

For more information contact:

Analysts - [Beth Baum](#), 206-539-3907

Media - [Nancy Thompson](#), 919-861-0342

Weyerhaeuser reports third quarter results

- **Net earnings of \$255 million, or \$0.34 per diluted share**
- **Increased quarterly dividend by 6.3 percent to \$0.34 per share**
- **Repurchased \$290 million of common shares during the third quarter**

SEATTLE (October 26, 2018) - [Weyerhaeuser Company](#) (NYSE: WY) today reported third quarter net earnings of \$255 million, or 34 cents per diluted share, on net sales of \$1.9 billion. This compares with earnings of \$130 million, or 17 cents per diluted share, on net sales of \$1.9 billion for the same period last year.

Excluding a special tax benefit of \$41 million, the company reported net earnings of \$214 million, or 28 cents per diluted share for the third quarter. This compares with net earnings before special items of \$259 million for the same period last year and \$332 million for the second quarter of 2018. Adjusted EBITDA for the third quarter was \$505 million compared with \$569 million for the third quarter of last year and \$637 million for the second quarter of 2018.

“In the third quarter, our business delivered solid operating performance despite significant headwinds from severe weather, trade policy and unusually volatile wood products markets,” said Doyle R. Simons, president and chief executive officer. “During the quarter we demonstrated our ongoing commitment to disciplined capital allocation by increasing our quarterly dividend six percent, repurchasing \$290 million of common shares, and announcing actions to reduce our pension liabilities. Going forward, we remain relentlessly focused on driving value for shareholders through industry-leading performance and disciplined capital allocation.”

WEYERHAEUSER FINANCIAL HIGHLIGHTS

(millions, except per share data)

	2018	2018	2017
	Q2	Q3	Q3
Net sales	\$2,065	\$1,910	\$1,872
Net earnings	\$317	\$255	\$130
Net earnings per diluted share	\$0.42	\$0.34	\$0.17
Weighted average shares outstanding, diluted	761	757	757
Net earnings before special items ⁽¹⁾	\$332	\$214	\$259
Net earnings per diluted share before special items	\$0.44	\$0.28	\$0.34
Adjusted EBITDA ⁽²⁾	\$637	\$505	\$569

(1) Second quarter 2018 special items include \$15 million of net after-tax charges for product remediation. Third quarter 2018 after-tax special items include a \$41 million tax benefit related to the previously announced \$300 million contribution to our U.S. qualified pension plan. Third quarter 2017 after-tax special items include a \$118 million charge for product remediation, \$4 million for countervailing and antidumping duties on Canadian softwood lumber the company sold into the United States, \$4 million for restructuring, impairments, and other charges, and \$3 million for Plum Creek merger-related costs. Beginning first quarter 2018, countervailing and antidumping duties are no longer reported as a special item.

(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)	2018 Q2	2018 Q3	Change
Net sales	\$667	\$653	(\$14)
Contribution to pre-tax earnings	\$161	\$126	(\$35)
Adjusted EBITDA	\$240	\$206	(\$34)

3Q 2018 Performance - In the West, average sales realizations for domestic and Chinese export logs declined, domestic and export log sales volumes decreased, and road and unit logging costs increased seasonally. In the South, slightly higher average sales realizations were more than offset by moderately lower sales volumes due to weather, increased unit logging costs and seasonally higher forestry spending.

4Q 2018 Outlook - Weyerhaeuser expects fourth quarter earnings and Adjusted EBITDA will be lower than the third quarter. In the West, the company anticipates lower average sales realizations, partially offset by moderately higher export log sales volumes. In the South, the company anticipates slightly higher fee harvest volumes and comparable average log sales realizations.

REAL ESTATE, ENERGY & NATURAL RESOURCES

FINANCIAL HIGHLIGHTS (millions)	2018 Q2	2018 Q3	Change
Net sales	\$58	\$96	\$38
Contribution to pre-tax earnings	\$22	\$36	\$14
Adjusted EBITDA	\$47	\$86	\$39

3Q 2018 Performance - Earnings and Adjusted EBITDA increased compared to the second quarter due to seasonally higher real estate sales and a large acre transaction in Montana which accounted for approximately half of the acres sold in the third quarter. Average land basis increased modestly due to the mix of properties sold.

