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Weyerhaeuser reports first quarter results

- **Net loss of \$289 million or \$0.39 per diluted share includes \$345 million noncash pension settlement charge**
- **Earnings before special items increased 14 percent compared with fourth quarter 2018**
- **Repurchased \$60 million of common shares during the first quarter**

SEATTLE (April 26, 2019) - [Weyerhaeuser Company](#) (NYSE: WY) today reported a first quarter net loss of \$289 million, or 39 cents per diluted share, on net sales of \$1.6 billion. This compares with net earnings of \$269 million, or 35 cents per diluted share, on net sales of \$1.9 billion for the same period last year.

First quarter includes after-tax charges of \$369 million for special items, primarily consisting of a previously announced noncash settlement charge related to the transfer of pension assets and liabilities through the purchase of a group annuity contract. Excluding special items, the company reported net earnings of \$80 million, or 11 cents per diluted share, for the first quarter of 2019. This compares with net earnings before special items of \$275 million for the same period last year and \$70 million for the fourth quarter of 2018.

Adjusted EBITDA for the first quarter was \$365 million compared with \$544 million for the first quarter of last year and \$346 million for the fourth quarter of 2018.

"I am proud of our first quarter results, as we delivered strong operating performance, improved financial results in each of our businesses compared with the fourth quarter, repurchased \$60 million of common shares, refinanced an upcoming debt maturity, and further reduced our pension liabilities," said Devin W. Stockfish, president and chief executive officer. "Looking forward, we anticipate modest year over year housing growth and expect that building activity will accelerate with improved weather and continued macroeconomic stability. We remain focused on driving industry-leading performance and delivering superior value for our shareholders."

WEYERHAEUSER FINANCIAL HIGHLIGHTS (millions, except per share data)

	2018 Q4	2019 Q1	2018 Q1
Net sales	\$1,636	\$1,643	\$1,865
Net earnings (loss)	\$(93)	\$(289)	\$269
Net earnings (loss) per diluted share	\$(0.12)	\$(0.39)	\$0.35
Weighted average shares outstanding, diluted	750	747	759
Net earnings before special items ⁽¹⁾	\$70	\$80	\$275
Net earnings per diluted share before special items	\$0.10	\$0.11	\$0.36
Adjusted EBITDA ⁽²⁾	\$346	\$365	\$544

(1) Fourth quarter 2018 after-tax special items include a \$152 million noncash settlement charge related to our U.S. qualified pension plan lump sum offer, a \$21 million tax adjustment charge, and a \$10 million gain on sale of a nonstrategic asset. First quarter 2019 after-tax special items include a \$345 million noncash settlement charge related to the transfer of pension assets and liabilities through the purchase of a group annuity contract, a \$15 million legal charge and a \$9 million charge related to the early extinguishment of debt. First quarter 2018 after-tax special items include \$21 million for environmental remediation charges and a \$15 million benefit from product remediation insurance proceeds.

(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 and special items. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results. A reconciliation of Adjusted EBITDA to GAAP earnings is included within this release.

TIMBERLANDS

FINANCIAL HIGHLIGHTS (millions)	2018 Q4	2019 Q1	Change
Net sales	\$576	\$556	\$(20)
Contribution to pretax earnings	\$107	\$120	\$13
Adjusted EBITDA	\$188	\$193	\$5

1Q 2019 Performance - Earnings and Adjusted EBITDA improved in the first quarter compared with the fourth quarter. In the West, average sales realizations for domestic and export logs decreased, and export log sales volumes declined seasonally. This was more than offset by lower costs, primarily attributable to decreased road and forestry spending. In the South, average log sales realizations increased approximately 3 percent and fee harvest volumes declined due to seasonally lower stumpage sales.

2Q 2019 Outlook - Weyerhaeuser anticipates second quarter earnings and Adjusted EBITDA will be lower than the first quarter. In the West, favorable domestic log sales realizations will be more than offset by lower export sales volumes due to the timing of vessel sailings. Average Southern log sales realizations are expected to be comparable to the first quarter. Western and Southern silviculture activity and related costs are expected to increase seasonally. In the North, fee harvest volumes will decrease significantly due to spring break-up.

