

MWV How brands
take shape

MEADWESTVACO CORPORATION
2013 ANNUAL REPORT

**Insight
Imagination
Solution
Execution**

**We provide the
complete package.**



Amazing what goes into our packaging. Amazing what our customers get out of it.

Our strategy for long-term growth starts with market insight. That's how we compete and win in today's complex global economy. We discover what our customers need and match it with what we know their consumers want. With insights like those in place, our strategy for innovation and growth unfolds.



Delivering an enhanced experience.

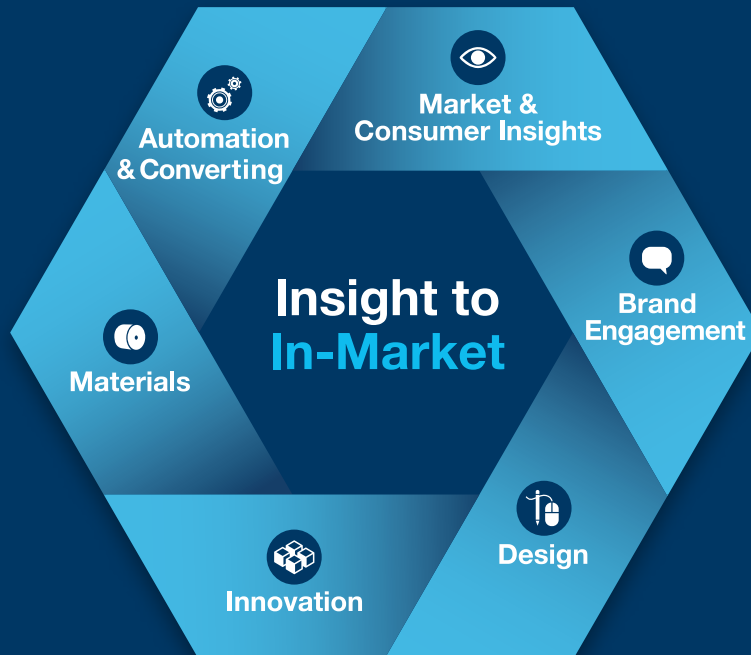
MWV research confirmed that enhancing the physical sensation of applying a fine fragrance elevates a consumer's perception of luxury and premium quality. Using our Melodie® and Maestro® fragrance pumps, we created our Emotions of Spray Collection. The collection gives brands more options for tailoring the pump and the spray experience to the personalities of different fragrances. It's just one example of how we're able to intensify our own innovation.

Making a product even more heroic.

In 2013, MWV introduced the Hero Pack™, a unique design that allows shoppers to instantly visualize the brand experience they're going to enjoy. Our innovative packaging exposes and aligns the middle bottle so that it's locked in position facing out. The purchaser is persuaded to make a purchase not only by the design of the secondary packaging, but also through a direct, emotional connection with the product itself. Beverage companies invest heavily in primary product containers and labels. The Hero Pack enhances visibility of the product to help maximize brand loyalty.



We're thinkers, innovators, designers, engineers and, most important, **listeners.**



The building blocks of our methodology form a continuous circle. Insight leads to imagination, imagination to innovation, innovation to solution and solution to execution. That process in turn informs new cycles of product development and corporate growth. At every step, the men and women of MWV transform what we hear in the marketplace into results that make a difference.



To Our Shareholders, Customers and Employees:

From the deep insights that fuel our participation in targeted markets to the solutions that help our customers' brands win with global consumers, MWV is a packaging company that delivers. We create value for our customers. We return value to our shareholders. And, we value our employees who deliver results around the world.

In fact, we are committed to maximizing the value we deliver to everyone who has a stake in our success. We did so in 2013 by growing the company's revenue, returning to shareholders proceeds from our U.S. forestlands along with our strong dividend, and investing in our business for the long term. However, the profits we generated last year were below our expectations, largely due to several operational challenges. We have put in motion an intensive program to improve our profitability – which will drive significantly higher earnings and cash flow in 2014 and beyond.

From this strong position, we are looking ahead to accomplishing our vision of packaging leadership characterized by consistent and sustainable profitable growth.

Continuing Commercial Success

Overall, we had two percent growth on the top line in 2013 – our fourth consecutive year of profitable sales growth since the recession in 2009. This was a very good result given still-difficult global economic conditions and some negative impact from currency. Our continued commercial success in the marketplace for packaging and specialty chemicals comes from the four pillars of our profitable growth strategy – commercial excellence, innovation, emerging markets and expanded participation – as well as the investments we've made in capacity, capabilities and market insights.

For instance, last year we introduced innovative solutions such as Versaplast™, a home cleaning trigger sprayer, Optilock™ technology for our adherence packaging solutions for healthcare, and the Hero Pack™ and fragrance pump collection featured on the previous page. We see tremendous potential for the “insight to in-market” approach that leverages all of our capabilities to drive innovation with our customers. More of our customers are recognizing the advantage of this system and initiating projects and



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

“We are moving forward confidently with our growth strategy and margin improvement actions – in both cases building on the commercial and operational success that is already evident in each of our segments.”

partnerships that lead directly to sales lift and supply chain benefits for their brands and revenue growth for our business. We expect more of this work in 2014, with a number of new product launches planned in the food, beverage, beauty and personal care, home and garden, and healthcare markets around the world.

Last year, we continued to leverage our investments in emerging markets, driving 10 percent organic growth in these key regions (not including additional revenue from the acquisition of Ruby Macons). Our investment in Brazil – a new paper machine and related mill enhancements – was a big part of this growth, as we had higher paper sales and increased pricing based on the quality improvements of our new paperboard, HyPerform™. We are expanding our corrugated packaging business in India in similar ways and expect steady growth as the market continues to move toward higher-quality corrugated packaging to support middle-class consumerism and modern retail. Our focused participation in Brazil, India and other emerging markets has grown this share of our revenue to nearly a third of total sales – and we expect to expand further as our consumer products customers look to these regions for the majority of their growth over the next decade.

Growth in specialty chemicals also helped pace the company's top line performance. A four percent increase in revenue in this segment was driven by continued strength in value-added chemicals markets that are aligned with ongoing global growth trends such as

infrastructure building and rebuilding, energy exploration, and automobile emission controls. With this well-shaped market participation strategy, we expect this business to continue to be a source of substantial value for our shareholders.

Focusing on Profitability

While we are pleased with the progress we made in the marketplace and the momentum we have carried into this year, we also know we could have done a better job turning our commercial success into bottom line results in 2013. We reported pre-tax income from continuing operations of \$222 million, a modest increase compared to last year, but saw a substantial improvement in cash flow from continuing operations, which increased to \$358 million (compared to \$220 million in 2012).

These results would have been much stronger had we not been hampered by operational challenges, especially early in the year. We were also completing the final stages of our major growth and productivity investments. In the latter part of the year, we operated much better and began to see the benefits from productivity gains in Brazil and from initial startup of the new biomass boiler at our Covington, Va., facility – as well as from an overhead cost reduction program initiated at the beginning of 2013 that delivered \$43 million in savings for the year.

In addition to the positive operating momentum we carried through the fourth quarter and into this year, we announced a comprehensive program to improve our margins and establish a level of profitability and cash generation that we and our shareholders expect. We are taking actions that will reduce our costs, simplify our organizational structure, intensify our innovation efforts, prioritize our capital investments, and refine our market participation – all while extending the progress we have made with our growth strategy. Looking at this margin improvement program together with the overhead savings we generated last year, we expect a combined impact of \$150 million to be realized by 2014 and as much as \$200 million by the end of 2015.

Delivering Value from Forestland

In addition to the commercial and operating momentum of our packaging and specialty chemicals businesses, the sale of our U.S. forestland in 2013 has enabled us to return significant value to our shareholders.

In completing a unique transaction with Plum Creek Timber Company, we accomplished each of the strategic objectives we set at the beginning of the process. We generated maximum, tax-efficient value from the assets and we have returned \$700 million directly to shareholders in the form of stock repurchases and a special dividend.

Beyond these immediate returns, our shareholders will continue to participate in the upside potential of our well-located development properties in South Carolina –

especially the Nexton and East Edisto projects in the Charleston region that the experienced MWV management team is now leading as part of our joint venture with Plum Creek.

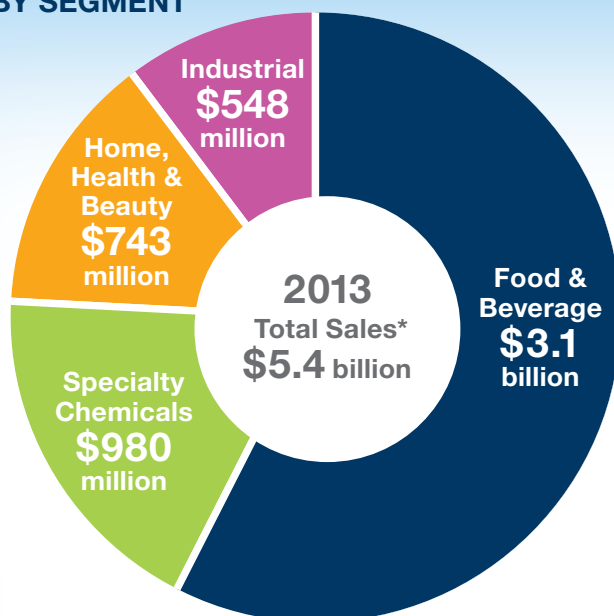
Building into the Future

We are moving forward confidently with our growth strategy and margin improvement actions – in both cases building on the commercial and operational success that is already evident in each of our segments. We are all restless to improve performance, and we will do so with the commitment to excellence that each of our employees demonstrates around the world.

We will also benefit from the strategic vision and execution abilities of two newly-elevated leaders. MWV's Board of Directors recently elected Bob Beckler

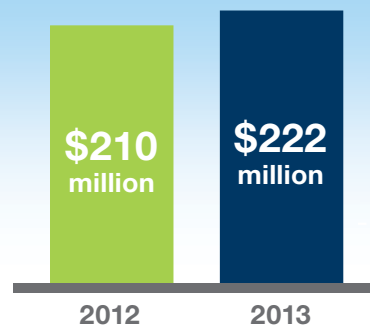
2013 AT A GLANCE

2013 SALES BY SEGMENT

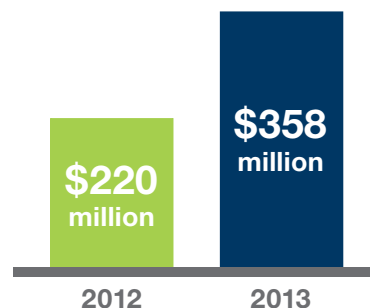


\$700 million returned to shareholders from the sale of U.S. forestlands

Pre-tax Income*



Operating Cash Flow*



\$177 million paid in dividends

*from continuing operations



No matter where we do business, our core values serve as the guiding principles for how we interact with our customers, colleagues and suppliers. We stand behind our words and actions – always.

and Bob Feeser each to the position of executive vice president, with global commercial and operations responsibilities, respectively. They have led some of our most successful businesses over the past many years, and the alignment of our commercial and operations platforms with these two outstanding leaders will enable us to move even more swiftly to accomplish our aggressive goals.

With their ascension, Jim Buzzard has stepped down as president of MWV after 36 years. Jim's contributions to our success have been meaningful and far-reaching for three decades – and he has helped inspire a new generation to lead MWV with his brand of integrity, expertise, and unquestioned commitment to excellence. His leadership will be missed. So, too, will be the guidance from Jim Kilts and Doug Luke, who will each complete their service on our Board of Directors in April.

MWV has the foundation in place to be the complete package – a foundation built on insights that lead to smart choices, innovative solutions that lead to better performance in the market, and a determination to execute that will lead to earnings and cash flow improvement this year and for many more years to come. That will be our mark of success, and I thank everyone associated with this meaningful endeavor.

Sincerely,

John A. Luke, Jr.
Chairman and Chief Executive Officer
February 24, 2014

2013 Form 10-K

MeadWestvaco Corporation
2013 Annual Report



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

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

**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

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 5th 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:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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, 2013, the aggregate market value of common stock held by non-affiliates was \$5,983,995,412. 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, 2014, the number of shares of common stock of the Registrant outstanding was 174,571,183.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders expected to be held on April 28, 2014, 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 26, 2014.

TABLE OF CONTENTS

	<u>Page</u>
Item PART I	
1. Business	1
1A. Risk factors	4
1B. Unresolved staff comments	7
2. Properties	7
3. Legal proceedings	8
4. Mine safety disclosures	8
PART II	
5. Market for registrant's common equity, related stockholder matters and issuer purchases of equity securities	11
6. Selected financial data	13
7. Management's discussion and analysis of financial condition and results of operations	15
7A. Quantitative and qualitative disclosures about market risk	37
8. Financial statements and supplementary data	38
9. Changes in and disagreements with accountants on accounting and financial disclosure	85
9A. Controls and procedures	85
9B. Other information	85
PART III	
10. Directors, executive officers and corporate governance	86
11. Executive compensation	86
12. Security ownership of certain beneficial owners and management and related stockholder matters	86
13. Certain relationships and related transactions, and director independence	86
14. Principle accounting fees and services	86
PART IV	
15. Exhibits, financial statement schedules	87
Signatures	91

Part I

Item 1. Business

General

MeadWestvaco Corporation (“MeadWestvaco”, “MWV”, or the “company”) is a global packaging company providing innovative solutions to the world’s most admired brands in the healthcare, beauty and personal care, food, beverage, home and garden, tobacco, and agricultural industries. The company also produces specialty chemicals for the automotive, energy, and infrastructure industries and maximizes the value of its development land holdings in the Charleston, South Carolina region. MeadWestvaco is a Delaware corporation, incorporated in 2001 and the successor to Westvaco Corporation and The Mead Corporation. MWV’s reporting segments are (i) Food & Beverage, (ii) Home, Health & Beauty, (iii) Industrial, (iv) Specialty Chemicals, and (v) Community Development and Land Management.

On December 6, 2013, MeadWestvaco completed the sale of its U.S. forestlands, consisting of approximately 501,000 acres in Alabama, Georgia, South Carolina, Virginia and West Virginia, and certain related assets to subsidiaries of Plum Creek Timber Company, Inc (“Plum Creek”). The results of this business are reported in discontinued operations in the consolidated financial statements included in this report. For further information on this transaction, refer to Note S of Notes to Consolidated Financial Statements included in Part II, Item 8.

Food & Beverage

The Food & Beverage segment produces packaging materials, and designs and produces packaging solutions primarily for the global food, food service, beverage, dairy and tobacco end markets, as well as paperboard for commercial printing. For the global food market, the segment develops and produces materials and innovative solutions that are used to package frozen food, dry goods, ready-to-eat meals, hot and cold drinks, and various shelf-stable dairy products. For the global beverage market, the segment has a fully integrated business model, including high-performance paperboard, carton design and converting operations, as well as beverage packaging machinery. For the global tobacco market, the segment produces high performance paperboard, and designs and produces cartons for the world’s leading tobacco brand owners. The segment’s materials are manufactured in the U.S. and converted into packaging solutions at plants located in North America, Europe and Asia.

Home, Health & Beauty The Home, Health & Beauty segment designs and produces packaging solutions for the global personal care, fragrance, home care, lawn and garden, prescription drug and healthcare end markets. For the global beauty and personal care market, the segment produces pumps for fragrances, lotions, creams and soaps, flip-top and applicator closures for bath and body products and lotions, and paperboard and plastic packaging for hair and skin care products. For the global home and garden market, the segment produces trigger sprayers for surface cleaners and fabric care, aerosol actuators for air fresheners, hose-end sprayers for lawn and garden maintenance, and spouted and applicator closures for a variety of other home and garden products. For the global healthcare market, the segment produces secondary packages designed to enhance patient adherence for prescription drugs, as well as healthcare dispensing systems, paperboard packaging and closures for over-the-counter and prescription drugs. Paperboard and plastic materials are converted into packaging solutions at plants located in North America, South America, Europe and Asia.

Industrial

The Industrial segment designs and produces corrugated packaging solutions, primarily for produce, meat, consumer products and bulk goods. In Brazil, where most of this business is based, the integrated business includes forestlands, paperboard mills and corrugated box plants. This segment also includes operations in India, which develop corrugated packaging materials as well as corrugated packaging solutions for Indian fresh produce. In Brazil, the segment manufactures high-quality virgin kraftliner and recycled material medium paperboards, and converts the board to corrugated packaging at four box plants across the country. In India, the segment converts raw materials to corrugated packaging at its facility in Pune and manufactures containerboard at two mills in Vapi and Morai.

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 in the agricultural, paper and petroleum industries. This segment also produces activated carbon products used in gas vapor emission control systems for automobiles and trucks, as well as 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 109,000 development acres in the Charleston, South Carolina region through a land development partnership with Plum Creek. The segment develops real estate including (i) selling development property, (ii) entitling and improving high-value tracts, and (iii) master planning of select landholdings. The earnings of this segment exclude the non-controlling interest attributable to Plum Creek.

For a more detailed description of our segments, including financial information, see Note U 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.

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, as well as 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 Food & Beverage segment competes globally with manufacturers of coated and bleached paperboard for packaging and graphic applications, as well as other specialty paperboards. In addition, this segment competes within the global food, food service, beverage, dairy and tobacco packaging end markets. The Home, Health & Beauty segment competes globally with manufacturers of packaging solutions for the global personal care, fragrance, home care, lawn and garden, prescription drug and healthcare end markets. The Industrial segment competes within the Brazilian and Indian corrugated packaging markets for produce, meat, consumer products and bulk goods. The Specialty Chemicals segment competes globally 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 in the Charleston, South Carolina region.

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 \$44 million, \$45 million and \$46 million for the years ended December 31, 2013, 2012 and 2011, 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 \$50 million and \$75 million in environmental capital expenditures in 2014 and 2015, respectively. Approximately \$32 million was spent on environmental capital projects in 2013. Included in the 2014 and 2015 estimated expenditures are capital costs associated with compliance with the Maximum Achievable Compliance Technology for industrial boilers rules that were finalized by the United States Environmental Protection Agency in January 2013. Total expenditures for compliance with this rule are estimated to be in a range of \$40 million to \$60 million over the period of 2014 through 2015 and possibly extending into 2016.

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, 2013, MeadWestvaco had recorded liabilities of approximately \$4 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 at December 31, 2013 by an amount that could range from an insignificant amount to as much as \$3 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 16,000 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 negotiated new collective agreements at various manufacturing locations around the world in 2013. 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. MeadWestvaco's sales that were attributable to U.S. operations, including export sales, were 66% for the year ended December 31, 2013, 67% for the year ended December 31, 2012 and 65% for year ended December 31, 2011. Export sales from MeadWestvaco's U.S. operations were 18% for the year ended December 31, 2013 and 17% for both years ended December 31, 2012 and 2011. Sales that were attributable to foreign operations were 34% for the year ended December 31, 2013, 33% for the year ended December 31, 2012 and 35% for the year ended December 31, 2011. For more information about the company's U.S. and foreign operations, see Note U of Notes to Consolidated Financial Statements included in Part II, Item 8.

Available information

Our Internet address is 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>. Our *Code of Conduct* applies to all MeadWestvaco directors and employees worldwide, including the Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer. These policies and principles support the company's core values of integrity, respect for the individual, commitment to excellence and teamwork. Printed copies of the *Code of Conduct* are available to any stockholder upon request by calling 1-800-432-9874. Any future changes or amendments to our *Code of Conduct* and any waiver of our *Code of Conduct* that apply to our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, or members of the Board of Directors, will be posted on the Investors section of our website at <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.

Consumer and business confidence, the availability and cost of credit, consumer spending and business investment, the volatility and strength of the capital 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 would be adversely affected. Adverse developments in the U.S., Europe or emerging markets, including Brazil, China and India, could negatively affect earnings and have a material adverse effect on our business, results of operations, cash flows and financial position. 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. In a challenging and uncertain economic environment, we cannot

predict whether or when such adverse economic circumstances may occur, or what impact, if any, such circumstances could have on our business, results of operations, cash flow and financial position.

The company has announced a margin improvement program. If we fail to execute fully on this initiative, we may not realize all the improvements we have publicly announced.

In January of 2014, the company announced a program to generate increased earnings and cash flow. The program is expected to deliver annual pre-tax cost savings of \$100 million to \$125 million by the end of 2015, with at least \$75 million expected to be realized in 2014. This initiative is described more fully in Part II, Item 7. Management is committed to achieving these goals and believes they are attainable. The company's degree of success in attaining these objectives will affect its operating earnings and cash flow.

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 can fluctuate. The company sources all wood fiber for its U.S. mills from third parties. Additionally, energy costs remain volatile and unpredictable. Further unpredictable increases in the cost of various essential 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. 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 costs and improving efficiency through cost controls, productivity enhancements and regular appraisal of our asset portfolio.

