

# WEYERHAEUSER

Earnings Release – 3rd Quarter 2012



10.26.12



# FORWARD-LOOKING STATEMENT

This presentation contains statements concerning the company's future results and performance that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on various assumptions and may not be accurate because of risks and uncertainties surrounding these assumptions. Factors listed below, as well as other factors, may cause actual results to differ significantly from these forward-looking statements. There is no guarantee that any of the events anticipated by these forward-looking statements will occur. If any of the events occur, there is no guarantee what effect they will have on company operations or financial condition. The company will not update these forward-looking statements after the date of this news release.

Some forward-looking statements discuss the company's plans, strategies and intentions. They use words such as "expects," "may," "will," "believes," "should," "approximately," "anticipates," "estimates," and "plans." In addition, these words may use the positive or negative or other variations of those terms.

This release contains forward-looking statements regarding the company's expectations during the fourth quarter of 2012, including slightly improved selling prices and comparable sales volumes for Western logs, increased demand and slightly improved price realizations for export logs, slightly lower Southern log realizations due to mix and a small seasonal increase in fee harvest volume, increased silviculture costs, earnings from non-strategic land sales expected to be flat, and comparable earnings from the Timberlands segment; a seasonal decline in pricing and demand, and lower earnings from the Wood Products segment; lower selling prices for fluff pulp, increased sales volumes, lower maintenance expense, somewhat higher energy costs and comparable earnings from the Cellulose Fibers segment; and a seasonal increase in home closings, lower average margins due to mix, higher selling expenses due to additional volume, and slightly lower earnings from single-family homebuilding operations in the Real Estate segment. Major risks, uncertainties and assumptions that affect the company's businesses and may cause actual results to differ from these forward-looking statements, include, but are not limited to:

- the effect of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages, and strength of the U.S. dollar;
- market demand for the company's products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions;
- performance of the company's manufacturing operations, including maintenance requirements;
- the successful execution of internal performance plans, including restructurings and cost reduction initiatives;
- the level of competition from domestic and foreign producers;
- raw material and energy prices and transportation costs;
- the effect of forestry, land use, environmental and other governmental regulations;
- the effect of weather and the risk of loss from fires, floods, windstorms, hurricanes, pest infestation and other natural disasters;
- federal tax policies;
- legal proceedings;
- the effect of timing of retirements and changes in the market price of company stock on charges for stock-based compensation;
- changes in accounting principles;
- performance of pension fund investments and related derivatives; and
- other factors described under "Risk Factors" in the Company's annual report on Form 10-K and quarterly reports on Form 10-Q.

The company also is a large exporter and is affected by changes in economic activity in Europe and Asia, particularly Japan and China. It is affected by changes in currency exchange rates, particularly the relative value of the U.S. dollar to the euro and the Canadian dollar and the relative value of the euro to the yen. Restrictions on international trade or tariffs imposed on imports also may affect the company.



# NON-GAAP FINANCIAL MEASURES

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- **During the course of this presentation, certain non-U.S. GAAP financial information will be presented. A reconciliation of those numbers to U.S. GAAP financial measures is included in this presentation which is available on the company's website at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)**



# 2012 Q3 CONSOLIDATED RESULTS

Chart 1

	2012 Q2	2012 Q3
<b>Net Income Before Special Items<sup>1</sup></b>	<b>\$47</b>	<b>\$117</b>
<b>Diluted EPS Before Special Items<sup>1</sup></b>	<b>\$0.09</b>	<b>\$0.22</b>
EBITDA excluding special items <sup>2</sup>	\$251	\$312

\$ Millions EXCEPT EPS	2012	2012	
Contribution to Pre-Tax Earnings Before Special Items	Q2	Q3	Change
Timberlands	\$77	\$80	\$3
Wood Products	30	59	29
Cellulose Fibers	36	78	42
Real Estate	15	17	2
Unallocated Items	(28)	(17)	11
<b>Total Contribution to Pre-Tax Earnings Before Special Items</b>	<b>\$130</b>	<b>\$217</b>	<b>\$87</b>
Special Items	57	--	
<b>Total Contribution to Pre-Tax Earnings</b>	<b>\$187</b>	<b>\$217</b>	
Interest Expense, Net <sup>3</sup>	(86)	(87)	
Income Taxes <sup>4</sup>	(17)	(13)	
<b>Net Income</b>	<b>\$84</b>	<b>\$117</b>	
<b>Diluted EPS</b>	<b>\$0.16</b>	<b>\$0.22</b>	

1. A reconciliation to GAAP is set forth on Chart 2 and at [www.weverhaeuser.com](http://www.weverhaeuser.com).

2. A reconciliation to GAAP is set forth on Chart 17 and at [www.weverhaeuser.com](http://www.weverhaeuser.com).

3. Interest expense is net of capitalized interest.

4. Income taxes for 2012 Q3 include a net benefit of \$7 million from income tax settlements.



# EARNINGS BEFORE SPECIAL ITEMS

Chart 2

## Reconciliation to GAAP

\$ Millions EXCEPT EPS	2012 Q2			2012 Q3		
	Contribution to Pre-Tax Earnings	After-Tax Earnings	Diluted EPS	Contribution to Pre-Tax Earnings	After-Tax Earnings	Diluted EPS
<b>Earnings Before Special Items</b>	<b>\$130</b>	<b>\$47</b>	<b>\$0.09</b>	<b>\$217</b>	<b>\$117</b>	<b>\$0.22</b>
<b>Special Items:</b>						
Gain on Postretirement Plan Amendment	51	33	0.06	–	–	–
Gain on Sale of Properties	6	4	0.01	–	–	–
<b>Earnings Including Special Items (GAAP)</b>	<b>\$187</b>	<b>\$84</b>	<b>\$0.16</b>	<b>\$217</b>	<b>\$117</b>	<b>\$0.22</b>



# TIMBERLANDS SEGMENT

Chart 3

TIMBERLANDS (\$ Millions)	2012 Q2	2012 Q3
Third Party Revenues <sup>1</sup> .	\$259	\$262
Intersegment Revenues <sup>1</sup> .	\$115	\$103
Contribution to Pre-Tax Earnings	\$77	\$80
EBITDA <sup>2</sup> .	\$111	\$114
Operating Margin <sup>3</sup> .	21%	22%

1. 2012 Q3 excludes \$5 million of third party revenue and \$59 million of intersegment revenue from Canadian Forestland operations, compared with \$2 million of third party revenue and \$31 million of intersegment revenue in 2012 Q2.
2. A reconciliation to GAAP is set forth on Chart 17, and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com).
3. Contribution to Pre-Tax Earnings divided by Total Revenues excluding Canadian Forestlands operations. Timberlands makes no margin on Canadian Forestlands operations, which are operated as a cost center for the purpose of supplying Weyerhaeuser's Canadian manufacturing facilities.

