



# Earnings Release

## 3<sup>rd</sup> Quarter — 2006

Weyerhaeuser Company  
October 25, 2006

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# Forward-looking Statement

- This news release 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. Some of these forward-looking statements can be identified by the use of forward-looking terminology such as "expects," "may," "will," "believes," "should," "approximately," "anticipates," "estimates," and "plans," and the negative or other variations of those terms or comparable terminology or by discussions of strategy, plans or intentions. In particular, some of these forward-looking statements deal with expectations regarding the company's markets in the fourth quarter 2006, including the expected softening of the housing market and a strong countercycle for paper-based businesses; expected earnings and performance of the company's business segments during the fourth quarter 2006, demand and pricing for the company's products in the fourth quarter 2006, lower domestic log prices and sales volumes in the fourth quarter 2006, continued strong export log prices and sales volumes in the fourth quarter 2006 with the possibility of softening due to weakness in the domestic log market, lower prices and reduced shipment volumes for lumber, oriented strand board, and engineered lumber products in the fourth quarter 2006, higher wood products manufacturing costs due to lower production volumes in the fourth quarter 2006, expected refund of approximately \$335 million (before taxes) of previously paid softwood lumber duties, expected total 2006 capital expenditures of approximately \$850 million, seasonal increases in real estate earnings, moderately higher home sales and closings in the Houston, TX and Puget Sound, WA regions, moderation of decline of housing market conditions in the Washington, D.C. region, higher raw material and energy costs in the fourth quarter 2006, beliefs regarding increase in sales margins in the Containerboard, Packaging and Recycling segment of \$100 million over the next two years, commitment of the Containerboard, Packaging and Recycling segment to reduce mill costs by \$65 million and converting facility costs by \$65 million over the next two years and to keep capital expenditures for Containerboard, Packaging and Recycling in the range of 70 – 75% of depreciation over the next two years, the expect closing of the spinoff of the fine paper business and merger of the business with Domtar, Inc. and related matters. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to:
  - The effect of general economic conditions, including the level of interest rates and housing starts;
  - The effect of regional and local economic conditions;
  - Market demand for the company's products, which may be tied to the relative strength of various U.S. business segments;
  - Energy prices;
  - Raw material prices;
  - Chemical prices;
  - Performance of the company's manufacturing operations including unexpected maintenance requirements;
  - The successful execution of internal performance plans;
  - The level of competition from domestic and foreign producers;
  - The effect of forestry, land use, environmental and other governmental policies and regulations, and changes in accounting regulations;
  - The effect of weather;
  - The risk of loss from fires, floods, windstorms, hurricanes and other natural disasters;
  - Transportation costs;
  - Legal proceedings;
  - The outcome of regulatory reviews and shareholder votes in respect of the merger of the fine paper business with Domtar, Inc.,
  - The effect of timing of retirements and changes in the market price of company stock on charges for stock-based compensation; and
  - Performance of pension fund investments and related derivatives.
- The company is also a large exporter and is affected by changes in economic activity in Europe and Asia, particularly Japan, and by changes in currency exchange rates, particularly the relative value of the U.S. dollar to the Euro and the Canadian dollar, and restrictions on international trade or tariffs imposed on imports. These and other factors could cause or contribute to actual results differing materially from such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will occur, or if any of them occurs, what effect they will have on the company's results of operations or financial condition. The company expressly declines any obligation to publicly revise any forward-looking statements that have been made to reflect the occurrence of events after the date of this news release.

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## *Statements Relating to 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)

