

# WEYERHAEUSER

## EARNINGS RESULTS



4TH QUARTER 2018 | February 1, 2019



# FORWARD-LOOKING STATEMENT

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, interest expense, consolidated tax rate, non-operating pension and postretirement expense, cash contributions for pension and postretirement plans, capital expenditures, real estate sales volumes and timing of real estate sales, basis of real estate sold, royalties, operating expense, log and wood product sales realizations, harvest volumes, wood products sales volumes, log costs, and wood products unit manufacturing costs, operational excellence improvements for our Timberlands and Wood Products businesses. 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.



# 2018 CONSOLIDATED RESULTS

Chart 1

\$ Millions	2017	2018	
Adjusted EBITDA	FY	FY	Change
Timberlands	\$ 936	\$ 902	\$ (34)
Real Estate, Energy & Natural Resources	241	264	23
Wood Products	1,017	987	(30)
Unallocated Items	(114)	(121)	(7)
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 2,080</b>	<b>\$ 2,032</b>	<b>\$ (48)</b>
Contribution to Earnings Before Special Items	\$ 1,452	\$ 1,397	\$ (55)

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 18**.
2. Includes R&D expenses; charges for integration and restructuring, closures, and asset impairments; 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 of income from SPE investments for each period presented.
3. Interest expense is net of capitalized interest and includes approximately \$29 million on SPE notes for each period presented.
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)	2017	2018
Consolidated Statement of Operations Before Special Items	FY	FY
<b>Net sales</b>	<b>\$ 7,196</b>	<b>\$ 7,476</b>
Costs of sales	5,298	5,592
Gross margin	1,898	1,884
SG&A expenses	397	406
Other expense, net <sup>2</sup>	49	81
<b>Total Contribution to Earnings Before Special Items</b>	<b>\$ 1,452</b>	<b>\$ 1,397</b>
Interest expense, net <sup>3</sup>	(393)	(375)
Income taxes <sup>4</sup>	(187)	(131)
<b>Net Earnings Before Special Items<sup>4</sup></b>	<b>\$ 872</b>	<b>\$ 891</b>
Special items, after-tax <sup>4</sup>	(290)	(143)
<b>Net Earnings</b>	<b>\$ 582</b>	<b>\$ 748</b>
<b>Diluted EPS Before Special Items<sup>4</sup></b>	<b>\$ 1.15</b>	<b>\$ 1.18</b>
<b>Diluted EPS</b>	<b>\$ 0.77</b>	<b>\$ 0.99</b>



# 2018 Q4 CONSOLIDATED RESULTS

Chart 2

\$ Millions	2018		2018	Change
	Q3	Q4		
<b>Adjusted EBITDA</b>				
Timberlands	\$ 206	\$ 188	\$ (18)	
Real Estate, Energy & Natural Resources	86	90	4	
Wood Products	250	66	(184)	
Unallocated Items	(37)	2	39	
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 505</b>	<b>\$ 346</b>	<b>\$ (159)</b>	
Contribution to Earnings Before Special Items	\$ 333	\$ 170	\$ (163)	

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 18**.
2. Includes R&D expenses; charges for integration and restructuring, closures, and asset impairments; other operating (costs) income, net; non-operating pension and other postretirement benefit costs; and interest income and other. Interest income and other includes \$8 million and \$9 million of income from SPE investments in third quarter 2018 and fourth quarter 2018, respectively.
3. Interest expense is net of capitalized interest and includes \$7 million on SPE notes for each quarter presented.
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)	2018		2018
	Q3	Q4	
<b>Consolidated Statement of Operations Before Special Items</b>			
<b>Net sales</b>	<b>\$ 1,910</b>	<b>\$ 1,636</b>	
Costs of sales	1,452	1,345	
Gross margin	458	291	
SG&A expenses	98	104	
Other expense, net <sup>2</sup>	27	17	
<b>Total Contribution to Earnings Before Special Items</b>	<b>\$ 333</b>	<b>\$ 170</b>	
Interest expense, net <sup>3</sup>	(93)	(97)	
Income taxes <sup>4</sup>	(26)	(3)	
<b>Net Earnings Before Special Items<sup>4</sup></b>	<b>\$ 214</b>	<b>\$ 70</b>	
Special items, after-tax <sup>4</sup>	41	(163)	
<b>Net Earnings (Loss)</b>	<b>\$ 255</b>	<b>\$ (93)</b>	
<b>Diluted EPS Before Special Items<sup>4</sup></b>	<b>\$ 0.28</b>	<b>\$ 0.10</b>	
<b>Diluted EPS</b>	<b>\$ 0.34</b>	<b>\$ (0.12)</b>	



