
WEYERHAEUSER

EARNINGS RESULTS

2ND QUARTER 2019 | July 26, 2019



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 future earnings, Adjusted EBITDA for each of our business segments, log and wood product sales volumes and realizations, road and forestry costs, and fiber and manufacturing costs for wood products. 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. Such 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, 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 effect 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 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 Q2 CONSOLIDATED RESULTS

Chart 1

\$ Millions	2019	2019	
Adjusted EBITDA	Q1	Q2	Change
Timberlands	\$ 193	\$ 175	\$ (18)
Real Estate, Energy & Natural Resources	106	71	(35)
Wood Products	115	128	13
Unallocated Items	(49)	(31)	18
Total Adjusted EBITDA¹	\$ 365	\$ 343	\$ (22)
Net Contribution to Earnings Before Special Items	\$ 189	\$ 176	\$ (13)

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 16](#).
2. Includes R&D expenses; other operating (costs) income, net; non-operating pension and other postretirement benefit costs; and interest income and other. Interest income and other includes approximately \$8 million and \$5 million of income from SPE investments in first quarter 2019 and second quarter 2019, respectively.
3. Interest expense is net of capitalized interest and includes approximately \$4 million of expense on SPE notes in first quarter 2019 and second quarter 2019.
4. An explanation of special items and a reconciliation to GAAP are set forth on [Chart 2](#). 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	Q1	Q2
Net sales	\$ 1,643	\$ 1,692
Costs of sales	1,322	1,390
Gross margin	321	302
SG&A expenses	110	101
Other expense, net ²	22	25
Net Contribution to Earnings Before Special Items	\$ 189	\$ 176
Interest expense, net ³	(95)	(91)
Income taxes ⁴	(14)	38
Net Earnings Before Special Items⁴	\$ 80	\$ 123
Special items, after-tax ⁴	(369)	5
Net Earnings (Loss)	\$ (289)	\$ 128
Diluted EPS Before Special Items⁴	\$ 0.11	\$ 0.16
Diluted EPS	\$ (0.39)	\$ 0.17



EARNINGS BEFORE SPECIAL ITEMS

Chart 2

\$ Millions (except EPS)	2019 Q1			2019 Q2		
	Pretax Earnings	After-Tax Earnings	Diluted EPS	Pretax Earnings	After-Tax Earnings	Diluted EPS
Earnings Before Special Items	\$ 94	\$ 80	\$ 0.11	\$ 85	\$ 123	\$ 0.16
Special Items:						
Pension settlement charges ¹	(455)	(345)	(0.47)	6	5	0.01
Early extinguishment of debt charge	(12)	(9)	(0.01)	—	—	—
Legal charge	(20)	(15)	(0.02)	—	—	—
Total Special Items	(487)	(369)	(0.50)	6	5	0.01
Earnings (Loss) Including Special Items (GAAP)	\$ (393)	\$ (289)	\$ (0.39)	\$ 91	\$ 128	\$ 0.17

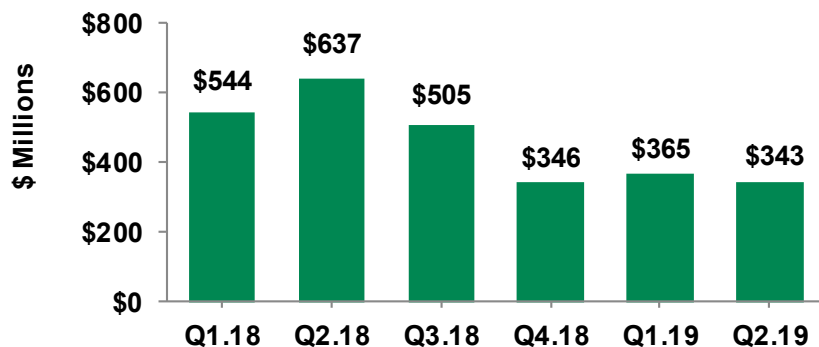
1. During first quarter 2019, we recorded a \$345 million after-tax (\$455 million pretax) noncash settlement charge related to the transfer of pension assets and liabilities through the purchase of a group annuity contract. This charge was updated based on final pension asset and liability amounts during second quarter 2019, resulting in a \$5 million after-tax (\$6 million pretax) benefit for the quarter and a net \$340 million after-tax (\$449 million pretax) charge for year-to-date 2019.



