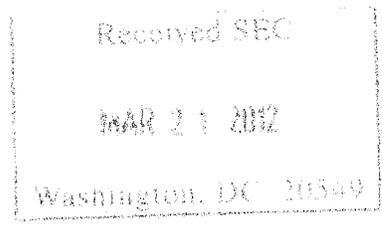




12025795



**Packaging is a language.  
And it's spoken all over the world.**



**MWV** How brands  
take shape™

**MeadWestvaco Corporation**  
2011 Annual Report

**By brand owners...**

who want to stand out with innovative packaging.

**By retailers...**

who want packaging that is easy-to-stock and easy-to-shop.

**By consumers...**

who want quality, convenience, and sustainability.

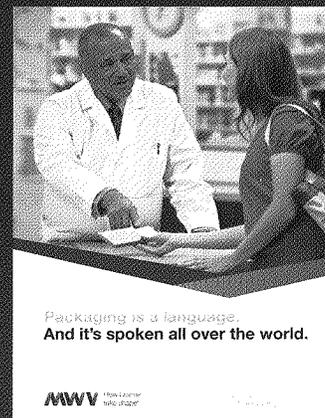
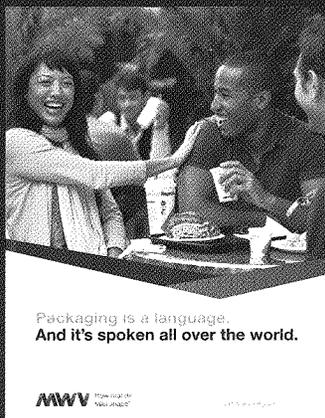
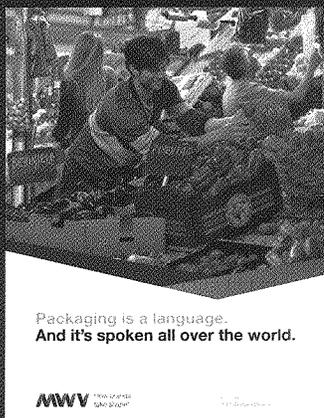
**So, we're leading a global conversation...**

about why packaging matters from the manufacturing floor  
to the store shelf to the kitchen pantry.

We are growing MWV by leading the conversation about packaging in many fast-growing end markets and geographies. We have deep market expertise, partnerships with leading consumer products companies, and innovative solutions for discerning brands and consumers. It's what makes us uniquely able to expand our business by helping global customers succeed around the world. And it's what will help us shape the future of our industry – today and every day.

This year's annual report cover

There are five unique covers for this year's annual report. This cover features one of our beverage multi-packs for premium bottled beer, and the others below feature a range of our materials, solutions, and markets – and a variety of situations in which packaging matters to brands, retailers, and consumers around the world.





John A. Luke, Jr.  
Chairman and  
Chief Executive Officer

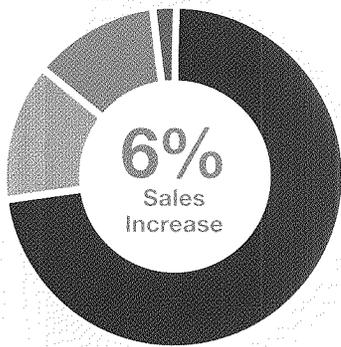
## To our shareholders, customers and employees:

**At MWV, we continue to change the conversation – about our financial performance, our progress in targeted markets, and our place in the global packaging industry. We have been very successful in each of these areas, and we're confident that the best is still yet to come.**

Another year of record segment operating results in 2011 came directly from the strategies we've laid out for profitable growth and value creation. We are gaining share in growing end markets. We are winning with innovative products. We are extending our leading positions in emerging markets. And, as a result, we are delivering very strong financial performance and will continue to be a reliable source of earnings and cash flow growth in the coming years.

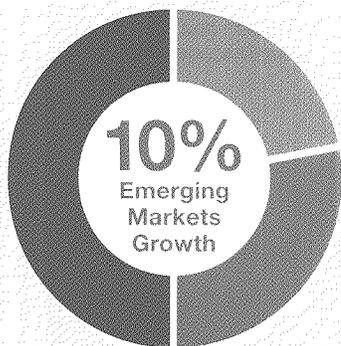
As we executed our plans last year, we were building on a very strong foundation and measuring ourselves against a high bar of performance. We expected to continue at the same pace even in a tough economic environment that deteriorated further toward the end of the year. In 2011, income from continuing operations was \$258 million, or

### Sales By Business



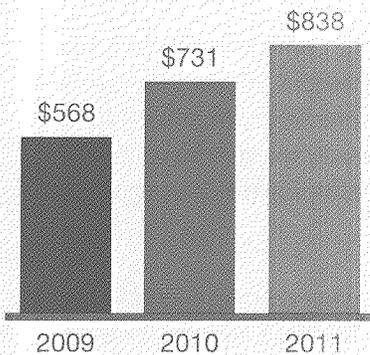
- Packaging
- Specialty Chemicals
- Consumer & Office Products
- Community Development & Land Management

### Sales By Geography



- North America
- Emerging Markets
- Other Developed

### Combined Segment Profit (in millions)



\$1.49 per share – nearly the same as our record level from the previous year. As a result, our stock outperformed the S&P 500 benchmark by a wide margin.

Of course, this strong performance does not mean that we are immune to broader trends in the global economy, including weak housing and labor markets in the U.S., and – most recently – the fiscal crisis in Europe. These acute macroeconomic events resulted in lower consumer confidence, tighter inventory management, and softer demand in some of our markets – especially toward the end of 2011. However, our markets have held up fairly well through a challenging global economic environment, and we have made smart decisions, taken swift actions, and focused on the right strategic areas to strengthen our market position and deliver the level of performance our stakeholders expect.

That includes the announcement that we will spin off our Consumer & Office Products business, and merge it with ACCO Brands. The combined company will be a \$2 billion leader in the global school and office products market, and the transaction will create substantial value for MWV shareholders when it closes in the first half of 2012.

We are confident that executing the plans we can control will continue to strengthen our market position and buttress our financial performance during this challenging economic climate.

Here's some evidence:

MWV has deep market expertise in our targeted categories and a growing number of truly strategic partnerships with our customers, such as Anheuser-Busch InBev, Coca-Cola, and Johnson & Johnson. This is how we drove a six percent increase in revenue in 2011, and will continue to generate profitable growth upwards of five to ten percent over the next several years.

MWV has developed a number of innovative packaging solutions, and continues to be a partner of choice for brand owners who value our insight-driven and technology-enabled approach to innovation. This is how we have established a richer mix of products, preserved our value-based pricing to offset input cost inflation, and increased our margins compared to the prior year.

MWV has established strong positions in emerging markets with the fastest growth rates and most promise for new packaging formats and modernized retail. This is how we increased revenue by ten percent in emerging markets in 2011. We will continue to make our support of customers' growth ambitions in these markets a larger portion of our overall revenue base.

MWV has also maintained our strong operating discipline, and implemented an Operational Excellence program across our manufacturing system around the world. This is how we have generated ever-higher levels of profitability, and will continue to deliver three to four percent gross operating productivity each and every year.

## Financial Highlights

In millions, except per share data	2011	2010
Net Sales	\$6,060	\$5,693
Income from continuing operations	258	262
Net income per share from continuing operations	1.49	1.52
Dividends per share	1.00	0.94
Cash flow from continuing operations	565	551
Combined segment profit	838	731

**"Another year of record segment operating results in 2011 came directly from the strategies we've laid out for profitable growth and value creation...we are delivering very strong financial performance and will continue to be a reliable source of earnings and cash flow growth in the coming years."**

These drivers of our performance are true in each of our businesses. And while our large packaging business continues to be an earnings engine for MWV, we also had an especially strong performance in Specialty Chemicals in 2011. The scientists and marketing experts who run this business have increasingly shifted our product mix toward more innovative and value-added chemical formulations for global automobile, asphalt paving, adhesive and oilfield drilling markets – and they've continued to set earnings records in the process. Our Specialty Chemicals business is a pacesetter for MWV in terms of innovation, expansion in emerging markets, commercial excellence and other areas. And the business is aligned with market megatrends, including the global push for lower air emissions and increased infrastructure investment and energy exploration.

In all of our businesses, we think of ourselves in the context of the markets we serve – and the range of solutions we provide. And the source of our strength – last year, this year, and beyond – is in the increasingly important conversation we are leading about the global packaging market. It's a conversation that is vitally important to brand owners, to consumers, to retailers, to the supply chain, to the environment, to the modernization of growing economies. We are in the middle of that conversation because of our deep market expertise, strong relationships with consumer goods companies and brand owners, and the ability to develop innovative solutions all around the world.

We're listening to what consumers want from product packaging and what they expect from their favorite brands. We're opening a new dialogue with our customers based on these insights, and based on our ability to translate them into the local needs of emerging markets such as Brazil and China. And we're responding to what our customers need to win in their markets by developing innovative solutions and adding new materials and capabilities to our global platform.

That's not just the language of packaging...it is the way we're delivering profitable growth.

We expect to become the most commercially proficient company in our industry by establishing strong partnerships with the world's largest consumer products companies, and by demonstrating the commercial skills we need to earn a larger share of their packaging spend. A good example of this focus on commercial excellence is our work with Johnson & Johnson. We've leveraged our 30-year history as a supplier to J&J to become one of only a handful of strategic packaging partners for their global business.

We are developing insights about the types of packaging that drive consumer behavior and brand preference, and then using those insights to accelerate and augment our pipeline of new solutions. A good example of our investment in this insight-driven approach to innovation is the development of Captivate® for the

**“MWV will excel because our organization is strong, our strategies are sound, and – quite simply – our company is comprised of truly great people.”**



*Camille, Process Engineer, Covington, Virginia*

retail food and beverage packaging market. Captivate® can revolutionize grocery categories that are hard-to-stock, hard-to-shop, and hard for brands to stand out on the store shelf.

We are using our existing leadership positions in many developing geographies to translate our market and consumer insights for the growing middle classes in places like Brazil and China. In fact, we’re in the center of the conversation about the right packaging solutions for these emerging markets, such as the corrugated packaging solutions we developed that reduce fresh produce spoilage between the farm and the marketplace in Brazil, or that reduce the cost of transoceanic beef shipments from Brazil to China or Europe.

We are responding to what our customers want by adding new materials and capabilities to our repertoire, and then leveraging these adjacencies across our global platform. This expanded participation in the marketplace includes the addition of Polytop’s cap and closure technologies to our existing business in food, beauty and personal care, and home and garden markets around the world.

These are the things we’re doing to bring the full impact of our packaging expertise to each of the markets we’ve targeted, and each of the customers we work with. We think that leading the conversation will help MWV shape the future of the packaging industry and make our com-

pany an attractive investment for shareholders – allowing us to achieve up to ten percent real annual growth and consistent top-quartile financial performance, including our very strong dividend.

For the first time in more than a decade, MWV will be pursuing these goals without the counsel of Robert McCormack, who is retiring from our Board of Directors. We have also added two new directors, Alan Wilson and Gracia Martore. Both of these distinguished leaders work for companies with deep consumer insights – McCormack and Gannett, respectively – and will bring valuable backgrounds to help guide the future direction of MWV.

They are joining the best collection of talent in the packaging industry. MWV will excel because our organization is strong, our strategies are sound, and – quite simply – our company is comprised of truly great people. This talented team is MWV’s force for growth – and I am proud not only to work with them, but to report our success on their behalf.

Sincerely,

John A. Luke, Jr.  
Chairman and Chief Executive Officer  
February 27, 2012

# **2011 Form 10-K**

**MeadWestvaco Corporation  
2011 Annual Report**

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SEC  
Mail Processing  
Section

FORM 10-K

MAR 21 2012

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

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 1-31215

Washington DC  
405

**MeadWestvaco Corporation**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

31-1797999  
(I.R.S. Employer Identification No.)

501 South 5<sup>th</sup> Street  
Richmond, Virginia 23219-0501  
Telephone 804-444-1000

(Address and telephone number of  
Registrant's principal executive offices)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

At June 30, 2011, the aggregate market value of common stock held by non-affiliates was \$5,638,501,418. Such determination shall not, however, be deemed to be an admission that any person is an "affiliate" as defined in Rule 405 under the Securities Act of 1933.

At January 31, 2012, the number of shares of common stock of the Registrant outstanding was 170,958,963.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders expected to be held on April 23, 2012, are incorporated by reference into Part III of this Annual Report on Form 10-K; definitive copies of said Proxy Statement will be filed with the Securities and Exchange Commission on or around March 21, 2012.

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## Part I

### Item 1. *Business*

#### General

MeadWestvaco Corporation (“MeadWestvaco”, “MWV”, or the “company”), a Delaware corporation formed in 2001 following the merger of Westvaco Corporation and The Mead Corporation, is a global packaging company that provides packaging solutions to many of the world’s most recognized brands in the healthcare, beauty and personal care, food, beverage, tobacco and home and garden industries. MWV’s other business operations serve the consumer and office products, specialty chemicals, forestry and real estate markets. MWV’s segments are (i) Packaging Resources, (ii) Consumer Solutions, (iii) Consumer & Office Products, (iv) Specialty Chemicals, and (v) Community Development and Land Management.

#### Packaging Resources

The Packaging Resources segment produces paperboard used in packaging for food, beverage, tobacco, healthcare, and beauty and personal care markets. This segment’s products include bleached paperboard (“SBS”) and Coated Natural Kraft® paperboard (“CNK®”) that are manufactured at three mills located in the U.S. and corrugated packaging that is manufactured at two mills located in Brazil. SBS is principally used in packaging solutions for higher-value branded consumer products in global food, tobacco, cosmetics and pharmaceuticals markets. SBS is also used in liquid packaging applications for shelf-stable dairy products and other liquid food and beverage products. CNK® is used for a range of packaging applications, the largest of which for MWV are multi-pack beverage packaging and food packaging. MWV’s corrugated packaging business is focused on fresh produce, frozen meat and consumer products markets in South America.

#### Consumer Solutions

The Consumer Solutions segment designs and produces packaging solutions and systems for the food, beverage, tobacco, beauty and personal care, healthcare, and home and garden markets. This segment manufactures multi-pack cartons primarily for the global beverage take-home market, high-end packaging for the global tobacco market, injection-molded plastic and paperboard packaging for prescription drugs, and dispensing and sprayer systems for personal care, fragrance, healthcare, food, home cleaning, and garden and lawn maintenance products. Paperboard and plastic are converted into packaging products at plants located in North America, South America, Europe and Asia. This segment also has pharmaceutical packaging contracts with retailers, including mass-merchants. In addition, this segment manufactures equipment that is leased or sold to its beverage and dairy customers to package their products.

#### Consumer & Office Products

The Consumer & Office Products segment manufactures, sources, markets and distributes school and office products and time-management products in North America and Brazil through both retail and commercial channels. MWV produces many of the leading brand names in school supplies, time-management and commercial office products, including AMCAL®, AT-A-GLANCE®, Cambridge®, Day Runner®, Five Star®, Mead® and Trapper Keeper®.

On November 17, 2011, the company announced the spin-off of its Consumer & Office Products business and signed a definitive agreement to merge the business in a tax-efficient transaction into a subsidiary of ACCO Brands Corporation (“ACCO”). The transaction remains subject to approval by ACCO’s shareholders and the satisfaction of customary closing conditions and regulatory approvals. At closing, MeadWestvaco shareholders will receive 50.5% of the shares of ACCO stock and the company will receive \$460 million of cash, subject to certain potential post-closing adjustments. The transaction is expected to be completed in the first half of 2012.

## **Specialty Chemicals**

The Specialty Chemicals segment manufactures, markets and distributes specialty chemicals derived from sawdust and other byproducts of the papermaking process in North America, Europe, South America and Asia. Products include performance chemicals derived from pine chemicals used in printing inks, asphalt paving and adhesives as well as the agricultural, paper and petroleum industries. This segment also includes products based on activated carbon used in gas vapor emission control systems for automobiles and trucks and applications for air, water and food purification.

## **Community Development and Land Management**

The Community Development and Land Management segment is responsible for maximizing the value of the company's landholdings in the Southeastern region of the U.S. Operations of the segment include real estate development, forestry operations and leasing activities. Real estate development includes (i) selling non-core forestlands primarily for recreational and residential uses, (ii) entitling and improving high-value tracts, and (iii) master planning select landholdings. Forestry operations include growing and harvesting softwood and hardwood on the company's forestlands for external consumption and for use by the company's mill-based business. Leasing activities include fees from third parties undertaking mineral extraction operations, as well as fees from recreational leases on the company's forestlands.

For a more detailed description of our segments, including financial information, see Note T of Notes to Consolidated Financial Statements included in Part II, Item 8.

## **Marketing and distribution**

The principal markets for our products are in North America, South America, Europe and Asia. We operate in 30 countries and serve customers in more than 100 nations. Our products are sold through a combination of our own sales force and paperboard merchants and distributors. The company has sales offices in key cities throughout the world.

## **Intellectual property**

MeadWestvaco has a large number of foreign and domestic trademarks, trade names, patents, patent rights and licenses relating to its business. While, in the aggregate, intellectual property rights are material to our business, the loss of any one or any related group of such rights would not have a material adverse effect on our business, with the exception of the "Mead ®" trademark and the "AT-A-GLANCE ®" trademark for consumer and office products.

## **Competition**

MeadWestvaco operates in a very challenging global marketplace and competes with many large, well-established and highly competitive manufacturers and service providers. In addition, our business is affected by a range of macroeconomic conditions, including industry capacity changes, global competition, economic conditions in the U.S. and abroad, and currency exchange rates.

We compete principally through quality, price, value-added products and services such as packaging solutions, customer service, innovation, technology, and product design. Our proprietary trademarks and patents, in the aggregate, are also important to our competitive position in certain markets.

The Packaging Resources segment competes globally with manufacturers of coated and bleached paperboard for packaging and graphic applications, as well as other specialty paperboards. The Consumer Solutions segment competes globally with numerous packaging service providers in the package design, development, and manufacturing arenas, as well as the manufacture of dispensing and spraying systems.

The Consumer & Office Products segment competes with national and regional converters, as well as foreign producers, especially from Asia. The Specialty Chemicals segment competes on a worldwide basis with producers of activated carbons, refined tall oil products, lignin-based chemicals and specialty resins. The Community Development and Land Management segment competes in the real estate sales and development market and the forestry products industry in the Southeastern region of the U.S.

## **Research**

MeadWestvaco conducts research and development in the areas of packaging and chemicals. Innovative product development and manufacturing process improvement are the main objectives of these efforts. The company also evaluates and adapts for use new and emerging technologies that may enable new product development and manufacturing cost reductions. Expenditures for research and development were \$47 million, \$41 million and \$43 million for the years ended December 31, 2011, 2010 and 2009, respectively.

## **Environmental laws and regulations**

Our operations are subject to extensive regulation by federal, state and local authorities, as well as regulatory authorities with jurisdiction over foreign operations of the company. Due to changes in environmental laws and regulations, the application of such regulations, and changes in environmental control technology, it is not possible for us to predict with certainty the amount of capital expenditures to be incurred for environmental purposes. Taking these uncertainties into account, we estimate that we will incur \$48 million and \$66 million in environmental capital expenditures in 2012 and 2013, respectively. Approximately \$52 million was spent on environmental capital projects in 2011.

The company has been notified by the U.S. Environmental Protection Agency or by various state or local governments that it may be liable under federal environmental laws or under applicable state or local laws with respect to the cleanup of hazardous substances at sites previously operated or used by the company. The company is currently named as a potentially responsible party ("PRP"), or has received third-party requests for contribution under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state or local laws with respect to numerous sites. There are other sites which may contain contamination or which may be potential Superfund sites, but for which MeadWestvaco has not received any notice or claim. The potential liability for all these sites will depend upon several factors, including the extent of contamination, the method of remediation, insurance coverage and contribution by other PRPs. The company regularly evaluates its potential liability at these various sites. At December 31, 2011, MeadWestvaco had recorded liabilities of approximately \$24 million for estimated potential cleanup costs based upon its close monitoring of ongoing activities and its past experience with these matters. The company believes that it is reasonably possible that costs associated with these sites may exceed amounts of recorded liabilities by an amount that could range from an insignificant amount to as much as \$20 million. This estimate is less certain than the estimate upon which the environmental liabilities were based. After consulting with legal counsel and after considering established liabilities, it is our judgment that the resolution of pending litigation and proceedings is not expected to have a material adverse effect on the company's consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

## **Employees**

MeadWestvaco currently employs approximately 17,000 people worldwide, of whom approximately half are employed in the U.S. and half are employed internationally. Approximately half of the company's employees around the world are represented by labor unions under various collective bargaining agreements. The company engages in negotiations with labor unions for new collective bargaining agreements from time to time and will be negotiating new collective agreements at various manufacturing locations around the world during the course of 2012. The company considers its relationships with its unions and other employee representatives to be generally good. While it is the company's objective to reach agreements without work stoppages, it cannot predict the outcome of any negotiations.

## **International operations**

MeadWestvaco's operations outside the U.S. are conducted through subsidiaries located in Canada, Mexico, South America, Europe and Asia. While there are risks inherent in foreign investments, we do not believe at this time that such risks are material to our overall business prospects. MeadWestvaco's sales that were attributable to U.S. operations, including export sales, were 66% for both of the years ended December 31, 2011 and 2010 and 67% for the year ended December 31, 2009. Export sales from MeadWestvaco's U.S. operations were 16% for the year ended December 31, 2011 and 15% for both of the years ended December 31, 2010, and 2009. Sales that were attributable to foreign operations were 34% for both of the years ended December 31, 2011 and 2010 and 33% for the year ended December 31, 2009. For more information about the company's U.S. and foreign operations, see Note T of Notes to Consolidated Financial Statements included in Part II, Item 8.

## **Available information**

Our Internet address is [www.mwv.com](http://www.mwv.com). Please note that MWV's Internet address is included in this Annual Report on Form 10-K as an inactive textual reference only. The information contained on our website is not incorporated by reference into this Annual Report on Form 10-K or any future reports we may file with the SEC and should not be considered part of this report. MWV makes available on this website free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission. You may access these filings in the Investors section of our website. MWV's *Corporate Governance Principles*, our charters (Nominating and Governance Committee, Audit Committee, Compensation and Organization Development Committee, Finance Committee, Safety, Health and Environment Committee, and Executive Committee) and our *Code of Conduct* can be found in the Investors section of our website at the following address: <http://www.mwv.com/InvestorRelations/CorporateGovernance/index.htm>

## **Item 1A. Risk factors**

### **Risks relating to our business**

*U.S. and global economic conditions could have an adverse effect on the profitability of some or all of our businesses.*

Concerns regarding adverse consumer and business confidence, the availability and cost of credit, reduced consumer spending and business investment, the volatility and strength of the capital and credit markets, and inflation all affect the business and economic environment and, ultimately, the profitability of our business. In an economic downturn characterized by higher unemployment, lower family income, lower business investment and lower consumer spending, the demand for our products is adversely affected. Adverse changes in the U.S., Europe or global economy could negatively affect earnings and could have a material adverse effect on our business, results of operations, cash flows and financial position. In a challenging and uncertain economic environment, we cannot predict whether or when such circumstances may occur, or what impact, if any, such circumstances could have on our business, results of operations, cash flows and financial position.

*Conditions in the global capital and credit markets and the economy generally may materially adversely affect our business, results of operations and financial position.*

Our results of operations and financial position could be materially affected by adverse changes in the global capital and credit markets and the economy generally, including declines in consumer and business confidence and spending, both in the U.S., Europe and elsewhere around the world. Conditions in the capital and credit markets and the effects of declines in consumer and business confidence and spending may adversely impact the ability of our suppliers and customers to conduct their business activities. The consequences of such adverse effects could include the interruption of production at the facilities of our customers, the reduction, delay or cancellation of customer orders, delays in or the inability of customers to obtain financing to purchase our products, and bankruptcy of customers or other related parties.

While we have procedures to monitor and limit exposure to credit risk, there can be no assurance such procedures will effectively limit our credit risk and avoid losses, which could have a material adverse effect on our operating results.

*The company's businesses are subject to significant cost pressures. Pricing volatility and our ability to pass higher costs on to our customers through price increases or other adjustments is uncertain and dependent on market conditions and may materially impact our results of operations.*

The pricing environment for raw materials used in a number of our businesses continues to be challenging and volatile. Additionally, energy costs remain volatile and unpredictable. Further unpredictable increases in the cost of raw materials, energy or freight may materially impact our results of operations. Depending on market forces and the terms of customer contracts, our ability to recover these costs through increased pricing may be limited.

*The company faces intense competition in each of its businesses, and competitive challenges from lower cost manufacturers in overseas markets. If we cannot successfully compete in an increasingly global market place, our results of operations may be adversely affected.*

The company operates in competitive domestic and international markets and competes with many large, well-established and highly competitive manufacturers and service providers, both domestically and on a global basis. The company's businesses are facing competition from lower cost manufacturers in Asia and elsewhere. All of these conditions can contribute to substantial pricing and demand pressures, which could adversely affect the company's operating results.

A key component of the company's competitive position is MeadWestvaco's ability to both innovate and manage expenses successfully. This requires continuous management focus on producing new and innovative products and solutions and reducing and improving efficiency through cost controls, productivity enhancements and regular appraisal of our asset portfolio.

*The company's operations are increasingly global in nature. Our business, financial condition and results of operations could be adversely affected by the political and economic conditions of the countries in which we conduct business, by fluctuations in currency exchange rates and other factors related to our international operations.*

For the year ended December 31, 2011, sales attributable to foreign operations were approximately 34% of total sales of which approximately 14% were generated by our operations in Europe and 2% were export sales to Europe. In addition, we are currently engaged in a substantial expansion of our corrugated packaging operations in Brazil as well as expanding our participation in other emerging markets, including China and India. As our international operations and activities expand, we face increasing exposure to the risks of operating in many foreign countries. These factors include:

- Changes generally in political, regulatory or economic conditions in the countries in which we conduct business.
- Trade protection measures in favor of local producers of competing products, including government subsidies, tax benefits, trade actions (such as anti-dumping proceedings) and other measures giving local producers a competitive advantage over the company.
- Changes in foreign currency exchange rates which could adversely affect our competitive position, selling prices and manufacturing costs, and therefore the demand for our products in a particular market

These risks could affect the cost of manufacturing and selling our products, our pricing, sales volume, and ultimately our financial performance. The likelihood of such occurrences and their potential effect on the company vary from country to country and are unpredictable.

*The company is subject to extensive regulation under various environmental laws and regulations, and is involved in various legal proceedings related to the environment. Environmental regulation and legal proceedings have the potential for involving significant costs and liability for the company.*

The company's operations are subject to a wide range of general and industry-specific environmental laws and regulations. The company has been focused for some time on improving energy efficiency which also reduces its emissions of carbon dioxide. In recent years, acting unilaterally, the company reduced its carbon dioxide emissions even as overall production has increased. Since 2000, MWV reduced the annual direct emissions at its continuing major U.S. manufacturing facilities by approximately 300,000 metric tons. In 2010, total direct emissions from the company's major U.S. manufacturing facilities were 2,149,000 metric tons. In 2010, total indirect emissions from purchased electric power and steam consumed at its major U.S. manufacturing facilities were 472,000 metric tons. Indirect emissions in 2010 resulting from transportation are estimated to have been 565,000 metric tons (the bulk of these emissions are related to transportation by third parties of raw materials and finished goods) from the company's U.S. manufacturing facilities. Data analysis for 2011 has not been developed at this time. The company is committed to obtaining additional reductions in these emissions as the efficient use of various forms of energy is enhanced. MWV's emissions are calculated using the US EPA Greenhouse Gas Reporting Program protocols for direct greenhouse gas emissions and the WRI/WBCSD (World Resources Institute/World Business Council for Sustainable Development) guidance for reporting indirect greenhouse gas emissions.

The U.S. Environmental Protection Agency has announced, proposed or finalized numerous air emission regulations covering greenhouse gas emissions, new emission standards for industrial boilers and establishment of more stringent ambient air quality standards. Changes in environmental laws and regulations, or their application, could subject the company to significant additional capital expenditures and operating expenses in future years. However, any such changes are uncertain and, therefore, it is not possible for the company to predict with certainty the amount of additional capital expenditures or operating expenses that could be necessary for compliance with respect to any such changes.

The company is also subject to various environmental proceedings and may be subject to additional proceedings in the future. In the case of known potential liabilities, it is management's judgment that the resolution of pending litigation and proceedings is not expected to have a material adverse effect on the company's consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations. The company could also be subject to new environmental proceedings which could cause the company to incur substantial additional costs with resulting impact on results of operations.

*Material disruptions at one of our major manufacturing facilities could negatively impact our financial results.*

We believe we operate our facilities in compliance with applicable rules and regulations and take measures to minimize the risks of disruption at our facilities. A material operational disruption in one of our major facilities could negatively impact production and our financial results. Such a disruption could occur as a result of any number of events including but not limited to a major equipment failure, labor stoppages, transportation failures affecting the supply and shipment of materials, severe weather conditions and disruptions in utility services.

*The real estate industry is highly competitive and economically cyclical.*

The company engages in value-added real estate development activities, including obtaining entitlements and establishing joint ventures and other development-related arrangements. Many of our competitors in this industry have greater resources and experience in real estate development than we have currently. In addition, our ability to execute our plans to divest or otherwise realize the greater value associated with our landholdings may be affected by the following factors, among others:

- General economic conditions, including credit markets and interest rates.
- Local real estate market conditions, including competition from sellers of land and real estate developers.
- Impact of federal, state and local laws and regulations affecting land use, land use entitlements, land protection and zoning.

**Item 1B. *Unresolved staff comments***

None.

