

# WEYERHAEUSER

## EARNINGS RESULTS



1ST QUARTER 2018 | April 27, 2018



# 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, cash flow, adjusted EBITDA, production, performance, real estate sales volumes, operating expense, sales realizations and volumes, harvest volumes, operating rates and operational excellence targets. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. 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; 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 for the year ended December 31, 2017. 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.

Adjusted EBITDA, as we define it, is operating income adjusted for depreciation, depletion, amortization, basis of real estate sold, unallocated pension service costs and special items. Adjusted EBITDA excludes results from joint ventures.



# 2018 Q1 CONSOLIDATED RESULTS

Chart 1

\$ Millions	2017		2018
	Q4	Q1	Change
<b>Adjusted EBITDA</b>			
Timberlands	\$ 252	\$ 268	\$ 16
Real Estate, Energy & Natural Resources	87	41	(46)
Wood Products	258	286	28
Unallocated Items	(46)	(51)	(5)
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 551</b>	<b>\$ 544</b>	<b>\$ (7)</b>
Contribution to Earnings Before Special Items	\$ 384	\$ 400	\$ 16

1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 16**.
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) credits; and interest income and other. Interest income and other includes approximately \$8 million of income from SPE investments for each quarter presented.
3. Interest expense is net of capitalized interest and includes approximately \$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 2**. Income taxes attributable to special items are included in Special items, after-tax.

\$ Millions EXCEPT EPS	2017	2018
	Q4	Q1
<b>Consolidated Statement of Operations Before Special Items</b>		
<b>Net sales</b>	<b>\$ 1,823</b>	<b>\$ 1,865</b>
Cost of products sold	1,316	1,348
Gross margin	507	517
SG&A expenses	93	101
Other (income) expense, net <sup>2</sup>	30	16
<b>Total Contribution to Earnings Before Special Items</b>	<b>\$ 384</b>	<b>\$ 400</b>
Interest expense, net <sup>3</sup>	(96)	(93)
Income taxes <sup>4</sup>	(54)	(32)
<b>Net Earnings Before Special Items<sup>4</sup></b>	<b>\$ 234</b>	<b>\$ 275</b>
Special items, after-tax <sup>4</sup>	37	(6)
<b>Net Earnings</b>	<b>\$ 271</b>	<b>\$ 269</b>
<b>Diluted EPS Before Special Items<sup>4</sup></b>	<b>\$ 0.31</b>	<b>\$ 0.36</b>
<b>Diluted EPS</b>	<b>\$ 0.36</b>	<b>\$ 0.35</b>



# EARNINGS BEFORE SPECIAL ITEMS

Chart 2

\$ Millions EXCEPT EPS	2017 Q4			2018 Q1		
	Pre-Tax Earnings	After-Tax Earnings	Diluted EPS	Pre-Tax Earnings	After-Tax Earnings	Diluted EPS
<b>Earnings Before Special Items</b>	\$ 288	\$ 234	\$ 0.31	\$ 307	\$ 275	\$ 0.36
<b>Special Items:</b>						
Plum Creek merger and integration-related costs	(14)	(12)	(0.02)	—	—	—
Gain on sale of timberlands	99	99	0.14	—	—	—
Environmental remediation (charges) recoveries	42	26	0.03	(28)	(21)	(0.03)
Countervailing and antidumping duties (charges) credits <sup>1</sup>	9	7	0.01	—	—	—
Product remediation (charges) recoveries	(50)	(31)	(0.04)	20	15	0.02
Tax adjustments, including enactment of tax legislation	—	(52)	(0.07)	—	—	—
<b>Total Special Items</b>	<b>86</b>	<b>37</b>	<b>0.05</b>	<b>(8)</b>	<b>(6)</b>	<b>(0.01)</b>
<b>Earnings Including Special Items (GAAP)</b>	<b>\$ 374</b>	<b>\$ 271</b>	<b>\$ 0.36</b>	<b>\$ 299</b>	<b>\$ 269</b>	<b>\$ 0.35</b>

