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Weyerhaeuser reports first quarter results

- **First quarter net earnings of \$269 million, or \$0.35 per diluted share**
- **Earnings before special items increased 65 percent compared with first quarter 2017**
- **Adjusted EBITDA increased 20 percent compared with first quarter 2017**
- **Highest first quarter Wood Products Adjusted EBITDA on record**

SEATTLE (April 27, 2018) — [Weyerhaeuser Company](#) (NYSE: WY) today reported first quarter net earnings of \$269 million, or 35 cents per diluted share, on net sales of \$1.9 billion. This compares with earnings of \$157 million, or 21 cents per diluted share, on net sales of \$1.7 billion for the same period last year.

Excluding net after-tax special charges of \$6 million, the company reported net earnings of \$275 million, or 36 cents per diluted share for the first quarter. This compares with net earnings before special items of \$167 million for the same period last year and \$234 million for the fourth quarter of 2017. Adjusted EBITDA for the first quarter was \$544 million compared with \$454 million for the first quarter of last year and \$551 million for the fourth quarter of 2017.

"I am extremely pleased with our first quarter performance, as we fully capitalized on strong lumber, OSB and Western log markets to drive outstanding results, including the highest first quarter Wood Products EBITDA on record. This includes exceptional work by our teams to mitigate the effect of ongoing freight service disruptions," said Doyle R. Simons, president and chief executive officer. "Looking forward, we are relentlessly focused on capturing the full benefit of improving housing starts and favorable market dynamics to drive value for shareholders."

WEYERHAEUSER FINANCIAL HIGHLIGHTS (millions, except per share data)	2017	2018	2017
	Q4	Q1	Q1
Net sales	\$1,823	\$1,865	\$1,693
Net earnings	\$271	\$269	\$157
Net earnings per diluted share	\$0.36	\$0.35	\$0.21
Weighted average shares outstanding, diluted	758	759	755
Net earnings before special items ⁽¹⁾	\$234	\$275	\$167
Net earnings per diluted share before special items	\$0.31	\$0.36	\$0.22
Adjusted EBITDA ⁽²⁾	\$551	\$544	\$454

(1) Fourth quarter 2017 after-tax special items include a \$99 million gain on the sale of certain Southern timberlands, charges of \$52 million for tax adjustments including enactment of tax legislation, charges of \$31 million for product remediation, a benefit of \$26 million for environmental remediation insurance recoveries, \$12 million for Plum Creek merger-related costs, and a \$7 million net benefit from an adjustment to accrued countervailing and antidumping duties on softwood lumber. First quarter 2018 after-tax special items include charges of \$21 million for environmental remediation and a \$15 million benefit from product remediation insurance proceeds. First quarter 2017 special items include after-tax charges of \$10 million for Plum Creek merger-related costs.

(2) Adjusted EBITDA is a non-GAAP measure that management uses to evaluate the performance of the company. Adjusted EBITDA, as we define it, is operating income, adjusted for depreciation, depletion, amortization, basis of real estate sold, unallocated pension service costs and special items. Adjusted EBITDA excludes results from joint ventures. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results. A reconciliation of Adjusted EBITDA to GAAP earnings is included within this release.

TIMBERLANDS

FINANCIAL HIGHLIGHTS (millions)	2017 Q4	2018 Q1	Change
Net sales	\$714	\$733	\$19
Contribution to pre-tax earnings	\$265	\$189	(\$76)
Pre-tax charge (benefit) for special items	(\$99)	\$0	\$99
Contribution to pre-tax earnings before special items	\$166	\$189	\$23
Adjusted EBITDA	\$252	\$268	\$16

1Q 2018 Performance - In the West, domestic and export log sales realizations improved compared with the fourth quarter, and forestry costs declined seasonally. In the South, seasonally lower fee harvest volumes were offset by slightly higher average sales realizations, lower unit logging costs and reduced forestry expense.

2Q 2018 Outlook - Weyerhaeuser expects second quarter earnings and Adjusted EBITDA will be significantly higher than the second quarter of 2017, but lower than the first quarter of 2018. Compared with the first quarter, the company anticipates seasonally higher unit logging costs and increased road and forestry costs, partially offset by slightly higher Western log sales realizations. Average Southern log sales realizations are expected to be similar to the first quarter.