**Item 2. Properties**

MeadWestvaco's global headquarters are located in Richmond, Virginia. MeadWestvaco believes that its facilities have sufficient capacity to meet current production requirements. The locations of MeadWestvaco's production facilities are currently as follows:

**Packaging Resources**

Araçatuba, Brazil	Pune, India
Blumenau, Santa Catarina, Brazil	Pacajus, Ceara, Brazil
Cottonton, Alabama	Silsbee, Texas
Covington, Virginia	Tres Barras, Santa Catarina, Brazil
Evadale, Texas	Valinhos, São Paulo, Brazil
Feira de Santana, Bahia, Brazil	Venlo, The Netherlands
Low Moor, Virginia	

**Consumer Solutions**

Aqua Branca, Sao Paulo, Brazil	Milan, Italy (Leased)
Ajax, Ontario, Canada	Moscow, Russian Federation (Leased)
Atlanta, Georgia	Roosendaal, The Netherlands
Barcelona, Spain	São Paulo, São Paulo, Brazil (Leased)
Bassano del Grappa, Italy	San Luis Potosi, Mexico
Bilbao, Spain	Santiago de Chile, Chile (Leased)
Bristol, United Kingdom	Shimada, Japan
Buenos Aires, Argentina (Leased)	Slatersville, Rhode Island (Leased)
Bydgoszcz, Poland	Smyrna, Georgia
Chicago, Illinois	Svitavy, Czech Republic
Deols, France	Tecate, Mexico (Leased)
Dublin, Ireland (Leased)	Tijuana, Mexico (Leased)
Enschede, The Netherlands	Trier, Germany
Grandview, Missouri	Troyes, France
Graz, Austria	Valinhos, São Paulo, Brazil
Hemer, Germany	Waalwijk, The Netherlands (Leased)
Krakow, Poland	Winfield, Kansas
Lanett, Alabama	Wuxi, People's Republic of China
Mebane, North Carolina	

**Consumer & Office Products**

Alexandria, Pennsylvania	Sidney, New York
Bauru, São Paulo, Brazil	Toronto, Ontario, Canada (Leased)

**Specialty Chemicals**

Covington, Virginia	Waynesboro, Georgia
DeRidder, Louisiana	Wickliffe, Kentucky
North Charleston, South Carolina	

**Community Development and Land Management Group and Forestry Centers**

Appomattox, Virginia	Tres Barras, Santa Catarina, Brazil
Rupert, West Virginia	Waverly Hall, Georgia
Ridgeville, South Carolina	Woodbine, Georgia
Summerville, South Carolina	

## **Research Facilities**

North Charleston, South Carolina  
Richmond, Virginia (Leased)

Shekou Shenzhen, People's Republic of China  
Tres Barras, Santa Catarina, Brazil

## **Leases**

For financial data on MeadWestvaco's lease commitments, see Note I of Notes to Consolidated Financial Statements included in Part II, Item 8.

## **Other information**

MeadWestvaco owns all of the facilities listed above, except as noted.

A limited number of MeadWestvaco facilities are owned, in whole or in part, by municipal or other public authorities pursuant to standard industrial revenue bond financing arrangements and are accounted for as property owned by MeadWestvaco. MeadWestvaco holds options under which it may purchase each of these facilities from such authorities by paying a nominal purchase price and assuming the indebtedness of the industrial revenue bonds at the time of the purchase.

As of December 31, 2011, MeadWestvaco owned approximately 701,000 acres of forestlands and other landholdings in the Southeastern region in the U.S. and approximately 135,000 acres of forestlands in Brazil (more than 1,200 miles from the Amazon rainforest).

### **Item 3. *Legal proceedings***

MeadWestvaco is involved in various litigation and administrative proceedings arising in the normal course of business. Although the ultimate outcome of such matters cannot be predicted with certainty, MeadWestvaco does not believe that the currently expected outcome of any proceeding, lawsuit or claim that is pending or threatened, or all of them combined, will have a material adverse effect on its consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

Additional information is included in Part I, Item 1, and Note P of Notes to Consolidated Financial Statements included in Part II, Item 8.

### **Item 4. *Mine safety disclosures***

Not applicable.

## Executive officers of the registrant

<u>Name</u>	<u>Age*</u>	<u>Present position</u>	<u>Year in which service in present position began</u>
John A. Luke, Jr.**	63	Chairman and Chief Executive Officer	2002
James A. Buzzard	57	President	2003
E. Mark Rajkowski	53	Senior Vice President and Chief Financial Officer	2004
Mark S. Cross	55	Senior Vice President	2006
Robert A. Feeser	50	Senior Vice President	2010
Linda V. Schreiner	52	Senior Vice President	2002
Bruce V. Thomas	55	Senior Vice President	2007
Mark T. Watkins	58	Senior Vice President	2002
Wendell L. Willkie, II	60	Senior Vice President, General Counsel and Secretary	2002
Peter C. Durette	38	Vice President and Chief Strategy Officer	2010
John E. Banu	64	Vice President and Controller	2002
Robert E. Birkenholz	51	Vice President and Treasurer	2004
Donna O. Cox	48	Vice President	2005

\* As of February 27, 2012

\*\* Director of MeadWestvaco

MeadWestvaco's officers are elected by the Board of Directors annually for one-year terms. There are no family relationships among executive officers or understandings between any executive officer and any other person pursuant to which the officer was selected as an officer.

**John A. Luke, Jr.**, President and Chief Executive Officer, 2002-2003, Chairman of the Board, Chief Executive Officer and President of Westvaco, 1996-2002;

**James A. Buzzard**, Executive Vice President, 2002-2003, Executive Vice President of Westvaco, 2000-2002, Senior Vice President, 1999, Vice President, 1992-1999;

**E. Mark Rajkowski**, Vice President, Eastman Kodak Company and General Manager Worldwide Operations for Kodak's Digital and Film Imaging Systems Business, 2003-2004; Chief Operating Officer of Eastman Kodak's Consumer Digital Business, 2003; Vice President, Finance of Eastman Kodak, 2001-2002; Corporate Controller of Eastman Kodak, 1998-2001;

**Mark S. Cross**, Senior Vice President and Group President of Europe, Middle East and Africa Region, JohnsonDiversey 2003-2006; President, Kimberly-Clark Professional, 2001-2003;

**Robert A. Feeser**, President, Packaging Resources Group 2004-2010, Vice President, Packaging Group 2002-2004, President, Containerboard Division 2000-2002, President, Gilbert Paper Company 1997-2000;

**Linda V. Schreiner**, Senior Vice President of Westvaco, 2000-2002, Manager of Strategic Leadership Development, 1999-2000, Senior Manager of Arthur D. Little, Inc., 1998-1999, Vice President of Signet Banking Corporation, 1988-1998;

**Bruce V. Thomas**, President and Chief Executive Officer, Cadmus Communications Corporation, 2000-2007;

**Mark T. Watkins**, Vice President of Mead, 2000-2002, Vice President, Human Resources and Organizational Development of the Mead Paper Division, 1999, Vice President, Michigan Operations of Mead Paper Division, 1997;

**Wendell L. Willkie, II**, Senior Vice President and General Counsel of Westvaco, 1996-2002;

**Peter C. Durette**, Vice President of Strategy & Business Development at Textron Inc., 2008-2009, Principal/Partner at Marakon Associates, 2004-2008;

**John E. Banu**, Vice President of Westvaco, 1999-2002; Controller, 1995-1999;

**Robert E. Birkenholz**, Assistant Treasurer, 2003-2004; Assistant Treasurer, Amerada Hess Corporation, 1997-2002;

**Donna O. Cox**, Director, External Communications, 2003-2005, Manager, Integration/Internal Communications, 2002-2003, Public Affairs Manager of Westvaco's Packaging Resources Group, 1999-2002.

**Part II**

**Item 5. Market for the registrant's common equity, related stockholder matters and issuer purchases of equity securities**

**(a) Market and price range of common stock**

MeadWestvaco's common stock is traded on the New York Stock Exchange under the symbol MWV.

<u>STOCK PRICES</u>	<u>Year ended December 31, 2011</u>		<u>Year ended December 31, 2010</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First quarter .....	\$30.92	\$26.28	\$29.74	\$22.25
Second quarter .....	34.51	30.40	28.69	21.96
Third quarter .....	34.23	24.56	25.35	20.81
Fourth quarter .....	30.55	22.75	27.12	23.74

This table reflects the range of market prices of MeadWestvaco common stock as quoted in the New York Stock Exchange Composite Transactions.

**(b) Approximate number of common shareholders**

At December 31, 2011, the number of shareholders of record of MeadWestvaco common stock was approximately 20,000. This number includes approximately 11,000 current or former employees of the company who were MeadWestvaco shareholders by virtue of their participation in our savings and investment plans.

**(c) Dividends**

The following table reflects historical dividend information for MeadWestvaco for the periods indicated.

<u>DIVIDENDS PER SHARE</u>	<u>Year ended December 31, 2011</u>	<u>Year ended December 31, 2010</u>
First quarter .....	\$0.25	\$0.23
Second quarter .....	0.25	0.23
Third quarter .....	0.25	0.23
Fourth quarter .....	0.25	0.25
	<u>\$1.00</u>	<u>\$0.94</u>

**(d) Stock repurchases**

The company did not repurchase any shares in the fourth quarter of 2011. At December 31, 2011, there were 3.2 million shares available for purchase under an existing authorized stock repurchase plan.

**Item 6. Selected financial data**

*Dollars in millions, except per share data*

	Years ended December 31,				
	2011	2010	2009	2008	2007
<b>EARNINGS</b>					
Net sales .....	\$ 6,060	\$ 5,693	\$ 5,406	\$ 5,809	\$ 5,515
Income from continuing operations attributable to the company .....	258	262	240	91	255
(Loss) income from discontinued operations .....	(12)	(156)	(15)	(1)	30
Net income attributable to the company .....	246 <sup>1</sup>	106 <sup>2</sup>	225 <sup>3</sup>	90 <sup>4</sup>	285 <sup>5</sup>
Income from continuing operations:					
Per share—basic .....	1.52	1.54	1.40	0.52	1.40
Per share—diluted .....	1.49	1.52	1.38	0.52	1.39
Net income per share—basic .....	1.45	0.62	1.31	0.52	1.56
Net income per share—diluted .....	1.42	0.62	1.30	0.52	1.56
Depreciation, depletion and amortization expense .....	393	389	406	426	430
<b>COMMON STOCK</b>					
Number of common shareholders .....	20,000	21,000	22,500	23,400	24,700
Weighted average number of shares outstanding:					
Basic .....	170	170	171	172	183
Diluted .....	174	173	173	173	184
Dividends paid .....	\$ 170	\$ 160	\$ 157	\$ 159	\$ 169
Per share:					
Dividends declared .....	1.00	0.94	0.92	0.92	0.92
Book value .....	18.62	19.52	19.89	17.37	21.33
<b>FINANCIAL POSITION</b>					
Working capital .....	\$ 762	\$ 1,220	\$ 1,285	\$ 887	\$ 712
Current ratio .....	1.5	2.0	2.0	1.7	1.5
Property, plant, equipment and forestlands, net .....	\$ 3,531	\$ 3,255	\$ 3,301	\$ 3,333	\$ 3,564
Total assets .....	8,763	8,814	9,021	8,455	9,837
Long-term debt, excluding current maturities .....	1,880	2,042	2,153	2,309	2,375
Shareholders' equity .....	3,182	3,286	3,406	2,967	3,708
Debt to total capital (shareholders' equity and total debt) ...	40%	38%	39%	45%	40%
<b>OPERATIONS</b>					
Primary production of paperboard (thousands, in tons) ....	2,848	2,804	2,697	3,033	3,106
New investment in property, plant, equipment and forestlands on a continuing operations basis .....	\$ 670	\$ 242	\$ 218	\$ 274	\$ 308
Acres of forestlands owned (thousands) .....	836	865	890	932	952
Number of employees at December 31 .....	17,000	18,000	20,000	23,000	23,000

- 
- <sup>1</sup> 2011 results include after-tax charges associated with the forthcoming spin-off of the Consumer & Office Products business of \$47 million, or \$0.27 per share, and after-tax restructuring charges of \$20 million, or \$0.11 per share. 2011 results also include an after-tax loss from discontinued operations of \$12 million, or \$0.07 per share.
  - <sup>2</sup> 2010 results include after-tax restructuring charges of \$35 million, or \$0.20 per share, tax benefits of \$29 million, or \$0.17 per share, from cellulosic biofuel producer credits and audit settlements, an after-tax gain of \$5 million, or \$0.03 per share, related to post-retirement and pension curtailments, and an after-tax charge of \$4 million, or \$0.02 per share, from early extinguishment of debt. 2010 results also include an after-tax loss from discontinued operations of \$156 million, or \$0.90 per share.
  - <sup>3</sup> 2009 results include after-tax income from alternative fuel mixture credits of \$242 million, or \$1.40 per share, after-tax restructuring charges of \$111 million, or \$0.65 per share, charges of \$32 million, or \$0.18 per share, related to domestic and foreign tax audits, after-tax charges of \$14 million, or \$0.08 per share, from early extinguishments of debt, after-tax income of \$13 million, or \$0.07 per share, from a change to employee vacation policy, an after-tax expense of \$12 million, or \$0.07 per share, from a contribution to the MeadWestvaco Foundation, after-tax gains of \$11 million, or \$0.07 per share, related to sales of certain assets, and an after-tax gain of \$4 million, or \$0.02 per share, related to a pension curtailment. 2009 results also include an after-tax loss from discontinued operations of \$15 million, or \$0.08 per share.
  - <sup>4</sup> 2008 results include after-tax restructuring charges of \$33 million, or \$0.19 per share, after-tax gains of \$10 million, or \$0.05 per share, related to sales of certain assets, and an after-tax gain of \$6 million, or \$0.04 per share, related to a pension curtailment. 2008 results also include an after-tax loss from discontinued operations of \$1 million, or \$0.00 per share.
  - <sup>5</sup> 2007 results include after-tax restructuring charges of \$46 million, or \$0.25 per share, after-tax one-time costs related to the company's cost initiative of \$15 million, or \$0.08 per share, and after-tax gains of \$155 million, or \$0.84 per share, from sales of large-tract forestlands. 2007 results also include after-tax income from discontinued operations of \$30 million, or \$0.17 per share.

**Item 7. *Management's discussion and analysis of financial condition and results of operations***

**OVERVIEW**

For the year ended December 31, 2011, MeadWestvaco Corporation ("MeadWestvaco", "MWV," or the "company") reported net income attributable to the company from continuing operations of \$258 million, or \$1.49 per share. These results include after-tax charges associated with the forthcoming spin-off of the Consumer & Office Products business of \$47 million, or \$0.27 per share, and after-tax restructuring charges of \$20 million, or \$0.11 per share. Comparable results for prior years are noted later in this discussion.

Sales from continuing operations increased 6% to \$6.06 billion in 2011 compared to \$5.69 billion in 2010. In 2011, the company benefited from its profitable growth strategies centered on commercial excellence, insights-driven innovation, growth in emerging markets, and expanded participation with new materials and capabilities. Increased sales in 2011 were driven by execution of these profitable growth strategies resulting in improved performance in global markets for food, beverage and tobacco packaging compared to 2010. Sales in 2011 also benefited from higher sales of performance chemicals for inks, adhesives and oilfield drilling markets compared to 2010. Growing participation in emerging markets, such as China and Brazil, continues to produce favorable results with related sales increasing 10% in 2011. Revenues from emerging markets now comprise about 28% of the company's total sales.

Pre-tax earnings on a continuing operations basis from the company's segments increased 15% to \$838 million in 2011 compared to \$731 million in 2010. The improved year-over-year performance reflects the execution of profitable growth strategies to achieve share gains in targeted markets and drive value-based pricing to offset rising input cost inflation. MWV's profitable growth strategies delivered favorable performance in 2011 even as volumes in various markets weakened due to the ongoing uncertain global macroeconomic climate. The company also benefitted from a more efficient cost structure, and continues to generate gains in productivity from its improved manufacturing footprint and ongoing operational excellence initiatives.

The company continues to execute well on its profitable growth strategies focused on commercial excellence, innovation, emerging markets and expanded participation with new materials and capabilities. Near-term, the company remains cautious about weaker demand trends due to ongoing macroeconomic developments, particularly in Europe. The company also continues to experience significant inflation in certain raw materials. As a result, performance in the first quarter of 2012 is expected to be lower compared to year-ago levels. However, the company remains confident and is focused on executing its profitable growth strategies to achieve its three to five year targets of 5%+ annual sales growth and 7% to 10% annual earnings growth.

On November 17, 2011, the company announced the spin-off of its Consumer & Office Products business and signed a definitive agreement to merge the business in a tax-efficient transaction into a subsidiary of ACCO Brands Corporation ("ACCO"). The transaction remains subject to approval by ACCO's shareholders and the satisfaction of customary closing conditions and regulatory approvals. At closing, MeadWestvaco shareholders will receive 50.5% of the shares of ACCO stock and the company will receive \$460 million of cash, subject to certain potential post-closing adjustments. The transaction is expected to be completed in the first half of 2012. The Consumer & Office Products segment will be presented as a discontinued operation in the company's consolidated statements in the period this transaction closes.

On December 30, 2011, the company acquired Polytop Corporation, an innovative leader in the design and manufacturing of dispensing closures serving the food, home and garden, and beauty and personal care packaging markets. The company will extend Polytop's market leading dispensing closure solutions across its global packaging platform. The results of operations from the date of this acquisition are included in the Consumer Solutions segment. Refer to Note Q of Notes to Consolidated Financial Statements included in Part II, Item 8 for further information.

Certain statements in this document and elsewhere by management of the company that are neither reported financial results nor other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Refer to the “Forward-looking Statements” section located later in this document.

## RESULTS OF OPERATIONS

The following table summarizes MWV’s results for the years ended December 31, 2011, 2010 and 2009, as reported in accordance with accounting principles generally accepted in the U.S. All references to per share amounts are presented on an after-tax basis.

<i>In millions, except per share data</i>	Years ended December 31,		
	2011	2010	2009
Net sales	\$6,060	\$5,693	\$5,406
Cost of sales	4,678	4,472	4,446
Selling, general and administrative expenses	818	729	755
Interest expense	181	186	195
Other income, net	(39)	(14)	(382)
Income from continuing operations before income taxes	422	320	392
Income tax provision	160	54	152
Income from continuing operations	262	266	240
Loss from discontinued operations, net of income taxes	(12)	(156)	(15)
Net income	250	110	225
Less: Net income attributable to non-controlling interests	4	4	—
Net income attributable to the company	<u>\$ 246</u>	<u>\$ 106</u>	<u>\$ 225</u>
Income from continuing operations attributable to the company	<u>\$ 258</u>	<u>\$ 262</u>	<u>\$ 240</u>
Net income per share—basic:			
Income from continuing operations	\$ 1.52	\$ 1.54	\$ 1.40
Loss from discontinued operations	(0.07)	(0.92)	(0.09)
Net income attributable to the company	<u>\$ 1.45</u>	<u>\$ 0.62</u>	<u>\$ 1.31</u>
Net income per share—diluted:			
Income from continuing operations	\$ 1.49	\$ 1.52	\$ 1.38
Loss from discontinued operations	(0.07)	(0.90)	(0.08)
Net income attributable to the company	<u>\$ 1.42</u>	<u>\$ 0.62</u>	<u>\$ 1.30</u>

## Comparison of Years Ended December 31, 2011 and 2010

Sales were \$6.06 billion and \$5.69 billion for the years ended December 31, 2011 and 2010, respectively. In 2011, the company benefited from its profitable growth strategies centered on commercial excellence, insights-driven innovation, growth in emerging markets, and expanded participation with new materials and capabilities. Increased sales in 2011 were driven by execution of these profitable growth strategies resulting in improved performance in global markets for food, beverage and tobacco packaging compared to 2010. Sales in 2011 also benefited from higher sales of performance chemicals for inks, adhesives and oilfield drilling markets compared to 2010. Growing participation in emerging markets, such as China and Brazil, continues to produce favorable results with related sales increasing 10% in 2011. Revenues from emerging markets now comprise about 28% of the company’s total sales. Refer to the individual segment discussion that follows for detailed sales information.

Costs of sales were \$4.68 billion and \$4.47 billion for the years ended December 31, 2011 and 2010, respectively. In 2011, increased costs due to higher input cost inflation for certain raw materials and freight as well as the impact from foreign currency exchange more than offset the benefits from productivity improvements and overhead cost reductions compared to 2010. In 2011, input costs for energy, raw materials and freight included in cost of sales were \$179 million higher compared to 2010. Restructuring charges included in cost of sales were \$12 million and \$35 million in 2011 and 2010, respectively.

Selling, general and administrative expenses were \$818 million and \$729 million for the years ended December 31, 2011 and 2010, respectively. In 2011, benefits from productivity initiatives and overhead reduction actions were more than offset by costs associated with the forthcoming spin-off of the Consumer & Office Products business and investments in new product development and commercial capabilities, as well as modestly higher inflation compared to 2010. Restructuring charges included in selling, general and administrative expenses were \$18 million in both 2011 and 2010.

Pension income was \$77 million and \$78 million for the years ended December 31, 2011 and 2010, respectively. Pension income is included in Corporate and Other for segment reporting purposes. Pension income is expected to be approximately \$60 million in 2012.

Interest expense was \$181 million for the year ended December 31, 2011 and was comprised of \$149 million related to bond and bank debt, \$2 million related to a long-term obligation non-recourse to MWV, \$21 million related to borrowings under life insurance policies and \$9 million related to other borrowings. Interest expense was \$186 million for the year ended December 31, 2010 and was comprised of \$154 million related to bond and bank debt, \$2 million related to a long-term obligation non-recourse to MWV, \$20 million related to borrowings under life insurance policies and \$10 million related to other borrowings.

Other income, net was \$39 million and \$14 million for the years ended December 31, 2011 and 2010, respectively, and was comprised of the following:

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Interest income .....	\$ 30	\$ 22
Charges from early extinguishments of debt .....	—	(6)
Equity investment gain <sup>1</sup> .....	10	—
Foreign currency exchange gains (losses) .....	2	(4)
Gains on sales of certain assets .....	2	—
Other, net .....	(5)	2
	<u>\$ 39</u>	<u>\$ 14</u>

(1) For the year ended December 31, 2011, the company recorded a net pre-tax gain of \$10 million pursuant to the sale of commercial real estate consummated through an equity investment held by the Community Development and Land Management segment.

The company's effective tax rate attributable to continuing operations was 38% and 17% for the years ended December 31, 2011 and 2010, respectively. The higher effective tax rate in 2011 compared to 2010 was primarily due to the mix and levels of pre-tax earnings between the company's domestic and foreign operations, the tax impact in 2011 associated with the forthcoming spin-off of the Consumer & Office Products business, and the effects from certain items in 2010 including tax benefits from the Cellulosic Biofuel Producer Credit and tax benefits from an internal reorganization of a domestic entity.

Discontinued operations presented in the consolidated statements of operations for the years ended December 31, 2011 and 2010 primarily relate to the company's sale of its envelope products business on February 1, 2011 and the sale of its media and entertainment packaging business on September 30, 2010. Refer to Note R of Notes to Consolidated Financial Statements included in Part II, Item 8 for further information.

In addition to the information discussed above, the following sections discuss the results of operations for each of the company's segments and certain items included in Corporate and Other. MWV's segments are (i) Packaging Resources, (ii) Consumer Solutions, (iii) Consumer & Office Products, (iv) Specialty Chemicals, and (v) Community Development and Land Management. Refer to Note T of Notes to Consolidated Financial Statements included in Part II, Item 8 for a reconciliation of the sum of the results of the segments and Corporate and Other to consolidated income from continuing operations before income taxes. Restructuring charges are included in Corporate and Other for segment reporting purposes. Refer to the discussion included in "Significant Transactions" herein below for restructuring charges attributable to the company's segments.

## Packaging Resources

<i>In millions</i>	<b>Years ended December 31,</b>	
	<b>2011</b>	<b>2010</b>
Sales .....	\$2,868	\$2,670
Segment profit <sup>1</sup> .....	320	257

(1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

The Packaging Resources segment produces paperboard used in packaging for food, beverage, tobacco, healthcare, and beauty and personal care markets. This segment's products include bleached paperboard ("SBS") and Coated Natural Kraft® paperboard ("CNK®") that are manufactured at three mills located in the U.S. and corrugated packaging that is manufactured at two mills located in Brazil. SBS is principally used in packaging solutions for higher-value branded consumer products in global food, tobacco, cosmetics and pharmaceuticals markets. SBS is also used in liquid packaging applications for shelf-stable dairy products and other liquid food and beverage products. CNK® is used for a range of packaging applications, the largest of which for MWV are multi-pack beverage packaging and food packaging. MWV's corrugated packaging business is focused on fresh produce, frozen meat and consumer products markets in South America.

Sales for the Packaging Resources segment were \$2.87 billion in 2011 compared to \$2.67 billion in 2010. Sales increased in 2011 due to improved pricing and product mix, particularly from products for global food, beverage and tobacco markets, as well as from favorable foreign currency exchange compared to 2010. In 2011, revenue from emerging markets increased 12% driven by sales of higher-value corrugated packaging in Brazil and by volume growth in food, beverage and liquid packaging applications in Asia compared to 2010. Sales generated by MWV Rigesa were 8% higher in 2011 due to improved pricing and product mix reflecting the value of its corrugated packaging offerings in South America, as well as from favorable foreign currency exchange compared to 2010. In 2011, total paperboard shipments decreased modestly compared to 2010; however, the segment continued to outperform in targeted global food and beverage markets, as volumes in those markets outpaced industry trends and helped offset weaker volumes in general packaging compared to 2010. Backlogs for SBS and CNK® are currently at three weeks. In 2011, MWV Rigesa's shipments moderated in line with the Brazilian economy, but remained at solid levels.

Profit for the Packaging Resources segment was \$320 million in 2011 compared to \$257 million in 2010. Profit in 2011 benefited by \$173 million from improved pricing and product mix, \$27 million from productivity initiatives driving reductions in both input and fixed costs and \$12 million from foreign currency exchange and other items compared to 2010. Profit in 2011 was negatively impacted by \$102 million from inflation, primarily higher input costs for certain raw materials and freight, \$44 million from market and maintenance-related downtime and \$3 million from lower volumes compared to 2010.

## Consumer Solutions

<i>In millions</i>	Years ended December 31,	
	2011	2010
Sales .....	\$1,869	\$1,818
Segment profit <sup>1</sup> .....	106	125

- (1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

The Consumer Solutions segment designs and produces packaging solutions and systems for the food, beverage, tobacco, beauty and personal care, healthcare, and home and garden markets. This segment manufactures multi-pack cartons primarily for the global beverage take-home market, high-end packaging for the global tobacco market, injection-molded plastic and paperboard packaging for prescription drugs, and dispensing and sprayer systems for personal care, fragrance, healthcare, food, home cleaning, and garden and lawn maintenance products. Paperboard and plastic are converted into packaging products at plants located in North America, South America, Europe and Asia. This segment also has pharmaceutical packaging contracts with retailers, including mass-merchants. In addition, this segment manufactures equipment that is leased or sold to its beverage and dairy customers to package their products.

Sales for the Consumer Solutions segment were \$1.87 billion in 2011 compared to \$1.82 billion in 2010. Sales increased in 2011 as improved pricing and product mix across key beverage and tobacco packaging markets and the impact of the 2010 acquisition of Spray Plast within the home and garden market more than offset overall volume declines and unfavorable foreign currency exchange compared to 2010. Inventory management actions by customers and global macroeconomic conditions negatively impacted overall volumes in the home and garden, beauty and personal care and beverage packaging markets in North America and Europe. Sales continue to benefit from solid volume growth in emerging markets, particularly in beverage packaging.

Profit for the Consumer Solutions segment was \$106 million in 2011 compared to \$125 million in 2010. Profit in 2011 benefited by \$27 million from improved pricing and product mix and \$24 million from productivity initiatives and overhead reduction actions compared to 2010. Profit in 2011 was negatively impacted by \$54 million from inflation, primarily higher input costs for certain raw materials and freight, \$10 million from lower volume and \$6 million from foreign currency exchange and other items compared to 2010.

## Consumer & Office Products

<i>In millions</i>	Years ended December 31,	
	2011	2010
Sales .....	\$744	\$748
Segment profit <sup>1</sup> .....	146	141

- (1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

The Consumer & Office Products segment manufactures, sources, markets and distributes school and office products and time-management products in North America and Brazil through both retail and commercial channels. MWV produces many of the leading brand names in school supplies, time-management and commercial office products, including AMCAL<sup>®</sup>, AT-A-GLANCE<sup>®</sup>, Cambridge<sup>®</sup>, Day Runner<sup>®</sup>, Five Star<sup>®</sup>, Mead<sup>®</sup> and Trapper Keeper<sup>®</sup>.

Sales for the Consumer & Office Products segment were \$744 million in 2011 compared to \$748 million in 2010. In 2011, benefits from improvements in product mix and favorable foreign currency exchange were more than offset by lower overall volumes compared to 2010. In 2011, the North-American back-to-school season finished in line with expectations, but slightly lower than 2010. Sales for planning products were slightly lower in 2011 reflecting lower volume due to the general decline in the category partially offset by improved pricing and product mix compared to 2010. In 2011, sales at Tilibra, the segment's Brazilian operation, increased compared to 2010 as product mix improvements and favorable foreign currency exchange more than offset modest volume declines as a result of the general economic slowdown in Brazil, particularly in the fourth quarter of 2011. The segment continues to be impacted by imports from Asia.

Profit for the Consumer & Office Products segment was \$146 million in 2011 compared to \$141 million in 2010. Profit in 2011 benefited by \$22 million from improved pricing and product mix, \$13 million from productivity initiatives and overhead reduction actions and \$6 million from foreign currency exchange and other items compared to 2010. Profit in 2011 was negatively impacted by \$24 million from inflation, primarily higher input costs for certain raw materials and freight, and \$12 million from lower volume compared to 2010.

### Specialty Chemicals

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Sales .....	\$811	\$680
Segment profit <sup>1</sup> .....	203	141

(1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

The Specialty Chemicals segment manufactures, markets and distributes specialty chemicals derived from sawdust and other byproducts of the papermaking process in North America, Europe, South America and Asia. Products include activated carbon used in gas vapor emission control systems for automobiles and trucks and applications for air, water and food purification. Other products include performance chemicals used in printing inks, asphalt paving and adhesives, as well as in the agricultural, paper and petroleum industries.

Sales for the Specialty Chemicals segment were \$811 million in 2011 compared to \$680 million in 2010. In 2011, pricing and product mix improvement across key pine chemicals markets, as well as a modest increase in overall volume, drove sales growth compared to 2010. Sales in 2011 benefited from the segment's continued success in penetrating higher value markets for pine chemicals, asphalt additives and carbon technologies. The segment also continues to benefit from its focus on the highest value formulations used in the manufacturing of publication inks, adhesives, oilfield drilling and road building and maintenance solutions. In carbon solutions, sales were up in 2011 due to volume gains in water purification and improved pricing and product mix compared to 2010. Automotive carbon volumes in 2011 were relatively unchanged compared to 2010 as auto production levels in North America were up year-over-year, although offset from lower production in Japan due to the tsunami.