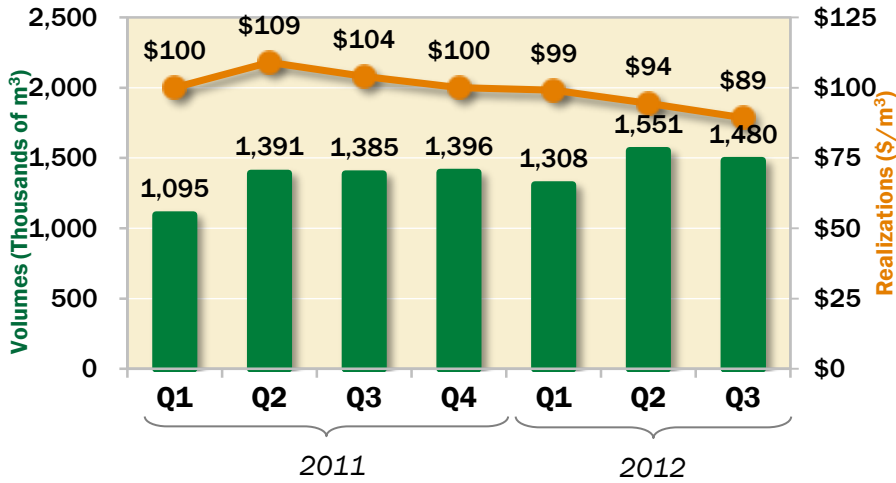
## 3rd Quarter Notes

- Higher earnings from disposition of non-strategic timberlands
- Lower domestic selling prices for Western logs, and reduced export log realizations due to mix
- Seasonally higher road costs

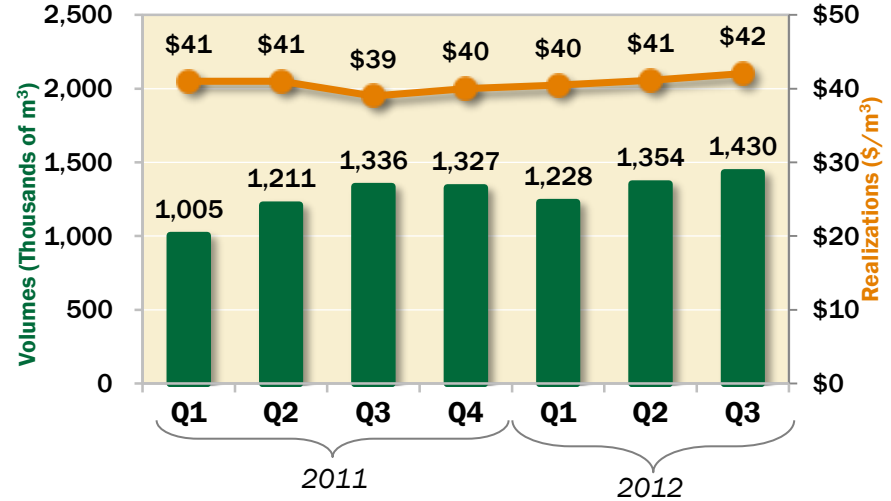


# WESTERN/SOUTHERN TIMBERLANDS

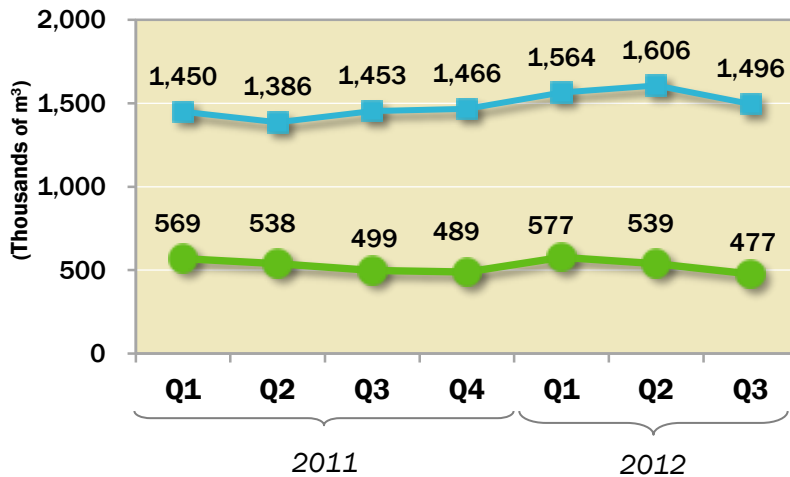
### 3<sup>rd</sup>-Party Log Sales and Realizations - West



