
WEYERHAEUSER

EARNINGS RESULTS

4TH QUARTER 2019 | January 31, 2020



FORWARD-LOOKING STATEMENTS

This presentation contains statements and depictions that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, including, without limitation, with respect to fourth quarter 2019 earnings, and Adjusted EBITDA for each of our business segments; log sales volumes and realizations, road spending and harvest volumes for our Timber business; operating rates, manufacturing costs and sales volumes for our Wood Products business; basis of real estate to be sold for our Real Estate and Energy and Natural Resources business; operational excellence improvements; interest expense; consolidated tax rate; pension and post-retirement expense and cash contribution; and capital expenditures. Forward-looking statements may be identified by our use of certain words in such statements, including without limitation words such as “anticipate,” “believe,” “continue,” “continued,” “could,” “forecast,” “estimate,” “outlook,” “goal,” “will,” “plan,” “expect,” “target,” “would” and similar words and terms and phrases using such terms and words, while depictions that constitute forward-looking statements may be identified by graphs, charts or other illustrations indicating expected or predicted occurrences of events, conditions, performance or achievements at a future date or during future time periods. We may refer to assumptions, goals or targets, or we may reference expected performance through, or events to occur by or at, a future date, and such references may also constitute forward-looking statements. Forward-looking statements are based on management’s current expectations and assumptions concerning future events and are inherently subject to uncertainties and factors relating to our operations and business environment that are difficult to predict and often beyond the company’s control. These and other factors could cause one or more of our expectations to be unmet, one or more of our assumptions to be materially inaccurate or actual results to differ materially from those expressed or implied in our forward-looking statements, or all of the foregoing. Such uncertainties and other factors include, without limitation: our ability to successfully execute our performance plans, including cost reductions and other operational excellence initiatives; the effect of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages and the strength of the U.S. dollar; restrictions on international trade, and tariffs imposed on imports or exports; market demand for our products, including demand for our timberland properties with higher and better uses, which in turn is related to the strength of various U.S. business segments and U.S. and international economic conditions; domestic and foreign competition; raw material prices; energy prices; the effects of weather; the risk of loss from fires, floods, windstorms, hurricanes, pest infestation and other natural disasters; transportation 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 factors described in filings we make from time to time with the Securities and Exchange Commission, including without limitation the risk factors described in our annual report on Form 10-K. There is no guarantee that any of the anticipated events or results articulated in this presentation will occur or, if they occur, what effect they will have on the company’s results of operations or financial condition. The forward-looking statements contained herein apply only as of the date of this presentation and we do not undertake any obligation to update these forward-looking statements. Nothing on our website is intended to be included or incorporated by reference into, or made a part of, this presentation.

Also included in this presentation are certain non-GAAP financial measures, which management believes complement the financial information presented in accordance with U.S. generally accepted accounting principles. Management believes such non-GAAP measures may be useful to investors. Our non-GAAP financial measures may not be comparable to similarly named or captioned non-GAAP financial measures of other companies due to potential inconsistencies in how such measures are calculated. A reconciliation of each presented non-GAAP measure to its most directly comparable GAAP measure is provided in the appendices to this presentation.



2019 CONSOLIDATED RESULTS

Chart 1

\$ Millions	2018		2019	
Adjusted EBITDA	FY	FY	Change	
Timberlands	\$ 902	\$ 680	\$ (222)	
Real Estate, Energy & Natural Resources	264	274	10	
Wood Products	987	476	(511)	
Unallocated Items	(121)	(154)	(33)	
Total Adjusted EBITDA¹	\$ 2,032	\$ 1,276	\$ (756)	
Net Contribution to Earnings Before Special Items	\$ 1,397	\$ 619	\$ (778)	

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 19](#).
2. Includes other operating (costs) income, net; non-operating pension and other postretirement benefit costs; and interest income and other. Interest income and other includes approximately \$34 million and \$22 million of income from SPE investments for 2018 and 2019, respectively.
3. Interest expense is net of capitalized interest and includes approximately \$29 million and \$12 million of expense on SPE notes for 2018 and 2019, respectively.
4. An explanation of special items and a reconciliation to GAAP are set forth on [Chart 18](#). Income taxes attributable to special items are included in Special items, after-tax.

\$ Millions (except EPS)	2018		2019	
Consolidated Statement of Operations Before Special Items	FY	FY		
Net sales	\$ 7,476	\$ 6,554		
Costs of sales	5,592	5,412		
Gross margin	1,884	1,142		
SG&A expenses	406	432		
Other expense, net ²	81	91		
Net Contribution to Earnings Before Special Items	\$ 1,397	\$ 619		
Interest expense, net ³	(375)	(366)		
Income taxes ⁴	(131)	32		
Net Earnings Before Special Items⁴	\$ 891	\$ 285		
Special items, after-tax ⁴	(143)	(361)		
Net Earnings (Loss)	\$ 748	\$ (76)		
Diluted EPS Before Special Items⁴	\$ 1.18	\$ 0.39		
Diluted EPS	\$ 0.99	\$ (0.10)		



2019 Q4 CONSOLIDATED RESULTS

Chart 2

\$ Millions	2019	2019	
Adjusted EBITDA	Q3	Q4	Change
Timberlands	\$ 154	\$ 158	\$ 4
Real Estate, Energy & Natural Resources	60	37	(23)
Wood Products	123	110	(13)
Unallocated Items	(29)	(45)	(16)
Total Adjusted EBITDA¹	\$ 308	\$ 260	\$ (48)
Net Contribution to Earnings Before Special Items	\$ 140	\$ 114	\$ (26)

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 19](#).
2. Includes other operating (costs) income, net; non-operating pension and other postretirement benefit costs; and interest income and other. Interest income and other includes approximately \$5 million of income from SPE investments for each quarter presented.
3. Interest expense is net of capitalized interest and includes approximately \$4 million of expense on SPE notes for the third quarter.
4. An explanation of special items and a reconciliation to GAAP are set forth on [Chart 3](#). Income taxes attributable to special items are included in Special items, after-tax.

\$ Millions (except EPS)	2019	2019
Consolidated Statement of Operations Before Special Items	Q3	Q4
Net sales	\$ 1,671	\$ 1,548
Costs of sales	1,399	1,301
Gross margin	272	247
SG&A expenses	105	116
Other expense, net ²	27	17
Net Contribution to Earnings Before Special Items	\$ 140	\$ 114
Interest expense, net ³	(91)	(89)
Income taxes ⁴	10	(2)
Net Earnings Before Special Items⁴	\$ 59	\$ 23
Special items, after-tax ⁴	40	(37)
Net Earnings (Loss)	\$ 99	\$ (14)
Diluted EPS Before Special Items⁴	\$ 0.08	\$ 0.03
Diluted EPS	\$ 0.13	\$ (0.02)