The company's markets are global. 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 sales and operations.

For the year ended December 31, 2013, sales outside the U.S. were approximately 52% of total sales, which includes 18% of export sales to our foreign customers. We recently completed a substantial expansion of our corrugated packaging operations in Brazil as well as expanded our participation in other emerging markets, including China and India. As our international operations and activities expand, we inevitably have greater 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.
- Commercial and regulatory difficulties in markets where corrupt practices are prevalent.

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 has reduced its carbon dioxide emissions from fossil fuels even as overall production has increased.

We report the direct greenhouse gas emissions for our major U.S. manufacturing facilities to the U.S. EPA which are publicly available on the EPA website, www.epa.gov, we also report the consolidated greenhouse gas emissions from all of our manufacturing facilities worldwide to the Carbon Disclosure Project ("CDP").

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 take appropriate 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, inadequate supply of fiber, 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 in the Charleston, South Carolina region, 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. Our ability to execute our plans to realize the greater value associated with our development land holdings 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 by reporting segment are currently as follows:

Food & Beverage

Ajax, Ontario, Canada	Lanett, Alabama
Atlanta, Georgia	Low Moor, Virginia
Bilbao, Spain	Moscow, Russian Federation (Leased)
Bristol, United Kingdom	Roosendaal, The Netherlands
Buenos Aires, Argentina (Leased)	São Paulo, São Paulo, Brazil (Leased)
Chicago, Illinois	Santiago de Chile, Chile (Leased)
Cottonton, Alabama	Shimada, Japan
Covington, Virginia	Silsbee, Texas
Deols, France	Smyrna, Georgia
Enschede, The Netherlands	Svitavy, Czech Republic
Evadale, Texas	Trier, Germany
Graz, Austria	Troyes, France
Krakow, Poland	Venlo, The Netherlands

Home, Health & Beauty

Aqua Branca, São Paulo, Brazil	Slatersville, Rhode Island (Leased)
Barcelona, Spain	St. Petersburg, FL (Leased)
Bydgoszcz, Poland	Tecate, Mexico (Leased)
Dublin, Ireland (Leased)	Tijuana, Mexico (Leased)
Grandview, Missouri	Valinhos, São Paulo, Brazil
Hemer, Germany	Vicenza, Italy
Mebane, North Carolina	Vise, Belgium
Milan, Italy (Leased)	Waalwijk, The Netherlands (Leased)
San Luis Potosi, Mexico	Winfield, Kansas
Sion, Switzerland	Wuxi, People’s Republic of China

Industrial

Araçatuba, São Paulo, Brazil	Pune, India
Blumenau, Santa Catarina, Brazil	Tres Barras, Santa Catarina, Brazil
Morai, India	Valinhos, São Paulo, Brazil
Pacajus, Ceara, Brazil	Vapi, India

Specialty Chemicals

Covington, Virginia
DeRidder, Louisiana
Duque de Caxias, Rio de Janeiro, Brazil
North Charleston, South Carolina

Palmeira, Santa Catarina, Brazil
Waynesboro, Georgia
Wickliffe, Kentucky
Wuijang, People's Republic of China

Community Development and Land Management Group and Forestry Centers

Appomattox, Virginia
Rupert, West Virginia
Ridgeville, South Carolina
Summerville, South Carolina

Tres Barras, Santa Catarina, Brazil
Waverly Hall, Georgia
Woodbine, Georgia

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, 2013, MeadWestvaco owned approximately 109,000 acres of development landholdings in the Charleston, South Carolina region 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 the "Environmental laws and regulations" discussion within Part I, Item 1, and in Note P of Notes to Consolidated Financial Statements included in Part II, Item 8. These sections are incorporated herein by reference.

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.**	65	Chairman and Chief Executive Officer	2002
Robert K. Beckler	52	Executive Vice President	2014
Robert A. Feeser	52	Executive Vice President	2014
E. Mark Rajkowski	55	Senior Vice President and Chief Financial Officer	2004
Peter C. Durette	40	Senior Vice President	2012
Linda V. Schreiner	54	Senior Vice President	2002
Mark T. Watkins	60	Senior Vice President	2002
Wendell L. Willkie, II	62	Senior Vice President, General Counsel and Secretary	2002
Robert E. Birkenholz	53	Vice President and Treasurer	2011
Donna O. Cox	50	Vice President	2005
Todd W. Fister	39	Vice President	2013
Brent A. Harwood	50	Vice President and Controller	2013

* As of February 24, 2014

** 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;

Robert K. Beckler, Senior Vice President, 2012-2014; President, Rigesa, 2010-2014; President, Specialty Chemicals, 2007-2010; Vice President, Specialty Chemicals, 2004-2007;

Robert A. Feeser, Senior Vice President, 2010-2014; President, Packaging Resources Group 2004-2010; Vice President, Packaging Group 2002-2004; President, Containerboard Division 2000-2002; President, Gilbert Paper Company 1997-2000;

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;

Peter C. Durette, Vice President and Chief Strategy Officer, 2009-2012; Vice President of Strategy & Business Development at Textron Inc., 2008-2009; Principal/Partner at Marakon Associates, 2004-2008;

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;

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;

Robert E. Birkenholz, Treasurer, 2004-2011, 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;

Todd W. Fister, Director of Strategy and Business Development, 2011-2013; Director of Finance Consumer & Office Products Group, 2007-2011; Kimberly Clark, Senior Strategic Analyst, 2003-2007;

Brent A. Harwood, Assistant Controller, 2006-2012; Controller, Cadmus Communications Corporation, 2001-2006; Deloitte & Touche LLP, 1990-2001.

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, 2013</u>		<u>Year ended December 31, 2012¹</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
First quarter	\$38.39	\$31.14	\$32.13	\$29.13
Second quarter	36.74	33.47	32.50	26.15
Third quarter	39.38	33.95	31.12	26.97
Fourth quarter	39.33	33.38	31.93	27.93

- ¹ On May 1, 2012, the company completed the spin-off of its Consumer & Office Products business and subsequent merger of that business with ACCO Brands Corporation. The stock price for the second quarter of 2012 presented above has not been adjusted to reflect the value of the spin-off to MeadWestvaco's shareholders.

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, 2013, the number of shareholders of record of MeadWestvaco common stock was approximately 17,000. This number includes approximately 9,000 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, 2013</u>	<u>Year ended December 31, 2012</u>
First quarter	\$0.25	\$0.25
Second quarter	0.25	0.25
Third quarter	0.25	0.25
Fourth quarter	<u>0.25</u>	<u>0.25</u>
	<u>\$1.00</u>	<u>\$1.00</u>

On January 27, 2014 the Board of Directors of MeadWestvaco approved a special dividend of \$1.00 and a regular quarterly dividend of \$0.25 per common share, both to be paid on March 3, 2014 to shareholders of record as of February 6, 2014.

(d) Stock repurchases

Common stock shares repurchased by the company during the three months ended December 31, 2013 are as follows:

	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2013 – October 31, 2013	61,100	\$34.88	61,100	8,105,696
November 1, 2013 – November 30, 2013	2,290,100	34.40	2,290,100	5,815,596
December 1, 2013 – December 31, 2013	<u>1,398,442</u>	<u>35.65</u>	<u>1,398,442</u>	4,417,154
	3,749,642	34.88	3,749,642	

During 2013, MWV purchased and retired approximately 4 million of its common shares for \$131 million. At December 31, 2013, there were approximately 4 million shares available for purchase under an existing authorization provided by the company's Board of Directors in January of 2013.

On January 27, 2014 the company's Board of Directors approved approximately \$394 million of share repurchases to be comprised of \$300 million under an accelerated share repurchase program and \$94 million pursuant to open market repurchases, which are expected to be largely completed by the end of the second quarter of 2014.

The company entered into the accelerated share repurchase program with certain financial institutions on February 7, 2014 to purchase \$300 million of MeadWestvaco's common stock. The company purchased for \$300 million a number of its shares to be determined based on the volume weighted average price of its common stock during a specified period of time, subject to certain provisions that establish minimum and maximum number of shares that may be purchased. At February 7, 2014 approximately 7.5 million shares were repurchased and retired; however, at the conclusion of the program, which will be no later than June 2014, the company may receive additional shares.

Item 6. Selected financial data

Dollars in millions, except per share data

	Years ended December 31,				
	2013	2012	2011	2010	2009
EARNINGS					
Net sales	\$ 5,389	\$ 5,287	\$ 5,179	\$ 4,794	\$ 4,474
Income from continuing operations attributable to the company	320	153	177	137	95
Income (loss) from discontinued operations	519	52	69	(31)	130
Net income attributable to the company	839 ¹	205 ²	246 ³	106 ⁴	225 ⁵
Income from continuing operations:					
Per share – basic	1.81	0.88	1.04	0.80	0.56
Per share – diluted	1.78	0.87	1.02	0.79	0.55
Net income per share – basic	4.74	1.18	1.45	0.62	1.31
Net income per share – diluted	4.66	1.16	1.42	0.62	1.30
Depreciation, depletion and amortization expense	390	366	361	354	369
COMMON STOCK					
Number of common shareholders	17,000	18,000	20,000	21,000	22,500
Weighted average number of shares outstanding:					
Basic	177	174	170	170	171
Diluted	180	177	174	173	173
Dividends paid	\$ 177	\$ 173	\$ 170	\$ 160	\$ 157
Per share:					
Dividends declared	1.00	1.00	1.00	0.94	0.92
Book value	22.61	19.04	18.50	19.40	19.77
FINANCIAL POSITION					
Working capital	\$ 1,300	\$ 960	\$ 766	\$ 1,220	\$ 1,284
Current ratio	2.1	1.9	1.5	2.0	2.0
Property, plant, equipment and forestlands, net	\$ 3,647	\$ 3,593	\$ 3,276	\$ 2,982	\$3,014
Total assets	10,285	8,908	8,810	8,814	9,021
Long-term debt, excluding current maturities	1,816	2,100	1,880	2,042	2,152
Shareholders' equity	3,944	3,340	3,162	3,266	3,386 ⁶
Debt to total capital (shareholders' equity and total debt)	32%	39%	40%	39%	39%
OPERATIONS					
Primary production of paperboard (thousands, in tons)	2,998	2,936	2,848	2,804	2,697
New investment in property, plant, equipment and forestlands on a continuing operations basis	\$ 506	\$ 654	\$ 652	\$ 226	\$ 211
Acres of forestlands owned (thousands)	135	135	135	135	\$ 135
Number of employees at December 31	16,000	16,000	17,000	18,000	20,000

¹ 2013 results include after-tax income from the release of reserves for alternative fuel mixture credits of \$165 million, or \$0.92 per share, after-tax restructuring and other charges of \$32 million, or \$0.18 per share, after-tax pension settlement charges of \$11 million, or \$0.06 per share, and discrete income tax benefits of \$13 million, or \$0.07 per share. 2013 results also include after-tax income from discontinued operations of \$519 million, or \$2.88 per share.

² 2012 results include after-tax restructuring charges of \$17 million, or \$0.10 per share, an after-tax benefit from cellulosic biofuel producer credits, net of exchange of alternative fuel mixture credits of \$9 million, or \$0.06 per share. 2012 results also include after-tax income from discontinued operations of \$52 million, or \$0.29 per share.

- ³ 2011 results include after-tax restructuring charges of \$19 million, or \$0.11 per share and an after-tax benefit plan charge of \$6 million or \$0.03 per share. 2011 results also include after-tax income from discontinued operations of \$69 million, or \$0.40 per share.
- ⁴ 2010 results include after-tax restructuring charges of \$34 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 \$31 million, or \$0.17 per share.
- ⁵ 2009 results include after-tax income from alternative fuel mixture credits of \$242 million, or \$1.40 per share, after-tax restructuring charges of \$108 million, or \$0.63 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 after-tax income from discontinued operations of \$130 million, or \$0.75 per share.
- ⁶ The company has revised its consolidated financial statements included in this report to reflect the correction of errors within deferred income taxes. During the fourth quarter of 2013, the company identified \$20 million of deferred income tax errors which include \$13 million of deferred income tax assets that should have been written off prior to 2008, and \$7 million in deferred income tax liabilities that should have been recorded in 2005. Additional information is included in the “Summary of significant accounting policies section” of Notes to Consolidated Financial Statements included in Part II, Item 8.

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

OVERVIEW

For the year ended December 31, 2013, MeadWestvaco Corporation ("MeadWestvaco", "MWV," or the "company") reported a 2% increase in sales and higher overall earnings from continuing operations primarily due to growth in targeted packaging and specialty chemicals markets, as well as from improved pricing within the Industrial segment and consistently running its expanded Brazilian operation at designed capacity levels. The company continued to gain share with food and beverage brand owners and grew volumes in higher value dispensing solutions, including gains in medical plastics, fragrance pumps and personal care dispensers. In addition, steady growth across the global asphalt, oilfield and activated carbon markets drove increased sales and earnings within the Specialty Chemicals segment. These benefits were partially offset by unfavorable foreign currency exchange compared to 2012.

For the year ended December 31, 2013, the company reported net income attributable to the company from continuing operations of \$320 million, or \$1.78 per share. These results include after-tax income from the release of reserves for alternative fuel mixture credits of \$165 million, or \$0.92 per share, after-tax restructuring and other charges of \$32 million, or \$0.18 per share, after-tax pension settlement charges of \$11 million, or \$0.06 per share, and discrete income tax benefits of \$13 million, or \$0.07 per share. Comparable results for prior years are noted later in this discussion.

Cash provided by operating activities from continuing operations improved to \$358 million for the year ended December 31, 2013 compared to \$220 million for the year ended December 31, 2012, primarily reflecting lower working capital levels. Capital expenditures from continuing operations declined to \$506 million for the year ended December 31, 2013 compared to \$654 million for the year ended December 31, 2012, primarily reflecting lower investment related to the company's expansion in Brazil, which was substantially completed in 2012.

On December 6, 2013, the company completed the sale of all of its U.S. forestlands and certain related assets to Plum Creek Timber Company, Inc. ("Plum Creek"), resulting in the recognition of a pre-tax gain of \$780 million presented within discontinued operations on an after-tax basis. The company received total consideration of \$934 million, of which approximately \$74 million was paid in cash and \$860 million was in the form of a ten-year term installment note. Using the installment note as collateral, the company received \$774 million in proceeds under a non-recourse secured financing agreement with a bank on December 20, 2013. The results of the company's forestry business and related assets, as well as the gain on the sale, are reported in discontinued operations in the consolidated financial statements. These businesses were previously reported within the Community Development and Land Management segment.

This segment's principal activities are now focused on maximizing the value of the remaining 109,000 development acres located in the Charleston, South Carolina region through a land development partnership with Plum Creek which was created coincident with the sale of the company's forestry and certain minerals-related businesses on December 6, 2013. Plum Creek contributed approximately \$152 million in cash and the company contributed 109,000 development acres to establish the partnership. Refer to Note S of Notes to Consolidated Financial Statements included in Part II, Item 8 for further information.

Savings associated with the company's cost reduction initiative announced in April 2013 were \$43 million for full-year 2013. The company remains on track to achieve \$75 million in cumulative savings from this initiative by the end of 2014. In January 2014, the company announced a new margin improvement program to generate increased earnings and cash flow. The program is designed to deliver annual pre-tax savings of \$100 million to \$125 million by the end of 2015, with at least \$75 million to be realized in 2014. These savings are incremental to the company's 2013 cost reduction initiative. Free cash flow is expected to increase by at least \$100 million in 2014 from higher after-tax earnings and a \$50 million reduction in capital expenditures resulting in a target spend of \$350 million. Key elements of the margin improvement program include:

- implementing a leaner organization design across the packaging businesses to simplify the structure and speed decision making;

- aligning the corporate infrastructure to the revenue base;
- reassessing participation to focus on business lines and markets within packaging that provide the greatest opportunity for profitable growth; and
- prioritizing capital on the highest return projects to improve free cash flow.

OUTLOOK

For the first quarter of 2014, earnings excluding special items are expected to be well above last year. The principal factors driving the expected improvement are:

- improved demand across targeted paperboard packaging and high value dispensing, pine chemicals and carbon technologies solutions;
- increased price realizations across key consumer and industrial paperboard packaging grades;
- improved productivity in the major domestic mills and significant productivity benefits from higher production in the Brazilian operation; and
- continued benefits from the overhead reduction program that started at the beginning of 2013, as well as initial contribution from the new margin improvement program.

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 report.

RESULTS OF OPERATIONS

The following table summarizes MWV's results for the years ended December 31, 2013, 2012 and 2011, as reported in accordance with accounting principles generally accepted in the U.S ("GAAP"). 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,		
	2013	2012	2011
Net sales	\$5,389	\$5,287	\$5,179
Cost of sales	4,429	4,257	4,126
Selling, general and administrative expenses	638	682	669
Interest expense	159	152	161
Other income, net	(59)	(14)	(28)
Income from continuing operations before income taxes	222	210	251
Income tax (benefit) provision	(97)	54	70
Income from continuing operations	319	156	181
Income from discontinued operations, net of income taxes	519	52	69
Net income	838	208	250
Less: Net (loss) income attributable to non-controlling interests	(1)	3	4
Net income attributable to the company	<u>\$ 839</u>	<u>\$ 205</u>	<u>\$ 246</u>
Income from continuing operations attributable to the company	<u>\$ 320</u>	<u>\$ 153</u>	<u>\$ 177</u>
Net income per share – basic:			
Income from continuing operations	\$ 1.81	\$ 0.88	\$ 1.04
Income from discontinued operations	2.93	0.30	0.41
Net income attributable to the company	<u>\$ 4.74</u>	<u>\$ 1.18</u>	<u>\$ 1.45</u>
Net income per share – diluted:			
Income from continuing operations	\$ 1.78	\$ 0.87	\$ 1.02
Income from discontinued operations	2.88	0.29	0.40
Net income attributable to the company	<u>\$ 4.66</u>	<u>\$ 1.16</u>	<u>\$ 1.42</u>

Comparison of Years Ended December 31, 2013 and 2012

Sales from continuing operations increased 2% to \$5.40 billion in 2013 compared to \$5.29 billion in 2012. Growth in targeted packaging and specialty chemicals markets, as well as improved pricing drove the increase in sales. During 2013, the company continued to gain share with food and beverage brand owners and grew volumes in higher value dispensing solutions, including gains in medical plastics, fragrance pumps and personal care dispensers. Sales growth in 2013 within the Industrial segment was driven by improved pricing, as well as contributions from the corrugated business in India acquired in the fourth quarter of 2012. The Specialty Chemicals segment achieved increased sales in 2013 driven by steady growth across its offerings for the global asphalt, oilfield and activated carbon markets, as well as contributions from the pine chemicals business in Brazil. These overall gains in 2013 were partially offset by unfavorable foreign currency exchange compared to 2012.

Costs of sales were \$4.43 billion and \$4.26 billion for the years ended December 31, 2013 and 2012, respectively. In 2013, costs increased in line with the sales contributions from the corrugated business in India and the pine chemicals business in Brazil which were both acquired during the fourth quarter of 2012. In addition, input costs for energy, raw materials and freight included in cost of sales were \$28 million higher compared to 2012.

Selling, general and administrative expenses were \$638 million and \$682 million for the years ended December 31, 2013 and 2012, respectively. In 2013, lower overall selling, general and administrative expenses compared to 2012 reflect lower variable employee incentive and equity compensation, savings associated with the company's cost reduction initiative, and higher pension income compared to 2012.

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") classifications in the consolidated statements of operations for the years ended December 31, 2013 and 2012 are presented below. Although these charges related to individual segments, such amounts are included in Corporate and Other for segment reporting purposes.

Year ended December 31, 2013

<i>In millions</i>	<u>Employee-related costs</u>			<u>Asset write-downs and other costs</u>			<u>Total</u>		
	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>
Food & Beverage	\$1	\$ 5	\$ 6	\$ 1	\$0	\$ 1	\$ 2	\$ 5	\$ 7
Home, Health & Beauty	7	1	8	13	0	13	20	1	21
Industrial	1	1	2	4	0	4	5	1	6
Specialty Chemicals	0	0	0	6	0	6	6	0	6
All other	0	4	4	0	1	1	0	5	5
Total charges	<u>\$9</u>	<u>\$11</u>	<u>\$20</u>	<u>\$24</u>	<u>\$1</u>	<u>\$25</u>	<u>\$33</u>	<u>\$12</u>	<u>\$45</u>

Year ended December 31, 2012

<i>In millions</i>	<u>Employee-related costs</u>			<u>Asset write-downs and other costs</u>			<u>Total</u>		
	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>
Food & Beverage	\$ 0	\$2	\$ 2	\$0	\$0	\$0	\$ 0	\$2	\$ 2
Home, Health & Beauty	6	1	7	2	0	2	8	1	9
Industrial	9	0	9	2	0	2	11	0	11
All other	0	3	3	0	1	1	0	4	4
Total charges	<u>\$15</u>	<u>\$6</u>	<u>\$21</u>	<u>\$4</u>	<u>\$1</u>	<u>\$5</u>	<u>\$19</u>	<u>\$7</u>	<u>\$26</u>

Pension income was \$85 million (net of charges for settlements and termination benefits of \$21 million) and \$69 million for the years ended December 31, 2013 and 2012, respectively. Pension income is included in Corporate and Other for segment reporting purposes. Pension income is expected to be approximately \$120 million in 2014, excluding impacts from settlements and curtailments.