4Q 2018 Outlook - Weyerhaeuser anticipates fourth quarter earnings and Adjusted EBITDA will be comparable to the third quarter. The company expects full year 2018 Adjusted EBITDA for the segment will be approximately \$260 million.

WOOD PRODUCTS

FINANCIAL HIGHLIGHTS (millions)	2018 Q2	2018 Q3	Change
Net sales	\$1,525	\$1,346	(\$179)
Contribution to pre-tax earnings	\$329	\$213	(\$116)
Pre-tax charge (benefit) for special items	\$20	—	(\$20)
Contribution to pre-tax earnings before special items	\$349	\$213	(\$136)
Adjusted EBITDA	\$385	\$250	(\$135)

3Q 2018 Performance - Average sales realizations for lumber declined nine percent and average sales realizations for oriented strand board were 13 percent lower compared to the second quarter. Operating rates and sales volumes declined and unit manufacturing costs increased, primarily due to mill downtime related to severe weather in the U.S. South and a scheduled press replacement at our Grayling, Michigan oriented strand board mill. Canadian log costs also increased.

4Q 2018 Outlook - Weyerhaeuser anticipates fourth quarter earnings and Adjusted EBITDA will be significantly lower than the third quarter. Based on current pricing, the company anticipates average sales realizations for lumber and oriented strand board will be substantially lower than third quarter averages. This will be partially offset by lower Western and Canadian log costs, improved unit manufacturing costs for lumber, and higher sales volumes for oriented strand board due to completion of the Grayling press replacement.

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 <https://www.weyerhaeuser.com/>.

EARNINGS CALL INFORMATION

Weyerhaeuser will hold a live conference call at 7 a.m. Pacific (10 a.m. Eastern) on October 26, 2018, to discuss third quarter results.

To access the live webcast and presentation online, go to the [Investor Relations](#) section on <https://www.weyerhaeuser.com/> on October 26, 2018.

To join the conference call from within North America, dial 855-223-0757 (access code: 6699896) at least 15 minutes prior to the call. Those calling from outside North America should dial 574-990-1206 (access code: 6699896). Replays will be available for two weeks at 855-859-2056 (access code: 6699896) from within North America and at 404-537-3406 (access code: 6699896) from outside North America.

FORWARD LOOKING STATEMENTS

This report contains statements concerning our 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. Forward-looking statements may appear throughout this report. These forward-looking 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 “going forward”, “will be,” “will continue,” “will likely result,” and similar words and expressions. Forward-looking 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 the content of these 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, general availability of financing for home mortgages and the relative strength of the U.S. dollar;
- market demand for the company's 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 of our products and the availability and cost of shipping and transportation; economic activity in Asia, especially Japan and China;
- performance of our manufacturing operations, including maintenance and capital requirements;
- potential disruptions in our manufacturing operations;
- the level of competition from domestic and foreign producers;
- the successful execution of our internal plans and strategic initiatives, and cost reduction initiatives;
- 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;
- 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 employee retirements and changes in the market price of our common stock on charges for share-based compensation;
- the accuracy of our estimates of costs and expenses related to contingent liabilities;
- changes in accounting principles; and
- other risks and uncertainties identified in our 2017 Annual Report on Form 10-K, which are incorporated herein by reference, as well as those set forth from time to time in our other public statements and other reports and filings with the SEC.

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 June 30, 2018:

<u>DOLLAR AMOUNTS IN MILLIONS</u>	<u>Timberlands</u>	<u>Real Estate & ENR</u>	<u>Wood Products</u>	<u>Unallocated Items</u>	<u>Total</u>
Adjusted EBITDA by Segment:					
Net earnings					\$ 317
Interest expense, net of capitalized interest					92
Income taxes					65
Net contribution to earnings	\$ 161	\$ 22	\$ 329	\$ (38)	\$ 474
Non-operating pension and other postretirement benefit costs	—	—	—	13	13
Interest income and other	—	—	—	(11)	(11)
Operating income (loss)	161	22	329	(36)	476
Depreciation, depletion and amortization	79	3	36	1	119
Basis of real estate sold	—	22	—	—	22
Special items ⁽¹⁾	—	—	20	—	20
Adjusted EBITDA	\$ 240	\$ 47	\$ 385	\$ (35)	\$ 637

(1) Pre-tax special items included in Wood Products consist of net charges of \$20 million for finalization of product remediation costs.