EARNINGS BEFORE SPECIAL ITEMS

Chart 3

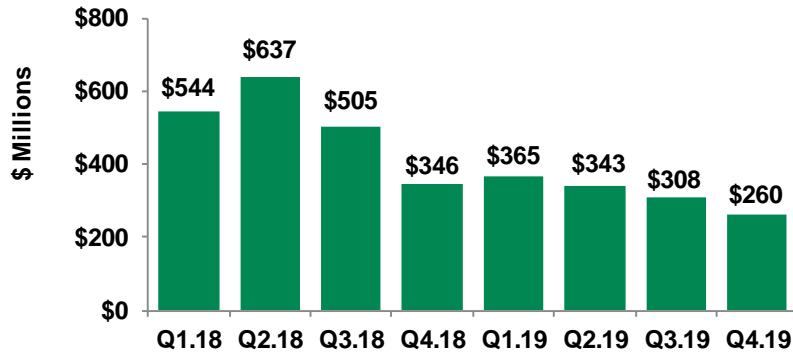
\$ Millions (except EPS)	2019 Q3			2019 Q4		
	Pretax Earnings	After-Tax Earnings	Diluted EPS	Pretax Earnings	After-Tax Earnings	Diluted EPS
Earnings Before Special Items	\$ 49	\$ 59	\$ 0.08	\$ 25	\$ 23	\$ 0.03
Special Items:						
Gain on sale of timberlands and other nonstrategic assets	—	—	—	48	48	0.07
Pension settlement charge	—	—	—	(6)	(5)	(0.01)
Legal charge	(15)	(11)	(0.02)	—	—	—
Product remediation recovery	68	51	0.07	—	—	—
Restructuring, impairments and other charges	—	—	—	(80)	(80)	(0.11)
Total Special Items	53	40	0.05	(38)	(37)	(0.05)
Earnings (Loss) Including Special Items (GAAP)	\$ 102	\$ 99	\$ 0.13	\$ (13)	\$ (14)	\$ (0.02)



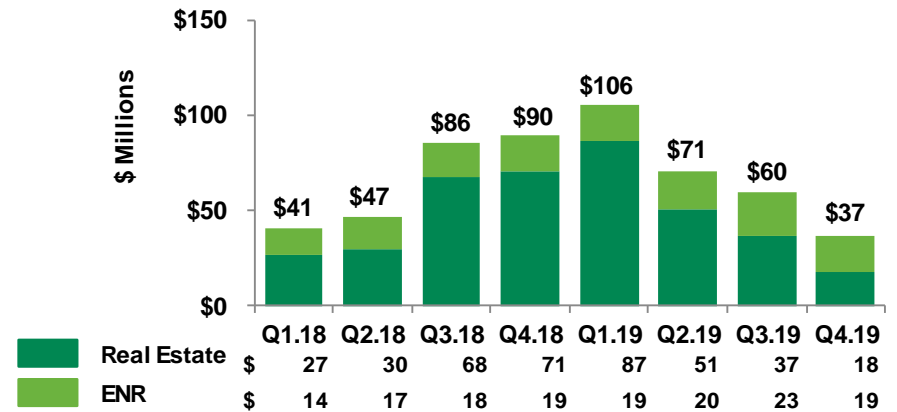
ADJUSTED EBITDA¹

Chart 4

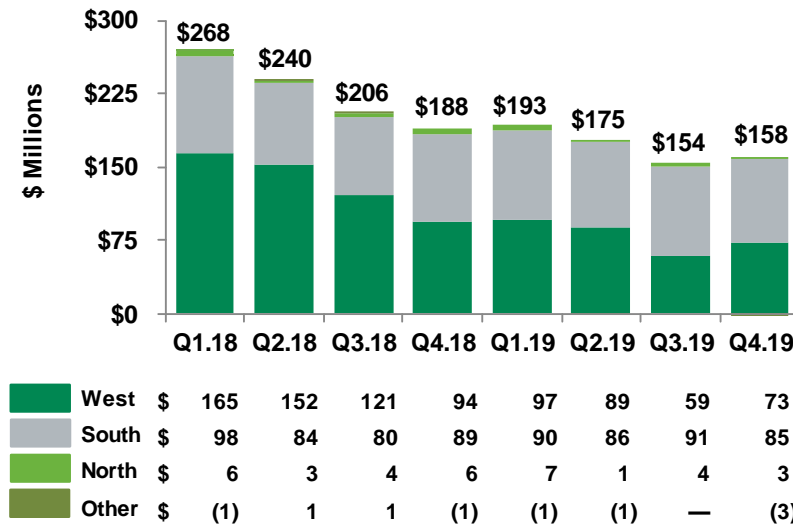
Total Company²



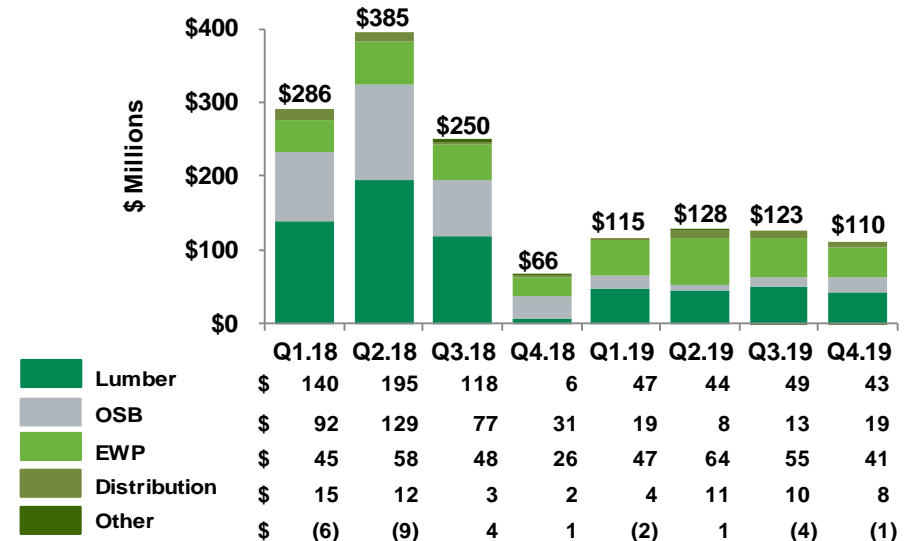
Real Estate & ENR



Timberlands



Wood Products



1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 19](#), [Chart 20](#), [Chart 21](#), [Chart 22](#) and [Chart 23](#).
 2. Total Company Adjusted EBITDA includes Timberlands; Real Estate, Energy & Natural Resources; Wood Products and Unallocated.



TIMBERLANDS SEGMENT

Chart 5

TIMBERLANDS (\$ Millions)	2019	2019
Adjusted EBITDA by Region	Q3	Q4
West	\$ 59	\$ 73
South	91	85
North	4	3
Other	—	(3)
Total Adjusted EBITDA¹	\$ 154	\$ 158

4th Quarter Notes

- Modestly higher average Western domestic and Japan export log sales realizations
- Slightly higher Western fee harvest volumes
- Seasonally lower Western road and forestry spending
- Slightly lower Southern average log sales realizations
- Lower Southern fee harvest volumes

TIMBERLANDS (\$ Millions)	2019	2019
Segment Statement of Operations	Q3	Q4
Third-party sales	\$ 398	\$ 388
Intersegment sales	125	122
Total Sales	523	510
Costs of sales	429	402
Gross margin	94	108
SG&A expenses	24	23
Other (income) expense, net	(2)	—
Net Contribution to Earnings Before Special Items	\$ 72	\$ 85
Special items, pretax	—	(32)
Net Contribution to Earnings	\$ 72	\$ 53
Adjusted EBITDA¹	\$ 154	\$ 158
Adjusted EBITDA Margin Percentage²	29%	31%
Operating Margin Percentage³	14%	17%

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 20](#).