# EARNINGS BEFORE SPECIAL ITEMS

Chart 3

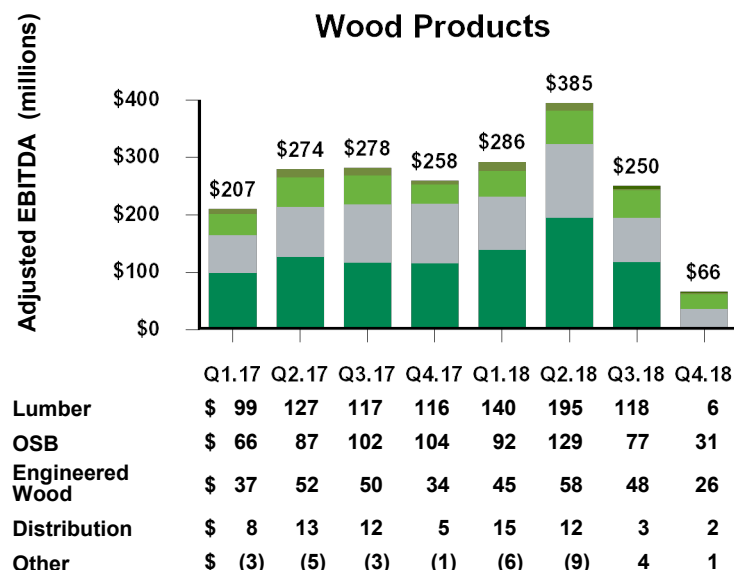
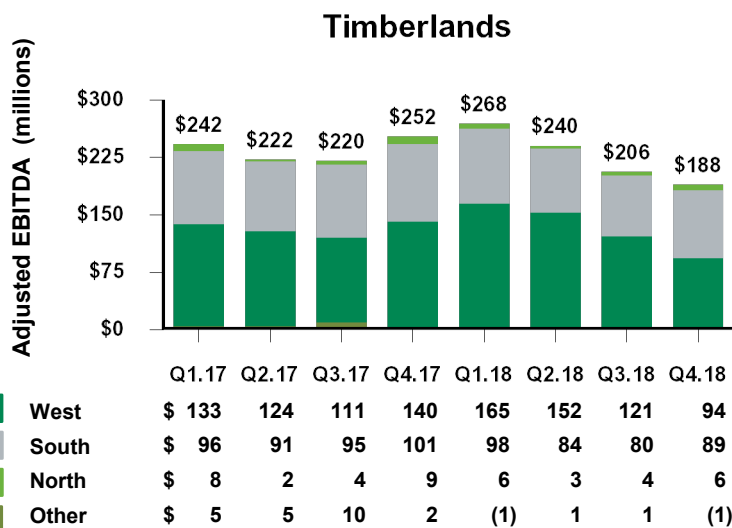
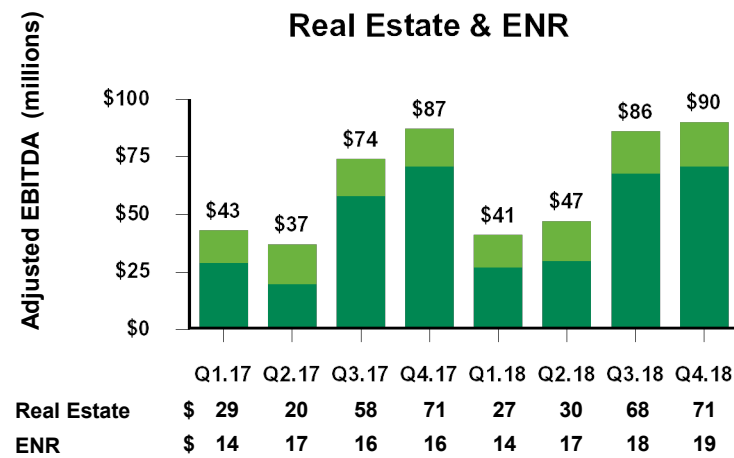
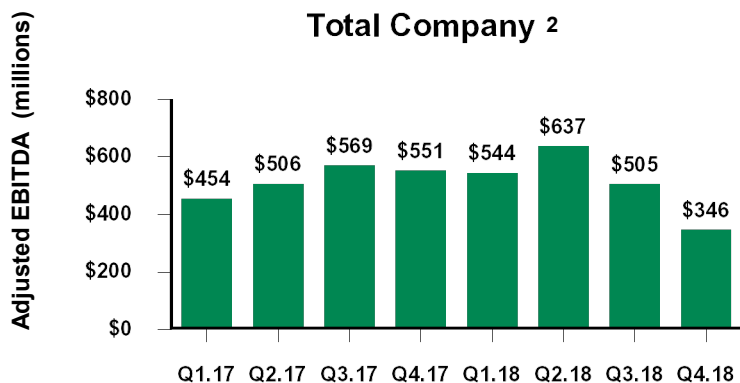
\$ Millions (except EPS)	2018 Q3			2018 Q4		
	Pre-Tax Earnings	After-Tax Earnings	Diluted EPS	Pre-Tax Earnings	After-Tax Earnings	Diluted EPS
<b>Earnings (Loss) Before Special Items</b>	\$ 240	\$ 214	\$ 0.28	\$ 73	\$ 70	\$ 0.10
<b>Special Items:</b>						
Tax adjustments <sup>1</sup>	—	41	0.06	—	(21)	(0.03)
Gain on sale of nonstrategic assets	—	—	—	13	10	0.01
Pension settlement charge <sup>2</sup>	—	—	—	(200)	(152)	(0.20)
<b>Total Special Items</b>	<b>—</b>	<b>41</b>	<b>0.06</b>	<b>(187)</b>	<b>(163)</b>	<b>(0.22)</b>
<b>Earnings (Loss) Including Special Items (GAAP)</b>	<b>\$ 240</b>	<b>\$ 255</b>	<b>\$ 0.34</b>	<b>\$ (114)</b>	<b>\$ (93)</b>	<b>\$ (0.12)</b>

1. During third quarter 2018, we recorded a tax benefit related to our contribution to our U.S. qualified pension plan. During fourth quarter 2018, we recorded a tax adjustment charge of \$21 million.
2. During fourth quarter 2018, we recorded a \$200 million non-cash settlement charge related to our U.S. qualified pension plan lump sum offer.



# ADJUSTED EBITDA<sup>1</sup>

Chart 4



1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 18, Chart 19, Chart 20, and Chart 21**.  
 2. Total Company Adjusted EBITDA includes Timberlands; Real Estate, Energy and Natural Resources; Wood Products and Unallocated.



# TIMBERLANDS SEGMENT

Chart 5

TIMBERLANDS (\$ Millions)	2018	2018
Adjusted EBITDA by Region	Q3	Q4
West	\$ 121	\$ 94
South	80	89
North	4	6
Other	1	(1)
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 206</b>	<b>\$ 188</b>

## 4th Quarter Notes

- Lower average log sales realizations in the West
- Higher Western domestic and export sales volumes
- Increased road spending in the West
- Higher Southern fee harvest volumes
- Comparable average log sales realizations in the South

TIMBERLANDS (\$ Millions)	2018	2018
Segment Statement of Operations	Q3	Q4
Third-party sales	\$ 459	\$ 449
Intersegment sales	128	128
<b>Total Sales</b>	<b>587</b>	<b>577</b>
Costs of sales	436	447
<b>Gross margin</b>	<b>151</b>	<b>130</b>
SG&A expenses	24	24
Other (income) expense, net <sup>2</sup>	1	(1)
<b>Contribution to Earnings<sup>3</sup></b>	<b>\$ 126</b>	<b>\$ 107</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 206</b>	<b>\$ 188</b>
<b>Adjusted EBITDA Margin Percentage<sup>4</sup></b>	<b>35%</b>	<b>33%</b>
<b>Operating Margin Percentage<sup>5</sup></b>	<b>21%</b>	<b>19%</b>

1. 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. Amounts presented exclude Canadian Forestlands operations, which are operated for the purpose of supplying Weyerhaeuser's Canadian manufacturing facilities and contribute no margin to the Timberlands segment.

4. Adjusted EBITDA divided by total sales.

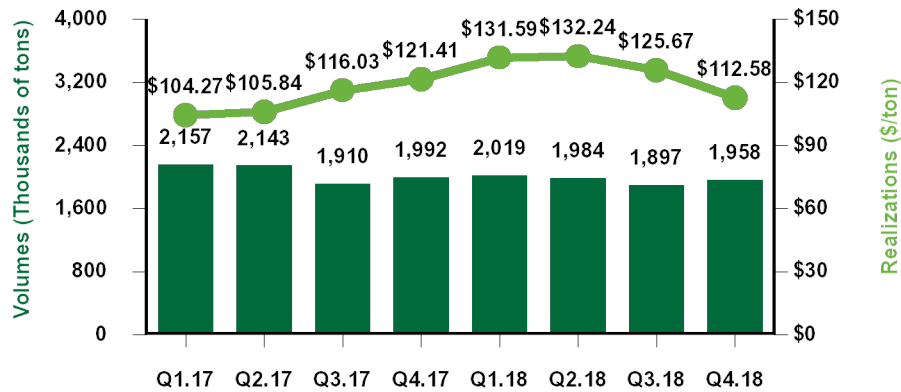
5. Contribution to earnings divided by total sales.