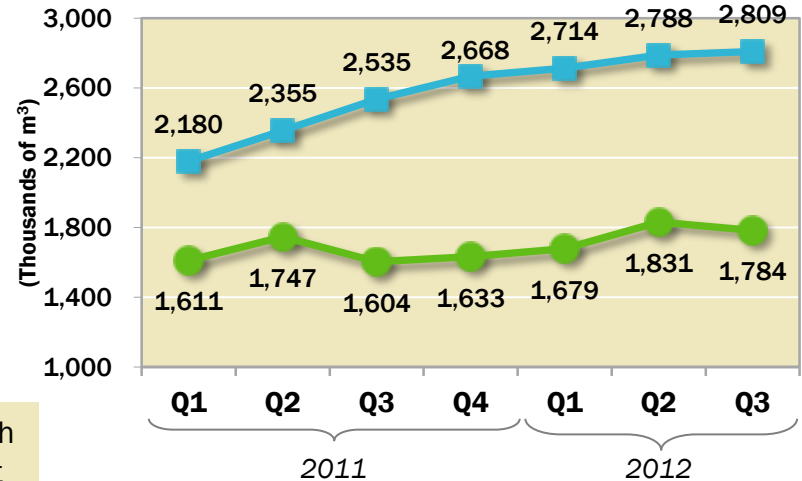
### 3<sup>rd</sup>-Party Log Sales and Realizations - South



### Intersegment Log Sales Volume



### Fee Harvest Volume





# WOOD PRODUCTS SEGMENT

Chart 5

WOOD PRODUCTS (\$ Millions)	2012 Q2	2012 Q3
Third Party Revenues	\$776	\$816
Intersegment Revenues	\$20	\$18
Contribution to Pre-Tax Earnings Before Special Items	\$30	\$59
Pre-Tax Special Items	6	–
Contribution to Pre-Tax Earnings Including Special Items	\$36	\$59
EBITDA, excluding Special Items <sup>1</sup> .	\$63	\$92
Operating Margin, excluding Special Items <sup>2</sup> .	4%	7%

1. A reconciliation to GAAP is set forth on Chart 17, and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com).

2. Contribution to Pre-Tax Earnings Before Special Items divided by Total Revenues.

## 3rd Quarter Notes

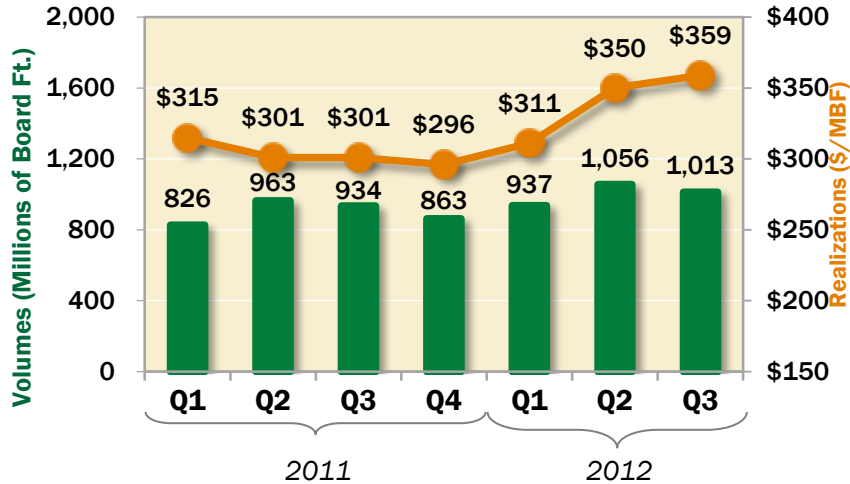
- Strong markets and effective execution of performance improvement initiatives
- Higher sales realizations across nearly all product lines
- Average selling prices for oriented strand board increased 25 percent
- Sales volumes for engineered wood products increased
- Sales volumes for lumber and oriented strand board declined slightly