REAL ESTATE, ENERGY & NATURAL RESOURCES

FINANCIAL HIGHLIGHTS (millions)	2018 Q4	2019 Q1	Change
Net sales	\$102	\$118	\$16
Contribution to pretax earnings	\$44	\$55	\$11
Adjusted EBITDA	\$90	\$106	\$16

1Q 2019 Performance - Real Estate sales increased compared with the fourth quarter due to a 22 percent increase in the number of acres sold. Average price per acre was similar to the fourth quarter, and average land basis was modestly lower. Energy & Natural Resources earnings and Adjusted EBITDA were comparable to the fourth quarter.

2Q 2019 Outlook - Weyerhaeuser anticipates second quarter earnings and Adjusted EBITDA from the Real Estate, Energy & Natural Resources segment will be lower than the first quarter, but significantly higher than second quarter 2018 due to the timing of Real Estate transactions. The company now expects full year 2019 Adjusted EBITDA of \$270 million.

WOOD PRODUCTS

FINANCIAL HIGHLIGHTS (millions)	2018 Q4	2019 Q1	Change
Net sales	\$1,087	\$1,094	\$7
Contribution to pretax earnings	\$26	\$69	\$43
Adjusted EBITDA	\$66	\$115	\$49

1Q 2019 Performance - First quarter earnings and Adjusted EBITDA increased significantly compared with the fourth quarter due to substantially lower log and fiber costs, seasonally higher operating rates and improved manufacturing costs across all product lines. This was partially offset by a 12 percent decrease in average sales realizations for oriented strand board. Average sales realizations for lumber and engineered wood products improved slightly. Sales volumes for lumber and oriented strand board increased seasonally, and sales volumes for engineered wood products decreased.

2Q 2019 Outlook - Weyerhaeuser anticipates higher second quarter earnings and Adjusted EBITDA compared with the first quarter. The company expects seasonally higher sales volumes and improved operating rates across all product lines.

UNALLOCATED

FINANCIAL HIGHLIGHTS (millions)	2018 Q4	2019 Q1	Change
Contribution to pretax earnings (loss)	\$(194)	\$(530)	\$(336)
Pretax charge for special items	\$187	\$475	\$288
Contribution to pretax earnings (loss) before special items	\$(7)	\$(55)	\$(48)
Adjusted EBITDA	\$2	\$(49)	\$(51)

1Q 2019 Performance - First quarter results include charges for elimination of intersegment profit in inventory and LIFO, foreign exchange and share-based compensation, compared with income from these items in the fourth quarter.

First quarter 2019 pretax special items include a \$455 million noncash settlement charge related to the transfer of approximately \$1.5 billion of U.S. qualified pension assets and liabilities to an insurance company through the purchase of a group annuity contract, and a \$20 million legal charge.

ABOUT WEYERHAEUSER

[Weyerhaeuser Company](#), one of the world's largest private owners of timberlands, began operations in 1900. We own or control 12.2 million acres of [timberlands](#) in the U.S., and manage additional timberlands under long-term licenses in Canada. We manage these timberlands on a [sustainable basis](#) in compliance with internationally recognized forestry standards. We are also one of the largest manufacturers of [wood products](#). Our company is a real estate investment trust. In 2018, we generated \$7.5 billion in net sales and employed approximately 9,300 people who serve customers worldwide. We are listed on the Dow Jones Sustainability North America Index. Our common stock trades on the New York Stock Exchange under the symbol WY. Learn more at www.weyerhaeuser.com.

EARNINGS CALL INFORMATION

Weyerhaeuser will hold a live conference call at 7 a.m. Pacific (10 a.m. Eastern) on April 26, 2019 to discuss first quarter results.

To access the live webcast and presentation online, go to the [Investor Relations section](#) on www.weyerhaeuser.com on April 26, 2019.

To join the conference call from within North America, dial 855-223-0757 (access code: 3799749) at least 15 minutes prior to the call. Those calling from outside North America should dial 574-990-1206 (access code: 3799749). Replays will be available for two weeks at 855-859-2056 (access code: 3799749) from within North America and at 404-537-3406 (access code: 3799749) from outside North America.

