



**NEENAH PAPER 401(k) RETIREMENT PLAN**

**Financial Statements as of and for the years  
ended December 31, 2006 and 2005**

**NEENAH PAPER 401(k) RETIREMENT PLAN**

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

**Financial Statements**

Statements of Net Assets Available for Benefits as of December 31, 2006 and 2005

Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2006

Notes to Financial Statements as of and for the Years Ended December 31, 2006 and 2005

**Supplemental Schedule**

Form 5500, Schedule H, Part IV, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2006

Note: All other schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Plan Administrator and Participants of  
Neenah Paper 401(k) Retirement Plan:

We have audited the accompanying statements of net assets available for benefits of Neenah Paper 401(k) Retirement Plan (the Plan ) as of December 31, 2006 and 2005, and the related statement of changes in net assets available for benefits for the year ended December 31, 2006. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2006 and 2005, and the changes in net assets available for benefits for the year ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2006, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This schedule is the responsibility of the Plan s management. Such schedule has been subjected to the auditing procedures applied in our audit of the basic 2006 financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

As further discussed in Note 2, the Plan adopted FSP AAG Inv-1 and SOP 94-4-1 for the years ended December 31, 2006 and 2005.

/s/ Deloitte & Touche LLP  
Atlanta, Georgia  
June 28, 2007

**NEENAH PAPER 401(k) RETIREMENT PLAN****Statement of Net Assets Available for Benefits**

	As of December 31, 2006	2005
<b>ASSETS:</b>		
Participant directed investments at fair value:		
Interest in master trust	\$ 75,712,537	\$ 65,718,625
Loans to participants	725,055	663,046
Total investments	76,437,592	66,381,671
Receivables:		
Employer contributions		41,758
Participant contributions		120,247
Other receivables	11,470	2,371
Total receivables	11,470	164,376
Total assets	76,449,062	66,546,047
LIABILITIES Payables for securities purchased	2,046	2,443
<b>NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE</b>	<b>76,447,016</b>	<b>66,543,604</b>
Adjustments from fair value to contract value for fully benefit-responsive investment contracts (Note 2)	114,602	124,164
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 76,561,618</b>	<b>\$ 66,667,768</b>

See notes to financial statements

**NEENAH PAPER 401(k) RETIREMENT PLAN**

**Statement of Changes in Net Assets Available for Benefits  
For the Year Ended December 31, 2006**

<b>CONTRIBUTIONS:</b>	
Participant	\$ 4,518,122
Employer	1,304,496
Total contributions	5,822,618
<b>INVESTMENT INCOME:</b>	
Net gain from interest in Master Trust	8,840,913
Interest income from participant loans	43,333
Net investment income	8,884,246
Total Additions	14,706,864
<b>BENEFITS PAID TO PARTICIPANTS</b>	<b>(4,807,527 )</b>
<b>ADMINISTRATIVE EXPENSES</b>	<b>(5,487 )</b>
<b>INCREASE IN NET ASSETS</b>	<b>9,893,850</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	
Beginning of year	66,667,768
End of year	\$ 76,561,618

**NEENAH PAPER 401(k) RETIREMENT PLAN**  
**Notes to Financial Statements**

**NOTE 1 DESCRIPTION OF THE PLAN**

The following description of the Neenah Paper 401(k) Retirement Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

**General** The Plan is a defined contribution plan established December 1, 2004, by Neenah Paper, Inc. (the Company). The Plan Administrative Committee of the Board of Directors of the Company controls and manages the operation and administration of the Plan. Vanguard Fiduciary Trust Company (the Trustee) serves as the trustee of the Plan and of the Neenah Paper Defined Contribution Master Trust (Master Trust), through which the Plan is funded. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

**Eligibility** An employee of the Company or a participating employer, as defined by the Plan, is eligible to participate in the Plan upon his/her date of hire.

**Contributions** Each year, non-highly compensated and highly compensated participants may contribute up to 75% and 17%, respectively, of their annual pretax compensation, as defined in the Plan, subject to certain Internal Revenue Code (IRC) limitations. Participants are also allowed to contribute after-tax contributions not to exceed 75% of annual compensation for non-highly compensated employees and 17% of annual compensation for highly compensated employees. For the years ended December 31, 2006 and 2005, the Company made matching contributions of 75% of the participant's pretax contributions or after-tax contributions up to the first 2% of such participant's compensation per pay period, and 50% of the participant's pretax contributions or after-tax contributions up to the next 3% of the participant's compensation per pay period, respectively. Company-matching contributions are discretionary.

Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

**Participant Accounts** Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's contribution, the Company's matching contribution, and allocations of Plan earnings and charged with withdrawals and an allocation of Plan losses and administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Investments** Participants direct the investment of their contributions and Company matching contributions into various investment options offered by the Plan.

The Neenah Paper Stock Fund and the self-directed brokerage accounts are two of the investment options available to participants. No participant may invest more than 25% and 50% of his/her account balance in the Neenah Paper Stock Fund and Self-Directed Brokerage Accounts, respectively, at any time.

The Kimberly-Clark Stock Fund (Kimberly-Clark Stock Fund) was an investment fund limited to those grandfathered participants in the Kimberly-Clark Incentive Investment Plan (the Kimberly-Clark IIP) who became eligible to participate in the Plan on December 1, 2004. Participants' investments in the Kimberly-Clark Stock Fund were transferred into the Plan and this option became frozen. The Kimberly-Clark Stock Fund was liquidated effective November 30, 2006, and participants redirected their investments to other investment options offered by the Plan. For those participants that did not voluntarily redirect their investments, the investments were redirected to an age appropriate target retirement fund.

**Vesting** Participants are vested immediately in their contributions plus actual earnings thereon. Vesting in the Company's matching contribution portion of their accounts is based on years of continuous service. A participant is 100% vested after three years of credited service, upon termination of employment with the Company if the

participant has attained age 55, or upon death.

4

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**Participant Loans** Participants may borrow from their fund accounts up to a maximum of \$50,000 or 50% of their account balance, whichever is less. The loans are secured by the balance in the participant's account and bear interest at rates commensurate with local prevailing rates at the time funds are borrowed as determined by the Plan administrative committee. Principal and interest are paid ratably through payroll deductions.

**Payment of Benefits** Upon termination of service or attainment of age 59 1/2, a participant may generally elect to receive a lump-sum amount equal to the value of the participant's vested interest in his/her account. A participant may make the following regular withdrawals, as defined by the Plan:

- (a) After-tax contributions, provided such amounts have been in the Plan (or the Kimberly-Clark IIP) for at least 24 months
- (b) Company-matching contributions, provided such amounts are vested and have been in the Plan (or the Kimberly-Clark IIP) for at least 24 months
- (c) Any contributions included within his/her rollover account.

**Forfeited Accounts** At December 31, 2006 and 2005, forfeited nonvested accounts totaled \$4,040 and \$7,259, respectively. These accounts will be used to either reduce future employer contributions or pay administrative expenses. For the year ended December 31, 2006, employer contributions were reduced by \$14,128 from forfeited nonvested accounts.

## NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Risks and Uncertainties** The Master Trust utilizes various investment instruments, including mutual funds, a common and collective trust fund, and common stocks. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**Valuation of Investments and Income Recognition (Master Trust Fund)** The Plan's investment in the Master Trust is presented at fair value, which has been determined based on the fair value of the underlying investments of the Master Trust. The Master Trust holds mutual funds and common stock securities in which the Plan participates. Shares of mutual funds and common stock are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end. Units of the common and collective trust fund are determined by the Trustee, based upon the quoted market values of the underlying investments held by the fund. Participant loans are valued at the outstanding loan balances, which approximate fair market value.

Included in the Master Trust is an investment in the Vanguard Retirement Savings Trust which is a collective investment trust fund that invests solely in the Vanguard Retirement Savings Master Trust (the Vanguard Master Trust). The underlying investments of the Vanguard Master Trust are primarily in a pool of investment contracts that are issued by insurance companies and commercial banks and in contracts that are backed by high-quality bonds, bond trusts and bond mutual funds. Participants may ordinarily direct the withdrawal or transfer of all or a portion



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of their investment at contract value. Contract value represents contributions made to the fund, plus earnings, less participant withdrawals.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in the mutual funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment returns for such investments.

5

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**Adoption of new Accounting Guidance** The financial statements reflect the retroactive adoption of Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, Reporting of Fully Benefit-Responsive Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans (the "FSP"). As required by the FSP, the statements of net assets available for benefits presents investment contracts at fair value as well as an additional line item showing an adjustment of fully benefit contracts from fair value to contract value. The statement of changes in net assets available for benefit is presented on a contract value basis and was not affected by the adoption of the FSP. The adoption of the FSP did not impact the amount of net assets available for benefits at December 31, 2005.

**Administrative Expenses** Generally, administrative expenses of the Plan are paid by the Company, except for various costs associated with processing participant loans or expenses associated with investments within the self-directed brokerage account which were paid by the Plan, as provided in the Plan document.