1. As of first quarter 2018, countervailing and anti-dumping duties are no longer reported as a special item.

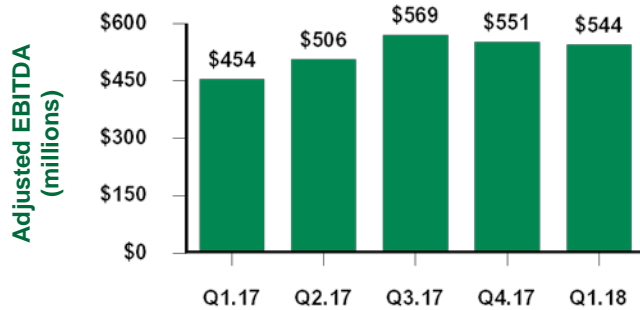




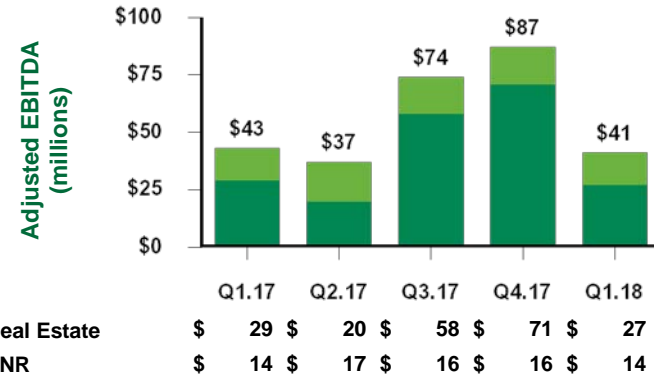
# ADJUSTED EBITDA<sup>1</sup>

Chart 3

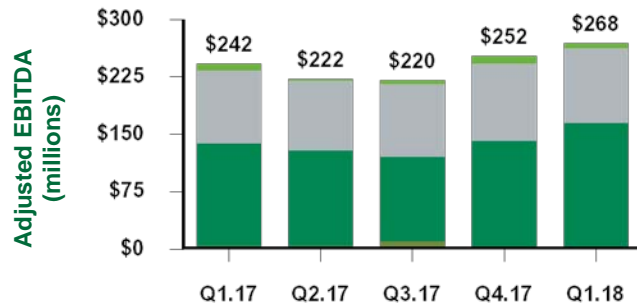
### Total Company<sup>2</sup>



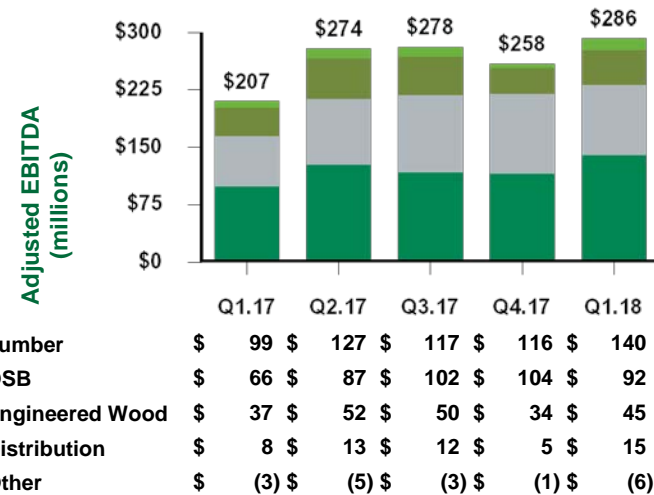
### Real Estate & ENR



### Timberlands



### Wood Products



	Q1.17	Q2.17	Q3.17	Q4.17	Q1.18
West	\$ 133	\$ 124	\$ 111	\$ 140	\$ 165
South	\$ 96	\$ 91	\$ 95	\$ 101	\$ 98
North	\$ 8	\$ 2	\$ 4	\$ 9	\$ 6
Other	\$ 5	\$ 5	\$ 10	\$ 2	\$(1)

	Q1.17	Q2.17	Q3.17	Q4.17	Q1.18
Lumber	\$ 99	\$ 127	\$ 117	\$ 116	\$ 140
OSB	\$ 66	\$ 87	\$ 102	\$ 104	\$ 92
Engineered Wood	\$ 37	\$ 52	\$ 50	\$ 34	\$ 45
Distribution	\$ 8	\$ 13	\$ 12	\$ 5	\$ 15
Other	\$ (3)	\$ (5)	\$ (3)	\$ (1)	\$(6)

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 and Natural Resources; Wood Products and Unallocated.



# TIMBERLANDS SEGMENT

Chart 4

TIMBERLANDS (\$ Millions) <sup>1</sup>	2017	2018
<b>Adjusted EBITDA by Region</b>	<b>Q4</b>	<b>Q1</b>
West	\$ 140	\$ 165
South	101	98
North	9	6
Other	2	(1)
<b>Total Adjusted EBITDA<sup>3</sup></b>	<b>\$ 252</b>	<b>\$ 268</b>

## 1st Quarter Notes

- Higher Western log sales realizations
- Slightly improved Southern realizations
- Seasonally lower Southern harvest volumes
- Reduced forestry expenses

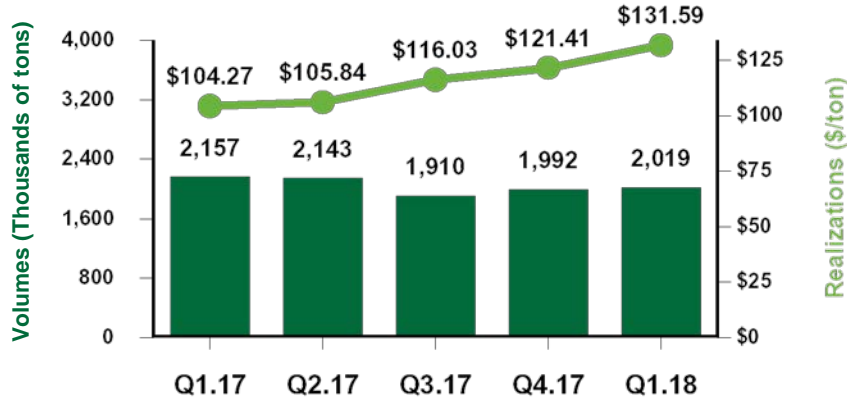
TIMBERLANDS (\$ Millions) <sup>1</sup>	2017	2018
<b>Segment Statement of Operations</b>	<b>Q4</b>	<b>Q1</b>
Third party sales	\$ 483	\$ 490
Intersegment sales	140	142
<b>Total Sales</b>	<b>623</b>	<b>632</b>
Cost of products sold	436	422
<b>Gross margin</b>	<b>187</b>	<b>210</b>
SG&A expenses	20	23
Other (income) expense, net <sup>2</sup>	1	(2)
<b>Contribution to Earnings Before Special Items</b>	<b>\$ 166</b>	<b>\$ 189</b>
Special items, pre-tax	99	—
<b>Contribution to Earnings</b>	<b>\$ 265</b>	<b>\$ 189</b>
<b>Adjusted EBITDA<sup>3</sup></b>	<b>\$ 252</b>	<b>\$ 268</b>
<b>Adjusted EBITDA Margin Percentage<sup>4</sup></b>	<b>40%</b>	<b>42%</b>
<b>Operating Margin Percentage<sup>5</sup></b>	<b>27%</b>	<b>30%</b>