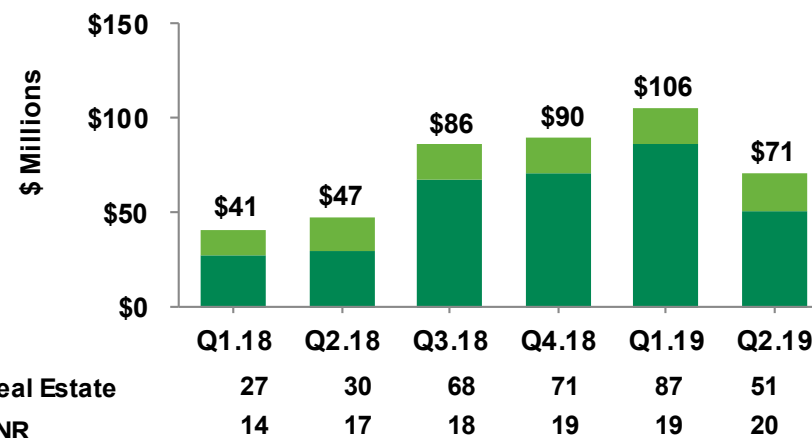
ADJUSTED EBITDA¹

Chart 3

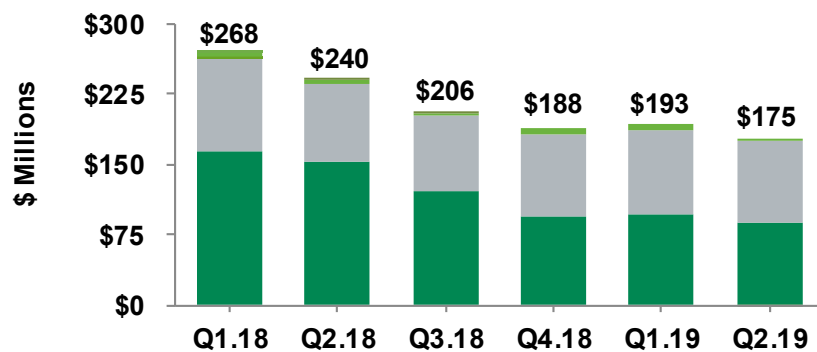
Total Company²



Real Estate & ENR

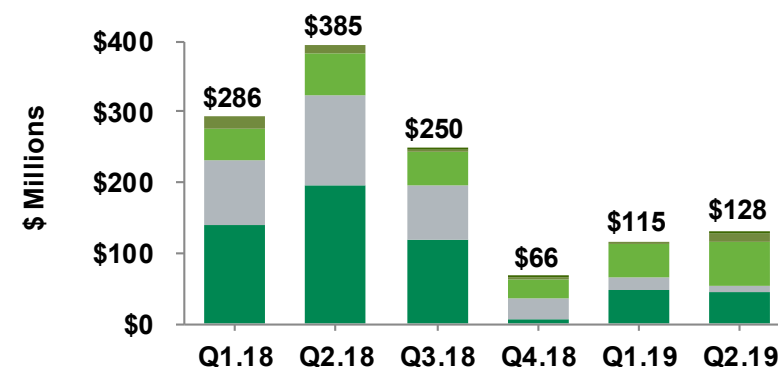


Timberlands



	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19
West	165	152	121	94	97	89
South	98	84	80	89	90	86
North	6	3	4	6	7	1
Other	(1)	1	1	(1)	(1)	(1)

Wood Products



	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19
Lumber	140	195	118	6	47	44
OSB	92	129	77	31	19	8
EWP	45	58	48	26	47	64
Distribution	15	12	3	2	4	11
Other	(6)	(9)	4	1	(2)	1

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 16](#), [Chart 17](#), [Chart 18](#), and [Chart 19](#).

2. Total Company Adjusted EBITDA includes Timberlands; Real Estate, Energy & Natural Resources; Wood Products and Unallocated.



TIMBERLANDS SEGMENT

Chart 4

TIMBERLANDS (\$ Millions)	2019	2019
Adjusted EBITDA by Region	Q1	Q2
West	\$ 97	\$ 89
South	90	86
North	7	1
Other	(1)	(1)
Total Adjusted EBITDA¹	\$ 193	\$ 175

2nd Quarter Notes

- Seasonally higher forestry and road spend in the West
- Lower average Western export log sales realizations and volumes
- Comparable average Southern log sales realizations and modestly lower fee harvest volumes
- Seasonally lower Northern fee harvest volumes due to spring breakup

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 17](#).
2. Other (income) expense, net includes: R&D expenses and other operating (costs) income, net.
3. Adjusted EBITDA divided by total sales.
4. Contribution to earnings divided by total sales.

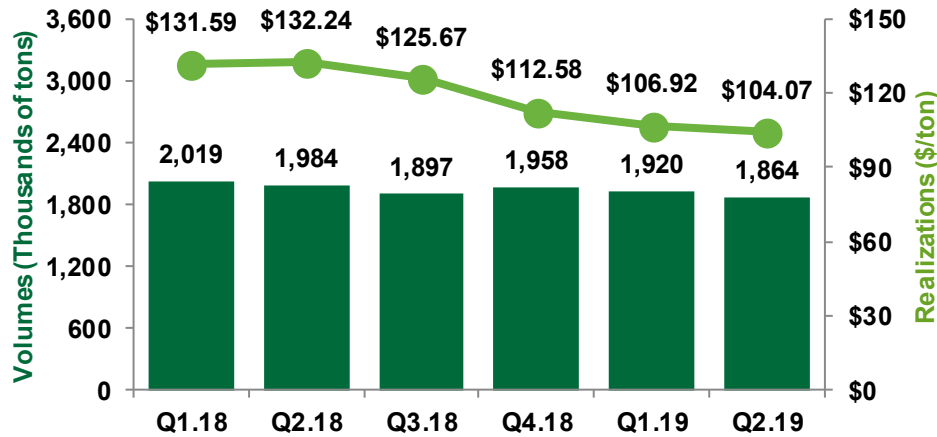
TIMBERLANDS (\$ Millions)	2019	2019
Segment Statement of Operations	Q1	Q2
Third-party sales	\$ 431	\$ 401
Intersegment sales	125	131
Total Sales	556	532
Costs of sales	413	405
Gross margin	143	127
SG&A expenses	23	25
Other (income) expense, net ²	—	—
Net Contribution to Earnings	\$ 120	\$ 102
Adjusted EBITDA¹	\$ 193	\$ 175
Adjusted EBITDA Margin Percentage³	35%	33%
Operating Margin Percentage⁴	22%	19%