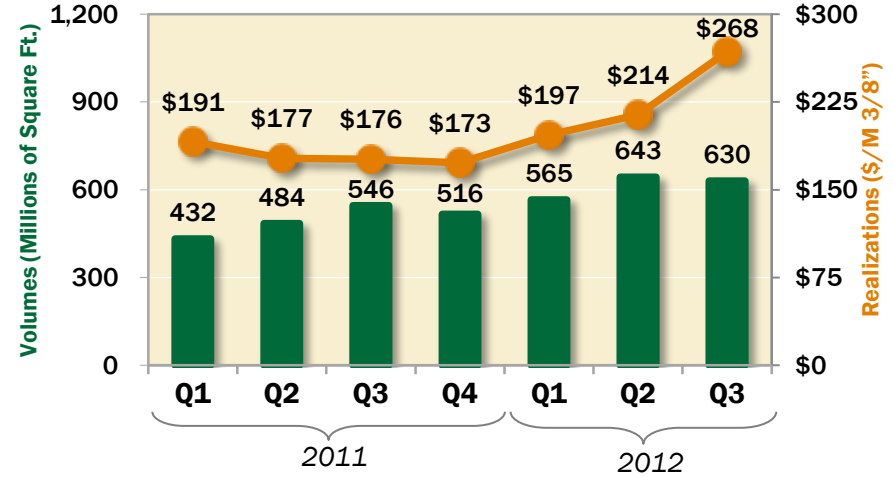


# 3<sup>RD</sup>-PARTY SALES VOLUMES AND REALIZATIONS

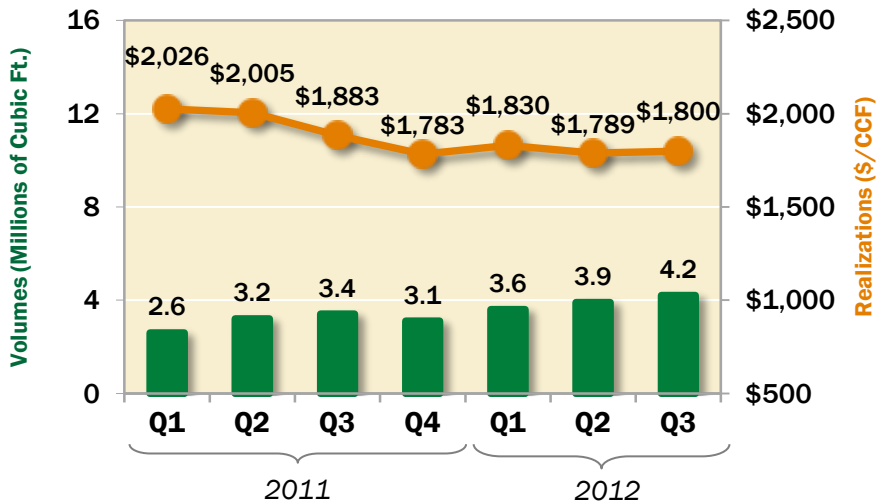
## Lumber



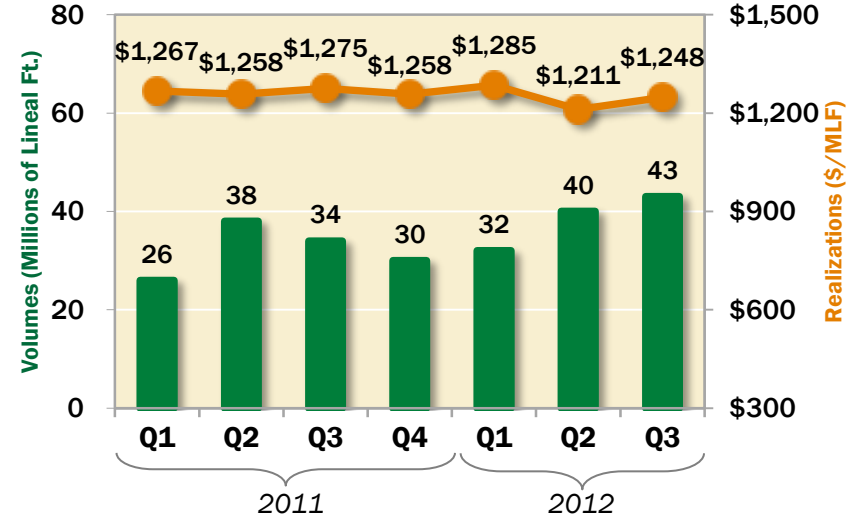
## OSB



## Engineered Wood – Solid Section



## Engineered Wood – TJI's



# CELLULOSE FIBERS SEGMENT

Chart 7

CELLULOSE FIBERS (\$ Millions)	2012 Q2	2012 Q3
Total Revenues	\$459	\$459
Contribution to Pre-Tax Earnings	\$36	\$78
EBITDA <sup>1</sup>	\$71	\$112
Operating Margin <sup>2</sup>	8%	17%
Days of Scheduled Annual Maintenance	27	13

1. A reconciliation to GAAP is set forth on Chart 17, and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com).

2. Contribution to Pre-Tax Earnings divided by Total Revenues.

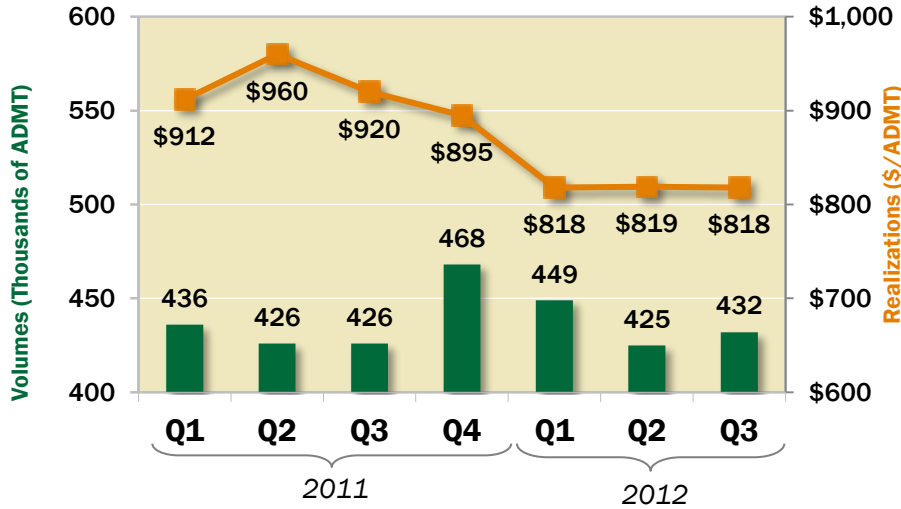
## 3rd Quarter Notes

- Average sales realizations for pulp were flat
- Significantly lower maintenance costs, increased production and strong operating performance
- 3rd quarter included one scheduled annual maintenance outage, compared with two annual outages in the 2nd quarter

