



## FOURTH QUARTER 2006 EARNINGS

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**John A. Luke, Jr.**  
Chairman and CEO

**James A. Buzzard**  
President

**E. Mark Rajkowski**  
Senior Vice President and CFO

January 31, 2007



# 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 expected from the company's cost reduction initiative; the reorganization of the company's packaging business units; competitive pricing for the company's products; changes in raw materials pricing; energy and other costs; fluctuations in demand and changes in production capacities; changes to economic growth in the United States and international economies; government policies and regulations, including, but not limited to those affecting the environment and the tobacco industry; adverse results in current or future litigation; currency movements; and other risk factors discussed in the company's Annual Report on Form 10-K for the year ended December 31, 2005, 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.



# John A. Luke, Jr.

## Chairman and Chief Executive Officer



# Solid Execution in 2006

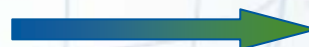
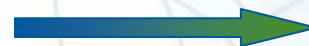
## Target Actions

**Packaging Platform**

**MeadWestvaco Calmar**

**Shared Services Model**

**Center for Packaging Innovation**



## Immediate Results

Customer focused & market driven organization

Growth engine in primary packaging; strong earnings performer

Achieving G&A benchmarks

Commercializing high margin products and technologies



# Areas of Focus in 2007

*“2007 will be another growth year for MeadWestvaco.”*

- Grow top-line revenue across businesses
- Fully leverage MeadWestvaco Calmar
- Improve profitability of consumer packaging business
- Formalize and implement Forestry plans
- Focus on emerging markets – India and China