2. Adjusted EBITDA divided by total sales.

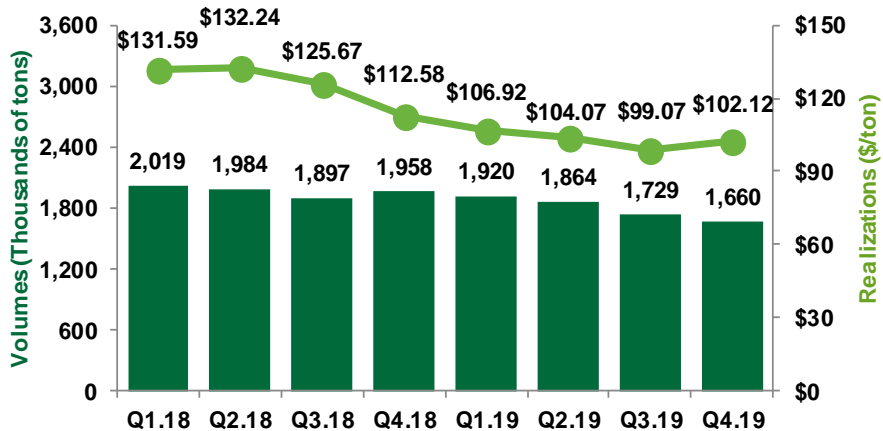
3. Net contribution to earnings before special items divided by total sales.



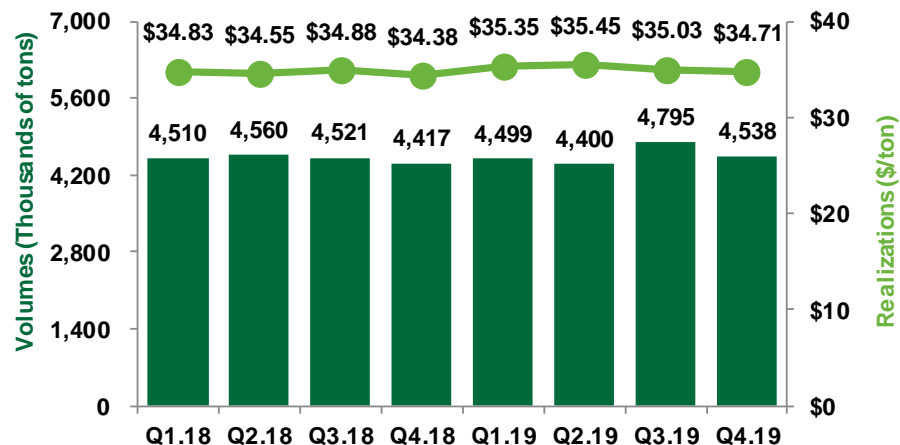
SALES VOLUMES, REALIZATIONS AND EXPORT REVENUE

Chart 6

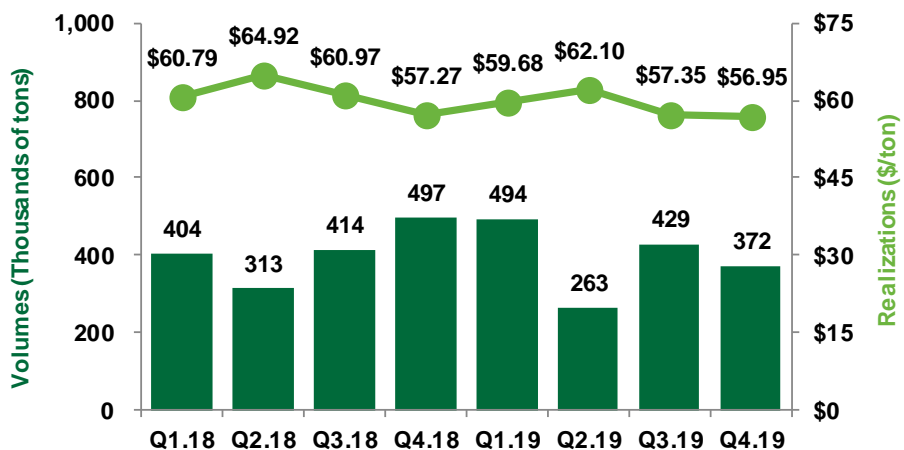
3rd-Party Log Sales and Realizations - West¹



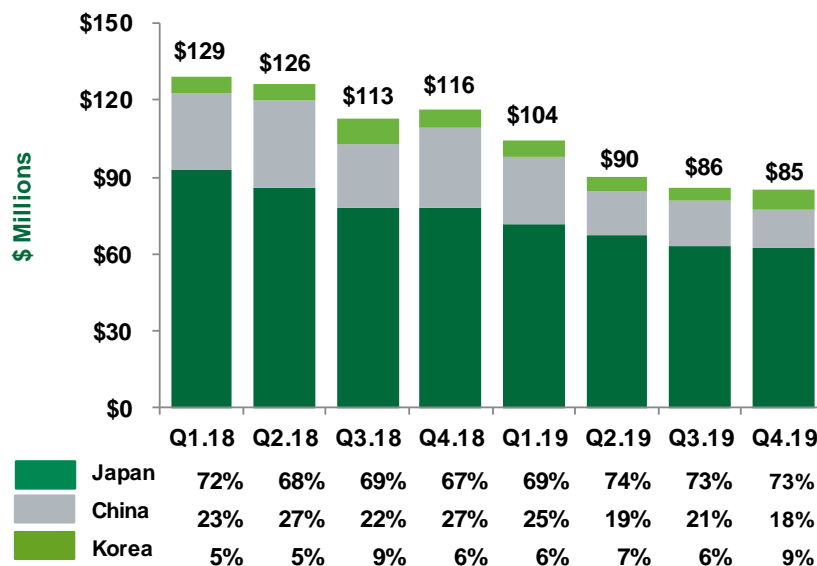
3rd-Party Log Sales and Realizations - South



3rd-Party Log Sales and Realizations - North



Western Export Log Revenue



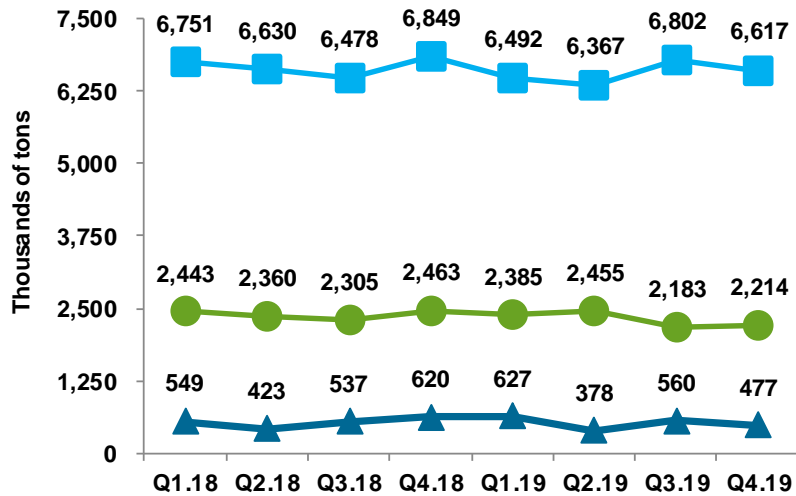
1. Western logs are primarily transacted in MBF but are converted to ton equivalents for external reporting purposes.