Profit for the Specialty Chemicals segment was \$203 million in 2011 compared to \$141 million in 2010. Profit in 2011 benefited by \$105 million from improved pricing and product mix, \$11 million from productivity initiatives and overhead reduction actions and \$5 million from increased volume compared to 2010. Profit in 2011 was negatively impacted by \$43 million from inflation, primarily higher input costs for certain raw materials and freight, and \$16 million from foreign currency exchange and other items compared to 2010.

## Community Development and Land Management

<i>In millions</i>	Years ended December 31,	
	2011	2010
Sales .....	\$161	\$168
Segment profit <sup>1</sup> .....	63	67

<sup>(1)</sup> Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

The Community Development and Land Management segment is responsible for maximizing the value of the company's landholdings in the Southeastern region of the U.S. Operations of the segment include real estate development, forestry operations and leasing activities. Real estate development includes (i) selling non-core forestlands primarily for recreational and residential uses, (ii) entitling and improving high-value tracts, and (iii) master planning select landholdings. Forestry operations include growing and harvesting softwood and hardwood on the company's forestlands for external consumption and for use by the company's mill-based business. Leasing activities include fees from third parties undertaking mineral extraction operations, as well as fees from recreational leases on the company's forestlands.

Sales for the Community Development and Land Management segment were \$161 million in 2011 compared to \$168 million in 2010. Profit was \$63 million in 2011 compared to \$67 million in 2010. Profit from real estate activities was \$54 million in 2011 versus \$55 million in 2010. In 2011, the company sold approximately 30,090 acres for gross proceeds of \$73 million versus approximately 25,130 acres for gross proceeds of \$80 million in 2010. Profit from forestry operations and leasing activities was \$9 million in 2011 compared to \$12 million in 2010.

The real estate sector remains challenging due to high unemployment and weak consumer spending. These factors will likely continue to influence near-term results. During this time the segment will continue to move forward with its near- and long-term real estate value creation plans, including enhancing rural land, and entitling and master planning its highest potential development properties.

## Corporate and Other

<i>In millions</i>	Years ended December 31,	
	2011	2010
Corporate and Other expense, net .....	\$(420)	\$(415)

Corporate and Other includes expenses associated with corporate support staff services, as well as income and expense items not directly associated with ongoing segment operations, such as restructuring charges, pension income and curtailment gains and losses, interest expense and income, non-controlling interest income and losses, certain legal settlements, gains and losses on certain asset sales and other items.

Corporate and Other expense, net was \$420 million and \$415 million for the years December 31, 2011 and 2010, respectively. In 2011, the expense, net of certain income items, includes interest expense of \$181 million, interest income of \$30 million, pension income of \$77 million and restructuring charges of \$30 million. In 2010, the expense, net of certain income items, includes interest expense of \$186 million, interest income of \$22 million, pension income of \$78 million and restructuring charges of \$53 million.

## Comparison of Years Ended December 31, 2010 and 2009

Sales from continuing operations were \$5.69 billion and \$5.41 billion for the years ended December 31, 2010 and 2009, respectively. Increased sales were driven by higher volumes and improved pricing and product mix resulting from strong commercial execution in MWV's targeted global markets, as well as from favorable

foreign currency exchange compared to 2009. These positive effects on sales in 2010 were partially offset by negative volume impacts stemming from continued strategic exits from low-return products. Participation in emerging markets, including Asia and Brazil, produced favorable results with related sales increasing 15% in 2010. Revenues from emerging markets comprised approximately 27% of the company's total sales. Refer to the individual segment discussion that follows for detailed sales information.

Costs of sales were \$4.47 billion and \$4.45 billion for the years ended December 31, 2010 and 2009, respectively. In 2010, increased costs due to higher volumes and input cost inflation for certain raw materials and freight more than offset the benefits from productivity improvements and overhead cost reductions compared to 2009. In 2010, input costs for energy, raw materials and freight included in cost of sales were \$110 million higher compared to 2009. Restructuring charges included in cost of sales were \$35 million and \$137 million in 2010 and 2009, respectively.

Selling, general and administrative expenses were \$729 million and \$755 million for the years ended December 31, 2010 and 2009, respectively. Benefits in 2010 from productivity initiatives and overhead reduction actions more than offset increased costs associated with investments for new product development and to accelerate profitable growth in emerging markets, as well as increased costs of implementing information technology systems and related processes for certain European operations compared to 2009. Restructuring charges included in selling, general and administrative expenses were \$18 million and \$36 million in 2010 and 2009, respectively.

Pension income from continuing operations was \$78 million and \$73 million for the years ended December 31, 2010 and 2009, respectively. Pension income is included in Corporate and Other for segment reporting purposes.

Interest expense was \$186 million for the year ended December 31, 2010 and was comprised of \$154 million related to bond and bank debt, \$2 million related to a long-term obligation non-recourse to MWV, \$20 million related to borrowings under life insurance policies and \$10 million related to other borrowings. Interest expense was \$195 million for the year ended December 31, 2009 and was comprised of \$157 million related to bond and bank debt, \$4 million related to a long-term obligation non-recourse to MWV, \$20 million related to borrowings under life insurance policies and \$14 million related to other borrowings.

Other income, net was \$14 million and \$382 million for the years ended December 31, 2010 and 2009, respectively, and was comprised of the following:

<i>In millions</i>	<b>Years ended December 31,</b>	
	<b>2010</b>	<b>2009</b>
Interest income . . . . .	\$ 22	\$ 18
Charges from early extinguishments of debt . . . . .	(6)	(23)
Foreign currency exchange gains (losses) . . . . .	(4)	2
Gains on sales of certain assets . . . . .	—	16
Alternative fuel mixture credit <sup>1</sup> . . . . .	—	375
Other, net . . . . .	2	(6)
	<u>\$ 14</u>	<u>\$382</u>

(1) Through December 31, 2009, the U.S. Internal Revenue Code allowed an excise tax credit for alternative fuel mixtures produced by a taxpayer for use as a fuel in a taxpayer's trade or business.

The company's effective tax rate attributable to continuing operations was 17% and 39% for the years ended December 31, 2010 and 2009, respectively. The lower effective tax rate in 2010 compared to 2009 was primarily due to the mix and levels of pre-tax earnings between the company's domestic and foreign operations, the effects

from certain items in 2010 including tax benefits from the Cellulosic Biofuel Producer Credit (“CBPC”) and tax benefits from an internal reorganization of a domestic entity, and the favorable impact of \$375 million to pre-tax domestic income in 2009 from alternative fuel mixture credits (“AFMC”). In 2010, the company recorded a \$20 million tax benefit net of taxes and related reserves related to the CBPC. The tax benefit recognized in 2010 was related to cellulose biofuel produced in 2009 for which the company had not previously made claims under AFMC. The availability of the CBPC for cellulose biofuel produced by the company’s pulp and paper mills expired on December 31, 2009. Taxpayers may be able to obtain benefits from the CBPC by repaying all or part of the AFMC previously received. At this time, management does not anticipate repaying the AFMC previously claimed in order to obtain the CBPC.

Discontinued operations presented in the consolidated statements of operations for the years ended December 31, 2010 and 2009 primarily relate to the company’s sale of its envelope products business on February 1, 2011 and the sale of its media and entertainment packaging business on September 30, 2010. Refer to Note R of Notes to Consolidated Financial Statements included in Part II, Item 8 for further information.

In addition to the information discussed above, the following sections discuss the results of operations for each of the company’s segments and certain items included in Corporate and Other.

### Packaging Resources

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Sales .....	\$2,670	\$2,446
Segment profit <sup>1</sup> .....	257	182

(1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

Sales for the Packaging Resources segment were \$2.67 billion in 2010 compared to \$2.45 billion in 2009.

Sales increased in 2010 due to higher volume and improved pricing and product mix, as well as from favorable foreign currency exchange compared to 2009. Sales by the segment’s Brazilian operation, MWV Rigesa, were 24% higher in 2010 due to favorable foreign currency exchange and improved pricing and product mix, as well as from increased volume compared to 2009.

Profit for the Packaging Resources segment was \$257 million in 2010 compared to \$182 million in 2009. Profit in 2010 benefited by \$122 million from improved pricing and product mix, \$64 million from productivity initiatives and overhead reduction actions and \$18 million from increased volume compared to 2009. Profit in 2010 was negatively impacted by \$97 million from input cost inflation for certain raw materials and freight, \$25 million from increased costs due to reduced fiber availability from severe weather in the U.S. during the first quarter of 2010 and \$7 million from foreign currency exchange and other items compared to 2009.

### Consumer Solutions

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Sales .....	\$1,818	\$1,847
Segment profit <sup>1</sup> .....	125	94

(1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

Sales for the Consumer Solutions segment were \$1.82 billion in 2010 compared to \$1.85 billion in 2009. Sales declined in 2010 due to the impact stemming from deliberate exits from low-return products, as well as unfavorable foreign currency exchange compared to 2009. The effects of these items in 2010 were partially offset by growth in emerging markets, as well as from improved overall pricing and product mix compared to 2009.

Profit for the Consumer Solutions segment was \$125 million in 2010 compared to \$94 million in 2009. Profit in 2010 benefited by \$55 million from productivity initiatives and overhead reduction actions, \$8 million from improved pricing and product mix, \$1 million from increased volume and \$10 million from foreign currency exchange and other items, including the impact from strategic actions to eliminate low-return products, compared to 2009. Profit in 2010 was negatively impacted by \$43 million from input cost inflation for certain raw materials and freight compared to 2009.

### Consumer & Office Products

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Sales .....	\$748	\$749
Segment profit <sup>1</sup> .....	141	137

(1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

Sales for the Consumer & Office Products segment were \$748 million in 2010 compared to \$749 million in 2009. In 2010, the segment had a solid back-to-school season in North America lead by its Mead® and FiveStar® line-up despite modestly lower sales as increased school volumes were more than offset by an unfavorable mix of products compared to 2009. Sales for dated and time management products in 2010 were also lower than 2009 due to the segment's continued strategy of exiting low-return product lines. In 2010, sales in Brazil declined compared to 2009 as a shift in timing of the back-to-school season in Brazil moved some volume into 2011. Sales in 2010 benefited from favorable foreign currency exchange compared to 2009.

Profit for the Consumer & Office Products segment was \$141 million in 2010 compared to \$137 million in 2009. Profit in 2010 benefited by \$34 million from productivity initiatives and overhead reduction actions compared to 2009. Profit in 2010 was negatively impacted by \$14 million from unfavorable product mix, \$11 million from input cost inflation primarily for certain raw materials and freight and \$5 million from lower volume compared to 2009.

### Specialty Chemicals

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Sales .....	\$680	\$503
Segment profit <sup>1</sup> .....	141	56

(1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

Sales for the Specialty Chemicals segment were \$680 million in 2010 compared to \$503 million in 2009. Sales increased in 2010 from significantly higher volumes and improved pricing and product mix due to strong demand for pine chemicals and activated carbon, as well as strong demand for the segment's asphalt solutions in emerging markets. Sales in 2010 also benefited from increased sales of chemicals for oil field services, adhesives, printing inks and water and food purification applications, as well as from increased automotive production in North America, Europe and emerging markets compared to 2009.

Profit for the Specialty Chemicals segment was \$141 million in 2010 compared to \$56 million in 2009. Profit in 2010 benefited by \$41 million from improved pricing and product mix, \$25 million from increased volume, \$11 million from productivity initiatives and overhead reduction actions and \$9 million from input cost deflation compared to 2009. Profit in 2010 was negatively impacted by \$1 million from foreign currency exchange and other items compared to 2009.

### Community Development and Land Management

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Sales .....	\$168	\$193
Segment profit <sup>1</sup> .....	67	99

(1) Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes, and non-controlling interest income and losses.

Sales for the Community Development and Land Management segment were \$168 million in 2010 compared to \$193 million in 2009. Profit was \$67 million in 2010 compared to \$99 million in 2009. Profit from real estate activities was \$55 million in 2010 versus \$88 million in 2009. In 2010, the company sold approximately 25,130 acres for gross proceeds of \$80 million versus approximately 59,700 acres for gross proceeds of \$118 million in 2009. Profit from forestry operations and leasing activities was \$12 million in 2010 compared to \$11 million in 2009.

### Corporate and Other

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
Sales .....	\$ —	\$ 49
Corporate and Other expense, net .....	(415)	(176)

Corporate and Other expense, net was \$415 million and \$176 million for the years December 31, 2010 and 2009, respectively. In 2010, the expense, net of certain income items, includes interest expense of \$186 million, interest income of \$22 million, pension income of \$78 million and restructuring charges of \$53 million. In 2009, the expense, net of certain income items, includes alternative fuel credits of \$375 million, interest expense of \$195 million, interest income of \$18 million, pension income of \$73 million and restructuring charges of \$173 million. Revenue included in Corporate and Other in 2009 includes sales from the company's specialty papers operation, which was sold in the fourth quarter of 2009.

### LIQUIDITY AND CAPITAL RESOURCES

Cash flow from continuing operations and the company's current cash levels are expected to be adequate to fund scheduled debt payments, dividends to shareholders and a major portion of MWV's capital expenditures in 2012. In addition, the company's U.S. qualified retirement plans remain well over funded and management does not anticipate any required regulatory funding contributions to such plans in the foreseeable future.

Cash and cash equivalents totaled \$656 million at December 31, 2011, of which approximately half was held in the U.S. with the remaining portions of 22% in Europe, 20% in Brazil and 9% in other foreign jurisdictions. The credit quality of the company's portfolio of short-term investments remains strong with the majority of its cash equivalents invested in U.S. government securities. Of the company's cash and cash equivalents held in Europe, approximately 85% are invested in U.S. government securities.

Funding for the company's domestic operating, investing and financing activities in the foreseeable future is expected to come from sources of liquidity within its U.S. operations, including cash holdings, operating cash

flow and bank-committed credit capacity. As such, the company's offshore cash holdings are not a key source of liquidity to its U.S. operations and management does not intend to transfer cash held by foreign subsidiaries to the U.S. that would be subject to potential tax impacts associated with the repatriation of undistributed earnings on foreign subsidiaries.

On January 30, 2012, the company entered into a new \$600 million five-year revolving credit facility and a new \$250 million five-year term loan facility which in total provides \$850 million of bank-committed credit capacity. Management continuously monitors the credit quality of the company's credit facility banks, insurance providers and derivative contract counter-parties, in addition to customers and key suppliers.

### **Operating activities**

Cash provided by operating activities from continuing operations was \$565 million in 2011, compared to \$551 million in 2010 and \$831 million in 2009. The increase in cash flow in 2011 compared to 2010 was primarily attributable to higher earnings. The decrease in cash flow in 2010 compared to 2009 reflects higher receipts of alternative fuel mixture credits of \$292 million in 2009 compared to 2010, partially offset by improved year-over-year segment earnings in 2010. Cash used by operating activities from discontinued operations was \$5 million in both 2011 and 2010, compared to cash provided by discontinued operations of \$45 million in 2009.

### **Investing activities**

Cash used in investing activities from continuing operations was \$689 million in 2011, compared to \$279 million in 2010 and \$211 million in 2009. Cash used in investing activities from continuing operations in 2011 was driven by capital expenditures of \$670 million, payments for acquired businesses (net of cash acquired) of \$70 million, contributions to joint ventures of \$8 million, offset in part by proceeds from dispositions of assets of \$59 million. Cash used in investing activities from continuing operations in 2010 was driven by capital expenditures of \$242 million, payments for acquired businesses (net of cash acquired) of \$49 million, contributions to joint ventures of \$9 million and other uses of funds of \$10 million, offset in part by proceeds from dispositions of assets of \$31 million. Cash used in investing activities from continuing operations in 2009 was driven by capital expenditures of \$218 million, payments for acquired businesses (net of cash acquired) of \$15 million, contributions to joint ventures of \$5 million and other uses of funds of \$25 million, offset in part by proceeds from dispositions of assets of \$52 million. Cash provided by investing activities from discontinued operations was \$46 million in 2011, compared to \$59 million in 2010 and \$2 million in 2009. Cash flows provided by discontinued operations in 2011 and 2010 primarily relate to proceeds received from dispositions of certain businesses.

In 2011, capital spending associated with the expansion of MWV's corrugated packaging business in Brazil was \$286 million and capital spending associated with the construction of a new biomass boiler at the Covington paperboard mill was \$51 million.

Total capital spending in 2012 is expected to range from \$660 million to \$685 million and will be comprised of expenditures for major investments as well as for ongoing productivity improvements and maintenance capital and environmental compliance. Capital spending associated with the expansion of MWV's corrugated packaging business in Brazil is expected to be about \$175 million. Capital spending associated with the construction of a new biomass boiler at the Covington paperboard mill is expected to be about \$185 million. In addition to the expenditures associated with these major investments, capital spending in 2012 related to productivity initiatives, as well as maintenance capital and environmental compliance is expected to range from \$300 million to \$325 million.

### **Financing activities**

Cash used in financing activities from continuing operations was \$26 million in 2011, compared to \$379 million in 2010 and \$405 million in 2009. Cash used in financing activities from continuing operations in 2011

was driven by dividend payments of \$170 million and repayment of long-term debt of \$42 million, offset in part by proceeds from issuance of long-term debt of \$113 million, proceeds from the exercises of stock options of \$38 million, proceeds from notes payable and other short-term borrowings of \$31 million and other sources of funds of \$4 million. Cash used in financing activities from continuing operations in 2010 was driven by dividend payments of \$160 million, repayment of long-term debt of \$132 million, repurchases of MWV common stock of \$92 million, payments of notes payable and short-term borrowings of \$2 million and other uses of funds of \$1 million, offset in part by proceeds from other sources of funds of \$8 million. Cash used in financing activities from continuing operations in 2009 was driven by repayment of long-term debt of \$435 million, dividend payments of \$157 million, payments of notes payable and short-term borrowings of \$34 million and other uses of funds of \$32 million, offset in part by proceeds from issuance of long-term debt of \$250 million and other sources of funds of \$3 million.

During 2011, MeadWestvaco entered into a R\$470 million bank credit agreement with the Brazilian Development Bank (“BNDES”) in connection with the company’s expansion in Brazil. Amounts borrowed under this facility will fund qualifying equipment purchases in accordance with the BNDES agreement and will incur a fixed rate of interest of 5.5%. Borrowings under this facility will be denominated in Brazilian Real currency. Principal payments will commence in 2013 with final maturity in 2020. Approximately R\$180 million (U.S. Dollar equivalent of approximately \$97 million) was drawn under this facility at December 31, 2011. Total remaining capacity of this facility in Brazilian Real currency was R\$290 million at December 31, 2011 (U.S. Dollar equivalent of approximately \$155 million).

MeadWestvaco had a \$600 million bank credit agreement which was undrawn at December 31, 2011. The \$600 million credit agreement contained a financial covenant limiting the percentage of total debt to total capitalization (including deferred taxes) to 55%, as well as certain other covenants with which the company was in compliance at December 31, 2011.

On January 30, 2012, MeadWestvaco entered into a new \$600 million five-year revolving credit facility and a new \$250 million five-year term loan facility (collectively the “New Credit Facilities”) with a syndicate of banks. The New Credit Facilities are scheduled to expire on January 30, 2017 and replaced the aforementioned \$600 million bank credit agreement that was due to expire on October 19, 2012. The New Credit Facilities will be used for general corporate purposes. The New Credit Facilities’ agreement contains a financial covenant limiting the percentage of total debt to total capitalization (including deferred taxes) to 55%, as well as certain other covenants with which the company is in compliance.

A bond debenture with a remaining balance totaling approximately \$221 million is scheduled to mature in April 2012 and will be paid from sources of liquidity within the company’s U.S. operations.

As part of the monitoring activities surrounding the credit quality of the company’s credit facilities, management evaluates credit default activities and bank ratings of our lenders. In addition, management undertakes similar measures and evaluates deposit concentrations to monitor the credit quality of the financial institutions that hold the company’s cash and cash equivalents.

The company’s percentage of total debt to total capital (shareholders’ equity and total debt) was 40% and 38% at December 31, 2011 and 2010, respectively.

On January 23, 2012, the company’s Board of Directors declared a regular quarterly dividend of \$0.25 per common share.

### ***EFFECTS OF INFLATION***

Prices for energy, including natural gas, oil and electricity, as well as for raw materials and freight, increased in 2011 compared to 2010. During 2011, pre-tax input costs of energy, raw materials and freight were \$179 million higher than in 2010 on a continuing operations basis. During 2010, pre-tax input costs of energy, raw materials and freight were \$110 million higher than in 2009 on a continuing operations basis.

## ***ENVIRONMENTAL AND LEGAL MATTERS***

Our operations are subject to extensive regulation by federal, state and local authorities, as well as regulatory authorities with jurisdiction over foreign operations of the company. Due to changes in environmental laws and regulations, the application of such regulations, and changes in environmental control technology, it is not possible for us to predict with certainty the amount of capital expenditures to be incurred for environmental purposes. Taking these uncertainties into account, we estimate that we will incur \$48 million and \$66 million in environmental capital expenditures in 2012 and 2013, respectively. Approximately \$52 million was spent on environmental capital projects in 2011.

The company has been notified by the U.S. Environmental Protection Agency or by various state or local governments that it may be liable under federal environmental laws or under applicable state or local laws with respect to the cleanup of hazardous substances at sites previously operated or used by the company. The company is currently named as a potentially responsible party ("PRP"), or has received third-party requests for contribution under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state or local laws with respect to numerous sites. There are other sites which may contain contamination or which may be potential Superfund sites, but for which MeadWestvaco has not received any notice or claim. The potential liability for all these sites will depend upon several factors, including the extent of contamination, the method of remediation, insurance coverage and contribution by other PRPs. The company regularly evaluates its potential liability at these various sites. At December 31, 2011, MeadWestvaco had recorded liabilities of approximately \$24 million for estimated potential cleanup costs based upon its close monitoring of ongoing activities and its past experience with these matters. The company believes that it is reasonably possible that costs associated with these sites may exceed amounts of recorded liabilities by an amount that could range from an insignificant amount to as much as \$20 million. This estimate is less certain than the estimate upon which the environmental liabilities were based. After consulting with legal counsel and after considering established liabilities, it is our judgment that the resolution of pending litigation and proceedings is not expected to have a material adverse effect on the company's consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

As with numerous other large industrial companies, the company has been named a defendant in asbestos-related personal injury litigation. Typically, these suits also name many other corporate defendants. To date, the costs resulting from the litigation, including settlement costs, have not been significant. As of December 31, 2011, there were approximately 510 lawsuits. Management believes that the company has substantial indemnification protection and insurance coverage, subject to applicable deductibles and policy limits, with respect to asbestos claims. The company has valid defenses to these claims and intends to continue to defend them vigorously. Additionally, based on its historical experience in asbestos cases and an analysis of the current cases, the company believes that it has adequate amounts accrued for potential settlements and judgments in asbestos-related litigation. At December 31, 2011, the company had recorded litigation liabilities of approximately \$34 million, a significant portion of which relates to asbestos. Should the volume of litigation grow substantially, it is possible that the company could incur significant costs resolving these cases. After consulting with legal counsel and after considering established liabilities, it is our judgment that the resolution of pending litigation and proceedings is not expected to have a material adverse effect on the company's consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

MeadWestvaco is involved in various other litigation and administrative proceedings arising in the normal course of business. Although the ultimate outcome of such matters cannot be predicted with certainty, management does not believe that the currently expected outcome of any matter, lawsuit or claim that is pending or threatened, or all of them combined, will have a material adverse effect on the company's consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

## CONTRACTUAL OBLIGATIONS

The company enters into various contractual obligations throughout the year. Presented below are the contractual obligations of the company as of December 31, 2011, and the time period in which payments under the obligations are due. Disclosures related to long-term debt, capital lease obligations and operating lease obligations are included in Note G and Note I of Notes to Consolidated Financial Statements included in Part II, Item 8. Also included below are disclosures regarding the amounts due under purchase obligations. A purchase obligation is defined as an agreement to purchase goods or services that is enforceable and legally binding on the company and that specifies all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. The company has included in the below disclosure all normal and recurring purchase orders, take-or-pay contracts, supply arrangements as well as other purchase commitments that management believes meet the above definition of a purchase obligations.

<i>In millions</i>	Payments due by period				
	Total	Less than 1 year 2012	1-3 years 2013 and 2014	3-5 years 2015 and 2016	More than 5 years 2017 and beyond
Contractual obligations:					
Debt, excluding capital lease obligations	\$1,986	\$ 252	\$ 34	\$ 58	\$1,642
Interest on debt <sup>(1)</sup>	2,019	139	267	259	1,354
Capital lease obligations <sup>(2)</sup>	327	12	21	20	274
Operating leases	362	54	80	59	169
Purchase obligations	1,482	1,114	199	87	82
Other long-term obligations <sup>(3)(4)</sup>	901	109	220	205	367
Total	<u>\$7,077</u>	<u>\$1,680</u>	<u>\$821</u>	<u>\$688</u>	<u>\$3,888</u>

- (1) Amounts are based on weighted-average interest rates of 7.8% and 7.7% for the company's fixed-rate long-term debt for 2012 and for 2013 and thereafter, respectively. See related discussion in Note G of Notes to Consolidated Financial Statements included in Part II, Item 8.
- (2) Amounts include both principal and interest payments.
- (3) Total excludes a \$338 million liability that is non-recourse to MeadWestvaco. See related discussion in Note E of Notes to Consolidated Financial Statements included in Part II, Item 8.
- (4) Total excludes \$268 million of unrecognized tax benefits and \$91 million of related accrued interest and penalties at December 31, 2011 due to the uncertainty of timing of payment. See Note O of Notes to Consolidated Financial Statements included in Part II, Item 8 for additional information.

## SIGNIFICANT TRANSACTIONS

### Consumer & Office Products transaction

On November 17, 2011, the company announced the spin-off of its Consumer & Office Products business and signed a definitive agreement to merge the business in a tax-efficient transaction into a subsidiary of ACCO Brands Corporation ("ACCO"). The transaction remains subject to approval by ACCO's shareholders and the satisfaction of customary closing conditions and regulatory approvals. At closing, MeadWestvaco shareholders will receive 50.5% of the shares of ACCO stock and the company will receive \$460 million of cash, subject to certain potential post-closing adjustments. The transaction is expected to be completed in the first half of 2012. The Consumer & Office Products segment will be presented as a discontinued operation in the company's consolidated statements in the period this transaction closes.

## Dispositions

On February 1, 2011, the company completed the sale of its envelope products business for cash proceeds of \$55 million. During 2010, the company recorded pre-tax charges of \$19 million (\$15 million after taxes) comprised of impairment of long-lived assets of \$6 million, impairment of allocated goodwill of \$7 million and a pension curtailment loss of \$6 million. During 2011, the company recorded additional charges of \$1 million (\$0.7 million after taxes) primarily related to a working capital adjustment. The combined pre-tax charges recorded in 2010 and 2011 sum to \$20 million (\$16 million after taxes) and represent the total amount of loss on sale of the envelope products business. The operating results of this business, as well as the charges noted above, are reported in discontinued operations in the consolidated statements of operations on an after-tax basis. The results of operations and assets and liabilities of the envelope products business were previously included in the Consumer & Office Products segment.

On September 30, 2010, the company completed the sale of its media and entertainment packaging business for cash proceeds of \$68 million. The sale resulted in a pre-tax loss of \$153 million (\$126 million after taxes). During 2011, the company recorded additional charges of \$12 million (\$8 million after taxes) primarily related to a media and packaging business pension settlement. The combined pre-tax charges recorded in 2010 and 2011 sum to \$165 million (\$134 million after taxes) and represent the total amount of loss on sale of the envelope products business. The operating results of this business, as well as the charges noted above, are reported in discontinued operations in the consolidated statements of operations on an after-tax basis. The results of operations and assets and liabilities of the media and entertainment packaging business were previously included in the Consumer Solutions segment.

Refer to Note R of Notes to Consolidated Financial Statements included in Part II, Item 8 for related discussion.

## Restructuring charges

During 2008, the company commenced a series of broad cost reduction actions to lower overhead costs and close or restructure certain manufacturing locations. Restructuring charges incurred during 2011 and 2010 are pursuant to the 2008 program. During 2005, the company launched a cost reduction initiative to improve the efficiency of its business model. Restructuring charges incurred during 2009 were pursuant to the 2008 and 2005 programs. Cumulative charges included in the results from continuing operations through December 31, 2011 since the inception of these programs were \$254 million for the 2005 program and \$277 million for the 2008 program. Although these charges related to individual segments, such amounts are included in Corporate and Other for segment reporting purposes.

Restructuring charges attributable to individual segments and by nature of cost, as well as cost of sales ("COS") and selling, general and administrative expenses ("SG&A") classification in the consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009 are presented below.

### Year ended December 31, 2011

<i>In millions</i>	Employee-related costs			Asset write-downs and other costs			Total		
	COS	SG&A	Total	COS	SG&A	Total	COS	SG&A	Total
Consumer Solutions .....	\$8	\$ 4	\$12	\$1	\$0	\$ 1	\$ 9	\$ 4	\$13
Packaging Resources .....	0	1	1	2	0	2	2	1	3
All other <sup>(1)</sup> .....	0	6	6	1	7	8	1	13	14
Total charges .....	<u>\$8</u>	<u>\$11</u>	<u>\$19</u>	<u>\$4</u>	<u>\$7</u>	<u>\$11</u>	<u>\$12</u>	<u>\$18</u>	<u>\$30</u>

<sup>(1)</sup> Includes \$7 million related to employee relocation costs.

**Year ended December 31, 2010**

<i>In millions</i>	Employee-related costs			Asset write-downs and other costs			Total		
	COS	SG&A	Total	COS	SG&A	Total	COS	SG&A	Total
	Consumer Solutions	\$26	\$ 6	\$32	\$ 8	\$0	\$ 8	\$ 34	\$ 6
Packaging Resources	0	0	0	4	0	4	4	0	4
Consumer & Office Products	0	1	1	0	1	1	0	2	2
All other <sup>(1)</sup>	0	5	5	(3)	5	2	(3)	10	7
<b>Total charges</b>	<b>\$26</b>	<b>\$12</b>	<b>\$38</b>	<b>\$ 9</b>	<b>\$6</b>	<b>\$ 15</b>	<b>\$ 35</b>	<b>\$18</b>	<b>\$ 53</b>

(1) Includes \$5 million related to employee relocation costs.

