter	9.0
Total lease payments	21.2
Less: Imputed interest	4.2
Total lease liabilities	<u>\$ 17.0</u>

## Note 12. Business Segment Information

Following the disposition of the Brattleboro mill which eliminated a significant portion of the products of the Other business segment, in January 2019 the Company realigned the remaining products manufactured in the Other business segment to be managed as part of the Technical Products business segment. As a result, the Company recast the comparable 2018 information and presented the \$4.5 million of net sales for the three months ended March 31, 2018 of this remaining portion of the Other business segment within the Technical Products business segment. The 2018 operating income (loss) of the Other business segment was immaterial and was not recast. The Company also recast the total assets by segment and presented the \$12.9 million of total assets as of December 31, 2018 of this remaining portion of the Other business segment within the Technical Products business segment.

The Company's reportable operating segments consist of Technical Products, Fine Paper and Packaging and, in the prior year period only, Other.

- The Technical Products segment is an aggregation of the Company's filtration and performance materials businesses which are similar in terms of economic characteristics, nature of products, processes, customer class and product distribution methods. The segment is an international producer of fiber-formed, coated and/or saturated specialized media that delivers high performance benefits to customers. Included in this segment are transportation and other filtration media, tape and abrasives backings products, digital image transfer, durable label and other specialty substrate products.
- The Fine Paper and Packaging segment is a leading supplier of premium printing and other high-end specialty papers, and premium packaging, primarily in North America.
- The Other segment was composed of papers sold to converters for end uses such as covering materials for datebooks, diaries, yearbooks and traditional photo albums. These product lines represented an operating segment which did not meet the quantitative threshold for a reportable segment, however, due to the dissimilar nature of these products, they were previously not managed as part of either the Fine Paper and Packaging or Technical Products segments.

Each segment employs different technologies and marketing strategies. Disclosure of segment information is on the same basis that management uses internally for evaluating segment performance and allocating resources. Transactions between segments are eliminated in consolidation. The costs of shared services, and other administrative functions managed on a common basis, are allocated to the segments based on usage, where possible, or other factors based on the nature of the activity. General corporate expenses that do not directly support the operations of the business segments are shown as Unallocated corporate costs.

[Table of Contents](#)

The following tables summarize the net sales, operating income, and total assets for each of the Company's business segments.

	Three Months Ended March 31,	
	2019	2018
<b>Net sales</b>		
Technical Products	\$ 140.0	\$ 153.5
Fine Paper and Packaging	99.7	111.6
Other	—	1.4
Consolidated	<u>\$ 239.7</u>	<u>\$ 266.5</u>

	Three Months Ended March 31,	
	2019	2018 (a)
<b>Operating income (loss)</b>		
Technical Products	\$ 11.3	\$ 17.5
Fine Paper and Packaging	11.9	12.8
Other	—	—
Unallocated corporate costs	(5.8)	(6.2)
Consolidated	<u>\$ 17.4</u>	<u>\$ 24.1</u>

(a) Consolidated operating income for three months ended March 31, 2018 includes a SERP settlement loss of \$0.8 million in Unallocated corporate costs.

	March 31, 2019	December 31, 2018
	<b>Total Assets (a)</b>	
Technical Products	\$ 604.8	\$ 599.3
Fine Paper and Packaging	235.5	234.7
Corporate (b)	35.6	27.2
Consolidated	<u>\$ 875.9</u>	<u>\$ 861.2</u>

(a) Segment identifiable assets are those that are directly used in the segments operations.

(b) Corporate assets are primarily deferred income taxes and lease ROU assets.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis presents the factors that had a material effect on our financial position as of March 31, 2019 and our results of operations for the three months ended March 31, 2019 and 2018. You should read this discussion in conjunction with our consolidated financial statements and the notes to those consolidated financial statements included in our most recent Annual Report on Form 10-K. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.*

### Executive Summary

For the three months ended March 31, 2019, consolidated net sales of \$239.7 million decreased \$26.8 million (10%) from the prior year period. Lower revenues resulted from the divestiture of the Brattleboro mill in December 2018, unfavorable foreign currency effects in Technical Products, and lower volumes in both segments reflecting weaker global market conditions. These items were partly offset by increased selling prices in both segments and a more favorable Technical Products mix.

Consolidated operating income for the three months ended March 31, 2019 of \$17.4 million decreased \$6.7 million from the prior year period. The decrease was due to \$11.8 million of higher manufacturing costs, comprised of \$7.7 million of higher input costs and \$4.1 million of operational cost inefficiencies mostly related to lower sales and production volumes. These increased costs were partly offset by higher selling prices, lower selling, general, and administrative expenses and distribution costs, and a higher value sales mix. Excluding a SERP settlement loss of \$0.8 million for 2018, adjusted operating income decreased \$7.5 million ( 30% ) from \$24.9 million to \$17.4 million . See the reconciliation table on F-20 for further detail.

Cash provided by operating activities of \$3.0 million for the three months ended March 31, 2019 was \$5.1 million lower than cash generated of \$8.1 million in the prior year period. The reduction in cash flows resulted primarily from lower operating income and higher foreign income tax payments, partly offset by accelerated contributions to U.S. pension plans and a SERP payment in 2018. In addition, for the three months ended March 31, 2019 and 2018 , cash used by investing activities was \$4.7 million and \$7.9 million , respectively.