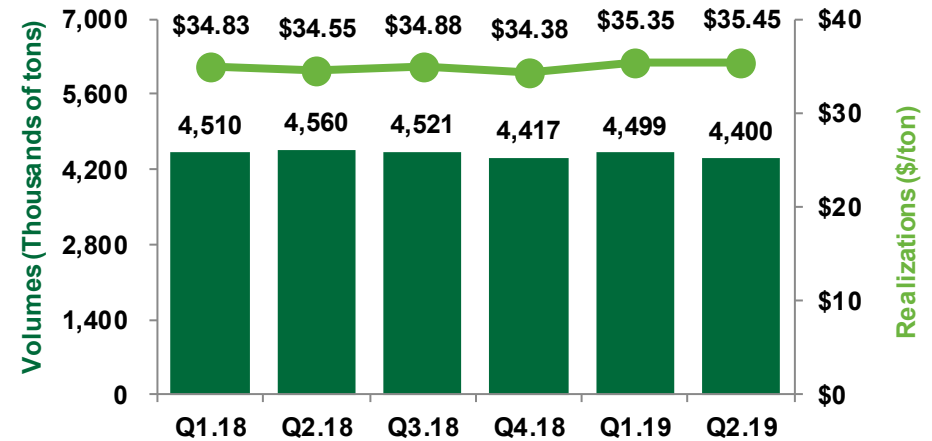
SALES VOLUMES, REALIZATIONS AND EXPORT REVENUE

Chart 5

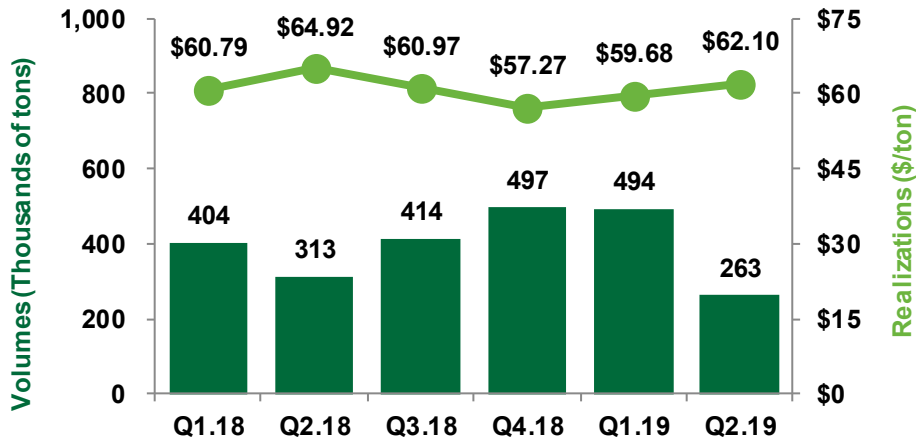
3rd-Party Log Sales and Realizations - West¹



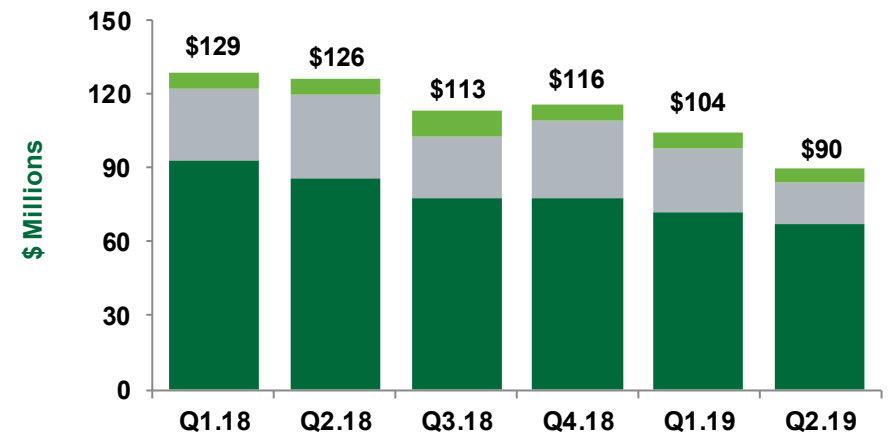
3rd-Party Log Sales and Realizations - South