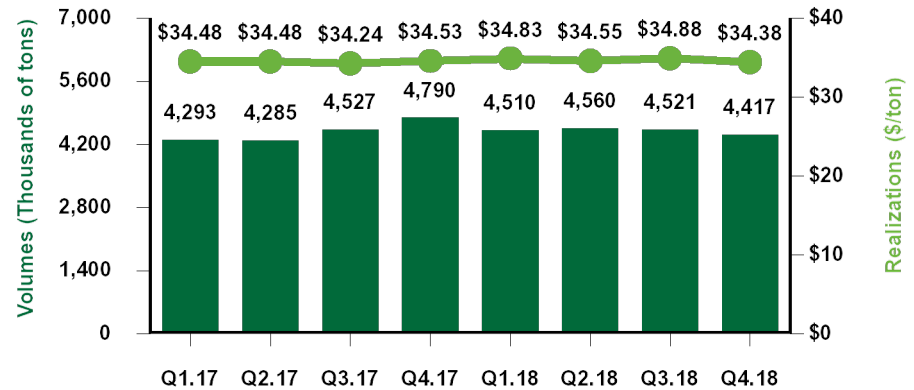
# SALES VOLUMES, REALIZATIONS, AND EXPORT REVENUE

Chart 6

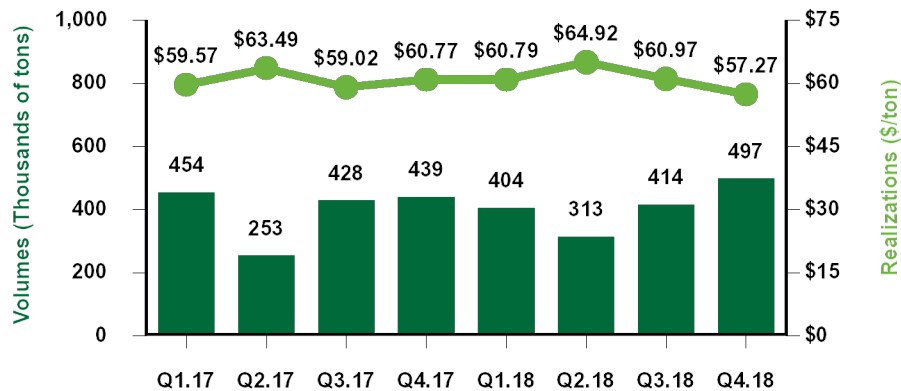
### 3rd-Party Log Sales and Realizations - West<sup>1</sup>



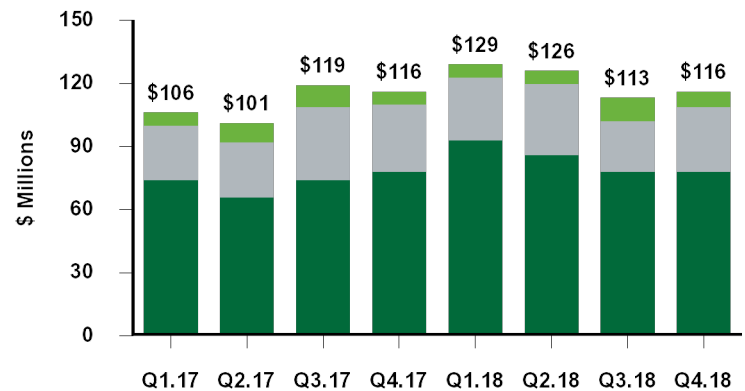
### 3rd-Party Log Sales and Realizations - South



### 3rd-Party Log Sales and Realizations - North



### Western Export Log Revenue



	Q1.17	Q2.17	Q3.17	Q4.17	Q1.18	Q2.18	Q3.18	Q4.18
Japan	70%	65%	62%	68%	72%	68%	69%	67%
China	24%	26%	29%	27%	23%	27%	22%	27%
Korea	6%	9%	9%	5%	5%	5%	9%	6%

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

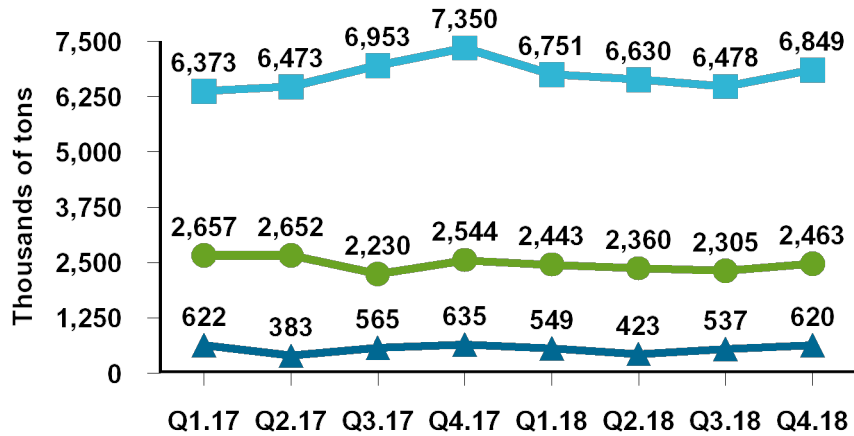




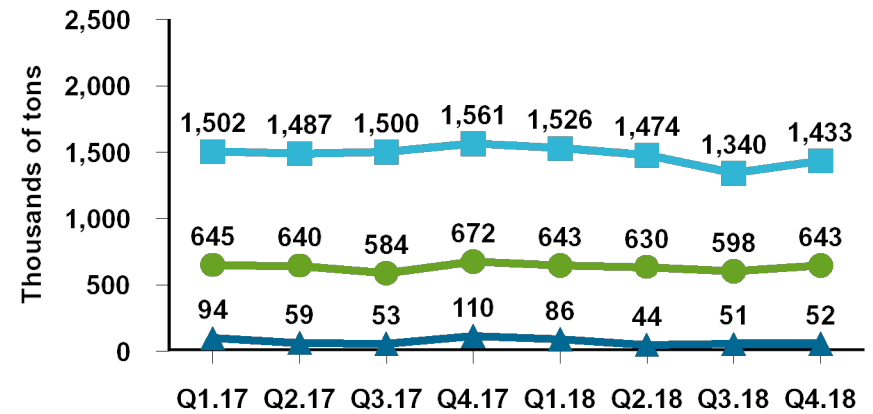
# FEE HARVEST VOLUME AND INTERSEGMENT SALES VOLUME

Chart 7

## Fee Harvest Volume



## Intersegment Log Sales Volume



■ South    
 ● West    
 ▲ North



# REAL ESTATE, ENERGY AND NATURAL RESOURCES (ENR) SEGMENT

Chart 8

Real Estate & ENR (\$ Millions)	2018	
Adjusted EBITDA by Business	Q3	Q4
Real Estate	\$ 68	\$ 71
Energy & Natural Resources	18	19
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 86</b>	<b>\$ 90</b>