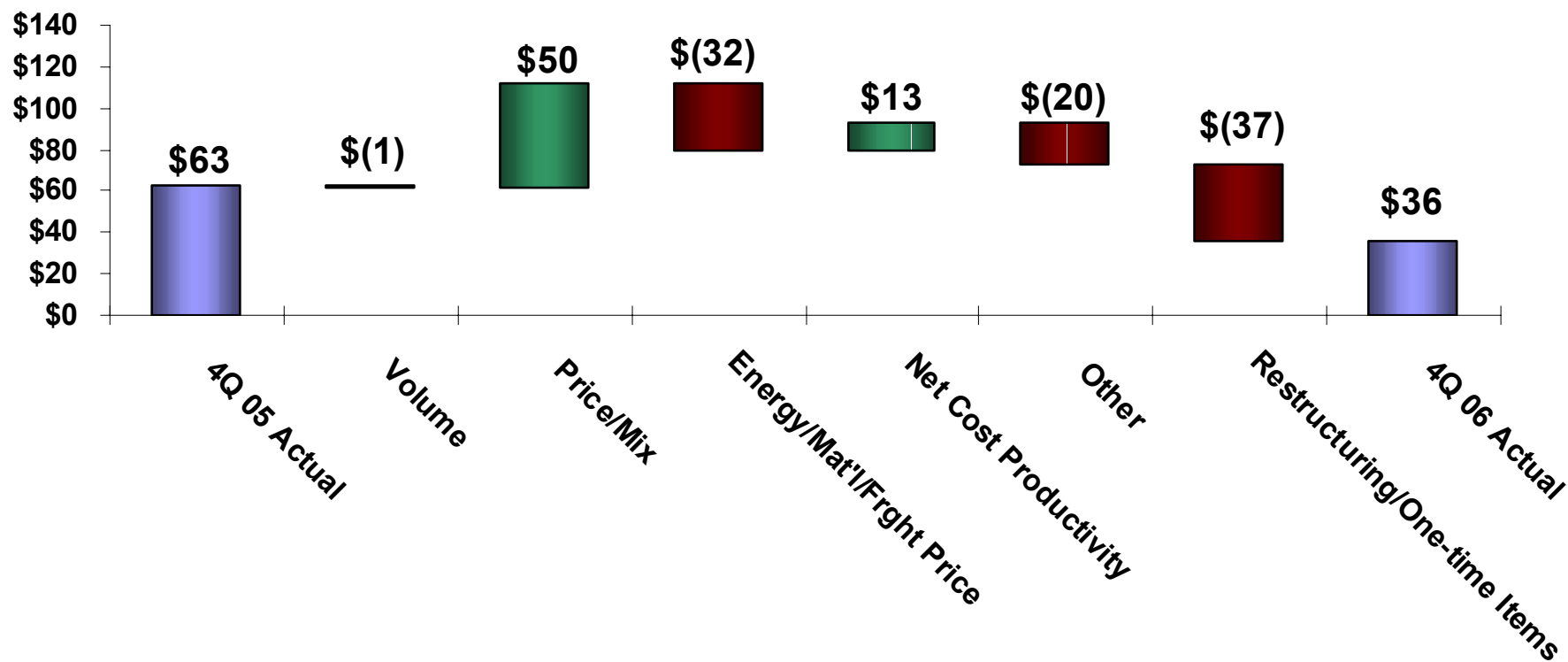


# James A. Buzzard

## President

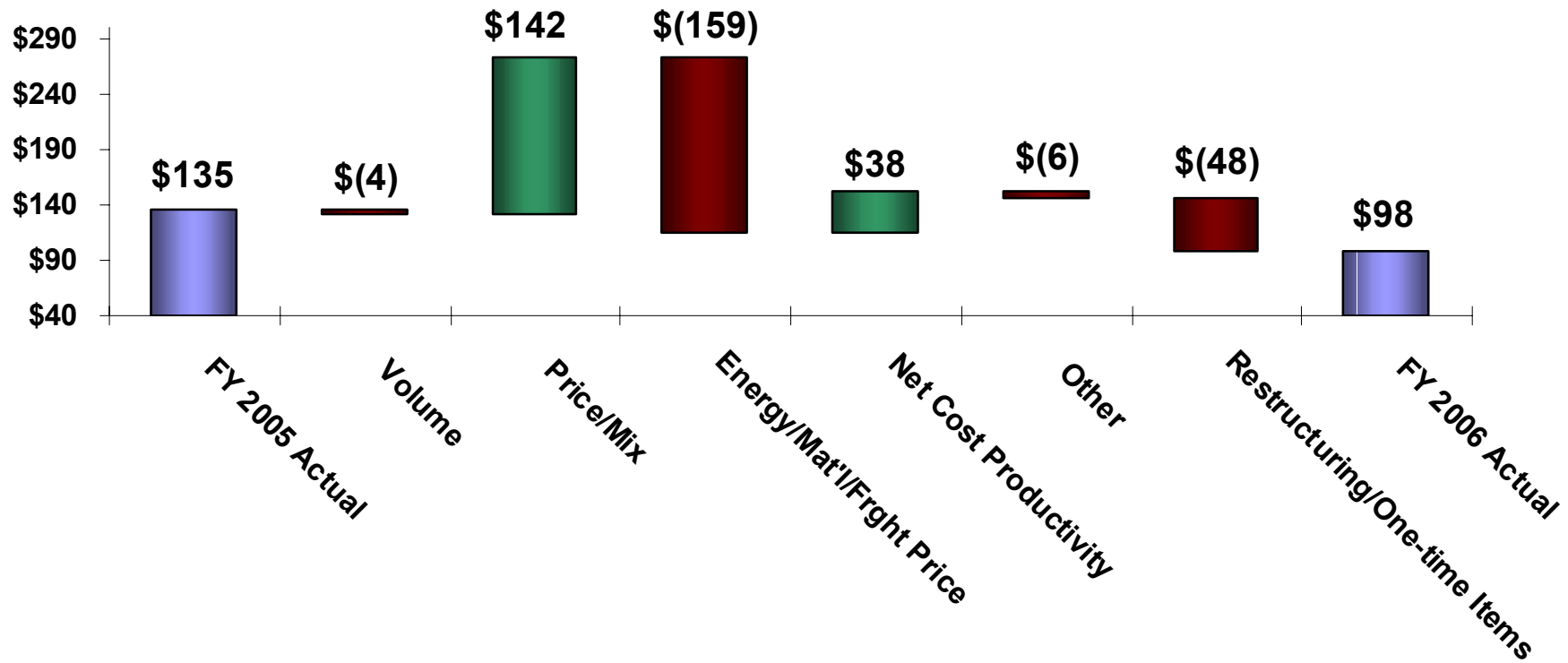


# Total Company – 4Q 06 vs. 4Q 05 Income From Continuing Ops. Before Tax





# Total Company – FY 06 vs. FY 05 Income From Continuing Ops. Before Tax





# Packaging Resources

	<u>4Q06 vs. 4Q05</u>		<u>FY06 vs. FY05</u>	
<b>Operating Profit</b>	<b>\$67 million</b>	<b>↑ 97%</b>	<b>\$275 million</b>	<b>↑ 18%</b>
<b>Sales</b>	<b>\$726 million</b>	<b>↑ 4%</b>	<b>\$2.95 billion</b>	<b>↑ 4%</b>

- Excellent cost productivity performance and market price realization offsetting inflation in 2006
  - Price improvements were largely attributable to Food Service, Kraft Linerboard, and North American Packaging
- Production record for Mahrt Mill (CNK) in 2006



# Consumer Solutions

	<u>4Q06 vs. 4Q05</u>		<u>FY06 vs. FY05</u>	
Operating Profit	\$33 million	↓ 23%	\$93 million	↓ 9%
Sales	\$625 million	↑ 15%	\$2.17 billion	↑ 7%

- Improved profitability in global beverage, personal care/tobacco
- MeadWestvaco Calmar performed well: solid top-line growth and EBITDA margins
- Challenges in global media: competitive price pressure, higher input costs, specialty packaging declines



# Consumer & Office Products

	<u>4Q06 vs. 4Q05</u>		<u>FY06 vs. FY05</u>
Operating Profit	\$66 million	↑ 12%	\$127 million ↓ 2%
Sales	\$349 million	↑ 6%	\$1.14 billion ↑ 2%

- Stronger 4Q profitability driven by mix improvements
- Good performances in value-added, branded consumer products
- Seasonal improvement at Tilibra
- Stronger profitability partially offset by higher uncoated paper and manufacturing costs .



# Specialty Chemicals

	<u>4Q06 vs. 4Q05</u>		<u>FY06 vs. FY05</u>	
Operating Profit	\$8 million	↑ 33%	\$51 million	↑ 31%
Sales	\$117 million	↑ 9%	\$493 million	↑ 16%

- Record sales in 2006; solid top-line growth in 4Q
- Pine Chemicals business strong: 20% sales increase for publication ink resins
- Price increases to offset higher costs for Crude Tall Oil



# Progress for Consumer Solutions

*“We need to focus on our strengths to improve profitability in our consumer solutions business”*

- Measurable EBIT improvement by 2H 2007
- Focus on specialty DVD and compliance pharmaceutical packaging
- Commitment to better execution
- Cutting costs in North America and Europe



# E. Mark Rajkowski

Senior Vice President and CFO



# Key Financial Information

(\$ in millions, pre-tax)

<b><u>Income Statement Items</u></b>	<b><u>4Q 2006</u></b>	<b><u>4Q 2005</u></b>	<b><u>Change</u></b>
Sales	\$ 1,775	\$ 1,627	9%
Adjusted Gross Margin (1)	343	286	20%
Adjusted SG&A (2)	215	185	16%
Adjusted EBIT (3)	128	107	20%