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

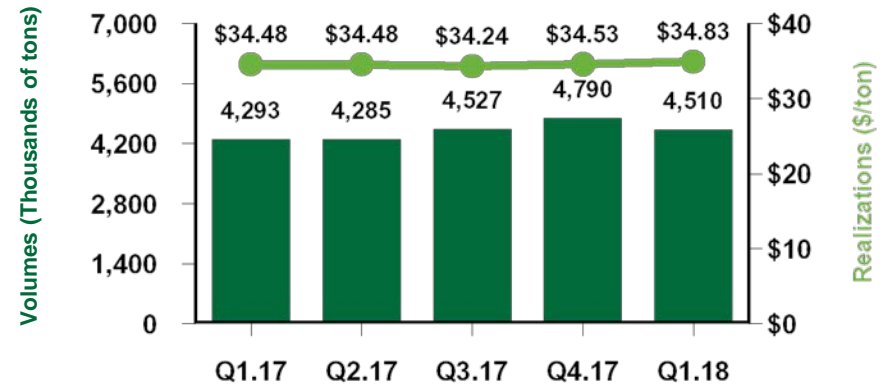


# SALES VOLUMES, REALIZATIONS AND EXPORT SALES

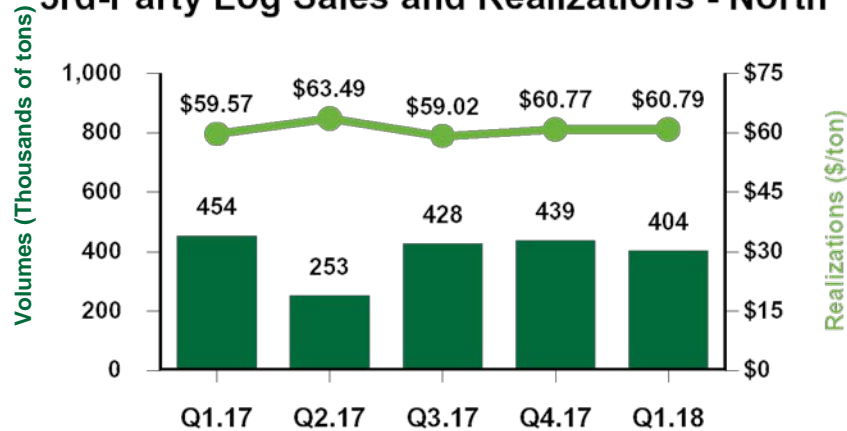
### 3rd-Party Log Sales and Realizations - West <sup>1</sup>



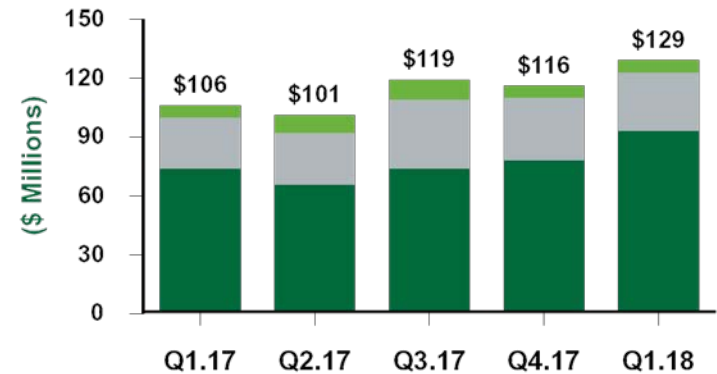
### 3rd-Party Log Sales and Realizations - South



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



### Western Export Log Revenue



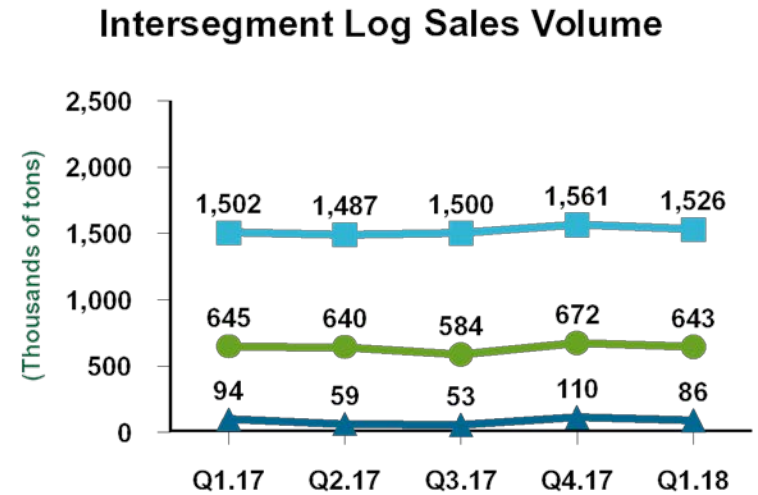
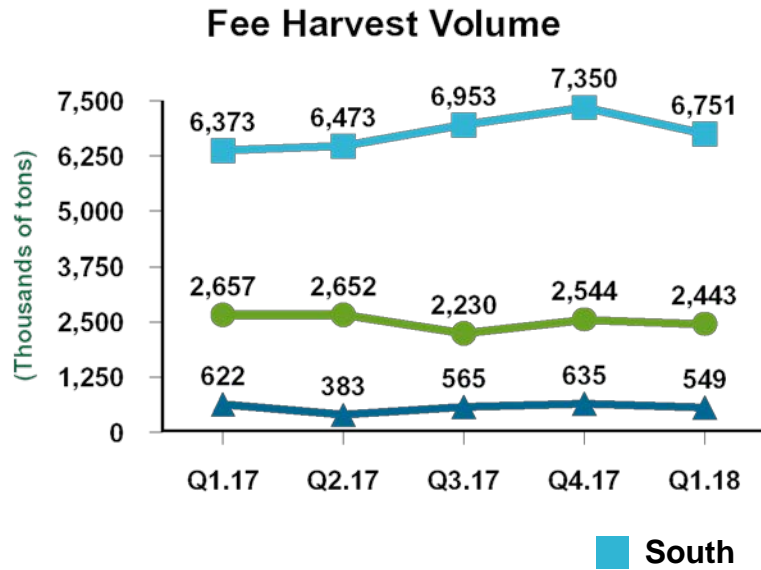
1. Western logs are primarily transacted in MBF but are converted to ton equivalents for external reporting purposes.