**Year ended December 31, 2009**

<i>In millions</i>	Employee-related costs			Asset write-downs and other costs			Total		
	COS	SG&A	Total	COS	SG&A	Total	COS	SG&A	Total
	Consumer Solutions	\$18	\$14	\$32	\$ 39	\$0	\$ 39	\$ 57	\$14
Packaging Resources	1	6	7	35	0	35	36	6	42
Consumer & Office Products	2	3	5	1	0	1	3	3	6
All other	0	6	6	41	7	48	41	13	54
<b>Total charges</b>	<b>\$21</b>	<b>\$29</b>	<b>\$50</b>	<b>\$116</b>	<b>\$7</b>	<b>\$123</b>	<b>\$137</b>	<b>\$36</b>	<b>\$173</b>

**CRITICAL ACCOUNTING POLICIES**

Our principal accounting policies are described in the *Summary of Significant Accounting Policies* in the Notes to Consolidated Financial Statements included in Part II, Item 8. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities and, in some instances, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Management believes the accounting policies discussed below represent those accounting policies requiring the exercise of judgment where a different set of judgments could result in the greatest changes to reported results. Management has discussed the development and selection of the critical accounting estimates with the Audit Committee of the Board of Directors, and the Audit Committee has reviewed the company's disclosure.

*Environmental and legal liabilities:* We record accruals for estimated environmental liabilities when remedial efforts are probable and the costs can be reasonably estimated. These estimates reflect assumptions and judgments as to the probable nature, magnitude and timing of required investigation, remediation and monitoring activities, as well as availability of insurance coverage and contribution by other potentially responsible parties. Due to the numerous uncertainties and variables associated with these assumptions and judgments, and changes in governmental regulations and environmental technologies, accruals are subject to substantial uncertainties, and actual costs could be materially greater or less than the estimated amounts. We record accruals for other legal contingencies, which are also subject to numerous uncertainties and variables associated with assumptions and judgments, when the loss is probable and reasonably estimable. Liabilities recorded for claims are limited to pending cases based on the company's historical experience, consultation with outside counsel and consultation with an actuarial specialist concerning the feasibility of reasonably estimating liabilities associated with claims that may arise in the future. We recognize insurance recoveries when collection is reasonably assured.

*Restructuring and other charges:* We periodically record charges for the reduction of our workforce, the closure of manufacturing facilities and other actions related to broad cost reduction actions and productivity

initiatives. These events require estimates of liabilities for employee separation payments and related benefits, demolition, facility closures and other costs, which could differ from actual costs incurred.

*Pension and postretirement benefits:* Assumptions used in the determination of net pension cost and postretirement benefit expense, including the discount rate, the expected return on plan assets, and increases in future compensation and medical costs, are evaluated by the company, reviewed with the plan actuaries annually and updated as appropriate. Actual asset returns and compensation and medical costs, which are more favorable than assumptions, can have the effect of lowering expense and cash contributions, and, conversely, actual results, which are less favorable than assumptions, could increase expense and cash contributions. In accordance with generally accepted accounting principles, actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, affect expense in such future periods.

In 2011, the company recorded pre-tax pension income from continuing operations of \$77 million, compared to \$78 million in 2010 and \$73 million in 2009. The company currently estimates pre-tax pension income in 2012 to be approximately \$60 million. This estimate assumes a long-term rate of return on plan assets of 8.00%, and a discount rate of 4.25%. The company determined the discount rate by referencing the Citigroup Pension Discount Curve. The company believes that using a yield curve approach most accurately reflects changes in the present value of liabilities over time since each cash flow is discounted at the rate at which it could effectively be settled.

If the expected rate of return on plan assets were to change by 0.5%, annual pension income in 2012 would change by approximately \$18 million. Similarly, if the discount rate were to change by 0.5%, annual pension income in 2012 would change by approximately \$15 million.

At December 31, 2011, the aggregate value of pension fund assets had increased to \$4.0 billion from \$3.8 billion at December 31, 2010, reflecting overall favorable equity and fixed income market performance during 2011. For further details regarding pension fund assets, see Note L of Notes to Consolidated Financial Statements included in Part II, Item 8.

Prior service cost and unrecognized actuarial gains and losses in the retirement and postretirement benefit plans subject to amortization are amortized over the average remaining service periods, which are about 8 years for the bargained and salaried retirement plans, and about 5 years for the postretirement benefit plan, and are a component of accumulated other comprehensive loss. Prior service cost and unrecognized actuarial gains and losses associated with the envelope products salaried plan are being amortized over the average remaining life expectancy of the plan participants of about 26 years. The envelope products salaried plan was retained by the company post sale of the envelope products business.

*Long-lived assets useful lives:* Useful lives of tangible and intangible assets are based on management's estimates of the periods over which the assets will be productively utilized in the revenue-generation process or for other useful purposes. Factors that affect the determination of lives include prior experience with similar assets, product life expectations and industry practices. The determination of useful lives dictates the period over which tangible and intangible long-lived assets are depreciated or amortized, typically using the straight-line method.

*Impairment of long-lived assets:* We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to carrying value to determine whether impairment exists. For an asset that is determined to be impaired, the loss is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. Considerable judgment must be exercised as to determining future cash flows and their timing and, possibly, choosing business value comparables or selecting discount rates to use in any value computations.

*Intangible assets:* Business acquisitions often result in recording intangible assets. Intangible assets are recognized at the time of an acquisition, based upon their fair value. Similar to long-lived tangible assets, intangible assets with finite lives are subject to periodic impairment reviews whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. As with tangible assets, considerable judgment must be exercised. Periodic impairment reviews of intangible assets assigned an indefinite life are required, at least annually, as well as when events or circumstances change. As with our review of impairment of tangible assets and goodwill, we employ significant assumptions in assessing our indefinite-lived intangible assets for impairment (primarily Calmar trademarks and trade names). An income approach (the relief from royalty method) is used to determine the fair values of our indefinite-lived intangible assets. Although our estimate of fair values of the company's indefinite-lived intangible assets under the income approach exceed the respective carrying values, different assumptions regarding projected performance and other factors could result in significant non-cash impairment charges in the future. Based on our annual review of our indefinite-lived intangible assets as of October 1, 2011, there was no indication of impairment.

*Goodwill:* Goodwill represents the excess of cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. As with tangible and other intangible assets, periodic impairment reviews are required, at least annually, as well as when events or circumstances change. We review the recorded value of our goodwill annually on October 1 or sooner, if events or changes in circumstances indicate that the carrying amount may exceed fair value. As with our review of impairment of tangible and intangible assets, we employ significant assumptions in assessing goodwill for impairment. These assumptions include relevant considerations of market-participant data. When it is determined that the two-step impairment test is required, an income approach is generally used to determine the fair values of our reporting units.

In applying the income approach in assessing goodwill for impairment, changes in assumptions could materially affect the determination of fair value for a reporting unit. Although our fair value estimates of the company's reporting units under the income approach exceed the respective carrying values, different assumptions regarding projected performance and other factors could result in significant non-cash impairment charges in the future. The following assumptions are key to our income approach:

- *Business projections*—Projections are based on three-year forecasts that are developed internally by management and reviewed by the company's Board of Directors. These projections include significant assumptions such as estimates of future revenues, profits, working capital requirements, operating plans, costs of planned restructuring actions and capital expenditures. Assumptions surrounding macro-economic data and estimates include industry projections, inflation, foreign currency exchange rates and costs of energy, raw materials and freight.
- *Growth rates*—A growth rate based on market participant data considerations is used to calculate the terminal value of a reporting unit. The growth rate is the expected rate at which a reporting unit's earnings stream is projected to grow beyond the three-year forecast period.
- *Discount rates*—Future cash flows are discounted at a rate that is consistent with a weighted average cost of capital for a potential market participant. The weighted average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise. The discount rates selected for the reporting units are based on existing conditions within the respective markets and reflect appropriate adjustments for potential risk premiums in those markets as well as appropriate weighting of the market cost of equity versus debt, which is developed with the assistance of external financial advisors.
- *Tax rates*—Tax rates are based on estimates of the tax rates that a market participant would realize in the respective primary markets and geographic areas in which the reporting units operate.

Based on our annual review of the recorded value of goodwill at October 1, 2011, there was no indication of impairment. Holding other valuation assumptions constant, it would take a downward shift in operating profits,

which management does not believe is likely, of more than approximately 25% from projected levels before the fair values of any reporting units would be below the respective carrying values, thereby triggering the requirement to perform further analysis which may indicate potential goodwill impairment. See Note D of Notes to Consolidated Financial Statements included in Part II, Item 8 for further information.

*Revenue recognition:* We recognize revenue at the point when title and the risk of ownership passes to the customer. Substantially all of our revenues are generated through product sales, and shipping terms generally indicate when title and the risk of ownership have passed. Revenue is recognized at shipment for sales when shipping terms are FOB (free on board) shipping point unless risk of loss is maintained under freight terms. For sales where shipping terms are FOB destination, revenue is recognized when the goods are received by the customer. We provide for all allowances for estimated returns and other customer credits such as discounts and volume rebates, when the revenue is recognized, based on historical experience, current trends and any notification of pending returns. The customer allowances are, in many instances, subjective and are determined with significant management judgment and are reviewed regularly to determine the adequacy of the amounts. Changes in economic conditions, markets and customer relationships may require adjustments to these allowances from period to period. Also included in net sales is service revenue, which is recognized as the service is performed. Revenue is recognized for leased equipment to customers on a straight-line basis over the estimated term of the lease and is included in net sales of the company. Sales of landholdings are included in net sales in the consolidated statements of operations to reflect the strategic view and structure of the operations of the Community Development and Land Management segment established in 2008.

*Income taxes:* Income taxes are accounted for in accordance with the guidelines provided by the Financial Accounting Standards Board, which recognizes deferred tax assets and liabilities based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the enacted tax laws.

We evaluate the need for a deferred tax asset valuation allowance by assessing whether it is more likely than not that the company will realize its deferred tax assets in the future. The assessment of whether or not a valuation allowance is required often requires significant judgment, including the forecast of future taxable income and the valuation of tax planning initiatives. Adjustments to the deferred tax valuation allowance are made to earnings in the period when such assessment is made.

The company has tax jurisdictions located in many areas of the world and is subject to audit in these jurisdictions. Tax audits by their nature are often complex and can require several years to resolve. In the preparation of the company's financial statements, management exercises judgments in estimating the potential exposure to unresolved tax matters. The company recognizes the tax benefit from an uncertain tax position if it is more likely than not that the position is sustainable. For those tax positions that meet the more likely than not criteria, the company records only the portion of the tax benefit that is greater than 50% likely to be realized upon settlement with the respective taxing authority. Interest and penalties related to unrecognized tax benefits are recorded within income tax expense in the consolidated statements of operations. While actual results could vary, in management's judgment, the company has adequate tax accruals with respect to the ultimate outcome of such unresolved tax matters.

Each quarter, management must estimate our effective tax rate for the full year. This estimate includes assumptions about the level of income that will be achieved for the full year in both our domestic and international operations. The forecast of full-year earnings includes assumptions about markets in each of our businesses as well as the timing of certain transactions, including gains from forestland sales and restructuring charges. Should business performance or the timing of certain transactions change during the year, the level of income achieved may not meet the level of income estimated earlier in the year at interim periods. This change in the income levels and mix of earnings can result in significant adjustments to the tax provision in the quarter in which the estimate is refined.

## ***NEW ACCOUNTING GUIDANCE***

In June 2011, the Financial Accounting Standards Board (the “FASB”) issued new accounting guidance regarding the presentation of comprehensive income. The new guidance requires the presentation of items of net income and comprehensive income in either a single continuous financial statement or in two separate but consecutive financial statements. This accounting guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The impact of adoption will not have a material effect on the company’s consolidated financial statements.

In September 2011, the FASB issued new accounting guidance regarding the testing of goodwill for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the required annual goodwill impairment test. This accounting guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption is permitted. The company adopted the above provisions for its annual goodwill test performed in 2011. The impact of adoption did not have an effect on the company’s consolidated financial statements.

In December 2011, the FASB issued new accounting guidance regarding additional disclosures for financial instruments that are offset including the gross amount of the asset and liability as well as the impact of any net amount presented in the consolidated financial statements. These provisions are effective for fiscal and interim periods beginning on or after January 1, 2013. The impact of adoption will not have a material effect on the company’s consolidated financial statements.

There were no other accounting standards issued in 2011 that had or are expected to have a material impact on the company’s financial position or results of operations.

## ***Forward-looking Statements***

Certain statements in this document and elsewhere by management of the company that are neither reported financial results nor other historical information are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such information includes, without limitation, the business outlook, assessment of market conditions, anticipated financial and operating results, strategies, future plans, contingencies and contemplated transactions of the company. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors which may cause or contribute to actual results of company operations, or the performance or achievements of each company, or industry results, to differ materially from those expressed or implied by the forward-looking statements. In addition to any such risks, uncertainties and other factors discussed elsewhere herein, risks, uncertainties, and other factors that could cause or contribute to actual results differing materially from those expressed or implied for the forward-looking statements include, but are not limited to, events or circumstances which affect the ability of MeadWestvaco to realize improvements in operating earnings from the company’s ongoing cost reduction initiatives; the ability of MeadWestvaco to close announced and pending transactions, including the MWV Consumer & Office Products/ACCO Brands transaction; the reorganization of the company’s packaging business units; competitive pricing for the company’s products; impact from inflation on raw materials, energy and other costs; fluctuations in demand and changes in production capacities; relative growth or decline in the United States and international economies; government policies and regulations, including, but not limited to those affecting the environment, climate change, tax policies and the tobacco industry; the company’s continued ability to reach agreement with its unionized employees on collective bargaining agreements; the company’s ability to execute its plans to divest or otherwise realize the greater value associated with its land holdings; adverse results in current or future litigation; currency movements; volatility and further deterioration of the capital markets; and other risk factors discussed in this Annual Report on Form 10-K and in other filings made from time to time with the SEC. MeadWestvaco undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Investors are advised, however, to consult any further disclosures made on related subjects in the company’s reports filed with the SEC.

## **Item 7A. *Quantitative and qualitative disclosures about market risk***

### **Interest rates**

The company has developed a targeted mix of fixed- and variable-rate debt as part of an overall strategy to maintain an appropriate level of exposure to interest-rate fluctuations. To efficiently manage this mix, the company may utilize interest-rate swap agreements. There were no outstanding interest-rate swaps at December 31, 2011 and 2010. See Note H of Notes to Consolidated Financial Statements included in Part II, Item 8 for related discussion.

### **Foreign currency**

The company has foreign-based operations, primarily in South America, Canada, Mexico, Europe and Asia, which accounted for approximately 34% of its 2011 net sales. In addition, certain of the company's domestic operations have sales to foreign customers. In the conduct of its foreign operations, the company also makes inter-company sales and receives royalties and dividends denominated in many different currencies. All of this exposes the company to the effect of changes in foreign currency exchange rates.

Flows of foreign currencies into and out of the company's operations are generally stable and regularly occurring and are recorded at fair market value in the company's financial statements. The company's foreign currency management policy permits it to enter into foreign currency hedges when these flows exceed a threshold, which is a function of these cash flows and forecasted annual operations. During 2011 and 2010, the company entered into foreign currency hedges to partially offset the foreign currency impact of these flows on operating income. See Note H of Notes to Consolidated Financial Statements included in Part II, Item 8 for related discussion.

The company also issues inter-company loans to and receives foreign cash deposits from its foreign subsidiaries in their local currencies, exposing it to the effect of changes in spot exchange rates between loan issue and loan repayment dates for the inter-company loans and changes in spot exchange rates from deposit date for foreign cash deposits. Generally, management uses foreign-exchange hedge contracts with terms of less than one year to hedge these exposures. When applied to the company's derivative and other foreign currency sensitive instruments at December 31, 2011, a 10% adverse change in currency rates would have about a \$36 million effect on the company's results. Although the company's derivative and other foreign currency sensitive instruments expose it to market risk, fluctuations in the value of these instruments are mitigated by expected offsetting fluctuations in the matched exposures.

### **Natural gas**

In order to better predict and control the future cost of natural gas consumed at the company's mills and plants, the company engages in financial hedging of future gas purchase prices. Gas usage is relatively predictable month-by-month. The company hedges primarily with financial instruments that are priced based on New York Mercantile Exchange (NYMEX) natural gas futures contracts. See Note H of Notes to Consolidated Financial Statements included in Part II, Item 8 for related discussion.

**Item 8. Financial statements and supplementary data**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of MeadWestvaco Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, equity, and cash flows present fairly, in all material respects, the financial position of MeadWestvaco Corporation and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Richmond, Virginia  
February 27, 2012

**FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

<i>In millions, except per share data</i>	Years ended December 31,		
	2011	2010	2009
Net sales .....	\$6,060	\$5,693	\$5,406
Cost of sales .....	4,678	4,472	4,446
Selling, general and administrative expenses .....	818	729	755
Interest expense .....	181	186	195
Other income, net .....	(39)	(14)	(382)
Income from continuing operations before income taxes .....	422	320	392
Income tax provision .....	160	54	152
Income from continuing operations .....	262	266	240
Loss from discontinued operations, net of income taxes .....	(12)	(156)	(15)
Net income .....	250	110	225
Less: Net income attributable to non-controlling interests, net of income taxes .....	4	4	0
Net income attributable to the company .....	\$ 246	\$ 106	\$ 225
Income from continuing operations attributable to the company .....	\$ 258	\$ 262	\$ 240
Net income attributable to the company per share—basic:			
Income from continuing operations .....	\$ 1.52	\$ 1.54	\$ 1.40
Loss from discontinued operations .....	(0.07)	(0.92)	(0.09)
Net income attributable to the company .....	\$ 1.45	\$ 0.62	\$ 1.31
Net income attributable to the company per share—diluted:			
Income from continuing operations .....	\$ 1.49	\$ 1.52	\$ 1.38
Loss from discontinued operations .....	(0.07)	(0.90)	(0.08)
Net income attributable to the company .....	\$ 1.42	\$ 0.62	\$ 1.30
Shares used to compute net income attributable to the company per share:			
Basic .....	170.4	170.3	171.3
Diluted .....	174.1	172.7	173.2

*The accompanying notes are an integral part of these financial statements.*

MEADWESTVACO CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

**FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEETS**

<i>In millions, except share and per share data</i>	<b>December 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and cash equivalents .....	\$ 656	\$ 790
Accounts receivable, net .....	848	827
Inventories .....	649	642
Other current assets .....	89	131
Current assets of discontinued operations .....	0	56
Current assets .....	<u>2,242</u>	<u>2,446</u>
Property, plant, equipment and forestlands, net .....	3,531	3,255
Prepaid pension asset .....	969	1,052
Goodwill .....	832	812
Other assets .....	1,189	1,224
Non-current assets of discontinued operations .....	0	25
	<u>\$8,763</u>	<u>\$8,814</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable .....	\$ 636	\$ 590
Accrued expenses .....	591	606
Notes payable and current maturities of long-term debt .....	253	7
Current liabilities of discontinued operations .....	0	23
Current liabilities .....	1,480	1,226
Long-term debt .....	1,880	2,042
Other long-term obligations .....	1,268	1,265
Deferred income taxes .....	934	972
Non-current liabilities of discontinued operations .....	0	3
Commitments and contingencies .....	0	0
Equity:		
Shareholders' equity:		
Common stock, \$0.01 par Shares authorized: 600,000,000 Shares issued and outstanding: 2011—170,870,154 (2010—168,331,858) .....	2	2
Additional paid-in capital .....	3,153	3,075
Retained earnings .....	292	219
Accumulated other comprehensive loss .....	(265)	(10)
Total shareholders' equity .....	3,182	3,286
Non-controlling interests .....	19	20
Total equity .....	<u>3,201</u>	<u>3,306</u>
	<u>\$8,763</u>	<u>\$8,814</u>

*The accompanying notes are an integral part of these financial statements.*

MEADWESTVACO CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

**FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENTS OF EQUITY**

<i>In millions</i>	Shareholders' equity						Total equity
	Outstanding shares	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	
Balance at December 31, 2008 .....	170.8	\$2	\$3,108	\$ 207	\$(350)	\$14	\$2,981
Comprehensive income (loss):							
Net income .....	0	0	0	225	0	0	225
Foreign currency translation .....	0	0	0	0	181	1	182
Adjustments related to pension and other benefit plans, net of tax .....	0	0	0	0	159	0	159
Net unrealized gain (loss) on derivative instruments, net of tax .....	0	0	0	0	9	0	9
Comprehensive income (loss) .....							575
Increase (decrease) of non-controlling interest .....	0	0	0	0	0	3	3
Dividends declared .....	0	0	0	(157)	0	0	(157)
Non-controlling interest distribution .....	0	0	0	0	0	(1)	(1)
Share-based employee compensation .....	0.3	0	20	0	0	0	20
Exercise of stock options .....	0.2	0	2	0	0	0	2
Balance at December 31, 2009 .....	171.3	2	3,130	275	(1)	17	3,423
Comprehensive income (loss):							
Net income .....	0	0	0	106	0	4	110
Foreign currency translation .....	0	0	0	0	(25)	0	(25)
Adjustments related to pension and other benefit plans, net of tax .....	0	0	0	0	16	0	16
Comprehensive income (loss) .....							101
Dividends declared .....	0	0	0	(162)	0	0	(162)
Non-controlling interest distribution .....	0	0	0	0	0	(1)	(1)
Stock repurchased .....	(3.9)	0	(92)	0	0	0	(92)
Share-based employee compensation .....	0.4	0	30	0	0	0	30
Exercise of stock options .....	0.5	0	7	0	0	0	7
Balance at December 31, 2010 .....	168.3	2	3,075	219	(10)	20	3,306
Comprehensive income (loss):							
Net income .....	0	0	0	246	0	4	250
Foreign currency translation .....	0	0	0	0	(112)	0	(112)
Adjustments related to pension and other benefit plans, net of tax .....	0	0	0	0	(138)	0	(138)
Net unrealized gain (loss) on derivative instruments, net of tax .....	0	0	0	0	(5)	0	(5)
Comprehensive income (loss) .....							(5)
Dividends declared .....	0	0	0	(173)	0	(5)	(178)
Share-based employee compensation .....	0.6	0	38	0	0	0	38
Exercise of stock options .....	2.0	0	40	0	0	0	40
Balance at December 31, 2011 .....	170.9	\$2	\$3,153	\$ 292	\$(265)	\$19	\$3,201

*The accompanying notes are an integral part of these financial statements.*

MEADWESTVACO CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

**FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>In millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>			
Net income .....	\$ 250	\$ 110	\$ 225
Discontinued operations .....	12	156	15
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization .....	393	389	406
Deferred income taxes .....	62	(5)	101
Loss (gain) on sales of assets, net .....	0	2	(15)
Pension income .....	(77)	(78)	(73)
Appreciation in cash surrender value insurance policies .....	(22)	(31)	(40)
Impairment of long-lived assets .....	5	6	95
Change in alternative fuel mixture credit receivable .....	0	32	(32)
Changes in working capital, excluding the effects of acquisitions and dispositions .....	(52)	(46)	175
Other, net .....	(6)	16	(26)
Net cash provided by operating activities of continuing operations .....	<u>565</u>	<u>551</u>	<u>831</u>
Discontinued operations .....	<u>(5)</u>	<u>(5)</u>	<u>45</u>
Net cash provided by operating activities .....	<u>560</u>	<u>546</u>	<u>876</u>
<b>Cash flows from investing activities</b>			
Capital expenditures .....	(670)	(242)	(218)
Payments for acquired businesses, net of cash acquired .....	(70)	(49)	(15)
Proceeds from dispositions of assets .....	59	31	52
Contributions to joint ventures .....	(8)	(9)	(5)
Other, net .....	0	(10)	(25)
Discontinued operations .....	46	59	2
Net cash used in investing activities .....	<u>(643)</u>	<u>(220)</u>	<u>(209)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of long-term debt .....	113	2	250
Repayment of long-term debt .....	(42)	(132)	(435)
Changes in notes payable and other short-term borrowings, net .....	31	(2)	(34)
Changes in book overdrafts .....	3	0	(22)
Dividends paid .....	(170)	(160)	(157)
Proceeds from exercises of stock options .....	38	6	3
Stock repurchases .....	0	(92)	0
Other, net .....	1	(1)	(10)
Net cash used in financing activities .....	<u>(26)</u>	<u>(379)</u>	<u>(405)</u>
Effect of exchange rate changes on cash .....	<u>(25)</u>	<u>(7)</u>	<u>39</u>
(Decrease) increase in cash and cash equivalents .....	<u>(134)</u>	<u>(60)</u>	<u>301</u>
Cash and cash equivalents:			
At beginning of period .....	<u>790</u>	<u>850</u>	<u>549</u>
At end of period .....	<u>\$ 656</u>	<u>\$ 790</u>	<u>\$ 850</u>

*The accompanying notes are an integral part of these financial statements.*

MEADWESTVACO CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Summary of significant accounting policies

*Basis of consolidation and preparation of financial statements:* The consolidated financial statements include all majority-owned or controlled entities of MeadWestvaco Corporation (“MeadWestvaco”, “MWV”, or the “company”), and all significant inter-company transactions are eliminated. MWV’s segments are (i) Packaging Resources, (ii) Consumer Solutions, (iii) Consumer & Office Products, (iv) Specialty Chemicals, and (v) Community Development and Land Management.

On November 17, 2011, the company announced the spin-off of its Consumer & Office Products business and signed a definitive agreement to merge the business in a tax-efficient transaction into a subsidiary of ACCO Brands Corporation (“ACCO”). The transaction remains subject to approval by ACCO’s shareholders and the satisfaction of customary closing conditions and regulatory approvals. At closing, MeadWestvaco shareholders will receive 50.5% of the shares of ACCO stock and the company will receive \$460 million of cash, subject to certain potential post-closing adjustments. The transaction is expected to be completed in the first half of 2012. The Consumer & Office Products segment will be presented as a discontinued operation in the company’s consolidated statements in the period this transaction closes.

*Estimates and assumptions:* The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities and, in some instances, the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

*Translation of foreign currencies:* The local currency is the functional currency for substantially all of the company’s significant operations outside the U.S. The assets and liabilities of the company’s foreign subsidiaries are translated into U.S. dollars using period-end exchange rates, and adjustments resulting from these financial statement translations are included in accumulated other comprehensive loss in the consolidated balance sheets. Revenues and expenses are translated at average rates prevailing during the period.

*Cash equivalents:* Highly liquid securities with an original maturity of three months or less are considered to be cash equivalents.

*Accounts receivable and allowance for doubtful accounts:* Trade accounts receivable are recorded at the invoice amount and generally do not bear interest. The allowance for doubtful accounts is the company’s best estimate of the amount of probable loss in the existing accounts receivable. The company determines the allowance based on historical write-off experience by business. Past due balances over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered.

*Inventories:* Inventories are valued at the lower of cost or market. Cost is determined using the last-in, first-out method for substantially all raw materials, finished goods and production materials of U.S. manufacturing operations. Cost of all other inventories, including stores and supplies inventories and inventories of non-U.S. manufacturing operations, is determined by the first-in, first-out or average cost methods.

*Property, plant, equipment and forestlands:* Owned assets are recorded at cost. Also included in the cost of these assets is interest on funds borrowed during the construction period. When assets are sold, retired or disposed of, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in cost of sales. Gains and losses on sales of corporate real estate are recorded in other income, net. Costs of renewals and betterments of properties are capitalized; costs of maintenance and repairs are charged to expense. Costs of reforestation of forestlands are capitalized. Reforestation costs include the costs of seedlings, site preparation, planting of seedlings and early-stage fertilization.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Depreciation and depletion:* The cost of plant and equipment is depreciated, utilizing the straight-line method, over the estimated useful lives of the assets, which range from 20 to 40 years for buildings and 5 to 30 years for machinery and equipment. Timber is depleted as timber is cut at rates determined annually based on the relationship of undepleted timber costs to the estimated volume of recoverable timber. Timber volumes used in calculating depletion rates are based upon merchantable timber volumes at a specific point in time. The depletion rates for company-owned land do not include an estimate of either future reforestation costs associated with a stand's final harvest or future volume in connection with replanting of a stand subsequent to the final harvest.

*Impairment of long-lived assets:* The company periodically evaluates whether current events or circumstances indicate that the carrying value of its long-lived assets, including intangible assets with finite lives, to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset, or the appropriate grouping of assets, is compared to carrying value to determine whether impairment exists.

If an asset is determined to be impaired, the loss is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. The company reports an asset to be disposed of at the lower of its carrying value or its estimated net realizable value.

Intangible assets assigned indefinite lives are to be tested at least annually or more often if events or changes in circumstances indicate that the fair value of an intangible asset is below its carrying value. The fair values of the company's indefinite-lived intangible assets (primarily Calmar trademarks and trade names) are estimated using an income approach (the relief from royalty method). Although the estimate of the fair values of the company's indefinite-lived intangible assets under the income approach exceed the respective carrying values, different assumptions regarding projected performance and other factors could result in significant non-cash impairment charges in the future. Based on the company's annual review of the indefinite-lived intangible assets as of October 1, 2011, there was no indication of impairment.

*Goodwill:* Goodwill represents the excess of cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. The company reviews the recorded value of goodwill at least annually on October 1, or sooner if events or changes in circumstances indicate that the fair value of a reporting unit is below its carrying value. The company may elect to use a qualitative approach to determine if goodwill is required to be tested. If goodwill is required to be tested for impairment, a two-step process is utilized. The first step is to identify a potential impairment and the second step is to measure the amount of the impairment loss, if any. Goodwill is deemed to be impaired if the carrying amount of a reporting unit's goodwill exceeds its estimated fair value. Goodwill has been allocated to the company's respective reporting units based on its nature and synergies expected to be achieved. The fair value of each reporting unit is estimated primarily using an income approach, specifically the discounted cash flow method. The company employs significant assumptions in evaluating its goodwill for impairment. These assumptions include relevant considerations of market-participant data.

In applying the income approach in assessing goodwill for impairment, changes in assumptions could materially affect the determination of fair value for a reporting unit. Although the fair value estimates of the company's reporting units under the income approach exceed the respective carrying values, different assumptions regarding projected performance and other factors could result in significant non-cash impairment charges in the future. The following assumptions are key to the company's income approach:

- *Business projections*—Projections are based on three-year forecasts that are developed internally by management and reviewed by the company's Board of Directors. These projections include significant assumptions such as estimates of future revenues, profits, working capital requirements, operating plans, costs of planned restructuring actions and capital expenditures. Assumptions surrounding macro-

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

economic data and estimates include industry projections, inflation, foreign currency exchange rates and costs of energy, raw materials and freight.