REAL ESTATE, ENERGY & NATURAL RESOURCES

FINANCIAL HIGHLIGHTS (millions)	2017 Q4	2018 Q1	Change
Net sales	\$100	\$51	(\$49)
Contribution to pre-tax earnings	\$50	\$25	(\$25)
Adjusted EBITDA	\$87	\$41	(\$46)

1Q 2018 Performance - Earnings and Adjusted EBITDA decreased compared to the fourth quarter due to seasonally lower Real Estate sales.

2Q 2018 Outlook - Weyerhaeuser anticipates second quarter earnings and Adjusted EBITDA will be comparable to the first quarter. We continue to expect full year 2018 Adjusted EBITDA for the segment will be approximately \$250 million.

WOOD PRODUCTS

FINANCIAL HIGHLIGHTS (millions)	2017 Q4	2018 Q1	Change
Net sales	\$1,228	\$1,309	\$81
Contribution to pre-tax earnings	\$180	\$270	\$90
Pre-tax charge (benefit) for special items	\$41	(\$20)	(\$61)
Contribution to pre-tax earnings before special items	\$221	\$250	\$29
Adjusted EBITDA	\$258	\$286	\$28

1Q 2018 Performance - Sales volumes increased across most product lines compared with the fourth quarter due to seasonally higher demand, and operating rates improved. Higher average sales realizations for lumber and engineered wood products were partially offset by lower average sales realizations for oriented strand board and increased Western log costs.

First quarter Adjusted EBITDA includes charges of \$5 million for countervailing and anti-dumping duties on Canadian softwood lumber. These duties are no longer reported as a special item.

First quarter special items consist of a \$20 million pre-tax benefit from product remediation insurance proceeds.

2Q 2018 Outlook - Weyerhaeuser expects significantly higher earnings before special items and Adjusted EBITDA in the second quarter compared with the first quarter. The company anticipates seasonally higher sales volumes and improved operating rates. Higher average sales realizations for lumber, oriented strand board and engineered wood products will be partially offset by higher Western log costs.

UNALLOCATED

FINANCIAL HIGHLIGHTS (millions)	2017 Q4	2018 Q1	Change
Contribution to pre-tax earnings	(\$25)	(\$92)	(\$67)
Pre-tax charge (benefit) for special items	(\$28)	\$28	\$56
Contribution to pre-tax earnings before special items	(\$53)	(\$64)	(\$11)
Adjusted EBITDA	(\$46)	(\$51)	(\$5)

1Q 2018 Performance - Non-cash charges for elimination of intercompany profit in inventory and LIFO increased compared with the fourth quarter due to higher values and volume for softwood lumber and Western log inventories. Non-cash non-operating pension and post-retirement expense also increased.

First quarter special items consist of \$28 million in pre-tax charges for environmental remediation associated with a formerly owned mill site.

ABOUT WEYERHAEUSER

[Weyerhaeuser Company](#), one of the world's largest private owners of [timberlands](#), began operations in 1900. We own or control 12.4 million acres of timberlands in the U.S., and manage additional timberlands under long-term licenses in Canada. We manage these timberlands on a [sustainable basis](#) in compliance with internationally recognized forestry standards. We are also one of the largest manufacturers of [wood products](#). Our company is a real estate investment trust. In February 2016, we merged with Plum Creek Timber Company, Inc. In 2017, we generated \$7.2 billion in net sales and employed approximately 9,300 people who serve customers worldwide. We are listed on the North American and World Dow Jones Sustainability Indices. Our common stock trades on the New York Stock Exchange under the symbol WY. Learn more at www.weyerhaeuser.com.

EARNINGS CALL INFORMATION

Weyerhaeuser will hold a live conference call at 7 a.m. Pacific (10 a.m. Eastern) on April 27, 2018, to discuss first quarter results.

To access the live webcast and presentation online, go to the [Investor Relations](#) section on www.weyerhaeuser.com on April 27, 2018.

To join the conference call from within North America, dial 855-223-0757 (access code: 1693068) at least 15 minutes prior to the call. Those calling from outside North America should dial 574-990-1206 (access code: 1693068). Replays will be available for two weeks at 855-859-2056 (access code: 1693068) from within North America and at 404-537-3406 (access code: 1693068) from outside North America.