### Results of Operations and Related Information

In this section, we discuss and analyze our net sales, earnings before interest and taxes (which we refer to as "operating income") and other information relevant to an understanding of our results of operations for the three months ended March 31, 2019 and 2018 .

Following the disposition of the Brattleboro mill in December 2018, which reduced the sales in the Fine Paper and Packaging business segment and eliminated a significant portion of the products of the Other business segment, in January 2019 we realigned the remaining products manufactured in the Other business segment to be managed as part of the Technical Products business segment. As a result, we recast the comparable 2018 information and presented the \$4.5 million of net sales for the three months ended March 31, 2018 of this remaining portion of the Other business segment within the Technical Products business segment. The 2018 operating income (loss) of the Other business segment was immaterial and was not recast.

#### Analysis of Net Sales — Three Months Ended March 31, 2019 and 2018

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

	Three Months Ended March 31,			
	2019		2018	
<b>Net sales</b>				
Technical Products	\$ 140.0	58%	\$ 153.5	57%
Fine Paper and Packaging	99.7	42%	111.6	42%
Other	—	—%	1.4	1%
Consolidated	\$ 239.7	100%	\$ 266.5	100%

#### Commentary:

The following table presents our net sales by segment for the three months ended March 31, 2019 and 2018 :

	Three Months Ended March 31,		Change in Net Sales Compared to Prior Period			
	2019	2018	Total Change	Change Due To		
				Volume	Net Price (a)	Currency
Technical Products	\$ 140.0	\$ 153.5	\$ (13.5)	\$ (13.0)	\$ 5.2	\$ (5.7)
Fine Paper and Packaging	99.7	111.6	\$ (11.9)	(13.8)	1.9	—
Other	—	1.4	\$ (1.4)	(1.4)	—	—
Consolidated	\$ 239.7	\$ 266.5	\$ (26.8)	\$ (28.2)	\$ 7.1	\$ (5.7)

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

Consolidated net sales of \$239.7 million for the three months ended March 31, 2019 decreased \$26.8 million ( 10% ) from the prior year period. Lower revenues resulted from the divestiture of the Brattleboro mill in December 2018, unfavorable foreign

currency effects in Technical Products, and lower volumes in both segments reflecting weaker global market conditions. These items were partly offset by increased selling prices in both segments and a more favorable Technical Products mix.

- Net sales in our technical products business decreased \$13.5 million ( 9% ) from the prior year period. The revenue decline resulted from lower volumes due to weaker global market conditions and negative foreign currency impacts, partly offset by higher net selling prices and a higher value mix.
- Net sales in our fine paper and packaging business decreased \$11.9 million ( 11% ) from the prior year period. Approximately half of the decline was due to the sale of Brattleboro, with the remainder mostly due to lower commercial print volume. These items were partly offset by higher selling prices.

#### *Analysis of Operating Income — Three Months Ended March 31, 2019 and 2018*

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

	Three Months Ended March 31,	
	2019	2018
<b>Net sales</b>	100.0%	100.0%
Cost of products sold	81.8	80.3
<b>Gross profit</b>	18.2	19.7
Selling, general and administrative expenses	10.6	10.1
SERP settlement loss	—	0.3
Other expense - net	0.3	0.3
<b>Operating income</b>	7.3	9.0
Interest expense - net	1.4	1.2
<b>Income from continuing operations before income taxes</b>	5.9	7.8
Provision for income taxes	1.0	1.6
<b>Income from continuing operations</b>	4.9%	6.1%

#### *Commentary:*

The following table presents our operating income by segment for the three months ended March 31, 2019 and 2018 :

	Change in Operating Income Compared to Prior Period								
	Three Months Ended March 31,		Total Change	Change Due To					
	2019	2018		Volume	Net Price (a)	Input Costs (b)	Currency	Other (c)	
Technical Products	\$ 11.3	\$ 17.5	\$ (6.2)	\$ (3.6)	\$ 4.5	\$ (3.6)	\$ (0.7)	\$ (2.8)	
Fine Paper and Packaging	11.9	12.8	(0.9)	(0.6)	2.8	(4.1)	—	1.0	
Other	—	—	—	—	—	—	—	—	
Unallocated corporate costs	(5.8)	(6.2)	0.4	—	—	—	—	0.4	
<b>Consolidated</b>	<b>\$ 17.4</b>	<b>\$ 24.1</b>	<b>\$ (6.7)</b>	<b>\$ (4.2)</b>	<b>\$ 7.3</b>	<b>\$ (7.7)</b>	<b>\$ (0.7)</b>	<b>\$ (1.4)</b>	

- Includes changes in selling price and product mix.
- Includes price changes for raw materials and energy.
- Includes other manufacturing costs, over (under) absorption of fixed costs, distribution and SG&A expenses.

Consolidated operating income decreased \$6.7 million from the prior year period to \$17.4 million for the three months ended March 31, 2019 . The decrease was due to \$11.8 million of higher manufacturing costs, comprised of \$7.7 million of higher input costs and \$4.1 million of operational cost inefficiencies mostly related to lower sales and production volumes. These increased costs were partly offset by higher selling prices, lower selling, general, and administrative expenses and distribution

[Table of Contents](#)

costs, and a higher value sales mix. Excluding a SERP settlement loss of \$0.8 million for 2018, adjusted operating income decreased \$7.5 million ( 30% ) from \$24.9 million to \$17.4 million . See the reconciliation table below for further detail.