# 2006 Q3 Earnings Summary

\$ in Millions except EPS	2005				2006		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Operating Earnings before Special Items</b>							
Timberlands	\$ 203	\$ 210	\$ 191	\$ 186	\$ 198	\$ 224	\$ 178
Wood Products	132	222	130	117	117	132	(46)
Cellulose Fiber and White Papers	19	16	20	(50)	(17)	34	119
Containerboard, Packaging & Recycling	64	99	36	(20)	22	97	99
Real Estate & Related Assets	183	156	145	283	155	123	149
Corporate and Other	(17)	(22)	(13)	(47)	(102)	(40)	(33)
<b>Total Op. Earnings before Special Items</b>	<b>\$ 584</b>	<b>\$ 681</b>	<b>\$ 509</b>	<b>\$ 469</b>	<b>\$ 373</b>	<b>\$ 570</b>	<b>\$ 466</b>
Special Items	(20)	103	86	(642)	(729)	(35)	(9)
<b>Total Operating Earnings</b>	<b>\$ 564</b>	<b>\$ 784</b>	<b>\$ 595</b>	<b>\$ (173)</b>	<b>\$ (356)</b>	<b>\$ 535</b>	<b>\$ 457</b>
Interest Expense, net <sup>1</sup>	(196)	(176)	(190)	(167)	(136)	(132)	(128)
Income Taxes <sup>2</sup>	(129)	(188)	(120)	129	(88)	(88)	(118)
<b>Net Income (loss)</b>	<b>\$ 239</b>	<b>\$ 420</b>	<b>\$ 285</b>	<b>\$ (211)</b>	<b>\$ (580)</b>	<b>\$ 315</b>	<b>\$ 211</b>
<b>Diluted EPS</b>	<b>\$ 0.98</b>	<b>\$ 1.71</b>	<b>\$ 1.16</b>	<b>\$ (0.86)</b>	<b>\$ (2.36)</b>	<b>\$ 1.26</b>	<b>\$ 0.85</b>
<b>Diluted EPS before Special Items</b>	<b>\$ 1.03</b>	<b>\$ 1.34</b>	<b>\$ 0.93</b>	<b>\$ 0.94</b>	<b>\$ 0.62</b>	<b>\$ 1.16</b>	<b>\$ 0.89</b>

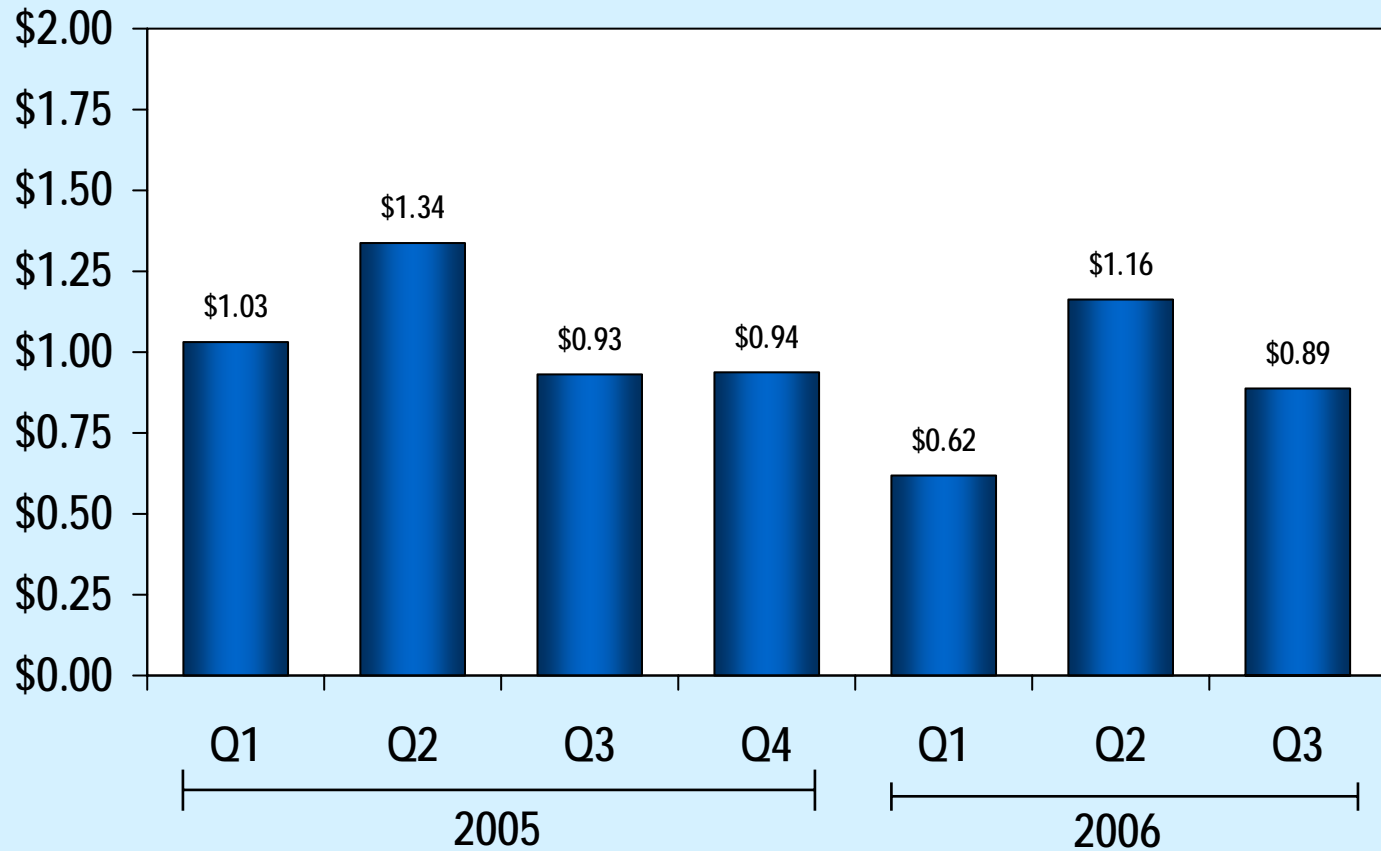
1. Interest expense included losses of \$21MM and \$15MM in 2005Q3 and 2005Q4, respectively, on early extinguishment of debt.