FORWARD LOOKING STATEMENTS

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, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, including without limitation with respect to the following for the second quarter of 2018: earnings and Adjusted EBITDA for each of our business segments; log sale realizations, fee harvest volumes and logging, road and forestry costs in our timber business; and sales volumes and realizations and operating rates for our Wood Products business. These statements generally are identified by words such as "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," and expressions such as "will be," "will continue," "will likely result," and similar words and expressions. These statements are based on our current expectations and assumptions and are not guarantees of future performance. The realization of our expectations and the accuracy of our assumptions are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to:

- the effect of general economic conditions, including employment rates, interest rate levels, housing starts, availability of financing for home mortgages and strength of the U.S. dollar;
- market demand for our products, including market demand for our timberland properties with higher and better uses, which is related to, among other factors, the strength of the various U.S. business segments and U.S. and international economic conditions;
- changes in currency exchange rates, particularly the relative value of the U.S. dollar to the yen and the Canadian dollar, and the relative value of the euro to the yen;
- restrictions on international trade, tariffs imposed on imports and the availability and cost of shipping and transportation;
- economic activity in Asia, especially Japan and China;
- performance of our manufacturing operations, including maintenance requirements;

- potential disruptions in our manufacturing operations;
- the level of competition from domestic and foreign producers;
- raw material availability and prices;
- the effect of weather;
- the risk of loss from fires, floods, windstorms, hurricanes, pest infestation and other natural disasters;
- energy prices;
- the successful execution of our internal plans and strategic initiatives, including restructuring and cost reduction initiatives;
- the successful and timely execution and integration of our strategic acquisitions, including our ability to realize expected benefits and synergies, and the successful and timely execution of our strategic divestitures, each of which is subject to a number of risks and conditions beyond our control including, but not limited to, timing and required regulatory approvals;
- transportation and labor availability and costs;
- federal tax policies;
- the effect of forestry, land use, environmental and other governmental regulations;
- legal proceedings;
- performance of pension fund investments and related derivatives;
- the effect of timing of retirements and changes in the market price of our common stock on charges for share-based compensation;
- changes in accounting principles; and
- other matters described under “Risk Factors” in our 2017 Annual Report on Form 10-K, as well as those set forth from time to time in our other public statements and other reports and filings with the Securities and Exchange Commission.

Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events, or otherwise.

RECONCILIATION OF ADJUSTED EBITDA TO NET EARNINGS

We reconcile Adjusted EBITDA to net earnings for the consolidated company and to operating income for the business segments, as those are the most directly comparable U.S. GAAP measures for each.

The table below reconciles Adjusted EBITDA for the quarter ended December 31, 2017:

DOLLAR AMOUNTS IN MILLIONS	Timberlands	Real Estate & ENR	Wood Products	Unallocated Items	Total
Adjusted EBITDA by Segment:					
Net earnings					\$ 271
Interest expense, net of capitalized interest					96
Income taxes					103
Net contribution to earnings	\$ 265	\$ 50	\$ 180	\$ (25)	\$ 470
Non-operating pension and other postretirement benefit (costs) credits	—	—	—	16	16
Interest income and other	—	—	—	(10)	(10)
Operating income (loss)	265	50	180	(19)	476
Depreciation, depletion and amortization	86	4	37	—	127
Basis of real estate sold	—	33	—	—	33
Unallocated pension service costs	—	—	—	1	1
Special items ⁽¹⁾⁽²⁾⁽³⁾	(99)	—	41	(28)	(86)
Adjusted EBITDA	\$ 252	\$ 87	\$ 258	\$ (46)	\$ 551

(1) Pre-tax special items included in Timberlands consist of a \$99 million gain on the sale of certain Southern timberlands.

(2) Pre-tax special items included in Wood Products consist of \$50 million of product remediation charges, partially offset by a \$9 million benefit from an adjustment to accrued softwood lumber countervailing and antidumping duties.

(3) Pre-tax special items included in Unallocated Items consist of \$42 million for environmental remediation insurance recoveries and \$14 million for Plum Creek merger-related costs.