Interest expense was \$159 million for the year ended December 31, 2013 and was comprised of \$121 million related to bond and bank debt, \$4 million related to long-term obligations non-recourse to MWV, \$24 million related to borrowings under life insurance policies and \$10 million related to other borrowings. Interest expense was \$152 million for the year ended December 31, 2012 and was comprised of \$117 million related to bond and bank debt, \$3 million related to a long-term obligation non-recourse to MWV, \$23 million related to borrowings under life insurance policies and \$9 million related to other borrowings.

Other income, net was \$59 million and \$14 million for the years ended December 31, 2013 and 2012, respectively, and was comprised of the following:

<i>In millions</i>	Years ended December 31,	
	2013	2012
Interest income	\$14	\$ 11
Foreign currency exchange losses	(4)	(5)
Transition services	1	10
Alternative fuel mixture credits ¹	24	(15)
Insurance settlements	14	0
Other, net	10	13
	<u>\$59</u>	<u>14</u>

- ⁽¹⁾ In the fourth quarter of 2013, the company released \$24 million of reserves related to alternative fuel mixture credits. In the fourth quarter of 2012, the company made a determination to claim cellulosic biofuel producer credits in 2013 in exchange for the repayment of \$15 million of alternative fuel mixture credits received from excise tax filings during 2009 and 2010.

The company's effective tax rate benefit attributable to continuing operations was 44% for the year ended December 31, 2013 and the effective tax rate provision attributable to continuing operations was 26% for the year ended December 31, 2012. For the year ended December 31, 2013, an income tax benefit of \$142 million related to the release of reserves for alternative fuel mixture credit as a result of the settlement of certain audits is reflected within the tax provision. For the year ended December 31, 2012, an income tax benefit of \$24 million related to cellulosic biofuel producer credits ("CBPC") is reflected within the tax provision. For both 2013 and 2012, the effective tax rates also reflect the mix and level and pre-tax earnings between the company's domestic and foreign operations.

Discontinued operations presented in the consolidated statements of operations for the years ended December 31, 2013, 2012 and 2011 primarily relate to the sale of the company's forestry and minerals-related businesses on December 6, 2013, the spin-off of the Consumer & Office Products business on May 1, 2012, and the sale of the Envelope Products business on February 1, 2011. Refer to Note S 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. MWV's segments are (i) Food and Beverage, (ii) Home, Health and Beauty, (iii) Industrial, (iv) Specialty Chemicals, and (v) Community Development and Land Management.

Refer to Note U 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. 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 alternative fuel mixture credits, 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.

Food & Beverage

<i>In millions</i>	Years ended December 31,	
	2013	2012
Sales	\$3,106	\$3,105
Segment profit ¹	239	309

- 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 Food & Beverage segment produces packaging materials, and designs and produces packaging solutions primarily for the global food, food service, beverage, dairy and tobacco end markets, as well as paperboard for commercial printing. For the global food market, the segment develops and produces materials and innovative solutions that are used to package frozen food, dry goods, ready-to-eat meals, hot and cold drinks, and various shelf-stable dairy products. For the global beverage market, the segment has a fully integrated business model, including high-performance paperboard, carton design and converting operations, as well as beverage packaging machinery. For the global tobacco market, the segment produces high performance paperboard, and designs and produces cartons for the world's leading tobacco brand owners. The segment's materials are manufactured in the U.S. and converted into packaging solutions at plants located in North America, Europe and Asia.

Sales for the Food & Beverage segment were \$3.11 billion in both 2013 and 2012. In 2013, benefits from growth in targeted food and beverage markets and favorable foreign currency exchange were offset by overall lower sales in tobacco packaging compared to 2012. Food packaging sales increased in 2013 primarily due to gains with major brand owners in a range of applications, including frozen food and club store packaging, as well as liquid packaging in Asia and Europe. In beverage packaging, sales were down compared to 2012 as strong sales in emerging markets and continued gains with large strategic soft drink and beer customers were more than offset by lower volumes across more developed markets. In tobacco packaging, the decline in sales was primarily due to the residual effects from economic impacts during the first half of 2013.

Profit for the Food & Beverage segment was \$239 million in 2013 compared to \$309 million in 2012. Profit in 2013 was negatively impacted by \$28 million in higher costs from planned mill maintenance outages and \$5 million from the negative impacts from operating challenges following a system implementation at the company's paperboard mill in Covington, Virginia. The decline in 2013 was also driven by \$27 million from inflation and \$26 million from unfavorable pricing and product mix compared to 2012. Profit in 2013 benefited by \$11 million from improved productivity, \$3 million from increased volume and \$2 million from favorable foreign currency exchange and other items compared to 2012.

Home, Health & Beauty

<i>In millions</i>	Years ended December 31,	
	2013	2012
Sales	\$743	\$770
Segment profit ¹	21	35

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 Home, Health & Beauty segment designs and produces packaging solutions for the global personal care, fragrance, home care, lawn and garden, prescription drug and healthcare end markets. For the global beauty and personal care market, the segment produces pumps for fragrances, lotions, creams and soaps, flip-top and applicator closures for bath and body products and lotions, and paperboard and plastic packaging for hair and skin care products. For the global home and garden market, the segment produces trigger sprayers for surface cleaners and fabric care, aerosol actuators for air fresheners, hose-end sprayers for lawn and garden maintenance, and spouted and applicator closures for a variety of other home and garden products. For the global healthcare market, the segment produces secondary packages designed to enhance patient adherence for prescription drugs, as well as healthcare dispensing systems, paperboard packaging and closures for over-the-counter and prescription drugs. Paperboard and plastic materials are converted into packaging solutions at plants located in North America, South America, Europe and Asia.

Sales for the Home, Health & Beauty segment were \$743 million in 2013 compared to \$770 million in 2012. Sales decreased in 2013 primarily due to significant volume declines in home and garden packaging as well as beauty and personal care folding carton packaging in Europe and Brazil. The decline in beauty and personal care

folding carton packaging was primarily due to the repurposing of the Brazilian folding carton facility. In addition, as previously announced the company is continuing to pursue an exit from the beauty and personal care folding carton operation in Europe through a sale of the business. The strong lawn and garden season which drives volumes in home and garden packaging did not materialize due to unseasonably cool and wet weather in North America, and as a result, the overall market volume was down compared to 2012. In addition to the negative volume impacts of these market trends in home and garden packaging, volumes in 2013 were also negatively impacted by customer transitions to the next generation trigger sprayers in North America. These impacts were partially offset by volume gains in higher value beauty and personal care solutions, including strong gains in fragrance and airless dispensers compared to 2012. Healthcare sales increased from continued gains in medical dispensers compared to 2012.

Profit for the Home, Health & Beauty segment was \$21 million in 2013 compared to \$35 million in 2012. Profit in 2013 was negatively impacted by \$18 million from inflation, \$3 million from transformation costs to repurpose the segment's Brazilian folding carton facility to manufacture higher value plastic pumps and dispensers and \$3 million from certain asset write-downs compared to 2012. Profit in 2013 benefited by \$6 million from favorable foreign currency exchange and other items, \$2 million from improved productivity, \$1 million from higher volume and \$1 million from favorable pricing and product mix compared to 2012.

Industrial

<i>In millions</i>	Years ended December 31,	
	2013	2012
Sales	\$548	\$457
Segment profit ¹	65	49

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 Industrial segment designs and produces corrugated packaging solutions, primarily for produce, meat, consumer products and bulk goods. In Brazil, where most of this business is based, the integrated business includes forestlands, paperboard mills and corrugated box plants. This segment also includes operations in India, which develop corrugated packaging materials as well as corrugated packaging solutions for Indian fresh produce. In Brazil, the segment manufactures high-quality virgin kraftliner and recycled material medium paperboards, and converts the board to corrugated packaging at four box plants across the country. In India, the segment converts raw materials to corrugated packaging at its facility in Pune and manufactures containerboard at two mills in Vapi and Morai.

Sales for the Industrial segment were \$548 million in 2013 compared to \$457 million in 2012. Sales growth in 2013 was driven by price improvement across targeted Brazilian packaging markets and revenue benefits from the addition of the high-quality industrial packaging materials business in India.

During 2013, the segment increased prices in the Brazilian market to offset labor and input cost inflation. Volumes in Brazil were modestly higher year-over-year as gains in high-quality paper sales more than offset lower corrugated box sales. Volumes of corrugated products declined in 2013 due to pricing actions the segment took to offset inflation and due to the sale of the Feira de Santana box plant early in the third quarter of 2013. Sales in 2013 were also impacted by unfavorable foreign currency exchange compared to 2012.

Profit for the Industrial segment was \$65 million in 2013 compared to \$49 million in 2012. Profit in 2013 benefited by \$49 million from improved pricing and product mix, \$4 million from improved productivity, and \$2 million from higher volumes compared to 2012. Profit in 2013 was negatively impacted by \$26 million from inflation, principally fiber and labor, and \$13 million from unfavorable foreign currency exchange and other items compared to 2012.

Specialty Chemicals

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Sales	\$980	\$940
Segment profit ¹	229	224

- 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 performance chemicals derived from pine chemicals used in printing inks, asphalt paving and adhesives as well as in the agricultural, paper and petroleum industries. This segment also produces activated carbon products used in gas vapor emission control systems for automobiles and trucks, as well as applications for air, water and food purification.

Sales for the Specialty Chemicals segment were \$980 million in 2013 compared to \$940 million in 2012. Sales increase in 2013 was led by benefits from the addition of the Brazilian pine chemicals business, which was acquired during the fourth quarter of 2012, as well as solid volume growth in targeted pine chemicals markets. During 2013, the segment continued to penetrate higher-value pine chemicals end markets of adhesives, asphalt and oilfield services. Carbon technology volumes increased during 2013 as global automobile manufacturers increased production in response to strong global demand. These gains were partially offset by unfavorable pricing in more standard product lines and unfavorable foreign currency exchange compared to 2012.

Profit for the Specialty Chemicals segment was \$229 million in 2013 compared to \$224 million in 2012. Profit in 2013 benefited by \$14 million from non-recurring items related to certain legal and insurance settlements and contributions from the recently acquired pine chemicals business in Brazil, \$5 million from higher volumes, and \$2 million from improved productivity compared to 2012. Profit in 2013 was negatively impacted by \$10 million from unfavorable pricing in more standard product lines and product mix and \$6 million from planned and unplanned maintenance outages at the segment's pine chemicals and carbon facilities compared to 2012.

Community Development and Land Management

<i>In millions</i>	<u>Years ended December 31,</u>	
	<u>2013</u>	<u>2012²</u>
Sales	\$ 20	\$ 18
Segment loss ¹	(14)	(13)

- ¹ Segment profit is measured as results before restructuring charges, pension income, interest expense and income, income taxes.
- ² Results for 2012 have been recast to exclude the discontinued operations of the forestry and certain minerals-related businesses. Refer to Note S of Notes to Consolidated Financial Statements included in Part II, Item 8 for further discussion.

The Community Development and Land Management segment is responsible for maximizing the value of 109,000 development acres in the Charleston, South Carolina region through a land development partnership with Plum Creek. The segment develops real estate including (i) selling development property, (ii) entitling and improving high-value tracts, and (iii) master planning of select landholdings. The earnings of this segment exclude the non-controlling interest attributable to Plum Creek.

Sales on a continuing operations basis for the Community Development and Land Management segment were \$20 million in 2013 compared to \$18 million in 2012. Segment loss on a continuing operations basis was

\$14 million in 2013 compared to \$13 million in 2012 and primarily reflects costs related to the ramp-up of the development business.

Comparison of Years Ended December 31, 2012 and 2011

Sales from continuing operations increased 2% to \$5.29 billion in 2012 compared to \$5.18 billion in 2011. During 2012, benefits from volume growth and improved pricing and product mix in targeted packaging markets, as well as continued strong performance by the Specialty Chemicals segment were partially offset by \$152 million from unfavorable foreign currency exchange compared to 2011. The company continued to outperform industry trends in the markets for corrugated packaging in Brazil, beverage packaging in North America and packaging solutions across Asia reflecting positive momentum from the company's profitable growth strategies despite challenges associated with the current macroeconomic climate. Growth in emerging markets continued to produce favorable results with revenues comprising 26% of the company's total sales, as well as contributions from the 2011 acquisition of Polytop and the 2012 acquisition of Ruby Macons.

Costs of sales were \$4.26 billion and \$4.13 billion for the years ended December 31, 2012 and 2011, respectively. In 2012, increased costs due to higher input cost inflation for certain raw materials and freight more than offset the benefits from productivity improvements compared to 2011. In 2012, input costs for energy, raw materials and freight included in cost of sales were \$58 million higher compared to 2011.

Selling, general and administrative expenses were \$682 million and \$669 million for the years ended December 31, 2012 and 2011, respectively. In 2012, higher selling, general and administrative expenses compared to 2011 reflect increased costs associated with growth investments in the Industrial and Specialty Chemicals segments, as well as from the addition of Polytop acquired in the fourth quarter of 2011.

Restructuring charges attributable to individual segments and by nature of cost, as well as COS and SG&A classifications in the consolidated statements of operations for the years ended December 31, 2012 and 2011 are presented below. Although these charges related to individual segments, such amounts are included in Corporate and Other for segment reporting purposes.

Year ended December 31, 2012

<i>In millions</i>	<u>Employee-related costs</u>			<u>Asset write-downs and other costs</u>			<u>Total</u>		
	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>
	Food & Beverage	\$ 0	\$ 2	\$ 2	\$0	\$0	\$0	\$ 0	\$ 2
Home, Health & Beauty	6	1	7	2	0	2	8	1	9
Industrial	9	0	9	2	0	2	11	0	11
All other	0	3	3	0	1	1	0	4	4
Total charges	<u>\$15</u>	<u>\$6</u>	<u>\$21</u>	<u>\$4</u>	<u>\$1</u>	<u>\$5</u>	<u>\$19</u>	<u>\$7</u>	<u>\$26</u>

Year ended December 31, 2011

<i>In millions</i>	<u>Employee-related costs</u>			<u>Asset write-downs and other costs</u>			<u>Total</u>		
	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>
	Food & Beverage	\$5	\$ 3	\$ 8	\$3	\$0	\$ 3	\$ 8	\$ 3
Home, Health & Beauty	3	1	4	0	0	0	3	1	4
Industrial	0	1	1	0	0	0	0	1	1
All other ⁽¹⁾	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>

⁽¹⁾ Includes \$7 million related to employee relocation costs.

Pension income was \$69 million and \$82 million (net of charges for settlements and termination benefits of \$12 million) for the years ended December 31, 2012 and 2011, respectively.

Interest expense was \$152 million for the year ended December 31, 2012 and was comprised of \$117 million related to bond and bank debt, \$3 million related to a long-term obligation non-recourse to MWV, \$23 million related to borrowings under life insurance policies and \$9 million related to other borrowings. Interest expense was \$161 million for the year ended December 31, 2011 and was comprised of \$129 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.

Other income, net was \$14 million and \$28 million for the years ended December 31, 2012 and 2011, respectively, and was comprised of the following:

<i>In millions</i>	Years ended December 31,	
	2012	2011
Interest income	\$ 11	\$ 23
Equity investment gain ¹	0	10
Foreign currency exchange (losses) gains	(5)	2
Transition services	10	4
Exchange of alternative fuel mixture credits ²	(15)	0
Other, net	13	(11)
	<u>\$ 14</u>	<u>\$ 28</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.

² In the fourth quarter of 2012, the company made a determination to claim cellulosic biofuel producer credits in 2013 in exchange for the repayment of alternative fuel mixture credits received from excise tax filings during 2009 and 2010. Refer to discussion of the company's effective tax rate for 2012 that follows for additional information.

The company's effective tax rate attributable to continuing operations was 26% and 28% for the years ended December 31, 2012 and 2011, respectively. For both 2012 and 2011, the effective tax rates reflect the mix and level and pre-tax earnings between the company's domestic and foreign operations. For the year ended December 31, 2012, an income tax benefit of \$24 million related to cellulosic biofuel producer credits ("CBPC") is reflected within the tax provision.

Food & Beverage

<i>In millions</i>	Years ended December 31,	
	2012	2011
Sales	\$3,105	\$3,078
Segment profit ¹	309	312

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 Food & Beverage segment were \$3.11 billion in 2012 compared to \$3.08 billion in 2011. Sales increased in 2012 primarily due to improved pricing and product mix, as well as from volume growth in targeted end market applications, pulp sales, and sales of caps and closures from the acquisition of Polytop in the fourth quarter of 2011. Overall food and beverage packaging volumes declined in 2012 as lower shipments of less

differentiated general packaging paperboard more than offset growth in targeted end markets. Beverage packaging continues to be impacted by the ongoing global economic climate, particularly in Europe; however, volumes outperformed industry trends driven by growth in North America and Asia compared to 2011. In food packaging, strong volumes in differentiated frozen food and liquid packaging were more than offset by volume declines in general packaging paperboard, primarily in China, compared to 2011. Sales in 2012 in all food and beverage packaging markets were negatively impacted by \$50 million from unfavorable foreign currency exchange compared to 2011.

Profit for the Food & Beverage segment was \$309 million in 2012 compared to \$312 million in 2011. Profit in 2012 was negatively impacted by \$58 million from inflation, primarily higher input costs for certain raw materials and freight, and \$37 million from unfavorable foreign currency exchange and other items compared to 2011. Profit in 2012 benefited by \$48 million from improved pricing and product mix, \$43 million from improved productivity and \$1 million from increased volume compared to 2011.

Home, Health & Beauty

<i>In millions</i>	Years ended December 31,	
	2012	2011
Sales	\$770	\$766
Segment profit ¹	35	34

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 Home, Health & Beauty segment were \$770 million in 2012 compared to \$766 million in 2011. Sales increased in 2012 due to volume growth in personal care dispensing and healthcare packaging solutions, as well as from sales of caps and closures from the acquisition of Polytop in the fourth quarter of 2011. These benefits were partially offset by unfavorable foreign currency exchange, contractual resin-based pricing adjustments and lower volumes of home and garden and beauty and personal care folding carton packaging compared to 2011. In personal care dispensing solutions, gains in airless dispensing with major skin care brand owners and fragrance sprayers drove volume growth compared to 2011. In healthcare packaging, volume growth was driven by continued strong demand for the segment's preservative-free and metered dosage medical pumps. Adherence-enhancing packaging volume declined as part of a planned transition to Shellpak Renew with a major customer. In home and garden packaging, volume declines in North America due to aggressive inventory management actions by a major customer were partially offset by strong trigger sprayer volumes with major homecare brand owners in Europe and Asia.

Profit for the Home, Health & Beauty segment was \$35 million in 2012 compared to \$34 million in 2011. Profit in 2012 benefited by \$6 million from productivity initiatives and overhead reduction actions, \$3 million from higher volume and \$5 million of other benefits. Profit in 2012 was negatively impacted by \$5 million from inflation, \$5 million pricing and product mix and \$3 million from unfavorable foreign currency exchange compared to 2011.

Industrial

<i>In millions</i>	Years ended December 31,	
	2012	2011
Sales	\$457	\$507
Segment profit ¹	49	80

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 Industrial segment were \$457 million in 2012 compared to \$507 million in 2011. In 2012, volume growth within its corrugated packaging solutions for targeted meat, produce and consumer goods markets was more than offset by unfavorable foreign currency exchange, as well as unfavorable pricing and product mix compared to 2011. Despite slower than expected growth in Brazil, the segment's volumes in 2012 outpaced the overall growth rate of the corrugated industry from its strategy of delivering innovative high-quality solutions to the fastest growing end-markets. The segment also saw modest top-line contribution from Ruby Macons, a leading producer of high-quality corrugated packaging material in India that the company acquired on November 30, 2012.

Profit for the Industrial segment was \$49 million in 2012 compared to \$80 million in 2011. Profit in 2012 was negatively impacted by \$6 million from unfavorable pricing and product mix, \$17 million from inflation, primarily higher labor costs, \$12 million from unfavorable foreign currency exchange and \$18 million from lower productivity and higher expansion expenses compared to 2011. Profit in 2012 benefited by \$5 million from higher volumes and \$17 million from benefits related to certain non-income tax matters in Brazil and other benefits compared to 2011.