The table below reconciles Adjusted EBITDA for the quarter ended September 30, 2018:

<u>DOLLAR AMOUNTS IN MILLIONS</u>	<u>Timberlands</u>	<u>Real Estate & ENR</u>	<u>Wood Products</u>	<u>Unallocated Items</u>	<u>Total</u>
Adjusted EBITDA by Segment:					
Net earnings					\$ 255
Interest expense, net of capitalized interest					93
Income taxes ⁽¹⁾					(15)
Net contribution to earnings	\$ 126	\$ 36	\$ 213	\$ (42)	\$ 333
Non-operating pension and other postretirement benefit costs	—	—	—	17	17
Interest income and other	—	—	—	(13)	(13)
Operating income (loss)	126	36	213	(38)	337
Depreciation, depletion and amortization	80	4	37	1	122
Basis of real estate sold	—	46	—	—	46
Adjusted EBITDA	\$ 206	\$ 86	\$ 250	\$ (37)	\$ 505

(1) After tax special items included a \$41 million tax benefit related to our \$300 million pension contribution. There were no pre-tax special items in third quarter 2018.

The table below reconciles Adjusted EBITDA for the quarter ended September 30, 2017:

<u>DOLLAR AMOUNTS IN MILLIONS</u>	<u>Timberlands</u>	<u>Real Estate & ENR</u>	<u>Wood Products</u>	<u>Unallocated Items</u>	<u>Total</u>
Adjusted EBITDA by Segment:					
Net earnings				\$	130
Interest expense, net of capitalized interest					98
Income taxes					(27)
Net contribution to earnings	\$ 131	\$ 47	\$ 40	\$ (17)	\$ 201
Non-operating pension and other postretirement benefit costs	—	—	—	16	16
Interest income and other	—	(1)	—	(11)	(12)
Operating income (loss)	131	46	40	(12)	205
Depreciation, depletion and amortization	89	4	37	2	132
Basis of real estate sold	—	24	—	—	24
Unallocated pension service costs	—	—	—	1	1
Special items ⁽¹⁾	—	—	201	6	207
Adjusted EBITDA	\$ 220	\$ 74	\$ 278	\$ (3)	\$ 569

- (1) Special items attributable to Wood Products includes: \$190 million of product remediation charges, \$6 million of restructuring, impairments and other charges and \$5 million of retroactive and prospective countervailing and antidumping duties. Special items attributable to Unallocated Items include \$6 million of Plum Creek merger-related costs.

Consolidated Statement of Operations

in millions	Q1	Q2	Q3		Year-to-Date	
	March 31, 2018	June 30, 2018	September 30	September 30	September 30	September 30
Net sales	\$ 1,865	\$ 2,065	\$ 1,910	\$ 1,872	\$ 5,840	\$ 5,373
Cost of products sold	1,348	1,447	1,452	1,374	4,247	3,982
Gross margin	517	618	458	498	1,593	1,391
Selling expenses	23	23	20	22	66	66
General and administrative expenses	78	80	78	75	236	238
Research and development expenses	2	2	2	4	6	12
Charges for integration and restructuring, closures and asset impairments	2	—	—	14	2	178
Charges (recoveries) for product remediation, net	(20)	20	—	190	—	240
Other operating costs (income), net	28	17	21	(12)	66	2
Operating income	404	476	337	205	1,217	655
Non-operating pension and other postretirement benefit costs	(24)	(13)	(17)	(16)	(54)	(46)
Interest income and other	12	11	13	12	36	30
Interest expense, net of capitalized interest	(93)	(92)	(93)	(98)	(278)	(297)
Earnings before income taxes	299	382	240	103	921	342
Income taxes	(30)	(65)	15	27	(80)	(31)
Net earnings	\$ 269	\$ 317	\$ 255	\$ 130	\$ 841	\$ 311