FORWARD-LOOKING STATEMENTS

This news release contains statements concerning the company's future results and performance that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, including with respect to the following: building activity and U.S. housing growth; earnings and Adjusted EBITDA for each of our business segments; log sale realizations; fee harvest volumes and silviculture spending in our timber business; Wood Products sales volumes and realizations and operating rates; and real estate sales volumes and the timing of real estate sales. These statements generally are identified by words such as "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," and expressions such as "will be," "will continue," "will likely result," and similar words and expressions. These statements are based on our current expectations and assumptions and are not guarantees of future performance. The realization of our expectations and the accuracy of our assumptions are subject to a number of risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to:

- the effect of general economic conditions, including employment rates, interest rate levels, housing starts, availability of financing for home mortgages and strength of the U.S. dollar;
- market demand for our products, including market demand for our timberland properties with higher and better uses, which is related to, among other factors, the strength of the various U.S. business segments and U.S. and international economic conditions;
- changes in currency exchange rates, particularly the relative value of the U.S. dollar to the Japanese yen, the Chinese yuan and the Canadian dollar, and the relative value of the euro to the yen;
- restrictions on international trade and tariffs imposed on imports or exports;

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

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

RECONCILIATION OF ADJUSTED EBITDA TO NET EARNINGS

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

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

DOLLAR AMOUNTS IN MILLIONS	<u>Timberlands</u>	<u>Real Estate & ENR</u>	<u>Wood Products</u>	<u>Unallocated Items</u>	<u>Total</u>
Adjusted EBITDA by Segment:					
Net earnings (loss)					\$ (93)
Interest expense, net of capitalized interest					97
Income taxes ⁽¹⁾					(21)
Net contribution to earnings (loss)	\$ 107	\$ 44	\$ 26	\$ (194)	\$ (17)
Non-operating pension and other postretirement benefit costs ⁽²⁾	—	—	—	218	218
Interest income and other ⁽³⁾	—	(1)	—	(23)	(24)
Operating income (loss)	107	43	26	1	177
Depreciation, depletion and amortization	81	3	40	1	125
Basis of real estate sold	—	44	—	—	44
Adjusted EBITDA	\$ 188	\$ 90	\$ 66	\$ 2	\$ 346

(1) Income taxes include a special item consisting of a \$21 million tax adjustment charge.

(2) Non-operating pension and other postretirement benefit costs include a pretax special item consisting of a \$200 million noncash settlement charge related to our U.S. qualified pension plan lump sum offer.

(3) Interest income and other includes a pretax special item consisting of a \$13 million gain on sale of a nonstrategic asset.

The table below reconciles Adjusted EBITDA for the quarter ended March 31, 2019:

DOLLAR AMOUNTS IN MILLIONS	Timberlands	Real Estate & ENR	Wood Products	Unallocated Items	Total
Adjusted EBITDA by Segment:					
Net earnings (loss)					\$ (289)
Interest expense, net of capitalized interest ⁽¹⁾					107
Income taxes					(104)
Net contribution to earnings (loss)	\$ 120	\$ 55	\$ 69	\$ (530)	\$ (286)
Non-operating pension and other postretirement benefit costs ⁽²⁾	—	—	—	470	470
Interest income and other	—	—	—	(10)	(10)
Operating income (loss)	120	55	69	(70)	174
Depreciation, depletion and amortization	73	3	46	1	123
Basis of real estate sold	—	48	—	—	48
Special items included in operating income (loss) ⁽³⁾	—	—	—	20	20
Adjusted EBITDA	\$ 193	\$ 106	\$ 115	\$ (49)	\$ 365

(1) Interest expense, net of capitalized interest includes a pretax special item consisting of a \$12 million charge related to the early extinguishment of debt.

(2) Non-operating pension and other postretirement benefit costs include a pretax special item consisting of a \$455 million noncash settlement charge related to the transfer of pension assets and liabilities through the purchase of a group annuity contract.

(3) Operating income (loss) includes a pretax special item consisting of a \$20 million legal charge.

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

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

(1) Operating income (loss) includes pretax special items consisting of a \$20 million benefit from product remediation insurance proceeds and \$28 million for environmental remediation charges.