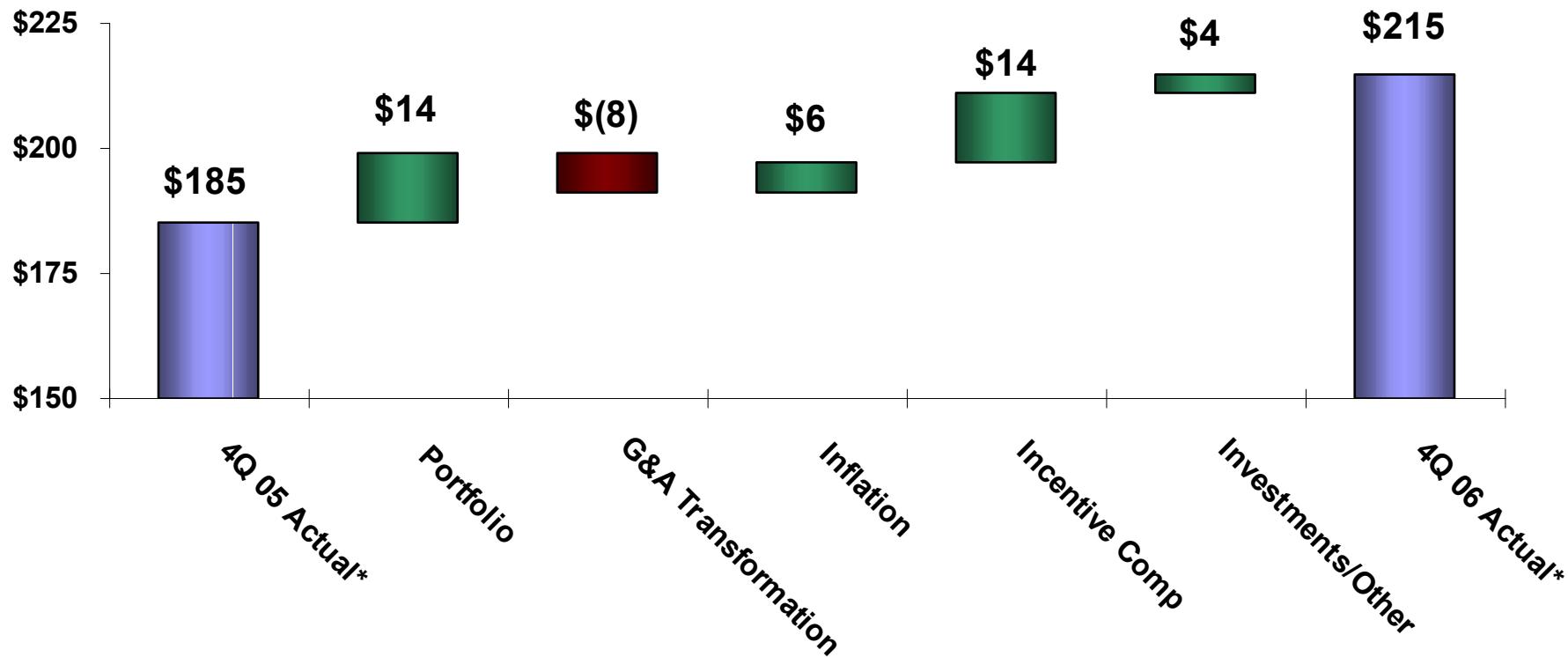
(1) Adjusted gross margin excludes restructuring charges of \$16.3 million and \$1.3 million for the fourth quarter ended 2006 and 2005, respectively.

(2) Adjusted SG&A expense excludes restructuring charges and one-time costs of \$45.0 million and \$3.9 million for the fourth quarter ended 2006 and 2005, respectively.

(3) Adjusted EBIT excludes restructuring charges and one-time costs of \$72.9 million and \$5.2 million for the fourth quarter ended 2006 and 2005, respectively. In addition, adjusted EBIT excludes gains on sales of real estate of \$17.8 million in 2006 and gains on sales of forestlands of \$16.1 million and \$3.3 million for the fourth quarter ended 2006 and 2005, respectively. Adjusted EBIT also excludes interest income of \$1.8 million and \$9.2 million in 2006 and 2005, respectively.