2. Income taxes included \$44MM in 2005Q2 related to the planned repatriation of \$1.1 billion of eligible Canadian earnings, a one-time tax benefit of \$14MM in 2005Q3 and a one-time tax benefit on \$48MM in 2006Q2

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# Diluted EPS Before Special Items

A reconciliation to GAAP EPS is available at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)

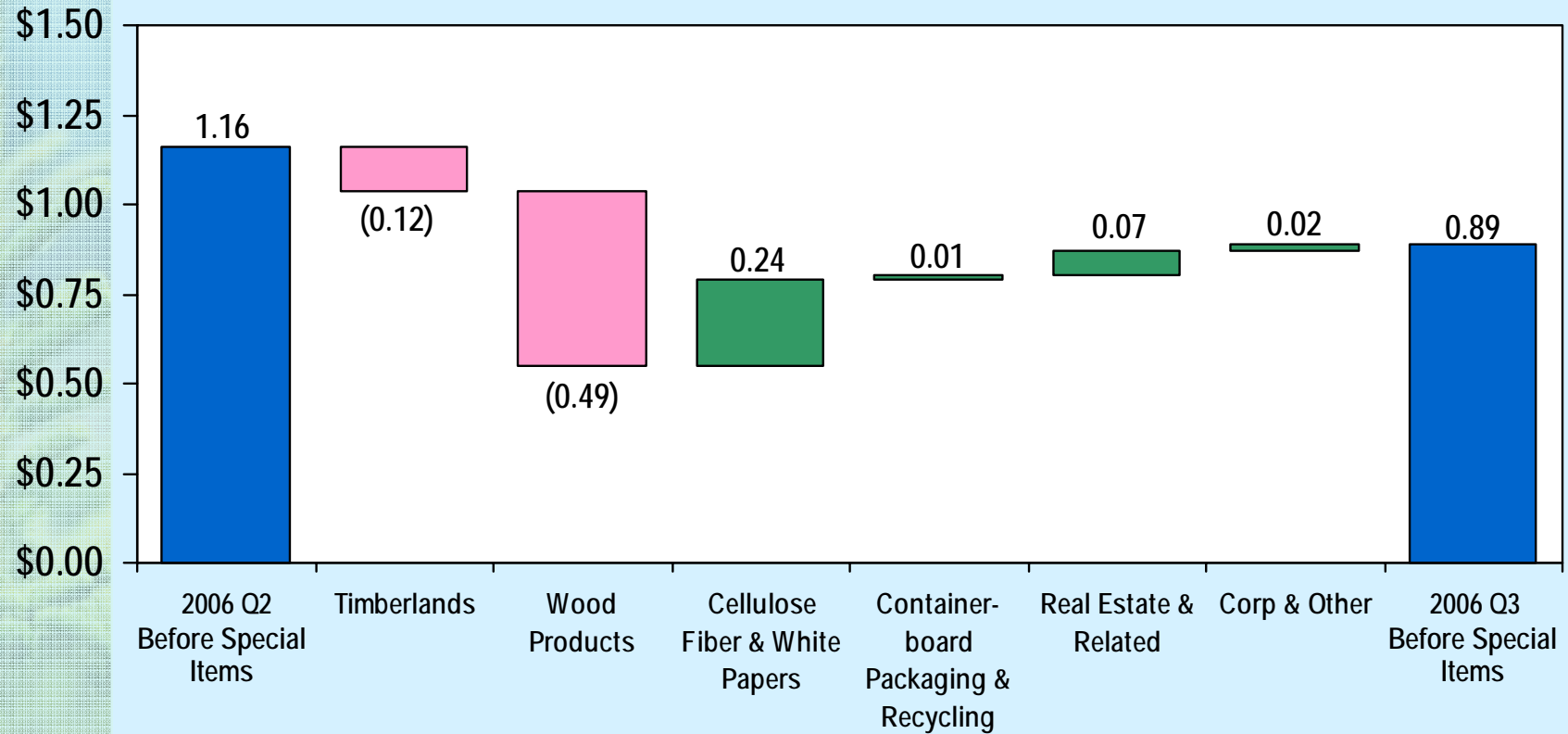


# Earnings per Share Reconciliation

	2005				2006		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Diluted EPS before Special Items	\$ 1.03	\$ 1.34	\$ 0.93	\$ 0.94	\$ 0.62	\$ 1.16	\$ 0.89
Charges for Closure of Facilities	(0.02)		(0.08)	(1.78)		(0.04)	(0.12)
Gain on Sale of Assets		0.60	0.31	0.13			0.13
Litigation Charges / Reserve Adjustment	(0.03)	(0.05)		(0.10)			0.06
Loss on Early Extinguishment of Debt			(0.06)	(0.04)			
Capitalized Interest on WRECO Projects (Cum Adj)				0.12			
Asset / Goodwill Impairments				(0.13)	(3.03)		(0.09)
Tax Expense on Dividend Repatriation		(0.18)					
Recognize Tax Law Changes / One-time Tax Benefits			0.06			0.19	
Warranty Insurance Recovery (WRECO)					0.02		
Recognize Deferred Partnership Income (WRECO)					0.03		
Charges for Restructuring of Containerboard						(0.05)	
Acquisition of Research and Development							(0.02)
<b>Diluted EPS (GAAP)</b>	<b>\$ 0.98</b>	<b>\$ 1.71</b>	<b>\$ 1.16</b>	<b>\$ (0.86)</b>	<b>\$ (2.36)</b>	<b>\$ 1.26</b>	<b>\$ 0.85</b>