Specialty Chemicals

<i>In millions</i>	Years ended December 31,	
	2012	2011
Sales	\$940	\$811
Segment profit ¹	224	203

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 \$940 million in 2012 compared to \$811 million in 2011. Sales growth in 2012 was driven by continued penetration of developed and emerging markets with the company's value-added solutions for infrastructure, industrial and energy markets. Increased penetration of higher value pine chemicals end markets of adhesives, asphalt and oilfield services drove pricing and product mix improvement in 2012. These benefits were partially offset by unfavorable foreign currency exchange compared to 2011.

Profit for the Specialty Chemicals segment was \$224 million in 2012 compared to \$203 million in 2011. Profit in 2012 benefited by \$20 million from improved pricing and product mix and \$32 million from increased volume compared to 2011. Profit in 2012 was negatively impacted by \$15 million from growth investments and lower productivity, \$13 million from inflation, primarily higher input costs for certain raw materials and freight, and \$3 million from unfavorable foreign currency exchange and other items compared to 2011.

Community Development and Land Management

<i>In millions</i>	Years ended December 31,	
	2012²	2011²
Sales	\$ 18	\$19
Segment profit ¹	(13)	(1)

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.

² Results for 2012 and 2011 have been recast to exclude the discontinued operations of the forestry and certain minerals-related businesses. Refer to Note S of Notes to Consolidated Financial Statements included in Part II, Item 8 for further discussion.

Sales on a continuing operations basis for the Community Development and Land Management segment were \$18 million in 2012 compared to \$19 million in 2011. Segment loss on a continuing operations basis was \$13 million in 2012 compared to \$1 million in 2011.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from continuing operations, current cash levels and other sources of currently available liquidity are expected to be adequate to fund scheduled debt payments, dividends to shareholders and capital expenditures in 2014. 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 \$1.06 billion at December 31, 2013, of which 83% was held in the U.S. with the remaining portions of 8% in Europe, 4% in Brazil and 5% 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, approximately 81% were invested in U.S. government securities at December 31, 2013.

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.

Operating activities

Cash provided by operating activities from continuing operations was \$358 million in 2013, compared to \$220 million in 2012 and \$397 million in 2011. The increase in cash flow in 2013 compared to 2012 was primarily attributable to lower working capital levels. The decrease in cash flow in 2012 compared to 2011 was primarily attributable to higher working capital levels.

Cash provided by operating activities from discontinued operations was \$79 million in 2013, \$218 million in 2012 and \$163 million in 2011. Refer to Note S of Notes to Consolidated Financial Statements included in Part II, Item 8 for information regarding discontinued operations.

Investing activities

Cash used in investing activities from continuing operations was \$481 million in 2013, compared to \$736 million in 2012 and \$673 million in 2011. Cash used in investing activities from continuing operations in 2013 was driven by capital expenditures of \$506 million, of which \$127 million related to the new bio-mass boiler at the company's paperboard mill in Covington, Virginia. Cash used in investing activities from continuing operations also reflects contributions to joint ventures of \$20 million, payments for acquired businesses (net of cash acquired) of \$2 million, and other uses of funds of \$5 million, offset in part by proceeds from dispositions of assets of \$52 million.

Cash used in investing activities from continuing operations in 2012 was driven by capital expenditures of \$654 million, payments for acquired businesses (net of cash acquired) of \$101 million, and contributions to joint ventures of \$13 million, offset in part by proceeds from dispositions of assets of \$29 million and other sources of funds of \$3 million.

Cash used in investing activities from continuing operations in 2011 was driven by capital expenditures of \$652 million, payments for acquired businesses (net of cash acquired) of \$70 million, contributions to joint ventures of \$7 million, offset in part by proceeds from dispositions of assets of \$56 million.

Cash provided by investing activities from discontinued operations was \$70 million in 2013 compared to cash used in investing activities from discontinued operations of \$63 million in 2012 and cash provided by investing activities from discontinued operations of \$30 million in 2011. Cash provided by discontinued operations in 2013 relates to proceeds received from the sale of certain assets related to the transaction with Plum Creek. Cash used in investing activities from discontinued operations in 2012 was driven primarily by cash deposits totaling \$59 million held by the Consumer & Office Products business that was spun-off and subsequently merged with ACCO Brands Corporation on May 1, 2012. Cash provided by discontinued operations in 2011 primarily relates to proceeds received from dispositions of certain businesses.

Capital spending in 2014 is expected to be about \$350 million driven primarily by certain productivity initiatives, maintenance capital and environmental compliance.

Financing activities

Cash provided by financing activities from continuing operations was \$393 million in 2013 compared to \$378 million in 2012, and cash used in financing activities was \$26 million in 2011.

As part of the consideration for the sale of the company's U.S. forestlands and related assets which occurred on December 6, 2013, the company received an installment note in the amount of \$860 million (the "Installment Note"). The Installment Note does not require any principal payments until its maturity in December 2023 and bears interest at a fixed rate of 5.207%. Using the Installment Note as collateral, the company received \$774 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 the company and shall be paid from the Installment Note proceeds upon its maturity. As a result, the Installment Note is not available to satisfy the obligations of the company. The non-recourse liability does not require any principal payments until its maturity in December 2023 and bears interest at a fixed rate of 5.425%.

In addition to the \$774 million of proceeds as discussed above, cash provided by financing activities from continuing operations in 2013 include a non-controlling interest contribution of \$152 million related to the formation of the land development partnership with Plum Creek, as well as proceeds from the exercises of stock options of \$54 million, proceeds from notes payable and other short-term borrowings of \$35 million and proceeds from long-term debt borrowings of \$8 million. Cash used in financing activities from continuing operations in 2013 include repayment of long-term debt of \$293 million, dividend payments of \$177 million, stock repurchases of \$126 million, purchase of the remaining 50% non-controlling interest in a pharmaceutical packaging company for \$13 million, and other uses of funds of \$21 million.

Cash provided by financing activities from continuing operations in 2012 included proceeds from debt instruments totaling \$460 million received in connection with the spin-off of the Consumer & Office Products business. Prior to the effective time of the spin-off, the company received debt proceeds of \$460 million from third-party financing. The associated obligation totaling \$460 million was included in the net assets of the disposal group representing the Consumer & Office Products business pursuant to the spin-off.

Cash provided by financing activities from continuing operations in 2012 also included proceeds from the issuance of long-term debt of \$357 million, proceeds from the exercises of stock options of \$61 million, and other sources of funds of \$8 million, offset in part by repayment of long-term debt of \$327 million, dividend payments of \$173 million, net repayments of notes payable and other short-term borrowings of \$4 million, and the purchase of a non-controlling interest for \$4 million.

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 \$32 million and other sources of funds of \$4 million.

There was no cash used in or provided by financing activities from discontinued operations in 2013 and 2012 compared to cash used in financing activities from discontinued operations of \$1 million in 2011.

MeadWestvaco has a \$600 million five-year revolving credit facility with a syndicate of banks. The Credit Facility is scheduled to expire on January 30, 2017. The principal purpose of the Credit Facility is to obtain funds for general corporate purposes. The \$600 million revolving credit facility was undrawn at December 31, 2013. The Credit Facility's 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 was in compliance as of December 31, 2013.

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 32% and 39% at December 31, 2013 and 2012, respectively.

On January 27, 2014 the company's Board of Directors approved the final form of shareholder returns of proceeds from the company's sale of its U.S. forestlands and related assets to Plum Creek, which was completed on December 6, 2013. The Board of Directors approved the following:

- Approximately \$175 million (\$1.00 per share) in the form of a special dividend to be paid on March 3, 2014 to shareholders of record as of February 6, 2014.
- Approximately \$394 million of share repurchases to be comprised of \$300 million under an accelerated repurchase program, which was initiated on February 7, 2014 with the repurchase and retirement of 7.5 million shares, and \$94 million pursuant to open market repurchases, which are expected to be largely completed by the end of the second quarter of 2014.

Also, on January 27, 2014, the company's Board of Directors declared a regular quarterly dividend of \$0.25 per common share to be paid on March 3, 2014 to shareholders of record as of February 6, 2014.

EFFECTS OF INFLATION

Prices for energy, including natural gas, oil and electricity, as well as for raw materials and freight, increased in 2013 compared to 2012. During 2013, pre-tax input costs of energy, raw materials and freight were \$28 million higher than in 2012 on a continuing operations basis. During 2012, pre-tax input costs of energy, raw materials and freight were \$58 million higher than in 2011 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 \$50 million and \$75 million in environmental capital expenditures in 2014 and 2015, respectively. Approximately \$32 million was spent on environmental capital projects in 2013. Included in the 2014 and 2015 estimated expenditures are capital costs associated with compliance with the Maximum Achievable Compliance Technology for industrial boilers rules that were finalized by the United States Environmental Protection Agency in January 2013. Total expenditures for compliance with this rule are estimated to be in a range of \$40 million to \$60 million over the period of 2014 through 2015 and possibly extending into 2016.

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, 2013, MeadWestvaco had recorded liabilities of approximately \$4 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 at December 31, 2013 by an amount that could range from an insignificant amount to as much as \$3 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, 2013, there were approximately 560 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, 2013, the company had recorded litigation liabilities of approximately \$32 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, 2013, 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 2014	1-3 years 2015 and 2016	3-5 years 2017 and 2018	More than 5 years 2019 and beyond
Contractual obligations:					
Debt, excluding capital lease obligations	\$1,744	\$ 77	\$ 35	\$192	\$1,440
Interest on debt ⁽¹⁾	1,769	129	256	235	1,149
Capital lease obligations ⁽²⁾	292	11	21	19	241
Operating leases obligations	312	56	82	57	117
Purchase obligations	1,150	1,013	78	57	2
Other long-term obligations ⁽³⁾	728	49	96	95	488
Total ⁽⁴⁾	<u>\$5,995</u>	<u>\$1,335</u>	<u>\$568</u>	<u>\$655</u>	<u>\$3,437</u>

(1) Amounts are based on weighted-average interest rates of 7.7% for the company's fixed-rate long-term debt for 2014. The weighted-average interest rate for 2015 and thereafter, is 7.8% for the company's fixed rate debt. 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 Other long-term obligations include \$95 million of unrecognized tax benefits and \$89 million of related accrued interest and penalties at December 31, 2013 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.

(4) Total excludes \$1.1 billion of liabilities that are held by consolidated special purpose entities and non-recourse to MeadWestvaco. See related discussion in Note R of Notes to Consolidated Financial Statements included in Part II, Item 8.

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 2013, the company recorded pre-tax pension income from continuing operations of \$85 million (net of charges for settlements and termination benefits of \$21 million), compared to \$69 million in 2012 and \$82 million (net of charges for settlements and termination benefits of \$12 million) in 2011. The company currently estimates pre-tax pension income in 2014 from its domestic and foreign plans to be approximately \$120 million before the impacts from settlements and curtailments. This estimate assumes a long-term rate of return on plan assets of 7.90%, and a discount rate of 4.90% for the U.S. plans. The company determined the discount rate for the U.S. plans by referencing the Aon Hewitt Aa Only Above Median 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 2014 would change by approximately \$18 million. Similarly, if the discount rate were to change by 0.5%, annual pension income in 2014 would change by approximately \$3 million.

At December 31, 2013, the aggregate value of pension fund assets had decreased to \$3.9 billion from \$4.3 billion at December 31, 2012, resulting primarily from the previously announced lump sum program that provided former U.S. employees who terminated from the company prior to November 30, 2012 with the value of their retirement benefit in a single lump sum. These payments were funded with assets of the U.S. retirement plans. 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 11 years for the salaried and bargained 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 which is about 21 years. The Envelope Products salaried plan was retained by the company.

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, 2013, 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 are key assumptions 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 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 the company's annual review of recorded goodwill at October 1, 2013, there was no indication of impairment. The leadership of the Home, Health and Beauty segment changed during 2013 which also resulted in a change to the reporting units effective October 1, 2013 based on how the new leadership manages cash flow and other key metrics of the segment. The Home, Health and Beauty Primary Plastics Operations ("PPO") reporting unit included within the Home, Health and Beauty reporting segment had \$362 million of goodwill, as well as an indefinite-lived trade name asset with a carrying value of \$95 million at December 31, 2013. The estimated fair value of this reporting unit exceeded its carrying value by approximately 15% at December 31, 2013, representing the lowest headroom coverage of the company's reporting units. Holding other valuation assumptions constant, it would take a downward shift in operating profits of more than 15% from projected levels before the fair value of the PPO reporting unit would be below its carrying value, thereby triggering the requirement to perform further analysis which may indicate potential goodwill impairment. The projections used in the impairment analysis for this reporting unit reflect the strategic direction of the new Home, Health & Beauty leadership, most notably certain growth, productivity improvement and cost reduction initiatives. Different assumptions regarding projected performance and other factors associated with this reporting unit could result in significant non-cash impairment charges in the future.

See Note D of Notes to Consolidated Financial Statements included in Part II, Item 8 for further information regarding goodwill.

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 (freight 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.

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, we 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 January 2013, the company adopted new guidance regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The new guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The company has presented the amounts reclassified out of accumulated other comprehensive income by the respective line items of net income in the notes to the consolidated financial statements. The impact of adoption did not have a material effect on the company's consolidated financial statements. Refer to Note J for further information.

In January 2013, the company adopted 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. The impact of adoption did not have a material effect on the company's consolidated financial statements. Refer to Note H for further information.

In March 2013, new accounting guidance was issued regarding foreign currency matters. The new guidance clarifies existing guidance regarding circumstances when cumulative translation adjustments should be released into earnings. These provisions are effective prospectively for fiscal and interim periods beginning after December 15, 2013. The impact of adoption will not have a material effect on the company's consolidated financial statements.

In July 2013, new accounting guidance was issued regarding derivatives and hedging. The new guidance includes an additional benchmark interest rate for hedge accounting purposes and removes the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The impact of adoption will not have a material effect on the company's consolidated financial statements.

In July 2013, new accounting guidance was issued regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance requires an unrecognized tax benefit be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless certain exceptions are met. The amendments are effective prospectively for fiscal and interim periods beginning after December 15, 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 2013 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; 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 maximize the value of its development 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 for the year ended December 31, 2013, 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, 2013 and 2012. 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 2013 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 2013 and 2012, 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 foreign exchange derivative instruments at December 31, 2013, a 10% adverse change in currency rates would result in about a \$15 million loss. 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

Index

	<u>Page</u>
<i>Report of Independent Registered Public Accounting Firm</i>	39
<i>Consolidated Statements of Operations for the Years Ended December 31, 2013, 2012 and 2011</i>	40
<i>Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011</i>	41
<i>Consolidated Balance Sheets at December 31, 2013 and 2012</i>	42
<i>Consolidated Statements of Equity for the Years Ended December 31, 2013, 2012 and 2011</i>	43
<i>Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011</i>	44
<i>Notes to Consolidated Financial Statements</i>	45

Report of Independent Registered Public Accounting Firm

To Board of Directors and Shareholders of MeadWestvaco Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, equity, and cash flows present fairly, in all material respects, the financial position of MeadWestvaco Corporation and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 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, 2013, based on criteria established in *Internal Control—Integrated Framework 1992* 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 24, 2014

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF OPERATIONS

<i>In millions, except per share data</i>	Years ended December 31,		
	2013	2012	2011
Net sales	\$5,389	\$5,287	\$5,179
Cost of sales	4,429	4,257	4,126
Selling, general and administrative expenses	638	682	669
Interest expense	159	152	161
Other income, net	(59)	(14)	(28)
Income from continuing operations before income taxes	222	210	251
Income tax (benefit) provision	(97)	54	70
Income from continuing operations	319	156	181
Income from discontinued operations, net of income taxes	519	52	69
Net income	838	208	250
Less: Net (loss) income attributable to non-controlling interests, net of income taxes	(1)	3	4
Net income attributable to the company	<u>\$ 839</u>	<u>\$ 205</u>	<u>\$ 246</u>
Income from continuing operations attributable to the company	<u>\$ 320</u>	<u>\$ 153</u>	<u>\$ 177</u>
Net income attributable to the company per share – basic:			
Income from continuing operations	\$ 1.81	\$ 0.88	\$ 1.04
Income from discontinued operations	2.93	0.30	0.41
Net income attributable to the company	<u>\$ 4.74</u>	<u>\$ 1.18</u>	<u>\$ 1.45</u>
Net income attributable to the company per share – diluted:			
Income from continuing operations	\$ 1.78	\$ 0.87	\$ 1.02
Income from discontinued operations	2.88	0.29	0.40
Net income attributable to the company	<u>\$ 4.66</u>	<u>\$ 1.16</u>	<u>\$ 1.42</u>
Shares used to compute net income attributable to the company per share:			
Basic	177.2	173.8	170.4
Diluted	180.0	177.2	174.1

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

MEADWESTVACO CORPORATION AND CONSOLIDATED SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>In millions</i>	Years ended December 31,		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net income	\$838	\$208	\$ 250
Other comprehensive income (loss), net of tax:			
Foreign currency translation	(85)	(25)	(112)
Adjustments related to pension and other benefit plans	86	102	(138)
Net unrealized gain (loss) on derivative instruments	3	4	(5)
Other comprehensive income (loss), net of tax	4	81	(255)
Comprehensive income (loss)	842	289	(5)
Less: comprehensive (loss) income attributable to non-controlling interests	(1)	3	4
Comprehensive income (loss) attributable to the company	<u>\$843</u>	<u>\$286</u>	<u>\$ (9)</u>

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>	December 31,	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 1,057	\$ 663
Accounts receivable, net	625	605
Inventories	686	661
Other current assets	108	135
Current assets of discontinued operations	<u>0</u>	<u>2</u>
Current assets	<u>2,476</u>	<u>2,066</u>
Property, plant, equipment and forestlands, net	3,647	3,593
Prepaid pension asset	1,475	1,258
Goodwill	716	719
Restricted assets held by special purpose entities	1,258	398
Other assets	713	727
Non-current assets of discontinued operations	<u>0</u>	<u>147</u>
	<u>\$10,285</u>	<u>\$8,908</u>
LIABILITIES AND EQUITY		
Accounts payable	\$ 563	\$ 595
Accrued expenses	534	443
Notes payable and current maturities of long-term debt	79	63
Current liabilities of discontinued operations	<u>0</u>	<u>5</u>
Current liabilities	1,176	1,106
Long-term debt	1,816	2,100
Non-recourse liabilities held by special purpose entities	1,112	338
Deferred income taxes	1,348	1,046
Other long-term obligations	734	957
Non-current liabilities of discontinued operations	0	3
Commitments and contingencies	—	—
Equity:		
Shareholders' equity:		
Common stock, \$0.01 par Shares authorized: 600,000,000 Shares issued and outstanding: 2013 – 174,443,439 (2012 – 175,437,280)	2	2
Additional paid-in capital	3,172	3,234
Retained earnings	950	288
Accumulated other comprehensive loss	<u>(180)</u>	<u>(184)</u>
Total shareholders' equity	3,944	3,340
Non-controlling interests	<u>155</u>	<u>18</u>
Total equity	<u>4,099</u>	<u>3,358</u>
	<u>\$10,285</u>	<u>\$8,908</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, 2010	168.3	2	3,075	199	(10)	20	3,286
Net income	0	0	0	246	0	4	250
Other comprehensive loss, net of tax	0	0	0	0	(255)	0	(255)
Dividends declared	0	0	0	(173)	0	0	(173)
Non-controlling interest distribution	0	0	0	0	0	(5)	(5)
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	\$ 272	\$(265)	\$ 19	\$3,181
Net income	0	0	0	205	0	3	208
Other comprehensive loss, net of tax	0	0	0	0	81	0	81
Dividends declared	0	0	0	(174)	0	0	(174)
Non-controlling interest distribution	0	0	0	0	0	(4)	(4)
Purchase of non-controlling interest	0	0	(4)	0	0	0	(4)
Share-based employee compensation	1.3	0	14	0	0	0	14
Exercise of stock options	3.2	0	71	0	0	0	71
Spin-off of C&OP business	0	0	0	(15)	0	0	(15)
Balance at December 31, 2012	175.4	\$2	\$3,234	\$ 288	\$(184)	\$ 18	\$3,358
Net income	0	0	0	839	0	(1)	838
Other comprehensive income, net of tax	0	0	0	0	4	0	4
Dividends declared	0	0	0	(177)	0	0	(177)
Non-controlling interest distribution	0	0	0	0	0	(7)	(7)
Purchase of non-controlling interest	0	0	(8)	0	0	(5)	(13)
Sale of non-controlling interest	0	0	0	0	0	(2)	(2)
Non-controlling interest contribution	0	0	0	0	0	152	152
Stock repurchases	(3.8)	0	(131)	0	0	0	(131)
Share-based employee compensation	0.2	0	13	0	0	0	13
Exercise of stock options	2.6	0	64	0	0	0	64
Balance at December 31, 2013	174.4	\$2	\$3,172	\$ 950	\$(180)	\$155	\$4,099

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>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities			
Net income	\$ 838	\$ 208	\$ 250
Discontinued operations	(519)	(52)	(69)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	390	366	361
Deferred income taxes	7	(12)	7
Loss on sales of assets, net	2	1	2
Pension income, net of settlement charges and termination benefits	(85)	(69)	(82)
Appreciation in cash surrender value insurance policies	(39)	(36)	(22)
Impairment of long-lived assets	14	2	5
Change in alternative fuel mixture credit reserves	(165)	0	0
Changes in working capital, excluding the effects of acquisitions and dispositions	(82)	(178)	(18)
Other, net	(3)	(10)	(37)
Net cash provided by operating activities of continuing operations	<u>358</u>	<u>220</u>	<u>397</u>
Discontinued operations	<u>79</u>	<u>218</u>	<u>163</u>
Net cash provided by operating activities	437	438	560
Cash flows from investing activities			
Capital expenditures	(506)	(654)	(652)
Payments for acquired businesses, net of cash acquired	(2)	(101)	(70)
Proceeds from dispositions of assets	52	29	56
Contributions to joint ventures	(20)	(13)	(7)
Other, net	(5)	3	0
Discontinued operations	<u>70</u>	<u>(63)</u>	<u>30</u>
Net cash used in investing activities	(411)	(799)	(643)
Cash flows from financing activities			
Proceeds from debt instruments related to C&OP business spin-off	0	460	0
Proceeds from secured financing of special purpose entity	774	0	0
Proceeds from issuance of long-term debt	8	357	113
Repayment of long-term debt	(293)	(327)	(42)
Changes in notes payable and other short-term borrowings, net	35	(4)	32
Dividends paid	(177)	(173)	(170)
Proceeds from exercises of stock options	54	61	38
Stock repurchases	(126)	0	0
Purchase of non-controlling interests	(13)	(4)	0
Proceeds from non-controlling interest contributions	152	0	0
Other, net	(21)	8	4
Discontinued operations	<u>0</u>	<u>0</u>	<u>(1)</u>
Net cash provided by (used in) financing activities	<u>393</u>	<u>378</u>	<u>(26)</u>
Effect of exchange rate changes on cash	<u>(25)</u>	<u>(10)</u>	<u>(25)</u>
Increase (decrease) in cash and cash equivalents	394	7	(134)
Cash and cash equivalents:			
At beginning of period	<u>663</u>	<u>656</u>	<u>790</u>
At end of period	<u>\$1,057</u>	<u>\$ 663</u>	<u>\$ 656</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) Food & Beverage, (ii) Home, Health & Beauty, (iii) Industrial, (iv) Specialty Chemicals, and (v) Community Development and Land Management.