3rd-Party Log Sales and Realizations - North



Western Export Log Revenue



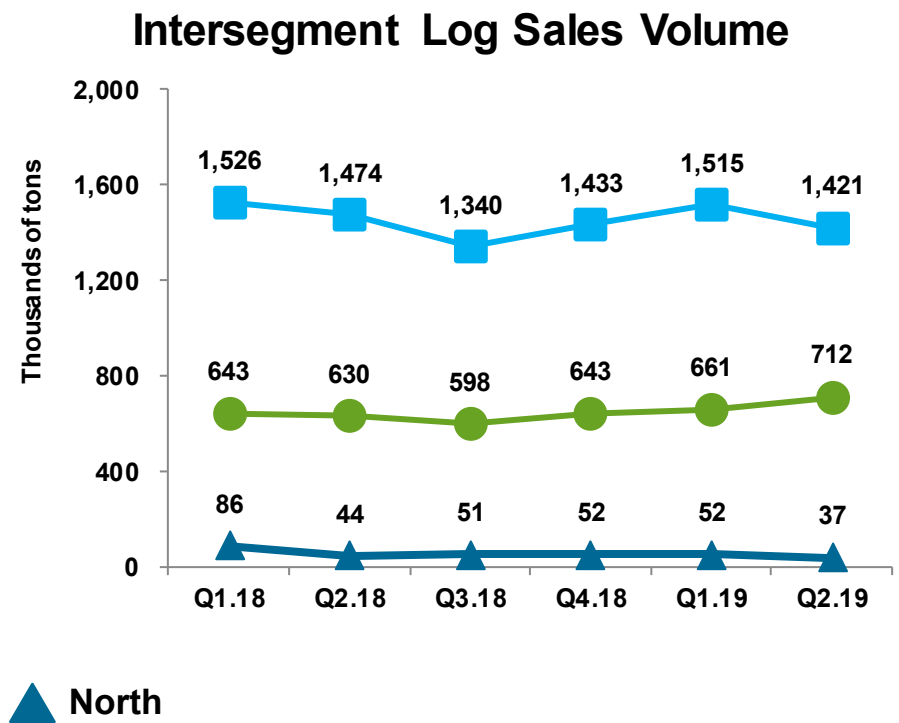
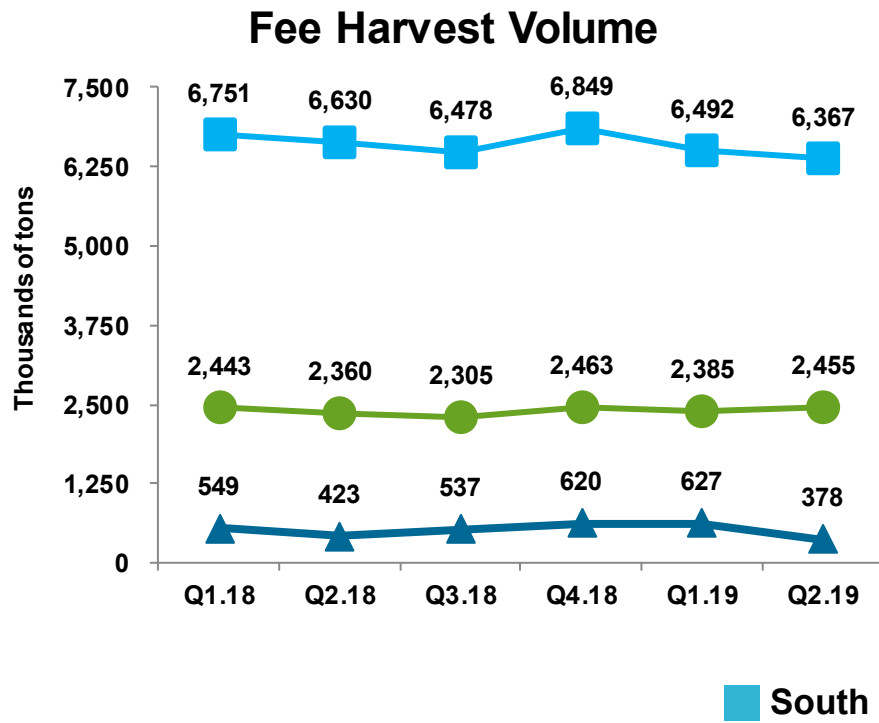
1. Western logs are primarily transacted in MBF but are converted to ton equivalents for external reporting purposes.

	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19
Japan	72%	68%	69%	67%	69%	74%
China	23%	27%	22%	27%	25%	19%
Korea	5%	5%	9%	6%	6%	7%



FEE HARVEST VOLUME AND INTERSEGMENT SALES VOLUME

Chart 6



REAL ESTATE, ENERGY & NATURAL RESOURCES (ENR) SEGMENT

Chart 7

Real Estate & ENR (\$ Millions)	2019	2019
Adjusted EBITDA by Business	Q1	Q2
Real Estate	\$ 87	\$ 51
Energy & Natural Resources	19	20
Total Adjusted EBITDA¹	\$ 106	\$ 71

2nd Quarter Notes

- Number of acres sold increased due to a large acre transaction in Montana
- Lower average price per acre due to mix
- Higher average land basis due to mix

Real Estate & ENR (\$ Millions)	2019	2019
Segment Statement of Operations	Q1	Q2
Total sales	\$ 118	\$ 81
Costs of sales	56	39
Gross margin	62	42
SG&A expenses	7	7
Other (income) expense, net	—	—
Net Contribution to Earnings	\$ 55	\$ 35
Adjusted EBITDA¹	\$ 106	\$ 71