# Changes in Earnings per Share by Segment 2006 Q2 vs. 2006 Q3

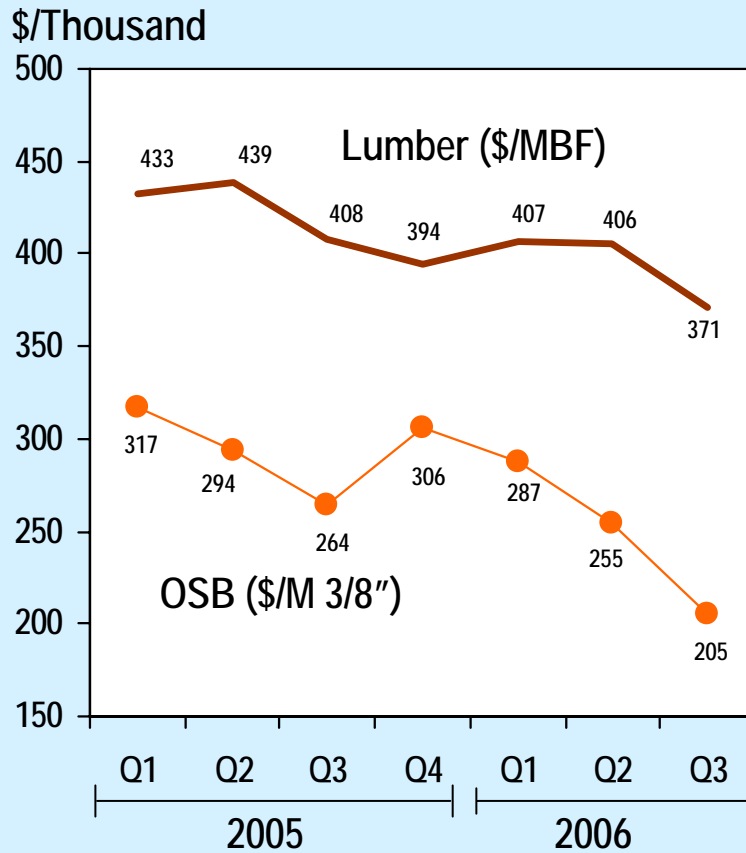
\$ per Share Before Special Items\*



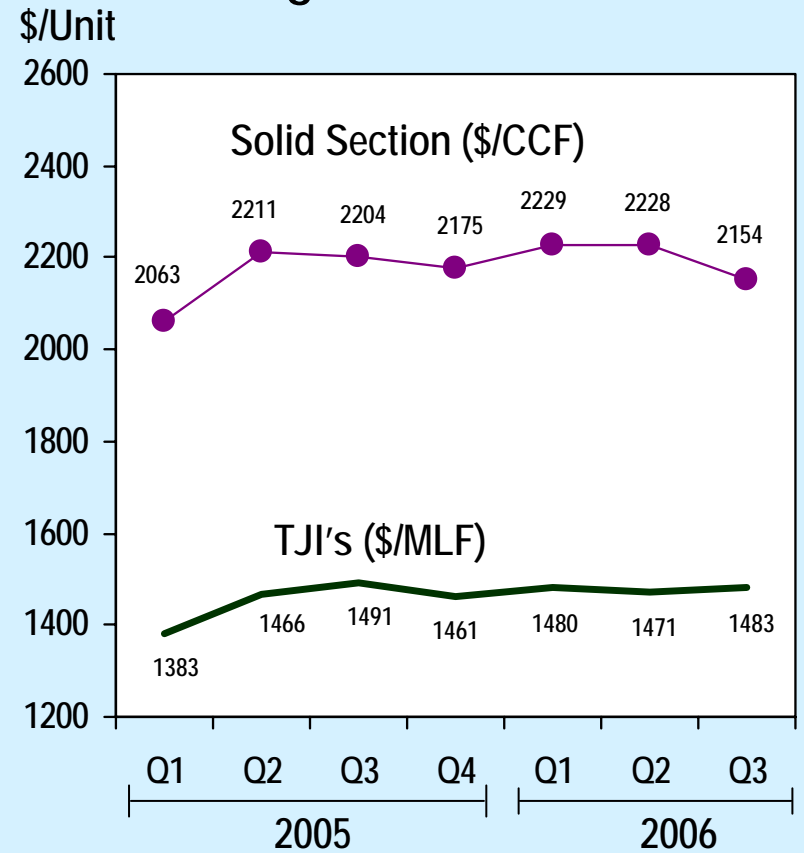
\*A reconciliation before Special Items to GAAP can be found on Chart 3.