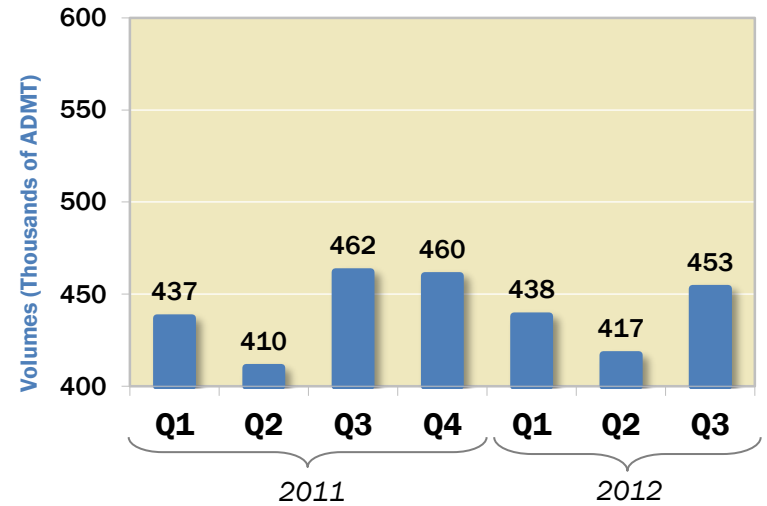


# CELLULOSE FIBERS SEGMENT

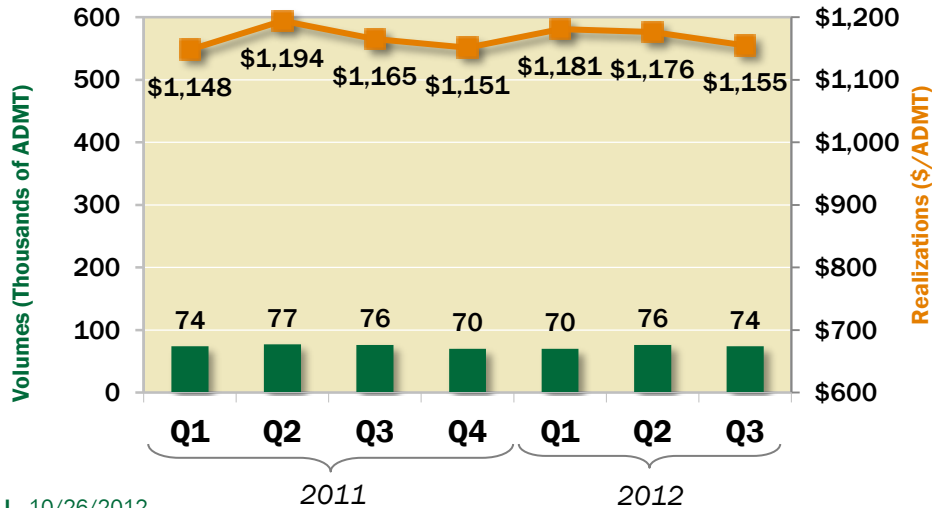
### 3rd-Party Sales Volumes and Realizations - Pulp



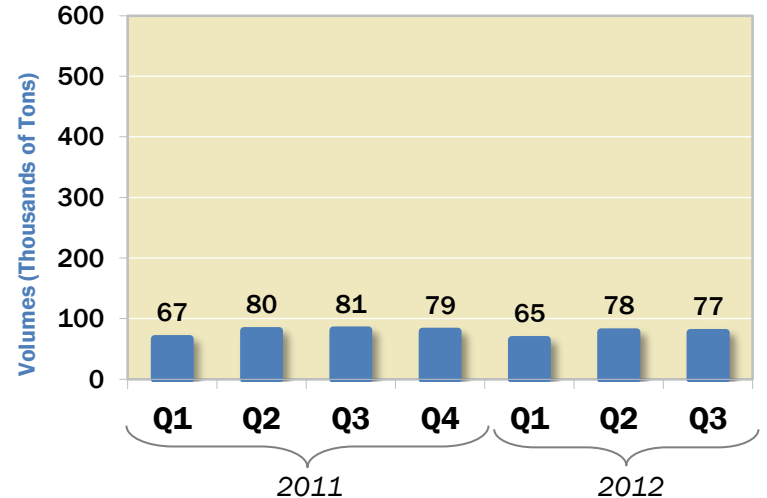
### Production Volumes - Pulp



### 3rd-Party Sales Volumes and Realizations - Liquid Packaging



### Production Volumes - Liquid Packaging



REAL ESTATE (\$ Millions)	2012 Q2	2012 Q3
Total Revenues	\$296	\$230
Contribution to Pre-Tax Earnings	\$15	\$17
EBITDA <sup>1</sup> .	\$31	\$24
Operating Margin <sup>2</sup> .	5%	7%

1. A reconciliation to GAAP is set forth on Chart 17, and at [www.weverhaeuser.com](http://www.weverhaeuser.com).

2. Contribution to Pre-Tax Earnings divided by Total Revenues.

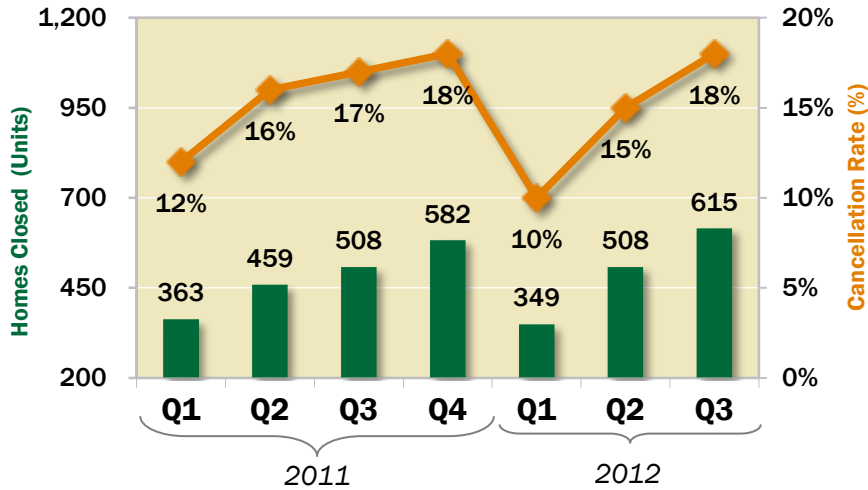
## 3rd Quarter Notes

- Seasonal increase in home closings
- Substantially higher average margins due to mix
- 3rd quarter included earnings of \$17 million from single-family homebuilding, compared with \$3 million in the 2nd quarter
- 2nd quarter included revenue of \$105 million and earnings of \$12 million from sale of land and lots