Per Share Information

	Q1	Q2	Q3		Year-to-Date	
	March 31, 2018	June 30, 2018	September 30	September 30	September 30	September 30
Earnings per share, basic and diluted	\$ 0.35	\$ 0.42	\$ 0.34	\$ 0.17	\$ 1.11	\$ 0.41
Dividends paid per common share	\$ 0.32	\$ 0.32	\$ 0.34	\$ 0.31	\$ 0.98	\$ 0.93
Weighted average shares outstanding (in thousands):						
Basic	756,815	757,829	754,986	753,535	756,531	752,301
Diluted	759,462	760,533	757,389	756,903	759,116	756,058
Common shares outstanding at end of period (in thousands)	756,700	757,646	749,199	753,051	749,199	753,051

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

in millions	Q1	Q2	Q3		Year-to-Date	
	March 31, 2018	June 30, 2018	September 30	September 30	September 30	September 30
Net earnings	\$ 269	\$ 317	\$ 255	\$ 130	\$ 841	\$ 311
Non-operating pension and other postretirement benefit costs	24	13	17	16	54	46
Interest income and other	(12)	(11)	(13)	(12)	(36)	(30)
Interest expense, net of capitalized interest	93	92	93	98	278	297
Income taxes	30	65	(15)	(27)	80	31
Operating income	404	476	337	205	1,217	655
Depreciation, depletion and amortization	120	119	122	132	361	394
Basis of real estate sold	12	22	46	24	80	48
Unallocated pension service costs	—	—	—	1	—	3
Special items	8	20	—	207	28	429
Adjusted EBITDA*	\$ 544	\$ 637	\$ 505	\$ 569	\$ 1,686	\$ 1,529

*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.

Q3.2018 Analyst Package

Preliminary results (unaudited)

Special Items Included in Net Earnings (Income Tax Affected)

in millions

	Q1	Q2	Q3		Year-to-Date	
	March 31, 2018	June 30, 2018	September 30	September 30	September 30	September 30
Net earnings	\$ 269	\$ 317	\$ 255	\$ 130	\$ 841	\$ 311
Plum Creek merger and integration-related costs	—	—	—	3	—	15
Restructuring, impairment and other charges	—	—	—	4	—	151
Environmental remediation charges (recoveries)	21	—	—	—	21	—
Countervailing and antidumping duties charges (credits) ⁽¹⁾	—	—	—	4	—	12
Product remediation charges (recoveries), net	(15)	15	—	118	—	149
Tax adjustments ⁽²⁾	—	—	(41)	—	(41)	—
Net earnings before special items	\$ 275	\$ 332	\$ 214	\$ 259	\$ 821	\$ 638

	Q1	Q2	Q3		Year-to-Date	
	March 31, 2018	June 30, 2018	September 30	September 30	September 30	September 30
Net earnings per diluted share	\$ 0.35	\$ 0.42	\$ 0.34	\$ 0.17	\$ 1.11	\$ 0.41
Plum Creek merger and integration-related costs	—	—	—	—	—	0.02
Restructuring, impairment and other charges	—	—	—	0.01	—	0.20
Environmental remediation charges (recoveries)	0.03	—	—	—	0.03	—
Countervailing and antidumping duties charges (credits) ⁽¹⁾	—	—	—	0.01	—	0.01
Product remediation charges (recoveries), net	(0.02)	0.02	—	0.15	—	0.20
Tax adjustments ⁽²⁾	—	—	(0.06)	—	(0.06)	—
Net earnings per diluted share before special items	\$ 0.36	\$ 0.44	\$ 0.28	\$ 0.34	\$ 1.08	\$ 0.84

⁽¹⁾As of first quarter 2018, countervailing and antidumping duties are no longer reported as a special item.⁽²⁾During third quarter 2018, we recorded a tax benefit related to our \$300 million contribution to our U.S. qualified pension plan.