	Q1.17	Q2.17	Q3.17	Q4.17	Q1.18
<b>Japan</b>	70%	65%	62%	68%	72%
<b>China</b>	24%	26%	29%	27%	23%
<b>Korea</b>	6%	9%	9%	5%	5%



# FEE HARVEST VOLUMES AND INTERSEGMENT SALES VOLUMES

Chart 6





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

Chart 7

Real Estate & ENR (\$ Millions)	2017	2018
Adjusted EBITDA by Business	Q4	Q1
Real Estate	\$ 71	\$ 27
Energy & Natural Resources	16	14
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 87</b>	<b>\$ 41</b>

## 1st Quarter Notes

- Seasonal decline in acres sold
- Lower average price per acre due to mix

Real Estate & ENR (\$ Millions)	2017	2018
Segment Statement of Operations	Q4	Q1
<b>Total sales</b>	<b>\$ 100</b>	<b>\$ 51</b>
Cost of products sold	43	19
<b>Gross margin</b>	<b>57</b>	<b>32</b>
SG&A expenses	6	7
Other operating costs (income), net	1	—
<b>Contribution to Earnings</b>	<b>\$ 50</b>	<b>\$ 25</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 87</b>	<b>\$ 41</b>

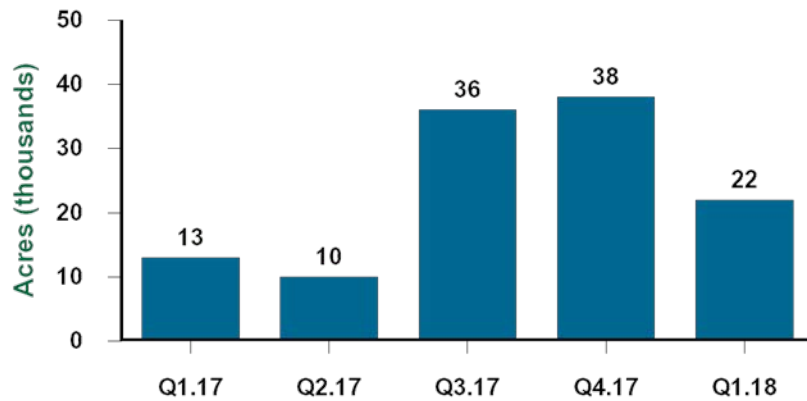
1. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 18**.



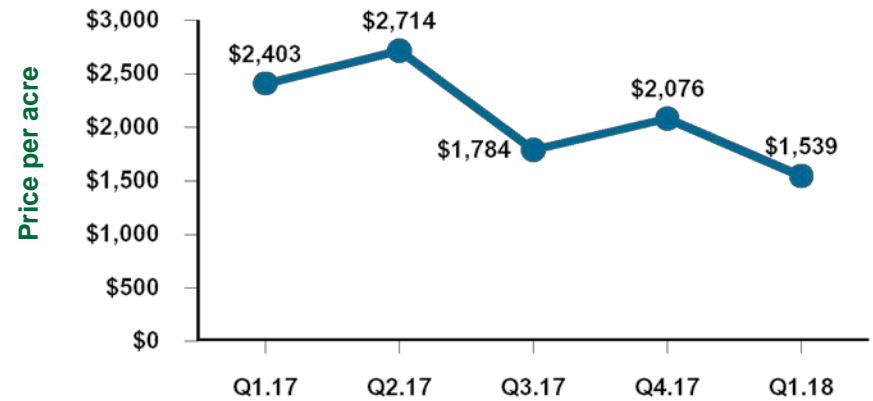
# REAL ESTATE, ENERGY & NATURAL RESOURCES (ENR) SEGMENT

Chart 8

### Acreage Sold



### Price per Acre



# WOOD PRODUCTS SEGMENT

Chart 9

WOOD PRODUCTS (\$ Millions)	2017	2018
Adjusted EBITDA by Business	Q4	Q1
Lumber	\$ 116	\$ 140
OSB	104	92
Engineered Wood Products	34	45
Distribution	5	15
Other	(1)	(6)
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 258</b>	<b>\$ 286</b>

## 1st Quarter Notes

- Increased sales volumes across most product lines
- Higher sales realizations for lumber and engineered wood products
- Lower sales realizations for OSB
- Higher Western log costs
- Improved operating rates
- Lumber Adjusted EBITDA includes \$5 million charge for CVD-AD duties<sup>5</sup>

WOOD PRODUCTS (\$ Millions)	2017	2018
Segment Statement of Operations	Q4	Q1
<b>Total sales</b>	<b>\$1,228</b>	<b>\$ 1,309</b>
Cost of products sold	947	1,005
<b>Gross margin</b>	<b>281</b>	<b>304</b>
SG&A expenses	52	55
Other (income) expense, net <sup>2</sup>	8	(1)
<b>Contribution to Earnings Before Special Items</b>	<b>\$ 221</b>	<b>\$ 250</b>
Special items, pre-tax	(41)	20
<b>Contribution to Earnings</b>	<b>\$ 180</b>	<b>\$ 270</b>
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 258</b>	<b>\$ 286</b>
<b>Adjusted EBITDA Margin Percentage<sup>3</sup></b>	<b>21%</b>	<b>22%</b>
<b>Operating Margin Percentage<sup>4</sup></b>	<b>18%</b>	<b>19%</b>

