



# Earnings Release

## 3rd Quarter — 2008

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Weyerhaeuser Company  
October 31, 2008

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# Forward-looking Statement

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. These statements are based on various assumptions and may not be accurate because of risks and uncertainties surrounding these assumptions. Factors listed below, as well as other factors, may cause actual results to differ significantly from these forward-looking statements. There is no guarantee that any of the events anticipated by these forward-looking statements will occur. If any of the events occur, there is no guarantee what effect they will have on company operations or financial condition. The company will not update these forward-looking statements after the date of this news release.

Some forward-looking statements discuss the company's plans, strategies and intentions. They use words such as "expects," "may," "will," "believes," "should," "approximately," "anticipates," "estimates," and "plans." In addition, these words may use the positive or negative or other variations of those terms.

This release contains forward-looking statements regarding the company's expectations during the fourth quarter of 2008 regarding: the company's markets, earnings and performance of the company's business segments, continued declines in homebuilding starts, lower timberland harvest levels, decreasing pricing and volumes for the company's wood products, lower pulp prices, lower average sales price realizations for home sales and related matters. The major risks, uncertainties and assumptions that affect the company's businesses and may cause actual results to differ from these forward-looking statements, include, but are not limited to:

- The effect of general economic conditions, including housing starts, the level of interest rates and employment rates;
- Market demand for the company's products, which may be tied to the relative strength of various U.S. business segments and economic conditions;
- Performance of the company's manufacturing operations, including unexpected maintenance requirements;
- The successful execution of internal performance plans and cost reduction initiatives;
- The level of competition from domestic and foreign producers;
- The effect of forestry, land use, environmental and other governmental regulations, and changes in accounting regulations;
- The effect of weather;
- The risk of loss from fires, floods, windstorms, hurricanes, pest infestation and other natural disasters;
- Energy prices;
- Raw material prices;
- Chemical prices;
- Transportation costs;
- Legal proceedings;
- The effect of timing of retirements and changes in the market price of company stock on charges for stock-based compensation; and
- Performance of pension fund investments and related derivatives.

The company also is a large exporter and is affected by changes in economic activity in Europe and Asia, particularly Japan. It also is affected by changes in currency exchange rates, particularly the relative value of the U.S. dollar to the Euro and the Canadian dollar. Restrictions on international trade or tariffs imposed on imports also may affect the company.

# *Statements Relating to Non-GAAP Financial Measures*

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- During the course of this presentation, certain non-U.S. GAAP financial information will be presented. A reconciliation of those numbers to U.S. GAAP financial measures is included in this presentation which is available on the company's website at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)