Consolidated Statement of Operations

in millions	Q4	Q1	
	December 31, 2018	March 31, 2019	March 31, 2018
Net sales	\$ 1,636	\$ 1,643	\$ 1,865
Costs of sales	1,345	1,322	1,348
Gross margin	291	321	517
Selling expenses	22	21	23
General and administrative expenses	82	89	78
Research and development expenses	2	1	2
Other operating costs, net	8	36	10
Operating income	177	174	404
Non-operating pension and other postretirement benefit costs	(218)	(470)	(24)
Interest income and other	24	10	12
Interest expense, net of capitalized interest	(97)	(107)	(93)
Earnings (loss) before income taxes	(114)	(393)	299
Income taxes	21	104	(30)
Net earnings (loss)	\$ (93)	\$ (289)	\$ 269

Per Share Information

	Q4	Q1	
	December 31, 2018	March 31, 2019	March 31, 2018
Earnings (loss) per share, basic and diluted	\$ (0.12)	\$ (0.39)	\$ 0.35
Dividends paid per common share	\$ 0.34	\$ 0.34	\$ 0.32
Weighted average shares outstanding (in thousands):			
Basic	748,694	746,603	756,815
Diluted	750,025	746,603	759,462
Common shares outstanding at end of period (in thousands)	746,391	744,767	756,700

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

in millions	Q4	Q1	
	December 31, 2018	March 31, 2019	March 31, 2018
Net earnings (loss)	\$ (93)	\$ (289)	\$ 269
Non-operating pension and other postretirement benefit costs	218	470	24
Interest income and other	(24)	(10)	(12)
Interest expense, net of capitalized interest	97	107	93
Income taxes	(21)	(104)	30
Operating income	177	174	404
Depreciation, depletion and amortization	125	123	120
Basis of real estate sold	44	48	12
Special items included in operating income	—	20	8
Adjusted EBITDA*	\$ 346	\$ 365	\$ 544

*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. Our definition of Adjusted EBITDA may be different from similarly titled measures reported by other companies. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.

Q1.2019 Analyst Package

Preliminary results (unaudited)

Special Items Included in Net Earnings (Income Tax Affected)

in millions	Q4	Q1	
	December 31, 2018	March 31, 2019	March 31, 2018
Net earnings (loss)	\$ (93)	\$ (289)	\$ 269
Gain on sale of nonstrategic assets	(10)	—	—
Legal charge	—	15	—
Environmental remediation charge	—	—	21
Pension settlement charges	152	345	—
Product remediation charges (recoveries), net	—	—	(15)
Tax adjustment	21	—	—
Early extinguishment of debt charge ⁽¹⁾	—	9	—
Net earnings before special items	\$ 70	\$ 80	\$ 275

	Q4	Q1	
	December 31, 2018	March 31, 2019	March 31, 2018
Net earnings (loss) per diluted share	\$ (0.12)	\$ (0.39)	\$ 0.35
Gain on sale of nonstrategic assets	(0.01)	—	—
Legal charge	—	0.02	—
Environmental remediation charge	—	—	0.03
Pension settlement charges	0.20	0.47	—
Product remediation charges (recoveries), net	—	—	(0.02)
Tax adjustment	0.03	—	—
Early extinguishment of debt charge ⁽¹⁾	—	0.01	—
Net earnings per diluted share before special items	\$ 0.10	\$ 0.11	\$ 0.36

Selected Total Company Items

in millions	Q4	Q1	
	December 31, 2018	March 31, 2019	March 31, 2018
Pension and postretirement costs:			
Pension and postretirement service costs	\$ 9	\$ 8	\$ 10
Non-operating pension and other postretirement benefit costs	218	470	24
Total company pension and postretirement costs	\$ 227	\$ 478	\$ 34

⁽¹⁾ During first quarter 2019, we recorded a \$12 million pretax (\$9 million after-tax) charge related to the early extinguishment of debt.

Consolidated Balance Sheet

in millions	December 31, 2018	March 31, 2019	March 31, 2018
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 334	\$ 259	\$ 598
Receivables, less discounts and allowances	337	398	481
Receivables for taxes	137	163	24
Inventories	389	451	445
Prepaid expenses and other current assets	152	141	118
Current restricted financial investments held by variable interest entities	253	362	253
Total current assets	1,602	1,774	1,919
Property and equipment, net	1,857	1,917	1,573
Construction in progress	136	102	275
Timber and timberlands at cost, less depletion	12,671	12,586	12,888
Minerals and mineral rights, less depletion	294	291	306
Deferred tax assets	15	18	244
Other assets	312	444	318
Restricted financial investments held by variable interest entities	362	—	362
Total assets	\$ 17,249	\$ 17,132	\$ 17,885
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	\$ 500	\$ —	\$ —
Current debt (nonrecourse to the company) held by variable interest entities	302	302	209
Borrowings on line of credit	425	245	—
Accounts payable	222	243	245
Accrued liabilities	490	411	457
Total current liabilities	1,939	1,201	911
Long-term debt	5,419	6,156	5,928
Long-term debt (nonrecourse to the company) held by variable interest entities	—	—	302
Deferred tax liabilities	43	34	—
Deferred pension and other postretirement benefits	527	542	1,454
Other liabilities	275	398	299
Total liabilities	8,203	8,331	8,894
Total equity	9,046	8,801	8,991
Total liabilities and equity	\$ 17,249	\$ 17,132	\$ 17,885

