



**Important U.S. Federal Income Tax Information for Shareholders Concerning the
Neenah Paper, Inc. Stock Distribution**

December 10, 2004

Dear Shareholder,

On November 30, 2004 (the "Distribution Date"), Kimberly-Clark Corporation ("Kimberly-Clark") distributed all the outstanding shares of Neenah Paper, Inc. ("Neenah") to Kimberly-Clark shareholders of record as of the close of business on November 19, 2004. In the distribution (the "Spin-Off"), you received one (1) share of Neenah common stock for every thirty-three (33) shares of Kimberly-Clark common stock you held as of November 19, 2004. You will receive cash in lieu of any fractional shares of Neenah common stock.

This letter explains certain U.S. federal income tax consequences of the Spin-Off and describes how to allocate your tax basis between your Kimberly-Clark common stock and the Neenah common stock you received in the Spin-Off.

Tax Treatment of the Spin-Off. On September 15, 2004, Kimberly-Clark received a ruling from the Internal Revenue Service that the Spin-Off qualifies as a tax-free distribution for U.S. federal income tax purposes. As a result, you will not recognize gain or loss for U.S. federal income tax purposes upon receipt of the Neenah common stock in the Spin-Off. If, however, you receive cash in lieu of fractional shares, you will recognize gain or loss as described below.

Fractional Shares. No fractional shares of Neenah common stock were distributed in the Spin-Off. Instead, all fractional shares of Neenah common stock were aggregated for all Kimberly-Clark shareholders and sold in the public market. You will receive a check that represents cash in lieu of fractional shares, calculated based on the net price of \$33.0344 per share. The taxable gain or loss that you recognize with respect to any cash you receive is equal to the difference between the amount of cash you receive and your tax basis (determined as described below) in the fractional shares of Neenah common stock.

Tax Basis. Your tax basis in the Kimberly-Clark common stock you owned immediately before the Spin-Off must be allocated between your Kimberly-Clark common stock and the shares of Neenah common stock you received in the Spin-Off (including any fractional share for which you received cash). This allocation is based on the relative fair market values of your Kimberly-Clark common stock and your Neenah common stock. U.S. federal tax law does not specifically identify how you should determine the fair market values of the shares. You should contact your tax advisor to determine these fair market values.

If you acquired your Kimberly-Clark common stock at different times and at different prices, you will need to calculate a separate tax basis for each block of Kimberly-Clark common stock you own and then allocate the basis in each block of stock separately to the Neenah common stock you received. Kimberly-Clark suggests that you retain this letter to support your determination of your basis in your Kimberly-Clark common stock and your Neenah common stock.

Example: This example assumes you choose to use the average high-low trading price on December 1, 2004 as the method of determining the fair market values of the Kimberly-Clark common stock and the Neenah common stock. Using this method, after the Spin-Off the fair market value of the Kimberly-Clark common stock was \$63.125 and the fair market value of the Neenah common stock was \$33.925, as shown in Table 1 in **Exhibit 1**. The implied value for each Neenah share, if there were an equal number of Neenah and Kimberly-Clark shares outstanding, is \$1.028 ($\$33.925 \text{ per share} / 33$

shares for each share outstanding). In such case, the relative fair market values of a single Kimberly-Clark common share and a single Neenah common share are set forth in Table 2 of **Exhibit 1**. Based on these relative fair market values, your basis in your Kimberly-Clark common stock would be apportioned 98.3976% to your Kimberly-Clark common stock and 1.6024% to your Neenah common stock. This calculation may be illustrated as follows:

- Assume you own a single block of 100 shares of Kimberly-Clark common stock with a tax basis of \$50 per share (with a total tax basis of \$5,000).
- You are entitled to receive 3.03 shares of Neenah common stock in the Spin-Off. Because no fractional shares are issued, you receive three (3) shares of Neenah common stock and \$0.99 cash in lieu of the fractional share (net price of \$33.0344 per share x 0.03 fractional share).
- Your total tax basis in your Kimberly-Clark common stock is allocated \$4,919.88 to the Kimberly-Clark common stock (98.3976% of \$5,000), or \$49.1988 per share, and \$80.12 to the Neenah common stock (1.6024% of \$5,000), or \$26.4422 per share.
- The basis allocated to the 0.03 fractional share of Neenah common stock for which you received \$0.99 in cash is \$0.79 (0.03 fractional share x \$26.4422), resulting in a taxable gain to you of \$0.20 (i.e., \$0.99 sales proceeds minus \$0.79 basis).