# Average Mill Net 3<sup>rd</sup>-Party Realizations — OSB and Lumber / Engineered Lumber

OSB and Lumber



Engineered Lumber



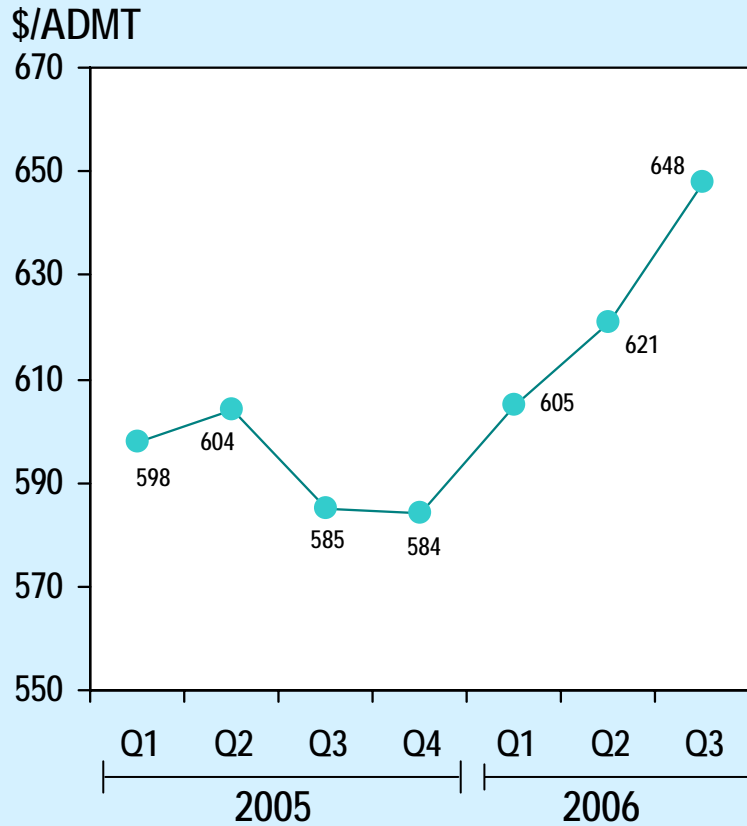
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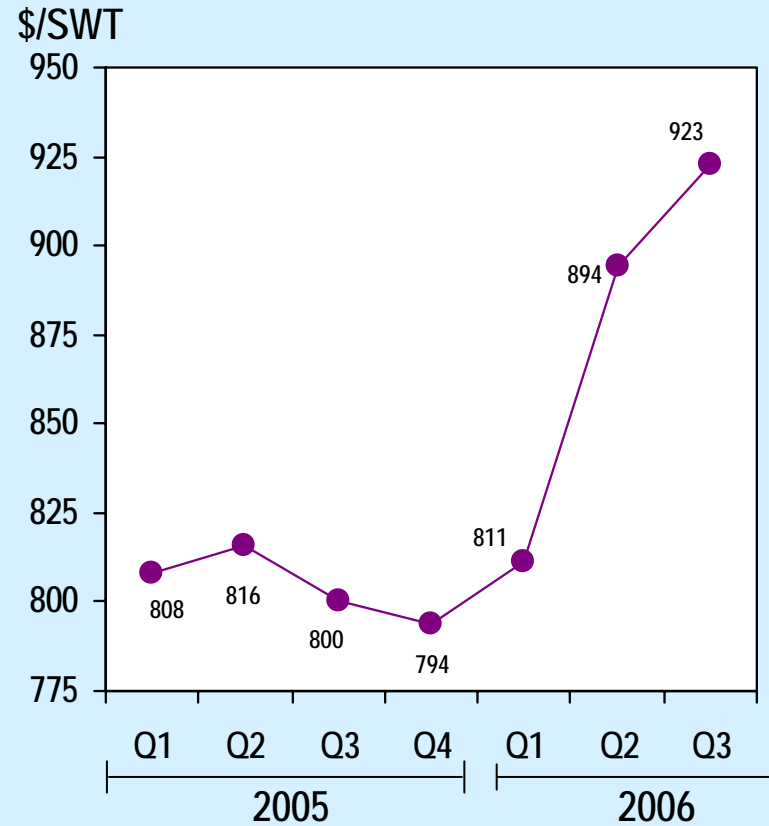
# Average Mill Net 3<sup>rd</sup>-Party Realizations — Cellulose Fiber and White Papers