Consolidated Statement of Cash Flows

in millions	Q4		Q1	
	December 31, 2018	March 31, 2019	March 31, 2018	March 31, 2018
Cash flows from operations:				
Net earnings (loss)	\$ (93)	\$ (289)	\$	269
Noncash charges (credits) earnings:				
Depreciation, depletion and amortization	125	123	120	
Basis of real estate sold	44	48	12	
Deferred income taxes, net	(39)	(123)	10	
Pension and other postretirement benefits	227	478	34	
Share-based compensation expense	11	9	9	
Change in:				
Receivables, less allowances	117	(77)	(83)	
Receivables and payables for taxes	6	(31)	5	
Inventories	(5)	(60)	(66)	
Prepaid expenses and other current assets	(11)	(5)	(5)	
Accounts payable and accrued liabilities	(21)	(82)	(173)	
Pension and postretirement benefit contributions and payments	(26)	(14)	(16)	
Other	(43)	9	20	
Net cash from (used in) operations	\$ 292	\$ (14)	\$	136
Cash flows from investing activities:				
Capital expenditures for property and equipment	\$ (130)	\$ (41)	\$	(61)
Capital expenditures for timberlands reforestation	(14)	(18)	(20)	
Proceeds from note receivable held by variable interest entities	—	253	—	
Other	(32)	18	5	
Cash from (used in) investing activities	\$ (176)	\$ 212	\$	(76)
Cash flows from financing activities:				
Cash dividends on common shares	\$ (254)	\$ (254)	\$	(242)
Net proceeds from issuance of long-term debt	—	739	—	
Payments of long-term debt	—	(512)	(62)	
Proceeds from borrowing on line of credit	425	245	—	
Payments on line of credit	—	(425)	—	
Payments on debt held by variable interest entities	(209)	—	—	
Proceeds from exercise of stock options	—	2	25	
Repurchases of common shares	(93)	(60)	—	
Other	1	(8)	(7)	
Cash from (used in) financing activities	\$ (130)	\$ (273)	\$	(286)
Net change in cash and cash equivalents	\$ (14)	\$ (75)	\$	(226)
Cash and cash equivalents at beginning of period	348	334	824	
Cash and cash equivalents at end of period	\$ 334	\$ 259	\$	598
Cash paid during the period for:				
Interest, net of amount capitalized	\$ 73	\$ 127	\$	105
Income taxes	\$ 15	\$ 50	\$	17

Q1.2019 Analyst Package

Preliminary results (unaudited)

Segment Statement of Operations ⁽¹⁾

in millions	Q4.2018	Q1.2019	Q1.2018
Sales to unaffiliated customers	\$ 448	\$ 431	\$ 490
Intersegment sales	128	125	142
Total net sales	576	556	632
Costs of sales	446	413	422
Gross margin	130	143	210
Selling expenses	—	1	1
General and administrative expenses	24	22	22
Research and development expenses	1	1	2
Other operating income, net	(2)	(1)	(4)
Operating income and Net contribution to earnings	\$ 107	\$ 120	\$ 189

⁽¹⁾ In January 2019, we changed the way we report our Canadian Forestlands operations, which are primarily operated to supply Weyerhaeuser's Canadian Wood Products manufacturing facilities. As a result, we no longer report related intersegment sales in the Timberlands segment and we will now record the minimal associated third-party log sales in the Wood Products segment. These collective transactions did not contribute any earnings to the Timberlands segment. We have conformed prior period presentation with the current period.

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

in millions	Q4.2018	Q1.2019	Q1.2018
Operating income	\$ 107	\$ 120	\$ 189
Depreciation, depletion and amortization	81	73	79
Adjusted EBITDA*	\$ 188	\$ 193	\$ 268

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

Selected Segment Items

in millions	Q4.2018	Q1.2019	Q1.2018
Total decrease (increase) in working capital ⁽²⁾	\$ (7)	\$ (24)	\$ (40)
Cash spent for capital expenditures	\$ (35)	\$ (26)	\$ (28)

⁽²⁾ Represents the change in prepaid assets, accounts receivable, accounts payable, accrued liabilities and log inventory for the Timberlands and Real Estate & ENR segments combined.