The company has revised its consolidated financial statements to reflect the correction of errors within deferred income taxes that were identified during the fourth quarter of 2013. During the fourth quarter of 2013, the company identified \$20 million of deferred income tax errors which include \$13 million of deferred income tax assets that should have been written off prior to 2008 and \$7 million in deferred income tax liabilities that should have been recorded in 2005.

The company evaluated these deferred income tax errors in accordance with the guidance in ASC 250, *Accounting Changes and Error Corrections* and related SEC Staff Accounting Bulletins to determine if the company’s previously issued financial statements were materially misstated. The company concluded these errors were not material individually or in the aggregate to any of the prior reporting periods, and therefore, amendments of previously filed reports were not required. The consolidated balance sheets and consolidated statements of equity were revised to reflect the cumulative effect of these errors resulting in a decrease to retained earnings and total equity of \$20 million which is reflected in the beginning balance as of January 1, 2009.

These consolidated financial statements present as discontinued operations the sale of the company’s U.S. forestlands and related assets to Plum Creek Timber Company, Inc. (“Plum Creek”).

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 collectability. 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.

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.

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, 2013, 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 are key assumptions 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 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 the company's annual review of recorded goodwill at October 1, 2013, there was no indication of impairment. See Note D for further information regarding goodwill.

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.

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 flow.

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 (freight 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 \$44 million, \$45 million and \$46 million for the years ended December 31, 2013, 2012 and 2011, 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.

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 year ended December 31, 2013 no equity awards were excluded from the calculation of weighted average shares outstanding. For the years ended December 31, 2012 and 2011, 2 million and 4 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 January 2013, the company adopted new guidance regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The new guidance requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The company has presented the amounts reclassified out of accumulated other comprehensive income by the respective line items of net income in the notes to the consolidated financial statements. The impact of adoption did not have a material effect on the company's consolidated financial statements. Refer to Note J for further information.

In January 2013, the company adopted 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. The impact of adoption did not have a material effect on the company's consolidated financial statements. Refer to Note H for further information.

In March 2013, new accounting guidance was issued regarding foreign currency matters. The new guidance clarifies existing guidance regarding circumstances when cumulative translation adjustments should be released into earnings. These provisions are effective prospectively for fiscal and interim periods beginning after December 15, 2013. The impact of adoption will not have a material effect on the company's consolidated financial statements.

In July 2013, new accounting guidance was issued regarding derivatives and hedging. The new guidance includes an additional benchmark interest rate for hedge accounting purposes and removes the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The impact of adoption will not have a material effect on the company's consolidated financial statements.

In July 2013, new accounting guidance was issued regarding the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new guidance requires an unrecognized tax benefit be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, unless certain exceptions are met. The amendments are effective prospectively for fiscal and interim periods beginning after December 15, 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 2013 that had or are expected to have a material impact on the company's financial position or results of operations.

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, 2013 and 2012, measured on a recurring and non-recurring basis. There were no significant transfers of assets and liabilities that are recorded at fair value between Level 1 and Level 2 during 2013 and 2012.

<i>In millions</i>	<u>December 31, 2013</u>	<u>Level 1⁽¹⁾</u>	<u>Level 2⁽²⁾</u>	<u>Level 3⁽³⁾</u>
Recurring fair value measurements:				
Derivatives-assets ^(a)	\$ 2	\$ 0	\$ 2	\$ 0
Derivatives-liabilities ^(a)	(3)	0	(3)	0
Cash equivalents	943	943	0	0
Pension plan assets:				
Equity investments ^(b)	\$ 511	\$504	\$ 7	\$ 0
Preferred stock ^(b)	4	3	1	0
Government securities ^(c)	914	58	845	11
Corporate debt investments ^(d)	894	0	890	4
Derivatives ^(e)	0	0	0	0
Partnerships and joint ventures ^(g)	223	0	0	223
Real estate ^(h)	43	2	0	41
Common collective trust ^(f)	1,003	0	1,003	0
Registered investment companies ^(f)	73	4	69	0
103-12 investment entities ^(f)	260	0	260	0
Other pension (payables) receivables ^(b)	(11)	(15)	1	3
Total pension plan assets	<u>\$3,914</u>	<u>\$556</u>	<u>\$3,076</u>	<u>\$282</u>
Non-recurring fair value measurements:				
Long-lived assets held for sale ⁽ⁱ⁾	\$ 12	\$ 0	\$ 0	\$ 12
	<u>December 31, 2012</u>	<u>Level 1⁽¹⁾</u>	<u>Level 2⁽²⁾</u>	<u>Level 3⁽³⁾</u>
Recurring fair value measurements:				
Derivatives-assets ^(a)	\$ 3	\$ 0	\$ 3	\$ 0
Derivatives-liabilities ^(a)	(8)	0	(8)	0
Cash equivalents	564	564	0	0
Pension plan assets:				
Equity investments ^(b)	\$ 613	\$601	\$ 12	\$ 0
Preferred stock ^(b)	4	3	1	0
Government securities ^(c)	1,034	89	940	5
Corporate debt investments ^(d)	850	0	847	3
Derivatives ^(e)	20	0	10	10
Partnerships and joint ventures ^(g)	225	0	0	225
Real estate ^(h)	46	5	0	41
Common collective trust ^(f)	1,270	0	1,270	0
Registered investment companies ^(f)	64	2	62	0
103-12 investment entities ^(f)	251	0	251	0
Other pension (payables) receivables ^(b)	(59)	(61)	0	2
Total pension plan assets	<u>\$4,318</u>	<u>\$639</u>	<u>\$3,393</u>	<u>\$286</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.

- (a) Derivative instruments consist of hedge contracts on natural gas and foreign currencies. Natural gas hedge instruments are valued using models with market inputs such as NYMEX natural gas futures contract pricings. Foreign currency forward contracts are valued using models with market inputs such as prices of instruments of a similar nature.
- (b) Equity investments, preferred stock, and other pension (payables) receivables are valued using quoted market prices multiplied by the number of shares owned. Dealer quotes are used for less liquid markets. Valuation models with market inputs are used for securities that do not trade in transparent markets. The other pension (payables) receivables that are classified as Level 3 investments are valued using contract value, which approximates fair value, and include unobservable inputs such as illiquidity.
- (c) Government securities include treasury and agency debt. The Level 2 investments are valued using a broker quote in an active market. The Level 3 investments include unobservable inputs that are valued using third-party pricing information without adjustments.
- (d) The corporate debt investments category is primarily comprised of U.S. dollar denominated investment grade and non-investment grade securities. It also includes investments in non-U.S. dollar denominated corporate debt securities issued in both developed and emerging markets. Corporate debt investments are valued utilizing a market approach that includes various valuation techniques and sources such as value generation models, broker quotes in active and inactive markets, benchmark yields and securities, reported trades, issuer spreads, and/or other applicable reference data. The Level 3 investments include unobservable inputs that are valued using third-party pricing information without adjustments.
- (e) The plan's derivative investments are forward contracts on foreign currencies, interest rate swaps, swaptions, futures on Treasury bonds, and futures on euro dollars. These investments are traded in both over-the-counter markets and on futures exchanges. The Level 2 investments are valued using models with market inputs such as dealer quoted interest rates and exchange rates. The Level 3 investments are valued based on valuation models such as Black Scholes Option Pricing Model.
- (f) Common collective trusts, registered investment companies, and 103-12 investment entities are commingled funds for which there is no exchange quoted price. These commingled funds are valued at their net asset value per share multiplied by the number of shares held. The determination of net asset value for the commingled funds includes market pricing of the underlying assets as well as broker quotes and other valuation techniques. The funds invest mainly in liquid, transparent markets such as domestic and international equities, U.S. government bonds, and corporate bonds.
- (g) Partnerships and joint ventures are commingled investments. The plan owns interests in limited partnerships or funds rather than direct investments in the underlying asset classes such as real estate. Valuation is based on input from the general partner if no independent source is available. The valuation policies of the general partner are in compliance with accounting standards and the partnerships are audited by nationally recognized auditors. Various valuation techniques and inputs are considered in valuing private portfolio investments, including EBITDA multiples in other comparable third-party transactions, price to earnings ratios, market conditions, liquidity, current operating results, and other pertinent information.
- (h) Real estate investments are commingled investments. The fair values of the real estate partnerships are determined based on a combination of third party appraisals, discounted present value of estimated future cash flows, replacement cost, and comparable market prices.
- (i) The fair value of long-lived assets is determined using a combination of a market approach based on market participant inputs and an income approach based on estimates of future cash flows.

While the company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

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, 2013 and 2012:

<i>In millions</i>	<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, 2011	\$ 3	\$ 6	\$ 69	\$209	\$ 46	\$ 22	\$ 355
Purchases	1	1	12	51	27	0	92
Sales	(2)	(2)	(68)	(43)	(35)	0	(150)
Realized gains	0	0	57	1	0	0	58
Unrealized gains (losses)	1	0	(54)	7	3	0	(43)
Transfers (out) in of Level 3	2	(2)	(6)	0	0	(20)	(26)
December 31, 2012	\$ 5	\$ 3	\$ 10	\$225	\$ 41	\$ 2	\$ 286
Purchases	4	4	3	31	11	0	53
Sales	(8)	(3)	(126)	(64)	(13)	0	(214)
Realized gains	1	0	121	17	1	0	140
Unrealized (losses) gains	0	0	(8)	14	1	1	8
Transfers in (out) of Level 3	9	0	0	0	0	0	9
December 31, 2013	<u>\$11</u>	<u>\$ 4</u>	<u>\$ 0</u>	<u>\$223</u>	<u>\$ 41</u>	<u>\$ 3</u>	<u>\$ 282</u>

Long-lived assets held for sale with a carrying value of \$21 million were written down to their estimated fair value of \$12 million, resulting in pre-tax impairment charges attributable to continuing operations of \$9 million for the year ended December 31, 2013. Additionally, pre-tax impairment charges of \$5 million were recorded for the year ended December 31, 2013 related to assets sold in the third quarter of 2013. These pre-tax impairment charges are included in cost of sales.

At December 31, 2013, the book value of financial instruments included in debt is \$1.8 billion and the fair value is estimated to be \$2.1 billion. The difference between book value and fair value is derived from the difference between the December 31, 2013 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. This fair value measurement is classified as Level 2.

B. Current assets

Cash equivalents of \$943 million and \$564 million at December 31, 2013 and 2012, respectively, are valued at cost, which approximates fair value. As of December 31, 2013 and 2012, 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 \$12 million and \$15 million at December 31, 2013 and 2012, respectively. Receivables also include \$69 million and \$66 million from sources other than trade at December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, other current assets include \$70 million and \$108 million of prepaid expenses, respectively. Inventories at December 31, 2013 and 2012 are comprised of:

<i>In millions</i>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Raw materials	\$168	\$158
Production materials, stores and supplies	104	97
Finished and in-process goods	414	406
	<u>\$686</u>	<u>\$661</u>

Approximately 58% and 59% of inventories at December 31, 2013 and 2012, respectively, are valued using the last-in, first-out (“LIFO”) method. If inventories had been valued at current cost, they would have been \$858 million and \$831 million at December 31, 2013 and 2012, respectively. The effects of LIFO layer decrements were not significant to the consolidated statements of operations for the years ended December 31, 2013, December 31, 2012 and December 31, 2011.

C. Property, plant, equipment and forestlands

Depreciation and depletion expense for the years ended December 31, 2013, 2012 and 2011 was:

<i>In millions</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Depreciation and depletion expense	\$325	\$301	\$296

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

<i>In millions</i>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 222	\$ 211
Buildings and leasehold improvements	902	899
Machinery and other	6,004	5,516
	<u>7,128</u>	<u>6,626</u>
Less: accumulated depreciation	(3,981)	(3,760)
	<u>3,147</u>	<u>2,866</u>
Forestlands	190	193
Construction-in-progress	310	534
	<u>\$ 3,647</u>	<u>\$ 3,593</u>

D. Goodwill and other intangible assets

Goodwill allocated to each of the company’s segments at December 31, 2013 and 2012 was:

<i>In millions</i>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Food & Beverage	\$277	\$276
Home, Health & Beauty	386	383
Industrial	40	46
Specialty Chemicals	13	14
Total	<u>\$716</u>	<u>\$719</u>

The changes in the carrying amount of goodwill for the years ended December 31, 2013 and 2012 are as follows:

<i>In millions</i>	<u>2013</u>	<u>2012</u>
Beginning balance	\$719	\$ 832
Goodwill acquired during the year	0	50
Goodwill related to the spin-off of C&OP	0	(164)
Adjustments ¹	(3)	1
Ending balance	<u>\$716</u>	<u>\$ 719</u>
<u>Accumulated impairment losses:</u>		
Beginning balance	\$ (7)	\$ (7)
Impairment losses	0	0
Ending balance	<u>\$ (7)</u>	<u>\$ (7)</u>

¹ 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, 2013</u>		<u>December 31, 2012</u>	
	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>	<u>Gross carrying amount</u>	<u>Accumulated amortization</u>
Trademarks and trade names	\$ 28	\$ 20	\$ 28	\$ 17
Customer contracts and lists	264	112	261	94
Patents	57	43	60	44
Other – primarily licensing rights	14	9	15	8
	<u>\$363</u>	<u>\$184</u>	<u>\$364</u>	<u>\$163</u>

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

<i>In millions</i>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Trademarks and trade names	\$95	\$94

Amortization expense relating to intangible assets subject to amortization for the years ended December 31, 2013, 2012 and 2011 was:

<i>In millions</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Intangible amortization expense	\$23	\$23	\$23

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

<u><i>In millions</i></u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estimated intangible amortization expense	\$22	\$19	\$19	\$18	\$15

E. Other assets

Other assets consist of the following:

<i>In millions</i>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Identifiable intangible assets, net	\$274	\$295
Cash surrender value of life insurance, net of borrowings	179	166
Equipment leased to customers, net	68	72
Capitalized software, net	54	60
Other	138	134
	<u>\$713</u>	<u>\$727</u>

F. Accounts payable and accrued expenses

Accounts payable and accrued expenses consist of the following:

<i>In millions</i>	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Accounts payable:		
Trade	\$538	\$550
Other	25	45
	<u>\$563</u>	<u>\$595</u>
Accrued expenses:		
Payroll and employee benefit costs	\$155	\$192
Income taxes payable	144	8
Interest	57	56
Taxes, other than income	30	27
Accrued rebates and allowances	16	17
Environmental and litigation	16	19
Restructuring charges	13	12
Freight	8	12
Other	95	100
	<u>\$534</u>	<u>\$443</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>2013</u>	<u>2012</u>
Other short-term borrowings	\$59	\$29
Current maturities of long-term debt and capital lease obligations	20	34
	<u>\$79</u>	<u>\$63</u>

MeadWestvaco has a \$600 million five-year revolving credit facility with a syndicate of banks. The Credit Facility is scheduled to expire on January 30, 2017. The principal purpose of the Credit Facility is to obtain funds for general corporate purposes. The \$600 million revolving credit facility was undrawn at December 31, 2013. The Credit Facility's 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 was in compliance as of December 31, 2013.

Prior to the effective time of the spin-off of the C&OP business, the company received debt proceeds of \$460 million from third-party financing. The associated obligation totaling \$460 million was included in the net assets of the disposal group representing the C&OP business pursuant to the spin-off. Refer to Note S for further discussion.

Long-term debt consists of the following:

<i>In millions</i>	December 31,	
	<u>2013</u>	<u>2012</u>
Debentures, rates from 6.80% to 9.75%, due 2017-2047	\$1,180	\$1,181
Notes, rate of 7.38%, due 2019	250	249
Term loan facility, rate of LIBOR plus 1.175%	0	244
BNDES notes, rate of 5.50%, due 2014-2020	106	131
Sinking fund debentures, rates from 7.50% to 7.65%, due 2018-2027	141	172
Capital lease obligations:		
Industrial Development Revenue Bonds, rate 7.67%, due 2027	80	80
Industrial Development Revenue Bonds, rate 4.125%, due 2035	51	51
Industrial Development Revenue Bonds, rate 3.625%, due 2030	7	7
Pollution Control Revenue Bonds, rate 6.375%, due 2026	6	6
Other capital lease obligations	7	5
Other long-term debt	8	8
	<u>1,836</u>	<u>2,134</u>
Less: amounts due within one year	(20)	(34)
Long-term debt	<u>\$1,816</u>	<u>\$2,100</u>

As of December 31, 2013, outstanding debt maturing in the next five years is as follows:

<u><i>In millions</i></u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Outstanding debt maturities	\$77	\$17	\$18	\$167	\$25

As of December 31, 2013, capital lease obligations maturing in the next five years are as follows:

<u><i>In millions</i></u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Capital lease obligation maturities	\$2	\$2	\$1	\$1	\$0

The weighted average interest rate on the company's fixed-rate long-term debt was 7.6% for 2013 and 2012. The weighted average interest rate on the company's variable-rate long term debt was 1.4% during 2013 and 2012.

The percentage of debt to total capital (shareholders' equity and total debt) was 32% at December 31, 2013 and 39% at December 31, 2012.

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 generally offset in earnings by the recognition of the hedged item in earnings or the earnings impact from the underlying 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 (loss) and is recognized in earnings when the hedged item affects earnings. The ineffective portions of cash flow hedges are recognized, as incurred, 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, which excludes the offsetting impact of the hedged item and underlying exposures, in the consolidated statements of operations and accumulated other comprehensive income (loss) for the years ended December 31, 2013 and 2012 are presented below:

<i>In millions</i>	Cash flow hedges				Derivatives not designated as hedges	
	Foreign currency hedges		Natural gas hedges		Foreign currency derivatives	
	2013	2012	2013	2012	2013	2012
(Loss) gain recognized in other comprehensive income (loss) (effective portion)	<u>\$ (3)</u>	<u>\$ (2)</u>	<u>\$ 1</u>	<u>\$ (5)</u>	<u>\$ 0</u>	<u>\$ 0</u>
(Loss) gain reclassified to earnings from accumulated other comprehensive income (loss) (effective portion)	\$ (2)	\$ 2	\$ (3)	\$ (17)	\$ 0	\$ 0
Gain (loss) recognized in earnings ¹	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>(15)</u>
Total (loss) gain recognized in earnings ²	<u>\$ (2)</u>	<u>\$ 2</u>	<u>\$ (3)</u>	<u>\$ (17)</u>	<u>\$ 4</u>	<u>\$ (15)</u>

¹ 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.