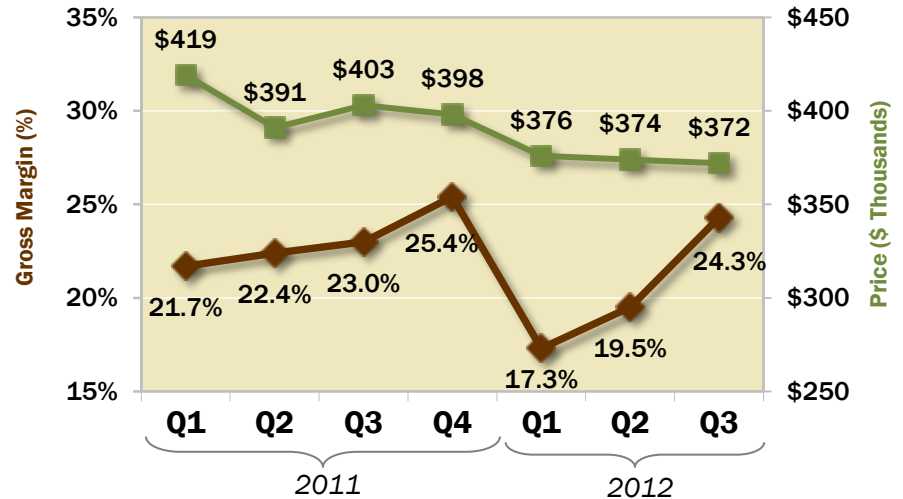


# SINGLE FAMILY HOMEBUILDING

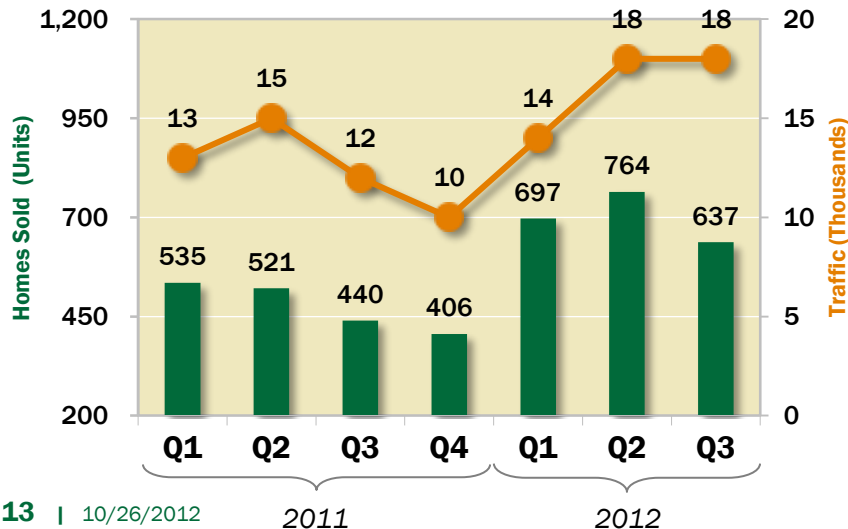
### Home Closings and Cancellation Rate



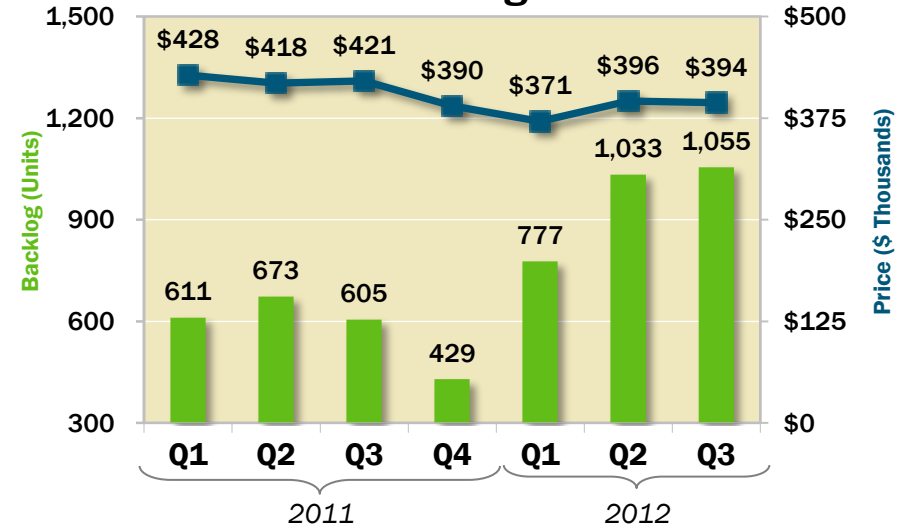
### Average Closing Price and Gross Margin Excluding Impairments



### Homes Sold and Buyer Traffic



### Backlog and Average Sale Price of Homes in Backlog



# UNALLOCATED ITEMS<sup>1</sup>.

Chart 11

UNALLOCATED ITEMS (\$ Millions)	2012 Q2	2012 Q3
Unallocated Corporate Function Expenses	(\$3)	(\$5)
Unallocated Share-Based Compensation	(1)	(7)
Unallocated Pension & Postretirement Costs	(7)	(7)
Foreign Exchange Gains (Losses)	(8)	11
Elimination of Intersegment Profit in Inventory and LIFO	(2)	(10)
Other	(7)	1
Charge to Pre-Tax Earnings Before Special Items	(\$28)	(\$17)
Unallocated Pre-Tax Special Items	51	--
Contribution (Charge) to Pre-Tax Earnings Including Special Items	\$23	(\$17)
EBITDA excluding Special Items <sup>2</sup> .	(\$25)	(\$22)

1. Unallocated items are gains or charges not related to or allocated to an individual operating segment. They include a portion of items such as: share-based compensation; pension and postretirement costs; foreign exchange transaction gains and losses associated with financing; and elimination of intersegment profit in inventory and LIFO.

2. A reconciliation to GAAP is set forth on Chart 17, and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com).



SEGMENT	COMMENTS
<b>Timberlands</b>	<ul style="list-style-type: none"> <li>• Slightly improved selling prices and comparable sales volumes for Western domestic logs</li> <li>• Increased demand and slightly improved price realizations for export logs</li> <li>• Slightly lower Southern log realizations due to mix, and small seasonal increase in fee harvest volume</li> <li>• Increased silviculture costs</li> <li>• Earnings from non-strategic land sales expected to be flat</li> <li>• Expect 2012 Q4 earnings to be comparable to 2012 Q3</li> </ul>
<b>Wood Products</b>	<ul style="list-style-type: none"> <li>• Quarter-to-date prices and volumes for most products have been stronger than normal seasonal pattern, but expect seasonal declines as 2012 Q4 progresses</li> <li>• Will continue to match supply with demand</li> <li>• Expect 2012 Q4 to be solidly profitable, but earnings well below 2012 Q3</li> </ul>
<b>Cellulose Fibers</b>	<ul style="list-style-type: none"> <li>• Lower selling prices for fluff pulp</li> <li>• Increased sales volumes</li> <li>• Lower maintenance expense</li> <li>• Somewhat higher energy costs</li> <li>• Expect 2012 Q4 earnings to be comparable to 2012 Q3</li> </ul>
<b>Real Estate</b>	<ul style="list-style-type: none"> <li>• Seasonally higher home closing volume</li> <li>• Average margins below 20% due to mix</li> <li>• Higher selling-related expenses due to additional closing volume</li> <li>• Excluding any earnings from potential land sales, Weyerhaeuser expects slightly lower earnings from single-family homebuilding operations in 2012 Q4</li> </ul>