- *Growth rates*—A growth rate based on market participant data considerations is used to calculate the terminal value of a reporting unit. The growth rate is the expected rate at which a reporting unit's earnings stream is projected to grow beyond the three-year forecast period.
- *Discount rates*—Future cash flows are discounted at a rate that is consistent with a weighted average cost of capital for a potential market participant. The weighted average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise. The discount rates selected for the reporting units are based on existing conditions within the respective markets and reflect appropriate adjustments for potential risk premiums in those markets as well as appropriate weighting of the market cost of equity versus debt, which is developed with the assistance of external financial advisors.
- *Tax rates*—Tax rates are based on estimates of the tax rates that a market participant would realize in the respective primary markets and geographic areas in which the reporting units operate.

Based on management's annual evaluation of the recorded value of goodwill as of October 1, 2011, there was no indication of impairment. However, changes to any of the above assumptions could lead to impairment of goodwill in the future. See Note D for further information.

*Other assets:* Capitalized software for internal use, equipment leased to customers and other amortizable and indefinite-lived intangible assets are included in other assets. Capitalized software and other amortizable intangibles are amortized using the straight-line and cash flows methods over their estimated useful lives of 3 to 21 years. Equipment leased to customers is amortized using the sum-of-the-years-digits method over the estimated useful life of the machine, generally 10 years. Revenue is recognized for the leased equipment on a straight-line basis over the life of the lease and is included in net sales. The company records software development costs in accordance with the accounting guidance provided by the Financial Accounting Standards Board. See Note D and Note E for further information.

*Financial instruments:* The company utilizes well-defined financial derivatives in the normal course of its operations as a means to manage some of its interest rate, foreign currency and commodity risks. All derivative instruments are required to be recorded in the consolidated balance sheets as assets or liabilities, measured at fair value. The fair value estimates are based on relevant market information, including market rates and prices. If the derivative is designated as a fair-value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash-flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income or loss and is recognized in the consolidated statements of operations when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash-flow hedges are recognized in earnings. If a derivative is not designated as a qualifying hedge, changes in fair value are recognized in earnings. See Note H for further information.

*Environmental and legal liabilities:* Environmental expenditures that increase useful lives of assets are capitalized, while other environmental expenditures are expensed. Liabilities are recorded when remedial efforts are probable and the costs can be reasonably estimated. The company recognizes a liability for other legal contingencies when a loss is probable and reasonably estimable. Liabilities recorded for claims are limited to pending cases based on the company's historical experience, consultation with outside counsel and consultation with an actuarial specialist concerning the feasibility of reasonably estimating liabilities associated with claims that may arise in the future. The company recognizes insurance recoveries when collection is reasonably assured. Fees for third-party legal services are expensed as incurred. See Note P for further information.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Asset retirement obligations:* The company has certain conditional and unconditional asset retirement obligations associated with owned or leased property, plant and equipment, including surface impoundments, asbestos, and water supply wells. The company records a liability for the fair value of an asset retirement obligation when incurred if the fair value of the liability can be reasonably estimated. Management does not have sufficient information to estimate the fair value of certain obligations, primarily associated with surface impoundments and asbestos, because the settlement date or range of potential settlement dates has not been specified and information is not available to apply expected present value techniques. Subsequent to initial measurement, the company recognizes changes in the amounts of the obligations, as necessary, resulting from the passage of time and revisions to either the timing or amount of estimated cash flows.

*Revenue recognition:* The company recognizes revenues at the point when title and the risk of ownership passes to the customer. Substantially all of the company's revenues are generated through product sales and shipping terms generally indicate when title and the risk of ownership have passed. Revenue is recognized at shipment for sales where shipping terms are FOB (free on board) shipping point unless risk of loss is maintained under freight terms. For sales where shipping terms are FOB destination, revenue is recognized when the goods are received by the customer. The company provides allowances for estimated returns and other customer credits such as discounts and volume rebates, when the revenue is recognized, based on historical experience, current trends and any notification of pending returns. Also included in net sales is service revenue, which is recognized as the service is performed. Revenue is recognized for leased equipment to customers on a straight-line basis over the estimated term of the lease and is included in net sales of the company. Sales of landholdings are included in net sales in the consolidated statements of operations.

*Shipping and handling costs:* Shipping and handling costs are classified as a component of cost of sales. Amounts billed to a customer in a sales transaction related to shipping and handling are classified as revenue.

*Research and development:* Included in cost of sales and selling, general and administrative expenses are expenditures for research and development of \$47 million, \$41 million and \$43 million for the years ended December 31, 2011, 2010 and 2009, respectively, which were expensed as incurred.

*Income taxes:* Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the enacted tax rates in effect for the years the differences are expected to reverse. The company evaluates the need for a deferred tax asset valuation allowance by assessing whether it is more likely than not that it will realize its deferred tax assets in the future.

The company has tax jurisdictions located in many areas of the world and is subject to audit in these jurisdictions. Tax audits by their nature are often complex and can require several years to resolve. In the preparation of the company's financial statements, management exercises judgments in estimating the potential exposure to unresolved tax matters. The company recognizes the tax benefit from an uncertain tax position if it is more likely than not that the position is sustainable. For those tax positions that meet the more likely than not criteria, the company records only the portion of the tax benefit that is greater than 50% likely to be realized upon settlement with the respective taxing authority. Interest and penalties related to unrecognized tax benefits are recorded within income tax expense in the consolidated statements of operations. While actual results could vary, in management's judgment, the company has adequate tax accruals with respect to the ultimate outcome of such unresolved tax matters.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

*Share-based compensation:* The company records compensation expense for graded and cliff vesting awards on a straight-line basis over the vesting period, which is generally three years. The company uses the “long-haul” method to determine the pool of tax benefits or deficiencies resulting from tax deductions related to awards of equity instruments that exceed or are less than the cumulative compensation cost for those instruments recognized for financial reporting. Substantially all compensation expense related to share-based awards is recorded as a component of selling, general and administrative expenses in the consolidated statements of operations. For stock-settled awards, the company issues previously authorized new shares. See Note K for further detail on share-based compensation.

*Net income per share:* Basic net income per share for all the periods presented has been calculated using the company’s weighted average shares outstanding. In computing diluted net income per share, incremental shares issuable upon the assumed exercise of stock options and other share-based compensation awards have been added to weighted average shares outstanding, if dilutive. For the years ended December 31, 2011, 2010, and 2009, 4.1 million, 7.9 million and 8.0 million of equity awards, respectively, were excluded from the calculation of weighted average shares outstanding, as the exercise price per share was greater than the average market value, resulting in an anti-dilutive effect on diluted earnings per share.

*Related party transactions:* The company has certain related party transactions in the ordinary course of business that are insignificant.

### **New accounting guidance**

In June 2011, the Financial Accounting Standards Board (the “FASB”) issued new accounting guidance regarding the presentation of comprehensive income. The new guidance requires the presentation of items of net income and comprehensive income in either a single continuous financial statement or in two separate but consecutive financial statements. This accounting guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The impact of adoption will not have a material effect on the company’s consolidated financial statements.

In September 2011, the FASB issued new accounting guidance regarding the testing of goodwill for impairment. The new guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the required annual goodwill impairment test. This accounting guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption is permitted. The company adopted the above provisions for its annual goodwill test performed in 2011. The impact of adoption did not have an effect on the company’s consolidated financial statements.

In December 2011, the FASB issued new accounting guidance regarding additional disclosures for financial instruments that are offset including the gross amount of the asset and liability as well as the impact of any net amount presented in the consolidated financial statements. These provisions are effective for fiscal and interim periods beginning on or after January 1, 2013. The impact of adoption will not have a material effect on the company’s consolidated financial statements.

There were no other accounting standards issued in 2011 that had or are expected to have a material impact on the company’s financial position or results of operations.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**A. Fair value measurements**

The following information is presented for assets and liabilities that are recorded in the consolidated balance sheet at fair value at December 31, 2011 and 2010, measured on a recurring basis. There were no significant transfers of assets and liabilities that are recorded at fair value between Level 1 and Level 2 during 2011 and 2010.

<i>In millions</i>	<u>December 31, 2011</u>	<u>Level 1 <sup>(1)</sup></u>	<u>Level 2 <sup>(2)</sup></u>	<u>Level 3 <sup>(3)</sup></u>
<b>Recurring fair value measurements:</b>				
Derivatives-assets .....	\$ 0	\$ 0	\$ 0	\$ 0
Derivatives-liabilities .....	(19)	0	(19)	0
Cash equivalents .....	549	549	0	0
Pension plan assets:				
Equity investments .....	\$ 538	\$514	\$ 24	\$ 0
Preferred stock .....	4	3	1	0
Government securities .....	989	82	904	3
Corporate debt investments .....	782	0	776	6
Derivatives .....	69	0	0	69
Partnerships and joint ventures .....	209	0	0	209
Real estate .....	47	0	0	47
Common collective trust .....	1,093	60	1,033	0
Registered investment companies .....	46	0	46	0
103-12 investment entities .....	259	0	259	0
Other pension (payables) receivables .....	(16)	(38)	0	22
Total pension plan assets .....	<u>\$4,020</u>	<u>\$621</u>	<u>\$3,043</u>	<u>\$356</u>
	<u>December 31, 2010</u>	<u>Level 1 <sup>(1)</sup></u>	<u>Level 2 <sup>(2)</sup></u>	<u>Level 3 <sup>(3)</sup></u>
<b>Recurring fair value measurements:</b>				
Derivatives-assets .....	\$ 1	\$ 0	\$ 1	\$ 0
Derivatives-liabilities .....	(8)	0	(8)	0
Cash equivalents .....	646	646	0	0
Pension plan assets:				
Equity investments .....	\$ 620	\$594	\$ 26	\$ 0
Preferred stock .....	6	5	1	0
Government securities .....	875	0	864	11
Corporate debt investments .....	726	0	714	12
Derivatives .....	5	0	5	0
Partnerships and joint ventures .....	133	0	0	133
Real estate .....	54	0	0	54
Common collective trust .....	1,124	0	1,124	0
Registered investment companies .....	58	0	58	0
103-12 investment entities .....	151	0	151	0
Other pension (payables) receivables .....	4	(18)	0	22
Total pension plan assets .....	<u>\$3,756</u>	<u>\$581</u>	<u>\$2,943</u>	<u>\$232</u>

- (1) Quoted prices in active markets for identical assets.  
(2) Quoted prices for similar assets and liabilities in active markets.  
(3) Significant unobservable inputs.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The fair values of the pension plan assets were determined using a market approach based on quoted prices in active markets for identical or similar assets or where there were no observable market inputs an income approach based on estimated investment returns and cash flows.

The following information is presented for those assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2011 and 2010:

<i>In millions</i>	<u>Equity investments</u>	<u>Government securities</u>	<u>Corporate debt investments</u>	<u>Derivatives</u>	<u>Partnerships and joint ventures</u>	<u>Real estate</u>	<u>Other pension receivables and payables</u>	<u>Total</u>
December 31, 2009 ...	\$ 1	\$ 0	\$ 13	\$ 0	\$104	\$ 45	\$ 21	\$184
Purchases .....	0	11	14	0	43	7	8	83
Sales .....	(1)	(1)	(10)	0	(27)	(1)	(10)	(50)
Realized gains (losses) .....	0	0	0	0	(4)	1	4	1
Unrealized gains (losses) .....	0	0	(1)	0	17	2	(1)	17
Transfers in (out) of Level 3 .....	<u>0</u>	<u>1</u>	<u>(4)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3)</u>
December 31, 2010 ...	0	11	12	0	133	54	22	232
Purchases .....	0	1	2	14	86	3	1	107
Sales .....	0	(5)	(6)	(23)	(25)	(20)	(1)	(80)
Realized gains (losses) .....	0	0	0	10	1	(6)	(1)	4
Unrealized gains (losses) .....	0	(1)	0	68	14	16	1	98
Transfers in (out) of Level 3 .....	<u>0</u>	<u>(3)</u>	<u>(2)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5)</u>
December 31, 2011 ...	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 6</u>	<u>\$ 69</u>	<u>\$209</u>	<u>\$ 47</u>	<u>\$ 22</u>	<u>\$356</u>

At December 31, 2011, the book value of financial instruments included in debt is \$2.1 billion and the fair value is estimated to be \$2.2 billion. The difference between book value and fair value is derived from the difference between the December 31, 2011 market interest rate and the stated rate for the company's fixed-rate, long-term debt. The company has estimated the fair value of financial instruments based upon quoted market prices for the same or similar issues or on the current interest rates available to the company for debt of similar terms and maturities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**B. Current assets**

Cash equivalents of \$549 million and \$646 million at December 31, 2011 and 2010, respectively, are valued at cost, which approximates fair value. As of December 31, 2011 and 2010, the majority of the company's cash equivalents were invested in U.S. government securities. Trade receivables have been reduced by an allowance for doubtful accounts of \$21 million and \$23 million at December 31, 2011 and 2010, respectively. Receivables also include \$72 million and \$75 million from sources other than trade at December 31, 2011 and 2010, respectively. Inventories at December 31, 2011 and 2010 are comprised of:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Raw materials .....	\$171	\$167
Production materials, stores and supplies .....	88	87
Finished and in-process goods .....	<u>390</u>	<u>388</u>
	<u>\$649</u>	<u>\$642</u>

Approximately 59% and 58% of inventories at December 31, 2011 and 2010, respectively, are valued using the last-in, first-out ("LIFO") method. If inventories had been valued at current cost, they would have been \$823 million and \$797 million at December 31, 2011 and 2010, respectively. The effect of LIFO layer decrements was a decrease of \$0.03 to earnings per share for the year ended December 31, 2011 and an increase of \$0.03 to earnings per share for the year ended December 31, 2009. The effects of LIFO layer decrements were not significant to the consolidated statements of operations for the year ended December 31, 2010.

**C. Property, plant, equipment and forestlands**

Depreciation and depletion expense for the years ended December 31, 2011, 2010 and 2009 was:

<i>In millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Depreciation and depletion expense .....	\$315	\$307	\$318

Property, plant, equipment and forestlands consist of the following:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Land and land improvements .....	\$ 257	\$ 260
Buildings and leasehold improvements .....	804	814
Machinery and other .....	<u>5,302</u>	<u>5,191</u>
	6,363	6,265
Less: accumulated depreciation .....	<u>(3,713)</u>	<u>(3,544)</u>
	2,650	2,721
Forestlands .....	352	328
Construction-in-progress .....	<u>529</u>	<u>206</u>
	<u>\$ 3,531</u>	<u>\$ 3,255</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**D. Goodwill and other intangible assets**

Goodwill allocated to each of the company's segments at December 31, 2011 and 2010 was:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Packaging Resources .....	\$ 68	\$ 68
Consumer Solutions .....	589	563
Consumer & Office Products .....	165	172
Specialty Chemicals .....	10	9
	<u>\$832</u>	<u>\$812</u>

The changes in the carrying amount of goodwill for the years ended December 31, 2011 and 2010 are as follows:

<i>In millions</i>	<u>2011</u>	<u>2010</u>
Beginning balance .....	\$812	\$818
Goodwill acquired during the year <sup>1</sup> .....	30	19
Impairment losses <sup>2</sup> .....	0	(7)
Goodwill related to sale of business unit <sup>3</sup> .....	0	(9)
Adjustments <sup>4</sup> .....	(10)	(9)
Ending balance .....	<u>\$832</u>	<u>\$812</u>
 <u>Accumulated impairment losses:</u>		
Beginning balance .....	\$ (7)	\$ 0
Impairment losses <sup>2</sup> .....	0	(7)
Ending balance .....	<u>\$ (7)</u>	<u>\$ (7)</u>

- <sup>1</sup> Goodwill acquired in 2011 related to the company's acquisition of a dispensing closures manufacturer during the fourth quarter of 2011. Goodwill acquired in 2010 related to the company's acquisition of a trigger sprayer manufacturer during the fourth quarter of 2010. See Note Q for further discussion.
- <sup>2</sup> In connection with the company's 2010 presentation of the envelope products business as a discontinued operation, \$7 million of goodwill related to the Consumer & Office Products segment was allocated to the envelope products business and impaired as of December 31, 2010. See Note R for further discussion.
- <sup>3</sup> In connection with the sale of the company's media and entertainment packaging business on September 30, 2010, \$9 million of goodwill related to the Consumer Solutions segment was allocated to and included in the pre-tax loss on sale. See Note R for further discussion.
- <sup>4</sup> Represents foreign currency translations and tax adjustments.

The following table summarizes intangible assets subject to amortization included in other assets:

<i>In millions</i>	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>
Trademarks and trade names .....	\$197	\$117	\$199	\$107
Customer contracts and lists .....	296	101	287	86
Patents .....	59	40	56	35
Other—primarily licensing rights .....	29	25	30	25
	<u>\$581</u>	<u>\$283</u>	<u>\$572</u>	<u>\$253</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Included in other assets are indefinite-lived intangible assets with carrying values of:

<i>In millions</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Trademarks and tradenames .....	\$93	\$94

Amortization expense relating to intangible assets subject to amortization for the years ended December 31, 2011, 2010 and 2009 was:

<i>In millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Intangible amortization expense .....	\$36	\$35	\$36

Based on the current carrying values of intangible assets subject to amortization, estimated amortization expense for the next five years is as follows:

<i>In millions</i>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Estimated intangible amortization expense .....	\$37	\$36	\$36	\$31	\$29

**E. Other assets**

Other assets consist of the following:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Identifiable intangible assets .....	\$ 391	\$ 413
Restricted asset <sup>1</sup> .....	398	398
Cash surrender value of life insurance, net of borrowings .....	155	175
Capitalized software, net .....	58	53
Equipment leased to customers, net .....	71	74
Other .....	116	111
	<u>\$1,189</u>	<u>\$1,224</u>

<sup>1</sup> As part of the consideration for the sale of certain large-tract forestlands in 2007, the company received an installment note in the amount of \$398 million (the "Timber Note"). The Timber Note does not require any principal payments until its maturity in October 2027 and bears interest at a rate approximating the London Interbank Offered Rate ("LIBOR"). In addition, the Timber Note is supported by a bank-issued irrevocable letter of credit obtained by the buyer of the forestlands. Using the Timber Note as collateral, the company received \$338 million in proceeds under a secured financing agreement with a bank. Under the terms of the agreement, the liability from this transaction is non-recourse to MeadWestvaco and shall be paid from the Timber Note proceeds upon its maturity. As a result, the Timber Note is not available to satisfy the obligations of MeadWestvaco. The non-recourse liability does not require any principal payments until its maturity in October 2027 and bears interest at a rate approximating LIBOR. The \$338 million non-recourse liability is included in other long-term obligations in the consolidated balance sheets at December 31, 2011 and 2010.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**F. Accounts payable and accrued expenses**

Accounts payable and accrued expenses consist of the following:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Accounts payable:		
Trade .....	\$591	\$548
Other .....	45	42
	<u>\$636</u>	<u>\$590</u>
Accrued expenses:		
Taxes, other than income .....	\$ 57	\$ 46
Interest .....	60	59
Payroll and employee benefit costs .....	223	238
Accrued rebates and allowances .....	66	68
Environmental and litigation .....	43	31
Income taxes payable .....	34	18
Freight .....	7	11
Restructuring charges .....	10	25
Other .....	91	110
	<u>\$591</u>	<u>\$606</u>

**G. Notes payable and long-term debt**

Notes payable and current maturities of long-term debt and capital lease obligations consist of the following:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Other short-term borrowings .....	\$ 30	\$ 1
Current maturities of long-term debt and capital lease obligations .....	223	6
	<u>\$253</u>	<u>\$ 7</u>

During 2011, MeadWestvaco entered into a R\$470 million bank credit agreement with the Brazilian Development Bank (“BNDES”) in connection with the company’s expansion in Brazil. Amounts borrowed under this facility will fund qualifying equipment purchases in accordance with the BNDES agreement and will incur a fixed rate of interest of 5.5%. Borrowings under this facility will be denominated in Brazilian Real currency. Principal payments will commence in 2013 with final maturity in 2020. Approximately R\$180 million (U.S. Dollar equivalent of approximately \$97 million) was drawn under this facility at December 31, 2011. Total remaining capacity of this facility in Brazilian Real currency was R\$290 million at December 31, 2011 (U.S. Dollar equivalent of approximately \$155 million).

MeadWestvaco had a \$600 million bank credit agreement which was undrawn at December 31, 2011. The \$600 million credit agreement contained a financial covenant limiting the percentage of total debt to total capitalization (including deferred taxes) to 55%, as well as certain other covenants with which the company was in compliance at December 31, 2011.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

On January 30, 2012, MeadWestvaco entered into a new \$600 million five-year revolving credit facility and a new \$250 million five-year term loan facility (collectively the “New Credit Facilities”) with a syndicate of banks. The New Credit Facilities are scheduled to expire on January 30, 2017 and replaced the previous \$600 million bank credit agreement that was due to expire in October 19, 2012. The New Credit Facilities will be used for general corporate purposes. The New Credit Facilities’ agreement contains a financial covenant limiting the percentage of total debt to total capitalization (including deferred taxes) to 55%, as well as certain other covenants with which the company is in compliance.

Long-term debt consists of the following:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Debentures, rates from 6.80% to 9.75%, due 2017-2047 .....	\$1,181	\$1,181
Notes, rates from 6.85% to 7.38%, due 2012-2019 .....	471	472
BNDES notes, rate of 5.50%, due 2013-2020 .....	97	0
Sinking fund debentures, rates from 7.50% to 7.65%, due 2014-2027 .....	202	232
Capital lease obligations:		
Industrial Development Revenue Bonds, rate 7.67%, due 2027 .....	80	80
Industrial Development Revenue Bonds, rate 6.35%, due 2035 .....	51	51
Industrial Development Revenue Bonds, rate 6.10%, due 2030 .....	7	7
Pollution Control Revenue Bonds, rate 6.375%, due 2026 .....	6	6
Other capital lease obligations .....	2	3
Other long-term debt .....	6	16
	<u>2,103</u>	<u>2,048</u>
Less: amounts due within one year .....	<u>(223)</u>	<u>(6)</u>
Long-term debt .....	<u>\$1,880</u>	<u>\$2,042</u>

During 2010, the company repaid prior to scheduled maturity \$98 million aggregate principal of its 6.85% notes due April 2012 at 107% of face value, or \$104 million plus accrued interest of \$3 million prior to scheduled maturity. The above transaction resulted in a \$6 million pre-tax charge from early extinguishment of debt for the year ended December 31, 2010.

As of December 31, 2011, outstanding debt maturing in the next five years is as follows:

<i>In millions</i>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Outstanding debt maturities .....	\$252	\$12	\$22	\$29	\$29

As of December 31, 2011, capital lease obligations maturing in the next five years are as follows:

<i>In millions</i>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Capital lease obligation maturities .....	\$1	\$1	\$0	\$0	\$0

The weighted average interest rate on the company’s fixed-rate long-term debt was 7.6% for 2011 and 7.7% for 2010. The company did not have any outstanding variable-rate long-term debt during 2011, but the weighted average interest rate on the company’s variable-rate long-term debt was 4% for 2010.

The percentage of debt to total capital (shareholders’ equity and total debt) was 40% at December 31, 2011 and 38% at December 31, 2010.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**H. Financial instruments**

The company uses various derivative financial instruments as part of an overall strategy to manage exposure to market risks associated with natural gas price fluctuations, foreign currency exchange rates and interest rates. The company does not hold or issue derivative financial instruments for trading purposes. The risk of loss to the company in the event of non-performance by any counterparty under derivative financial instrument agreements is not significant. Although the derivative financial instruments expose the company to market risk, fluctuations in the value of the derivatives are mitigated by expected offsetting fluctuations in the matched exposures.

All derivative instruments are recorded in the consolidated balance sheets as assets or liabilities, measured at estimated fair values. Fair value estimates are based on relevant market information, including market rates and prices. For a derivative instrument designated as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income and is recognized in earnings when the hedged item affects earnings. The ineffective portions of cash flow hedges are recognized, as incurred, in earnings. For a derivative instrument designated as a fair value hedge, changes in fair value of both the derivative instrument and the hedged item are recognized in earnings. Changes in the fair value of a derivative instrument not designated as a qualifying hedge are recognized in earnings.

The pre-tax effect of derivative instruments in the consolidated statements of operations and accumulated other comprehensive income (loss) for the years ended December 31, 2011 and 2010 are presented below:

<i>In millions</i>	Cash flow hedges				Fair value hedges		Derivatives not designated as hedges	
	Foreign currency hedges		Natural gas hedges		Interest rate swaps		Foreign currency derivatives	
	2011	2010	2011	2010	2011	2010	2011	2010
Gain (loss) recognized in other comprehensive income (loss) (effective portion) .....	\$ 0	\$4	\$(21)	\$(13)	\$0	\$0	\$0	\$ 0
(Loss) gain reclassified to earnings from accumulated other comprehensive income (loss) (effective portion) .....	\$(4)	\$5	\$ (9)	\$(13)	\$0	\$0	\$0	\$ 0
Gain (loss) recognized in earnings <sup>1</sup> .....	0	0	0	0	0	7	7	(17)
Total (loss) gain recognized in earnings <sup>2</sup> ...	\$(4)	\$5	\$ (9)	\$(13)	\$0	\$7	\$7	\$(17)

<sup>1</sup> Amounts represent the ineffective portion or items excluded from effectiveness testing for all derivatives in cash flow hedging relationships or represent realized and unrealized gains (losses) associated with fair value hedges or those derivatives not designated as hedges.

<sup>2</sup> Gains and losses recognized in earnings are mitigated by expected offsetting fluctuations in the matched exposures.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The fair values and the effect of derivative instruments on the consolidated balance sheets are presented below:

<i>In millions</i>	Classification	Assets (Liabilities)	
		Fair value <sup>1</sup>	
		December 31, 2011	December 31, 2010
<b>Derivatives designated as hedges:</b>			
Natural gas .....	Accounts payable	\$ (13)	\$ (5)
Natural gas .....	Other long term obligations	(3)	0
Foreign currency .....	Accounts payable	<u>2</u>	<u>0</u>
		(14)	(5)
<b>Derivatives not designated as hedges:</b>			
Foreign currency .....	Other current assets	0	1
Foreign currency .....	Accounts payable	<u>(5)</u>	<u>(3)</u>
		<u>(5)</u>	<u>(2)</u>
Total derivatives .....		<u><u>\$(19)</u></u>	<u><u>\$(7)</u></u>

<sup>1</sup> Fair values of derivative instruments are also disclosed in Note A.

**Natural gas**

In order to better predict and control the future cost of natural gas consumed at the company's mills and plants, the company engages in financial hedging of future gas purchase prices. The company's natural gas usage is relatively predictable month-by-month. The company hedges primarily with financial instruments that are priced based on New York Mercantile Exchange (NYMEX) natural gas futures contracts. The company does not hedge basis (the effect of varying delivery points or locations) or transportation (the cost to transport the gas from the delivery point to a company location) under these transactions. The notional values of these contracts for hedged consumption in Million British Thermal Units ("MMBTU's") at December 31, 2011 and 2010 are presented below.

<i>In MMBTU's</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
	13	11

Unrealized gains and losses on contracts maturing in future months are recorded in accumulated other comprehensive income and are charged or credited to earnings for the ineffective portion of the hedge. Once a contract matures, the company has a realized gain or loss on the contract up to the quantities of natural gas in the contract for that particular period, which are charged or credited to earnings when the related hedged item affects earnings. The ineffective portion of these cash flow hedges, as well as realized hedge gains and losses, are recorded within cost of sales in the consolidated statements of operations. The estimated pre-tax loss to be recognized in earnings is \$13 million during the next twelve months. As of December 31, 2011, the maximum remaining term of existing hedges was two years. For the years ended December 31, 2011 and 2010, no gains or losses were recognized in earnings due to the probability that forecasted transactions will not occur.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### Foreign currency risk

The company uses foreign currency forward contracts to manage some of the foreign currency exchange risks associated with short-term foreign inter-company loans, foreign cash deposits, foreign currency purchases of its international operations, and foreign sales of its U.S. operations. These contracts are used to hedge the variability of exchange rates on the company's cash flows and foreign cash deposits.

The foreign currency forward contracts related to certain inter-company loans and foreign cash deposits are short term in duration and are not designated as hedging instruments. Gains and losses related to these forward contracts are included in other income, net in the consolidated statements of operations. The notional amounts of these foreign currency forward contracts at December 31, 2011 and 2010 are presented below.

<i>In millions</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Notional amount of foreign currency forward contracts—not designated as hedges .....	\$280	\$362

Other foreign currency forward contracts, which are for terms of up to one year, are designated as cash flow hedges. These hedges are used to reduce the foreign currency exposure related to certain foreign and inter-company sales and purchases. For these hedges, realized hedge gains and losses are recorded in net sales and costs of sales in the consolidated statements of operations concurrent with the recognition of the hedged sales and purchases. The ineffective portion of these hedges is also recorded in net sales and cost of sales. The estimated pre-tax gain to be recognized in earnings during the next twelve months is \$3 million. As of December 31, 2011, the maximum remaining term of existing hedges was 1 year. For the years ended December 31, 2011 and 2010, no amounts of gains or losses were recognized in earnings due to the probability that forecasted transactions will not occur. The notional amounts of these foreign currency forward contracts at December 31, 2011 and 2010 are presented below.

<i>In millions</i>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Notional amount of foreign currency forward contracts—designated as hedges .....	\$79	\$71

### Interest rate risk

The company has developed a targeted mix of fixed- and variable-rate debt as part of an overall strategy to maintain an appropriate level of exposure to interest-rate fluctuations. To efficiently manage this mix, the company may utilize interest-rate swap agreements. For these fair value hedges, changes in fair value of both the hedge instruments and hedged items are recorded in interest expense in the consolidated statements of operations. There were no interest-rate swap agreements outstanding at December 31, 2011 and 2010. For the year ended December 31, 2010, the interest-rate swaps were an effective hedge and, therefore, required no charge to earnings due to ineffectiveness.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**I. Lease commitments**

The company leases a variety of assets for use in its operations. Leases for administrative offices, converting plants and storage facilities generally contain options, which allow the company to extend lease terms for periods up to 25 years or to purchase the properties. Certain leases provide for escalation of the lease payments as maintenance costs and taxes increase. Minimum rental payments pursuant to agreements as of December 31, 2011 under operating leases that have non-cancelable lease terms in excess of 12 months and under capital leases are as follows:

<i>In millions</i>	<u>Operating leases</u>	<u>Capital leases</u>
2012 .....	\$ 54	\$ 12
2013 .....	44	11
2014 .....	36	10
2015 .....	31	10
2016 .....	28	10
Later years .....	<u>169</u>	<u>274</u>
Minimum lease payments .....	<u>\$362</u>	327
Less: amount representing interest .....		<u>181</u>
Capital lease obligations .....		<u>\$146</u>

Rental expense under operating leases for the years ended December 31, 2011, 2010 and 2009 was:

<i>In millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Rental expense under operating leases .....	\$79	\$72	\$68

**J. Shareholders' equity**

The value included in common stock at December 31, 2011 and 2010 reflects the outstanding shares of common stock at \$0.01 par value per share.