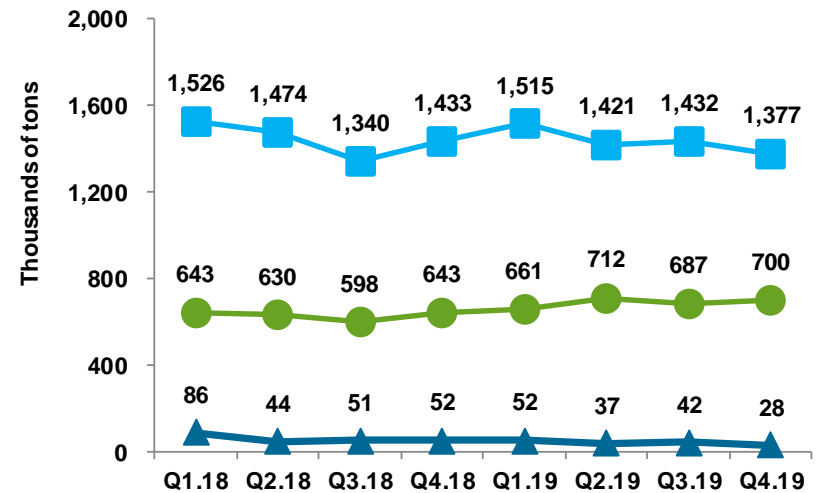
FEE HARVEST VOLUME AND INTERSEGMENT SALES VOLUME

Chart 7

Fee Harvest Volume



Intersegment Log Sales Volume



■ South ● West ▲ North



REAL ESTATE, ENERGY & NATURAL RESOURCES (ENR) SEGMENT

Chart 8

Real Estate & ENR (\$ Millions)	2019	2019
Adjusted EBITDA by Business	Q3	Q4
Real Estate	\$ 37	\$ 18
Energy & Natural Resources	23	19
Total Adjusted EBITDA¹	\$ 60	\$ 37

4th Quarter Notes

- Fewer real estate sales
- Lower construction materials and energy royalties

Real Estate & ENR (\$ Millions)	2019	2019
Segment Statement of Operations	Q3	Q4
Total sales	\$ 69	\$ 46
Costs of sales	32	18
Gross margin	37	28
SG&A expenses	6	7
Other (income) expense, net	(1)	(1)
Net Contribution to Earnings	\$ 32	\$ 22
Adjusted EBITDA¹	\$ 60	\$ 37

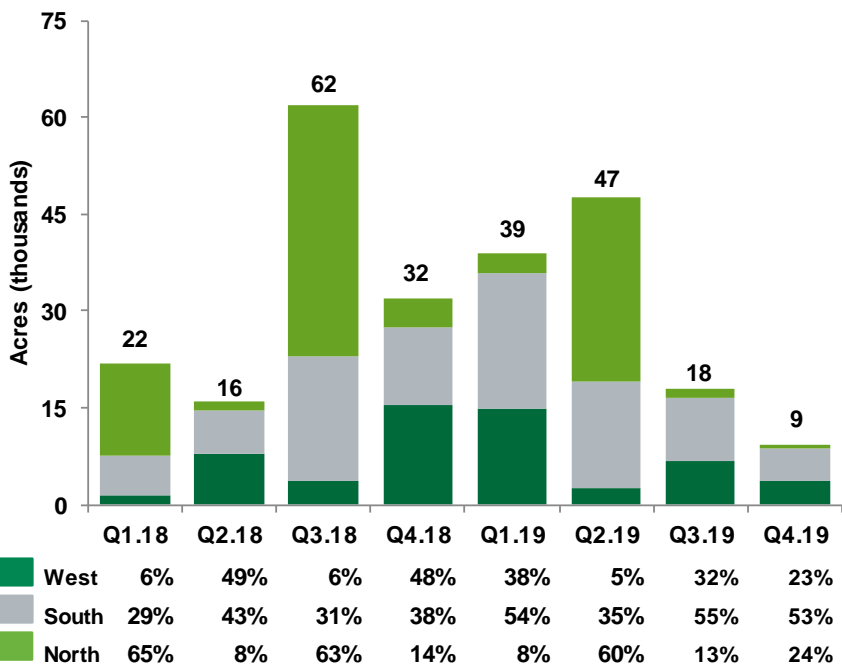
1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 21](#).



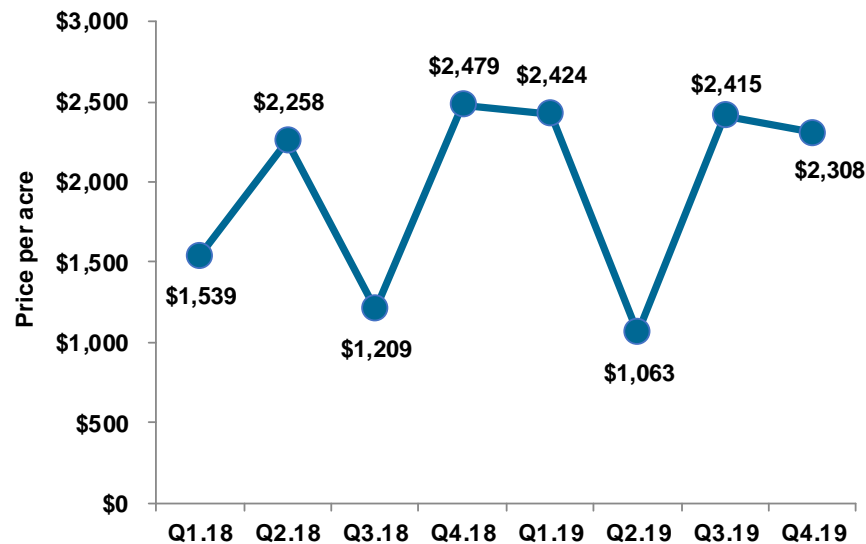
REAL ESTATE, ENERGY & NATURAL RESOURCES (ENR) SEGMENT

Chart 9

Acres Sold



Average Price per Acre



WOOD PRODUCTS SEGMENT

Chart 10

WOOD PRODUCTS (\$ Millions)	2019	2019
Adjusted EBITDA by Business	Q3	Q4
Lumber	\$ 49	\$ 43
OSB	13	19
Engineered Wood Products	55	41
Distribution	10	8
Other	(4)	(1)
Total Adjusted EBITDA¹	\$ 123	\$ 110

4th Quarter Notes

- Seasonally lower sales volumes
- Higher Western and Canadian log costs
- Improved per unit manufacturing costs
- Comparable average sales realizations for lumber
- Slightly higher average sales realizations for oriented strand board