Segment Statistics⁽³⁾

		Q4.2018	Q1.2019	Q1.2018
Third Party Net Sales (millions)	Delivered logs:			
	West	\$ 221	\$ 205	\$ 266
	South	153	159	157
	North	29	29	25
	Total delivered logs	403	393	448
	Stumpage and pay-as-cut timber	20	9	15
	Recreational and other lease revenue	15	15	14
	Other revenue	10	14	13
	Total	\$ 448	\$ 431	\$ 490
	Delivered Logs	West	\$ 112.58	\$ 106.92
Third Party Sales	South	\$ 34.38	\$ 35.35	\$ 34.83
Realizations (per ton)	North	\$ 57.27	\$ 59.68	\$ 60.79
Delivered Logs Third Party Sales Volumes (tons, thousands)	West	1,958	1,920	2,019
	South	4,417	4,499	4,510
	North	497	494	404
Fee Harvest Volumes (tons, thousands)	West	2,463	2,385	2,443
	South	6,849	6,492	6,751
	North	620	627	549

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

Segment Statement of Operations

in millions	Q4.2018	Q1.2019	Q1.2018
Net sales	\$ 102	\$ 118	\$ 51
Costs of sales	52	56	19
Gross margin	50	62	32
General and administrative expenses	7	7	7
Operating income	43	55	25
Interest income and other	1	—	—
Net contribution to earnings	\$ 44	\$ 55	\$ 25

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

in millions	Q4.2018	Q1.2019	Q1.2018
Operating income	\$ 43	\$ 55	\$ 25
Depreciation, depletion and amortization	3	3	4
Basis of real estate sold	44	48	12
Adjusted EBITDA*	\$ 90	\$ 106	\$ 41

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

Selected Segment Items

in millions	Q4.2018	Q1.2019	Q1.2018
Cash spent for capital expenditures	\$ —	\$ —	\$ —

Segment Statistics

		Q4.2018	Q1.2019	Q1.2018
Net Sales (millions)	Real Estate	\$ 81	\$ 96	\$ 34
	Energy and Natural Resources	21	22	17
	Total	\$ 102	\$ 118	\$ 51
Acres Sold	Real Estate	31,833	38,834	21,771
Price per Acre	Real Estate	\$ 2,479	\$ 2,424	\$ 1,539
Basis as a Percent of Real Estate Net Sales	Real Estate	54%	50%	35%

Segment Statement of Operations ⁽¹⁾

in millions	Q4.2018	Q1.2019	Q1.2018
Net sales	\$ 1,087	\$ 1,094	\$ 1,324
Costs of sales	1,003	967	1,020
Gross margin	84	127	304
Selling expenses	20	19	21
General and administrative expenses	33	35	34
Research and development expenses	1	—	—
Other operating costs (income), net	4	4	(21)
Operating income and Net contribution to earnings	\$ 26	\$ 69	\$ 270

⁽¹⁾ In January 2019, we changed the way we report our Canadian Forestlands operations, which are primarily operated to supply Weyerhaeuser's Canadian Wood Products manufacturing facilities. As a result, we will now record the minimal associated third-party log sales in the Wood Products segment. These transactions do not contribute any earnings to the Wood Products segment. We have conformed prior period presentation with the current period.

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

in millions	Q4.2018	Q1.2019	Q1.2018
Operating income	\$ 26	\$ 69	\$ 270
Depreciation, depletion and amortization	40	46	36
Special items	—	—	(20)
Adjusted EBITDA*	\$ 66	\$ 115	\$ 286

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

Segment Special Items Included in Net Contribution to Earnings (Pretax)

in millions	Q4.2018	Q1.2019	Q1.2018
Product remediation (charges) recoveries, net	\$ —	\$ —	\$ 20

Selected Segment Items

in millions	Q4.2018	Q1.2019	Q1.2018
Total decrease (increase) in working capital ⁽²⁾	\$ 83	\$ (155)	\$ (226)
Cash spent for capital expenditures	\$ (107)	\$ (30)	\$ (52)

⁽²⁾ Represents the change in prepaid assets, accounts receivable, accounts payable, accrued liabilities and inventory for the Wood Products segment.