² Gains and losses recognized in earnings are generally offset by the recognition of the hedged item in earnings or the earnings impact from the underlying exposures.

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

<i>In millions</i>	December 31, 2013			Classification
	Gross amount of recognized assets (liabilities)	Gross amount offset in the consolidated balance sheet	Net amount of assets (liabilities) presented in the consolidated balance sheet	
Assets				
Derivatives not designated as hedges:				
Foreign currency derivatives	<u>2</u>	<u>0</u>	<u>2</u>	Other current assets
Total assets	<u>\$ 2</u>	<u>\$ 0</u>	<u>\$ 2</u>	
Liabilities				
Derivatives designated as hedges:				
Foreign currency hedges	(2)	0	(2)	Accounts payable
Derivatives not designated as hedges:				
Foreign currency derivatives	<u>(1)</u>	<u>0</u>	<u>(1)</u>	Accounts payable
Total liabilities	<u>\$(3)</u>	<u>\$ 0</u>	<u>\$(3)</u>	
Total derivatives			<u>\$(1)</u>	

<i>In millions</i>	December 31, 2012			Classification
	Gross amount of recognized assets (liabilities)	Gross amount offset in the consolidated balance sheet	Net amount of assets (liabilities) presented in the consolidated balance sheet	
Assets				
Derivatives designated as hedges:				
Foreign currency hedges	\$ 0	\$(1)	\$(1)	Other current assets
Derivatives not designated as hedges:				
Foreign currency derivatives	<u>4</u>	<u>0</u>	<u>4</u>	Other current assets
Total assets	<u>\$ 4</u>	<u>\$(1)</u>	<u>\$ 3</u>	
Liabilities				
Derivatives designated as hedges:				
Natural gas hedges	\$(4)	\$ 0	\$(4)	Accounts payable
Foreign currency hedges	(1)	0	(1)	Accounts payable
Derivatives not designated as hedges:				
Foreign currency derivatives	<u>(4)</u>	<u>1</u>	<u>(3)</u>	Accounts payable
Total liabilities	<u>\$(9)</u>	<u>\$ 1</u>	<u>\$(8)</u>	
Total derivatives			<u>\$(5)</u>	

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, 2013 and 2012 are presented below.

In MMBTU's
December 31, 2013

9

December 31, 2012

11

Unrealized gains and losses on contracts maturing in future months are recorded in accumulated other comprehensive income (loss) 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 gain to be recognized in earnings is \$1 million during the next twelve months. As of December 31, 2013, the maximum remaining term of existing hedges was two years. For the years ended December 31, 2013 and 2012, no gains or losses were recognized in earnings due to the probability that forecasted transactions will not occur.

Foreign currency risk

The company uses foreign currency forward contracts to manage some of the foreign currency exchange risks associated with foreign inter-company loans, foreign cash deposits, foreign currency sales and 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, 2013 and 2012 are presented below.

<i>In millions</i>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Notional amount of foreign currency forward contracts – not designated as hedges	\$218	\$235

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. For these hedges, realized hedge gains and losses are recorded in net sales in the consolidated statements of operations concurrent with the recognition of the hedged sales. The ineffective portion of these hedges is also recorded in net sales. The estimated pre-tax loss to be recognized in earnings during the next twelve months is \$2 million. As of December 31, 2013, the maximum remaining term of existing hedges was one year. For the years ended December 31, 2013 and 2012, 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, 2013 and 2012 are presented below.

<i>In millions</i>	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Notional amount of foreign currency forward contracts – designated as hedges	\$76	\$108

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, 2013 and 2012.

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, 2013 under operating leases that have non-cancelable lease terms in excess of 12 months and under capital leases are as follows:

<u>In millions</u>	<u>Operating leases</u>	<u>Capital leases</u>
2014	\$ 56	\$ 11
2015	44	11
2016	38	10
2017	32	10
2018	25	9
Later years	117	241
Minimum lease payments	<u>\$312</u>	292
Less: amount representing interest		<u>141</u>
Capital lease obligations		<u>\$151</u>

Rental expense under operating leases for the years ended December 31, 2013, 2012 and 2011 was:

<i>In millions</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Rental expense under operating leases	\$74	\$70	\$73

J. Shareholders' equity

The value included in common stock at December 31, 2013 and 2012 reflects the outstanding shares of common stock at \$0.01 par value per share.

During 2013, MWV purchased and retired 4 million of its common shares for \$131 million. At December 31, 2013, there were 4 million shares available for purchase under an existing authorization provided by the company's Board of Directors on January 28, 2013. Any purchases made under this authorization will be made opportunistically.

On January 27, 2014 the company's Board of Directors approved a special dividend of approximately \$175 million (\$1.00 per share) to be paid on March 3, 2014 to shareholders of record as of February 6, 2014. The company's Board of Directors also approved approximately \$394 million of share repurchases to be comprised of \$300 million under two accelerated share repurchase agreements, and \$94 million pursuant to open market repurchases, which are expected to be largely completed by the end of the second quarter of 2014. On February 7, 2014, the company repurchased and retired approximately 7.5 million shares.

At December 31, 2013, there were authorized and available for issue 30 million shares of preferred stock, par value \$0.01 per share, of which 6 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, per share for each of the years ended December 31, 2013, 2012, and 2011, respectively. Dividends paid were \$177 million, \$173 million, and \$170 million for the years ended December 31, 2013, 2012, and 2011, respectively.

Changes in accumulated other comprehensive loss by component for the year ended December 31, 2013 are as follows:

<i>In millions</i>	<u>Foreign currency translation¹</u>	<u>Pension and other benefit plans¹</u>	<u>Derivative instruments¹</u>	<u>Total</u>
Balance as of December 31, 2012	\$ 25	\$(205)	\$(4)	\$(184)
Other comprehensive (loss) income before reclassifications	(85)	61	0	(24)
Amounts reclassified from accumulated other comprehensive income (loss)	<u>0</u>	<u>25</u>	<u>3</u>	<u>28</u>
Other comprehensive (loss) income, net	<u>(85)</u>	<u>86</u>	<u>3</u>	<u>4</u>
Balance as of December 31, 2013	<u><u>\$(60)</u></u>	<u><u>\$(119)</u></u>	<u><u>\$(1)</u></u>	<u><u>\$(180)</u></u>

¹ All amounts are net of tax.

Reclassifications out of accumulated other comprehensive loss for the year ended December 31, 2013 are as follows:

<u>Details about accumulated other comprehensive income components</u>	<u>Amounts reclassified from accumulated other comprehensive loss</u>	<u>Affected line item in the consolidated statements of operations</u>
<i>In millions</i>	<u>Year ended December 31, 2013</u>	
Derivative instruments		
Foreign currency cash flow hedges	\$ (2)	Net sales
Natural gas cash flow hedges	<u>(3)</u>	Cost of sales
Total before tax	(5)	
Tax benefit	<u>2</u>	
Total, net of tax	<u>\$ (3)</u>	
Amortization of pension and other benefit plan items		
Prior service (cost) income	\$ (2)	Cost of sales and selling, general and administrative expenses
Net actuarial loss	<u>(38)</u>	Cost of sales and selling, general and administrative expenses
Total before tax	(40)	
Tax benefit	<u>15</u>	
Total, net of tax	<u><u>\$(25)</u></u>	
Total reclassifications for the period, net of tax	<u><u>\$(28)</u></u>	

K. Share-based compensation

In 2013, shareholders approved the 2005 Performance Incentive Plan, as amended and restated (the “Plan”) that combines the employee incentive plans and the non-employee directors plan. Officers, key employees, and non-employee directors have been granted share-based awards under the Plan. There were an aggregate of 33 million shares reserved under the Plan for the granting of stock options, stock appreciation rights (“SARs”), restricted stock and restricted stock units to officers, key employees, and non-employee directors. At December 31, 2013, there were approximately 7 million shares available for grant under this plan.

The vesting of awards granted to officers and key employees may be conditioned upon either a specified period of time or the attainment of specific performance goals as determined by the plan. 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 become exercisable in one-third increments on each anniversary of the award date and are fully exercisable after the third anniversary and expire no later than 10 years from the date of grant.

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 2013, 2012 and 2011, the total annual grants consisted of 28,371, 40,883 and 34,124 restricted stock units, respectively, for non-employee directors.

In connection with the 2012 spin-off of the C&OP business (the “Spin-off”), and pursuant to existing anti-dilution provisions in the company’s equity plans, the number of outstanding stock options, SARs and restricted stock units as well as the exercise prices of such stock options and SARs were modified on May 1, 2012, the effective date of the Spin-off. The objective of the modification was to maintain the fair value of these equity awards subsequent to the Spin-off; therefore, there was no incremental compensation expense recorded as a result of these modifications.

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.

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:

Lattice-based option valuation assumptions	<u>2013</u>	<u>2012</u>	<u>2011</u>
Weighted average fair value of stock options granted during the period	\$ 8.72	\$ 6.74	\$ 7.93
Weighted average fair value of SARs granted during the period	9.86	7.17	8.49
Expected dividend yield for stock options	2.80%	3.58%	3.40%
Expected dividend yield for SARs	2.75%	3.48%	3.39%
Expected volatility	32.00%	35.00%	34.00%
Average risk-free interest rate for stock options	1.24%	0.91%	1.83%
Average risk-free interest rate for SARs	1.01%	0.94%	1.68%
Average expected term for stock options and SARs (in years)	6.9	6.7	7.2

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, 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	(677)	27.63	(22)	27.78		
Outstanding at December 31, 2011	11,237	22.70	511	25.48		86.5
Granted	2,380	27.95	77	27.95		
Exercised	(3,330)	18.28	(160)	19.99		37.7
Cancelled	(307)	24.30	(40)	25.04		
Adjustment due to Spin-off	1,430	n/a	62	n/a		
Outstanding at December 31, 2012	11,410	22.17	450	24.07		113.8
Granted	711	34.37	3	34.34		
Exercised	(2,572)	21.04	(113)	24.79		39.0
Cancelled	(156)	27.77	(4)	11.90		
Outstanding at December 31, 2013	9,393	23.30	336	24.04	6.1 years	132.6
Exercisable at December 31, 2013	6,778	21.00	254	22.91	5.2 years	111.5
Exercisable at December 31, 2012	7,239	19.77	287	22.92	5.4 years	89.7

At December 31, 2013, there was approximately \$10 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, 2013, 2012 and 2011 was:

<i>In millions</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Pre-tax compensation expense for stock options and SARs	\$12	\$14	\$11
Tax benefit associated with the pre-tax compensation expense for stock options and SARs	5	5	5

Total cash received from the exercise of share-based awards in 2013 was \$54 million.

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 2013, 2012 and 2011 consisted of both service-based restricted stock units and performance-based 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.

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, 2010	3,190	\$24.38
Granted	333	28.98
Forfeited	(197)	24.01
Released	(752)	26.92
Net adjustment for performance-based units	<u>233</u>	24.15
Outstanding at December 31, 2011	2,807	20.70
Granted	275	28.02
Forfeited	(35)	18.54
Released	(2,350)	16.86
Net adjustment for performance-based units	602	21.44
Adjustment due to Spin-off	<u>359</u>	n/a
Outstanding at December 31, 2012	1,658	24.66
Granted	720	34.42
Forfeited	(63)	30.14
Released	(242)	21.82
Net adjustment for performance-based units	<u>(843)</u>	24.62
Outstanding at December 31, 2013	<u><u>1,230</u></u>	29.83

At December 31, 2013, there was approximately \$15 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 two years.

Pre-tax compensation expense for restricted stock units and the tax benefit associated with this expense for the years ended December 31, 2013, 2012 and 2011 was:

<i>In millions</i>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Pre-tax compensation expense for restricted stock units	\$2	\$13	\$24
Tax benefit associated with the pre-tax compensation expense for restricted stock units	1	5	8

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, 2013, 2012 and 2011 are presented below.

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Service cost-benefits earned during the period	\$ 40	\$ 43	\$ 42
Interest cost on projected benefit obligation	122	132	145
Expected return on plan assets	(289)	(293)	(285)
Amortization of prior service cost	3	2	1
Amortization of net actuarial loss	18	49	15
Curtailments ¹	0	(21)	0
Settlements ²	19	0	10
Termination benefits	2	0	2
Net periodic pension income	<u>\$ (85)</u>	<u>\$ (88)</u>	<u>\$ (70)</u>
Net periodic pension income – continuing operations	<u>\$ (85)</u>	<u>\$ (69)</u>	<u>\$ (82)</u>

¹ For the year ended December 31, 2012, the company recorded within discontinued operations a curtailment gain pursuant to the spin-off of the company's C&OP business and subsequent merger of that business with ACCO Brands Corporation on May 1, 2012.

² For the year ended December 31, 2013, the company recorded a settlement pursuant to the 2013 lump sum window program offered to vested terminated employees.

³ 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.

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

	<u>2013</u>	<u>2012</u>
Net actuarial gain	\$ (87)	\$(150)
Prior service cost	0	3
Amortization of net actuarial loss	(18)	(49)
Amortization of prior service cost	(3)	(2)
Curtailments	0	21
Settlements	(19)	0
Total pre-tax (gain) loss recognized in other comprehensive income (loss)	<u>\$(127)</u>	<u>\$(177)</u>
Total pre-tax (gain) loss recognized in net periodic pension income and other comprehensive income (loss)	\$ (212)	\$(265)

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 11 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 21 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 2014 is \$4 million and \$3 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, 2013, 2012 and 2011 are presented below.

<i>In millions</i>	Years ended December 31,		
	2013	2012	2011
Service cost-benefits earned during the period	\$ 3	\$ 3	\$ 6
Interest cost	5	5	13
Amortization of net actuarial (gain) loss	1	0	(1)
Amortization of prior service benefit	(1)	(2)	(2)
Curtailments ¹	<u>0</u>	<u>(13)</u>	<u>0</u>
Net periodic postretirement benefits (income) cost	<u>\$ 8</u>	<u>\$ (7)</u>	<u>\$16</u>

¹ For the year ended December 31, 2012, the company recorded within discontinued operations a curtailment gain pursuant to the spin-off of the company's C&OP business and subsequent merger of that business with ACCO Brands Corporation on May 1, 2012.

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

	2013	2012
Net actuarial (gain) loss	\$(10)	\$11
Amortization of net actuarial gain (loss)	(1)	0
Amortization of prior service benefit	1	2
Curtailments	<u>0</u>	<u>11</u>
Total pre-tax loss recognized in other comprehensive income (loss)	<u>\$(10)</u>	<u>\$24</u>
Total pre-tax loss recognized in net periodic postretirement benefits cost and other comprehensive income (loss):	\$ (2)	\$17

Actuarial gains and losses and prior service cost subject to amortization are amortized over the average remaining service period, which is about 5 years. The pre-tax net actuarial loss and prior service benefit for the postretirement plans that will be amortized from accumulated other comprehensive income (loss) into net periodic postretirement benefits (income) cost are estimated to be \$0 million and \$0.5 million in 2014.

The following table also sets forth the funded status of the plans and amounts recognized in the consolidated balance sheets at December 31, 2013 and 2012, based on a measurement date of December 31 for each period.

Obligations, assets and funded status

<i>In millions</i>	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,	
	2013	2012	2013	2012	2013	2012
Change in benefit obligation:						
Benefit obligation at beginning of year	\$3,030	\$3,004	\$ 214	\$ 193	\$ 125	\$ 122
Service cost	35	38	5	5	3	3
Interest cost	114	124	8	8	5	5
Net actuarial (gains) losses	(200)	53	(4)	15	(11)	11
Foreign currency exchange rate changes	0	0	2	2	(2)	(2)
Employee contributions	0	0	0	0	9	9
Termination benefit costs	2	0	0	0	0	0
Curtailments	0	(7)	0	0	0	(2)
Settlements	0	0	0	0	0	0
Benefits paid (including termination benefits)	(576)	(182)	(12)	(9)	(17)	(21)
Benefit obligation at end of year	<u>\$2,405</u>	<u>\$3,030</u>	<u>\$ 213</u>	<u>\$ 214</u>	<u>\$ 112</u>	<u>\$ 125</u>
Change in plan assets:						
Fair value of plan assets at beginning of year	\$4,284	\$3,967	\$ 34	\$ 30	\$ 0	\$ 0
Actual return on plan assets	170	499	2	1	0	0
Company contributions	0	0	11	10	8	12
Foreign currency exchange rate changes	0	0	1	2	0	0
Employee contributions	0	0	0	0	9	9
Settlements	0	0	0	0	0	0
Benefits paid (including termination benefits)	(576)	(182)	(12)	(9)	(17)	(21)
Fair value of plan assets at end of year	<u>\$3,878</u>	<u>\$4,284</u>	<u>\$ 36</u>	<u>\$ 34</u>	<u>\$ 0</u>	<u>\$ 0</u>
Over (under) funded status at end of year	\$1,473	\$1,254	\$(177)	\$(180)	\$(112)	\$(125)
Amounts recognized in the balance sheet consist of:						
Noncurrent assets – prepaid asset	\$1,473	\$1,254	\$ 2	\$ 4	\$ 0	\$ 0
Current liabilities	0	0	(9)	(7)	(10)	(11)
Noncurrent liabilities	0	0	(170)	(177)	(102)	(114)
Total net asset (liability)	<u>\$1,473</u>	<u>\$1,254</u>	<u>\$(177)</u>	<u>\$(180)</u>	<u>\$(112)</u>	<u>\$(125)</u>
Amounts recognized in accumulated other comprehensive loss (pre-tax) consist of:						
Net actuarial loss (gain)	\$ 128	\$ 241	\$ 59	\$ 70	\$ (4)	\$ 8
Prior service cost (benefit)	14	18	(2)	(3)	(8)	(10)
Total loss (gain) recognized in accumulated other comprehensive loss	<u>\$ 142</u>	<u>\$ 259</u>	<u>\$ 57</u>	<u>\$ 67</u>	<u>\$ (12)</u>	<u>\$ (2)</u>

The accumulated benefit obligation for all defined benefit plans was \$2.58 billion and \$3.20 billion at December 31, 2013 and 2012, respectively.

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

<i>In millions</i>	<u>2013</u>	<u>2012</u>
Projected benefit obligation	\$178	\$185
Accumulated benefit obligation	171	173
Fair value of plan assets	0	0

Assumptions

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

	<u>2013</u>	<u>2012</u>
Retirement benefits:		
Discount rate	4.87%	4.10%
Rate of compensation increase	2.51%	2.01%
Postretirement benefits:		
Discount rate	5.50%	4.62%
Healthcare cost increase	8.76%	8.77%
Prescription drug cost increase	7.21%	6.39%

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>2013</u>	<u>2012</u>	<u>2011</u>
Retirement benefits:			
Discount rate	4.40%	4.27%	5.25%
Rate of compensation increase	2.01%	2.51%	3.49%
Expected return on plan assets	7.87%	7.98%	7.96%
Postretirement benefits:			
Discount rate	4.62%	4.64%	4.87%
Healthcare cost increase	8.77%	7.57%	7.51%
Prescription drug cost increase	6.39%	8.01%	8.00%

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 2013 and 2012 by referencing the Aon Hewitt Aa Only Above Median Curve and for 2011 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.

The annual rate of increase in U.S. healthcare and prescription drug costs is assumed to decline ratably each year until reaching 5% in 2023 and thereafter. The effect of a 1% increase in the assumed combined cost trend rate

would increase the December 31, 2013 accumulated postretirement benefit obligation by \$5 million and total service and interest cost for 2013 by \$0.3 million. The effect of a 1% decrease in the assumed healthcare cost trend rate would decrease the December 31, 2013 accumulated postretirement benefit obligation by \$4 million and total service and interest cost for 2013 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 \$23 million, \$23 million and \$19 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Retirement plan assets

The MeadWestvaco U.S. retirement plan asset allocation at December 31, 2013 and 2012, long-term target allocation, and expected long-term rate of return by asset category are as follows:

Asset category:	Target allocation	Percentage of plan assets at December 31,		Weighted average expected long- term rate of return
		2013	2012	2013
Equity securities	30%	32%	32%	10.7%
Debt securities	61%	61%	62%	6.4%
Real estate and private equity	9%	7%	6%	11.6%
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 12.7%.