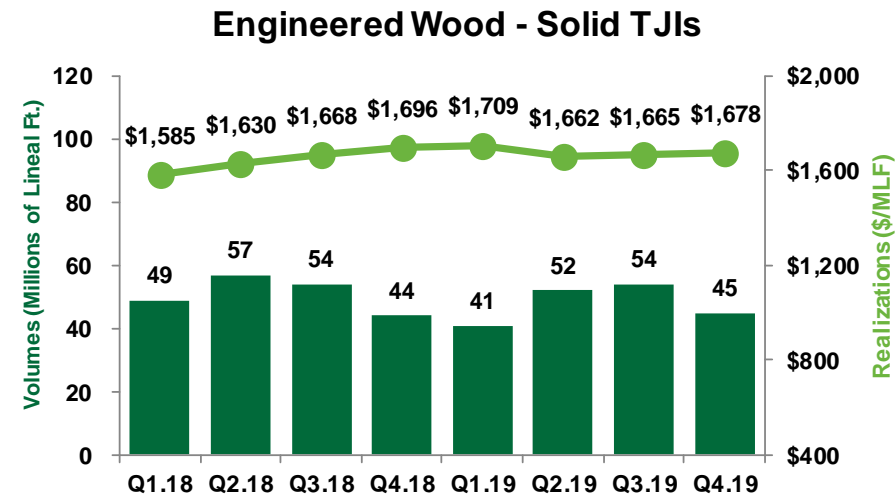
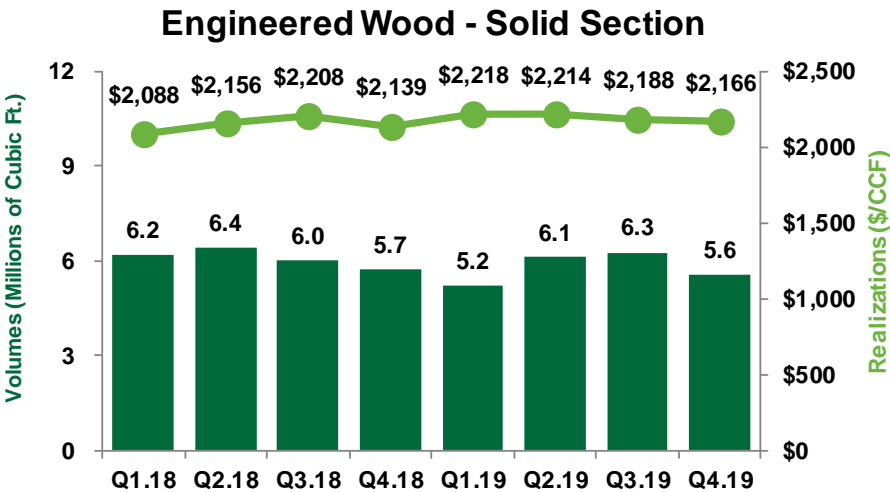
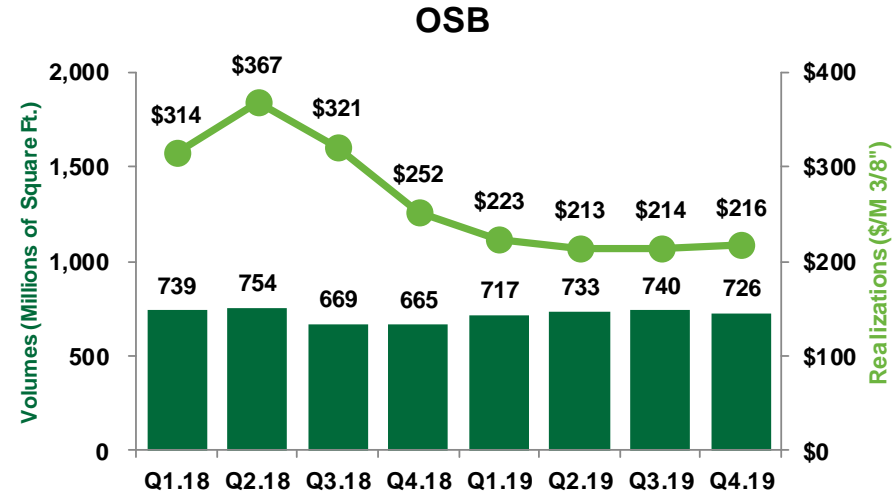
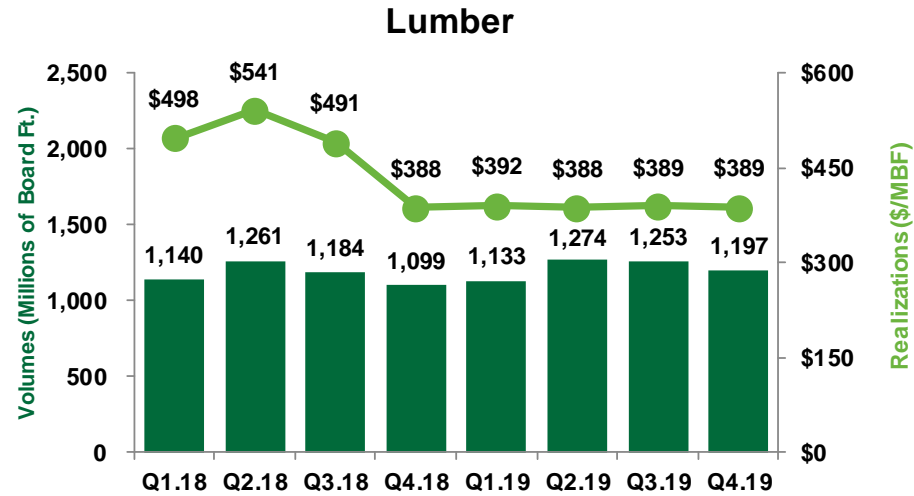
1. Adjusted EBITDA for Wood Products businesses include earnings on internal sales, primarily from the manufacturing businesses to Distribution. These sales occur at market price. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 22](#).
2. Adjusted EBITDA divided by total sales.
3. Net contribution to earnings before special items divided by total sales.

WOOD PRODUCTS (\$ Millions)	2019	2019
Segment Statement of Operations	Q3	Q4
Total sales	\$ 1,204	\$ 1,115
Costs of sales	1,067	994
Gross margin	137	121
SG&A expenses	55	56
Other expense, net	7	5
Net Contribution to Earnings Before Special Items	\$ 75	\$ 60
Special items, pretax	68	—
Net Contribution to Earnings	\$ 143	\$ 60
Adjusted EBITDA¹	\$ 123	\$ 110
Adjusted EBITDA Margin Percentage²	10%	10%
Operating Margin Percentage³	6%	5%



THIRD-PARTY SALES VOLUMES AND REALIZATIONS¹

Chart 11



1. Sales volumes include sales of internally produced products and products purchased for resale primarily through our Distribution business. These sales occur at market price.