The table below reconciles Adjusted EBITDA for the quarter ended March 31, 2018:

DOLLAR AMOUNTS IN MILLIONS	Timberlands	Real Estate & ENR	Wood Products	Unallocated Items	Total
Adjusted EBITDA by Segment:					
Net earnings					\$ 269
Interest expense, net of capitalized interest					93
Income taxes					30
Net contribution to earnings	\$ 189	\$ 25	\$ 270	\$ (92)	\$ 392
Non-operating pension and other postretirement benefit (costs) credits	—	—	—	24	24
Interest income and other	—	—	—	(12)	(12)
Operating income (loss)	189	25	270	(80)	404
Depreciation, depletion and amortization	79	4	36	1	120
Basis of real estate sold	—	12	—	—	12
Unallocated pension service costs	—	—	—	—	—
Special items ⁽¹⁾⁽²⁾	—	—	(20)	28	8
Adjusted EBITDA	\$ 268	\$ 41	\$ 286	\$ (51)	\$ 544

(1) Pre-tax special items attributable to Wood Products include a \$20 million benefit from product remediation insurance proceeds.

(2) Pre-tax special items included in Unallocated Items consist of charges of \$28 million for environment remediation.

The table below reconciles Adjusted EBITDA for the quarter ended March 31, 2017:

DOLLAR AMOUNTS IN MILLIONS	Timberlands	Real Estate & ENR	Wood Products	Unallocated Items	Total
Adjusted EBITDA by Segment:					
Net earnings					\$ 157
Interest expense, net of capitalized interest					99
Income taxes					24
Net contribution to earnings	\$ 148	\$ 26	\$ 172	\$ (66)	\$ 280
Non-operating pension and other postretirement benefit (costs) credits	—	—	—	22	22
Interest income and other	—	—	—	(9)	(9)
Operating income (loss)	148	26	172	(53)	293
Depreciation, depletion and amortization	94	3	35	1	133
Basis of real estate sold	—	14	—	—	14
Unallocated pension service costs	—	—	—	2	2
Special items ⁽¹⁾	—	—	—	12	12
Adjusted EBITDA	\$ 242	\$ 43	\$ 207	\$ (38)	\$ 454

(1) Pre-tax special items include \$12 million of Plum Creek merger-related costs.

Consolidated Statement of Operations

in millions

	Q4		Q1	
	December 31, 2017	March 31, 2018	March 31, 2017	March 31, 2017
Net sales	\$ 1,823	\$ 1,865	\$ 1,693	
Cost of products sold	1,316	1,348	1,272	
Gross margin	507	517	421	
Selling expenses	21	23	22	
General and administrative expenses	72	78	87	
Research and development expenses	2	2	4	
Charges for integration and restructuring, closures and asset impairments	16	2	13	
Charges (recoveries) for product remediation	50	(20)	—	
Other operating costs (income), net	(130)	28	2	
Operating income	476	404	293	
Non-operating pension and other postretirement benefit (costs) credits	(16)	(24)	(22)	
Interest income and other	10	12	9	
Interest expense, net of capitalized interest	(96)	(93)	(99)	
Earnings before income taxes	374	299	181	
Income taxes	(103)	(30)	(24)	
Net earnings	\$ 271	\$ 269	\$ 157	

Per Share Information

	Q4		Q1	
	December 31, 2017	March 31, 2018	March 31, 2017	March 31, 2017
Earnings per share, basic and diluted	\$ 0.36	\$ 0.35	\$ 0.21	
Dividends paid per common share	\$ 0.32	\$ 0.32	\$ 0.31	
Weighted average shares outstanding (in thousands):				
Basic	755,409	756,815	750,665	
Diluted	758,463	759,462	754,747	
Common shares outstanding at end of period (in thousands)	755,223	756,700	751,411	

Adjusted Earnings before Interest, Tax, Depreciation, Depletion and Amortization (Adjusted EBITDA)*

in millions

	Q4		Q1	
	December 31, 2017	March 31, 2018	March 31, 2017	March 31, 2017
Net earnings	\$ 271	\$ 269	\$ 157	
Non-operating pension and other postretirement benefit costs (credits)	16	24	22	
Interest income and other	(10)	(12)	(9)	
Interest expense, net of capitalized interest	96	93	99	
Income taxes	103	30	24	
Operating income	476	404	293	
Depreciation, depletion and amortization	127	120	133	
Basis of real estate sold	33	12	14	
Unallocated pension service costs	1	—	2	
Special items	(86)	8	12	
Adjusted EBITDA*	\$ 551	\$ 544	\$ 454	

*Adjusted EBITDA is a non-GAAP measure that management uses to evaluate the performance of the company. Adjusted EBITDA, as we define it, is operating income adjusted for depreciation, depletion, amortization, basis of real estate sold, unallocated pension service costs, and special items. Adjusted EBITDA excludes results from joint ventures. Our definition of Adjusted EBITDA may be different from similarly titled measures reported by other companies. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.