The above calculations are summarized in the following table:

<u>Shares</u>	<u>Number of Shares</u>	<u>Tax Basis Allocation (per share)</u>	<u>Tax Basis Allocation (total)</u>	<u>Cash Received</u>	<u>Taxable Gain</u>
Kimberly-Clark	100	\$49.1988	\$4,919.88		
Neenah	3	\$26.4422	\$ 79.33		
Neenah (fractional shares)	<u>0.03</u>	<u>\$26.4422</u>	<u>\$ 0.79</u>	<u>\$0.99</u>	<u>\$0.20</u>
Total Tax Basis			<u>\$5,000.00</u>		

If you own Kimberly-Clark common stock with a different basis for alternative minimum tax (“AMT”) purposes than your basis for regular federal income tax purposes, you will need to allocate your AMT basis between your Kimberly-Clark common stock and your Neenah common stock in the same manner described above.

U.S. Federal Income Tax Reporting Requirements. You are required to attach a statement describing the details of the Spin-Off to your U.S. federal income tax return for the period that includes the Distribution Date. This would be the 2004 U.S. federal income tax return for calendar year shareholders. A sample shareholder statement is attached as **Exhibit 2**.

THE INFORMATION SET FORTH ABOVE IS FOR GENERAL INFORMATION PURPOSES ONLY AND DOES NOT PURPORT TO ADDRESS ALL ASPECTS OF FEDERAL TAXATION THAT MAY BE RELEVANT TO PARTICULAR SHAREHOLDERS. THIS INFORMATION DOES NOT CONSTITUTE TAX ADVICE AND MAY NOT BE APPLICABLE TO SHAREHOLDERS WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES. NOR DOES IT ADDRESS TAX CONSEQUENCES WHICH MAY VARY WITH YOUR INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, YOU ARE URGED TO CONSULT YOUR TAX ADVISOR TO DETERMINE THE APPLICATION OF THE INFORMATION SET FORTH ABOVE TO YOUR INDIVIDUAL CIRCUMSTANCES AND THE PARTICULAR FEDERAL, FOREIGN, STATE AND LOCAL TAX CONSEQUENCES OF THE SPIN-OFF TO YOU.

**Determination of the Fair Market Values of
Kimberly-Clark and Neenah After the Spin-Off**

The Spin-Off occurred as of the close of business on November 30, 2004. The first regular trading day for the Neenah common stock was December 1, 2004.

U.S. federal income tax law does not specifically identify how you should determine the fair market values of the Kimberly-Clark common stock and the Neenah common stock after the Spin-Off. One method of determining value is to use the average of the high and low trading prices of the Kimberly-Clark common stock and the Neenah common stock on the first regular trading day for the Neenah common stock (December 1, 2004). The trading prices and basis allocation percentages using this method, which you and your tax advisor may find useful, are set forth in the following Table 1 and Table 2.

**Table 1
Trading Prices**

<u>Common Shares</u>	<u>Average High-Low Trading Price on December 1, 2004</u>
Kimberly-Clark (value per share)	\$63.125
Neenah (value per share)	\$33.925
Neenah (implied value for each Neenah share if there were an equal number of Neenah and Kimberly-Clark shares outstanding)	\$ 1.028 (\$33.925/33 using a 1:33 distribution ratio)

**Table 2
Basis Allocation Percentages**

<u>Common Shares</u>	<u>Average High-Low Trading Price Allocation %</u>
Kimberly-Clark Value (a)	\$ 63.125
Neenah Implied Value (b)	\$ 1.028
(a) +(b) = (c)	\$ 64.153
Kimberly-Clark Allocation %(a)/(c)	98.3976%
Neenah Allocation %(b)/(c)	1.6024%

INFORMATION STATEMENT TO THE INTERNAL REVENUE SERVICE

**Statement of shareholder receiving a distribution of common stock in Neenah Paper, Inc.,
pursuant to Treasury Regulation § 1.355-5(b)**

1. On November 30, 2004, the undersigned, a shareholder owning shares in Kimberly-Clark Corporation as of the close of business on November 19, 2004, received a distribution of stock in Neenah Paper, Inc., a controlled corporation, pursuant to Section 355 of the Internal Revenue Code of 1986, as amended (the "Code").
2. The names and addresses of the corporations involved are as follows:
 - (a) Kimberly-Clark Corporation (the distributing corporation)
351 Phelps Drive
Irving, Texas 75038
 - (b) Neenah Paper, Inc. (the controlled corporation)
Preston Ridge III
3460 Preston Ridge Road
Suite 600
Alpharetta, Georgia 30005
3. No stock or securities in Kimberly-Clark Corporation were surrendered by the undersigned in connection with the distribution.
4. The undersigned received _____ shares (including fractional shares) of Neenah Paper, Inc. common stock in the distribution.
5. The undersigned has been informed that, by letter dated September 15, 2004, the Internal Revenue Service ruled that the distribution by Kimberly-Clark Corporation of shares of Neenah Paper, Inc. was a tax-free corporate separation in which no gain or loss would be recognized under Section 355 and Section 368(a)(1)(D) of the Code.