## 4th Quarter Notes

- Real Estate EBITDA increased due to regional mix
- Average land basis decreased modestly

Real Estate & ENR (\$ Millions)	2018	
Segment Statement of Operations	Q3	Q4
<b>Total sales</b>	<b>\$ 96</b>	<b>\$ 102</b>
Costs of sales	54	52
<b>Gross margin</b>	<b>42</b>	<b>50</b>
SG&A expenses	6	7
Other (income) expense, net	—	(1)
<b>Contribution to Earnings</b>	<b>\$ 36</b>	<b>\$ 44</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 86</b>	<b>\$ 90</b>

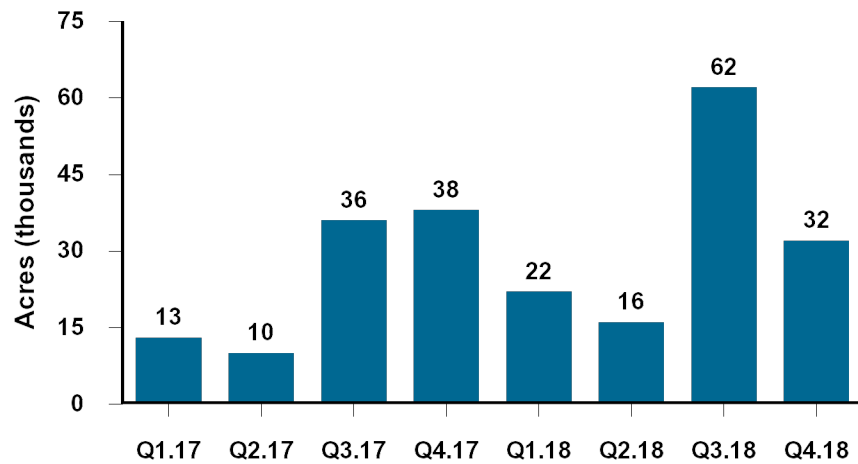
1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 20**.



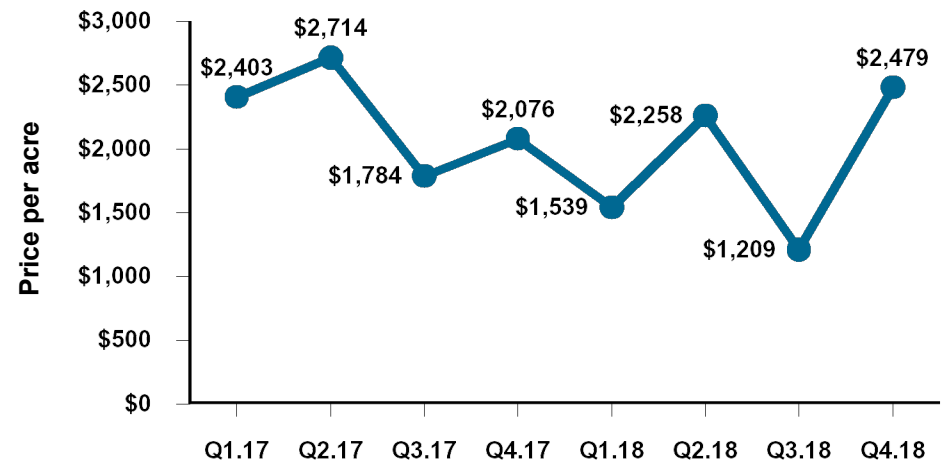
# REAL ESTATE, ENERGY AND NATURAL RESOURCES (ENR) SEGMENT

Chart 9

### Acreage Sold



### Average Price per Acre



# WOOD PRODUCTS SEGMENT

Chart 10

WOOD PRODUCTS (\$ Millions)	2018	2018
Adjusted EBITDA by Business	Q3	Q4
Lumber	\$ 118	\$ 6
OSB	77	31
Engineered Wood Products	48	26
Distribution	3	2
Other	4	1
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 250</b>	<b>\$ 66</b>