Q1.2018 Analyst Package

Preliminary results (unaudited)

Special Items Included in Net Earnings (Income Tax Affected)

in millions

	Q4		Q1	
	December 31, 2017	March 31, 2018	March 31, 2017	March 31, 2017
Net earnings	\$ 271	\$ 269	\$ 157	
Plum Creek merger and integration-related costs	12	—	10	
Gain on sale of timberlands	(99)	—	—	
Environmental remediation charges (recoveries)	(26)	21	—	
Countervailing and antidumping duties charges (credits) ⁽¹⁾	(7)	—	—	
Product remediation charges (recoveries)	31	(15)	—	
Tax adjustments, including enactment of tax legislation	52	—	—	
Net earnings before special items	\$ 234	\$ 275	\$ 167	
	Q4		Q1	
	December 31, 2017	March 31, 2018	March 31, 2017	March 31, 2017
Net earnings per diluted share	\$ 0.36	\$ 0.35	\$ 0.21	
Plum Creek merger and integration-related costs	0.02	—	0.01	
Gain on sale of timberlands	(0.14)	—	—	
Environmental remediation charges (recoveries)	(0.03)	0.03	—	
Countervailing and antidumping duties charges (credits) ⁽¹⁾	(0.01)	—	—	
Product remediation charges (recoveries)	0.04	(0.02)	—	
Tax adjustments, including enactment of tax legislation	0.07	—	—	
Net earnings per diluted share before special items	\$ 0.31	\$ 0.36	\$ 0.22	

⁽¹⁾As of first quarter 2018, countervailing and anti-dumping duties are no longer reported as a special item.

Selected Total Company Items

in millions

	Q4		Q1	
	December 31, 2017	March 31, 2018	March 31, 2017	March 31, 2017
Pension and postretirement costs:				
Pension and postretirement service costs	\$ 9	\$ 10	\$ 10	
Non-operating pension and other postretirement benefit costs (credits)	16	24	22	
Total company pension and postretirement costs	\$ 25	\$ 34	\$ 32	

Consolidated Balance Sheet

in millions

	December 31, 2017	March 31, 2018	March 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 824	\$ 598	\$ 455
Receivables, less allowances	396	481	472
Receivables for taxes	14	24	10
Inventories	383	445	386
Prepaid expenses and other current assets	98	118	142
Current restricted financial investments held by variable interest entities	—	253	—
Total current assets	1,715	1,919	1,465
Property and equipment, net	1,618	1,573	1,544
Construction in progress	225	275	230
Timber and timberlands at cost, less depletion	12,954	12,888	14,218
Minerals and mineral rights, less depletion	308	306	317
Goodwill	40	40	40
Deferred tax assets	268	244	287
Other assets	316	278	285
Restricted financial investments held by variable interest entities	615	362	615
Total assets	\$ 18,059	\$ 17,885	\$ 19,001
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	\$ 62	\$ —	\$ 343
Current debt (nonrecourse to the company) held by variable interest entities	209	209	—
Accounts payable	249	245	227
Accrued liabilities	645	457	452
Total current liabilities	1,165	911	1,022
Long-term debt	5,930	5,928	6,263
Long-term debt (nonrecourse to the company) held by variable interest entities	302	302	511
Deferred pension and other postretirement benefits	1,487	1,454	1,287
Deposit received from contribution of timberlands to related party	—	—	422
Other liabilities	276	299	281
Total liabilities	9,160	8,894	9,786
Total equity	8,899	8,991	9,215
Total liabilities and equity	\$ 18,059	\$ 17,885	\$ 19,001