Selected Total Company Items

in millions

	Q1	Q2	Q3		Year-to-Date	
	March 31, 2018	June 30, 2018	September 30	September 30	September 30	September 30
Pension and postretirement costs:						
Pension and postretirement service costs	\$ 10	\$ 8	\$ 10	\$ 9	\$ 28	\$ 26
Non-operating pension and other postretirement benefit costs	24	13	17	16	54	46
Total company pension and postretirement costs	\$ 34	\$ 21	\$ 27	\$ 25	\$ 82	\$ 72

Consolidated Balance Sheet

in millions

	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2017
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 598	\$ 901	\$ 348	\$ 824
Receivables, less discounts and allowances	481	491	444	396
Receivables for taxes	24	23	140	14
Inventories	445	414	389	383
Prepaid expenses and other current assets	118	146	140	98
Current restricted financial investments held by variable interest entities	253	253	253	—
Total current assets	1,919	2,228	1,714	1,715
Property and equipment, net	1,573	1,597	1,672	1,618
Construction in progress	275	282	255	225
Timber and timberlands at cost, less depletion	12,888	12,790	12,727	12,954
Minerals and mineral rights, less depletion	306	302	297	308
Goodwill	40	40	40	40
Deferred tax assets	244	168	71	268
Other assets	278	279	289	316
Restricted financial investments held by variable interest entities	362	362	362	615
Total assets	\$ 17,885	\$ 18,048	\$ 17,427	\$ 18,059
LIABILITIES AND EQUITY				
Current liabilities:				
Current maturities of long-term debt	\$ —	\$ —	\$ —	\$ 62
Current debt (nonrecourse to the company) held by variable interest entities	209	209	511	209
Accounts payable	245	270	271	249
Accrued liabilities	457	543	491	645
Total current liabilities	911	1,022	1,273	1,165
Long-term debt	5,928	5,924	5,921	5,930
Long-term debt (nonrecourse to the company) held by variable interest entities	302	302	—	302
Deferred pension and other postretirement benefits	1,454	1,224	885	1,487
Other liabilities	299	295	291	276
Total liabilities	8,894	8,767	8,370	9,160
Total equity	8,991	9,281	9,057	8,899
Total liabilities and equity	\$ 17,885	\$ 18,048	\$ 17,427	\$ 18,059

Consolidated Statements of Cash Flows

in millions

	Q1		Q2		Q3		Year-to-Date	
	March 31, 2018	June 30, 2018	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
Cash flows from operations:								
Net earnings	\$ 269	\$ 317	\$ 255	\$ 130	\$ 841	\$ 311		
Noncash charges earnings:								
Depreciation, depletion and amortization	120	119	122	132	361	394		
Basis of real estate sold	12	22	46	24	80	48		
Deferred income taxes, net	10	15	86	3	111	9		
Pension and other postretirement benefits	34	21	27	25	82	72		
Share-based compensation expense	9	9	13	10	31	29		
Charges for impairments of assets	1	—	—	6	1	153		
Change in:								
Receivables, less allowances	(83)	(18)	46	(35)	(55)	(113)		
Receivables and payables for taxes	5	10	(124)	(63)	(109)	(116)		
Inventories	(66)	30	27	11	(9)	4		
Prepaid expenses	(5)	4	(6)	4	(7)	(9)		
Accounts payable and accrued liabilities	(173)	103	(63)	129	(133)	184		
Pension and postretirement benefit contributions and payments	(16)	(16)	(323)	(22)	(355)	(59)		
Other	19	(19)	(19)	(31)	(19)	(60)		
Net cash from operations	\$ 136	\$ 597	\$ 87	\$ 323	\$ 820	\$ 847		
Cash flows from investing activities:								
Capital expenditures for property and equipment	\$ (61)	\$ (83)	\$ (94)	\$ (87)	\$ (238)	\$ (213)		
Capital expenditures for timberlands reforestation	(20)	(14)	(11)	(10)	(45)	(46)		
Proceeds from sale of assets and operations	2	—	—	411	2	423		
Other	3	24	(10)	(16)	17	28		
Cash from (used in) investing activities	\$ (76)	\$ (73)	\$ (115)	\$ 298	\$ (264)	\$ 192		
Cash flows from financing activities:								
Cash dividends on common shares	\$ (242)	\$ (243)	\$ (256)	\$ (233)	\$ (741)	\$ (699)		
Proceeds from issuance of long-term debt	—	—	—	225	—	225		
Payments of long-term debt	(62)	—	—	(831)	(62)	(831)		
Proceeds from borrowing on line of credit	—	—	—	100	—	100		
Payments on line of credit	—	—	—	(100)	—	(100)		
Proceeds from exercise of stock options	25	23	4	8	52	89		
Repurchases of common shares	—	—	(273)	—	(273)	—		
Other	(7)	(1)	—	6	(8)	(2)		
Cash used in financing activities	\$ (286)	\$ (221)	\$ (525)	\$ (825)	\$ (1,032)	\$ (1,218)		
Net change in cash and cash equivalents	\$ (226)	\$ 303	\$ (553)	\$ (204)	\$ (476)	\$ (179)		
Cash and cash equivalents at beginning of period	824	598	901	701	824	676		
Cash and cash equivalents at end of period	\$ 598	\$ 901	\$ 348	\$ 497	\$ 348	\$ 497		
Cash paid during the period for:								
Interest, net of amount capitalized	\$ 105	\$ 67	\$ 113	\$ 123	\$ 285	\$ 315		
Income taxes	\$ 17	\$ 41	\$ 22	\$ 23	\$ 80	\$ 129		