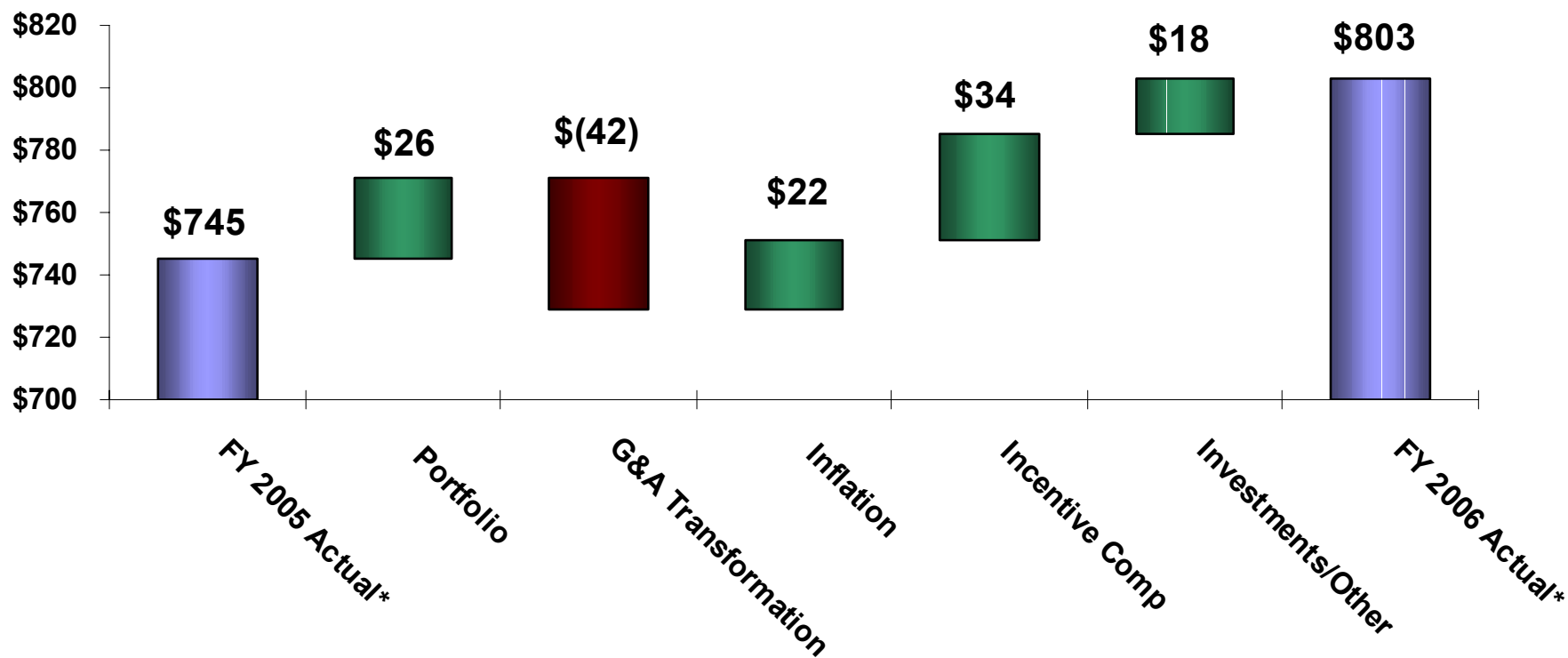
# SG&A – 4Q 06 vs. 4Q 05



\* Excludes restructuring and one-time costs



# SG&A – FY 06 vs. FY 05



\* Excludes restructuring and one-time costs



# 2007 Outlook

- Capital spending in the range of \$340 - \$360 million
- DD&A just over \$500 million
- Interest expense between \$210 - \$215 million
- Pension income of approximately \$55 million
- Tax rate of 25%

A light blue wireframe world map is centered on the page, showing the outlines of continents and a grid of latitude and longitude lines. The word "Appendix" is overlaid in the center of the map.

# Appendix



# Bleached Board

**Shipments: 405,000 tons in 4Q06; 1,659,000 tons FY06**

Full year aseptic shipments up 14%

Full year commercial printing shipments up 3%

Full year tobacco shipments up 1%

**Pricing: Up \$49 per ton vs. 4Q05; +6%**

**Up \$30 per ton vs. FY05; +4%**

**Backlogs: Currently at over 2 weeks**

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- 2006 shipments reflect the impact of over 310,000 tons of capacity removed from the system
- New price increases effective in 1Q for several bleached grades
- Mill outages in bleached system for routine maintenance are planned for the 1<sup>st</sup> quarter



# Coated Natural Kraft

**Shipments:** 263,000 tons in 4Q06; up 3%  
1,125,000 tons in FY06; up 5%

**Pricing:** Up \$14 per ton vs. 4Q05; +2%  
Up \$9 per ton vs. FY05; +1%

**Backlogs:** Currently at over 2 weeks

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- **Shipments and Price driven by strong demand in the open market beverage and packaging businesses**
    - 2006 shipments up 22% in open market beverage and up 9% in open market packaging
    - 2006 price up 3% in both open market beverage and packaging businesses
  - **Production record in 2006 averaging 3,050 tons/day and 1.1 million tons/year**



# Linerboard

**Shipments: 122,000 tons in 4Q06; down 10% vs. 4Q05**  
**412,000 tons in 2006; down 13% vs. 2005**

**Pricing: Up \$104 per ton vs. 4Q05; +28%**  
**Up \$59 per ton vs. FY05; +15%**

**Backlogs: Currently over 2 weeks**

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- Lower volume in 2006 is offset by better mix
- Strong pricing improvements in both domestic and export linerboard
  - 2006 Domestic linerboard up \$59/ton (+15%)
  - 2006 Export linerboard up \$75/ton (+23%)
- Pricing and backlogs solid