Consolidated Statements of Cash Flows

in millions

	Q4		Q1	
	December 31, 2017		March 31, 2018	March 31, 2017
Cash flows from operations:				
Net earnings	\$ 271		\$ 269	\$ 157
Noncash charges (credits) to income:				
Depreciation, depletion and amortization	127		120	133
Basis of real estate sold	33		12	14
Deferred income taxes, net	35		10	3
Pension and other postretirement benefits	25		34	32
Share-based compensation expense	11		9	10
Charges for impairments of assets	1		—	—
Net gain on sale of southern timberlands	(99)		—	—
Foreign exchange transaction (gains) losses	(1)		2	3
Change in:				
Receivables, less allowances	78		(83)	(70)
Receivables and payables for taxes	66		5	(36)
Inventories	(43)		(66)	(28)
Prepaid expenses	(3)		(5)	(9)
Accounts payable and accrued liabilities	(78)		(173)	(137)
Pension and postretirement benefit contributions and payments	(19)		(16)	(22)
Other	(50)		18	(15)
Net cash from operations	\$ 354		\$ 136	\$ 35
Cash flows from investing activities:				
Purchases of property and equipment ⁽¹⁾	\$ (145)		\$ (61)	\$ (52)
Timberlands reforestation costs ⁽¹⁾	(15)		(20)	(23)
Proceeds from sale of nonstrategic assets	6		2	8
Proceeds from sale of southern timberlands	203		—	—
Proceeds from redemption of ownership in related party	108		—	—
Other	18		3	(1)
Cash from (used in) investing activities	\$ 175		\$ (76)	\$ (68)
Cash flows from financing activities:				
Cash dividends on common shares	\$ (242)		\$ (242)	\$ (233)
Payments of long-term debt	—		(62)	—
Proceeds from exercise of stock options	39		25	55
Other	1		(7)	(10)
Cash from (used in) financing activities	\$ (202)		\$ (286)	\$ (188)
Net change in cash and cash equivalents	\$ 327		\$ (226)	\$ (221)
Cash and cash equivalents at beginning of period	497		824	676
Cash and cash equivalents at end of period	\$ 824		\$ 598	\$ 455
Cash paid during the period for:				
Interest, net of amount capitalized	\$ 66		\$ 105	\$ 120
Income taxes	\$ 40		\$ 17	\$ 59

⁽¹⁾ Purchases for property and equipment and Timberlands reforestation costs represent total Company cash spent for capital expenditures.

Segment Statement of Operations

in millions	Q4.2017	Q1.2018	Q1.2017
Sales to unaffiliated customers	\$ 496	\$ 505	\$ 486
Intersegment sales	218	228	202
Total net sales	714	733	688
Cost of products sold	531	526	519
Gross margin	183	207	169
Selling expenses	1	1	1
General and administrative expenses	19	23	24
Research and development expenses	2	2	3
Other operating income, net	(104)	(8)	(7)
Operating income and Net contribution to earnings	\$ 265	\$ 189	\$ 148

Adjusted Earnings before Interest, Tax, Depreciation, Depletion and Amortization*

in millions	Q4.2017	Q1.2018	Q1.2017
Operating income	\$ 265	\$ 189	\$ 148
Depreciation, depletion and amortization	86	79	94
Special items	(99)	—	—
Adjusted EBITDA*	\$ 252	\$ 268	\$ 242

*See definition of Adjusted EBITDA (a non-GAAP measure) on page 1.

Segment Special Items Included in Net Contribution to Earnings (Pre-Tax)

in millions	Q4.2017	Q1.2018	Q1.2017
Gain on sale of timberlands	\$ 99	\$ —	\$ —

Selected Segment Items

in millions	Q4.2017	Q1.2018	Q1.2017
Total decrease (increase) in working capital ⁽¹⁾	\$ (15)	\$ (40)	\$ (18)
Cash spent for capital expenditures	\$ (36)	\$ (28)	\$ (30)

⁽¹⁾Represents the change in prepaid assets, accounts receivable, accounts payable, accrued liabilities and log inventory for the Timberlands and Real Estate & ENR segments combined.