UNALLOCATED ITEMS

Chart 12

UNALLOCATED ITEMS (\$ Millions) ¹	2019	2019
	Q3	Q4
Unallocated corporate function expenses and variable compensation expense	\$ (19)	\$ (30)
Liability classified share-based compensation	(1)	(2)
Foreign exchange gains (losses)	(1)	—
Elimination of intersegment profit in inventory and LIFO	6	(1)
Non-operating pension and other postretirement benefit costs	(15)	(15)
Other, including interest income	(9)	(5)
Net Charge to Earnings Before Special Items	\$ (39)	\$ (53)
Special items, pretax	(15)	(6)
Net Charge to Earnings	\$ (54)	\$ (59)
Adjusted EBITDA²	\$ (29)	\$ (45)

UNALLOCATED ITEMS (\$ Millions) ¹	2019	2019
	Q3	Q4
Costs of sales ³	\$ 4	\$ (10)
G&A expense ⁴	(20)	(29)
Other expense, net	(23)	(14)
Net Charge to Earnings Before Special Items	\$ (39)	\$ (53)
Special items, pretax	(15)	(6)
Net Charge to Earnings	\$ (54)	\$ (59)

1. Unallocated items are gains or charges not related to or allocated to an individual operating segment.
2. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 23](#).
3. Costs of sales is composed primarily of elimination of intersegment profit in inventory and LIFO and incentive compensation.
4. G&A expense is comprised primarily of share-based compensation, pension service costs, corporate function expenses and incentive compensation.



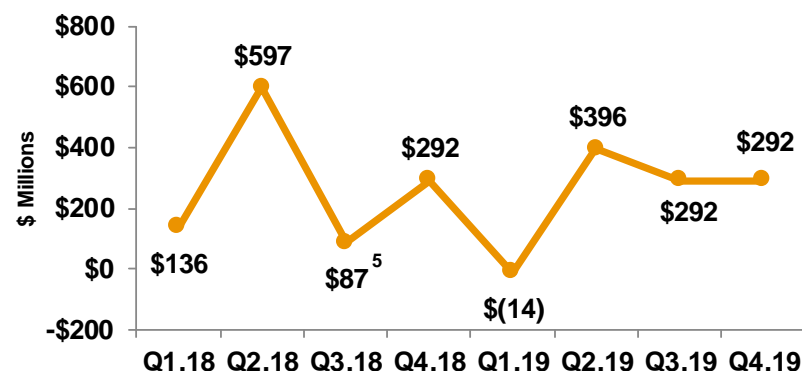
KEY FINANCIAL METRICS (\$ Millions)	2019	
	Q3	Q4
Ending Cash Balance	\$ 153	\$ 139
Total Debt ¹	\$ 6,590	\$ 6,377
Net Debt to Adjusted EBITDA (LTM) ^{2,3}	4.7	4.9
Net Debt to Enterprise Value ⁴	24%	22%

Scheduled Debt Maturities as of December 31, 2019

(\$ Millions)	2020	2021	2022	2023	2024
Debt Maturities	\$ —	\$ 719	\$ —	\$ 1,876	\$ —

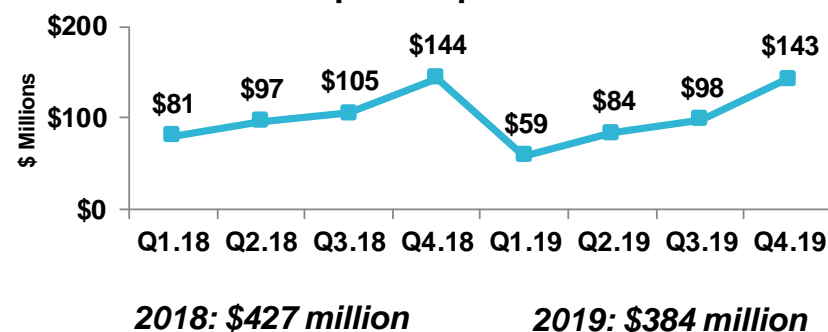
- Total debt includes \$440 million and \$230 million of borrowings on our line of credit in third quarter 2019 and fourth quarter 2019, respectively.
- LTM = last twelve months. A reconciliation to GAAP is set forth on [Chart 24](#).
- During third quarter 2019, we paid \$302 million related to liabilities from our monetized SPEs at maturity. Related to that transaction, we received \$362 million in proceeds related to our buyer-sponsored SPEs in first quarter 2020. If we adjusted our Net debt to Adjusted EBITDA ratio to include such proceeds, the ratios would be 4.5 and 4.7 for third quarter 2019 and fourth quarter 2019, respectively.
- Total debt, net of cash and equivalents, divided by enterprise value. Enterprise value is defined as total debt, net of cash and equivalents, plus market capitalization as of the end of the quarter.

Cash Flow from Operations



5. Excluding the \$300 million cash contribution to our U.S. qualified pension plan, our Q3 2018 cash flow from operations would have been \$387 million.

Capital Expenditures



OUTLOOK: 2020 Q1 vs. 2019 Q4

Chart 14

SEGMENT	COMMENTS
TIMBERLANDS	<ul style="list-style-type: none">• Higher Western domestic and export log sales volumes, modestly higher average domestic log sales realizations and lower Western road spending• Seasonally lower Southern fee harvest volumes and comparable average log sales realizations• Anticipate earnings and Adjusted EBITDA will be slightly higher than 2019 Q4
REAL ESTATE, ENERGY & NATURAL RESOURCES	<ul style="list-style-type: none">• Expect 2020 Q1 Adjusted EBITDA will be nearly comparable to 2019 Q1 and earnings will be approximately \$15 million lower• Expect full year 2020 Adjusted EBITDA of approximately \$255 million
WOOD PRODUCTS	<ul style="list-style-type: none">• Seasonally improved operating rates and manufacturing costs for engineered wood products• Slightly higher sales volumes for lumber and oriented strand board• Anticipate earnings and Adjusted EBITDA will be slightly higher than 2019 Q4, before any improvement in average sales realizations



DRIVER	FY 2020 OUTLOOK
FEE HARVEST VOLUME	Slightly over 36 million tons: <ul style="list-style-type: none"> • South: Comparable to 2019 • West: Slightly lower than 2019 • North: Approximately 40% lower than 2019 due to Michigan and Montana divestitures
REAL ESTATE & ENR EBITDA	\$255 million
BASIS OF REAL ESTATE SOLD	55-65% of Real Estate sales
OPERATIONAL EXCELLENCE IMPROVEMENTS	\$50-\$70 million
INTEREST EXPENSE	\$345 million
CONSOLIDATED TAX RATE	10-15%
NON-OPERATING PENSION AND POSTRETIREMENT EXPENSE	\$40 million, noncash
CASH CONTRIBUTION FOR PENSION AND POSTRETIREMENT PLANS	No contributions to US qualified plan \$30 million for all other plans
CAPITAL EXPENDITURES	\$360 million