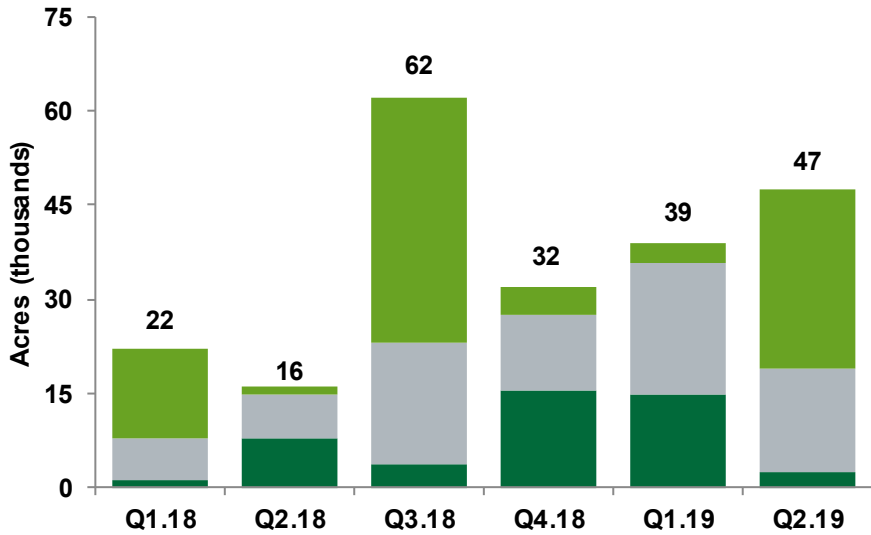
1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 18](#).



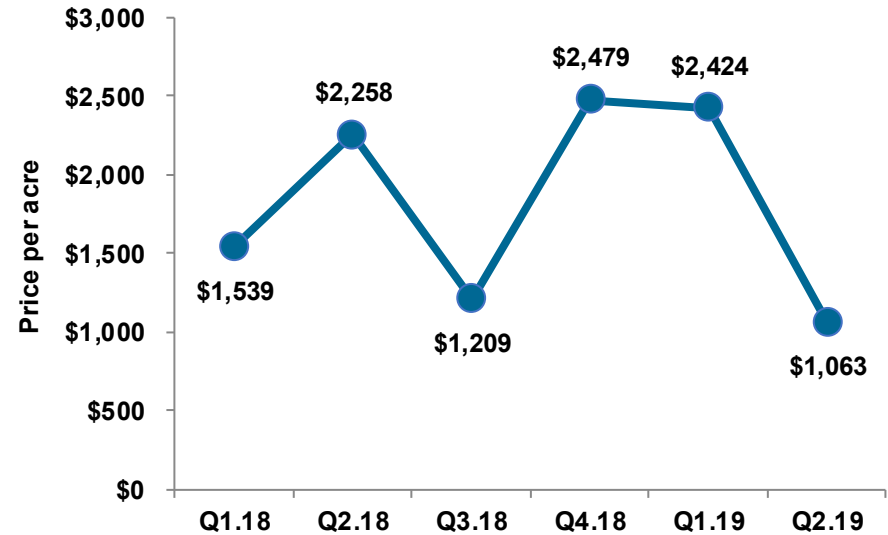
REAL ESTATE, ENERGY & NATURAL RESOURCES (ENR) SEGMENT

Chart 8

Acres Sold



Average Price per Acre



	Q1.18	Q2.18	Q3.18	Q4.18	Q1.19	Q2.19
West	6%	49%	6%	48%	38%	5%
South	29%	43%	31%	38%	54%	35%
North	65%	8%	63%	14%	8%	60%



WOOD PRODUCTS SEGMENT

Chart 9

WOOD PRODUCTS (\$ Millions)	2019	2019
Adjusted EBITDA by Business	Q1	Q2
Lumber	\$ 47	\$ 44
OSB	19	8
Engineered Wood Products	47	64
Distribution	4	11
Other	(2)	1
Total Adjusted EBITDA¹	\$ 115	\$ 128

2nd Quarter Notes

- Seasonally higher sales volumes
- Improved per unit manufacturing costs for Engineered Wood Products
- Lower average sales realizations for OSB and Lumber