Segment Statistics

in millions, except for third party sales realizations		Q4.2018	Q1.2019	Q1.2018
Structural Lumber (volumes presented in board feet)	Third party net sales	\$ 427	\$ 444	\$ 569
	Third party sales realizations	\$ 388	\$ 392	\$ 498
	Third party sales volumes ⁽³⁾	1,099	1,133	1,140
	Production volumes	1,095	1,145	1,160
Engineered Solid Section (volumes presented in cubic feet)	Third party net sales	\$ 121	\$ 116	\$ 129
	Third party sales realizations	\$ 2,139	\$ 2,218	\$ 2,088
	Third party sales volumes ⁽³⁾	5.7	5.2	6.2
	Production volumes	5.3	5.9	6.3
Engineered I-joists (volumes presented in lineal feet)	Third party net sales	\$ 75	\$ 70	\$ 78
	Third party sales realizations	\$ 1,696	\$ 1,709	\$ 1,585
	Third party sales volumes ⁽³⁾	44	41	49
	Production volumes	37	44	56
Oriented Strand Board (volumes presented in square feet 3/8")	Third party net sales	\$ 167	\$ 160	\$ 232
	Third party sales realizations	\$ 252	\$ 223	\$ 314
	Third party sales volumes ⁽³⁾	665	717	739
	Production volumes	691	729	734
Softwood Plywood (volumes presented in square feet 3/8")	Third party net sales	\$ 42	\$ 44	\$ 50
	Third party sales realizations	\$ 396	\$ 383	\$ 438
	Third party sales volumes ⁽³⁾	104	115	115
	Production volumes	96	98	97
Medium Density Fiberboard (volumes presented in square feet 3/4")	Third party net sales	\$ 39	\$ 38	\$ 43
	Third party sales realizations	\$ 835	\$ 846	\$ 839
	Third party sales volumes ⁽³⁾	47	44	51
	Production volumes	52	45	50

⁽³⁾ Volumes include sales of internally produced products and products purchased for resale primarily through our distribution business.

Unallocated items are gains or charges not related to, or allocated to, an individual operating segment. They include all or a portion of items such as share-based compensation, pension and postretirement costs, elimination of intersegment profit in inventory and LIFO, foreign exchange transaction gains and losses, interest income and other as well as legacy obligations.

Contribution to Earnings

in millions	Q4.2018	Q1.2019	Q1.2018
Unallocated corporate function and variable compensation expense	\$ (28)	\$ (19)	\$ (18)
Liability classified share-based compensation	8	(4)	—
Foreign exchange gain (loss)	5	(3)	(2)
Elimination of intersegment profit in inventory and LIFO	24	(5)	(21)
Other	(8)	(39)	(39)
Operating income (loss)	1	(70)	(80)
Non-operating pension and other postretirement benefit costs	(218)	(470)	(24)
Interest income and other	23	10	12
Net contribution to earnings (loss)	\$ (194)	\$ (530)	\$ (92)

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

in millions	Q4.2018	Q1.2019	Q1.2018
Operating income (loss)	\$ 1	\$ (70)	\$ (80)
Depreciation, depletion and amortization	1	1	1
Special items	—	20	28
Adjusted EBITDA*	\$ 2	\$ (49)	\$ (51)

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

Unallocated Special Items Included in Net Contribution to Earnings (Pretax)

in millions	Q4.2018	Q1.2019	Q1.2018
Environmental remediation insurance charge	\$ —	\$ —	\$ (28)
Legal charge	—	(20)	—
Special items included in operating income (loss)	—	(20)	(28)
Pension settlement charges ⁽¹⁾	(200)	(455)	—
Gain on sale of nonstrategic assets	13	—	—
Special items included in net contribution to earnings (loss)	\$ (187)	\$ (475)	\$ (28)

⁽¹⁾ First quarter 2019 includes a noncash pension settlement charge related to the transfer of pension assets and liabilities through the purchase of a group annuity contract. Fourth quarter 2018 includes a noncash pension settlement charge related to a lump sum offer for our U.S. qualified pension plan.

Unallocated Selected Items

in millions	Q4.2018	Q1.2019	Q1.2018
Cash spent for capital expenditures	\$ (2)	\$ (3)	\$ (1)