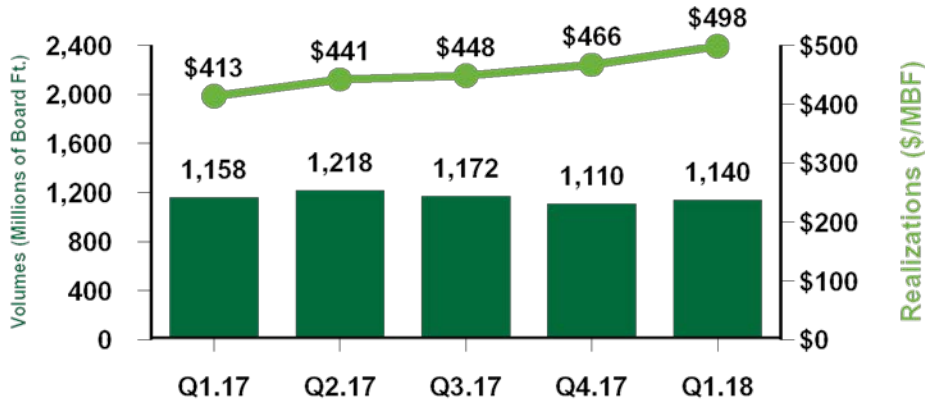
1. Adjusted EBITDA for Wood Products businesses include earnings on internal sales, primarily from the manufacturing businesses to Distribution. These sales occur at market price. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 19**.
2. Other (income) expense, net includes: R&D expenses; 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 before special items divided by total sales.
5. 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%.



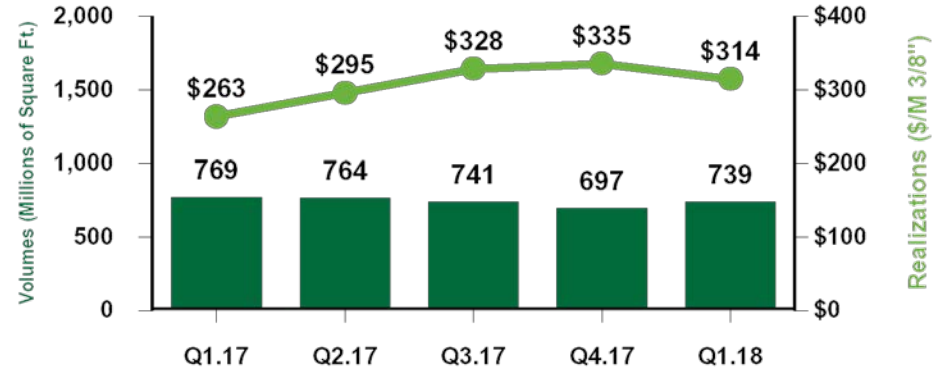
# 3<sup>RD</sup>-PARTY SALES VOLUMES AND REALIZATIONS<sup>1</sup>

Chart 10

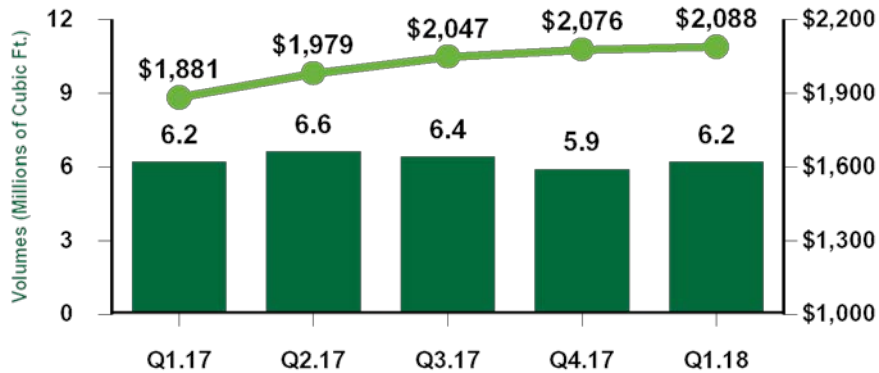
## Lumber



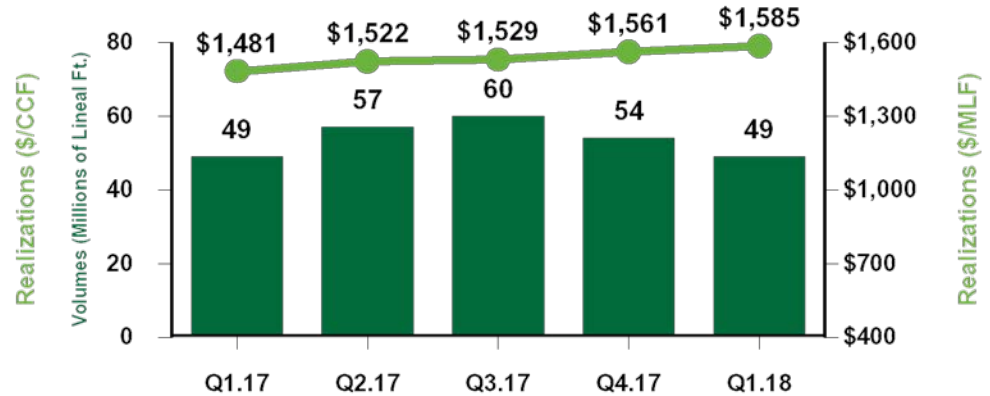
## OSB



## Engineered Wood - Solid Section



## Engineered Wood - TJs



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



# UNALLOCATED ITEMS

Chart 11

UNALLOCATED ITEMS (\$ Millions) <sup>1</sup>	2017		2018	
		Q4		Q1
Unallocated corporate function expenses and variable compensation expense	\$	(18)	\$	(18)
Liability classified share-based compensation		(2)		—
Foreign exchange gains (losses)		1		(2)
Elimination of intersegment profit in inventory and LIFO		(14)		(21)
Non-operating pension and other postretirement benefit (costs) credits		(16)		(24)
Other, including interest income		(4)		1
<b>Contribution to Earnings Before Special Items</b>	<b>\$</b>	<b>(53)</b>	<b>\$</b>	<b>(64)</b>
Special items, pre-tax		28		(28)
<b>Contribution to Earnings</b>	<b>\$</b>	<b>(25)</b>	<b>\$</b>	<b>(92)</b>
<b>Adjusted EBITDA<sup>4</sup></b>	<b>\$</b>	<b>(46)</b>	<b>\$</b>	<b>(51)</b>