Segment Statement of Operations

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Sales to unaffiliated customers	\$ 505	\$ 482	\$ 468	\$ 491	\$ 1,455	\$ 1,446
Intersegment sales	228	185	185	179	598	544
Total net sales	733	667	653	670	2,053	1,990
Cost of products sold	526	485	505	517	1,516	1,512
Gross margin	207	182	148	153	537	478
Selling expenses	1	—	1	1	2	3
General and administrative expenses	23	25	23	24	71	71
Research and development expenses	2	1	2	3	5	10
Charges for integration and restructuring, closures and asset impairments	—	—	—	—	—	147
Other operating costs (income), net	(8)	(5)	(4)	(6)	(17)	(20)
Operating income and Net contribution to earnings	\$ 189	\$ 161	\$ 126	\$ 131	\$ 476	\$ 267

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

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Operating income	\$ 189	\$ 161	\$ 126	\$ 131	\$ 476	\$ 267
Depreciation, depletion and amortization	79	79	80	89	238	270
Special items	—	—	—	—	—	147
Adjusted EBITDA*	\$ 268	\$ 240	\$ 206	\$ 220	\$ 714	\$ 684

*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	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Restructuring, impairment and other charges	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (147)

Selected Segment Items

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Total decrease (increase) in working capital ⁽¹⁾	\$ (40)	\$ 70	\$ (32)	\$ (3)	\$ (2)	\$ (45)
Cash spent for capital expenditures	\$ (28)	\$ (29)	\$ (25)	\$ (24)	\$ (82)	\$ (79)

⁽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⁾

		Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Third Party Net Sales (millions)	Delivered logs:						
	West	\$ 266	\$ 262	\$ 238	\$ 221	\$ 766	\$ 673
	South	157	158	157	155	472	451
	North	25	20	25	25	70	68
	Other	14	7	9	17	30	48
	Total delivered logs	462	447	429	418	1,338	1,240
	Stumpage and pay-as-cut timber	15	11	13	23	39	52
	Products from international operations	—	—	—	23	—	63
	Recreational and other lease revenue	14	15	15	16	44	45
	Other revenue	14	9	11	11	34	46
	Total	\$ 505	\$ 482	\$ 468	\$ 491	\$ 1,455	\$ 1,446
Delivered Logs Third Party Sales Realizations (per ton)	West	\$ 131.59	\$ 132.24	\$ 125.67	\$ 116.03	\$ 129.91	\$ 108.43
	South	\$ 34.83	\$ 34.55	\$ 34.88	\$ 34.24	\$ 34.75	\$ 34.40
	North	\$ 60.79	\$ 64.92	\$ 60.97	\$ 59.02	\$ 62.00	\$ 60.24
	Other	2.019	1.984	1.897	1.910	5.900	6.210
Delivered Logs Third Party Sales Volumes (tons, thousands)	West	4,510	4,560	4,521	4,527	13,591	13,105
	South	404	313	414	428	1,131	1,135
	North	317	81	154	424	552	1,226
	Other	2,443	2,360	2,305	2,230	7,108	7,539
Fee Harvest Volumes (tons, thousands)	South	6,751	6,630	6,478	6,953	19,859	19,799
	North	549	423	537	565	1,509	1,570
	Other	—	—	—	569	—	1,384