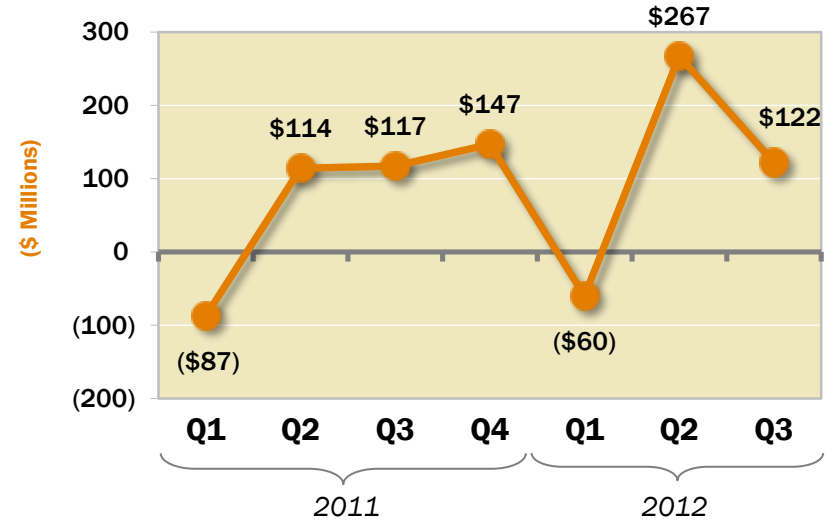


(\$ Millions)	2012 Q2	2012 Q3
Ending Cash Balance	\$861	\$608
Long-Term Debt	\$4,472	\$4,291

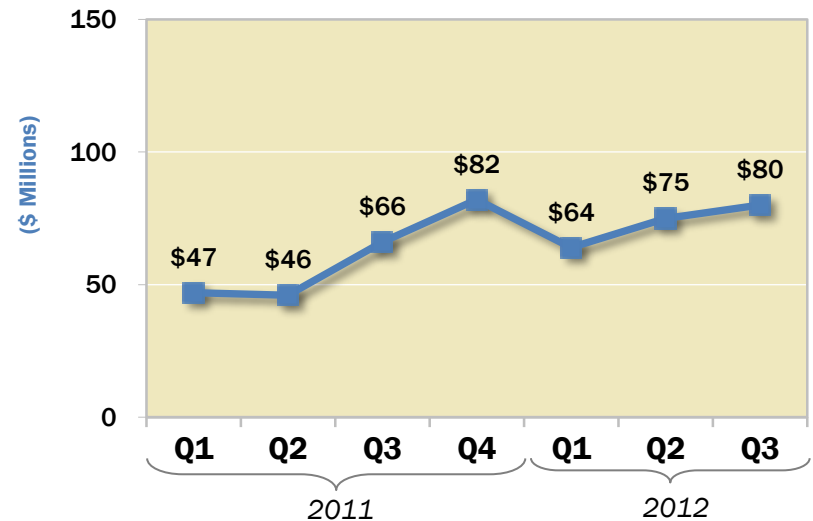
## Scheduled Debt Maturities as of September 30, 2012

(\$ Millions)	2012	2013	2014	2015	2016
Debt Maturities	\$0	\$409	\$15	\$0	\$0

## Cash from Operations



## Capital Expenditures



# APPENDIX



# INTERSEGMENT PROFIT / LIFO ADJUSTMENT

Chart 14

Weyerhaeuser began holding elimination of intersegment profit on inventory and the LIFO reserve as part of Unallocated Items during 2012 Q2. This change provides a better understanding of business segment operating results. Contributions to pre-tax earnings for prior periods have been adjusted to reflect this change. A reconciliation to contribution to pre-tax earnings as previously reported is set forth below.

\$ Millions	2011				2012	2012	
	Q1	Q2	Q3	Q4	Q1	Q2 (as reported)	Q3 (as reported)
<b>Contribution to Pre-Tax Earnings Before Special Items</b>							
<b>Timberlands:</b>							
As previously reported	\$89	\$112	\$62	\$70	\$71		
Intersegment profit / LIFO adjustment	--	6	(1)	1	(1)		
As adjusted (as reported for 2012 2Q and forward)	\$89	\$118	\$61	\$71	\$70	\$77	\$80
<b>Wood Products:</b>							
As previously reported	(\$36)	(\$53)	(\$43)	(\$61)	(\$22)		
Intersegment profit / LIFO adjustment	4	(1)	(4)	3	9		
As adjusted (as reported for 2012 2Q and forward)	(\$32)	(\$54)	(\$47)	(\$58)	(\$13)	\$30	\$59
<b>Cellulose Fibers:</b>							
As previously reported	\$86	\$80	\$135	\$134	\$44		
Intersegment profit / LIFO adjustment	6	5	4	2	4		
As adjusted (as reported for 2012 2Q and forward)	\$92	\$85	\$139	\$136	\$48	\$36	\$78
<b>Unallocated Items:</b>							
As previously reported	(\$43)	(\$11)	(\$16)	(\$22)	(\$10)		
Intersegment profit / LIFO adjustment (as reported for 2012 2Q and forward)	(10)	(10)	1	(6)	(12)	(2)	(10)
As adjusted (as reported for 2012 2Q and forward)	(\$53)	(\$21)	(\$15)	(\$28)	(\$22)	(\$28)	(\$17)

# EARNINGS SUMMARY

Chart 15

Weyerhaeuser began holding elimination of intersegment profit on inventory and the LIFO reserve as part of Unallocated Items during 2012 Q2. Contributions to pre-tax earnings for prior periods have been adjusted to reflect this change. A reconciliation to contribution to pre-tax earnings as previously reported is set forth on Chart 14.