During 2011, there were no purchases and retirements of MWV common stock. During 2010, MWV purchased and retired 3.9 million of its common shares for \$92 million. Of the shares repurchased, 2.1 million shares were purchased pursuant to an existing authorization provided by the company's Board of Directors in October of 2005 (the "2005 authorization") and 1.8 million shares were purchased pursuant to an existing authorization provided by the company's Board of Directors in June of 2010 (the "2010 authorization"). At December 31, 2011 and 2010 there were no remaining shares available for purchase under the 2005 authorization and 3.2 million shares remain available for purchase under the 2010 authorization. Both the 2005 and 2010 authorizations were established to avoid dilution of earnings per share pursuant to exercises of employee stock options and stock grants to employees.

The cumulative components at year end of accumulated other comprehensive loss for 2011 and 2010 are as follows:

<i>In millions</i>	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Foreign currency translation .....	\$ 50	\$ 162
Adjustments related to pension and other benefit plans .....	(307)	(169)
Unrealized loss on derivative instruments .....	<u>(8)</u>	<u>(3)</u>
	<u>\$(265)</u>	<u>\$ (10)</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At December 31, 2011, there were authorized and available for issue 30 million shares of preferred stock, par value \$0.01 per share, of which six million shares were designated as Series A Junior Participating Preferred Stock and reserved for issuance upon exercise of the rights.

Dividends declared were \$1.00, \$0.94, and \$0.92 per share for the years ended December 31, 2011, 2010, and 2009, respectively. Dividends paid were \$170 million, \$160 million and \$157 million for the years ended December 31, 2011, 2010 and 2009, respectively.

### **K. Share-based compensation**

Officers and key employees have been granted share-based awards under various stock-based compensation plans, all of which have been approved by the company's shareholders. At December 31, 2011, MeadWestvaco had five such plans under which share-based awards are available for grant. Initially, there was an aggregate of 28 million shares reserved under the 1991 and 1996 Stock Option Plans, the 1995 Salaried Employee Stock Incentive Plan, the 1999 Salaried Employee Stock Incentive Plan and the 2005 Performance Incentive Plan for the granting of stock options, stock appreciation rights ("SARs"), restricted stock and restricted stock units to key employees. On November 18, 2011 and August 21, 2009 the company registered an additional 8.1 million and 13.5 million shares, respectively, under the 2005 Performance Incentive Plan. For all of the employee plans, there were approximately 9.5 million shares available for grant at December 31, 2011. The vesting of such awards may be conditioned upon either a specified period of time or the attainment of specific performance goals as determined by the plan. Grants of stock options and other share-based compensation awards are approved by the Compensation and Organization Development Committee of the Board of Directors. The exercise price of all stock options equals the market price of the company's stock on the date of grant. Stock options and SARs are exercisable after a period of three years and expire no later than 10 years from the date of grant. Under certain employee plans, stock options may be granted with or without SARs or limited SARs, which are exercisable upon the occurrence of certain events related to changes in corporate control. Granting of SARs is generally limited to employees of the company who are located in countries where the issuance of stock options is not advantageous.

The MeadWestvaco Corporation Compensation Plan for Non-Employee Directors provides for the grant of stock awards up to 500,000 shares to outside directors in the form of stock options or restricted stock units. Non-employee members of the Board of Directors are currently granted restricted stock units, which vest immediately and are distributed in the form of stock shares on the date that a director ceases to be a member of the Board of Directors. In 2011, 2010 and 2009, the total annual grants consisted of 34,124, 34,407, and 65,142 restricted stock units, respectively, for non-employee directors. There were 109,853 shares remaining for grant under this plan at December 31, 2011.

### **Stock options and stock appreciation rights**

The company estimates the fair value of its stock option and SAR awards granted after January 1, 2006, using a lattice-based option valuation model. Lattice-based option valuation models utilize ranges of assumptions over the expected term of the options and SARs. Expected volatilities are based on the historical and implied volatility of the company's stock. The company uses historical data to estimate option and SAR exercises and employee terminations within the valuation model. The expected term of options and SARs granted is derived from the output of the valuation model and represents the period of time that options and SARs granted are expected to be outstanding. The company measures compensation expense related to the SARs at the end of each period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Changes in the fair value of options (in the event of an award modification) and SARs are reflected as an adjustment to compensation expense in the periods in which the changes occur. The risk-free rate for the period within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. A summary of the assumptions is as follows:

<u>Lattice-based option valuation assumptions</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Weighted average fair value of stock options granted during the period . . . . .	\$ 7.93	\$ 6.43	\$ 0.95
Weighted average fair value of SARs granted during the period . . . . .	8.49	7.61	2.31
Expected dividend yield for stock options . . . . .	3.40%	3.86%	10.09%
Expected dividend yield for SARs . . . . .	3.39%	3.86%	10.13%
Expected volatility . . . . .	34.00%	35.00%	35.00%
Average risk-free interest rate for stock options . . . . .	1.83%	2.08%	1.43%
Average risk-free interest rate for SARs . . . . .	1.68%	2.15%	1.64%
Average expected term for stock options and SARs (in years) . . . . .	7.2	7.3	6.6

The following table summarizes stock option and SAR activity in the plans.

<i>Shares in thousands</i>	<u>Options</u>	<u>Weighted average exercise price</u>	<u>SARs</u>	<u>Weighted average exercise price</u>	<u>Weighted average remaining contractual term</u>	<u>Aggregate intrinsic value (in millions)</u>
Outstanding at December 31, 2008 . . . . .	8,796	\$29.16	536	\$28.62		\$ 0
Granted . . . . .	4,752	9.15	139	9.08		
Exercised . . . . .	(134)	26.54	(9)	28.32		0.8
Cancelled . . . . .	<u>(1,654)</u>	28.67	<u>(23)</u>	25.54		
Outstanding at December 31, 2009 . . . . .	11,760	21.14	643	28.79		0
Granted . . . . .	2,337	23.85	102	23.83		
Exercised . . . . .	(531)	25.42	(21)	24.83		7.8
Cancelled . . . . .	<u>(1,483)</u>	28.08	<u>(99)</u>	22.12		
Outstanding at December 31, 2010 . . . . .	12,083	21.44	625	25.15		76.5
Granted . . . . .	1,807	29.38	87	29.50		
Exercised . . . . .	(1,976)	19.46	(179)	25.93		23.7
Cancelled . . . . .	<u>(677)</u>	27.63	<u>(22)</u>	27.78		
Outstanding at December 31, 2011 . . . . .	11,237	22.70	511	25.48	6.4 years	86.5
Exercisable at December 31, 2011 . . . . .	6,697	23.51	325	26.43	5.2 years	46.6
Exercisable at December 31, 2010 . . . . .	6,470	25.71	443	27.94	4.7 years	19.6

At December 31, 2011, there was approximately \$14 million of unrecognized pre-tax compensation cost related to nonvested stock options and SARs, which is expected to be recognized over a weighted-average period of one year.

Pre-tax compensation expense for stock options and SARs and the tax benefit associated with this expense for the years ended December 31, 2011, 2010 and 2009 was:

<i>In millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Pre-tax compensation expense for stock options and SARs . . . . .	\$12	\$10	\$12
Tax benefit associated with the pre-tax compensation expense for stock options and SARs . . . . .	5	4	5

Total cash received from the exercise of share-based awards in 2011 was \$38 million.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Restricted stock units**

A restricted stock unit is the right to receive a share of company stock. Employee restricted stock units vest over a three- to five-year period. Awards granted in 2011 and 2010 consisted of both service vesting restricted stock units and performance-based restricted stock units. Awards granted in 2009 consisted of service vesting restricted stock units. Under the employee plans, the grantee of the restricted stock units is entitled to receive dividends, but will forfeit the accrued stock and accrued dividends if the individual holder separates from the company during the vesting period or if predetermined goals are not accomplished. The fair value of each restricted stock unit is the closing market price of the company's stock on the date of grant, and the compensation expense is charged to operations over the vesting period. Performance-based restricted stock units granted to employees in 2011 and 2010 were 296,489 and 1,122,665, respectively. There were no performance-based restricted stock units granted to employees in 2009. None of these performance awards were vested at December 31, 2011.

As part of the 2005 Performance Incentive Plan, the company began granting performance-based awards in 2010 for which vesting is contingent upon achieving certain performance measures, as well as an employee retention component. This compensation is designed to align a significant portion of executive and other key employee compensation directly to company performance and long-term enhancement to shareholder value. The 2011 and 2010 performance-based awards are earned at the end of the five-year period provided a threshold improvement of the company's consolidated earnings before interest expense and income taxes ("EBIT"), is achieved during the first three years including year of grant and a threshold improvement in enterprise economic profit ("EP") is achieved by the fifth year after grant. There is a feature of accelerated vesting and increased compensation up to 125% if both the EBIT and EP thresholds are achieved by the end of the second year after grant. Otherwise, both the EBIT and EP targets must be achieved by the fifth year after grant in order for the 2011 and 2010 performance awards to vest. If the targets are not met within this time frame, the awards will be forfeited.

The following table summarizes restricted stock unit activity in the employee and director plans.

<i>Shares in thousands</i>	<u>Shares</u>	<u>Average grant date fair market value</u>
Outstanding at December 31, 2008 .....	2,503	\$29.51
Granted .....	913	9.07
Forfeited .....	(429)	28.23
Released .....	<u>(339)</u>	27.07
Outstanding at December 31, 2009 .....	2,648	23.51
Granted .....	1,388	23.92
Forfeited .....	(567)	31.27
Released .....	<u>(279)</u>	27.17
Outstanding at December 31, 2010 .....	3,190	24.38
Granted .....	566	27.00
Forfeited .....	(197)	24.01
Released .....	<u>(752)</u>	26.92
Outstanding at December 31, 2011 .....	<u>2,807</u>	20.70

At December 31, 2011, there was approximately \$9 million of unrecognized pre-tax compensation cost related to non-vested restricted stock units, which is expected to be recognized over a weighted-average period of one year.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Pre-tax compensation expense for restricted stock units and the tax benefit associated with this expense for the years ended December 31, 2011, 2010 and 2009 was:

<i>In millions</i>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Pre-tax compensation expense for restricted stock units . . . . .	\$25	\$20	\$12
Tax benefit associated with the pre-tax compensation expense for restricted stock units . . . . .	9	7	4

Dividends, which are payable in stock, accrue on the restricted stock unit grants and are subject to the same terms as the original grants.

### L. Employee retirement, postretirement and postemployment benefits

#### Retirement plans

MeadWestvaco provides retirement benefits for substantially all U.S. and certain non-U.S. employees under several noncontributory and contributory trustee plans and also provides benefits to employees whose retirement benefits exceed maximum amounts permitted by current tax law under unfunded benefit plans. U.S. benefits are based on either a final average pay formula or a cash balance formula for the salaried plans and a unit-benefit formula for the bargained hourly plan. Contributions are made to the U.S. funded plans in accordance with ERISA requirements.

The components of net periodic benefit (income) cost for the company's retirement plans for the years ended December 31, 2011, 2010 and 2009 are presented below.

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Service cost-benefits earned during the period . . . . .	\$ 42	\$ 45	\$ 46
Interest cost on projected benefit obligation . . . . .	145	145	155
Expected return on plan assets . . . . .	(285)	(274)	(268)
Amortization of prior service cost . . . . .	1	2	2
Amortization of net actuarial loss . . . . .	15	10	2
Pension income before settlements, curtailments and termination benefits . . . . .	(82)	(72)	(63)
Curtailments <sup>1</sup> . . . . .	0	4	(6)
Settlements <sup>2</sup> . . . . .	10	0	0
Termination benefits . . . . .	2	1	1
Net periodic pension (income) cost . . . . .	<u>\$ (70)</u>	<u>\$ (67)</u>	<u>\$ (68)</u>
Net periodic benefit (income) cost—continuing operations . . . . .	<u>\$ (77)</u>	<u>\$ (78)</u>	<u>\$ (73)</u>

<sup>1</sup> For the year ended December 31, 2011, the company recorded within discontinued operations a curtailment gain pursuant to the 2011 sale of the company's envelope products business and recorded within income from continuing operations a curtailment loss pursuant to the forthcoming spin-off and merger of the Consumer & Office Products segment with ACCO. For the years ended December 31, 2010 and 2009, the company recorded within income from continuing operations a curtailment loss and gain, respectively as a result of restructuring activities.

<sup>2</sup> For the year ended December 31, 2011, the company recorded within discontinued operations a settlement pursuant to the 2010 sale of the company's media and entertainment packaging business.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The pre-tax components of other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):

	<u>2011</u>	<u>2010</u>
Net actuarial loss (gain) . . . . .	\$225	\$(15)
Amortization of net actuarial loss . . . . .	(15)	(10)
Prior service cost (benefit) . . . . .	0	2
Amortization of prior service cost . . . . .	(1)	(2)
Curtailments . . . . .	(2)	(6)
Settlements . . . . .	<u>(10)</u>	<u>0</u>
Total pre-tax loss (gain) recognized in other comprehensive income (loss) . . . . .	<u>\$197</u>	<u>\$(31)</u>
Total pre-tax loss (gain) recognized in net periodic pension income and other comprehensive income (loss) . . . . .	\$127	\$(98)

Actuarial gains and losses and prior service cost (benefit) subject to amortization are amortized on a straight-line basis over the average remaining service, which is about 8 years for the salaried and bargained hourly plans, and over the average remaining life expectancy of the plan participants of the envelope salaried plan which is about 26 years. The envelope products salaried plan was retained by the company post sale of the envelope products business. The estimated pre-tax net actuarial loss and prior service cost for the defined benefit retirement plans that will be amortized from accumulated other comprehensive income (loss) into net periodic pension income in 2012 is \$52 million and \$0.5 million, respectively.

**Postretirement benefits**

MeadWestvaco provides life insurance for substantially all retirees and medical benefits to certain retirees in the form of cost subsidies until Medicare eligibility is reached and to certain other retirees, medical benefits up to a maximum lifetime amount. The company funds certain medical benefits on a current basis with retirees paying a portion of the costs. Certain retired employees of businesses acquired by the company are covered under other medical plans that differ from current plans in coverage, deductibles and retiree contributions.

The components of net postretirement benefits cost (income) for the years ended December 31, 2011, 2010 and 2009 are presented below.

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Service cost-benefits earned during the period . . . . .	\$ 6	\$ 3	\$ 3
Interest cost . . . . .	13	6	7
Net amortization . . . . .	(3)	(4)	2
Curtailments <sup>1</sup> . . . . .	<u>0</u>	<u>(8)</u>	<u>0</u>
Net periodic postretirement benefits cost (income) . . . . .	<u>\$16</u>	<u>\$(3)</u>	<u>\$12</u>

<sup>1</sup> For the years ended December 31, 2010, the company recorded within income from continuing operations a curtailment gain as a result of restructuring activities.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The pre-tax components of other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):

	<u>2011</u>	<u>2010</u>
Net actuarial loss (gain) .....	\$14	\$ (3)
Prior service cost (benefit) .....	0	2
Net amortization .....	3	4
Curtailments .....	<u>0</u>	<u>8</u>
Total pre-tax loss (gain) recognized in other comprehensive income (loss) .....	<u>\$17</u>	<u>\$11</u>
 Total pre-tax loss recognized in net periodic postretirement benefits cost and other comprehensive income (loss): .....	 \$33	 \$ 8

Actuarial gains and losses and prior service cost subject to amortization are amortized over the average remaining service, which is about 5 years. The estimated pre-tax prior service cost for the postretirement plans that will be amortized from accumulated other comprehensive income (loss) into net periodic postretirement benefits (income) cost in 2012 is \$2 million.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table also sets forth the funded status of the plans and amounts recognized in the consolidated balance sheets at December 31, 2011 and 2010, based on a measurement date of December 31 for each period.

**Obligations, assets and funded status**

	Qualified U.S. Retirement Plans		Nonqualified U.S. and Non - U.S. Retirement Plans		Postretirement Benefits	
	Years ended December 31,		Years ended December 31,		Years ended December 31,	
	2011	2010	2011	2010	2011	2010
<i>In millions</i>						
Change in benefit obligation:						
Benefit obligation at beginning of year	\$2,637	\$2,460	\$ 206	\$ 196	\$ 104	\$ 107
Service cost	37	41	5	4	6	3
Interest cost	134	134	11	11	13	6
Net actuarial losses	356	152	45	10	14	1
Plan amendments	0	7	0	0	0	1
Foreign currency exchange rate changes	0	0	(2)	(2)	0	0
Employee contributions	0	0	0	0	10	11
Termination benefit costs	2	7	0	0	0	0
Curtailments	(1)	(1)	0	(1)	0	(2)
Settlements	0	0	(36)	0	0	0
Benefits paid (including termination benefits)	(161)	(163)	(10)	(12)	(23)	(23)
Benefit obligation at end of year	<u>\$3,004</u>	<u>\$2,637</u>	<u>\$ 219</u>	<u>\$ 206</u>	<u>\$ 124</u>	<u>\$ 104</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	\$3,678	\$3,398	\$ 78	\$ 64	\$ 0	\$ 0
Actual return on plan assets	450	443	8	6	0	0
Company contributions	0	0	13	20	13	12
Foreign currency exchange rate changes	0	0	0	0	0	0
Employee contributions	0	0	0	0	10	11
Settlements	0	0	(36)	0	0	0
Benefits paid (including termination benefits)	(161)	(163)	(10)	(12)	(23)	(23)
Fair value of plan assets at end of year	<u>\$3,967</u>	<u>\$3,678</u>	<u>\$ 53</u>	<u>\$ 78</u>	<u>\$ 0</u>	<u>\$ 0</u>
Over (under) funded status at end of year	\$ 963	\$1,041	\$(166)	\$(128)	\$(124)	\$(104)
Amounts recognized in the balance sheet consist of:						
Noncurrent assets—prepaid asset	\$ 963	\$1,041	\$ 6	\$ 11	\$ 0	\$ 0
Current liabilities	0	0	(10)	(4)	(11)	(12)
Noncurrent liabilities	0	0	(162)	(135)	(113)	(92)
Total net asset (liability)	<u>\$ 963</u>	<u>\$1,041</u>	<u>\$(166)</u>	<u>\$(128)</u>	<u>\$(124)</u>	<u>\$(104)</u>
Amounts recognized in accumulated other comprehensive loss (pre-tax) consist of:						
Net actuarial loss (gain)	\$ 450	\$ 275	\$ 68	\$ 43	\$ (3)	\$ (18)
Prior service (benefit) cost	(5)	(1)	(3)	(4)	(23)	(25)
Total loss (gain) recognized in accumulated other comprehensive loss	<u>\$ 445</u>	<u>\$ 274</u>	<u>\$ 65</u>	<u>\$ 39</u>	<u>\$ (26)</u>	<u>\$ (43)</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The accumulated benefit obligation for all defined benefit plans was \$3.17 billion and \$2.77 billion at December 31, 2011 and 2010, respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets as of December 31:

<i>In millions</i>	<u>2011</u>	<u>2010</u>
Projected benefit obligation .....	\$217	\$165
Accumulated benefit obligation .....	200	152
Fair value of plan assets .....	53	25

### Assumptions

The weighted average assumptions used to determine the company's benefit obligations at December 31:

	<u>2011</u>	<u>2010</u>
Retirement benefits:		
Discount rate .....	4.27%	5.25%
Rate of compensation increase .....	2.51%	3.49%
Postretirement benefits:		
Discount rate .....	4.64%	4.87%
Healthcare cost increase .....	7.57%	7.51%
Prescription drug cost increase .....	8.01%	8.00%

The weighted average assumptions used to determine net periodic pension income and net postretirement benefits (income) cost for the years presented:

	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Retirement benefits:			
Discount rate .....	5.25%	5.50%	6.25%
Rate of compensation increase .....	3.49%	3.98%	3.98%
Expected return on plan assets .....	7.96%	7.98%	7.98%
Postretirement benefits:			
Discount rate .....	4.87%	5.75%	6.26%
Healthcare cost increase .....	7.51%	7.76%	7.99%
Prescription drug cost increase .....	8.00%	8.99%	9.47%

MeadWestvaco's approach to developing capital market assumptions combines an analysis of historical performance, the drivers of investment performance by asset class and current economic fundamentals. For returns, the company utilizes a building block approach starting with an inflation expectation and adds an expected real return to arrive at a long-term nominal expected return for each asset class. Long-term expected real returns are derived in the context of future expectations for the U.S. Treasury yield curve. The company derives return assumptions for all other equity and fixed income asset classes by starting with either the U.S. Equity or U.S. Fixed Income return assumption and adding a risk premium, which reflects any additional risk inherent in the asset class.

The company determined the discount rates for 2011, 2010, and 2009 by referencing the Citigroup Pension Discount Curve. The company believes that using a yield curve approach most accurately reflects changes in the present value of liabilities over time since each cash flow is discounted at the rate at which it could effectively be settled.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The annual rate of increase in healthcare and prescription drug costs is assumed to decline ratably each year until reaching 5% in 2020 and thereafter. The effect of a 1% increase in the assumed combined cost trend rate would increase the December 31, 2011 accumulated postretirement benefit obligation by \$5 million and the total service and interest cost for 2011 by \$0.4 million. The effect of a 1% decrease in the assumed healthcare cost trend rate would decrease the December 31, 2011 accumulated postretirement benefit obligation by \$4 million and the total service and interest cost for 2011 by \$0.3 million.

The company also has defined contribution plans that cover substantially all U.S. and certain non-U.S. based employees. Expense for company matching contributions under these plans was \$21 million, \$22 million and \$23 million for the years ended December 31, 2011, 2010 and 2009, respectively.

### Retirement plan assets

The MeadWestvaco U.S. retirement plan asset allocation at December 31, 2011 and 2010, long-term target allocation, and expected long-term rate of return by asset category are as follows:

	<u>Target allocation</u>	<u>Percentage of plan assets at December 31,</u>		<u>Weighted average expected long-term rate of return</u>
		<u>2011</u>	<u>2010</u>	<u>2011</u>
<b>Asset category:</b>				
Equity securities .....	31%	28%	35%	10.8%
Debt securities .....	61%	66%	60%	6.1%
Real estate and private equity .....	8%	6%	5%	12.5%
Total .....	<u>100%</u>	<u>100%</u>	<u>100%</u>	

The MeadWestvaco Master Retirement Trust maintains a well-diversified investment program through both the long-term allocation of trust fund assets among asset classes and the selection of investment managers whose various styles are fundamentally complementary to one another and serve to achieve satisfactory rates of return. Target asset allocation among asset classes is set through periodic asset/liability studies that emphasize protecting the funded status of the plan.

Portfolio risk and return is evaluated based on capital market assumptions for asset class long-term rates of return, volatility, and correlations. Target allocation to asset classes is set so that target expected asset returns modestly outperform expected liability growth while expected portfolio risk is low enough to make it unlikely that the funded status of the plan will drop below 100%. The asset allocation is dynamic such that target allocations to riskier asset classes are reduced if funded status changes dramatically. Active management of assets is used in asset classes and strategies where there is the potential to add value over a benchmark. The equity class of securities is expected to provide the long-term growth necessary to cover the growth of the plans' obligations.

Equity market risk is the most concentrated type of risk in the trust which has significant investments in common stock and in collective trusts with equity exposure. This risk is mitigated by maintaining diversification in geography and market capitalization. Investment manager guidelines limit the amount that can be invested in any one security. None of the trust's equity portfolio is hedged against equity market risk. The policy also allows allocation of funds to other asset classes that serve to enhance long-term, risk-adjusted return expectations.

Liquidity risk is present in the trust's investments in partnerships/joint ventures, real estate, registered investment companies, and 103-12 investment entities. The policy limits target allocations to these asset classes to 11%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Concentrated interest rate risk, credit spread risk, and inflation risk are present in the trust's investments in government securities, corporate debt instruments, and common collective trusts. These investment risks are meant to offset the risks in the plan liabilities. Long-duration fixed income securities and interest rate swaps are used to better match the interest rate sensitivity of plan assets and liabilities. The portfolio's interest rate risk is hedged at approximately 90% of the value of the plans' accumulated benefit obligation. Treasury inflation protected securities are used to better match inflation risk of plan assets and liabilities. Corporate debt instruments mitigate the credit risk in the discount rate used to value the plan liabilities. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies and quarterly investment portfolio reviews. A portion of the overall fund will remain in short-term fixed income investments in order to meet the ongoing operating cash requirements of the plans.

### Funding of plans and payments of benefits

The company does not anticipate any required contributions to the U.S. qualified retirement plans in the foreseeable future as the plans are not required to make any minimum regulatory funding contributions. However, the company expects to contribute \$4 million to the funded non-U.S. pension plans in 2012.

The company expects to pay \$19 million in benefits to participants of the nonqualified and unfunded non-U.S. retirement and postretirement plans in 2012. The table below presents estimated future benefit payments, substantially all of which are expected to be funded from plan assets.

<i>In millions</i>	<u>Retirement benefits</u>	<u>Postretirement benefits before Medicare Part D subsidy</u>	<u>Medicare Part D subsidy</u>
2012 .....	\$ 198	\$11	\$1
2013 .....	197	11	1
2014 .....	198	10	1
2015 .....	200	10	1
2016 .....	204	10	1
2017 – 2021 .....	1,033	49	2

### Postemployment benefits

MeadWestvaco provides limited post-employment benefits to former or inactive employees, including short-term and long-term disability, workers' compensation, severance, and health and welfare benefit continuation.

### M. Restructuring charges

During 2008, the company commenced a series of broad cost reduction actions to lower overhead costs and close or restructure certain manufacturing locations. Restructuring charges incurred during 2011 and 2010 are pursuant to the 2008 program. During 2005, the company launched a cost reduction initiative to improve the efficiency of its business model. Restructuring charges incurred during 2009 were pursuant to the 2008 and 2005 programs. Cumulative charges included in the results from continuing operations through December 31, 2011 since the inceptions of these programs were \$254 million for the 2005 program and \$277 million for the 2008 program. Although these charges related to individual segments, such amounts are included in Corporate and Other for segment reporting purposes.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Restructuring charges attributable to individual segments and by nature of cost, as well as cost of sales (“COS”) and selling, general and administrative expenses (“SG&A”) classification in the consolidated statements of operations for the years ended December 31, 2011, 2010 and 2009 are presented below.

***Year ended December 31, 2011***

<i>In millions</i>	<b>Employee-related costs</b>			<b>Asset write-downs and other costs</b>			<b>Total</b>		
	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>
Consumer Solutions .....	\$ 8	\$ 4	\$12	\$ 1	\$0	\$ 1	\$ 9	\$ 4	\$ 13
Packaging Resources .....	0	1	1	2	0	2	2	1	3
All other <sup>(1)</sup> .....	0	6	6	1	7	8	1	13	14
<b>Total charges .....</b>	<b>\$ 8</b>	<b>\$11</b>	<b>\$19</b>	<b>\$ 4</b>	<b>\$7</b>	<b>\$ 11</b>	<b>\$ 12</b>	<b>\$18</b>	<b>\$ 30</b>

<sup>(1)</sup> Includes \$7 million related to employee relocation costs.

***Year ended December 31, 2010***

<i>In millions</i>	<b>Employee-related costs</b>			<b>Asset write-downs and other costs</b>			<b>Total</b>		
	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>
Consumer Solutions .....	\$26	\$ 6	\$32	\$ 8	\$0	\$ 8	\$ 34	\$ 6	\$ 40
Packaging Resources .....	0	0	0	4	0	4	4	0	4
Consumer & Office Products .....	0	1	1	0	1	1	0	2	2
All other <sup>(1)</sup> .....	0	5	5	(3)	5	2	(3)	10	7
<b>Total charges .....</b>	<b>\$26</b>	<b>\$12</b>	<b>\$38</b>	<b>\$ 9</b>	<b>\$6</b>	<b>\$ 15</b>	<b>\$ 35</b>	<b>\$18</b>	<b>\$ 53</b>

<sup>(1)</sup> Includes \$5 million related to employee relocation costs.

***Year ended December 31, 2009***

<i>In millions</i>	<b>Employee-related costs</b>			<b>Asset write-downs and other costs</b>			<b>Total</b>		
	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>	<b>COS</b>	<b>SG&amp;A</b>	<b>Total</b>
Consumer Solutions .....	\$18	\$14	\$32	\$ 39	\$0	\$ 39	\$ 57	\$14	\$ 71
Packaging Resources .....	1	6	7	35	0	35	36	6	42
Consumer & Office Products .....	2	3	5	1	0	1	3	3	6
All other .....	0	6	6	41	7	48	41	13	54
<b>Total charges .....</b>	<b>\$21</b>	<b>\$29</b>	<b>\$50</b>	<b>\$116</b>	<b>\$7</b>	<b>\$123</b>	<b>\$137</b>	<b>\$36</b>	<b>\$173</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**Summary of restructuring accruals**

The activity in the accrued restructuring balances was as follows for the year ended December 31, 2008 to the year ended December 31, 2011:

<i>In millions</i>	<u>Employee Costs</u>			<u>Other Costs</u>			<u>Total</u>		
	<u>2005 program</u>	<u>2008 program</u>	<u>Total</u>	<u>2005 program</u>	<u>2008 program</u>	<u>Total</u>	<u>2005 program</u>	<u>2008 program</u>	<u>Total</u>
Balance at December 31, 2008 . . . .	\$ 14	\$ 25	\$ 39	\$ 5	\$ 0	\$ 5	\$ 19	\$ 25	\$ 44
Current charges . . . . .	0	57	57	4	11	15	4	68	72
Payments . . . . .	(14)	(46)	(60)	(5)	(11)	(16)	(19)	(57)	(76)
Balance at December 31, 2009 . . . .	0	36	36	4	0	4	4	36	40
Current charges . . . . .	0	38	38	1	3	4	1	41	42
Payments . . . . .	0	(42)	(42)	(1)	(3)	(4)	(1)	(45)	(46)
Balance at December 31, 2010 . . . .	0	32	32	4	0	4	4	32	36
Current charges . . . . .	0	19	19	0	6	6	0	25	25
Payments . . . . .	0	(33)	(33)	(1)	(6)	(7)	(1)	(39)	(40)
Balance at December 31, 2011 . . . .	<u>\$ 0</u>	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ 3</u>	<u>\$ 0</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 18</u>	<u>\$ 21</u>

**N. Other income, net**

Components of other income, net are as follows:

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Interest income . . . . .	\$30	\$22	\$ 18
Charges from early extinguishments of debt . . . . .	0	(6)	(23)
Equity investment gain <sup>1</sup> . . . . .	10	0	0
Foreign currency exchange gains (losses) . . . . .	2	(4)	2
Gains on sales of certain assets . . . . .	2	0	16
Alternative fuel mixture credit <sup>2</sup> . . . . .	0	0	375
Other, net . . . . .	(5)	2	(6)
	<u>\$39</u>	<u>\$14</u>	<u>\$382</u>

<sup>1</sup> For the year ending December 31, 2011, the company recorded a pre-tax gain of \$10 million pursuant to the sale of commercial real estate consummated through an equity investment held by the Community Development and Land Management segment.