⁽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	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Net sales	\$ 51	\$ 58	\$ 96	\$ 82	\$ 205	\$ 181
Cost of products sold	19	30	54	31	103	67
Gross margin	32	28	42	51	102	114
General and administrative expenses	7	6	6	6	19	20
Other operating costs (income), net	—	—	—	(1)	—	(1)
Operating income	25	22	36	46	83	95
Interest income and other	—	—	—	1	—	1
Operating income and net contribution to earnings	\$ 25	\$ 22	\$ 36	\$ 47	\$ 83	\$ 96

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

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Operating income	\$ 25	\$ 22	\$ 36	\$ 46	\$ 83	\$ 95
Depreciation, depletion and amortization	4	3	4	4	11	11
Basis of real estate sold	12	22	46	24	80	48
Adjusted EBITDA*	\$ 41	\$ 47	\$ 86	\$ 74	\$ 174	\$ 154

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

Selected Segment Items

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Cash spent for capital expenditures	\$ —	\$ —	\$ —	\$ (1)	\$ —	\$ (2)

Segment Statistics

		Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Net Sales (millions)	Real Estate	\$ 34	\$ 38	\$ 76	\$ 64	\$ 148	\$ 128
	Energy and Natural Resources	17	20	20	18	57	53
	Total	\$ 51	\$ 58	\$ 96	\$ 82	\$ 205	\$ 181
Acres Sold	Real Estate	21,771	16,290	61,681	35,749	99,742	59,009
Price per Acre	Real Estate	\$ 1,539	\$ 2,258	\$ 1,209	\$ 1,784	\$ 1,452	\$ 2,081

Preliminary results (unaudited)

Segment Statement of Operations

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Net sales	\$ 1,309	\$ 1,525	\$ 1,346	\$ 1,299	\$ 4,180	\$ 3,746
Cost of products sold	1,005	1,119	1,071	1,005	3,195	2,933
Gross margin	304	406	275	294	985	813
Selling expenses	21	22	18	20	61	60
General and administrative expenses	34	31	32	30	97	94
Research and development expenses	—	1	—	1	1	2
Charges for integration and restructuring, closures and asset impairments	2	—	—	8	2	11
Charges (recoveries) for product remediation, net	(20)	20	—	190	—	240
Other operating costs (income), net	(3)	3	12	5	12	17
Operating income and Net contribution to earnings	\$ 270	\$ 329	\$ 213	\$ 40	\$ 812	\$ 389

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

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Operating income	\$ 270	\$ 329	\$ 213	\$ 40	\$ 812	\$ 389
Depreciation, depletion and amortization	36	36	37	37	109	108
Special items	(20)	20	—	201	—	262
Adjusted EBITDA*	\$ 286	\$ 385	\$ 250	\$ 278	\$ 921	\$ 759

*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	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Countervailing and antidumping duties (charges) credits ⁽¹⁾	\$ —	\$ —	\$ —	\$ (5)	\$ —	\$ (16)
Restructuring, impairments, and other charges	—	—	—	(6)	—	(6)
Product remediation (charges) recoveries, net	20	(20)	—	(190)	—	(240)
Total	\$ 20	\$ (20)	\$ —	\$ (201)	\$ —	\$ (262)

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

Selected Segment Items

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Total decrease (increase) in working capital ⁽²⁾	\$ (226)	\$ 3	\$ 71	\$ 150	\$ (152)	\$ 141
Cash spent for capital expenditures	\$ (52)	\$ (68)	\$ (79)	\$ (71)	\$ (199)	\$ (176)