- Operating income for our technical products business decreased \$6.2 million from the prior year period. Operating income decreased as increased selling prices and a higher-value mix were more than offset by the impacts of lower sales and \$7.1 million of higher manufacturing costs, including equal amounts of higher input costs and operational inefficiencies mostly related to lower volumes. Negative foreign currency impacts due to a weaker euro additionally reduced operating income by \$0.7 million.
- Operating income for our fine paper and packaging business decreased \$0.9 million from the prior year period, due to \$4.1 million of higher input costs that were mostly offset by benefits from higher selling prices, lower SG&A and distribution costs, and the sale of the Brattleboro mill.
- Unallocated corporate expenses for the three months ended March 31, 2019 of \$5.8 million decreased \$0.4 million from the prior year period. The costs for 2018 included \$0.8 million for a SERP settlement loss.

The following table sets forth our operating income by segment, adjusted for the effects of certain costs, for the periods indicated:

	Three Months Ended March 31,	
	2019	2018
<b>Technical Products</b>		
GAAP Operating Income	\$ 11.3	\$ 17.5
Adjustments	—	—
Adjusted Operating Income	11.3	17.5
<b>Fine Paper and Packaging</b>		
GAAP Operating Income	11.9	12.8
Adjustments	—	—
Adjusted Operating Income	11.9	12.8
<b>Other/Unallocated Corporate</b>		
GAAP Operating Loss	(5.8)	(6.2)
SERP Settlement Loss	—	0.8
Adjusted Operating Loss	(5.8)	(5.4)
<b>Consolidated</b>		
GAAP Operating Income	17.4	24.1
SERP Settlement Loss	—	0.8
Adjusted Operating Income	\$ 17.4	\$ 24.9

In accordance with generally accepted accounting principles in the United States ("GAAP"), consolidated operating income includes the effects of a SERP settlement loss in 2018. We believe that by adjusting reported operating income to exclude the effects of such item, the resulting adjusted operating income is on a basis that reflects the results of our ongoing operations. We believe that providing adjusted operating results will help investors gain an additional perspective of underlying business trends and results. Adjusted operating income is not a recognized term under GAAP and should not be considered in isolation or as a substitute for operating income derived in accordance with GAAP. Other companies may use different methodologies for calculating their non-GAAP financial measures and, accordingly, our non-GAAP financial measures may not be comparable to their measures.

**Additional Statement of Operations Commentary:**

- SG&A expense of \$25.3 million for the three months ended March 31, 2019 was \$1.5 million lower than SG&A expense of \$26.8 million in the prior year period. For the three months ended March 31, 2019, SG&A expense as a percent of sales increased to 10.6% from 10.1% in the prior year period due to lower sales and timing of SG&A costs.
- For the three months ended March 31, 2019, we incurred net interest expense of \$3.2 million compared with \$3.3 million in the prior year period.
- Historically, our effective tax rate has differed from the U.S. statutory tax rate primarily due to the proportion of pre-tax income in jurisdictions with marginal tax rates that differ from the U.S. statutory tax rate, research and development and other tax credits and excess tax benefits from stock compensation. For the three months ended March 31, 2019 and 2018, we recorded an income tax expense of \$2.4 million and \$4.6 million, respectively. The effective income tax rate was 17% for the three months ended March 31, 2019 and 22% for the three months ended March 31, 2018. The effective income tax rate for the three months ended March 31, 2018 included an unfavorable adjustment to the provisional estimates of the impacts of the TCJA, while the rate in the first quarter of 2019 reflected a favorable adjustment to the reserve for uncertain tax positions following completion of a German tax audit.

**Liquidity and Capital Resources**

	<b>Three Months Ended March 31,</b>	
	<b>2019</b>	<b>2018</b>
Net cash flow provided by (used in):		
Operating activities	\$ 3.0	\$ 8.1
Investing activities:		
Capital expenditures	(4.3)	(7.6)
Other investing activities	(0.4)	(0.3)
Total	(4.7)	(7.9)
Financing activities:		
Net borrowing of long-term debt	7.4	13.7
Cash dividends paid	(7.6)	(7.0)
Shares purchased	(0.3)	(5.3)
Other financing activities	(0.2)	0.1
Total	(0.7)	1.5
Effect of exchange rate changes on cash and cash equivalents	0.1	0.2
Net (decrease) increase in cash and cash equivalents	\$ (2.3)	\$ 1.9

**Operating Cash Flow Commentary**

- Cash provided by operating activities of \$3.0 million for the three months ended March 31, 2019 was \$5.1 million lower than cash provided by operating activities of \$8.1 million in the prior year period. The reduction in cash flows resulted primarily from lower operating income and higher foreign income tax payments, partly offset by accelerated contributions to U.S. pension plans and a SERP payment in 2018. Both periods reflected expected seasonal increases in working capital, as receivables and inventories grew from year-end lows.

**Investing Commentary:**

- For the three months ended March 31, 2019 and 2018, cash used by investing activities was \$4.7 million and \$7.9 million, respectively. For the full year 2019, we expect aggregate annual capital expenditures to be within our normal range of approximately 3% to 5% of net sales.