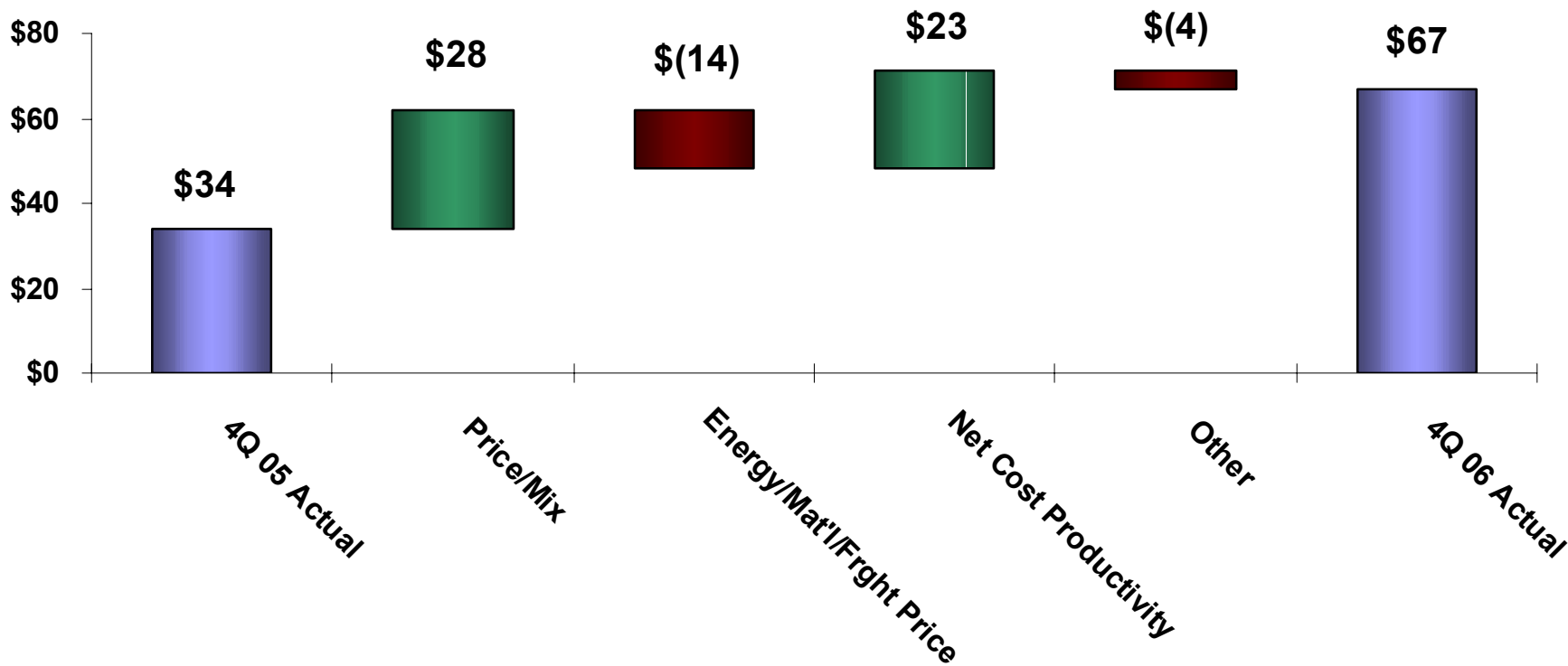


# Corporate & Other Reconciliation

<b>Corporate &amp; Other Segment Reconciliation</b>								
(\$ in millions)								
	<u>FY</u> <u>2006</u>	<u>FY</u> <u>2005</u>	<u>4Q</u> <u>2006</u>	<u>4Q</u> <u>2005</u>	<u>3Q</u> <u>2006</u>	<u>FY '06</u> <u>vs. FY</u> <u>'05</u>	<u>4Q '06</u> <u>vs. 4Q</u> <u>'05</u>	<u>4Q '06</u> <u>vs. 3Q</u> <u>'06</u>
Corporate & Other Segment - As Reported	(448)	(370)	(138)	(79)	(116)	(78)	(59)	(22)
<u>Remove:</u>								
Restructuring charges	133	29	54	5	17	104	48	37
One-time costs	42	-	19	-	10	42	19	9
Debt Retirement charge	-	90	-	-	-	(90)	-	-
PIK Note gain	(21)	-	-	-	-	(21)	-	-
Total restructuring & one-time items	154	120	73	5	27	35	68	46
<b>Operational Subtotal</b>	<b>(294)</b>	<b>(250)</b>	<b>(65)</b>	<b>(74)</b>	<b>(89)</b>	<b>(43)</b>	<b>9</b>	<b>24</b>
<u>Remove:</u>								
Pension credit	(49)	(67)	(12)	(16)	(12)	18	5	1
Interest expense	211	208	54	51	57	2	3	(3)
Interest income	(20)	(33)	(2)	(9)	(3)	13	7	2
Gain on sale of corporate real estate	(18)	-	(18)	-	-	(18)	(18)	(18)
Land sales	(29)	(60)	(16)	(3)	(5)	31	(13)	(11)
<b>Corporate &amp; Other Segment - Operational</b>	<b>(198)</b>	<b>(202)</b>	<b>(58)</b>	<b>(51)</b>	<b>(52)</b>	<b>4</b>	<b>(7)</b>	<b>(6)</b>