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 100% 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 \$2 million to the funded non-U.S. pension plans in 2014.

The company expects to pay \$19 million in benefits to participants of the nonqualified and unfunded non-U.S. retirement and postretirement plans in 2014. 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>
2014	\$179	\$10	\$0.3
2015	175	10	0.3
2016	177	10	0.3
2017	176	10	0.3
2018	178	10	0.3
2019 – 2023	917	45	1.0

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 2013 and 2012, the company initiated certain restructuring actions related to its Brazilian, European and domestic operations. Restructuring charges incurred during 2013 and 2012 were primarily pursuant to these actions. 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 were pursuant to these programs. Cumulative charges included in the results from continuing operations through December 31, 2013 since the inception of these programs were \$281 million for the 2008 program and \$60 million for the 2013 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, 2013, 2012 and 2011 are presented below.

Year ended December 31, 2013

<i>In millions</i>	<u>Employee-related costs</u>			<u>Asset write-downs and other costs</u>			<u>Total</u>		
	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>
Food & Beverage	\$1	\$ 5	\$ 6	\$ 1	\$0	\$ 1	\$ 2	\$ 5	\$ 7
Home, Health & Beauty	7	1	8	13	0	13	20	1	21
Industrial	1	1	2	4	0	4	5	1	6
Specialty Chemicals	0	0	0	6	0	6	6	0	6
All other	0	4	4	0	1	1	0	5	5
Total charges	<u>\$9</u>	<u>\$11</u>	<u>\$20</u>	<u>\$24</u>	<u>\$1</u>	<u>\$25</u>	<u>\$33</u>	<u>\$12</u>	<u>\$45</u>

Year ended December 31, 2012

<i>In millions</i>	<u>Employee-related costs</u>			<u>Asset write-downs and other costs</u>			<u>Total</u>		
	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>
Food & Beverage	\$ 0	\$2	\$ 2	\$0	\$0	\$0	\$ 0	\$2	\$ 2
Home, Health & Beauty	6	1	7	2	0	2	8	1	9
Industrial	9	0	9	2	0	2	11	0	11
All other	0	3	3	0	1	1	0	4	4
Total charges	<u>\$15</u>	<u>\$6</u>	<u>\$21</u>	<u>\$4</u>	<u>\$1</u>	<u>\$5</u>	<u>\$19</u>	<u>\$7</u>	<u>\$26</u>

Year ended December 31, 2011

<i>In millions</i>	<u>Employee-related costs</u>			<u>Asset write-downs and other costs</u>			<u>Total</u>		
	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>	<u>COS</u>	<u>SG&A</u>	<u>Total</u>
Food & Beverage	\$5	\$ 3	\$ 8	\$3	\$0	\$ 3	\$ 8	\$ 3	\$11
Home, Health & Beauty	3	1	4	0	0	0	3	1	4
Industrial	0	1	1	0	0	0	0	1	1
All other ⁽¹⁾	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>

⁽¹⁾ Includes \$7 million related to employee relocation costs.

Summary of restructuring accruals

The activity in the accrued restructuring balances was as follows for the year ended December 31, 2010 to the year ended December 31, 2013:

<i>In millions</i>	Employee Costs			Other Costs			Total		
	2008 program	Other actions	Total	2008 program	Other actions	Total	2008 program	Other actions	Total
Balance at December 31, 2010	\$ 31	\$ 0	\$ 31	\$ 4	\$ 0	\$ 4	\$ 35	\$ 0	\$ 35
Current charges	19	0	19	6	0	6	25	0	25
Payments	(32)	(0)	(32)	(7)	(0)	(7)	(39)	(0)	(39)
Balance at December 31, 2011	18	0	18	3	0	3	21	0	21
Current charges	6	15	21	1	0	1	7	15	22
Payments	(6)	(7)	(13)	(4)	(0)	(4)	(10)	(7)	(17)
Balance at December 31, 2012	18	8	26	0	0	0	18	8	26
Current charges	5	15	20	0	0	0	5	15	20
Payments	(4)	(11)	(15)	0	0	0	(4)	(11)	(15)
Balance at December 31, 2013	<u>\$ 19</u>	<u>\$ 12</u>	<u>\$ 31</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 19</u>	<u>\$ 12</u>	<u>\$ 31</u>

N. Other income, net

Components of other income, net are as follows:

<i>In millions</i>	Years ended December 31,		
	2013	2012	2011
Interest income	\$14	\$ 11	\$ 23
Equity investment gain	0	0	10
Foreign currency exchange (losses) gains	(4)	(5)	2
Transition services	1	10	4
Alternative fuel mixture credits ¹	24	(15)	0
Insurance settlements	14	0	0
Other, net	10	13	(11)
	<u>\$59</u>	<u>\$ 14</u>	<u>\$ 28</u>

¹ In the fourth quarter of 2013, the company released \$24 million of reserves related to alternative fuel mixture credits. In the fourth quarter of 2012, the company made a determination to claim cellulosic biofuel producer credits in 2013 in exchange for the repayment of \$15 million of alternative fuel mixture credits received from excise tax filings during 2009 and 2010.

O. Income taxes

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

<i>In millions</i>	Years ended December 31,		
	2013	2012	2011
U.S. earnings	\$109	\$ 95	\$ 98
Foreign earnings	113	115	153
	<u>\$222</u>	<u>\$210</u>	<u>\$251</u>

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

<i>In millions</i>	Years ended December 31,		
	2013	2012	2011
Current:			
U.S. federal	\$(127)	\$ 12	\$ 5
State and local	(1)	2	2
Foreign	23	52	52
	<u>(105)</u>	<u>66</u>	<u>59</u>
Deferred:			
U.S. federal	15	(1)	19
State and local	(13)	(2)	(1)
Foreign	6	(9)	(7)
	<u>8</u>	<u>(12)</u>	<u>11</u>
Provision for deferred income taxes	8	(12)	11
Income tax (benefit) provision attributable to continuing operations	<u>\$ (97)</u>	<u>\$ 54</u>	<u>\$ 70</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>	Years ended December 31,		
	2013	2012	2011
Income tax provision computed at the U.S. federal statutory rate of 35%	\$ 78	\$ 74	\$ 88
State and local income taxes, net of federal benefit	(2)	3	(1)
Foreign income tax rate differential and other items	(5)	(19)	(25)
Valuation allowances	0	1	1
Credits	(11)	(18)	(1)
Tax charge related to Brazilian tax audit	(6)	24	23
Settlements of tax audits – AFMC	(142)	0	0
Other	(9)	(11)	(15)
	<u>\$ (97)</u>	<u>\$ 54</u>	<u>\$ 70</u>
Income tax provision attributable to continuing operations	<u>\$ (97)</u>	<u>\$ 54</u>	<u>\$ 70</u>
Effective tax rate attributable to continuing operations	(44%)	26%	28%

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

<i>In millions</i>	December 31,	
	2013	2012
Deferred tax assets:		
Employee benefits	\$ 110	\$ 116
Postretirement benefit accrual	90	84
Other accruals and reserves	61	40
Net operating loss carry-forwards	143	144
Credit carry-forwards	124	5
Other	20	21
Total deferred tax assets	548	410
Valuation allowances	(42)	(46)
Net deferred tax assets	<u>506</u>	<u>364</u>
Deferred tax liabilities:		
Depreciation and depletion	(661)	(666)
Basis difference in restricted assets held by special purpose entities	(442)	(134)
Nontaxable pension asset	(564)	(470)
Amortization of identifiable intangibles	(65)	(72)
Other	(48)	(5)
Total deferred tax liabilities	<u>(1,780)</u>	<u>(1,347)</u>
Net deferred liability	<u>\$(1,274)</u>	<u>\$ (983)</u>
Included in the balance sheet:		
Current assets - deferred tax asset	\$ 33	\$ 25
Other assets - noncurrent deferred tax asset	43	39
Accrued expenses – current deferred tax liability	(2)	(1)
Noncurrent deferred tax liability	<u>(1,348)</u>	<u>(1,046)</u>
Net deferred liability	<u>\$(1,274)</u>	<u>\$ (983)</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, 2013 and 2012 there were no deferred income taxes provided for the company's share of undistributed net earnings of foreign operations.

The cumulative undistributed earnings, including foreign currency translation adjustments, totaled \$1.47 billion and \$1.59 billion for the years ended December 31, 2013 and 2012, respectively. Management's intent is to reinvest such amounts indefinitely. The determination of the amount of such unrecognized tax liability is not practical.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows for the years ended December 31, 2013, 2012 and 2011:

<i>In millions</i>	
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	268
Additions based on tax positions related to the current year	11
Additions for tax positions of prior years	15
Reductions for tax positions of prior years	(17)
Reductions for tax positions due to lapse of statute	(2)
Settlements	(10)
Foreign currency translation	(6)
Balance at December 31, 2012	259
Additions based on tax positions related to the current year	1
Additions for tax positions of prior years	2
Reductions for tax positions of prior years	(155)
Reductions for tax positions due to lapse of statute	(1)
Settlements	(2)
Foreign currency translation	(9)
Balance at December 31, 2013	<u>\$ 95</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 \$95 million liability for unrecognized tax benefits at December 31, 2013, \$85 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.

In 2009, the company registered as an alternative fuel mixer and claimed refundable tax credits from the Internal Revenue Service ("IRS") for the alternative fuel utilized at its domestic mills. At that time, income tax reserves were established related to these credits. The company has completed the audit with the IRS for tax years 2009 and 2010, which was approved by the Joint Committee of Taxation in December 2013, resulting in the release of these tax reserves, including interest, totaling \$142 million. It is anticipated that audits in certain foreign jurisdictions and certain domestic states will be completed in 2014. Based on the resolution of the various audits mentioned above, it is reasonably possible that the balance of unrecognized tax benefits may be reduced by \$1 million to \$76 million during 2014.

The company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense in the consolidated statements of operations. During the year ended December 31, 2013, the company recognized a benefit of \$9 million related to interest and penalties. During the years ended December 31, 2012 and 2011, the company recognized expense related to interest and penalties totaling \$20 million and \$14 million,

respectively. The company accrued \$89 million and \$101 million for the payment of interest and penalties at December 31, 2013 and 2012, respectively.

Approximately \$53 million and \$63 million of deferred income tax expense was provided in components of other comprehensive income during the years ended December 31, 2013 and 2012, respectively. Approximately \$11 million and \$19 million of current income tax benefit was provided in components of additional paid in capital during the year ended December 31, 2013 and 2012, 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, 2013, MeadWestvaco had recorded liabilities of approximately \$4 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 \$3 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, 2013, there were approximately 560 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, 2013, the company had recorded litigation liabilities of approximately \$32 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.

Q. Acquisitions

On December 11, 2012, the company acquired the remaining 50% interest in a Brazilian company specializing in rubber emulsifiers, adhesive resins and lubricants. The purchase price of this acquisition was \$8 million. In addition, the company assumed debt of \$6 million that was repaid prior to December 31, 2012. The total purchase price was allocated based on the fair values of the assets acquired and liabilities assumed including identifiable intangible assets totaling \$1 million that are being amortized over a period of 3 years and goodwill of \$4 million. The results of operations from the date of this acquisition are included in the Specialty Chemicals 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, 2012, the company acquired a corrugated paperboard manufacturer located in India. The purchase price of this acquisition was \$94 million. The total purchase price was allocated based on the fair values of the assets acquired and liabilities assumed including identifiable intangible assets totaling \$9 million that are being amortized over a period of 2 to 5 years and goodwill of \$46 million. The results of operations from the date of this acquisition are included in the Industrial 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 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 Food & Beverage and Home, Health & Beauty segments. 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. Special purpose entities

Pursuant to the sale of the company's remaining U.S. forestlands which occurred on December 6, 2013, the company received an installment note in the amount of \$860 million (the "Installment Note"). The Installment Note does not require any principal payments until its maturity in December 2023 and bears interest at a fixed rate of 5.207%. Using the Installment Note as collateral, the company received \$774 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 the company and shall be paid from the Installment Note proceeds upon its maturity. As a result, the Installment Note is not available to satisfy the obligations of the company. The non-recourse liability does not require any principal payments until its maturity in December 2023 and bears interest at a fixed rate of 5.425%. As of December 31, 2013 the Installment Note of \$860 million is included within restricted assets held by special purpose entities and the secured financing liability of \$774 million is included within liabilities held by special purpose entities. Both the Installment Note and the secured financing liability are included within a special purpose entity which is consolidated by the company.

Pursuant to 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. As of December 31, 2013 and 2012 the Timber Note of \$398 million is included within

restricted assets held by special purpose entities and the secured financing liability of \$338 million is included within liabilities held by special purpose entities. Both the Timber Note and the secured financing liability are included within a special purpose entity which is consolidated by the company.

S. Discontinued operations

On December 6, 2013, the company completed the sale of its U.S. forestlands and related assets to Plum Creek, resulting in the recognition of a pre-tax gain of \$780 million presented within discontinued operations on an after-tax basis. The company received total consideration of \$934 million, of which approximately \$74 million was paid in cash and \$860 million was in the form of a ten-year term installment note. Using the installment note as collateral, the company received \$774 million in proceeds under a non-recourse secured financing agreement with a bank on December 20, 2013. The results of the forestry and certain minerals-related businesses, as well as the gain, are reported in discontinued operations in the consolidated financial statements. These businesses were previously reported within the Community Development and Land Management segment.

On May 1, 2012, MeadWestvaco completed the spin-off of its C&OP business and subsequent merger of that business with ACCO Brands Corporation. MeadWestvaco shareholders received approximately one share of ACCO Brands Corporation stock for every three shares of MeadWestvaco stock they owned of record as of April 24, 2012, resulting in their collective ownership on May 1, 2012 of 50.5% of the outstanding common shares of ACCO Brands Corporation. In accordance with the terms of the transaction, MeadWestvaco received cash distributions on a tax-free basis totaling \$460 million during April 2012 pursuant to loan proceeds from new debt obligations of the C&OP business. The net assets of the C&OP business included cash totaling \$59 million pursuant to MeadWestvaco satisfying a working capital provision of the transaction, subject to certain post-closing adjustments. For the years ended December 31, 2012, 2011 and 2010, the operating results of the C&OP business are reported in discontinued operations in the consolidated statements of operations on an after-tax basis. The assets and liabilities of the C&OP business, including the debt obligations discussed above, were recorded as a dividend to MeadWestvaco's shareholders and resulted in a \$15 million decrease to consolidated shareholders' equity as of May 1, 2012.

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 (\$1 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 C&OP segment.

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>	Year ended December 31,		
	2013	2012	2011
Net sales	\$ 154	\$ 307	\$ 900
Cost of sales	60	141	570
Selling, general and administrative expenses	18	61	160
Interest expense	2	8	20
Other income, net	(798)	(3)	(3)
Income before income taxes	872	100	153
Income tax provision	353	48	84
Net income	<u>\$ 519</u>	<u>\$ 52</u>	<u>\$ 69</u>
Net income per share			
Basic	\$2.93	\$0.30	\$0.41
Diluted	\$2.88	\$0.29	\$0.40

There were no assets and liabilities classified as discontinued operations in the consolidated balance sheet at December 31, 2013. 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, 2012:

<i>In millions</i>	December 31, 2012
Accounts receivable, net	\$ 2
Inventories	0
Other current assets	0
Current assets	2
Property, plant, equipment and forestlands, net	147
Goodwill	0
Other assets	0
Non-current assets	147
Accounts payable	2
Accrued expenses	3
Notes payable and current maturities of long-term debt	0
Current liabilities	5
Other long-term liabilities	3

In connection with certain business dispositions, MeadWestvaco has 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 total aggregate exposure to the company for these matters could be up to \$40 million. The company has evaluated the fair value of these guarantees and indemnifications which did not result in a material impact to the company's consolidated financial statements.

T. Cash flow

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

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
(Increase) decrease in:			
Receivables	\$ (35)	\$ (9)	\$ (40)
Inventories	(28)	(71)	(35)
Prepaid expenses	30	(48)	5
Increase (decrease) in:			
Accounts payable and accrued expenses	(65)	(60)	5
Income taxes payable	16	10	47
	<u>\$ (82)</u>	<u>\$ (178)</u>	<u>\$ (18)</u>

<i>In millions</i>	<u>Years ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash paid for:			
Interest	\$154	\$ 155	\$146
Less capitalized interest	(24)	(27)	(11)
Interest paid, net	<u>\$130</u>	<u>\$ 128</u>	<u>\$135</u>
Income tax paid, net	\$ 27	\$ 56	\$ 61

U. Segment information

MWV's segments are (i) Food & Beverage, (ii) Home, Health & Beauty, (iii) Industrial, (iv) Specialty Chemicals, and (v) Community Development and Land Management.

The Food & Beverage segment produces packaging materials, and designs and produces packaging solutions primarily for the global food, food service, beverage, dairy and tobacco end markets, as well as paperboard for commercial printing. For the global food market, the segment develops and produces materials and innovative solutions that are used to package frozen food, dry goods, ready-to-eat meals, hot and cold drinks, and various shelf-stable dairy products. For the global beverage market, the segment has a fully integrated business model, including high-performance paperboard, carton design and converting operations, as well as beverage packaging machinery. For the global tobacco market, the segment produces high performance paperboard, and designs and produces cartons for the world's leading tobacco brand owners. The segment's materials are manufactured in the U.S. and converted into packaging solutions at plants located in North America, Europe and Asia.

The Home, Health & Beauty segment designs and produces packaging solutions for the global personal care, fragrance, home care, lawn and garden, prescription drug and healthcare end markets. For the global beauty and personal care market, the segment produces pumps for fragrances, lotions, creams and soaps, flip-top and applicator closures for bath and body products and lotions, and paperboard and plastic packaging for hair and skin care products. For the global home and garden market, the segment produces trigger sprayers for surface cleaners and fabric care, aerosol actuators for air fresheners, hose-end sprayers for lawn and garden maintenance, and spouted and applicator closures for a variety of other home and garden products. For the global healthcare market, the segment produces secondary packages designed to enhance patient adherence for prescription drugs, as well as healthcare dispensing systems, paperboard packaging and closures for over-the-counter and prescription drugs. Paperboard and plastic materials are converted into packaging solutions at plants located in North America, South America, Europe and Asia.

The Industrial segment designs and produces corrugated packaging solutions, primarily for produce, meat, consumer products and bulk goods. In Brazil, where most of this business is based, the integrated business

includes forestlands, paperboard mills and corrugated box plants. This segment also includes operations in India, which develop corrugated packaging materials as well as corrugated packaging solutions for Indian fresh produce. In Brazil, the segment manufactures high-quality virgin kraftliner and recycled material medium paperboards, and converts the board to corrugated packaging at four box plants across the country. In India, the segment converts raw materials to corrugated packaging at its facility in Pune and manufactures containerboard at two mills in Vapi and Morai.

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 in the agricultural, paper and petroleum industries. This segment also produces activated carbon products used in gas vapor emission control systems for automobiles and trucks, as well as applications for air, water and food purification.

The Community Development and Land Management segment is responsible for maximizing the value of 109,000 development acres in the Charleston, South Carolina region through a land development partnership with Plum Creek. The segment develops real estate including (i) selling development property, (ii) entitling and improving high-value tracts, and (iii) master planning of select landholdings. The earnings of this segment exclude the non-controlling interest attributable to Plum Creek.

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 alternative fuel mixture credits, 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.

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>	Years ended December 31,		
	2013	2012	2011
Net sales¹			
U.S. ²	\$3,536	\$3,547	\$3,358
Brazil	548	497	554
Other non-U.S.	1,305	1,243	1,267
Net sales	<u>\$5,389</u>	<u>\$5,287</u>	<u>\$5,179</u>
Long-lived assets, net			
U.S.	\$4,287	\$3,933	\$3,517
Brazil	656	750	593
Other non-U.S.	568	552	498
Long-lived assets	<u>\$5,511</u>	<u>\$5,235</u>	<u>\$4,608</u>

¹ Net sales are attributed to countries based on location of the seller.

² Export sales from the U.S. were \$990 million, \$919 million, and \$905 million for the years ended December 31, 2013, 2012, and 2011, respectively.