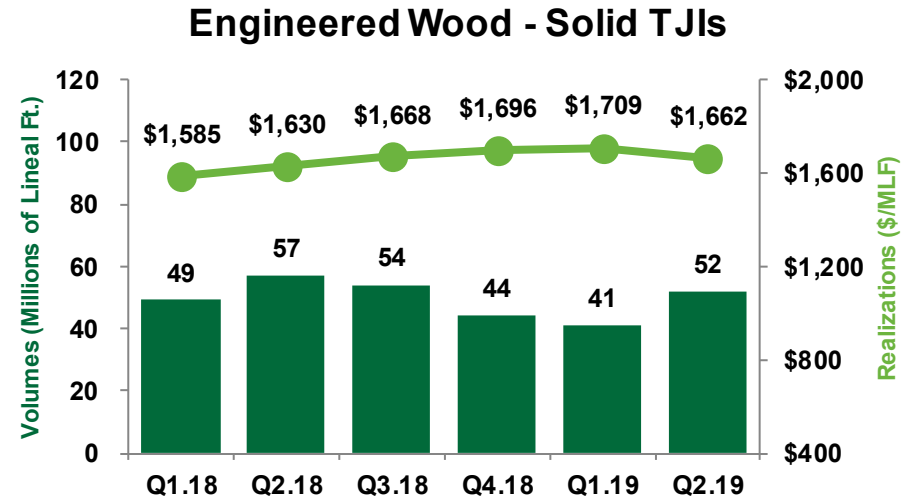
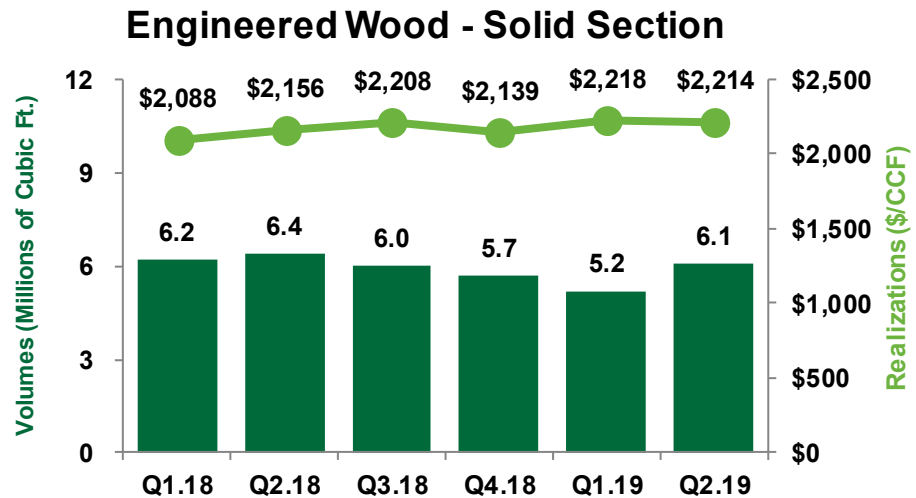
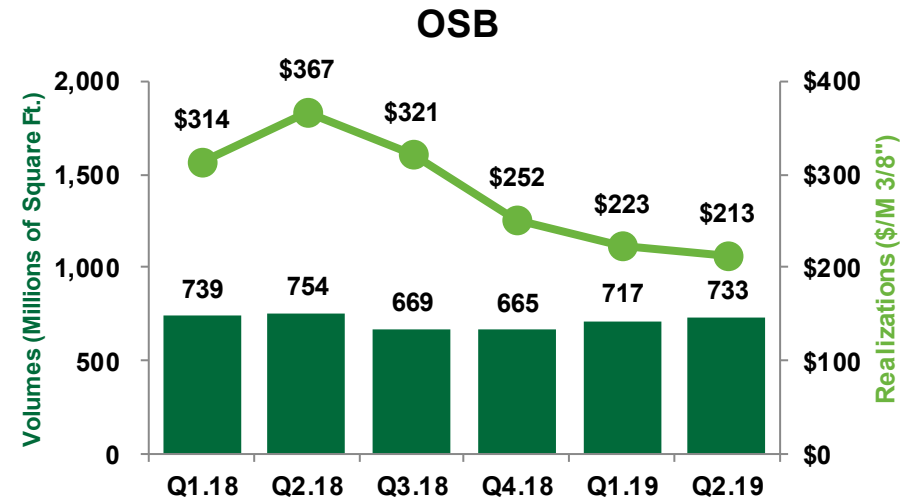
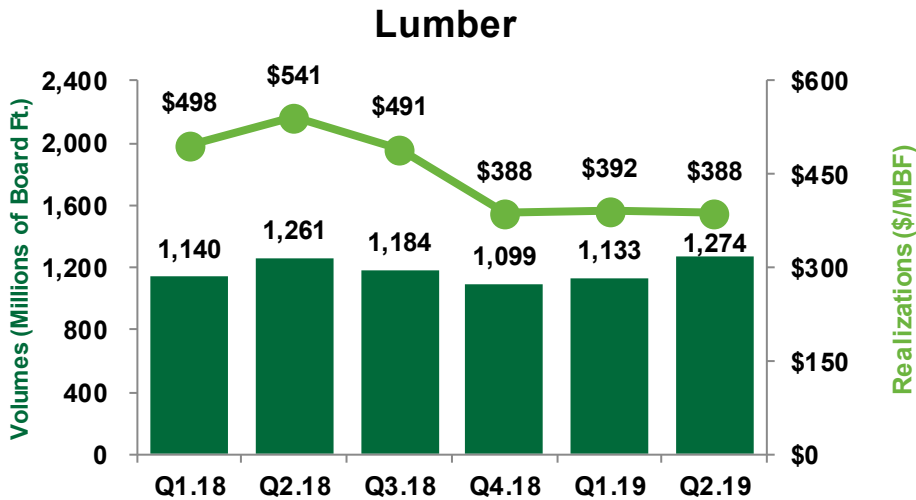
WOOD PRODUCTS (\$ Millions)	2019	2019
Segment Statement of Operations	Q1	Q2
Total sales	\$ 1,094	\$ 1,210
Costs of sales	967	1,070
Gross margin	127	140
SG&A expenses	54	54
Other expense, net ²	4	5
Net Contribution to Earnings	\$ 69	\$ 81
Adjusted EBITDA¹	\$ 115	\$ 128
Adjusted EBITDA Margin Percentage³	11%	11%
Operating Margin Percentage⁴	6%	7%

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 19](#).
2. Other (income) expense, net includes: R&D expenses and other operating costs (income), net.
3. Adjusted EBITDA divided by total sales.
4. Contribution to earnings divided by total sales.