**Financing Commentary:**

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

- For the three months ended March 31, 2019 and 2018 , cash used in/provided by financing activities was \$(0.7) million and \$1.5 million , respectively. Cash related to financing activities consists primarily of net borrowings of long-term debt, dividends paid and share repurchases.
- Availability under our revolving credit facility varies over time depending on the value of our inventory, receivables and various capital assets. As of March 31, 2019 , we had \$65.3 million outstanding under our Global Revolving Credit Facilities and \$159.1 million of available credit (based on exchange rates at March 31, 2019 ).
- We have required debt principal payments through March 31, 2020 of \$2.7 million for principal payments on the two German loan agreements.
- For the three months ended March 31, 2019 , cash and cash equivalents decreased \$2.3 million to \$7.6 million at March 31, 2019 from \$9.9 million at December 31, 2018 . Total debt increased \$7.0 million to \$246.1 million at March 31, 2019 from \$239.1 million at December 31, 2018 . Net debt (total debt minus cash and cash equivalents) increased by \$9.3 million .
- As of March 31, 2019 , our cash balance of \$7.6 million consists of \$0.5 million in the U.S. and \$7.1 million held at entities outside of the U.S. As of March 31, 2019 , there were no restrictions regarding the repatriation of our non-U.S. cash.

**Transactions With Shareholders**

- In November 2018, our Board of Directors approved a 10% increase in the quarterly dividend on our Common Stock, to \$0.45 per share, effective with the March 2019 dividend payment. For the three months ended March 31, 2019 and 2018 , we paid cash dividends of \$0.45 per common share or \$7.6 million and \$0.41 per common share or \$7.0 million , respectively.
- Purchases under the 2019 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 2019 Stock Purchase Plan does not require us to purchase any specific number of shares and may be suspended or discontinued at any time. For the three months ended March 31, 2019 and 2018 , we repurchased 4,285 shares of Common Stock at a cost of \$0.3 million and 66,724 shares of Common Stock at a cost of \$5.3 million , respectively. For further details on our Stock Purchase Plans refer to Note 9, "Stockholders' Equity" of Notes to Condensed Consolidated Financial Statements.

**Other Items:**

- As of March 31, 2019 , we had \$46.5 million of state net operating losses ("NOLs"). Our state NOLs may be used to offset approximately \$2.9 million in state income taxes. If not used, substantially all of the state NOLs will expire in various amounts between 2019 and 2039. In addition, as of March 31, 2019 , we had \$20.8 million of U.S. federal and \$7.2 million of U.S. state R&D Credits which, if not used, will expire between 2029 and 2039 for the U.S. federal R&D Credits and between 2020 and 2034 for the state R&D Credits.
- We adopted the new accounting standards for leases effective January 1, 2019 by recognizing \$16.2 million of lease right-of-use assets and \$17.0 million of lease liabilities on our Condensed Consolidated Balance Sheets. The new standard did not have an impact on our results of operations or cash flows. See Note 11, "Leases" of Notes to Condensed Consolidated Financial Statements for further discussion.

Management believes that our ability to generate cash from operations and our borrowing capacity are adequate to fund working capital, capital spending and other cash needs for the next 12 months. Our ability to generate adequate cash from operations beyond 2019 will depend on, among other things, our ability to successfully implement our business strategies, control costs in line with market conditions and manage the impact of changes in input prices and currencies. We can give no assurance we will be able to successfully implement these items.

## Critical Accounting Policies and Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. We believe that the estimates, assumptions and judgments described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" of our most recent Annual Report on Form 10-K have the greatest potential impact on our financial statements, so we consider these to be our critical accounting policies. The critical accounting policies used in the preparation of the consolidated financial statements are those that are important both to the presentation of financial condition and results of operations and require significant judgments with regard to estimates used. These critical judgments relate to the timing of recognizing sales revenue, the recoverability of deferred income tax assets, pension benefits and future cash flows associated with impairment testing of long-lived assets. Actual results could differ from these estimates and changes in these estimates are recorded when known. We believe that the consistent application of these policies enables us to provide readers of our financial statements with useful and reliable information about our operating results and financial condition. There have been no significant changes in these policies, or the estimates used in the application of the policies, since December 31, 2018 .

## Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q may constitute "forward-looking" statements as defined in Section 27A of the Securities Act of 1933 (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"), the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), or in releases made by the SEC, all as may be amended from time to time. Statements contained in this quarterly report that are not historical facts may be forward-looking statements within the meaning of the PSLRA and we caution investors that any forward-looking statements we make are not guarantees or indicative of future performance. These forward-looking statements rely on a number of assumptions concerning future events and are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to materially differ from such statements. Such risks, uncertainties and other factors include, but are not necessarily limited to, those set forth under the captions "Cautionary Note Regarding Forward-Looking Statements" and/or "Risk Factors" of our latest Form 10-K filed with the SEC as periodically updated by subsequently filed Form 10-Qs (these securities filings can be located on our website at [www.neenah.com](http://www.neenah.com)). Unless specifically required by law, we assume no obligation to update or revise these forward-looking statements to reflect new events or circumstances. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the "safe harbor" provisions of such laws.