## 4th Quarter Notes

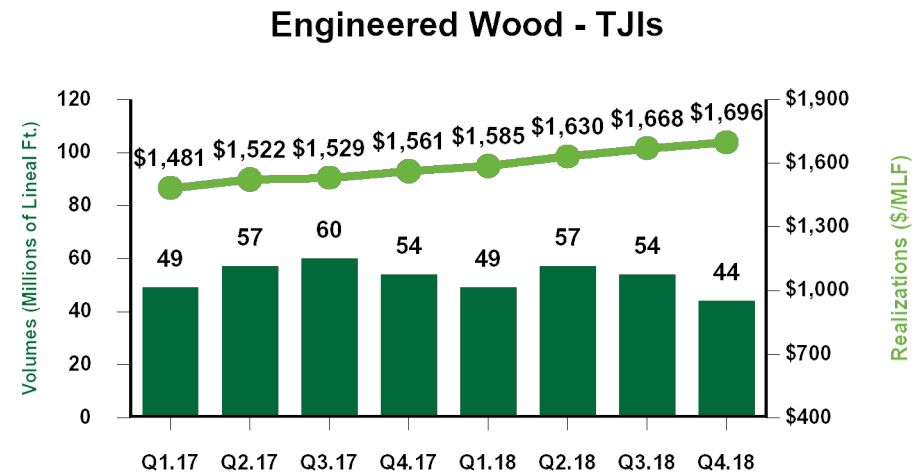
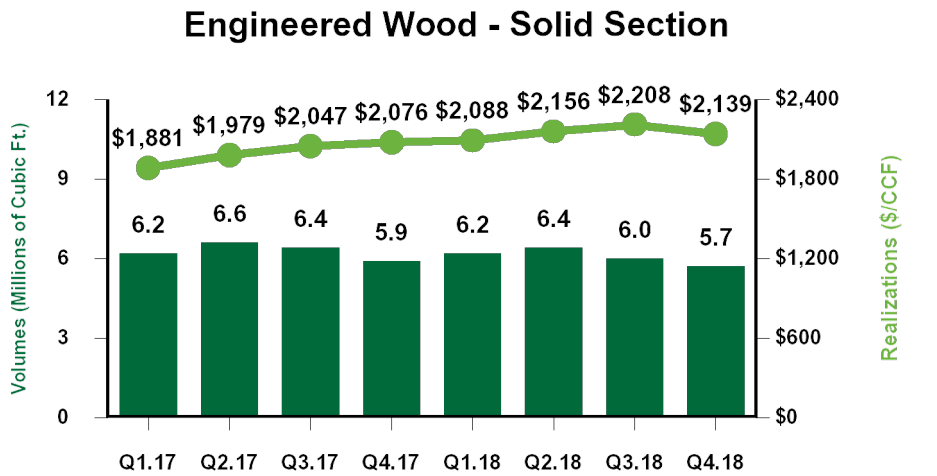
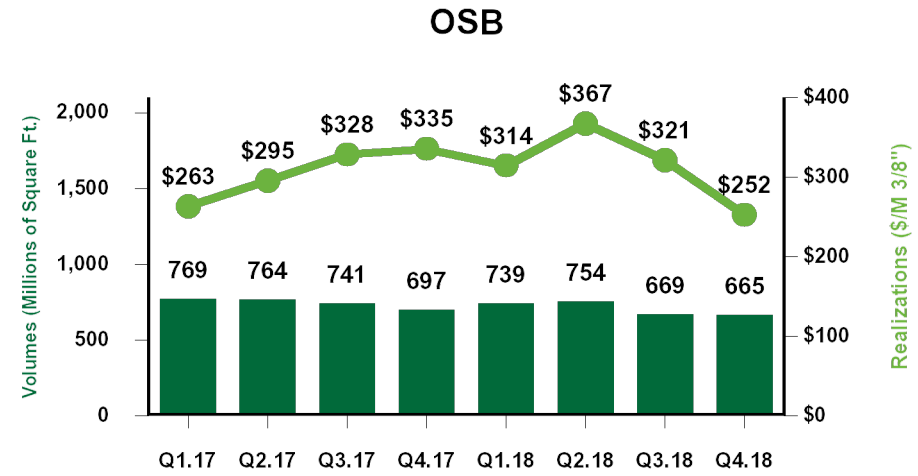
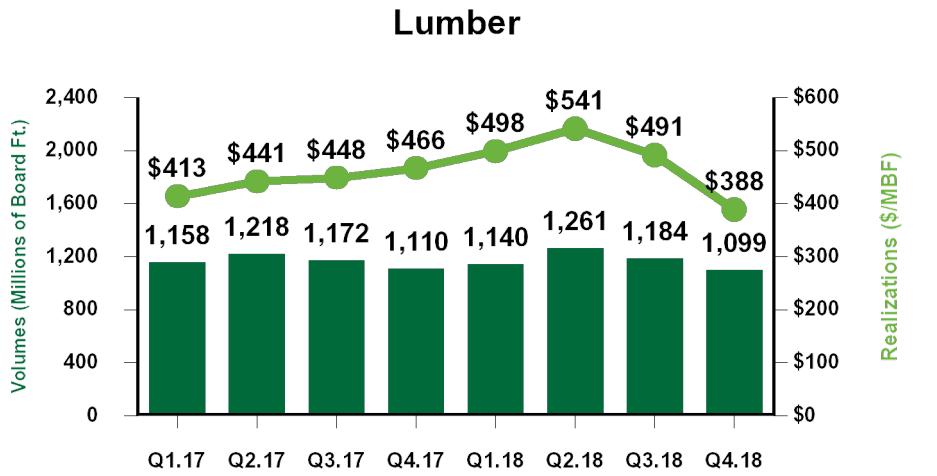
- Significantly lower average sales realizations for lumber and OSB
- Seasonally lower sales volumes and operating rates for lumber and EWP
- Comparable sales volumes for OSB

WOOD PRODUCTS (\$ Millions)	2018	2018
Segment Statement of Operations	Q3	Q4
<b>Total sales</b>	<b>\$ 1,346</b>	<b>\$ 1,075</b>
Costs of sales	1,071	991
<b>Gross margin</b>	<b>275</b>	<b>84</b>
SG&A expenses	50	53
Other (income) expense, net <sup>2</sup>	12	5
<b>Contribution to Earnings</b>	<b>\$ 213</b>	<b>\$ 26</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 250</b>	<b>\$ 66</b>
<b>Adjusted EBITDA Margin Percentage<sup>3</sup></b>	<b>19%</b>	<b>6%</b>
<b>Operating Margin Percentage<sup>4</sup></b>	<b>16%</b>	<b>2%</b>

1. Adjusted EBITDA for Wood Products businesses includes 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 21**.
2. Other (income) expense, net includes: R&D expenses; charges for integration and restructuring, closures and asset impairments; and other operating costs (income), net.
3. Adjusted EBITDA divided by total sales.
4. Contribution to earnings divided by total sales.



# 3<sup>RD</sup>-PARTY SALES VOLUMES AND REALIZATIONS<sup>1</sup> Chart 11



1. Sales volumes include sales of internally produced products and products purchased for resale primarily through our Distribution business.



# UNALLOCATED ITEMS

Chart 12

UNALLOCATED ITEMS (\$ Millions) <sup>1</sup>	2018	2018
	Q3	Q4
Unallocated corporate function expenses and variable compensation expense	\$ (19)	\$ (28)
Liability classified share-based compensation	4	8
Foreign exchange gains (losses)	(2)	5
Elimination of intersegment profit in inventory and LIFO	—	24
Non-operating pension and other postretirement benefit (costs) credits <sup>2</sup>	(17)	(18)
Other, including interest income <sup>3</sup>	(8)	2
<b>Contribution to Earnings (Loss) Before Special Items</b>	<b>\$ (42)</b>	<b>\$ (7)</b>
Special items, pre-tax	—	(187)
<b>Contribution to Earnings (Loss)</b>	<b>\$ (42)</b>	<b>\$ (194)</b>
<b>Adjusted EBITDA<sup>4</sup></b>	<b>\$ (37)</b>	<b>\$ 2</b>

UNALLOCATED ITEMS (\$ Millions)	2018	2018
By Natural Expense	Q3	Q4
Costs of sales <sup>5</sup>	\$ (6)	\$ 27
G&A expenses <sup>6</sup>	(17)	(18)
Other income (expense), net	(19)	(16)
<b>Contribution to Earnings (Loss) Before Special Items</b>	<b>\$ (42)</b>	<b>\$ (7)</b>
Special items, pre-tax	—	(187)
<b>Contribution to Earnings (Loss)</b>	<b>\$ (42)</b>	<b>\$ (194)</b>

1. Unallocated items are gains or charges not related to or allocated to an individual operating segment.
2. Fourth quarter 2018 excludes pension settlement charge related to our U.S. qualified pension plan lump sum offer attributable to special items. This is included in Special items, after-tax.
3. Fourth quarter 2018 excludes gain on sale of a nonstrategic asset attributable to special items. This is included in Special items, after-tax.
4. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 22**.
5. Costs of sales is composed primarily of elimination of intersegment profit in inventory and LIFO and incentive compensation.
6. G&A expense is comprised primarily of share-based compensation; pension service costs; corporate function expenses; and incentive compensation.