EARNINGS SUMMARY

Chart 16

\$ Millions (except EPS)	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Adjusted EBITDA by Segment								
Timberlands	\$ 268	\$ 240	\$ 206	\$ 188	\$ 193	\$ 175	\$ 154	\$ 158
Real Estate, Energy & Natural Resources	41	47	86	90	106	71	60	37
Wood Products	286	385	250	66	115	128	123	110
Unallocated Items	(51)	(35)	(37)	2	(49)	(31)	(29)	(45)
Total Adjusted EBITDA¹	\$ 544	\$ 637	\$ 505	\$ 346	\$ 365	\$ 343	\$ 308	\$ 260
DD&A, basis of real estate sold, non-operating pension and postretirement costs, and interest income and other ²	(144)	(143)	(172)	(176)	(176)	(167)	(168)	(146)
Net Contribution to Earnings Before Special Items	\$ 400	\$ 494	\$ 333	\$ 170	\$ 189	\$ 176	\$ 140	\$ 114
Interest expense, net ³	(93)	(92)	(93)	(97)	(95)	(91)	(91)	(89)
Income taxes ⁴	(32)	(70)	(26)	(3)	(14)	38	10	(2)
Net Earnings Before Special Items⁵	\$ 275	\$ 332	\$ 214	\$ 70	\$ 80	\$ 123	\$ 59	\$ 23
Special items, after-tax ⁴	(6)	(15)	41	(163)	(369)	5	40	(37)
Net Earnings (Loss)	\$ 269	\$ 317	\$ 255	\$ (93)	\$ (289)	\$ 128	\$ 99	\$ (14)
Diluted EPS Before Special Items⁵	\$ 0.36	\$ 0.44	\$ 0.28	\$ 0.10	\$ 0.11	\$ 0.16	\$ 0.08	\$ 0.03
Diluted EPS	\$ 0.35	\$ 0.42	\$ 0.34	\$ (0.12)	\$ (0.39)	\$ 0.17	\$ 0.13	\$ (0.02)

1. See [Chart 19](#) for our definition of Adjusted EBITDA.

2. Fourth quarter 2018 excludes a pension settlement charge and a net gain on sale of a nonstrategic asset. First quarter 2019 and second quarter 2019 exclude a pension settlement charge and benefit, respectively. Fourth quarter 2019 excludes a pension settlement charge. These are included in Special items, after-tax.

3. Interest expense is net of capitalized interest and includes approximately \$7 million of expense on special purpose entity (SPE) notes for each quarter presented in 2018 and \$4 million of expense on special purpose entity (SPE) notes for each quarter presented in 2019, except fourth quarter 2019. First quarter 2019 excludes a charge for early extinguishment of debt. This charge is included in Special items, after-tax.

4. Income taxes excludes taxes related to special items.

5. A reconciliation to GAAP EPS is set forth on [Chart 17](#).



EARNINGS PER SHARE RECONCILIATION

Chart 17

	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Diluted EPS Before Special Items	\$ 0.36	\$ 0.44	\$ 0.28	\$ 0.10	\$ 0.11	\$ 0.16	\$ 0.08	\$ 0.03
Special Items:								
Environmental remediation charge	(0.03)	—	—	—	—	—	—	—
Product remediation recoveries (charges), net	0.02	(0.02)	—	—	—	—	0.07	—
Tax adjustments	—	—	0.06	(0.03)	—	—	—	—
Gain on sale of timberlands and other nonstrategic assets	—	—	—	0.01	—	—	—	0.07
Pension settlement charges	—	—	—	(0.20)	(0.47)	0.01	—	(0.01)
Early extinguishment of debt charge	—	—	—	—	(0.01)	—	—	—
Legal charges	—	—	—	—	(0.02)	—	(0.02)	—
Restructuring, impairments and other charges	—	—	—	—	—	—	—	(0.11)
Diluted EPS (GAAP)	\$ 0.35	\$ 0.42	\$ 0.34	\$ (0.12)	\$ (0.39)	\$ 0.17	\$ 0.13	\$ (0.02)



EARNINGS BEFORE SPECIAL ITEMS RECONCILIATION

Chart 18

\$ Millions (except EPS)	2018			2019		
	Pretax Earnings	After-Tax Earnings	Diluted EPS	Pretax Earnings	After-Tax Earnings	Diluted EPS
Earnings Before Special Items	\$ 1,022	\$ 891	\$ 1.18	\$ 253	\$ 285	\$ 0.39
Special Items:						
Environmental remediation charge	(28)	(21)	(0.03)	—	—	—
Tax adjustments	—	20	0.03	—	—	—
Gain on sale of timberlands and other nonstrategic assets	13	10	0.01	48	48	0.07
Pension settlement charges	(200)	(152)	(0.20)	(455)	(345)	(0.47)
Early extinguishment of debt charge	—	—	—	(12)	(9)	(0.01)
Legal charges	—	—	—	(35)	(26)	(0.04)
Product remediation recoveries, net	—	—	—	68	51	0.07
Restructuring, impairments and other charges	—	—	—	(80)	(80)	(0.11)
Total Special Items	(215)	(143)	(0.19)	(466)	(361)	(0.49)
Earnings (Loss) Including Special Items (GAAP)	\$ 807	\$ 748	\$ 0.99	\$ (213)	\$ (76)	\$ (0.10)



ADJUSTED EBITDA RECONCILIATION: BY SEGMENT

Chart 19

\$ Millions	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Timberlands	\$ 268	\$ 240	\$ 206	\$ 188	\$ 193	\$ 175	\$ 154	\$ 158
Real Estate & ENR	41	47	86	90	106	71	60	37
Wood Products	286	385	250	66	115	128	123	110
Unallocated Items	(51)	(35)	(37)	2	(49)	(31)	(29)	(45)
Adjusted EBITDA¹	\$ 544	\$ 637	\$ 505	\$ 346	\$ 365	\$ 343	\$ 308	\$ 260
Depletion, depreciation & amortization	(120)	(119)	(122)	(125)	(123)	(124)	(135)	(128)
Basis of real estate sold	(12)	(22)	(46)	(44)	(48)	(33)	(24)	(11)
Special items in operating income	(8)	(20)	—	—	(20)	—	53	(32)
Operating Income (GAAP)	\$ 404	\$ 476	\$ 337	\$ 177	\$ 174	\$ 186	\$ 202	\$ 89
Non-operating pension and other postretirement benefit costs	(24)	(13)	(17)	(218)	(470)	(10)	(15)	(21)
Interest income and other	12	11	13	24	10	6	6	8
Net Contribution (Charge) to Earnings (Loss)	\$ 392	\$ 474	\$ 333	\$ (17)	\$ (286)	\$ 182	\$ 193	\$ 76
Interest expense, net	(93)	(92)	(93)	(97)	(107)	(91)	(91)	(89)
Income taxes ²	(30)	(65)	15	21	104	37	(3)	(1)
Net Earnings (Loss) (GAAP)	\$ 269	\$ 317	\$ 255	\$ (93)	\$ (289)	\$ 128	\$ 99	\$ (14)

- 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 and special items. Adjusted EBITDA should not be considered in isolation from, and is not intended to represent an alternative to, our GAAP results.
- The income tax effects of special items can be found in a reconciliation set forth in [Chart 18](#).