<sup>2</sup> Through December 31, 2009, the U.S. Internal Revenue Code allowed an excise tax credit for alternative fuel mixtures produced by a taxpayer for use as a fuel in a taxpayer's trade or business.

**O. Income taxes**

Earnings from continuing operations before income taxes are comprised of the following:

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
U.S. earnings . . . . .	\$228	\$182	\$270
Foreign earnings . . . . .	194	138	122
	<u>\$422</u>	<u>\$320</u>	<u>\$392</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The significant components of the income tax provision are as follows:

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current:			
U.S. federal .....	\$ 25	\$ (8)	\$108
State and local .....	3	3	8
Foreign .....	<u>65</u>	<u>80</u>	<u>52</u>
	<u>93</u>	<u>75</u>	<u>168</u>
Deferred:			
U.S. federal .....	43	(11)	(9)
State and local .....	6	(26)	(2)
Foreign .....	<u>12</u>	<u>(22)</u>	<u>(7)</u>
Provision (benefit) for deferred income taxes .....	<u>61</u>	<u>(59)</u>	<u>(18)</u>
Less: Allocation to discontinued operations .....	<u>(6)</u>	<u>(38)</u>	<u>(2)</u>
Income tax provision attributable to continuing operations .....	<u>\$160</u>	<u>\$ 54</u>	<u>\$152</u>

The following table summarizes the major differences between taxes computed at the U.S. federal statutory rate and the actual income tax provision attributable to continuing operations:

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Income tax provision computed at the U.S. federal statutory rate of 35% .....	\$148	\$112	\$137
State and local income taxes, net of federal benefit .....	6	1	6
Foreign income tax rate differential and other items .....	(26)	(8)	(17)
Valuation allowances .....	1	(25)	(5)
Credits .....	(1)	(22)	(6)
Tax charge related to Brazilian tax audit .....	23	21	26
Taxes related to forthcoming spin-off of Consumer & Office Products .....	23	0	0
Settlements of tax audits and other .....	<u>(14)</u>	<u>(25)</u>	<u>11</u>
Income tax provision attributable to continuing operations .....	<u>\$160</u>	<u>\$ 54</u>	<u>\$152</u>
Effective tax rate attributable to continuing operations .....	38%	17%	39%

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The current and non-current deferred tax assets and liabilities are as follows:

<i>In millions</i>	December 31,	
	2011	2010
Deferred tax assets:		
Employee benefits .....	\$ 164	\$ 168
Postretirement benefit accrual .....	33	31
Other accruals and reserves .....	97	92
Net operating loss and other credit carry-forwards .....	139	202
Other .....	16	22
Total deferred tax assets .....	449	515
Valuation allowances .....	(43)	(71)
Net deferred tax assets .....	<u>406</u>	<u>444</u>
Deferred tax liabilities:		
Depreciation and depletion .....	(833)	(839)
Nontaxable pension asset .....	(352)	(405)
Amortization of identifiable intangibles .....	(97)	(100)
Other .....	(34)	(27)
Total deferred tax liabilities .....	<u>(1,316)</u>	<u>(1,371)</u>
Net deferred liability .....	<u>\$ (910)</u>	<u>\$ (927)</u>
Included in the balance sheet:		
Current assets—deferred tax asset .....	\$ 24	\$ 45
Noncurrent net deferred tax liability .....	<u>(934)</u>	<u>(972)</u>
Net deferred liability .....	<u>\$ (910)</u>	<u>\$ (927)</u>

The company has U.S. federal, state and foreign tax net operating loss carry-forwards which are available to reduce future taxable income in U.S. federal and various state and foreign jurisdictions. The company's valuation allowance against deferred tax assets primarily relates to the state and foreign tax net operating losses for which the ultimate realization of future benefits is uncertain.

At December 31, 2011 and 2010, \$23 million and \$0 of deferred income taxes were provided for the company's share of undistributed net earnings of foreign operations, respectively. Management's intent is to reinvest such amounts indefinitely. The determination of the amount of such unrecognized tax liability is not practical. The \$23 million of deferred income taxes provided in 2011 is in relation to the company's anticipated internal reorganization required in advance of a transaction related to the Consumer & Office Products segment. The cumulative undistributed earnings, including foreign currency translation adjustments, totaled \$1.66 billion and \$1.77 billion for the years ended December 31, 2011 and 2010, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows for the years ended December 31, 2011, 2010 and 2009:

<i>In millions</i>	
Balance at December 31, 2008	\$125
Additions based on tax positions related to the current year	153
Additions for tax positions of prior years	33
Reductions for tax positions of prior years	(7)
Reductions for tax positions due to lapse of statute	(1)
Settlements	(21)
Foreign currency translation	13
Balance at December 31, 2009	295
Additions based on tax positions related to the current year	20
Additions for tax positions of prior years	34
Reductions for tax positions of prior years	(34)
Reductions for tax positions due to lapse of statute	(1)
Settlements	(16)
Foreign currency translation	3
Balance at December 31, 2010	301
Additions based on tax positions related to the current year	11
Additions for tax positions of prior years	6
Reductions for tax positions of prior years	(4)
Reductions for tax positions due to lapse of statute	(1)
Settlements	(36)
Foreign currency translation	(9)
Balance at December 31, 2011	<u>\$268</u>

The company has operations in many areas of the world and is subject, at times, to tax audits in these jurisdictions. These tax audits by their nature are complex and can require several years to resolve. The final resolution of any such tax audits could result in either a reduction in the company's accruals or an increase in its income tax provision, both of which could have an impact on the results of operations in any given period. With a few exceptions, the company is no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities for years prior to 2004. The company regularly evaluates, assesses and adjusts these accruals in light of changing facts and circumstances, which could cause the effective tax rate to fluctuate from period to period. Of the total \$268 million liability for unrecognized tax benefits at December 31, 2011, \$226 million could impact the company's effective tax rate in future periods. The remaining balance of this liability would be adjusted through the consolidated balance sheet without impacting the company's effective tax rate.

During 2011, the company substantially settled audits with the Internal Revenue Service for tax years 2007-2008. In addition, the company is in advanced stages of audits in certain foreign jurisdictions and certain domestic states. Based on the resolution of the various audits mentioned above, it is reasonably possible that the balance of unrecognized tax benefits may change by \$14 million to \$92 million during 2012.

The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense in the consolidated statements of operations. During the years ended December 31, 2011, 2010 and 2009, the company recognized interest and penalties totaling \$14 million, \$10 million and \$27 million, respectively. The company accrued \$91 million and \$94 million for the payment of interest and penalties at December 31, 2011 and 2010, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Approximately \$84 million of deferred income tax benefit and \$6 million of deferred income tax expense were provided in components of other comprehensive income during the years ended December 31, 2011 and 2010, respectively. Approximately \$8 million and \$1 million of current income tax benefit were provided in components of additional paid in capital during the year ended December 31, 2011 and 2010, respectively.

### **P. Environmental and legal matters**

The company has been notified by the U.S. Environmental Protection Agency or by various state or local governments that it may be liable under federal environmental laws or under applicable state or local laws with respect to the cleanup of hazardous substances at sites previously operated or used by the company. The company is currently named as a potentially responsible party (“PRP”), or has received third-party requests for contribution under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) and similar state or local laws with respect to numerous sites. There are other sites which may contain contamination or which may be potential Superfund sites, but for which MeadWestvaco has not received any notice or claim. The potential liability for all these sites will depend upon several factors, including the extent of contamination, the method of remediation, insurance coverage and contribution by other PRPs. The company regularly evaluates its potential liability at these various sites. At December 31, 2011, MeadWestvaco had recorded liabilities of approximately \$24 million for estimated potential cleanup costs based upon its close monitoring of ongoing activities and its past experience with these matters. The company believes that it is reasonably possible that costs associated with these sites may exceed amounts of recorded liabilities by an amount that could range from an insignificant amount to as much as \$20 million. This estimate is less certain than the estimate upon which the environmental liabilities were based. After consulting with legal counsel and after considering established liabilities, it is our judgment that the resolution of pending litigation and proceedings is not expected to have a material adverse effect on the company’s consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

As with numerous other large industrial companies, the company has been named a defendant in asbestos-related personal injury litigation. Typically, these suits also name many other corporate defendants. To date, the costs resulting from the litigation, including settlement costs, have not been significant. As of December 31, 2011, there were approximately 510 lawsuits. Management believes that the company has substantial indemnification protection and insurance coverage, subject to applicable deductibles and policy limits, with respect to asbestos claims. The company has valid defenses to these claims and intends to continue to defend them vigorously. Additionally, based on its historical experience in asbestos cases and an analysis of the current cases, the company believes that it has adequate amounts accrued for potential settlements and judgments in asbestos-related litigation. At December 31, 2011, the company had recorded litigation liabilities of approximately \$34 million, a significant portion of which relates to asbestos. Should the volume of litigation grow substantially, it is possible that the company could incur significant costs resolving these cases. After consulting with legal counsel and after considering established liabilities, it is our judgment that the resolution of pending litigation and proceedings is not expected to have a material adverse effect on the company’s consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

MeadWestvaco is involved in various other litigation and administrative proceedings arising in the normal course of business. Although the ultimate outcome of such matters cannot be predicted with certainty, management does not believe that the currently expected outcome of any matter, lawsuit or claim that is pending or threatened, or all of them combined, will have a material adverse effect on the company’s consolidated financial condition or liquidity. In any given period or periods, however, it is possible such proceedings or matters could have a material effect on the results of operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

### Q. Acquisitions

On December 30, 2011, the company acquired a dispensing caps and closures manufacturer serving the food, home and garden, and beauty and personal care packaging markets. The company will extend these dispensing closure solutions across its global packaging platform. The purchase price of this acquisition was \$71 million. The total purchase price was allocated based on the fair values of the assets acquired and liabilities assumed including identifiable intangible assets totaling \$19 million that are being amortized over a period of 3 to 15 years and goodwill of \$30 million. The results of operations from the date of this acquisition are included in the Consumer Solutions segment. This acquisition did not have a material effect on the company's consolidated financial statements and as such, pro forma results for this acquisition are not presented.

On November 30, 2010, the company acquired a trigger sprayer manufacturer to enhance its global home and garden business. The purchase price of this acquisition was \$60 million. The total purchase price was allocated based on the fair values of the assets acquired and liabilities assumed including identifiable intangible assets totaling \$18 million that are being amortized over a weighted-average amortization period of 10 years and goodwill of \$19 million. The results of operations from the date of this acquisition are included in the Consumer Solutions segment. This acquisition did not have a material effect on the company's consolidated financial statements and as such, pro forma results for this acquisition are not presented.

During 2009, the company acquired a provider of branded consumer products in Brazil to augment its school and office supplies business. The purchase price of this acquisition including direct transaction costs was \$15 million. The total purchase price was allocated based on the fair values of the assets acquired and liabilities assumed. The results of operations from the date of this acquisition are included in the Consumer & Office Products segment. This acquisition did not have a material effect on the company's consolidated financial statements and as such, pro forma results for this acquisition are not presented.

### R. Dispositions

On February 1, 2011, the company completed the sale of its envelope products business for cash proceeds of \$55 million. During 2010, the company recorded pre-tax charges of \$19 million (\$15 million after taxes) comprised of impairment of long-lived assets of \$6 million, impairment of allocated goodwill of \$7 million and a pension curtailment loss of \$6 million. During 2011, the company recorded additional charges of \$1 million (\$0.7 million after taxes) primarily related to a working capital adjustment. The combined pre-tax charges recorded in 2010 and 2011 sum to \$20 million (\$16 million after taxes) and represent the total amount of loss on sale of the envelope products business. The operating results of this business, as well as the charges noted above, are reported in discontinued operations in the consolidated statements of operations on an after-tax basis. The results of operations and assets and liabilities of the envelope products business were previously included in the Consumer & Office Products segment.

On September 30, 2010, the company completed the sale of its media and entertainment packaging business for cash proceeds of \$68 million. The sale resulted in a pre-tax loss of \$153 million (\$126 million after taxes). During 2011, the company recorded additional charges of \$12 million (\$8 million after taxes) primarily related to a media and packaging business pension plan settlement. The combined pre-tax charges recorded in 2010 and 2011 sum to \$165 million (\$134 million after taxes) and represent the total amount of loss on sale of the envelope products business. The operating results of this business, as well as the charges noted above, are reported in discontinued operations in the consolidated statements of operations on an after-tax basis. The results of operations and assets and liabilities of the media and entertainment packaging business were previously included in the Consumer Solutions segment.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Below are amounts attributed to the above dispositions included in discontinued operations in the consolidated statements of operations.

<i>In millions, except per share amounts</i>	<b>Year ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net sales .....	\$ 19	\$ 475	\$643
Cost of sales <sup>1,4</sup> .....	18	459	584
Selling, general and administrative expenses <sup>2,4</sup> .....	11	52	69
Interest expense .....	0	6	8
Other expense (income), net <sup>3</sup> .....	8	152	(1)
Loss before income taxes .....	(18)	(194)	(17)
Income tax benefit .....	(6)	(38)	(2)
Net loss .....	<u>\$(12)</u>	<u>\$(156)</u>	<u>\$(15)</u>

- <sup>1</sup> For the year ended December 31, 2011 there are no restructuring charges included in cost of sales. For the years ended December 31, 2010 and 2009, cost of sales includes restructuring charges of \$1 million and \$13 million, respectively.
- <sup>2</sup> For the year ended December 31, 2011 there are no restructuring charges included in selling, general and administrative expenses. For the years ended December 31, 2010, and 2009, selling, general and administrative expenses include restructuring charges of \$2 million and \$3 million, respectively.
- <sup>3</sup> Other expense in 2010 includes a loss on sale of the media and entertainment packaging business of \$153 million.
- <sup>4</sup> For the year ended December 31, 2011 pursuant to the 2010 sale of the media and entertainment packaging business, selling, general and administrative expenses include a pension settlement loss of \$10 million. For the year ended December 31, 2010 pursuant to the sale of the envelope products business that closed on February 1, 2011, cost of sales includes an impairment charge of allocated goodwill of \$7 million, an impairment charge of long-lived assets of \$6 million and a pension curtailment charge of \$5 million; selling, general and administrative expenses include a pension curtailment charge of \$1 million.

There were no assets or liabilities classified as discontinued operations at December 31, 2011. The following table shows the major categories of assets and liabilities that are classified as discontinued operations in the consolidated balance sheet at December 31, 2010:

<i>In millions</i>	<b>December 31, 2010</b>
Accounts receivable, net .....	\$30
Inventories .....	25
Other current assets .....	<u>1</u>
Current assets .....	56
Property, plant and equipment, net .....	24
Other assets .....	<u>1</u>
Non-current assets .....	25
Accounts payable .....	11
Accrued expenses .....	<u>12</u>
Current liabilities .....	23
Other long-term liabilities .....	3

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In connection with the sale of the envelope products business in 2011, the sale of the media and entertainment packaging business in 2010, the sale of the Kraft business in 2008, and the sale of the printing and writing papers business in 2005, the company provided certain guarantees and indemnities to the respective buyers and other parties. These obligations include both potential environmental matters as well as certain contracts with third parties. The company has evaluated these guarantees and indemnifications, which did not result in a material impact on the company's consolidated financial statements. The total aggregate exposure to the company for these matters could be up to about \$45 million; however, the company currently considers there to be a remote possibility of being required to make any payments related to these guarantees.

### S. Cash flow

Changes in current assets and liabilities, net of acquisitions and dispositions, were as follows:

<i>In millions</i>	Years ended December 31,		
	2011	2010	2009
(Increase) decrease in:			
Receivables .....	\$(33)	\$ (39)	\$(33)
Inventories .....	(24)	(110)	124
Prepaid expenses .....	6	18	7
Increase (decrease) in:			
Accounts payable and accrued expenses .....	(22)	46	130
Income taxes payable .....	21	39	(53)
	<u>\$(52)</u>	<u>\$ (46)</u>	<u>\$175</u>

<i>In millions</i>	Years ended December 31,		
	2011	2010	2009
Cash paid for:			
Interest .....	\$166	\$172	\$197
Less capitalized interest .....	(11)	(2)	(3)
Interest paid, net .....	<u>\$155</u>	<u>\$170</u>	<u>\$194</u>
Income tax (refund) paid, net .....	\$ 71	\$ (29)	\$ 69

### T. Segment information

MWV's segments are (i) Packaging Resources, (ii) Consumer Solutions, (iii) Consumer & Office Products, (iv) Specialty Chemicals, and (v) Community Development and Land Management.

The Packaging Resources segment produces paperboard used in packaging for food, beverage, tobacco, healthcare, and beauty and personal care markets. This segment's products include bleached paperboard ("SBS") and Coated Natural Kraft® paperboard ("CNK®") that are manufactured at three mills located in the U.S. and corrugated packaging that is manufactured at two mills located in Brazil. SBS is principally used in packaging solutions for higher-value branded consumer products in global food, tobacco, cosmetics and pharmaceuticals markets. SBS is also used in liquid packaging applications for shelf-stable dairy products and other liquid food and beverage products. CNK® is used for a range of packaging applications, the largest of which for MWV are multi-pack beverage packaging and food packaging. MWV's corrugated packaging business is focused on fresh produce, frozen meat and consumer products markets in South America.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Consumer Solutions segment designs and produces packaging solutions and systems for the food, beverage, tobacco, beauty and personal care, healthcare, and home and garden markets. This segment manufactures multi-pack cartons primarily for the global beverage take-home market, high-end packaging for the global tobacco market, injection-molded plastic and paperboard packaging for prescription drugs, and dispensing and sprayer systems for personal care, fragrance, healthcare, food, home cleaning, and garden and lawn maintenance products. Paperboard and plastic are converted into packaging products at plants located in North America, South America, Europe and Asia. This segment also has pharmaceutical packaging contracts with retailers, including mass-merchants. In addition, this segment manufactures equipment that is leased or sold to its beverage and dairy customers to package their products.

The Consumer & Office Products segment manufactures, sources, markets and distributes school, office and time-management products in North America and Brazil through both retail and commercial channels. MWV produces many of the leading brand names in school supplies, time-management and commercial office products, including AMCAL®, AT-A-GLANCE®, Cambridge®, Day Runner®, Five Star®, Mead® and Trapper Keeper®.

The Specialty Chemicals segment manufactures, markets and distributes specialty chemicals derived from sawdust and other byproducts of the papermaking process in North America, Europe, South America and Asia. Products include activated carbon used in gasoline vapor emission control systems for automobiles and trucks and applications for air, water and food purification. Other products include performance chemicals used in printing inks, asphalt paving and adhesives, as well as in the agricultural, paper and petroleum industries.

The Community Development and Land Management segment is responsible for maximizing the value of the company's landholdings in the Southeastern region of the U.S. Operations of the segment include real estate development, forestry operations and leasing activities. Real estate development includes (i) selling non-core forestlands primarily for recreational and residential uses, (ii) entitling and improving high-value tracts, and (iii) master planning select landholdings. Forestry operations include growing and harvesting softwood and hardwood on the company's forestlands for external consumption and for use by the company's mill-based business. Leasing activities include fees from third parties undertaking mineral extraction operations, as well as fees from recreational leases on the company's forestlands.

Corporate and Other includes expenses associated with corporate support staff services, as well as income and expense items not directly associated with ongoing segment operations, such as restructuring charges, pension income and curtailment gains and losses, interest expense and income, non-controlling interest income and losses, certain legal settlements, gains and losses on certain asset sales and other items.

The segments are measured on operating profits before restructuring charges, interest expense and income, minority interest income and losses and income taxes. The segments follow the same accounting principles described in the *Summary of Significant Accounting Policies*. Sales between the segments are recorded primarily at market prices.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

No single customer or foreign country other than Brazil accounted for 10% or more of consolidated trade sales or assets in the periods presented. The below table reflects amounts on a continuing operations basis.

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Net sales</b> <sup>1</sup>			
U.S. <sup>2</sup> .....	\$3,972	\$3,772	\$3,647
Brazil .....	731	688	581
Other Non-U.S. ....	<u>1,357</u>	<u>1,233</u>	<u>1,178</u>
Net sales .....	<u>\$6,060</u>	<u>\$5,693</u>	<u>\$5,406</u>
 <b>Long-lived assets, net</b>			
U.S. ....	\$3,733	\$3,804	\$3,737
Brazil .....	643	393	369
Other Non-U.S. ....	<u>502</u>	<u>528</u>	<u>518</u>
Long-lived assets .....	<u>\$4,878</u>	<u>\$4,725</u>	<u>\$4,624</u>

<sup>1</sup> Net sales are attributed to countries based on location of the seller.

<sup>2</sup> Export sales from the U.S. were \$959 million, \$871 million, and \$789 million for the years ended December 31, 2011, 2010, and 2009, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Financial information by segment and Corporate and Other follows:

<i>In millions</i>	<u>Trade sales</u>	<u>Inter-segment sales</u>	<u>Total sales</u>	<u>Segment profit</u>	<u>Depreciation, depletion and amortization</u>	<u>Segment assets</u>	<u>Capital expenditures</u>
<b>Year ended December 31, 2011</b>							
Packaging Resources .....	\$2,479	\$ 389	\$2,868	\$ 320	\$182	\$2,866	\$475
Consumer Solutions .....	1,868	1	1,869	106	126	2,218	110
Consumer & Office Products .....	744	0	744	146	22	574	14
Specialty Chemicals .....	811	0	811	203	29	460	29
Community Development and Land Management .....	158	3	161	63	10	384	6
Total .....	6,060	393	6,453	838	369	6,502	634
Corporate and Other <sup>1</sup> .....	0	0	0	(420)	24	2,261	36
Assets of discontinued operations ..	0	0	0	0	0	0	0
Non-controlling interests .....	0	0	0	4	0	0	0
Inter-segment eliminations .....	0	(393)	(393)	0	0	0	0
Consolidated totals <sup>3</sup> .....	<u>\$6,060</u>	<u>\$ 0</u>	<u>\$6,060</u>	<u>\$ 422</u>	<u>\$393</u>	<u>\$8,763</u>	<u>\$670</u>
<b>Year ended December 31, 2010</b>							
Packaging Resources .....	\$2,286	\$ 384	\$2,670	\$ 257	\$178	\$2,596	\$119
Consumer Solutions .....	1,816	2	1,818	125	122	2,080	61
Consumer & Office Products .....	748	0	748	141	25	589	11
Specialty Chemicals .....	679	1	680	141	30	420	22
Community Development and Land Management .....	164	4	168	67	7	369	5
Total .....	5,693	391	6,084	731	362	6,054	218
Corporate and Other <sup>1</sup> .....	0	0	0	(415)	27	2,679	24
Assets of discontinued operations <sup>2</sup> ..	0	0	0	0	0	81	0
Non-controlling interests .....	0	0	0	4	0	0	0
Inter-segment eliminations .....	0	(391)	(391)	0	0	0	0
Consolidated totals <sup>3</sup> .....	<u>\$5,693</u>	<u>\$ 0</u>	<u>\$5,693</u>	<u>\$ 320</u>	<u>\$389</u>	<u>\$8,814</u>	<u>\$242</u>
<b>Year ended December 31, 2009</b>							
Packaging Resources .....	\$2,073	\$ 373	\$2,446	\$ 182	\$182	\$2,489	\$ 82
Consumer Solutions .....	1,847	0	1,847	94	135	2,129	74
Consumer & Office Products .....	749	0	749	137	23	576	4
Specialty Chemicals .....	499	4	503	56	28	384	28
Community Development and Land Management .....	189	4	193	99	8	355	5
Total .....	5,357	381	5,738	568	376	5,933	193
Corporate and Other <sup>1,4</sup> .....	49	0	49	(176)	30	2,723	25
Assets of discontinued operations <sup>2</sup> ..	0	0	0	0	0	365	0
Non-controlling interests .....	0	0	0	0	0	0	0
Inter-segment eliminations .....	0	(381)	(381)	0	0	0	0
Consolidated totals <sup>3</sup> .....	<u>\$5,406</u>	<u>\$ 0</u>	<u>\$5,406</u>	<u>\$ 392</u>	<u>\$406</u>	<u>\$9,021</u>	<u>\$218</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

- <sup>1</sup> Corporate and Other includes expenses associated with corporate support staff services, as well as income and expense items not directly associated with ongoing segment operations, such as restructuring charges, pension income and curtailment gains and losses, interest expense and income, non-controlling interest income and losses, certain legal settlements, gains and losses on certain asset sales and other items.
- <sup>2</sup> Assets of discontinued operations at December 31, 2010 represent the assets of the envelope products business. Assets of discontinued operations at December 31, 2009 represent the assets of the envelope products business and the media and entertainment packaging business. See Note R for further discussion.
- <sup>3</sup> Consolidated totals represent results from continuing operations, except as otherwise noted.
- <sup>4</sup> Revenue included in Corporate and Other in 2009 includes sales from the company's specialty papers operation, which was sold in the fourth quarter of 2009.

**U. Selected quarterly information**

The below information is unaudited.

<i>In millions, except per share data</i>	<b>Years ended December 31,</b>	
	<b>2011<sup>1</sup></b>	<b>2010<sup>2</sup></b>
<b>Sales:</b>		
First .....	\$1,365	\$1,262
Second .....	1,557	1,429
Third .....	1,639	1,504
Fourth .....	<u>1,499</u>	<u>1,498</u>
Year .....	<u>\$6,060</u>	<u>\$5,693</u>
<b>Gross profit:</b>		
First .....	\$ 316	\$ 231
Second .....	375	300
Third .....	405	349
Fourth <sup>3</sup> .....	<u>286</u>	<u>341</u>
Year <sup>3</sup> .....	<u>\$1,382</u>	<u>\$1,221</u>
<b>Net income (loss) attributable to the company:</b>		
First .....	\$ 65	\$ 24
Second .....	89	50
Third .....	117	(15)
Fourth <sup>3</sup> .....	<u>(25)</u>	<u>47</u>
Year <sup>3</sup> .....	<u>\$ 246</u>	<u>\$ 106</u>
<b>Net income (loss) attributable to the company per diluted share:</b>		
First .....	\$ 0.38	\$ 0.14
Second .....	0.51	0.29
Third .....	0.67	(0.09)
Fourth <sup>3</sup> .....	<u>(0.14)</u>	<u>0.28</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

- <sup>1</sup> First quarter 2011 results include after-tax restructuring charges of \$4 million, or \$0.02 per share, and an after-tax loss from discontinued operations of \$6 million, or \$0.03 per share. Second quarter 2011 results include after-tax restructuring charges of \$5 million, or \$0.03 per share. Third quarter 2011 results include after-tax restructuring charges of \$4 million, or \$0.03 per share. Fourth quarter 2011 results include after-tax charges associated with the forthcoming spin-off of the Consumer & Office Products business of \$47 million, or \$0.28 per share, after-tax restructuring charges of \$6 million, or \$0.03 per share, and an after-tax loss from discontinued operations of \$6 million, or \$0.04 per share.
- <sup>2</sup> First quarter 2010 results include an income tax benefit of \$10 million, or \$0.06 per share, related to favorable domestic tax audit settlements, after-tax restructuring charges of \$3 million, or \$0.02 per share, and an after-tax loss from discontinued operations of \$5 million, or \$0.03 per share. Second quarter 2010 results include after-tax restructuring charges of \$10 million, or \$0.06 per share, and an after-tax loss from discontinued operations of \$6 million, or \$0.03 per share. Third quarter 2010 results include an income tax benefit from cellulosic biofuel producer credits of \$15 million, or \$0.09 per share, after-tax restructuring charges of \$10 million, or \$0.06 per share, an after-tax charge of \$4 million, or \$0.02 per share, from early extinguishment of debt, and an after-tax loss from discontinued operations of \$124 million, or \$0.72 per share. Fourth quarter 2010 results include after-tax restructuring charges of \$12 million, or \$0.07 per share, an after-tax gain of \$5 million, or \$0.03 per share, related to a pension curtailment, an income tax benefit from cellulosic biofuel producer credits of \$5 million, or \$0.03 per share, and an after-tax loss from discontinued operations of \$21 million, or \$0.12 per share.
- <sup>3</sup> Fourth quarter and full-year 2011 results, as previously reported in the company's earnings release dated January 25, 2012, were subsequently adjusted to include non-cash expenses of \$15 million before taxes (\$10 million after taxes or \$0.05 per share) primarily pursuant to the recognition of a projected benefit obligation related to a post-retirement benefit plan.

Included in this adjustment to full-year 2011 earnings are amounts attributable to annual periods prior to 2011 of \$12 million before taxes (\$8 million after taxes or \$0.04 per share). Included in this adjustment to fourth quarter 2011 earnings are amounts attributable to periods prior to the fourth quarter of 2011 of \$14 million before taxes (\$10 million after taxes or \$0.05 per share). The impact to full-year 2011 gross profit was \$12 million (\$10 million attributable to periods prior to 2011). The impact to fourth quarter 2011 gross profit was \$12 million (\$11 million attributable to periods prior to the fourth quarter of 2011). The adjustments attributable to periods prior to the fourth quarter of 2011 were deemed immaterial to the current period and to any individual period prior to the fourth quarter of 2011.

**Item 9. *Changes in and disagreements with accountants on accounting and financial disclosure***

None.

**Item 9A. *Controls and procedures***

**Management's report on internal control over financial reporting.**

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. In order to evaluate the effectiveness of internal control over financial reporting, management has conducted an assessment, including testing, using the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The company's internal control over financial reporting, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934 (“Exchange Act”), is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our assessment, under the criteria established in *Internal Control—Integrated Framework*, issued by the COSO, management has concluded that the company maintained effective internal control over financial reporting as of December 31, 2011. In addition, the effectiveness of the company's internal control over financial reporting as of December 31, 2011 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Part II, Item 8.