# FINANCIAL ITEMS

Chart 13

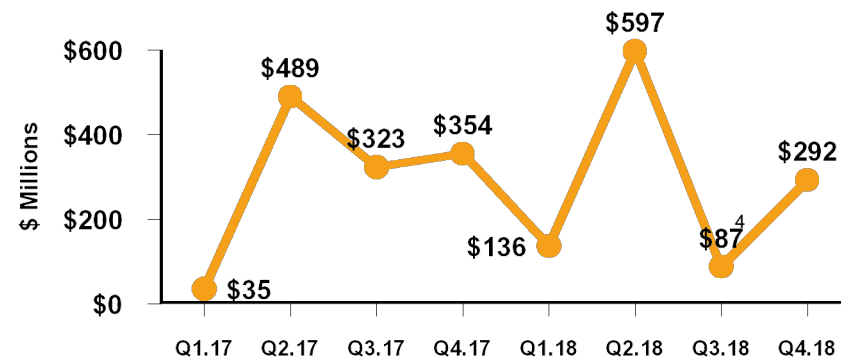
KEY FINANCIAL METRICS (\$ Millions)	2018	2018
	Q3	Q4
Ending Cash Balance	\$348	\$334
Total Debt <sup>1</sup>	\$5,921	\$6,344
Net Debt to Adjusted EBITDA (LTM) <sup>2</sup>	2.5	3.0
Net Debt to Enterprise Value <sup>3</sup>	18%	27%

1. Total Debt includes \$500 million for the current portion of long-term debt in fourth quarter 2018 and \$425 million of borrowings on our line of credit.
2. LTM = last twelve months. A reconciliation to GAAP is set forth on **Chart 23**.
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 December 31, 2018

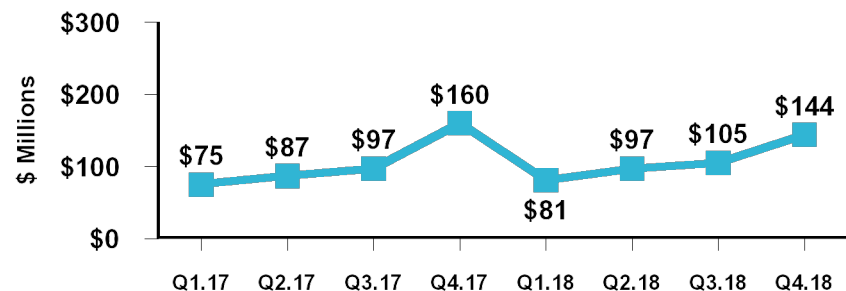
(\$ Millions)	2019	2020	2021	2022	2023
Debt Maturities	\$ 500	\$ —	\$ 719	\$ —	\$ 1,876

## 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 be \$387 million.

## Capital Expenditures



2017: \$419 million

2018: \$427 million



# OUTLOOK: 2019 Q1 vs. 2018 Q4

Chart 14

SEGMENT	COMMENTS
<b>TIMBERLANDS</b>	<ul style="list-style-type: none"> <li>● Seasonally lower fee harvest volumes and comparable average log sales realizations in the South</li> <li>● Lower fee harvest volumes in the West, with average log sales realizations moderately below the fourth quarter average</li> <li>● Significantly lower Western road and forestry spending</li> <li>● Expect earnings and Adjusted EBITDA will be approximately 10% lower than 2018 Q4</li> </ul>
<b>REAL ESTATE, ENERGY &amp; NATURAL RESOURCES</b>	<ul style="list-style-type: none"> <li>● Expect 2019 Q1 earnings and Adjusted EBITDA will be approximately \$10 million higher than 2018 Q4</li> <li>● Higher Adjusted EBITDA for Real Estate due to the timing of transactions</li> <li>● Seasonally lower royalties from Energy &amp; Natural Resources operations</li> <li>● Anticipate full year Adjusted EBITDA of approximately \$260 million</li> </ul>
<b>WOOD PRODUCTS</b>	<ul style="list-style-type: none"> <li>● Seasonally higher sales volumes, higher operating rates and improved unit manufacturing costs</li> <li>● Lower average Western and Canadian log costs</li> <li>● Anticipate earnings and Adjusted EBITDA will be significantly higher than 2018 Q4</li> </ul>





DRIVER	FY 2019 OUTLOOK
FEE HARVEST VOLUME	Comparable to 2018, at approximately 38 million tons
REAL ESTATE & ENR EBITDA	\$260 million
BASIS OF REAL ESTATE SOLD	40-55% of real estate sales
OPERATIONAL EXCELLENCE IMPROVEMENTS	\$40-50 million in Timberlands \$40-50 million in Wood Products
INTEREST EXPENSE	\$360 million
CONSOLIDATED TAX RATE	14-16%, excluding special items
NON-OPERATING PENSION AND POSTRETIREMENT EXPENSE	\$60 million, non-cash
CASH CONTRIBUTION FOR PENSION AND POSTRETIREMENT PLANS	No contributions to US qualified plan \$50 million for all other plans
CAPITAL EXPENDITURES	\$400 million



# EARNINGS SUMMARY

Chart 16

\$ Millions	2017				2018			
Adjusted EBITDA by Segment	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Timberlands	\$ 242	\$ 222	\$ 220	\$ 252	\$ 268	\$ 240	\$ 206	\$ 188
Real Estate, Energy & Natural Resources	43	37	74	87	41	47	86	90
Wood Products	207	274	278	258	286	385	250	66
Unallocated Items	(38)	(27)	(3)	(46)	(51)	(35)	(37)	2
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 454</b>	<b>\$ 506</b>	<b>\$ 569</b>	<b>\$ 551</b>	<b>\$ 544</b>	<b>\$ 637</b>	<b>\$ 505</b>	<b>\$ 346</b>
DD&A, basis of real estate sold, non-operating pension and postretirement credits, and interest income and other <sup>2</sup>	(162)	(138)	(161)	(167)	(144)	(143)	(172)	(176)
<b>Total Contribution to Earnings Before Special Items</b>	<b>\$ 292</b>	<b>\$ 368</b>	<b>\$ 408</b>	<b>\$ 384</b>	<b>\$ 400</b>	<b>\$ 494</b>	<b>\$ 333</b>	<b>\$ 170</b>
Interest expense, net <sup>3</sup>	(99)	(100)	(98)	(96)	(93)	(92)	(93)	(97)
Income taxes <sup>4</sup>	(26)	(56)	(51)	(54)	(32)	(70)	(26)	(3)
<b>Net Earnings Before Special Items<sup>5</sup></b>	<b>\$ 167</b>	<b>\$ 212</b>	<b>\$ 259</b>	<b>\$ 234</b>	<b>\$ 275</b>	<b>\$ 332</b>	<b>\$ 214</b>	<b>\$ 70</b>
Special items, after-tax	(10)	(188)	(129)	37	(6)	(15)	41	(163)
<b>Net Earnings (Loss)</b>	<b>\$ 157</b>	<b>\$ 24</b>	<b>\$ 130</b>	<b>\$ 271</b>	<b>\$ 269</b>	<b>\$ 317</b>	<b>\$ 255</b>	<b>\$ (93)</b>
<b>Diluted EPS Before Special Items<sup>5</sup></b>	<b>\$ 0.22</b>	<b>\$ 0.28</b>	<b>\$ 0.34</b>	<b>\$ 0.31</b>	<b>\$ 0.36</b>	<b>\$ 0.44</b>	<b>\$ 0.28</b>	<b>\$ 0.10</b>
<b>Diluted EPS</b>	<b>\$ 0.21</b>	<b>\$ 0.03</b>	<b>\$ 0.17</b>	<b>\$ 0.36</b>	<b>\$ 0.35</b>	<b>\$ 0.42</b>	<b>\$ 0.34</b>	<b>\$ (0.12)</b>