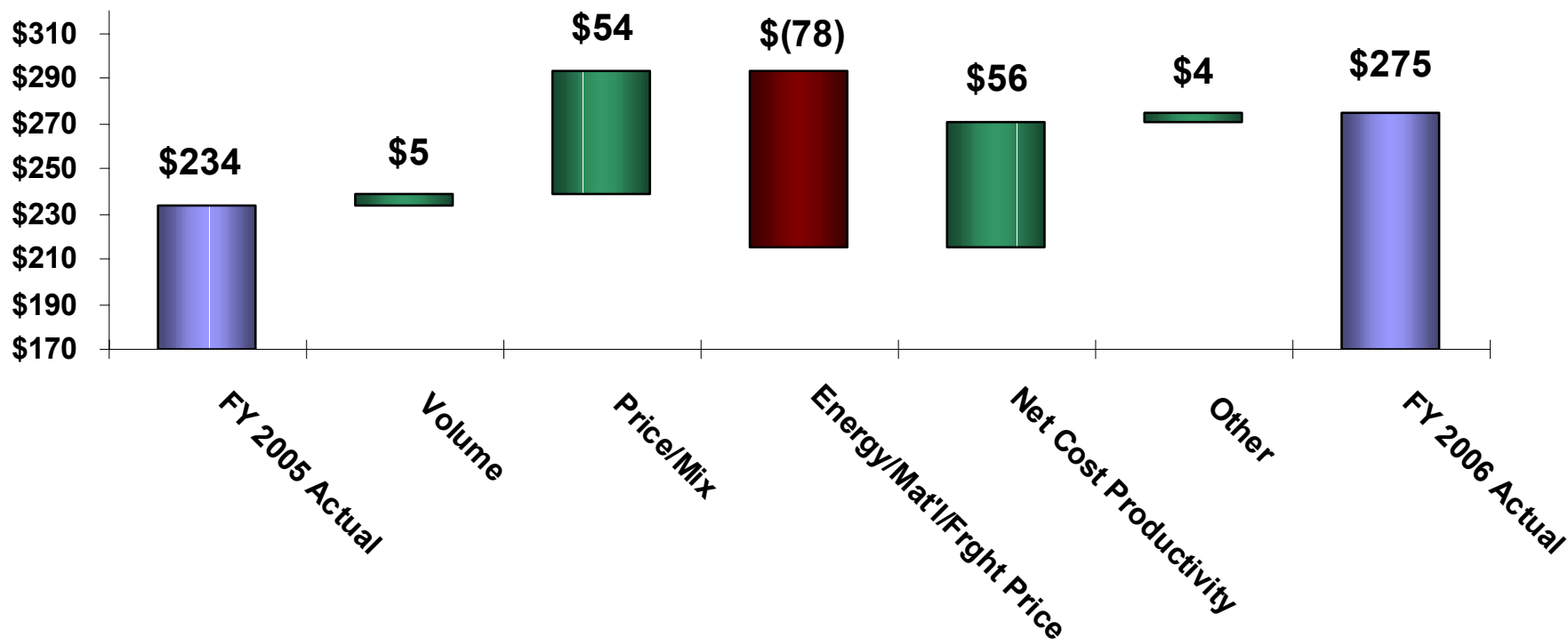


# Packaging Resources – 4Q 06 vs. 4Q 05



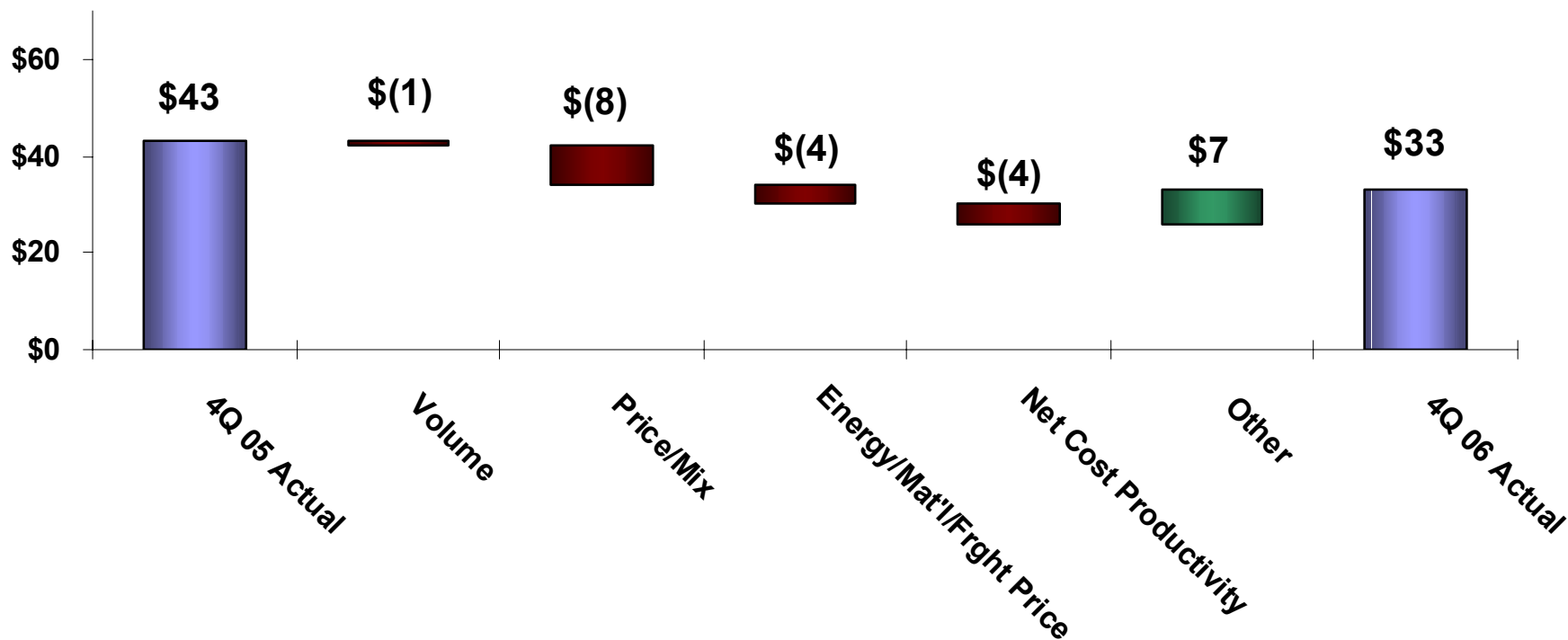


# Packaging Resources – FY 06 vs. FY 05



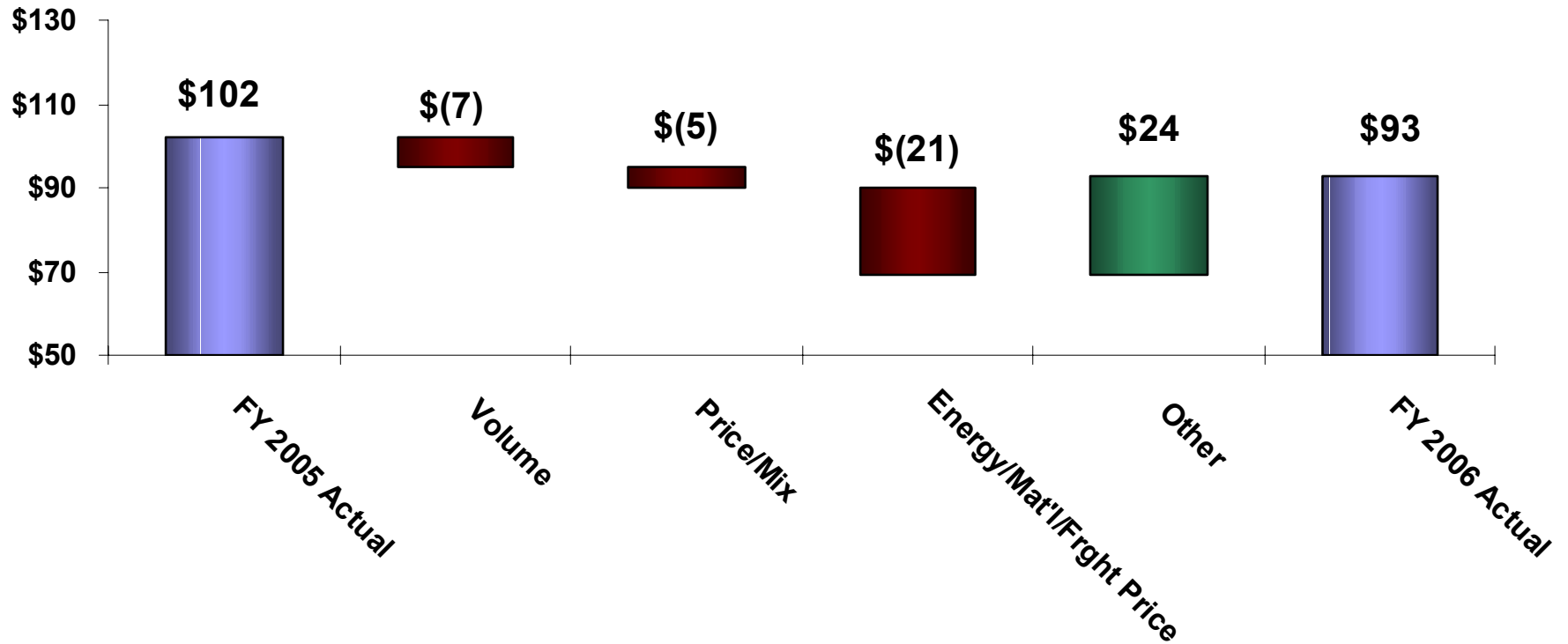