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

- changes in market demand for our products due to global economic and political conditions;
- the impact of competition, both domestic and international, changes in industry production capacity, including the construction of new mills or new machines, the closing of mills and incremental changes due to capital expenditures or productivity increases;
- the loss of current customers or the inability to obtain new customers;
- increases in commodity prices, (particularly for pulp, energy and latex);
- our ability to control costs, including transportation, and implement measures designed to enhance operating efficiencies;
- the availability of raw materials and energy;
- the enactment of adverse federal, state or foreign tax or other legislation or changes in government policy or regulation, including the recent Tax Act;
- the impact of increased trade protectionism and tariffs on our business, results of operations and financial condition;
- unanticipated expenditures related to the cost of compliance with environmental and other governmental regulations;
- fluctuations in (i) exchange rates (in particular changes in the U.S. dollar/Euro currency exchange rates) and (ii) interest rates;
- increases in the funding requirements for our pension and postretirement liabilities;
- our ability to identify attractive acquisition targets and to successfully integrate acquired businesses into our existing operations;

## [Table of Contents](#)

- changes in asset valuations including write-downs of assets including property, plant and equipment; inventory, accounts receivable, deferred tax assets or other assets for impairment or other reasons;
- loss of key personnel;
- strikes, labor stoppages and changes in our collective bargaining agreements and relations with our employees and unions;
- capital and credit market volatility and fluctuations in global equity and fixed-income markets;
- our existing and future indebtedness;
- our net operating losses may not be available to offset our tax liability and other tax planning strategies may not be effective; and
- other risks that are detailed from time to time in reports we file with the SEC.

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

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

There have been no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2018 .

### **Item 4. Controls and Procedures**

#### ***Disclosure Controls and Procedures***

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

As of March 31, 2019 , an evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of March 31, 2019 .

#### ***Internal Controls over Financial Reporting***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in our internal control over financial reporting occurred during the three months ended March 31, 2019 . Based on that evaluation, we have concluded that there has been no change in our internal control over financial reporting during the three months ended March 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new accounting standard related to leases on our financial statements to facilitate the adoption on January 1, 2019. There were no significant changes to our internal control over financial reporting due to the adoption of the new standard.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

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

## Item 1A. Risk Factors

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

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

### *Purchases of Equity Securities:*

The following table contains information about our purchases of our equity securities for the three months ended March 31, 2019 .

Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs (a)
January	5,208	\$59.29	4,285	\$24,745,942
February	—	\$—	—	\$24,745,942
March	—	\$—	—	\$24,745,942

- (a) As of March 31, 2019 , the Company has purchased approximately 4,285 shares of Common Stock at an aggregate cost of \$0.3 million under the 2019 Stock Purchase Plan. For further discussion on the share repurchase plans refer to Note 9, "Stockholders' Equity" of Notes to Condensed Consolidated Financial Statements.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Exhibit</b>
10.1	<a href="#"><u>First Amendment, dated as of February 28, 2019, to the Fourth Amended and Restated Credit Agreement dated December 10, 2018 by and among Neenah, Inc., certain of its subsidiaries, the lenders listed therein and JPMorgan Chase Bank, N.A., as agent for the Lenders (filed herewith)</u></a>
31.1	<a href="#"><u>Certification of the CEO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of the CFO pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2	<a href="#"><u>Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEENAH, INC.

By: /s/ John P. O'Donnell

---

John P. O'Donnell  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

/s/ Bonnie C. Lind

---

Bonnie C. Lind  
Senior Vice President, Chief Financial Officer and Treasurer  
(Principal Financial Officer)

/s/ Larry N. Brownlee

---

Larry N. Brownlee  
Vice President — Controller (Principal Accounting Officer)

May 3, 2019

**FIRST AMENDMENT TO  
FOURTH AMENDED AND RESTATED CREDIT AGREEMENT**

This First Amendment to Fourth Amended and Restated Credit Agreement (this “**First Amendment**”) is made and entered into as of February 28, 2019 (the “**First Amendment Effective Date**”), by and among NEENAH, INC., a Delaware corporation formerly known as Neenah Paper, Inc. (the “**Company**”), certain Domestic Subsidiaries of the Company, as borrowers (collectively, with the Company, the “**Domestic Borrowers**”), NEENAH SERVICES GMBH & CO. KG and certain of its Subsidiaries, as borrowers (the “**German Borrowers**”), the other guarantors party hereto (such guarantors, together with the Domestic Borrowers and the German Borrowers, being collectively referred herein as the “**Loan Parties**”), the Lenders (as defined below) party hereto and JPMorgan Chase Bank, N.A., in its capacity as Administrative Agent (the “**Agent**”).

**RECITALS:**

WHEREAS, the Loan Parties are parties to that certain Fourth Amended and Restated Credit Agreement, dated as of December 10, 2018 (as amended, restated, supplemented or modified from time to time, the “**Credit Agreement**”), by and among the Loan Parties, the financial institutions signatory thereto as lenders (individually, each a “**Lender**” and collectively, the “**Lenders**”), and the Agent. Capitalized terms used but not defined herein have the meaning set forth in the Credit Agreement.

WHEREAS, the Loan Parties have requested that the Credit Agreement be amended as hereinafter provided.

WHEREAS, subject to and upon the terms and conditions contained herein, the Lenders party hereto have agreed to the Loan Parties’ requests as set forth herein.

NOW THEREFORE, in consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. **Amendments to the Credit Agreement**. In reliance upon the representations, warranties, covenants and conditions contained in this First Amendment, and subject to the terms, and satisfaction of the conditions precedent set forth in **Section 2** hereof, the Credit Agreement is hereby amended as of the First Amendment Effective Date in the manner provided in this **Section 1**.