1. See **Chart 18** for our definition of Adjusted EBITDA.
2. Fourth quarter 2018 excludes pension settlement charge related to our U.S. qualified pension plan lump sum offer and gain on sale of a nonstrategic asset attributable to special items. 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.
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

\$ Millions EXCEPT EPS	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Diluted EPS Before Special Items</b>	<b>\$ 0.22</b>	<b>\$ 0.28</b>	<b>\$ 0.34</b>	<b>\$ 0.31</b>	<b>\$ 0.36</b>	<b>\$ 0.44</b>	<b>\$ 0.28</b>	<b>\$ 0.10</b>
Special Items:								
Plum Creek merger and integration-related costs	(0.01)	—	—	(0.02)	—	—	—	—
Restructuring, impairments, and other charges	—	(0.20)	(0.01)	—	—	—	—	—
Gain on sale of timberlands and other nonstrategic assets	—	—	—	0.14	—	—	—	0.01
Environmental remediation (charges) recoveries	—	—	—	0.03	(0.03)	—	—	—
Countervailing and anti-dumping duties (charges) credits <sup>1</sup>	—	(0.01)	(0.01)	0.01	—	—	—	—
Product remediation (charges) recoveries, net	—	(0.04)	(0.15)	(0.04)	0.02	(0.02)	—	—
Tax adjustments <sup>2</sup>	—	—	—	(0.07)	—	—	0.06	(0.03)
Pension settlement charge <sup>(3)</sup>	—	—	—	—	—	—	—	(0.20)
<b>Diluted EPS</b>	<b>\$ 0.21</b>	<b>\$ 0.03</b>	<b>\$ 0.17</b>	<b>\$ 0.36</b>	<b>\$ 0.35</b>	<b>\$ 0.42</b>	<b>\$ 0.34</b>	<b>\$ (0.12)</b>

1. As of first quarter 2018, countervailing and anti-dumping duties are no longer reported as a special item.
2. During third quarter 2018, we recorded a tax benefit related to our contribution to our U.S. qualified pension plan. During fourth quarter 2018 and 2017, we recorded tax adjustment charges of \$21 million and \$52 million, respectively.
3. During fourth quarter 2018, we recorded a \$200 million non-cash pre-tax settlement charge related to our U.S. qualified pension plan lump sum offer.



# ADJUSTED EBITDA RECONCILIATION BY SEGMENT

Chart 18

\$ Millions	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Timberlands	\$ 242	\$ 222	\$ 220	\$ 252	\$ 268	\$ 240	\$ 206	\$ 188
Real Estate & ENR	43	37	74	87	41	47	86	90
Wood Products	207	274	278	258	286	385	250	66
Unallocated Items	(38)	(27)	(3)	(46)	(51)	(35)	(37)	2
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 454</b>	<b>\$ 506</b>	<b>\$ 569</b>	<b>\$ 551</b>	<b>\$ 544</b>	<b>\$ 637</b>	<b>\$ 505</b>	<b>\$ 346</b>
Depletion, depreciation & amortization	(133)	(129)	(132)	(127)	(120)	(119)	(122)	(125)
Basis of real estate sold	(14)	(10)	(24)	(33)	(12)	(22)	(46)	(44)
Unallocated pension service costs	(2)	—	(1)	(1)	—	—	—	—
Special items included in operating income	(12)	(210)	(207)	86	(8)	(20)	—	—
<b>Operating Income (GAAP)</b>	<b>\$ 293</b>	<b>\$ 157</b>	<b>\$ 205</b>	<b>\$ 476</b>	<b>\$ 404</b>	<b>\$ 476</b>	<b>\$ 337</b>	<b>\$ 177</b>
Non-operating pension and other postretirement benefit (costs) credits	(22)	(8)	(16)	(16)	(24)	(13)	(17)	(218)
Interest income and other	9	9	12	10	12	11	13	24
<b>Net Contribution to Earnings (Loss)</b>	<b>\$ 280</b>	<b>\$ 158</b>	<b>\$ 201</b>	<b>\$ 470</b>	<b>\$ 392</b>	<b>\$ 474</b>	<b>\$ 333</b>	<b>\$ (17)</b>
Interest expense, net	(99)	(100)	(98)	(96)	(93)	(92)	(93)	(97)
Income taxes <sup>2</sup>	(24)	(34)	27	(103)	(30)	(65)	15	21
<b>Net Earnings (Loss) (GAAP)</b>	<b>\$ 157</b>	<b>\$ 24</b>	<b>\$ 130</b>	<b>\$ 271</b>	<b>\$ 269</b>	<b>\$ 317</b>	<b>\$ 255</b>	<b>\$ (93)</b>

- 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 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 3**.



# ADJUSTED EBITDA RECONCILIATION: TIMBERLANDS

Chart 19

\$ Millions	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
West	\$ 133	\$ 124	\$ 111	\$ 140	\$ 165	\$ 152	\$ 121	\$ 94
South	96	91	95	101	98	84	80	89
North	8	2	4	9	6	3	4	6
Other	5	5	10	2	(1)	1	1	(1)
<b>Total Timberlands Adjusted EBITDA<sup>1</sup></b>	<b>\$ 242</b>	<b>\$ 222</b>	<b>\$ 220</b>	<b>\$ 252</b>	<b>\$ 268</b>	<b>\$ 240</b>	<b>\$ 206</b>	<b>\$ 188</b>
West	(31)	(29)	(26)	(28)	(29)	(29)	(27)	(30)
South	(45)	(43)	(49)	(51)	(45)	(45)	(46)	(46)
North	(5)	(3)	(4)	(5)	(4)	(3)	(4)	(4)
Other	(13)	(12)	(10)	(2)	(1)	(2)	(3)	(1)
Total depletion, depreciation, & amortization	\$ (94)	\$ (87)	\$ (89)	\$ (86)	\$ (79)	\$ (79)	\$ (80)	\$ (81)
Special items	—	(147)	—	99	—	—	—	—
<b>Operating Income and Net Contribution to Earnings (Loss) (GAAP)</b>	<b>\$ 148</b>	<b>\$ (12)</b>	<b>\$ 131</b>	<b>\$ 265</b>	<b>\$ 189</b>	<b>\$ 161</b>	<b>\$ 126</b>	<b>\$ 107</b>