Shareholder's Signature

Spouse's Signature (if stock held jointly)

**CANADIAN FEDERAL INCOME TAX INFORMATION FOR SHAREHOLDERS CONCERNING
THE NEENAH PAPER, INC. STOCK DISTRIBUTION**

IS THE DISTRIBUTION OF THE NEENAH PAPER SHARES TAXABLE FOR CANADIAN FEDERAL INCOME TAX PURPOSES?

Kimberly-Clark expects that the distribution will be tax-deferred under Section 86.1 of the *Income Tax Act* (Canada) to Kimberly-Clark's Canadian shareholders, with the exception of cash paid in lieu of fractional shares. Kimberly-Clark has provided the Canada Revenue Agency with the information required by Section 86.1 to cause the distribution to be treated as an "eligible distribution" under Section 86.1.

In order for Kimberly-Clark's Canadian shareholders to benefit from this tax-deferred treatment they must also do the following when filing their Canadian income tax returns for their 2004 taxation year:

- (a) indicate in their 2004 income tax returns that they elect to have Section 86.1 of the *Income Tax Act* (Canada) apply to the distribution;
- (b) indicate in their 2004 income tax returns the number, tax cost and fair market value of their Kimberly-Clark shares immediately before the distribution of Neenah Paper shares (i.e. November 30, 2004);
- (c) indicate in their 2004 income tax returns the number and fair market value of their Kimberly-Clark and Neenah Paper shares immediately after the distribution of the Neenah Paper shares (i.e. December 1, 2004).

HOW DOES A CANADIAN SHAREHOLDER CALCULATE THE TAX COST OF HIS KIMBERLY-CLARK AND NEENAH PAPER SHARES UNDER CIRCUMSTANCES WHERE HE OR SHE ELECTS TO HAVE SECTION 86.1 OF THE *INCOME TAX ACT* (CANADA) APPLY?

A shareholder would first determine the aggregate tax cost (the "original tax cost") of all the Kimberly-Clark shares owned immediately before the distribution of the Neenah Paper shares. That shareholder would then multiply such aggregate tax cost by the fair market value of the Neenah Paper shares distributed to that shareholder on December 1, 2004 and divide the result by the aggregate of the fair market value of his or her Kimberly-Clark and Neenah Paper shares on December 1, 2004. The resulting figure is deducted from the original tax cost of the Kimberly-Clark shares and becomes the aggregate tax cost for the Neenah Paper shares held by the shareholder. These new tax costs will be applicable when determining a gain or loss on any subsequent sale of Kimberly-Clark or Neenah Paper shares.

Example:

Number of Kimberly-Clark shares held	99
Aggregate tax cost of 99 Kimberly-Clark shares	\$5,000
Fair market value of 99 Kimberly-Clark shares	\$6,249
Number of Neenah Paper shares received (1 share for every 33 shares of Kimberly-Clark held)	3
Fair market value of 3 Neenah Paper shares	\$102

The Kimberly-Clark original tax cost is reduced by:

$$5,000 \quad \times \quad \frac{102}{6,351} \quad = \quad 80$$

Therefore, the new aggregate tax cost of Kimberly-Clark shares will be \$4,920 (\$5,000 - \$80) and the aggregate tax cost of the Neenah Paper shares will be \$80.

WHAT HAPPENS IF A CANADIAN SHAREHOLDER DOES NOT ELECT TO HAVE SECTION 86.1 OF THE ACT APPLY?

The Canadian shareholder will be considered to have received the Neenah Paper shares as a dividend from a foreign company and the fair market value of the Neenah Paper shares at the date of distribution will be fully included in the income of the Canadian shareholder. Under these circumstances the tax cost of the Kimberly-Clark shares will be the tax cost of such shares immediately prior to the distribution of the Neenah Paper shares. The tax cost of the Neenah Paper shares will equal to the fair market value thereof at the date of distribution.

WHAT HAPPENS IF AFTER THE DATE OF THE DISTRIBUTION OF NEENAH PAPER SHARES AND BEFORE THE END OF A CANADIAN SHAREHOLDER'S TAXATION YEAR THE CANADIAN SHAREHOLDER SELLS NEENAH PAPER SHARES?

The Canadian shareholder would still make the election to have Section 86.1 of the *Income Tax Act* (Canada) apply. In calculating and reporting a gain or loss in his or her 2004 income tax return with respect to the sale of Neenah Paper shares the tax cost of the Neenah Paper shares should be calculated as described above.