1.1 **Amendment to Definition**. The definition of “**Loan Documents**” set forth in Section 1.01 of the Credit Agreement is hereby amended by inserting the words and punctuation, “the First Amendment,” immediately after the first reference to “this Agreement,” contained in such definition.

1.2 **New Definition**. Section 1.01 of the Credit Agreement is amended to add thereto in alphabetical order the following definition which shall read in full as follows:

“ **First Amendment** ” means that certain First Amendment to Fourth Amended and Restated Credit Agreement dated as of February 28, 2019, by and among the Borrowers, the other Loan Parties, the Administrative Agent and the Lenders party thereto.

1.3 **Amendment to Section 6.01 of the Credit Agreement**. Section 6.01 of the Credit Agreement is hereby amended by amending and restating clause (m) thereof to read in full as follows:

(m) senior unsecured Indebtedness, and/or senior subordinated unsecured Indebtedness, evidenced by the Senior Notes and the Additional Senior Notes, provided, that (i) the sum of the outstanding principal amount of all Additional Senior Notes and the Senior Notes and all Indebtedness outstanding pursuant to Section 6.01(s) shall not exceed \$500,000,000 at any time, and (ii) upon the issuance of any Additional Senior Notes (after giving effect to the incurrence of the Indebtedness evidenced by the Additional Senior Notes, and, if applicable, any Indebtedness being contemporaneously incurred pursuant to Section 6.01(s) hereof, and, to the extent applicable, any application of the proceeds thereof to the retirement of existing Indebtedness, provided, that such application occurs, or irrevocable notice of the redemption, prepayment or purchase of which is given, substantially contemporaneously with the issuance of such Additional Senior Notes, and, if applicable, Indebtedness incurred pursuant to Section 6.01(s).) either (x) the Aggregate Availability on a pro forma basis shall not be less than 20% of the lesser of (1) the Aggregate Commitments and (2) the Aggregate Borrowing Base at such time or (y) the Fixed Charge Coverage Ratio for the Company and its Subsidiaries shall be greater than 1.10 to 1.00 for the most recently completed four quarter period, assuming that for purposes of calculating the Fixed Charge Coverage Ratio for such period (calculated on a pro forma basis in a manner reasonably acceptable to the Administrative Agent) such Indebtedness was incurred on the first day of such applicable period; provided further, that, in each case of the foregoing clauses (x) and (y), the applicable Borrower Representative shall provide the Administrative Agent with the applicable pro forma calculations in form and substance reasonably satisfactory to the Administrative Agent;

1.4 **Amendment to Section 6.04 of the Credit Agreement**. Section 6.04 of the Credit Agreement is hereby amended by amending and restating clause (6) of the proviso thereof to read in full as follows:

(6) the Loan Parties may purchase or otherwise acquire all or a substantial portion of the assets of one or more Persons, or any Equity Interests in any Person; provided, that, (i) such transaction or series of transactions is not otherwise prohibited hereunder (giving effect to the provisions of Section 1.07, in the case of any Limited Conditionality Acquisition), (ii) the Loan Parties comply with the applicable requirements of this Agreement, including without limitation Section 5.10, in connection with such transaction or series of transactions, (iii) the aggregate purchase

price (including merger consideration, if applicable) paid by the Loan Parties in any transaction or series of transactions under this clause (6) of Section 6.04 does not exceed \$250,000,000 in any period of twelve consecutive months, and (iv) after giving effect to the completion of any transaction or series of transactions under this clause (6) of Section 6.04, either (x) the Aggregate Availability on a pro forma basis (taking into account all cash consideration given in connection with such transaction or series of transactions as having been paid at the time of the initial completion of any such transaction or series of transactions) shall not be less than 20% of the lesser of (A) the Aggregate Commitments and (B) the Aggregate Borrowing Base at such time or (y) (A) the Aggregate Availability on a pro forma basis (taking into account all cash consideration given in connection with such transaction or series of transactions as having been paid at the time of the initial completion of any such transaction or series of transactions) shall not be less than \$25,000,000 and (B) the Fixed Charge Coverage Ratio for the Company and its Subsidiaries (including, to the extent applicable, the retirement of any Indebtedness occurring, or irrevocable notice of the redemption, prepayment or purchase of which Indebtedness is given, substantially contemporaneously with the consummation of such transaction or transactions) shall be greater than 1.10 to 1.00 for the most recently completed four quarter period assuming that for purposes of calculating the Fixed Charge Coverage Ratio for such period (calculated on a pro forma basis in a manner acceptable to the Administrative Agent) such transaction or series of transactions occurred on the first day of such applicable period; provided, that, in each case of the foregoing clauses (x) and (y), the applicable Borrower Representative shall provide the Administrative Agent with the applicable pro forma calculations in form and substance reasonably satisfactory to the Administrative Agent.

1.5 **Amendment to Section 6.11 of the Credit Agreement**. Section 6.11 of the Credit Agreement is hereby amended by amending and restating clause (h) thereof to read in full as follows:

(h) with respect to Indebtedness incurred under Section 6.01(m), Section 6.02(n) or Section 6.01(s) make or agree to pay or make, directly or indirectly, any payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any such Indebtedness, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Indebtedness, in each case which constitutes a voluntary prepayment, unless the Payment Condition is satisfied on a pro forma basis at the time such voluntary prepayment is made (or solely with respect to the Senior Notes or Additional Senior Notes, at the time irrevocable notice of the redemption, prepayment or other distribution with respect to such Indebtedness is given to the applicable indenture trustee or the registered holders of such Indebtedness, whichever occurs first) and immediately after giving effect to such prepayment, redemption or distribution and the application of proceeds thereof.