**Payment of Benefits** Benefit payments to participants are recorded upon distribution. At December 31, 2006 and 2005, there were no amounts allocated to accounts of persons who had elected to withdraw from the Plan but had not yet been paid.

**NOTE 3 INVESTMENT IN MASTER TRUST**

Except for participant loans, the Plan's investment assets are funded through the Master Trust. The Master Trust was established by the Company and is administered by the Trustee. Use of the Master Trust permits the commingling of the Plan's assets with the assets of the Neenah Paper Retirement Contribution Plan for administrative purposes. Although assets of both plans are commingled in the Master Trust, the Trustee maintains supporting records for the purpose of allocating the net gain or loss of the investment account to the participating plans. The net investment income of the investment assets is allocated by the Trustee to each participating plan based on the relationship of the interest of each plan to the total of the interests of the participating plans. As of December 31, 2006 and 2005, the Plan's percentage of interest in the Master Trust is approximately 92% and 93%, respectively.

The investments of the Master Trust at December 31, 2006 and 2005, are summarized as follows:

	2006	2005
Mutual Funds	\$ 64,574,500	\$ 36,143,165
Neenah Paper common stock	3,005,834	1,659,898
Kimberly-Clark common stock		20,884,701
Common and collective trust Fund	13,695,626	10,869,696
Self-directed brokerage option	1,409,693	1,381,991
<b>Total investments</b>	<b>\$ 82,685,653</b>	<b>\$ 70,939,451</b>

For the year ended December 31, 2006, the net investment income of the Master Trust's investments is as follows:

Dividend and interest income	\$ 2,391,535
Net appreciation (depreciation) in fair value of investments:	
Mutual funds	5,509,337
Neenah Paper common stock	523,885
Kimberly-Clark common stock	1,221,633
Self-directed brokerage option	(93,527)
<b>Total investment income</b>	<b>\$ 9,552,863</b>



**NOTE 4 EXEMPT PARTY-IN-INTEREST TRANSACTIONS**

Certain Plan investments held by the Master Trust are shares of mutual funds and units of a common and collective trust fund managed by the Trustee. As such, these transactions qualify as exempt party-in-interest transactions. Fees paid by the Plan for investment management services were included as a reduction of the return earned on each fund.

At December 31, 2006 and 2005, the Master Trust held 84,105 shares and 59,281 share, respectively, of the Company's common stock (the sponsoring employer), with a cost basis of \$2,738,035 and \$1,875,153, respectively. For the year ended December 31, 2006, the Master Trust recorded dividend income from the Company of \$23,875.

**NOTE 5 PLAN TERMINATION**

Although it has not expressed any intention to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth in ERISA. In the event that the Plan is terminated, participants would become 100% vested in their accounts.

**NOTE 6 TAX STATUS**

The Internal Revenue Service has determined and informed the Company by a letter dated December 31, 2005, that the Plan and related trust were designed in accordance with the applicable regulations of the IRC. The Company and Plan management believe that the Plan is currently designed and operated in accordance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements.

**NOTE 7 RECONCILIATION TO FORM 5500**

The following is a reconciliation of net assets available for benefits per the Statement of Net Assets Available for Benefits to the Form 5500 as of December 31, 2006. No reconciliation was necessary for the year ended December 31, 2005.

	<b>December 31, 2006</b>
Net assets available for benefit per the financial statements	\$ 76,561,618
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(114,602 )
Net assets available for benefit per Form 5500	\$ 76,447,016

The following is a reconciliation of total additions per the Statement of Changes in Net Assets Available for Benefits to total income per the Form 5500 for the year ended December 31, 2006. No reconciliation was necessary for the year ended December 31, 2005.

	<b>Year ended December 31, 2006</b>
Total additions per the financial statements	\$ 14,706,864
Adjustment from contract value to fair value for fully benefit-responsive investment contracts	(114,602 )
Total income per Form 5500	\$ 14,592,262

**Neenah Paper 401(k) Retirement Plan**

**Form 5500, Schedule H, Part IV, Line 4i  
 Schedule of Assets (Held at End of Year)  
 As of December 31, 2006**

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, and Par of Maturity Value	(d) Cost	(e) Current Value
*	Various participants	Participant loans (interest rates ranging from 4.0% to 8.5%)	\$ 725,055	\$ 725,055

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\* Party-in-interest

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

NEENAH PAPER 401(k) RETIREMENT PLAN

By: /s/ RICHARD F. READ  
Richard F. Read  
Member, Neenah Paper 401(k) Retirement Plan  
Administrative Committee

Date: June 29, 2007

**INDEX TO EXHIBITS**

23 Consent of Independent Registered Public Accounting Firm

9

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