3RD-PARTY SALES VOLUMES AND REALIZATIONS¹

Chart 10



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 11

UNALLOCATED ITEMS (\$ Millions) ¹	2019	2019
	Q1	Q2
Unallocated corporate function expenses and variable compensation expense	\$ (19)	\$ (12)
Liability classified share-based compensation	(4)	—
Foreign exchange gains (losses)	(3)	2
Elimination of intersegment profit in inventory and LIFO	(5)	(5)
Non-operating pension and other postretirement benefit (costs) credits ²	(15)	(16)
Other, including interest income	(9)	(11)
Net Contribution to Earnings (Loss) Before Special Items	\$ (55)	\$ (42)
Special items, pretax	(475)	6
Net Contribution to Earnings (Loss)	\$ (530)	\$ (36)
Adjusted EBITDA³	\$ (49)	\$ (31)

UNALLOCATED ITEMS (\$ Millions)	2019	2019
By Natural Expense	Q1	Q2
Costs of sales ⁴	\$ (11)	\$ (7)
G&A expenses ⁵	(25)	(14)
Other expense, net	(19)	(21)
Net Contribution to Earnings (Loss) Before Special Items	\$ (55)	\$ (42)
Special items, pretax	(475)	6
Net Contribution to Earnings (Loss)	\$ (530)	\$ (36)

1. Unallocated items are gains or charges not related to or allocated to an individual operating segment.
2. These amounts exclude pension settlement charges, which are reported in Special items, pretax.
3. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on [Chart 20](#).
4. Costs of sales is composed primarily of elimination of intersegment profit in inventory and LIFO and incentive compensation.
5. G&A expense is comprised primarily of share-based compensation; pension service costs; corporate function expenses; and incentive compensation.



FINANCIAL ITEMS

Chart 12

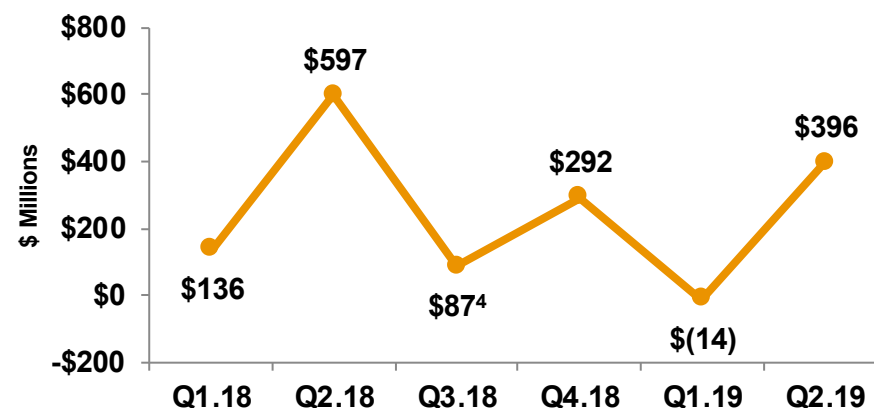
KEY FINANCIAL METRICS (\$ Millions)	2019	2019
	Q1	Q2
Ending Cash Balance	\$ 259	\$ 212
Total Debt ¹	\$6,401	\$6,293
Net Debt to Adjusted EBITDA (LTM) ²	3.3	3.9
Net Debt to Enterprise Value ³	24%	24%

1. Total debt includes \$245 million and \$140 million of borrowings on our line of credit in first quarter 2019 and second quarter 2019, respectively.
2. LTM = last twelve months. A reconciliation to GAAP is set forth on [Chart 21](#).
3. 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.

Scheduled Debt Maturities as of June 30, 2019

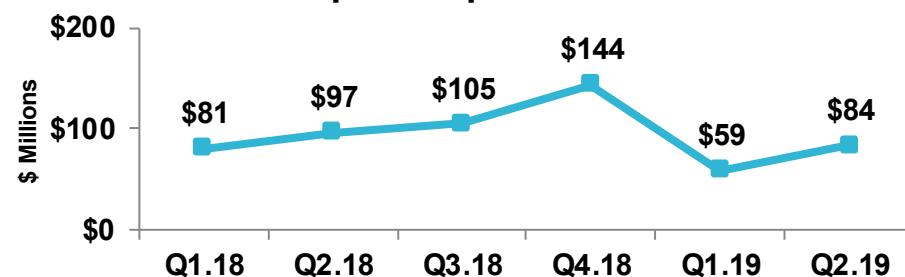
(\$ Millions)	2019	2020	2021	2022	2023
Debt Maturities	\$ —	\$ —	\$ 719	\$ —	\$1,876

Cash Flow from Operations



4. 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



2018: \$427 million

2019 YTD: \$143 million



OUTLOOK: 2019 Q3 vs. 2019 Q2

Chart 13

SEGMENT	COMMENTS
TIMBERLANDS	<ul style="list-style-type: none"> Seasonally lower Western harvest volumes, slightly higher road costs and modestly lower average sales realizations Seasonally higher forestry costs in the South, largely offset by higher fee harvest volumes Comparable average Southern log sales realizations Expect earnings and Adjusted EBITDA will be lower than 2019 Q2
REAL ESTATE, ENERGY & NATURAL RESOURCES	<ul style="list-style-type: none"> Anticipate 2019 Q3 earnings and Adjusted EBITDA will be lower than 2019 Q2 Expect full year 2019 Adjusted EBITDA of approximately \$270 million
WOOD PRODUCTS	<ul style="list-style-type: none"> Comparable sales volumes Slightly lower fiber costs offset by slightly higher unit manufacturing costs for EWP Anticipate 2019 Q3 earnings and Adjusted EBITDA will be comparable to 2019 Q2 before any improvement in average sales realizations