# Consumer Solutions – 4Q 06 vs. 4Q 05



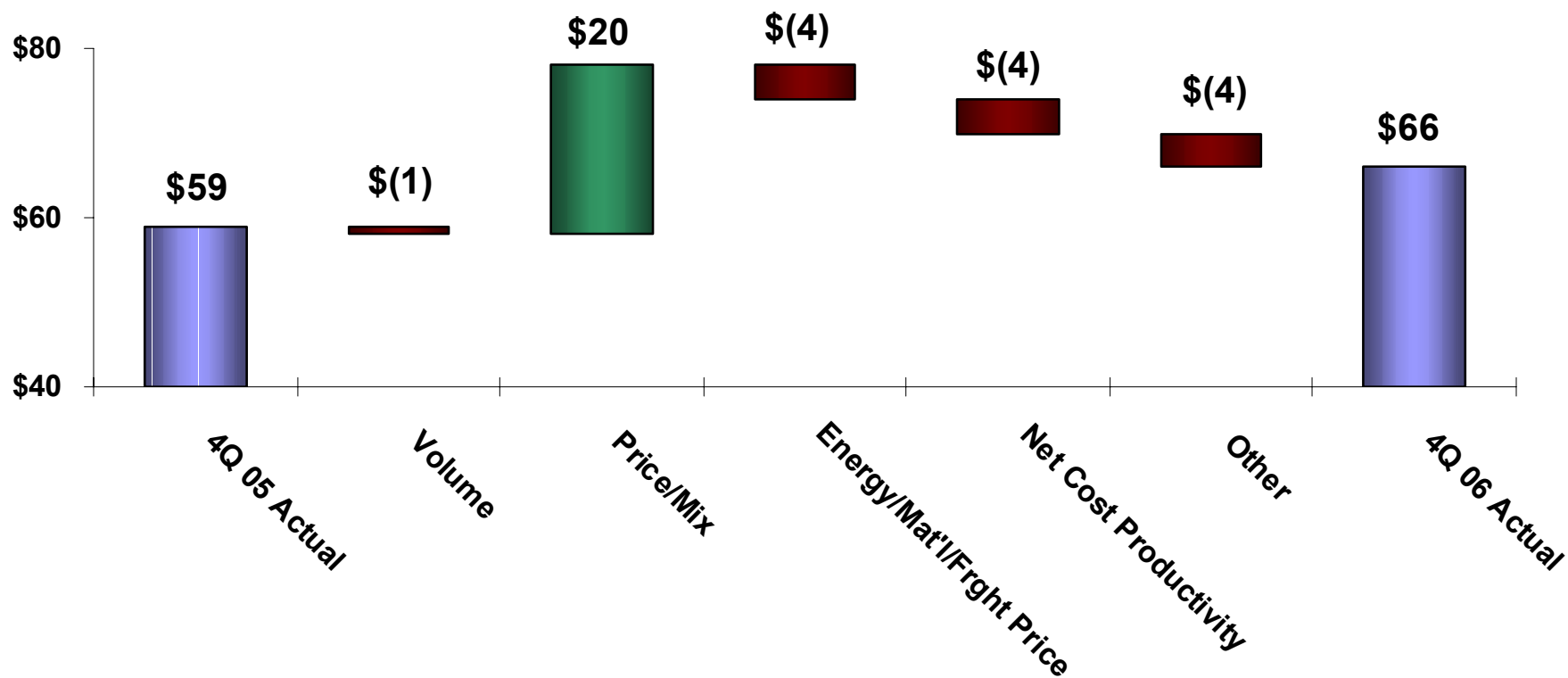


# Consumer Solutions – FY 06 vs. FY 05



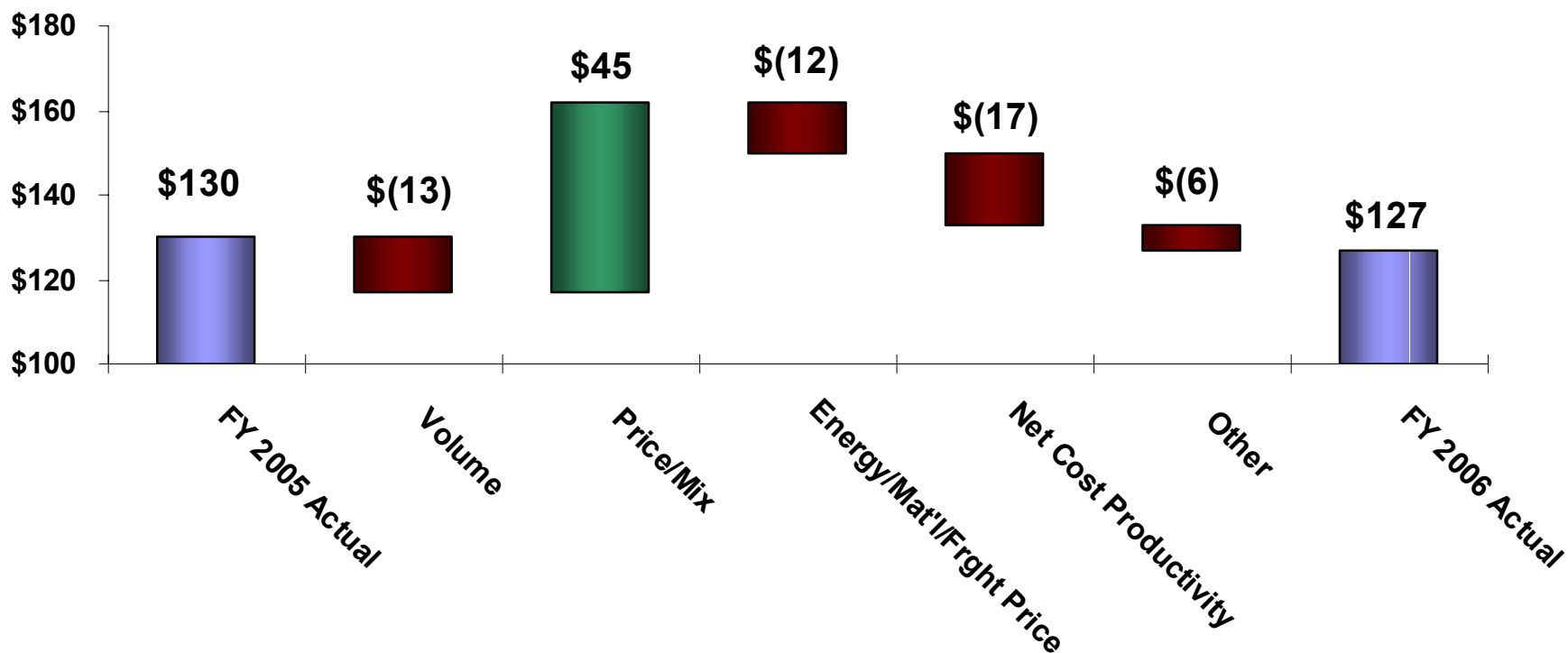