SECTION 2. **Conditions Precedent to First Amendment**. This First Amendment will be effective as of the First Amendment Effective Date, on the condition that the following conditions precedent will have been satisfied:

2.1 **Counterparts**. The Agent shall have received counterparts of this First Amendment duly executed by each of the Loan Parties, the Agent, and the Required Lenders (or, in the case of any party as to which an executed counterpart shall not have been received, telegraphic, telex, or other written confirmation from such party of execution of a counterpart hereof by such party).

2.2 **Agent's Fees and Expenses**. The Borrower shall have paid or reimbursed the Agent for, to the extent invoiced, its out-of-pocket expenses in connection with this First Amendment and any other out-of-pocket expenses of the Agent required to be paid or reimbursed pursuant to the Credit Agreement, including the reasonable fees, charges and disbursements of counsel for the Agent.

2.3 **Other Documents**. The Agent shall have been provided with such documents, instruments and agreements, and the Loan Parties shall have taken such actions, in each case as the Agent may reasonably require in connection with this First Amendment and the transactions contemplated hereby.

SECTION 3. **Representations and Warranties**. The Loan Parties hereby represent and warrant to the Lenders the following (provided that such representations and warranties of the German Loan Parties shall be limited to the facts and circumstances of the German Loan Parties and their Subsidiaries):

3.1 the representations and warranties contained in the Credit Agreement, as amended hereby, and the other Loan Documents are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such earlier date, and except for any change of facts expressly permitted under the provisions of the Credit Agreement and the other Loan Documents;

3.2 no Default or Event of Default has occurred and is continuing under the Credit Agreement; and

3.3 this First Amendment has been duly executed and delivered by the Loan Parties, and the Credit Agreement, as amended hereby, constitutes a legal, valid and binding obligation of the Loan Parties, enforceable against the Loan Parties in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 4. **No Waiver**. Nothing contained in this First Amendment shall be construed as a waiver by the Lenders of any covenant or provision of the Credit Agreement, the other Loan Documents, or of any other contract or instrument between the Loan Parties and any of the Lenders,

and the failure of the Lenders at any time or times hereafter to require strict performance by the Loan Parties of any provision thereof shall not waive, affect or diminish any right of the Lenders to thereafter demand strict compliance therewith. The Agent and the Lenders hereby reserve all rights granted under the Credit Agreement, the other Loan Documents, this First Amendment and any other contract or instrument between the Loan Parties and the Lenders.

SECTION 5. **Survival of Representations and Warranties**. All representations and warranties made in this First Amendment, including any Loan Document furnished in connection with this First Amendment, shall survive the execution and delivery of this First Amendment and the other Loan Documents, and no investigation by the Agent or any closing shall affect the representations and warranties or the right of the Agent to rely upon them.

SECTION 6. **Expenses**. As provided in Section 9.03 of the Credit Agreement and subject to the limitations expressly set forth therein, the Loan Parties hereby agree to pay on demand all legal and other fees, costs and expenses incurred by the Agent in connection with the negotiation, preparation, and execution of this First Amendment and all related documents.

SECTION 7. **Severability**. Any provision of this First Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 8. **APPLICABLE LAW**. THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

SECTION 9. **Successors and Assigns**. This First Amendment is binding upon and shall inure to the benefit of the Credit Parties and the Loan Parties and their respective successors and assigns, except the Loan Parties may not assign or transfer any of their rights or obligations hereunder without the prior written consent of the Agent, other than as expressly permitted under the terms of the Credit Agreement.

SECTION 10. **Counterparts**. This First Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original but all of which when taken together shall constitute but one and the same instrument. Delivery of an executed signature page of this First Amendment by facsimile transmission or PDF electronic transmission shall be effective as delivery of a manually executed counterpart hereof.

SECTION 11. **Effect of Consent**. No consent or waiver, express or implied, by the Agent to or for any breach of or deviation from any covenant, condition or duty by the Loan Parties shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

SECTION 12. **Headings**. The headings of this First Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

SECTION 13. **Reaffirmation of Loan Documents**. This First Amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, and the other Loan Documents are hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement herein and in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Credit Agreement as amended hereby.

SECTION 14. **Loan Document**. This First Amendment constitutes a “Loan Document” under and as defined in the Credit Agreement.

SECTION 15. **Entire Agreement**. THE CREDIT AGREEMENT, THIS FIRST AMENDMENT, THE OTHER LOAN DOCUMENTS, AND ALL OTHER INSTRUMENTS, DOCUMENTS AND AGREEMENTS EXECUTED AND DELIVERED IN CONNECTION WITH THIS FIRST AMENDMENT REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date set forth above.