UNALLOCATED ITEMS (\$ Millions)	2017		2018	
		Q4		Q1
<b>By Natural Expense</b>				
Cost of products sold <sup>2</sup>		(17)		(29)
G&A expenses <sup>3</sup>		(16)		(15)
Other income (expense), net		(20)		(20)
<b>Contribution to Earnings Before Special Items</b>	<b>\$</b>	<b>(53)</b>	<b>\$</b>	<b>(64)</b>
Special items, pre-tax		28		(28)
<b>Contribution to Earnings</b>	<b>\$</b>	<b>(25)</b>	<b>\$</b>	<b>(92)</b>

1. Unallocated items are gains or charges not related to or allocated to an individual operating segment.
2. Cost of products sold is composed primarily of elimination of intersegment profit in inventory and LIFO, and incentive compensation.
3. G&A expense is comprised primarily of share-based compensation; pension service costs; corporate function expenses, and incentive compensation.
4. Our definition of Adjusted EBITDA and a reconciliation to GAAP are set forth on **Chart 20**.





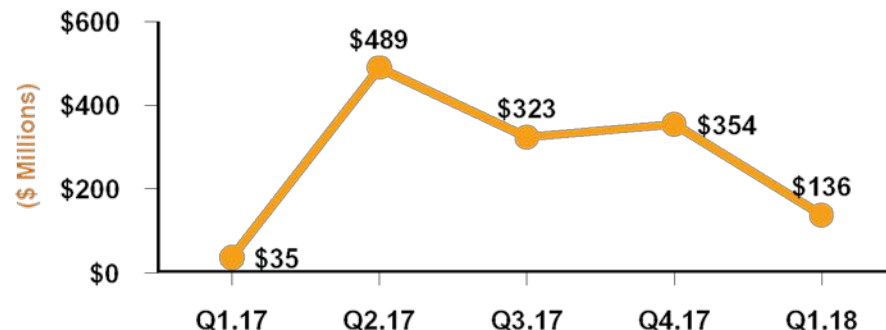
KEY FINANCIAL METRICS (\$ Millions)	2017 Q4	2018 Q1
Ending Cash Balance	\$ 824	\$ 598
Long-Term Debt <sup>1</sup>	\$ 5,992	\$ 5,928
Net Debt to Adjusted EBITDA (LTM) <sup>2</sup>	2.5	2.5
Net Debt to Enterprise Value <sup>3</sup>	16%	17%

## Scheduled Debt Maturities as of March 31, 2018

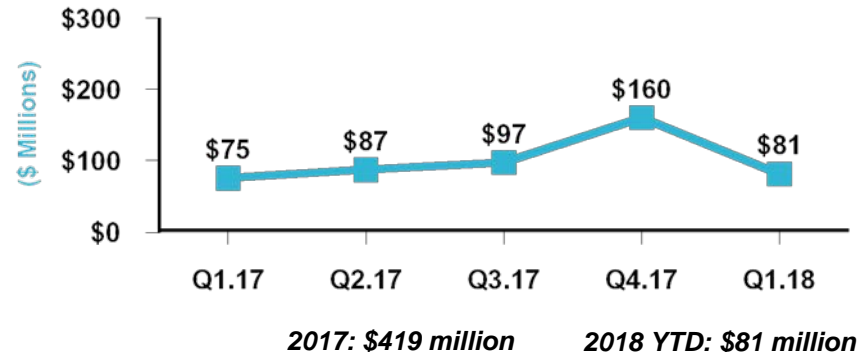
(\$ Millions)	2018	2019	2020	2021	2022
Debt Maturities	\$—	\$500	\$—	\$719	\$—

1. Long-Term Debt includes \$62 million for the current portion of long-term debt in fourth quarter 2017.
2. LTM = last twelve months. A reconciliation to GAAP is set forth on **Chart 21**.
3. Long-term debt, net of cash and equivalents, divided by enterprise value. Enterprise value is defined as long term debt, net of cash and equivalents, plus market capitalization as of the end of the quarter.

## Cash Flow from Operations



## Capital Expenditures



# OUTLOOK: 2018 Q2 vs. 2018 Q1

Chart 13

SEGMENT	COMMENTS
TIMBERLANDS	<ul style="list-style-type: none"><li>• Slightly higher Western log sales realizations</li><li>• Comparable Southern log sales realizations</li><li>• Seasonally higher unit logging costs and increased road and forestry costs</li><li>• Expect earnings and Adjusted EBITDA will be significantly higher than 2017 Q2, but lower than 2018 Q1</li></ul>
REAL ESTATE, ENERGY & NATURAL RESOURCES	<ul style="list-style-type: none"><li>• Expect second quarter earnings and Adjusted EBITDA to be comparable to 2018 Q1</li><li>• Anticipate full year Adjusted EBITDA of approximately \$250 million</li></ul>
WOOD PRODUCTS	<ul style="list-style-type: none"><li>• Seasonally higher sales volumes and improved operating rates</li><li>• Higher average sales realizations for lumber, OSB and engineered wood products</li><li>• Higher Western log costs</li><li>• Expect significantly higher earnings before special items and Adjusted EBITDA compared to 2018 Q1</li></ul>