**Evaluation of the company's disclosure controls and procedures.**

As of the end of the period covered by this Annual Report on Form 10-K, we evaluated the effectiveness of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) of the Exchange Act). This evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). Based on the evaluation of disclosure controls and procedures, our CEO and CFO have concluded that the disclosure controls and procedures were effective and operating to the reasonable assurance level, as of December 31, 2011, to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934 have been accumulated and communicated to management, including our CEO and CFO, and other persons responsible for preparing such reports to allow timely decisions regarding required disclosure and that it is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

**Changes in internal control over financial reporting.**

During the fiscal year ended December 31, 2011, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially effect, our internal control over financial reporting.

**Item 9B. *Other information***

None.

### **Part III**

#### **Item 10. *Directors, executive officers and corporate governance***

Information required by this item for MeadWestvaco's directors will be contained in MeadWestvaco's 2012 Proxy Statement, pursuant to Regulation 14A under the sections captioned "Nominees for Election as Directors," and "Board Committees," to be filed with the SEC on or around March 21, 2012, and is incorporated herein by reference. A portion of the information required by this item for MeadWestvaco's executive officers is also contained in Part I of this report under the caption "Executive officers of the registrant."

#### **Item 11. *Executive compensation***

Information required by this item will be contained in MeadWestvaco's 2012 Proxy Statement, pursuant to Regulation 14A under the sections captioned "Executive Compensation," "Compensation Discussion and Analysis," and "Director Compensation," to be filed with the SEC on or around March 21, 2012, and is incorporated herein by reference.

#### **Item 12. *Security ownership of certain beneficial owners and management and related stockholder matters***

Information required by this item will be contained in MeadWestvaco's 2012 Proxy Statement, pursuant to Regulation 14A under the sections captioned "Equity Compensation Plan Information," "Ownership of Directors and Executive Officers," and "Ownership of Certain Beneficial Owners," to be filed with the SEC on or around March 21, 2012, and is incorporated herein by reference.

#### **Item 13. *Certain relationships and related transactions, and director independence***

Information required by this item will be contained in MeadWestvaco's 2012 Proxy Statement, pursuant to Regulation 14A under the section captioned "Board Committees," to be filed with the SEC on or around March 21, 2012, and is incorporated herein by reference.

#### **Item 14. *Principal accounting fees and services***

Information required by this item will be contained in MeadWestvaco's 2012 Proxy Statement, pursuant to Regulation 14A under the section captioned "Report of the Audit Committee of the Board of Directors," to be filed with the SEC on or around March 21, 2012, and is incorporated herein by reference.

## Part IV

### Item 15. *Exhibits, financial statement schedules*

(a) Documents filed as part of this report:

#### 1. Consolidated financial statements

The consolidated financial statements of MeadWestvaco Corporation and consolidated subsidiaries are listed in the index which is included in Part II, Item 8.

#### 2. Consolidated financial statement schedules

All financial statement schedules have been omitted because they are inapplicable, not required, or shown in the consolidated financial statements and notes thereto contained herein.

#### 3. Exhibits

- 3.1 Amended and Restated Certificate of Incorporation of the Registrant, previously filed as Exhibit 99.1 to the company's Form 8-K on May 1, 2008, and incorporated herein by reference.
- 3.2 Amended and Restated By-laws of the Registrant dated October, 2008, previously filed as Exhibit 99.1 to the company's Form 8-K on December 15, 2009, and incorporated herein by reference.
- 4.1 Indenture dated as of April 2, 2002 by and among the Registrant, Westvaco Corporation, The Mead Corporation and The Bank of New York, as Trustee, previously filed as Exhibit 4(a) to the company's Form 8-K on April 2, 2002 (SEC file number 001-31215), and incorporated herein by reference.
- 4.2 Form of Indenture, dated as of March 1, 1983, between Westvaco Corporation and The Bank of New York (formerly Irving Trust Company), as trustee, previously filed as Exhibit 2 to Westvaco's Registration Statement on Form 8-A on January 24, 1984 (SEC file number 001-03013), and incorporated herein by reference.
- 4.3 First Supplemental Indenture by and among Westvaco Corporation, the Registrant, The Mead Corporation and The Bank of New York dated January 31, 2002, previously filed as Exhibit 4.1 to the company's Form 8-K on February 1, 2002 (SEC file number 001-31215), and incorporated herein by reference.
- 4.4 Second Supplemental Indenture between the Registrant and The Bank of New York dated December 31, 2002, previously filed as Exhibit 4.1 to the company's Form 8-K on January 7, 2003 (SEC file number 001-31215), and incorporated herein by reference.
- 4.5 Indenture dated as of February 1, 1993 between The Mead Corporation and The First National Bank of Chicago, as Trustee, previously filed as Exhibit 4.vv to the company's Annual Report on Form 10-K for the Transition Period ended December 31, 2001, and incorporated herein by reference.
- 4.6 First Supplemental Indenture between The Mead Corporation, the Registrant, Westvaco Corporation and Bank One Trust Company, NA dated January 31, 2002, previously filed as Exhibit 4.3 to the company's Form 8-K on February 1, 2002 (SEC file number 001-31215), and incorporated herein by reference.
- 4.7 Second Supplemental Indenture between MW Custom Papers, Inc. and Bank One Trust Company, NA dated December 31, 2002, previously filed as Exhibit 4.4 to the company's Form 8-K on January 7, 2003 (SEC file number 001-31215), and incorporated herein by reference.

- 4.8** Third Supplemental Indenture between the Registrant and Bank One Trust Company, NA dated December 31, 2002, previously filed as Exhibit 4.5 to the company's Form 8-K on January 7, 2003 (SEC file number 001-31215), and incorporated herein by reference.
- 4.12** Form of 7.375% Note due in 2019, previously filed as Exhibit 4.1 to the company's Form 8-K on August 25, 2009, and incorporated herein by reference.
- 4.13** \$600 million Five-Year Credit Agreement, dated as of January 30, 2012 among the Registrant with a syndicate of commercial banks, including Citibank N.A. as administrative agent, previously filed as Exhibit 99.1 to the company's Form 8-K on January 30, 2012 and incorporated by reference.
- 10.2+** The Mead Corporation 1996 Stock Option Plan, as amended through June 24, 1999 and amended February 22, 2001, previously filed as Exhibit 10.3 to Mead's Quarterly Report on Form 10-Q for the period ended July 4, 1999 (SEC file number 001-02267) and Appendix 2 to Mead's definitive proxy statement for the 2001 Annual Meeting of Shareholders, and incorporated herein by reference.
- 10.3+** Amendment to The Mead Corporation 1996 Stock Option Plan, effective April 23, 2002, previously filed as Exhibit 10.3 to the company's Quarterly Report on Form 10-Q for the period ended June 30, 2002, and incorporated herein by reference.
- 10.4+** Amendment to The Mead Corporation 1996 Stock Option Plan effective January 23, 2007, as previously filed as Exhibit 10.4 to the company's Annual Report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference.
- 10.5+** 1985 Supplement to The Mead Corporation Incentive Compensation Election Plan, as amended November 17, 1987, and as further amended October 29, 1988; as amended effective June 24, 1998; as amended effective October 26, 2001, previously filed as Exhibit 10.xxix to the company's Annual Report on Form 10-K for the Transition Period ended December 31, 2001, and incorporated herein by reference.
- 10.6+** The Mead Corporation Supplemental Executive Retirement Plan effective January 1, 1997; as amended effective June 24, 1998; as amended effective August 28, 2001, previously filed as Exhibit 10.xxxii to the company's Annual Report on Form 10-K for the Transition Period ended December 31, 2001, and incorporated herein by reference.
- 10.7+** Third Amendment to The Mead Corporation Supplemental Executive Retirement Plan in which executive officers participate, previously filed as Exhibit 10.1 to the company's Quarterly Report on Form 10-Q for the period ended March 30, 2002 (SEC file number 001-31215), and incorporated herein by reference.
- 10.12+** The Mead Corporation Deferred Compensation Plan for Directors, as amended through October 29, 1988; as amended effective June 24, 1998; as amended effective October 26, 2001, previously filed as Exhibit 10.xxxvi to the company's Annual Report on Form 10-K for the Transition Period ended December 31, 2001, and incorporated herein by reference.
- 10.13+** 1985 Supplement to The Mead Corporation Deferred Compensation Plan for Directors, as amended through October 29, 1988; as amended effective June 24, 1998; as amended effective October 26, 2001, previously filed as Exhibit 10.xxxvii to the company's Annual Report on Form 10-K for the Transition Period ended December 31, 2001, and incorporated herein by reference.
- 10.14+** The Mead Corporation Directors Capital Accumulation Plan as Amended and Restated effective January 1, 2000; as amended effective October 26, 2001, previously filed as Exhibit 10.xxxviii to the company's Annual Report on Form 10-K for the Transition Period ended December 31, 2001, and incorporated herein by reference.
- 10.15+** Westvaco Corporation 1995 Salaried Employee Stock Incentive Plan, effective February 28, 1995, previously filed at Exhibit 99 to Westvaco's Registration Statement on Form S-8 on February 28, 1995, and incorporated herein by reference.

- 10.16+** Amendment to Westvaco Corporation 1995 Salaried Employee Stock Incentive Plan, effective April 23, 2002, previously filed as Exhibit 10-2 to the company's Quarterly Report on Form 10-Q for the period ended June 30, 2002 (SEC file number 001-31215), and incorporated herein by reference.
- 10.17+** Westvaco Corporation 1999 Salaried Employee Stock Incentive Plan, effective September 17, 1999, previously filed as Appendix A to Westvaco's definitive proxy statement for the 1999 Annual Meeting of Shareholders (SEC file number 001-03013), and incorporated herein by reference.
- 10.18+** Amendment to Westvaco Corporation 1999 Salaried Employee Stock Incentive Plan effective as of April 23, 2002, previously filed as Exhibit 10.1 to the company's Quarterly Report on Form 10-Q for the period ended June 30, 2002 (SEC file number 001-31215), and incorporated herein by reference.
- 10.19+** Amendment to Westvaco Corporation 1999 Salaried Employee Stock Incentive Plan effective January 23, 2007, as previously filed as Exhibit 10.19 to the company's Annual Report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference.
- 10.20+** MeadWestvaco Corporation Compensation Plan for Non-Employee Directors as Amended and Restated effective January 1, 2009 except as otherwise provided, previously filed as Exhibit 10.20 to the company's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
- 10.21** Equity and Asset Purchase Agreement dated as of January 14, 2005 between the Registrant and Maple Acquisition LLC, previously filed as Exhibit 99.1 on the company's Form 8-K on January 21, 2005, for the sale of its papers business and associated assets, and incorporated herein by reference.
- 10.22+** MeadWestvaco Corporation 2005 Performance Incentive Plan effective April 22, 2005 and as amended February 26, 2007 and January 1, 2009 previously filed as Exhibit 10.1 to the company's Form 8-K on April 30, 2009, and incorporated herein by reference.
- 10.23+** MeadWestvaco Corporation Executive Retirement Plan, as amended and restated effective January 1, 2009 except as otherwise provided, previously filed as Exhibit 10.24 to the company's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
- 10.24+** MeadWestvaco Corporation Deferred Income Plan Restatement effective January 1, 2007 except as otherwise provided, previously filed as Exhibit 10.25 to the company's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
- 10.25+** MeadWestvaco Corporation Retirement Restoration Plan effective January 1, 2009, except as otherwise provided, previously filed as Exhibit 10.26 to the company's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
- 10.26+** MeadWestvaco Corporation Compensation Program for Non-Employee Directors effective April 26, 2010, previously filed as Exhibit 10.27 to the company's Annual Report on Form 10-K for the year ended December 31, 2009, and incorporated herein by reference.
- 10.27+** Form of Employment Agreement dated January 1, 2008, for Mark T. Watkins, as previously filed as Exhibit 10.33 to the company's Annual Report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference.
- 10.28** Form of Employment Agreement dated January 1, 2008, for John A. Luke, Jr., James A. Buzzard, E. Mark Rajkowski and Wendell L. Willkie, II, as previously filed as Exhibit 10.32 to the company's Annual Report on Form 10-K for the year ended December 31, 2007, and incorporated herein by reference.

- 10.29+** Amendments to The Mead Corporation Incentive Compensation Election Plan, The Mead Corporation Deferred Compensation Plan for Directors, The Mead Corporation Directors Capital Accumulation Plan, Westvaco Corporation Deferred Compensation Plan, Westvaco Corporation Savings and Investment Restoration Plan, Westvaco Corporation Deferred Compensation Plan for Non-Employee Outside Directors, and Westvaco Corporation Retirement Plan for Outside Directors, previously filed as Exhibit 10.30 to the company's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
- 10.32+** Summary of MeadWestvaco Corporation Annual Incentive Plan under 2005 Performance Incentive Plan, as amended, previously filed as Exhibit 10.32 to the company's Annual Report on Form 10-K for the year ended December 31, 2008, and incorporated herein by reference.
- 10.33+** Summary of MeadWestvaco Corporation 2010 Long-Term Incentive Plan under the 2005 Performance Plan, as amended, previously filed as Exhibit 10.35 to the company's Quarterly Report on Form 10-Q for the period ended March 21, 2010 and incorporated herein by reference.
- 10.35+** Stock Option Awards in 2009—Terms and Conditions, previously filed as Exhibit 10.3 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2009, and incorporated herein by reference.
- 10.36+** Service Based Restricted Stock Unit Awards in 2009—Terms and Conditions, previously filed as Exhibit 10.4 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2009, and incorporated herein by reference.
- 10.37+** MeadWestvaco Corporation Compensation Program for Non-Employee Directors effective April 18, 2011, and incorporated herein by reference.
- 10.38** Summary of MeadWestvaco Corporation 2011 Annual Incentive Plan under the 2005 Performance Incentive Plan, as amended, previously filed as Exhibit 10.38 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2011, and incorporated herein by reference.
- 10.39** Rabbi Trust Agreement, dated as of September 29, 2011, among the Registrant and Union Bank, N.A. previously filed as Exhibit 10.2 to the company's Quarterly Report on Form 10-Q for the period ended September 30, 2011, and incorporated herein by reference.
- 10.40** Agreement and Plan of Merger, dated as of November 17, 2011 among MeadWestvaco Corporation, Monaco SpinCo inc., ACCO Brands Corporation and Augusta Acquisition Sub, Inc. previously filed as Exhibit 2.1 to the company's Form 8-K on November 17, 2011, and incorporated herein by reference.
- 10.41** Separation Agreement, dated as of November 17, 2011, among MeadWestvaco Corporation and Monaco SpinCo Inc. previously filed as Exhibit 10.1 to the company's Form 8-K on November 17, 2011, and incorporated herein by reference.
- 21.\*** Subsidiaries of the Registrant.
- 23.1\*** Consent of PricewaterhouseCoopers LLP.
- 31.1\*** Rule 13a-14(a) Certification by Chief Executive Officer.
- 31.2\*** Rule 13a-14(a) Certification by Chief Financial Officer.
- 32.1\*** Section 1350 Certification by Chief Executive Officer.
- 32.2\*** Section 1350 Certification by Chief Financial Officer.
- 101** XBRL Instance Document and Related Items.

\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

We agree to furnish copies of other instruments defining the rights of holders of long-term debt to the Commission upon its request.



Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ JOHN A. LUKE, JR.</u> <b>John A. Luke, Jr.</b>	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer and Director)	February 27, 2012
<u>/s/ E. MARK RAJKOWSKI</u> <b>E. Mark Rajkowski</b>	Senior Vice President (Chief Financial Officer)	February 27, 2012
<u>/s/ JOHN E. BANU</u> <b>John E. Banu</b>	Vice President and Controller (Principal Accounting Officer)	February 27, 2012
<u>/s/ MICHAEL E. CAMPBELL</u> <b>Michael E. Campbell</b>	Director	February 27, 2012
<u>/s/ DR. THOMAS W. COLE, JR.</u> <b>Dr. Thomas W. Cole, Jr.</b>	Director	February 27, 2012
<u>/s/ JAMES G. KAISER</u> <b>James G. Kaiser</b>	Director	February 27, 2012
<u>/s/ RICHARD B. KELSON</u> <b>Richard B. Kelson</b>	Director	February 27, 2012
<u>/s/ JAMES M. KILTS</u> <b>James M. Kilts</b>	Director	February 27, 2012
<u>/s/ SUSAN J. KROPF</u> <b>Susan J. Kropf</b>	Director	February 27, 2012
<u>/s/ DOUGLAS S. LUKE</u> <b>Douglas S. Luke</b>	Director	February 27, 2012
<u>/s/ GRACIA C. MARTORE</u> <b>Gracia C. Martore</b>	Director	February 27, 2012
<u>/s/ ROBERT C. MCCORMACK</u> <b>Robert C. McCormack</b>	Director	February 27, 2012
<u>/s/ TIMOTHY H. POWERS</u> <b>Timothy H. Powers</b>	Director	February 27, 2012
<u>/s/ JANE L. WARNER</u> <b>Jane L. Warner</b>	Director	February 27, 2012
<u>/s/ ALAN D. WILSON</u> <b>Alan D. Wilson</b>	Director	February 27, 2012

**CERTIFICATION**

I, John A. Luke, Jr. certify that:

1. I have reviewed this annual report on Form 10-K of MeadWestvaco Corporation;
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(s) 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 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(s) 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: February 27, 2012

\_\_\_\_\_  
 /s/ JOHN A. LUKE, JR.  
 Name: John A. Luke, Jr.  
 Title: Chief Executive Officer

**CERTIFICATION**

I, E. Mark Rajkowski certify that:

1. I have reviewed this annual report on Form 10-K of MeadWestvaco Corporation;
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(s) 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 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(s) 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: February 27, 2012

\_\_\_\_\_  
 /s/ E. MARK RAJKOWSKI  
 Name: E. Mark Rajkowski  
 Title: Chief Financial Officer



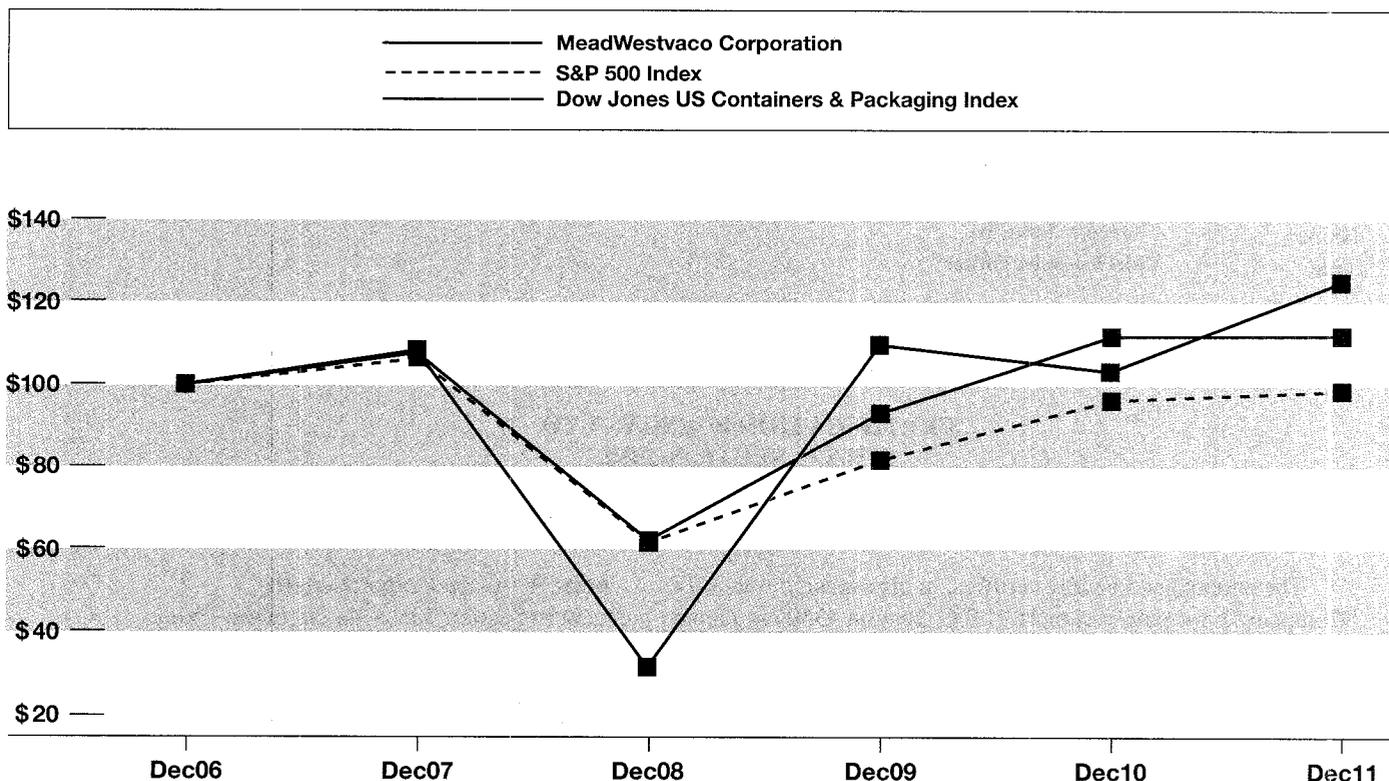
# Total Shareholder Return

The graph compares on a relative basis the cumulative total return to shareholders on MeadWestvaco's common stock from December 31, 2006, plus reinvested dividends and distributions through December 31, 2011, with the return on the S&P

500 Index and the Dow Jones US Containers & Packaging Index, the company's peer group index.

The graph assumes \$100 was invested on December 31, 2006, in each of the following: the Company's common

stock, the S&P 500 Index, and the Dow Jones US Containers & Packaging Index. This graph should not be taken to imply any assurance that past performance is predictive of future performance.



	12/06	12/07	12/08	12/09	12/10	12/11
MeadWestvaco Corporation	100.00	107.20	40.15	108.39	102.82	121.61
S&P 500	100.00	105.49	66.46	84.05	96.71	98.75
Dow Jones US Containers & Packaging	100.00	106.73	66.91	93.98	110.23	110.39

# Board of Directors

**John A. Luke, Jr.**

Chairman and  
Chief Executive Officer  
MeadWestvaco Corporation

**Michael E. Campbell**

Retired Chairman, President and  
Chief Executive Officer  
Arch Chemicals, Inc.

**Dr. Thomas W. Cole, Jr.**

President Emeritus  
Clark Atlanta University

**James G. Kaiser**

Chairman, Director and  
Chief Executive Officer  
Avenir Partners, Inc.

**Richard B. Kelson**

Chairman, President and  
Chief Executive Officer  
ServCo, LLC

Retired Executive Vice President and  
Chief Financial Officer  
Alcoa, Inc.

**James M. Kilts**

Founding Partner  
Centerview Capital  
Chairman  
Nielsen Holdings N.V.

Former Vice Chairman  
The Procter & Gamble Company  
Former Chairman and  
Chief Executive Officer  
The Gillette Company

**Susan J. Kropf**

Retired President and  
Chief Operating Officer  
Avon Products, Inc.

**Douglas S. Luke**

President and  
Chief Executive Officer  
HL Capital, Inc.

**Gracia C. Martore**

President and  
Chief Executive Officer  
Gannett Company, Inc.

**Robert C. McCormack\***

Founding Partner  
Trident Capital, Inc.

**Timothy H. Powers**

Chairman, President and  
Chief Executive Officer  
Hubbell, Inc.

**Jane L. Warner**

Executive Vice President  
Illinois Tool Works, Inc.

**Alan D. Wilson**

Chairman, President and  
Chief Executive Officer  
McCormick & Company, Inc.

*\*Mr. McCormack will retire from the  
MWV Board of Directors effective  
as of the Annual Meeting, Monday,  
April 23, 2012*

# MWV Management

## Leadership Team\*

**John A. Luke, Jr.**  
Chairman and Chief Executive Officer

**James A. Buzzard**  
President

**Mark S. Cross**  
Senior Vice President  
Packaging

**Peter C. Durette**  
Vice President and  
Chief Strategy Officer

**Robert A. Feeser**  
Senior Vice President  
Packaging

**E. Mark Rajkowski**  
Senior Vice President and  
Chief Financial Officer

**Linda V. Schreiner**  
Senior Vice President  
Commercial Excellence,  
Human Resources, and  
Communications

**Bruce V. Thomas**  
Senior Vice President  
Healthcare and Innovation

**Wendell L. Willkie II**  
Senior Vice President,  
General Counsel and Secretary

## Business and Group Leaders

**John E. Banu\***  
Vice President and Controller

**Dr. Robert K. Beckler**  
President  
MWV Rigesa

**Robert E. Birkenholz\***  
Vice President and Treasurer

**John J. Carrara\***  
Assistant Secretary and  
Assistant General Counsel

**Alejandro Cedeño**  
Vice President  
Innovation

**Jason M. Chapman**  
President  
Global Business Services

**Kevin G. Clark**  
President  
Tobacco

**Donna O. Cox\***  
Vice President  
Communications

**Nikhilanand J. Hiremath**  
Vice President  
Supply Chain

**Marvin E. Hundley**  
President  
Forestry

**Charles E. Johnson, Jr.**  
President  
Packaging Resources System

**Dirk J. Krouskop\***  
Vice President  
Safety, Health & Environment

**Ned W. Masee\***  
Vice President  
Corporate Affairs

**Neil A. McLachlan**  
President  
Consumer & Office Products

**Ialantha E. Parker**  
Vice President  
Financial Planning & Analysis

**Edward A. Rose**  
President  
Specialty Chemicals

**John K. Sanfacon**  
President  
Food Service

**Stephen R. Scherger**  
President  
Beverage and  
Consumer Electronics

**Kenneth T. Seeger**  
President  
Community Development and  
Land Management

**John C. Taylor**  
President  
Primary Plastics Operations

**P. Diane Teer**  
President  
Food

**Mark T. Watkins\***  
Senior Vice President  
Technology

\*Corporate Officers

# Shareholder Information

## Annual Meeting of Shareholders

The next meeting of shareholders will be held on Monday, April 23, 2012, at 11:00 a.m.

Waldorf=Astoria Hotel  
301 Park Avenue  
New York, NY 10022

## Stock Exchange Listing

Symbol: MWW  
New York Stock Exchange

MeadWestvaco Corporation common stock can be issued in direct registration (book entry or uncertificated) form. The stock is DRS (Direct Registration System) eligible.

## Information Requests

Corporate Secretary  
MeadWestvaco Corporation  
299 Park Avenue  
New York, NY 10171

A copy of the Company's annual report filed with the Securities and Exchange Commission (Form 10-K) will be furnished without charge to any shareholder upon written request to the address above.

Telephone +1 212 318 5714  
toll-free in the United States and  
Canada +1 800 432 9874

## About MWW

MeadWestvaco Corporation (NYSE: MWW), provides packaging solutions to many of the world's most-admired brands in the healthcare, beauty and personal care, food, beverage, home and garden, and tobacco industries. The company's businesses also include Consumer & Office Products, Specialty Chemicals, and the Community Development and Land Management Group, which sustainably manages the company's land holdings to support its operations, and to provide for conservation, recreation and development opportunities. With 17,000 employees worldwide, MWW operates in 30 countries and serves customers in more than 100 nations. MWW manages all of its forestlands in accordance with internationally recognized forest certification standards, and has been named to the Dow Jones Sustainability World Index for eight consecutive years.

For more information, please visit [www.mwv.com](http://www.mwv.com).

## Investor Relations

Please visit the MeadWestvaco Corporation Investor Relations site at [www.mwv.com/investorrelations](http://www.mwv.com/investorrelations). On this site you can order financial documents online, send email inquiries and review additional information about the company.

## Direct Purchase and Sales Plan

The BuyDIRECTSM Plan, administered by BNY Mellon, provides existing shareholders and interested first-time investors a direct, convenient and affordable alternative for buying and selling MeadWestvaco shares. Contact BNY Mellon for an enrollment form and brochure that describes the Plan fully.

## Transfer Agent and Registrar

### For BuyDIRECTSM Plan enrollment and other shareholder inquiries:

MeadWestvaco Corporation  
c/o Computershare  
PO Box 358015  
Pittsburgh, PA 15252-8015

### For BuyDIRECTSM Plan sales, liquidations, transfers, withdrawals or optional cash investments (please use bottom portion of advice or statement):

MeadWestvaco Corporation  
c/o Computershare  
PO Box 358015  
Pittsburgh, PA 15252-8015

## To send certificates for transfer or change of address:

MeadWestvaco Corporation  
c/o Computershare  
PO Box 358015  
Pittsburgh, PA 15252-8015

## All telephone inquiries:

+1 866 455 3115 toll-free in the United States and Canada  
+1 201 680 6685 outside the United States and Canada

## All email inquiries:

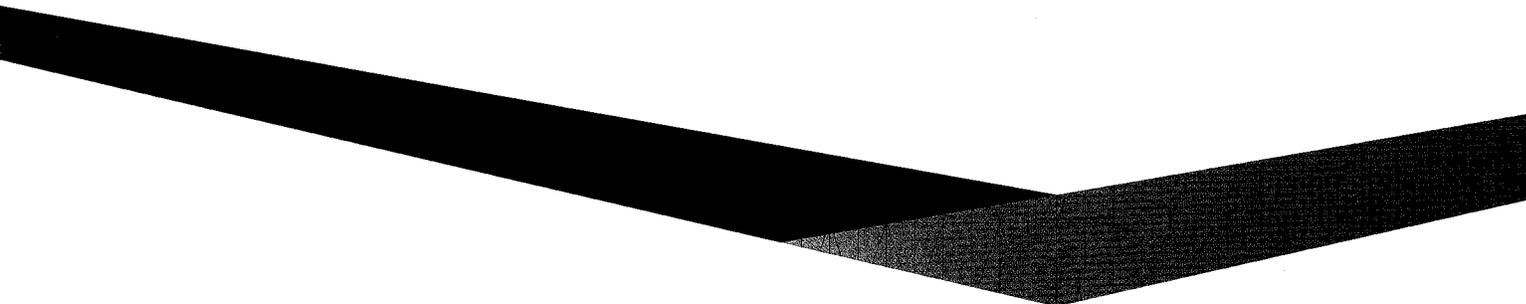
[shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com)

## On the Internet at:

[www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess)

## Acknowledgements

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**Richmond, VA 23219-0501**

**T +1 804 444 1000**

**[mwv.com](http://mwv.com)**



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