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, unallocated pension service costs 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 AND NATURAL RESOURCES

Chart 20

\$ Millions	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Real Estate	\$ 29	\$ 20	\$ 58	\$ 71	\$ 27	\$ 30	\$ 68	\$ 71
Energy & Natural Resources	14	17	16	16	14	17	18	19
<b>Total Real Estate &amp; ENR Adjusted EBITDA<sup>1</sup></b>	<b>\$ 43</b>	<b>\$ 37</b>	<b>\$ 74</b>	<b>\$ 87</b>	<b>\$ 41</b>	<b>\$ 47</b>	<b>\$ 86</b>	<b>\$ 90</b>
Depletion, depreciation & amortization	(3)	(4)	(4)	(4)	(4)	(3)	(4)	(3)
Basis of real estate sold	(14)	(10)	(24)	(33)	(12)	(22)	(46)	(44)
Special items	—	—	—	—	—	—	—	—
<b>Operating Income (GAAP)</b>	<b>\$ 26</b>	<b>\$ 23</b>	<b>\$ 46</b>	<b>\$ 50</b>	<b>\$ 25</b>	<b>\$ 22</b>	<b>\$ 36</b>	<b>\$ 43</b>
Interest income and other	—	—	1	—	—	—	—	1
<b>Net Contribution to Earnings (GAAP)</b>	<b>\$ 26</b>	<b>\$ 23</b>	<b>\$ 47</b>	<b>\$ 50</b>	<b>\$ 25</b>	<b>\$ 22</b>	<b>\$ 36</b>	<b>\$ 44</b>

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, unallocated pension service costs 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 21

\$ Millions	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Lumber <sup>1</sup>	\$ 99	\$ 127	\$ 117	\$ 116	\$ 140	\$ 195	\$ 118	\$ 6
OSB	66	87	102	104	92	129	77	31
EWP	37	52	50	34	45	58	48	26
Distribution	8	13	12	5	15	12	3	2
Other	(3)	(5)	(3)	(1)	(6)	(9)	4	1
<b>Total Wood Products Adjusted EBITDA<sup>2,3</sup></b>	<b>\$ 207</b>	<b>\$ 274</b>	<b>\$ 278</b>	<b>\$ 258</b>	<b>\$ 286</b>	<b>\$ 385</b>	<b>\$ 250</b>	<b>\$ 66</b>
Lumber	(15)	(17)	(17)	(18)	(18)	(19)	(19)	(21)
OSB	(7)	(7)	(8)	(7)	(8)	(7)	(8)	(8)
EWP	(12)	(11)	(12)	(11)	(10)	(9)	(9)	(11)
Distribution	(1)	(1)	—	(1)	—	(1)	(1)	—
Total depletion, depreciation & amortization	\$ (35)	\$ (36)	\$ (37)	\$ (37)	\$ (36)	\$ (36)	\$ (37)	\$ (40)
Special items <sup>1</sup>	—	(61)	(201)	(41)	20	(20)	—	—
<b>Operating Income and Net Contribution to Earnings (GAAP)</b>	<b>\$ 172</b>	<b>\$ 177</b>	<b>\$ 40</b>	<b>\$ 180</b>	<b>\$ 270</b>	<b>\$ 329</b>	<b>\$ 213</b>	<b>\$ 26</b>

1. During 2017, countervailing and anti-dumping duties were excluded from Adjusted EBITDA and reported as special items. As of first quarter 2018, duties are included in Lumber Adjusted EBITDA and are no longer reported as a special item. Duties are calculated based on the final combined rate of 20.23%.
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 should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.
3. 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 22

\$ Millions	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Total Unallocated Adjusted EBITDA<sup>1</sup></b>	\$ (38)	\$ (27)	\$ (3)	\$ (46)	\$ (51)	\$ (35)	\$ (37)	\$ 2
Total depletion, depreciation, & amortization	(1)	(2)	(2)	—	(1)	(1)	(1)	(1)
Unallocated pension service costs	(2)	—	(1)	(1)	—	—	—	—
Special items included in operating income	(12)	(2)	(6)	28	(28)	—	—	—
<b>Operating Income (Loss) (GAAP)</b>	\$ (53)	\$ (31)	\$ (12)	\$ (19)	\$ (80)	\$ (36)	\$ (38)	\$ 1
Non-operating pension and other retirement income	(22)	(8)	(16)	(16)	(24)	(13)	(17)	(218)
Interest income and other	9	9	11	10	12	11	13	23
<b>Operating Income and Net Contribution to Earnings (Loss) (GAAP)</b>	\$ (66)	\$ (30)	\$ (17)	\$ (25)	\$ (92)	\$ (38)	\$ (42)	\$ (194)

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, unallocated pension service costs 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 23

\$ MILLIONS	2018	
	Q3	Q4
<b>Net Debt to Adjusted EBITDA (LTM)<sup>1,2</sup></b>	<b>2.5</b>	<b>3.0</b>
Total Debt <sup>3</sup>	\$ 5,921	\$ 6,344
Less: Cash and Cash Equivalents	348	334
<b>Net Debt</b>	<b>\$ 5,573</b>	<b>\$ 6,010</b>
<b>Adjusted EBITDA (LTM)</b>	<b>\$ 2,237</b>	<b>\$ 2,032</b>
Depletion, depreciation & amortization	(488)	(486)
Basis of real estate sold	(113)	(124)
Unallocated pension service costs	(1)	—
Special Items in operating income	58	(28)
<b>Operating Income (LTM) (GAAP)</b>	<b>\$ 1,693</b>	<b>\$ 1,394</b>
Non-operating pension and other post-retirement benefit costs	(70)	(272)
Interest income and other	46	60
<b>Net Contribution to Earnings (LTM)</b>	<b>\$ 1,669</b>	<b>\$ 1,182</b>
Interest expense, net of capitalized interest	(374)	(375)
Income taxes <sup>4</sup>	(183)	(59)
<b>Net Earnings (LTM) (GAAP)</b>	<b>\$ 1,112</b>	<b>\$ 748</b>

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 18** for our definition of Adjusted EBITDA.
3. Total Debt includes \$500 million for the current portion of long-term debt in fourth quarter 2018 as well as \$425 million in borrowings on our line of credit.
4. The income tax effects of special items can be found in a reconciliation set forth on **Chart 3**.