# EARNINGS SUMMARY

Chart 14

\$ Millions EXCEPT EPS	2017				2018
	Q1	Q2	Q3	Q4	Q1
<b>Adjusted EBITDA by Segment</b>					
Timberlands	\$ 242	\$ 222	\$ 220	\$ 252	\$ 268
Real Estate, Energy & Natural Resources	43	37	74	87	41
Wood Products	207	274	278	258	286
Unallocated Items	(38)	(27)	(3)	(46)	(51)
<b>Total Adjusted EBITDA<sup>1</sup></b>	<b>\$ 454</b>	<b>\$ 506</b>	<b>\$ 569</b>	<b>\$ 551</b>	<b>\$ 544</b>
DD&A, basis of real estate sold, non-operating pension and postretirement costs, equity earnings/loss from joint ventures, and interest income and other	(162)	(138)	(161)	(167)	(144)
<b>Total Contribution to Earnings before Special Items</b>	<b>\$ 292</b>	<b>\$ 368</b>	<b>\$ 408</b>	<b>\$ 384</b>	<b>\$ 400</b>
Interest expense, net <sup>2</sup>	(99)	(100)	(98)	(96)	(93)
Income taxes	(26)	(56)	(51)	(54)	(32)
<b>Net Earnings from before Special Items<sup>4</sup></b>	<b>\$ 167</b>	<b>\$ 212</b>	<b>\$ 259</b>	<b>\$ 234</b>	<b>\$ 275</b>
Special items, after-tax <sup>3</sup>	(10)	(188)	(129)	37	(6)
<b>Net Earnings</b>	<b>\$ 157</b>	<b>\$ 24</b>	<b>\$ 130</b>	<b>\$ 271</b>	<b>\$ 269</b>
<b>Diluted EPS Before Special Items<sup>4</sup></b>	<b>\$ 0.22</b>	<b>\$ 0.28</b>	<b>\$ 0.34</b>	<b>\$ 0.31</b>	<b>\$ 0.36</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>

1. See **Chart 16** for our definition of Adjusted EBITDA.

2. Interest expense is net of capitalized interest and includes approximately \$7 million of expense on special purpose entity (SPE) notes for each quarter presented.

3. Income taxes attributable to special items are included in Special items, after-tax.

4. A reconciliation to GAAP EPS is set forth on **Chart 15**.



# EARNINGS PER SHARE RECONCILIATION

Chart 15

\$ Millions EXCEPT EPS	2017				2018
	Q1	Q2	Q3	Q4	Q1
<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>
Special Items:					
Plum Creek merger and integration-related costs	(0.01)	—	—	(0.02)	—
Restructurings, impairments, and other charges	—	(0.20)	(0.01)	—	—
Gain on sale of timberlands	—	—	—	0.14	—
Environmental remediation (charges) recoveries	—	—	—	0.03	(0.03)
Countervailing and antidumping duties (charges) credits <sup>1</sup>	—	(0.01)	(0.01)	0.01	—
Product remediation (charges) recoveries	—	(0.04)	(0.15)	(0.04)	0.02
Tax adjustments, including enactment of tax legislation	—	—	—	(0.07)	—
<b>Diluted EPS (GAAP)</b>	<b>\$ 0.21</b>	<b>\$ 0.03</b>	<b>\$ 0.17</b>	<b>\$ 0.36</b>	<b>\$ 0.35</b>

1. As of first quarter 2018, countervailing and anti-dumping duties are no longer reported as a special item.



# ADJUSTED EBITDA RECONCILIATION BY SEGMENT

Chart 16

\$ Millions	2017				2018
	Q1	Q2	Q3	Q4	Q1
Timberlands	\$ 242	\$ 222	\$ 220	\$ 252	\$ 268
Real Estate & ENR	43	37	74	87	41
Wood Products	207	274	278	258	286
Unallocated Items	(38)	(27)	(3)	(46)	(51)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 454</b>	<b>\$ 506</b>	<b>\$ 569</b>	<b>\$ 551</b>	<b>\$ 544</b>
Depletion, depreciation & amortization	(133)	(129)	(132)	(127)	(120)
Basis of real estate sold	(14)	(10)	(24)	(33)	(12)
Unallocated pension service costs	(2)	—	(1)	(1)	—
Special items in operating income	(12)	(210)	(207)	86	(8)
<b>Operating Income (GAAP)</b>	<b>\$ 293</b>	<b>\$ 157</b>	<b>\$ 205</b>	<b>\$ 476</b>	<b>\$ 404</b>
Non-operating pension and other postretirement benefit (costs) credits	(22)	(8)	(16)	(16)	(24)
Interest income and other	9	9	12	10	12
<b>Net Contribution to Earnings</b>	<b>\$ 280</b>	<b>\$ 158</b>	<b>\$ 201</b>	<b>\$ 470</b>	<b>\$ 392</b>
Interest expense, net	(99)	(100)	(98)	(96)	(93)
Income taxes <sup>2</sup>	(24)	(34)	27	(103)	(30)
<b>Net Earnings (GAAP)</b>	<b>\$ 157</b>	<b>\$ 24</b>	<b>\$ 130</b>	<b>\$ 271</b>	<b>\$ 269</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 excludes results from joint ventures. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.
- 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	2017				2018
	Q1	Q2	Q3	Q4	Q1
West	\$ 133	\$ 124	\$ 111	\$ 140	\$ 165
South	96	91	95	101	98
North	8	2	4	9	6
Other	5	5	10	2	(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>
West	(31)	(29)	(26)	(28)	(29)
South	(45)	(43)	(49)	(51)	(45)
North	(5)	(3)	(4)	(5)	(4)
Other	(13)	(12)	(10)	(2)	(1)
Total depletion, depreciation, and amortization	\$ (94)	\$ (87)	\$ (89)	\$ (86)	\$ (79)
Special items	—	(147)	—	99	—
<b>Operating Income and Net Contribution to Earnings (GAAP)</b>	<b>\$ 148</b>	<b>\$ (12)</b>	<b>\$ 131</b>	<b>\$ 265</b>	<b>\$ 189</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 excludes results from joint ventures. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.