ADJUSTED EBITDA RECONCILIATION: TIMBERLANDS

Chart 20

\$ Millions	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
West	\$ 165	\$ 152	\$ 121	\$ 94	\$ 97	\$ 89	\$ 59	\$ 73
South	98	84	80	89	90	86	91	85
North	6	3	4	6	7	1	4	3
Other	(1)	1	1	(1)	(1)	(1)	—	(3)
Total Timberlands Adjusted EBITDA¹	\$ 268	\$ 240	\$ 206	\$ 188	\$ 193	\$ 175	\$ 154	\$ 158
West	(29)	(29)	(27)	(30)	(29)	(30)	(27)	(27)
South	(45)	(45)	(46)	(46)	(40)	(39)	(51)	(42)
North	(4)	(3)	(4)	(4)	(4)	(3)	(4)	(3)
Other	(1)	(2)	(3)	(1)	—	(1)	—	(1)
Total depletion, depreciation & amortization	\$ (79)	\$ (79)	\$ (80)	\$ (81)	\$ (73)	\$ (73)	\$ (82)	\$ (73)
Special items	—	—	—	—	—	—	—	(32)
Operating Income and Net Contribution to Earnings (GAAP)	\$ 189	\$ 161	\$ 126	\$ 107	\$ 120	\$ 102	\$ 72	\$ 53

1. 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 and special items. Adjusted EBITDA should not be considered in isolation from, and is not intended to represent an alternative to, our GAAP results.



ADJUSTED EBITDA RECONCILIATION: REAL ESTATE, ENERGY & NATURAL RESOURCES

Chart 21

\$ Millions	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real Estate	\$ 27	\$ 30	\$ 68	\$ 71	\$ 87	\$ 51	\$ 37	\$ 18
Energy & Natural Resources	14	17	18	19	19	20	23	19
Total Real Estate & ENR Adjusted EBITDA¹	\$ 41	\$ 47	\$ 86	\$ 90	\$ 106	\$ 71	\$ 60	\$ 37
Depletion, depreciation & amortization	(4)	(3)	(4)	(3)	(3)	(3)	(4)	(4)
Basis of real estate sold	(12)	(22)	(46)	(44)	(48)	(33)	(24)	(11)
Operating Income (GAAP)	\$ 25	\$ 22	\$ 36	\$ 43	\$ 55	\$ 35	\$ 32	\$ 22
Interest income and other	—	—	—	1	—	—	—	—
Net Contribution to Earnings (GAAP)	\$ 25	\$ 22	\$ 36	\$ 44	\$ 55	\$ 35	\$ 32	\$ 22

1. 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 and special items. Adjusted EBITDA should not be considered in isolation from, and is not intended to represent an alternative to, our GAAP results.



ADJUSTED EBITDA RECONCILIATION: WOOD PRODUCTS

Chart 22

\$ Millions	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lumber	\$ 140	\$ 195	\$ 118	\$ 6	\$ 47	\$ 44	\$ 49	\$ 43
OSB	92	129	77	31	19	8	13	19
EWP	45	58	48	26	47	64	55	41
Distribution	15	12	3	2	4	11	10	8
Other	(6)	(9)	4	1	(2)	1	(4)	(1)
Total Wood Products Adjusted EBITDA^{1,2}	\$ 286	\$ 385	\$ 250	\$ 66	\$ 115	\$ 128	\$ 123	\$ 110
Lumber	(18)	(19)	(19)	(21)	(24)	(25)	(26)	(26)
OSB	(8)	(7)	(8)	(8)	(9)	(8)	(9)	(9)
EWP	(10)	(9)	(9)	(11)	(10)	(11)	(11)	(11)
Distribution	—	(1)	(1)	—	(1)	(2)	(1)	(2)
Other	—	—	—	—	(2)	(1)	(1)	(2)
Total depletion, depreciation & amortization	\$ (36)	\$ (36)	\$ (37)	\$ (40)	\$ (46)	\$ (47)	\$ (48)	\$ (50)
Special items	20	(20)	—	—	—	—	68	—
Operating Income and Net Contribution to Earnings (GAAP)	\$ 270	\$ 329	\$ 213	\$ 26	\$ 69	\$ 81	\$ 143	\$ 60

- 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 and special items. Adjusted EBITDA should not be considered in isolation from, and is not intended to represent an alternative to, our GAAP results.
- Adjusted EBITDA for each Wood Products business includes earnings on internal sales, primarily from the manufacturing businesses to Distribution. These sales occur at market price.



ADJUSTED EBITDA RECONCILIATION: UNALLOCATED

Chart 23

\$ Millions	2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total Unallocated Adjusted EBITDA¹	\$ (51)	\$ (35)	\$ (37)	\$ 2	\$ (49)	\$ (31)	\$ (29)	\$ (45)
Total depletion, depreciation, & amortization	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Special items included in operating income (loss)	(28)	—	—	—	(20)	—	(15)	—
Operating Income (Loss) (GAAP)	\$ (80)	\$ (36)	\$ (38)	\$ 1	\$ (70)	\$ (32)	\$ (45)	\$ (46)
Non-operating pension and other postretirement benefit costs	(24)	(13)	(17)	(218)	(470)	(10)	(15)	(21)
Interest income and other	12	11	13	23	10	6	6	8
Net Charge to Earnings (Loss) (GAAP)	\$ (92)	\$ (38)	\$ (42)	\$ (194)	\$ (530)	\$ (36)	\$ (54)	\$ (59)

1. 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 and special items. Adjusted EBITDA should not be considered in isolation from, and is not intended to represent an alternative to, our GAAP results.



NET DEBT TO ADJUSTED EBITDA RECONCILIATION

Chart 24

\$ Millions	2019	
	Q3	Q4
Net Debt to Adjusted EBITDA (LTM) ^{1,2,3}	4.7	4.9
Total debt ⁴	\$ 6,590	\$ 6,377
Less: cash and cash equivalents	153	139
Net Debt	\$ 6,437	\$ 6,238
Adjusted EBITDA (LTM)	\$ 1,362	\$ 1,276
Depletion, depreciation & amortization	(507)	(510)
Basis of real estate sold	(149)	(116)
Special items in operating income	33	1
Operating Income (LTM) (GAAP)	\$ 739	\$ 651
Non-operating pension and other postretirement benefit costs	(713)	(516)
Interest income and other	46	30
Net Contribution to Earnings (LTM)	\$ 72	\$ 165
Interest expense, net of capitalized interest	(386)	(378)
Income taxes ⁵	159	137
Net Earnings (Loss) (LTM) (GAAP)	\$ (155)	\$ (76)

1. LTM = last twelve months.
2. Net debt to Adjusted EBITDA is a non-GAAP measure that management uses to evaluate the performance of the company. Net debt to Adjusted EBITDA, as we define it, is long-term debt and borrowings on line of credit, net of cash and cash equivalents divided by the last twelve months of Adjusted EBITDA. See [Chart 19](#) for our definition of Adjusted EBITDA.
3. During third quarter 2019, we paid \$302 million related to liabilities from our monetized SPEs at maturity. Related to that transaction, we received \$362 million in proceeds related to our buyer-sponsored SPEs in first quarter 2020. If we adjusted our third quarter 2019 and fourth quarter 2019 Net debt to Adjusted EBITDA ratios to include such proceeds, the ratios would be approximately 4.5 and 4.7, respectively.
4. Total debt includes \$440 million and \$230 million of borrowings on our line of credit in third quarter 2019 and fourth quarter 2019, respectively.
5. The income tax effects of special items can be found in a reconciliation set forth in [Chart 3](#).