\$ Millions EXCEPT EPS	2011				2012		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Contribution to Pre-Tax Earnings Before Special Items</b>							
Timberlands	\$89	\$118	\$61	\$71	\$70	\$77	\$80
Wood Products	(32)	(54)	(47)	(58)	(13)	30	59
Cellulose Fibers	92	85	139	136	48	36	78
Real Estate	(1)	8	10	41	(8)	15	17
Unallocated Items	(53)	(21)	(15)	(28)	(22)	(28)	(17)
<b>Total Contribution to Earnings before Special Items and Discontinued Operations</b>	<b>\$95</b>	<b>\$136</b>	<b>\$148</b>	<b>\$162</b>	<b>\$75</b>	<b>\$130</b>	<b>\$217</b>
Discontinued Operations	2	(10)	(8)	--	--	--	--
Special Items, including from Discontinued Operations	152	(9)	12	(19)	38	57	--
<b>Total Contribution to Earnings</b>	<b>\$249</b>	<b>\$117</b>	<b>\$152</b>	<b>\$143</b>	<b>\$113</b>	<b>\$187</b>	<b>\$217</b>
Interest Expense, net <sup>1</sup>	(93)	(91)	(86)	(88)	(87)	(86)	(87)
Loss on Extinguishment of Debt	--	(26)	--	--	--	--	--
Income Taxes <sup>2</sup>	(57)	10	91	10	15	(17)	(13)
<b>Net Income</b>	<b>\$99</b>	<b>\$10</b>	<b>\$157</b>	<b>\$65</b>	<b>\$41</b>	<b>\$84</b>	<b>\$117</b>
<b>Net Income before Special Items<sup>3</sup></b>	<b>\$3</b>	<b>\$32</b>	<b>\$66</b>	<b>\$77</b>	<b>\$9</b>	<b>\$47</b>	<b>\$117</b>
Diluted EPS	\$0.18	\$0.02	\$0.29	\$0.12	\$0.08	\$0.16	\$0.22
Diluted EPS before Special Items <sup>3</sup>	\$0.00	\$0.06	\$0.12	\$0.14	\$0.02	\$0.09	\$0.22

1. Interest expense is net of capitalized interest.

2. Income taxes include benefits from income tax settlements of \$7 million in 2012 Q3 and \$8 million in 2012 Q1. 2011 Q3 includes a benefit of \$83 million related to foreign tax credits.

3. A reconciliation to GAAP Net Income is set forth on Chart 2. A reconciliation to GAAP EPS is set forth on Chart 16, and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com).



# EARNINGS PER SHARE RECONCILIATION

	2011				2012		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Diluted EPS Before Special Items</b>	<b>\$0.00</b>	<b>\$0.06</b>	<b>\$0.12</b>	<b>\$0.14</b>	<b>\$0.02</b>	<b>\$0.09</b>	<b>\$0.22</b>
<b>Special Items:</b>							
Gain on Postretirement Plan Amendment	--	--	--	--	0.06	0.06	--
Income Tax Adjustments and Credits	--	--	0.15	--	0.02	--	--
Closures, Restructuring, Impairments, and Related Charges	--	--	(0.04)	(0.02)	(0.02)	--	--
Net Gain on Sale of Assets, Operations and Property	0.18	(0.01)	0.06	--	--	0.01	--
Loss on Early Extinguishment of Debt	--	(0.03)	--	--	--	--	--
<b>Diluted EPS (GAAP)</b>	<b>\$0.18</b>	<b>\$0.02</b>	<b>\$0.29</b>	<b>\$0.12</b>	<b>\$0.08</b>	<b>\$0.16</b>	<b>\$0.22</b>



# EBITDA RECONCILIATION

Chart 17

\$ Millions	2012 Q2						2012 Q3					
	Timberlands	Wood Products	Cellulose Fibers	Real Estate	Unallocated Items	Total	Timberlands	Wood Products	Cellulose Fibers	Real Estate	Unallocated Items	Total
<b>EBITDA Excluding Special Items<sup>1</sup></b>	<b>\$111</b>	<b>\$63</b>	<b>\$71</b>	<b>\$31</b>	<b>(\$25)</b>	<b>\$251</b>	<b>\$114</b>	<b>\$92</b>	<b>\$112</b>	<b>\$24</b>	<b>(\$22)</b>	<b>\$320</b>
Depletion, Depreciation & Amortization	(34)	(33)	(36)	(3)	(7)	(113)	(35)	(33)	(37)	(3)	(4)	(112)
Special Items	--	6	--	--	51	57	--	--	--	--	--	--
Capitalized Interest Included in Cost of Products Sold	--	--	--	(14)	(5)	(19)	--	--	--	(5)	(1)	(6)
<b>Operating Income (GAAP)</b>	<b>\$77</b>	<b>\$36</b>	<b>\$35</b>	<b>\$14</b>	<b>\$14</b>	<b>\$176</b>	<b>\$79</b>	<b>\$59</b>	<b>\$75</b>	<b>\$16</b>	<b>(\$27)</b>	<b>\$202</b>
Interest Income and Other	--	--	1	1	9	11	1	--	3	1	10	15
<b>Net Contribution to Earnings (GAAP)</b>	<b>\$77</b>	<b>\$36</b>	<b>\$36</b>	<b>\$15</b>	<b>\$23</b>	<b>\$187</b>	<b>\$80</b>	<b>\$59</b>	<b>\$78</b>	<b>\$17</b>	<b>(\$17)</b>	<b>\$217</b>

1. EBITDA excluding special items is a non-GAAP measure that management uses to evaluate the performance of the company. EBITDA excluding special items, as we define it, is operating income from continuing operations adjusted for depreciation, depletion, amortization, special items and interest included in cost of products sold. EBITDA excluding special items should not be considered in isolation from and is not intended to represent an alternative to our results computed under GAAP.