# ADJUSTED EBITDA RECONCILIATION: REAL ESTATE, ENERGY AND NATURAL RESOURCES

Chart 18

\$ Millions	2017				2018
	Q1	Q2	Q3	Q4	Q1
Real Estate	\$ 29	\$ 20	\$ 58	\$ 71	\$ 27
Energy & Natural Resources	14	17	16	16	14
<b>Total Real Estate, Energy &amp; Natural Resources Adjusted EBITDA<sup>1</sup></b>	<b>\$ 43</b>	<b>\$ 37</b>	<b>\$ 74</b>	<b>\$ 87</b>	<b>\$ 41</b>
Depletion, depreciation & amortization	(3)	(4)	(4)	(4)	(4)
Basis of real estate sold	(14)	(10)	(24)	(33)	(12)
Special items	—	—	—	—	—
<b>Operating Income (GAAP)</b>	<b>\$ 26</b>	<b>\$ 23</b>	<b>\$ 46</b>	<b>\$ 50</b>	<b>\$ 25</b>
Interest income and other	—	—	1	—	—
<b>Net Contribution to Earnings (GAAP)</b>	<b>\$ 26</b>	<b>\$ 23</b>	<b>\$ 47</b>	<b>\$ 50</b>	<b>\$ 25</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 excludes results from joint ventures. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.



# ADJUSTED EBITDA RECONCILIATION: WOOD PRODUCTS

Chart 19

\$ Millions	2017				2018
	Q1	Q2	Q3	Q4	Q1
Lumber <sup>1</sup>	\$ 99	\$ 127	\$ 117	\$ 116	\$ 140
OSB	66	87	102	104	92
EWP	37	52	50	34	45
Distribution	8	13	12	5	15
Other	(3)	(5)	(3)	(1)	(6)
<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>
Lumber	(15)	(17)	(17)	(18)	(18)
OSB	(7)	(7)	(8)	(7)	(8)
EWP	(12)	(11)	(12)	(11)	(10)
Distribution	(1)	(1)	—	(1)	—
Other	—	—	—	—	—
Total depletion, depreciation and amortization	\$ (35)	\$ (36)	\$ (37)	\$ (37)	\$ (36)
Special items <sup>1</sup>	—	(61)	(201)	(41)	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>

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 excludes results from joint ventures. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.
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 20

\$ Millions	2017				2018
	Q1	Q2	Q3	Q4	Q1
<b>Total Unallocated Adjusted EBITDA<sup>1</sup></b>	\$ (38)	\$ (27)	\$ (3)	\$ (46)	\$ (51)
Total depletion, depreciation, and amortization	(1)	(2)	(2)	—	(1)
Unallocated pension service costs	(2)	—	(1)	(1)	—
Special items	(12)	(2)	(6)	28	(28)
<b>Operating Income (GAAP)</b>	<b>\$ (53)</b>	<b>\$ (31)</b>	<b>\$ (12)</b>	<b>\$ (19)</b>	<b>\$ (80)</b>
Non-operating pension and other retirement income	(22)	(8)	(16)	(16)	(24)
Interest income and other	9	9	11	10	12
<b>Operating Income and Net Contribution to Earnings (GAAP)</b>	<b>\$ (66)</b>	<b>\$ (30)</b>	<b>\$ (17)</b>	<b>\$ (25)</b>	<b>\$ (92)</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 excludes results from joint ventures. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.



# NET DEBT TO ADJUSTED EBITDA RECONCILIATION

Chart 21

\$ MILLIONS	2017		2018	
	Q4		Q1	
<b>Net Debt to Adjusted EBITDA (LTM)<sup>1,2</sup></b>	<b>2.5</b>		<b>2.5</b>	
Long-Term Debt	\$	5,992	\$	5,928
Less: Cash and Cash Equivalents		824		598
<b>Net Debt</b>	<b>\$</b>	<b>5,168</b>	<b>\$</b>	<b>5,330</b>
<b>Adjusted EBITDA (LTM)<sup>2</sup></b>	<b>\$</b>	<b>2,080</b>	<b>\$</b>	<b>2,170</b>
Depletion, depreciation & amortization		(521)		(508)
Basis of real estate sold		(81)		(79)
Unallocated pension service costs		(4)		(2)
Special Items in operating income		(343)		(339)
<b>Operating Income (LTM) (GAAP)</b>	<b>\$</b>	<b>1,131</b>	<b>\$</b>	<b>1,242</b>
Non-operating pension and other post-retirement benefit costs		(62)		(64)
Interest income and other		40		43
<b>Net Contribution to Earnings (LTM)</b>	<b>\$</b>	<b>1,109</b>	<b>\$</b>	<b>1,221</b>
Interest expense, net of capitalized interest		(393)		(387)
Income taxes <sup>3</sup>		(134)		(140)
<b>Net Earnings (LTM) (GAAP)</b>	<b>\$</b>	<b>582</b>	<b>\$</b>	<b>694</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 divided by the last twelve months of Adjusted EBITDA. See **Chart 16** for our definition of Adjusted EBITDA.
3. The income tax effects of special items can be found in a reconciliation set forth in **Chart 2**.