**LOAN PARTIES :**

**DOMESTIC BORROWERS :**

**NEENAH, INC.  
NEENAH PAPER MICHIGAN, INC.  
NEENAH FILTRATION, LLC  
NEENAH TECHNICAL MATERIALS, INC.  
NEENAH PAPER FVC, LLC  
NEENAH PAPER FR, LLC  
NEENAH FMK HOLDINGS, LLC  
ASP FIBERMARK, LLC  
NEENAH NORTHEAST, LLC  
NEENAH FILTRATION APPLETON, LLC**

By: /s/ Bonnie C. Lind

Name: Bonnie C. Lind

Title: Senior Vice President, Chief Financial Officer and Treasurer

**NPCC HOLDING COMPANY, LLC**

By: Neenah, Inc., as its sole member

By: /s/ Bonnie C. Lind

Name: Bonnie C. Lind

Title: Senior Vice President, Chief Financial Officer and Treasurer

**GERMAN BORROWERS :**

**NEENAH SERVICES GMBH & CO. KG**

represented by its general partner  
Neenah Germany GmbH

By: /s/ Armin Schwinn

Name: Armin Schwinn

Title: Managing Director of Neenah Germany

GmbH (general partner)

**NEENAH GESSNER GMBH**

By: /s/ Armin Schwinn

Name: Armin Schwinn

Title: Managing Director

**NEENAH GESSNER GRUNDSTÜCKSVERWALTUNGS-GESELLSCHAFT  
MBH & CO. KG**

represented by its general partner  
Neenah Germany GmbH

By: /s/ Armin Schwinn

Name: Armin Schwinn

Title: Managing Director of Neenah Germany

GmbH (general partner)

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**GERMAN GUARANTORS :**

**NEENAH GERMANY GMBH**

By: /s/ Armin Schwinn

Name: Armin Schwinn

Title: Managing Director

**NEENAH PAPER INTERNATIONAL HOLDING COMPANY, LLC**

By: Neenah, Inc., as its sole member

By: /s/ Bonnie C. Lind

Name: Bonnie C. Lind

Title: Senior Vice President, Chief Financial Officer and Treasurer

**NEENAH PAPER INTERNATIONAL, LLC**

By: /s/ Bonnie C. Lind

Name: Bonnie C. Lind

Title: Senior Vice President, Chief Financial Officer and Treasurer

**NEENAH GLOBAL HOLDINGS B.V.**

By: /s/ Bonnie C. Lind

Name: Bonnie C. Lind

Title: Managing Director

**NEENAH PAPER INTERNATIONAL FINANCE COMPANY B.V.**

By: /s/ Bonnie C. Lind

Name: Bonnie C. Lind

Title: Managing Director

By: TMF Netherlands B.V., Managing Director

By: /s/ Danny Timmers

Name: Danny Timmers

Title: Proxy Holder A

By: /s/ Linde Rolfes

Name: Linde Rolfes

Title: Proxy Holder B

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**JPMORGAN CHASE BANK, N.A.** ,  
as Administrative Agent, Issuing Bank, Swingline Lender and a Domestic Tranche  
Lender

By: /s/ Antje B. Focke  
Name: Antje B. Focke  
Title: Authorized Officer

**J.P. MORGAN EUROPE LIMITED** ,  
as German Collateral Agent

By: /s/ Kennedy A. Capin  
Name: Kennedy A. Capin  
Title: Authorized Officer

**JPMORGAN CHASE BANK, N.A. (LONDON BRANCH)** ,  
as a German Tranche Lender

By: /s/ Kennedy A. Capin  
Name: Kennedy A. Capin  
Title: Authorized Officer

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**BANK OF AMERICA, N.A. ,**  
as Syndication Agent and a Domestic Tranche Lender

By: /s/Dennis S. Losin  
Name: Dennis S. Losin  
Title: Senior Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**BANK OF AMERICA, N.A. ,**  
as a German Tranche Lender

By: /s/Dennis S. Losin  
Name: Dennis S. Losin  
Title: Senior Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**COMMERZBANK AG, NEW YORK BRANCH ,**  
as a Domestic Tranche Lender

By: /s/Veli-Matti Ahonen  
Name: Veli-Matti Ahonen  
Title: Vice President

By: /s/Pedro Bell  
Name: Veli-Matti Ahonen  
Title: Managing Director

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**BMO HARRIS BANK, N.A. ,**  
as a Domestic Tranche Lender

By: /s/ Sarah E. Fyffe  
Name: Sarah E. Fyffe  
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**BMO HARRIS BANK, N.A. ,**  
as a German Tranche Lender

By: /s/ Sarah E. Fyffe  
Name: Sarah E. Fyffe  
Title: Vice President

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**GOLDMAN SACHS BANK USA ,**  
as a Domestic Tranche Lender

By: /s/ Jaime Minieri  
Name: Jamie Minieri  
Title: Authorized Signatory

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

---

**GOLDMAN SACHS BANK USA ,**  
as a German Tranche Lender

By: /s/ Jaime Minieri  
Name: Jamie Minieri  
Title: Authorized Signatory

[SIGNATURE PAGE TO FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT –  
NEENAH, INC.]

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, John P. O'Donnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neenah, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2019

/s/ John P. O'Donnell

---

John P. O'Donnell

President, Chief Executive Officer, and Director (Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Bonnie C. Lind, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Neenah, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 3, 2019

/s/ Bonnie C. Lind

\_\_\_\_\_  
Bonnie C. Lind

Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Neenah, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John P. O'Donnell, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John P. O'Donnell

---

John P. O'Donnell

President, Chief Executive Officer and Director

(Principal Executive Officer)

Date: May 3, 2019

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Neenah, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bonnie C. Lind, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bonnie C. Lind

---

Bonnie C. Lind

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: May 3, 2019