Financial information by segment and Corporate and Other follows:

<i>In millions</i>	<u>External sales</u>	<u>Inter-segment sales</u>	<u>Total segment sales</u>	<u>Segment profit (loss)</u>	<u>Depreciation, depletion and amortization</u>	<u>Segment assets</u>	<u>Capital expenditures</u>
Year ended December 31, 2013							
Food & Beverage	\$3,099	\$7	\$3,106	\$ 239	\$217	\$ 2,831	\$293
Home, Health & Beauty ³	743	0	743	21	69	855	63
Industrial	547	1	548	65	40	882	70
Specialty Chemicals	980	0	980	229	33	555	60
Community Development and Land Management	20	0	20	(14)	1	271	3
Total	<u>\$5,389</u>	<u>\$8</u>	<u>\$5,397</u>	540	360	5,394	489
Corporate and Other				(317)	30	4,891	17
Assets of discontinued operations				0	—	0	—
Non-controlling interests				(1)	—	—	—
Inter-segment eliminations				0	—	—	—
Consolidated totals ²				<u>\$ 222</u>	<u>\$390</u>	<u>\$10,285</u>	<u>\$506</u>
Year ended December 31, 2012							
Food & Beverage	\$3,103	\$2	\$3,105	\$ 309	\$222	\$ 2,859	\$275
Home, Health & Beauty	770	0	770	35	68	844	47
Industrial	457	0	457	49	24	957	271
Specialty Chemicals	939	1	940	224	33	506	38
Community Development and Land Management	18	0	18	(13)	4	213	1
Total	<u>\$5,287</u>	<u>\$3</u>	<u>\$5,290</u>	604	351	5,379	632
Corporate and Other				(397)	15	3,380	22
Assets of discontinued operations ¹				0	—	149	—
Non-controlling interests				3	—	—	—
Inter-segment eliminations				0	—	—	—
Consolidated totals ²				<u>\$ 210</u>	<u>\$366</u>	<u>\$ 8,908</u>	<u>\$654</u>
Year ended December 31, 2011							
Food & Beverage	\$3,076	\$2	\$3,078	\$ 312	\$218	\$ 2,717	\$223
Home, Health & Beauty	766	0	766	34	68	816	51
Industrial	507	0	507	80	22	716	311
Specialty Chemicals	811	0	811	203	29	459	29
Community Development and Land Management	19	0	19	(1)	4	204	3
Total	<u>\$5,179</u>	<u>\$2</u>	<u>\$5,181</u>	628	341	4,912	617
Corporate and Other				(381)	20	3,021	35
Assets of discontinued operations ¹				0	—	877	—
Non-controlling interests				4	—	—	—
Inter-segment eliminations				0	—	—	—
Consolidated totals ²				<u>\$ 251</u>	<u>\$361</u>	<u>\$ 8,810</u>	<u>\$652</u>

¹ Assets of discontinued operations at December 31, 2012 and December 31, 2011 represent the U.S. forestlands sold in 2013 and assets of the C&OP business. See Notes R and S for further discussion.

- ² Consolidated totals represent results from continuing operations, except as otherwise noted.
- ³ Segment profit for the Home, Health & Beauty segment includes a charge for \$3 million related to certain depreciation adjustments. The aforementioned charge was attributable to periods prior to 2013 and is deemed immaterial to the segment's results for the current and prior periods.

V. Selected quarterly information

The below information is unaudited.

<i>In millions, except per share data</i>	Years ended December 31,	
	2013 ¹	2012 ²
Sales:		
First	\$1,311	\$1,272
Second	1,390	1,369
Third	1,378	1,367
Fourth	1,310	1,279
Year	<u>\$5,389</u>	<u>\$5,287</u>
Gross profit:		
First	\$ 196	\$ 255
Second	236	291
Third	284	285
Fourth	244	199
Year	<u>\$ 960</u>	<u>\$1,030</u>
Net income attributable to the company:		
First	\$ 11	\$ 49
Second	71	88
Third	80	51
Fourth	677	17
Year	<u>\$ 839</u>	<u>\$ 205</u>
Net income attributable to the company per diluted share:		
First	\$ 0.06	\$ 0.28
Second	0.39	0.50
Third	0.44	0.28
Fourth	3.77	0.10

- ¹ First quarter 2013 results include after-tax restructuring charges of \$18 million, or \$0.10 per share, and after-tax income from discontinued operations of \$13 million, or \$0.07 per share. First quarter of 2013 results also include after-tax income of \$3 million pursuant to certain value added tax matters related to the fourth quarter of 2012. The aforementioned adjustment attributable to periods prior to the first quarter of 2013 is deemed immaterial to the company's consolidated financial statements for all periods. Second quarter 2013 results include after-tax restructuring charges of \$4 million, or \$0.02 per share, pension settlement charge of \$11 million, or \$0.06 per share and after-tax income from discontinued operations of \$19 million or \$0.11 per share. Second quarter of 2013 results also include after-tax charges of \$6 million primarily related to the write-offs of inventories overstated in the fourth quarter of 2012 (after-tax charge of \$1 million) and first quarter of 2013 (after-tax charge of \$5 million). The aforementioned adjustment attributable to periods prior to the first quarter of 2013 is deemed immaterial to the company's consolidated financial statements for all periods. Third quarter 2013 results include after-tax restructuring charges of \$3 million, or \$0.02 per share, Brazil tax adjustment of \$2 million, or \$0.01 per share and after-tax income from discontinued operations of \$19 million, or \$0.10 per share. Fourth quarter 2013 results include after-tax restructuring charges of \$5 million, or \$0.03 per share, pension settlement charge of \$1 million, or

\$.01 per share, CDLM transaction costs of \$2 million, or \$.01 per share, AFMC income of \$165 million, or \$0.92 per share and after-tax income from discontinued operations of \$468 million, or \$2.61 per share.

Fourth quarter of 2013 results include after-tax charges of \$2 million related to depreciation adjustments associated with an acquisition that occurred in 2006. The aforementioned adjustment attributable to periods prior to 2013 is deemed immaterial to the company's consolidated financial statements for all periods.

2 First quarter 2012 results include after-tax restructuring charges of \$7 million, or \$0.04 per share, and after-tax income from discontinued operations of \$8 million, or \$0.04 per share. Second quarter 2012 results include after-tax restructuring charges of \$4 million, or \$0.02 per share and after-tax income from discontinued operations of \$31 million or \$0.18 per share. Third quarter 2012 results include after-tax restructuring charges of \$2 million, or \$0.01 per share and after-tax loss from discontinued operations of \$9 million, or \$0.05 per share. In addition, the results for the third quarter of 2012 include adjustments for certain tax items attributable to prior periods primarily associated with events leading to the spin-off of the C&OP business that reduced after-tax income from discontinued operations by \$13 million, or \$0.07 per share, and increased after-tax income from continuing operations by \$5 million, or \$0.03 per share. Fourth quarter 2012 results include after-tax restructuring charges of \$5 million, or \$0.03 per share, and a benefit from cellulosic biofuel producer credits net of exchange of alternative fuel mixture credits of \$9 million, or \$0.06 per share and after tax income from discontinued operations of \$22 million, or \$.12 per share. In addition, the fourth quarter 2012 results include income of \$6 million before taxes (\$4 million after taxes or \$0.02 per share) related to value added taxes in Brazil that were attributable to a period prior to the fourth quarter of 2012.

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 (1992)* 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 (1992)*, issued by the COSO, management has concluded that the company maintained effective internal control over financial reporting as of December 31, 2013. In addition, the effectiveness of the company’s internal control over financial reporting as of December 31, 2013 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, 2013, 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, 2013, 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 2014 Proxy Statement, pursuant to Regulation 14A under the sections captioned "Nominees for Election as Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Board Committees," to be filed with the SEC on or around March 26, 2014, and is incorporated herein by reference. Portions of the information required by this item for MeadWestvaco's code of conduct and executive officers are also contained in Part I of this report under the captions "Available information" and "Executive officers of the registrant," respectively,

Item 11. *Executive compensation*

Information required by this item will be contained in MeadWestvaco's 2014 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 26, 2014, 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 2014 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 26, 2014, 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 2014 Proxy Statement, pursuant to Regulation 14A under the section captioned "Board Committees," to be filed with the SEC on or around March 26, 2014, and is incorporated herein by reference.

Item 14. *Principal accounting fees and services*

Information required by this item will be contained in MeadWestvaco's 2014 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 26, 2014, 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* Bylaws of the Registrant as amended November 12, 2013, as disclosed in the company's Form 8-K filed on November 13, 2013.
- 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.
- 10.20+** 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.
- 10.22+** MeadWestvaco Corporation 2005 Performance Incentive Plan effective April 22, 2005 and as amended February 26, 2007, January 1, 2009, February 28, 2011 and February 25, 2013 previously filed as Exhibit 10.1 to the company's Form 8-K on April 25, 2013, 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.

- 10.33+** 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 22, 2013, previously filed as Exhibit 10.37 to the Company's Annual Report on Form 10-K for the period ended December 31, 2012, 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.
- 10.43+** Stock Option Awards in 2012 – Terms and Conditions, previously filed as Exhibit 10.43 to the company's Quarterly Report on Form 10-Q for the period ended June 30, 2012 and incorporated herein by reference.
- 10.45** Summary of MeadWestvaco Corporation 2013 Annual Incentive Plan under the 2005 Performance Incentive Plan, as amended, previously filed as Exhibit 10.45 to the company's Quarterly Report on Form 10-Q for the period ended March 31, 2013, and incorporated herein by reference.
- 10.46** Summary of MeadWestvaco Corporation 2013 Long-Term Incentive Plan, previously filed as Exhibit 10.46 to the company's quarterly report on Form 10-Q for the period ended March 31, 2013, and incorporated herein by reference
- 10.47*** Amendments to terms and conditions of outstanding stock option awards and restricted stock grants covering vesting and exercise provisions for retirement age recipients effective January 27, 2014.
- 10.48** Agreement between MeadWestvaco Corporation and Mark S. Cross, dated July 24, 2013 previously filed as Exhibit 10.01 to the company's Form 8-K on July 24, 2013, and incorporated herein by reference.
- 10.49** Master Purchase and Sale Agreement, dated October 28, 2013, by and among MeadWestvaco Corporation, MWV Community Development and Land Management, LLC and MWV Community Development, Inc., as sellers, and Plum Creek Timberlands, L.P., Plum Creek Marketing, Inc., Plum Creek Land Company and Highland Mineral Resources, LLC, as purchasers, and Plum Creek Timber Company, Inc. previously filed as Exhibit 2.1 to the company's Form 8-K on October 29, 2013, 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.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MEADWESTVACO CORPORATION

(Registrant)

February 24, 2014

/s/ E. Mark Rajkowski

Name: E. Mark Rajkowski

Title: Chief Financial Officer

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> John A. Luke, Jr.	Chairman of the Board of Directors and Chief Executive Officer (Chief Executive Officer and Director)	February 24, 2014
<u>/s/ E. Mark Rajkowski</u> E. Mark Rajkowski	Senior Vice President (Chief Financial Officer)	February 24, 2014
<u>/s/ Brent A. Harwood</u> Brent A. Harwood	Vice President and Controller (Chief Accounting Officer)	February 24, 2014
<u>/s/ Michael E. Campbell</u> Michael E. Campbell	Director	February 24, 2014
<u>/s/ James G. Kaiser</u> James G. Kaiser	Director	February 24, 2014
<u>/s/ Richard B. Kelson</u> Richard B. Kelson	Director	February 24, 2014
<u>/s/ James M. Kilts</u> James M. Kilts	Director	February 24, 2014
<u>/s/ Susan J. Kropf</u> Susan J. Kropf	Director	February 24, 2014
<u>/s/ Douglas S. Luke</u> Douglas S. Luke	Director	February 24, 2014
<u>/s/ Gracia C. Martore</u> Gracia C. Martore	Director	February 24, 2014
<u>/s/ Timothy H. Powers</u> Timothy H. Powers	Director	February 24, 2014

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jane L. Warner</u> Jane L. Warner	Director	February 24, 2014
<u>/s/ Alan D. Wilson</u> Alan D. Wilson	Director	February 24, 2014

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 24, 2014

/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 24, 2014

/s/ E. Mark Rajkowski

Name: E. Mark Rajkowski
Title: Chief Financial Officer

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

The undersigned hereby certifies, in his capacity as an officer of MeadWestvaco Corporation (the “Company”), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Annual Report of the Company on Form 10-K for the period ended December 31, 2013 fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and
- the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2014

/s/ John A. Luke, Jr.

Name: John A. Luke, Jr.

Title: Chief Executive Officer

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

The undersigned hereby certifies, in his capacity as an officer of MeadWestvaco Corporation (the “Company”), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Annual Report of the Company on Form 10-K for the period ended December 31, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 24, 2014

/s/ E. Mark Rajkowski

Name: E. Mark Rajkowski
Title: Chief Financial Officer

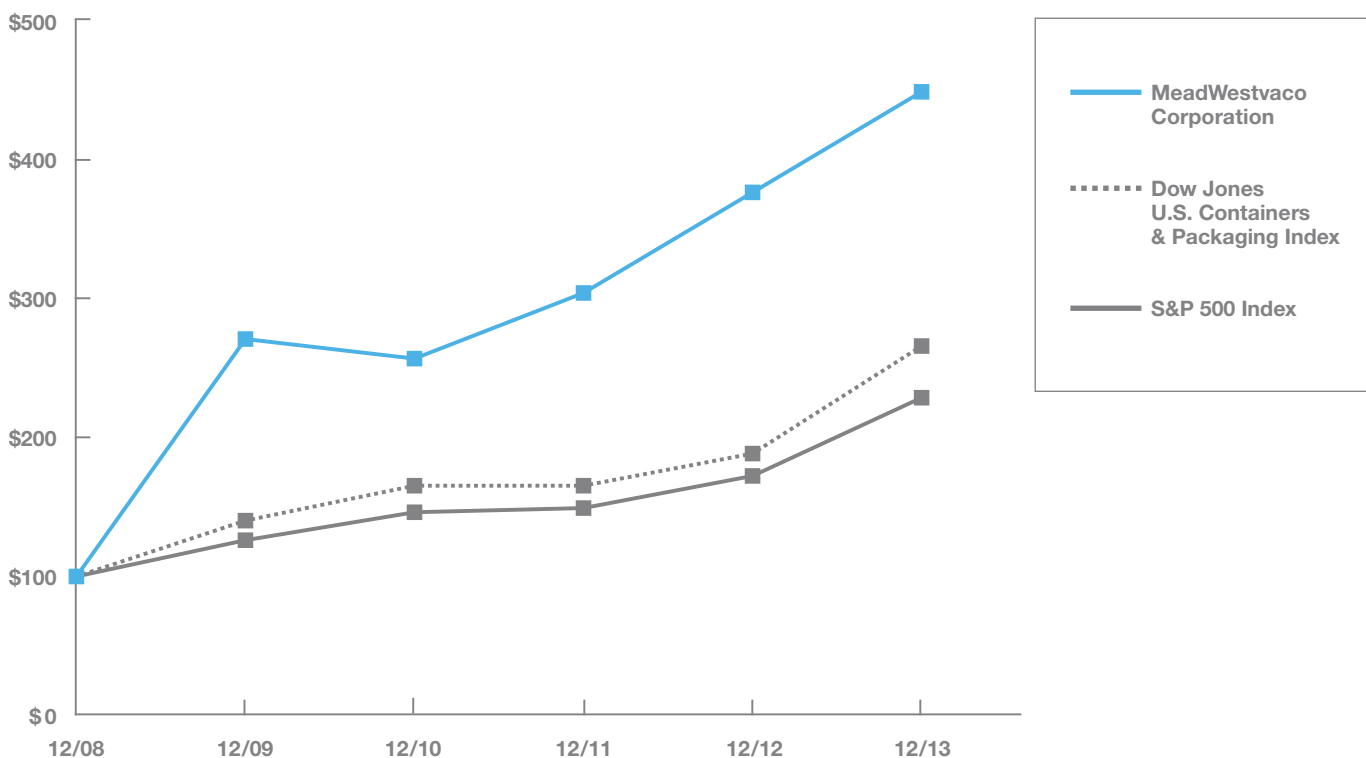
[THIS PAGE INTENTIONALLY LEFT BLANK]

Total Shareholder Return

The graph compares on a relative basis the cumulative total return to shareholders on MeadWestvaco's common stock from December 31, 2008, plus reinvested dividends and distributions through December 31, 2013, with the return on the S&P 500 Index and the Dow Jones U.S. Containers & Packaging Index, the company's peer group index.

The graph assumes \$100 was invested on December 31, 2008, in each of the following: the Company's common stock, the S&P 500 Index and the Dow Jones U.S. Containers & Packaging Index. This graph should not be taken to imply any assurance that past performance is predictive of future performance.

Comparison of 5-Year Cumulative Total Return



	12/08	12/09	12/10	12/11	12/12	12/13
MeadWestvaco Corporation	100.00	269.97	256.09	302.90	374.67	447.05
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Dow Jones U.S. Containers & Packaging	100.00	140.45	164.74	164.97	188.24	264.88

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.

James G. Kaiser

Retired 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

Former Chairman
Nielsen Holdings N.V.

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

Former Chairman, President
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.

Timothy H. Powers

Chairman
Hubbell, Inc.

Jane L. Warner

Retired Executive Vice President
Illinois Tool Works, Inc.

Alan D. Wilson

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

**Mr. James M. Kilts will not stand
for re-election to the MWV Board
of Directors at the annual meeting,
Monday, April 28, 2014*

*†Mr. Douglas S. Luke will retire from
the MWV Board of Directors effective
as of the annual meeting, Monday,
April 28, 2014*

MWV Management

Leadership Team*

John A. Luke, Jr.

Chairman and
Chief Executive Officer

Dr. Robert K. Beckler

Executive Vice President and
President, Packaging

Robert A. Feeser

Executive Vice President
Global Operations

Peter C. Durette

Senior Vice President
Home, Health & Beauty

E. Mark Rajkowski

Senior Vice President and
Chief Financial Officer

Linda V. Schreiner

Senior Vice President
Human Resources and
Communications

Wendell L. Willkie II

Senior Vice President,
General Counsel and Secretary

Business Leaders

Jason M. Chapman

President
Global Business Services

Kevin G. Clark

President
Home & Beauty

John R. Grinnell

Vice President
Healthcare Secondary & Adherence

Christopher Hall

Vice President
Healthcare Dispensing

Charles E. Johnson, Jr.

President
Food

Joseph P. McNamara

President
Commercial Print, Tobacco and
Retail Channels

Anthony P. Mollica

President
MWV Rigesa

Bill T. Riley

Chief Innovation Officer
Home, Health & Beauty

Edward A. Rose

President
Specialty Chemicals

R. Zack Smith

President
Beverage

P. Diane Teer

Chief Marketing and Innovation Officer
Food & Beverage

Corporate Officers

Robert E. Birkenholz

Vice President and Treasurer

John J. Carrara

Assistant Secretary and
Associate General Counsel

Donna O. Cox

Vice President
Global Communications

Todd W. Fister

Vice President
Strategy and Corporate Development

Brent A. Harwood

Vice President and Controller

Dirk J. Krouskop

Vice President
Safety, Health & Environment

Ned W. Masee

Vice President
Corporate Affairs

Mark T. Watkins

Senior Vice President
Technology

*Also Corporate Officers

Shareholder Information

Annual Meeting of Shareholders

The next meeting of shareholders will be held on Monday, April 28, 2014, at 11:00 a.m.

Waldorf Astoria Hotel
301 Park Avenue
New York, NY 10022

Stock Exchange Listing

Symbol: MWV

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

Investor Relations

Please visit the MeadWestvaco
Corporation Investor Relations site
at 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 Computershare CIP, administered
by Computershare, provides existing
shareholders and interested first-time
investors a direct, convenient and
affordable alternative for buying and
selling MeadWestvaco shares.

Contact Computershare for an
enrollment form and brochure that
describes the Plan fully.

Transfer Agent and Registrar

For Computershare CIP enrollment
and other shareholder inquiries:
MeadWestvaco Corporation
c/o Computershare
P.O. Box 30170
College Station, TX 77842-3170

For Computershare CIP sales,
liquidations, transfers, withdrawals or
optional cash investments (please use
bottom portion of advice or statement):
MeadWestvaco Corporation
c/o Computershare
P.O. Box 30170
College Station, TX 77842-3170

To send certificates for transfer
or change of address:
MeadWestvaco Corporation
c/o Computershare
P.O. Box 30170
College Station, TX 77842-3170

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

On the Internet at:
www.computershare.com/investor

About MWV

MeadWestvaco Corporation (NYSE: MWV) is a global packaging company providing innovative solutions to the world's most admired brands in the food, beverage, tobacco, beauty and personal care, home and garden, healthcare and agricultural industries. The company also produces specialty chemicals for the automotive, energy and infrastructure industries and maximizes the value of its development land holdings. MWV's network of 125 facilities and 16,000 employees spans North America, South America, Europe and Asia. The company has been recognized for financial performance and environmental stewardship with a place on the Dow Jones Sustainability World Index every year since 2004. Learn more at mwv.com.

MWV
501 South 5th Street
Richmond, VA 23219-0501
T +1 804 444 1000

mwv.com
[@mwvpackaging](https://www.instagram.com/mwvpackaging)

MWV How brands
take shape®