Segment Statistics⁽²⁾⁽³⁾

		Q4.2017	Q1.2018	Q1.2017
Third Party Net Sales (millions)	Delivered logs:			
	West	\$ 242	\$ 266	\$ 225
	South	165	157	148
	North	27	25	27
	Other	11	14	20
	Total delivered logs	445	462	420
	Stumpage and pay-as-cut timber	21	15	12
	Products from international operations	—	—	19
	Recreational and other lease revenue	14	14	14
	Other revenue	16	14	21
	Total	\$ 496	\$ 505	\$ 486
Delivered Logs Third Party Sales Realizations (per ton)	West	\$ 121.41	\$ 131.59	\$ 104.27
	South	\$ 34.53	\$ 34.83	\$ 34.48
	North	\$ 60.77	\$ 60.79	\$ 59.57
Delivered Logs Third Party Sales Volumes (tons, thousands)	West	1,992	2,019	2,157
	South	4,790	4,510	4,293
	North	439	404	454
	Other	232	317	510
Fee Harvest Volumes (tons, thousands)	West	2,544	2,443	2,657
	South	7,350	6,751	6,373
	North	635	549	622
	Other	—	—	371

⁽²⁾The Western region includes Washington and Oregon. The Southern region includes Virginia, North Carolina, South Carolina, Florida, Georgia, Alabama, Mississippi, Louisiana, Arkansas, Texas and Oklahoma. The Northern region includes West Virginia, Maine, New Hampshire, Vermont, Michigan, Wisconsin and Montana. Other includes our Canadian operations and managed Twin Creeks operations (our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017).

⁽³⁾Western logs are primarily transacted in MBF but are converted to ton equivalents for external reporting purposes.

Segment Statement of Operations

in millions	<u>Q4.2017</u>	<u>Q1.2018</u>	<u>Q1.2017</u>
Net sales	\$ 100	\$ 51	\$ 53
Cost of products sold	43	19	20
Gross margin	57	32	33
General and administrative expenses	6	7	7
Other operating costs (income), net	1	—	—
Operating income and net contribution to earnings	\$ 50	\$ 25	\$ 26

Adjusted Earnings before Interest, Tax, Depreciation, Depletion and Amortization*

in millions	<u>Q4.2017</u>	<u>Q1.2018</u>	<u>Q1.2017</u>
Operating income	\$ 50	\$ 25	\$ 26
Depreciation, depletion and amortization	4	4	3
Basis of real estate sold	33	12	14
Adjusted EBITDA*	\$ 87	\$ 41	\$ 43

*See definition of Adjusted EBITDA (a non-GAAP measure) on page 1.

Selected Segment Items

in millions	<u>Q4.2017</u>	<u>Q1.2018</u>	<u>Q1.2017</u>
Cash spent for capital expenditures	\$ —	\$ —	\$ —

Segment Statistics

		<u>Q4.2017</u>	<u>Q1.2018</u>	<u>Q1.2017</u>
Net Sales (millions)	Real Estate	\$ 80	\$ 34	\$ 37
	Energy and Natural Resources	20	17	16
	Total	\$ 100	\$ 51	\$ 53
Acres Sold	Real Estate	38,226	21,771	13,257
Price per Acre	Real Estate	\$ 2,076	\$ 1,539	\$ 2,403

Segment Statement of Operations

in millions	Q4.2017	Q1.2018	Q1.2017
Net sales	\$ 1,228	\$ 1,309	\$ 1,154
Cost of products sold	947	1,005	926
Gross margin	281	304	228
Selling expenses	20	21	21
General and administrative expenses	32	34	32
Research and development expenses	—	—	1
Charges for integration and restructuring, closures and asset impairments	2	2	1
Charges (recoveries) for product remediation	50	(20)	—
Other operating costs (income), net	(3)	(3)	1
Operating income and Net contribution to earnings	\$ 180	\$ 270	\$ 172

Adjusted Earnings before Interest, Tax, Depreciation, Depletion and Amortization*

in millions	Q4.2017	Q1.2018	Q1.2017
Operating income	\$ 180	\$ 270	\$ 172
Depreciation, depletion and amortization	37	36	35
Special items	41	(20)	—
Adjusted EBITDA*	\$ 258	\$ 286	\$ 207

*See definition of Adjusted EBITDA (a non-GAAP measure) on page 1.

Segment Special Items Included in Net Contribution to Earnings (Pre-Tax)

in millions	Q4.2017	Q1.2018	Q1.2017
Countervailing and antidumping duties (charges) credits ⁽¹⁾	\$ 9	\$ —	\$ —
Product remediation (charges) recoveries	(50)	20	—
Total	\$ (41)	\$ 20	\$ —

⁽¹⁾As of first quarter 2018, countervailing and anti-dumping duties are no longer reported as a special item.