⁽²⁾ 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		Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Structural Lumber (volumes presented in board feet)	Third party net sales	\$ 569	\$ 681	\$ 581	\$ 525	\$ 1,831	\$ 1,541
	Third party sales realizations	\$ 498	\$ 541	\$ 491	\$ 448	\$ 511	\$ 434
	Third party sales volumes ⁽³⁾	1,140	1,261	1,184	1,172	3,585	3,548
	Production volumes	1,160	1,180	1,106	1,093	3,446	3,391
Engineered Solid Section (volumes presented in cubic feet)	Third party net sales	\$ 129	\$ 139	\$ 132	\$ 131	\$ 400	\$ 378
	Third party sales realizations	\$ 2,088	\$ 2,156	\$ 2,208	\$ 2,047	\$ 2,150	\$ 1,970
	Third party sales volumes ⁽³⁾	6.2	6.4	6.0	6.4	18.6	19.2
	Production volumes	6.3	6.4	6.3	6.4	19.0	19.3
Engineered I-joists (volumes presented in lineal feet)	Third party net sales	\$ 78	\$ 92	\$ 91	\$ 93	\$ 261	\$ 251
	Third party sales realizations	\$ 1,585	\$ 1,630	\$ 1,668	\$ 1,529	\$ 1,629	\$ 1,512
	Third party sales volumes ⁽³⁾	49	57	54	60	160	166
	Production volumes	56	52	46	58	154	161
Oriented Strand Board (volumes presented in square feet 3/8")	Third party net sales	\$ 232	\$ 277	\$ 215	\$ 243	\$ 724	\$ 671
	Third party sales realizations	\$ 314	\$ 367	\$ 321	\$ 328	\$ 335	\$ 295
	Third party sales volumes ⁽³⁾	739	754	669	741	2,162	2,274
	Production volumes	734	747	665	744	2,146	2,256
Softwood Plywood (volumes presented in square feet 3/8")	Third party net sales	\$ 50	\$ 55	\$ 53	\$ 45	\$ 158	\$ 136
	Third party sales realizations	\$ 438	\$ 461	\$ 439	\$ 386	\$ 446	\$ 381
	Third party sales volumes ⁽³⁾	115	118	122	117	355	358
	Production volumes	97	105	106	88	308	284
Medium Density Fiberboard (volumes presented in square feet 3/4")	Third party net sales	\$ 43	\$ 47	\$ 48	\$ 48	\$ 138	\$ 146
	Third party sales realizations	\$ 839	\$ 839	\$ 828	\$ 821	\$ 835	\$ 820
	Third party sales volumes ⁽³⁾	51	55	59	58	165	177
	Production volumes	50	57	61	63	168	182

⁽³⁾ 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	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Unallocated corporate function and variable compensation expense	\$ (18)	\$ (19)	\$ (19)	\$ (19)	\$ (56)	\$ (55)
Liability classified share-based compensation	—	(2)	4	(1)	2	(7)
Foreign exchange gains (losses)	(2)	2	(2)	3	(2)	—
Elimination of intersegment profit in inventory and LIFO	(21)	3	—	3	(18)	(6)
Charges for integration and restructuring, closures and asset impairments	—	—	—	(6)	—	(20)
Other	(39)	(20)	(21)	8	(80)	(8)
Operating income (loss)	(80)	(36)	(38)	(12)	(154)	(96)
Non-operating pension and other postretirement benefit (costs) credits	(24)	(13)	(17)	(16)	(54)	(46)
Interest income and other	12	11	13	11	36	29
Net contribution to earnings	\$ (92)	\$ (38)	\$ (42)	\$ (17)	\$ (172)	\$ (113)

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

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Operating income (loss)	\$ (80)	\$ (36)	\$ (38)	\$ (12)	\$ (154)	\$ (96)
Depreciation, depletion and amortization	1	1	1	2	3	5
Unallocated pension service costs	—	—	—	1	—	3
Special items	28	—	—	6	28	20
Adjusted EBITDA*	\$ (51)	\$ (35)	\$ (37)	\$ (3)	\$ (123)	\$ (68)

*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	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Plum Creek merger and integration-related costs	\$ —	\$ —	\$ —	\$ (6)	\$ —	\$ (20)
Environmental remediation insurance (charges) recoveries	(28)	—	—	—	(28)	—
Total	\$ (28)	\$ —	\$ —	\$ (6)	\$ (28)	\$ (20)

Unallocated Selected Items

in millions	Q1.2018	Q2.2018	Q3.2018	Q3.2017	YTD.2018	YTD.2017
Cash spent for capital expenditures	\$ (1)	\$ —	\$ (1)	\$ (1)	\$ (2)	\$ (2)