### Cellulose Fiber



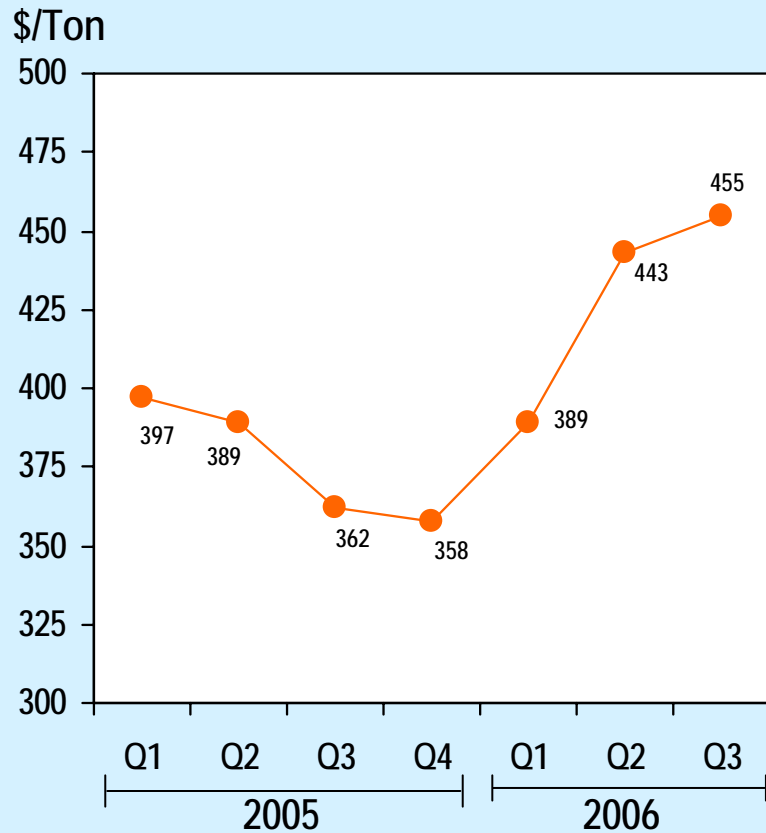
### White Papers



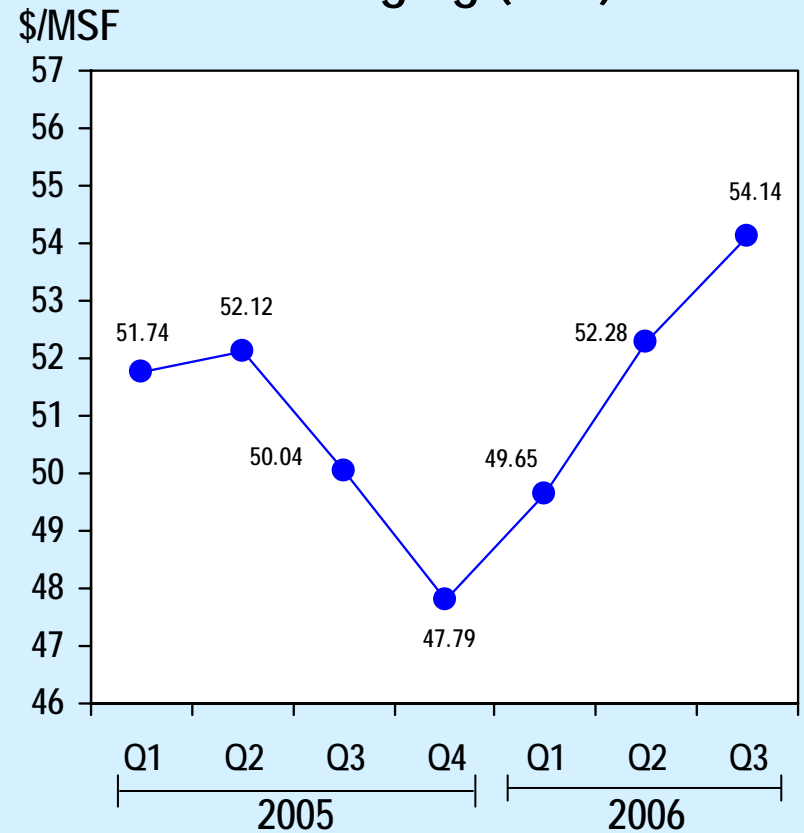
# Average Mill Net 3rd-Party Realizations — Containerboard and Packaging



### Containerboard



### Packaging (Box)



# Key Changes in Earnings per Share 2006 Q2 vs. 2006 Q3

\$ per Share Before Special Items\*



\*A reconciliation before Special Items to GAAP can be found on Chart 3

# Containerboard Packaging and Recycling Expected Earnings Improvements Through 2008

\$230 Million