# Consumer & Office Products – 4Q 06 vs. 4Q 05



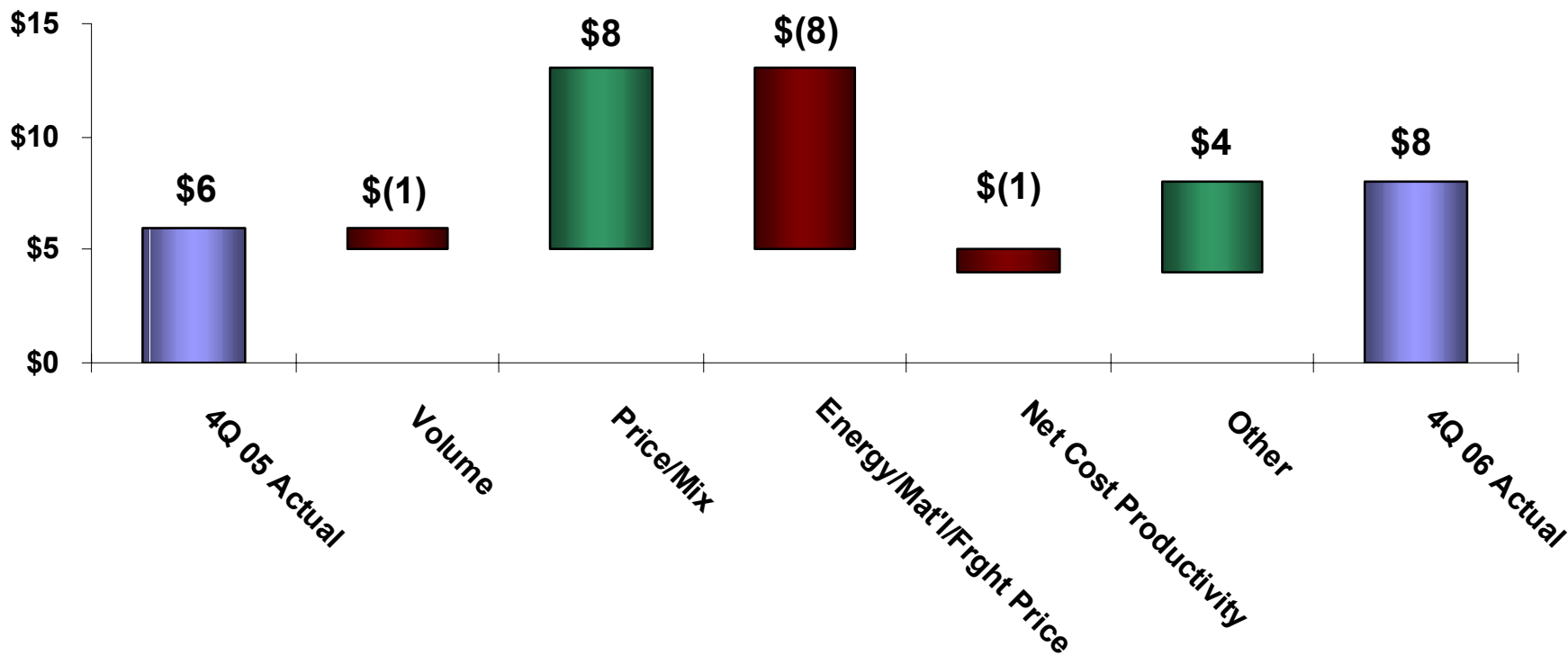


# Consumer & Office Products – FY 06 vs. FY 05





# Specialty Chemicals – 4Q 06 vs. 4Q 05





# Specialty Chemicals – FY 06 vs. FY 05