EARNINGS SUMMARY

Chart 14

\$ Millions	2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2
Adjusted EBITDA by Segment						
Timberlands	\$ 268	\$ 240	\$ 206	\$ 188	\$ 193	\$ 175
Real Estate, Energy & Natural Resources	41	47	86	90	106	71
Wood Products	286	385	250	66	115	128
Unallocated Items	(51)	(35)	(37)	2	(49)	(31)
Total Adjusted EBITDA¹	\$ 544	\$ 637	\$ 505	\$ 346	\$ 365	\$ 343
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)
Net Contribution to Earnings Before Special Items	\$ 400	\$ 494	\$ 333	\$ 170	\$ 189	\$ 176
Interest expense, net ³	(93)	(92)	(93)	(97)	(95)	(91)
Income taxes ⁴	(32)	(70)	(26)	(3)	(14)	38
Net Earnings Before Special Items⁵	\$ 275	\$ 332	\$ 214	\$ 70	\$ 80	\$ 123
Special items, after-tax ⁴	(6)	(15)	41	(163)	(369)	5
Net Earnings (Loss)	\$ 269	\$ 317	\$ 255	\$ (93)	\$ (289)	\$ 128
Diluted EPS Before Special Items⁵	\$ 0.36	\$ 0.44	\$ 0.28	\$ 0.10	\$ 0.11	\$ 0.16
Diluted EPS	\$ 0.35	\$ 0.42	\$ 0.34	\$ (0.12)	\$ (0.39)	\$ 0.17

1. See [Chart 16](#) 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. 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, \$4 million of expense on special purpose entity (SPE) notes for first quarter 2019 and second 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 15](#).



EARNINGS PER SHARE RECONCILIATION

Chart 15

\$ Millions (except EPS)	2018				2019	
	Q1	Q2	Q3	Q4	Q1	Q2
Diluted EPS Before Special Items	\$ 0.36	\$ 0.44	\$ 0.28	\$ 0.10	\$ 0.11	\$ 0.16
Special Items:						
Environmental remediation charge	(0.03)	—	—	—	—	—
Product remediation (charges) recoveries, net	0.02	(0.02)	—	—	—	—
Tax adjustments	—	—	0.06	(0.03)	—	—
Gain on sale of nonstrategic assets	—	—	—	0.01	—	—
Pension settlement charges ¹	—	—	—	(0.20)	(0.47)	0.01
Early extinguishment of debt charge	—	—	—	—	(0.01)	—
Legal charge	—	—	—	—	(0.02)	—
Diluted EPS (GAAP)	\$ 0.35	\$ 0.42	\$ 0.34	\$ (0.12)	\$ (0.39)	\$ 0.17

1. During fourth quarter 2018, we recorded a \$152 million after-tax (\$200 million pretax) noncash settlement charge related to our U.S. qualified pension plan lump sum offer. During first quarter 2019, we recorded a \$345 million after-tax (\$455 million pretax) noncash settlement charge related to the transfer of pension assets and liabilities through the purchase of a group annuity contract. This charge was updated based on final pension asset and liability amounts during second quarter 2019, resulting in a \$5 million after-tax (\$6 million pretax) benefit for the quarter and a net \$340 million after-tax (\$449 million pretax) charge for year-to-date 2019.



ADJUSTED EBITDA RECONCILIATION BY SEGMENT

Chart 16

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

- 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 2](#).



ADJUSTED EBITDA RECONCILIATION: TIMBERLANDS

Chart 17

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

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 18

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

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 19

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

- 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 20

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

- 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 21

\$ Millions	2019	
	Q1	Q2
Net Debt to Adjusted EBITDA (LTM)^{1,2}	3.3	3.9
Total debt ³	\$ 6,401	\$ 6,293
Less: cash and cash equivalents	259	212
Net Debt	\$ 6,142	\$ 6,081
Adjusted EBITDA (LTM)	\$ 1,853	\$ 1,559
Depletion, depreciation & amortization	(489)	(494)
Basis of real estate sold	(160)	(171)
Special items in operating income	(40)	(20)
Operating Income (LTM) (GAAP)	\$ 1,164	\$ 874
Non-operating pension and other postretirement benefit costs	(718)	(715)
Interest income and other	58	53
Net Contribution to Earnings (LTM)	\$ 504	\$ 212
Interest expense, net of capitalized interest	(389)	(388)
Income taxes ⁴	75	177
Net Earnings (LTM) (GAAP)	\$ 190	\$ 1

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 equivalents divided by the last twelve months of Adjusted EBITDA. See [Chart 16](#) for our definition of Adjusted EBITDA.

3. Total debt includes \$245 million and \$140 million of borrowings on our line of credit in first quarter 2019 and second quarter 2019, respectively.

4. The income tax effects of special items can be found in a reconciliation set forth in [Chart 2](#).