Selected Segment Items

in millions	Q4.2017	Q1.2018	Q1.2017
Total decrease (increase) in working capital ⁽¹⁾	\$ (81)	\$ (226)	\$ (122)
Cash spent for capital expenditures	\$ (123)	\$ (52)	\$ (44)

⁽¹⁾ Represents the change in prepaid assets, accounts receivable, accounts payable, accrued liabilities and inventory for the Wood Products segment.

Segment Statistics

in millions, except for third party sales realizations		Q4.2017	Q1.2018	Q1.2017
Structural Lumber (volumes presented in board feet)	Third party net sales	\$ 517	\$ 569	\$ 478
	Third party sales realizations	\$ 466	\$ 498	\$ 413
	Third party sales volumes ⁽²⁾	1,110	1,140	1,158
	Production volumes	1,118	1,160	1,152
Engineered Solid Section (volumes presented in cubic feet)	Third party net sales	\$ 122	\$ 129	\$ 117
	Third party sales realizations	\$ 2,076	\$ 2,088	\$ 1,881
	Third party sales volumes ⁽²⁾	5.9	6.2	6.2
	Production volumes	5.8	6.3	6.3
Engineered I-joists (volumes presented in lineal feet)	Third party net sales	\$ 85	\$ 78	\$ 73
	Third party sales realizations	\$ 1,561	\$ 1,585	\$ 1,481
	Third party sales volumes ⁽²⁾	54	49	49
	Production volumes	52	56	50
Oriented Strand Board (volumes presented in square feet 3/8")	Third party net sales	\$ 233	\$ 232	\$ 203
	Third party sales realizations	\$ 335	\$ 314	\$ 263
	Third party sales volumes ⁽²⁾	697	739	769
	Production volumes	739	734	758
Softwood Plywood (volumes presented in square feet 3/8")	Third party net sales	\$ 40	\$ 50	\$ 44
	Third party sales realizations	\$ 417	\$ 438	\$ 377
	Third party sales volumes ⁽²⁾	95	115	118
	Production volumes	86	97	97
Medium Density Fiberboard (volumes presented in square feet 3/4")	Third party net sales	\$ 37	\$ 43	\$ 47
	Third party sales realizations	\$ 829	\$ 839	\$ 795
	Third party sales volumes ⁽²⁾	45	51	59
	Production volumes	50	50	56

⁽²⁾ Volumes include sales of internally produced products and products purchased for resale primarily through our distribution business.

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 expense, pension and postretirement costs, foreign exchange transaction gains and losses and the elimination of intersegment profit in inventory and LIFO.

Contribution to Earnings

in millions	Q4.2017	Q1.2018	Q1.2017
Unallocated corporate function and variable compensation expense	\$ (18)	\$ (18)	\$ (19)
Liability classified share-based compensation	(2)	—	(6)
Foreign exchange gains (losses)	1	(2)	(3)
Elimination of intersegment profit in inventory and LIFO	(14)	(21)	(6)
Charges for integration and restructuring, closures and asset impairments	(14)	—	(12)
Other	28	(39)	(7)
Operating income (loss)	(19)	(80)	(53)
Non-operating pension and other postretirement benefit (costs) credits	(16)	(24)	(22)
Interest income and other	10	12	9
Net contribution to earnings	\$ (25)	\$ (92)	\$ (66)

Adjusted Earnings before Interest, Tax, Depreciation, Depletion and Amortization*

in millions	Q4.2017	Q1.2018	Q1.2017
Operating income (loss)	\$ (19)	\$ (80)	\$ (53)
Depreciation, depletion and amortization	—	1	1
Unallocated pension service costs	1	—	2
Special items	(28)	28	12
Adjusted EBITDA*	\$ (46)	\$ (51)	\$ (38)

*See definition of Adjusted EBITDA (a non-GAAP measure) on page 1.

Unallocated Special Items Included in Net Contribution to Earnings (Pre-Tax)

in millions	Q4.2017	Q1.2018	Q1.2017
Plum Creek merger and integration-related costs	\$ (14)	\$ —	\$ (12)
Environmental remediation insurance (charges) recoveries	42	(28)	—
Total	\$ 28	\$ (28)	\$ (12)

Unallocated Selected Items

in millions	Q4.2017	Q1.2018	Q1.2017
Cash spent for capital expenditures	\$ (1)	\$ (1)	\$ (1)