# 2008 Q3 Consolidated Results

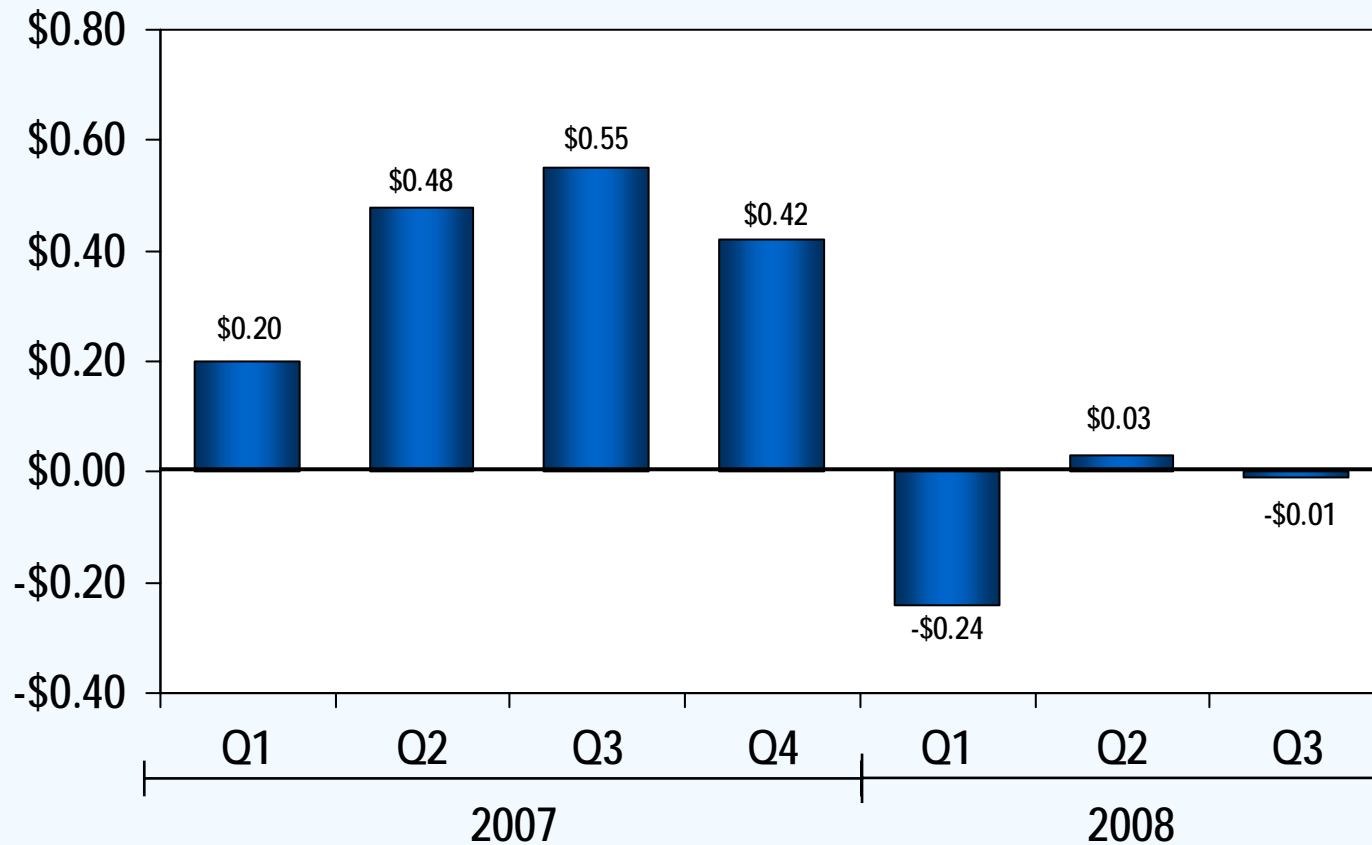
	<u>2008 Q3</u>
Revenues (\$ Millions)	\$2,621
Net Earnings before Special Items (\$ Millions) 1.	(\$3)
Diluted Earnings Per Share before Special Items 1.	(\$0.01)

\$ Millions except EPS	2008	2008
	Q2	Q3
Contribution to Pre-Tax Earnings before Special Items		
Timberlands 2.	\$102	\$107
Wood Products	(131)	(109)
Cellulose Fibers	43	78
Containerboard, Packaging & Recycling 3.	109	8
Real Estate	(26)	(84)
Corporate and Other 2.	17	17
<b>Total Contribution to Pre-Tax Earnings before Special Items</b>	<b>\$114</b>	<b>\$17</b>
Special Items	(254)	1,085
<b>Total Contribution to Pre-Tax Earnings</b>	<b>(\$140)</b>	<b>\$1,102</b>
Interest Expense, net	(106)	(116)
Income Taxes	150	(706)
<b>Net Income</b>	<b>(\$96)</b>	<b>\$280</b>
<b>Diluted EPS</b>	<b>(\$0.45)</b>	<b>\$1.33</b>
<b>Diluted EPS before Special Items 1.</b>	<b>\$0.03</b>	<b>(\$0.01)</b>

1. A reconciliation to GAAP is set forth on Chart 3 and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)
2. Weyerhaeuser's continuing international operations outside of North America, previously reported in the Corporate and Other segment, are now reported as part of the Timberlands segment.
3. Containerboard, Packaging & Recycling is discontinued operations as of March 15, 2008.

# Diluted EPS Before Special Items

A reconciliation to GAAP EPS is available on Chart 3 and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)

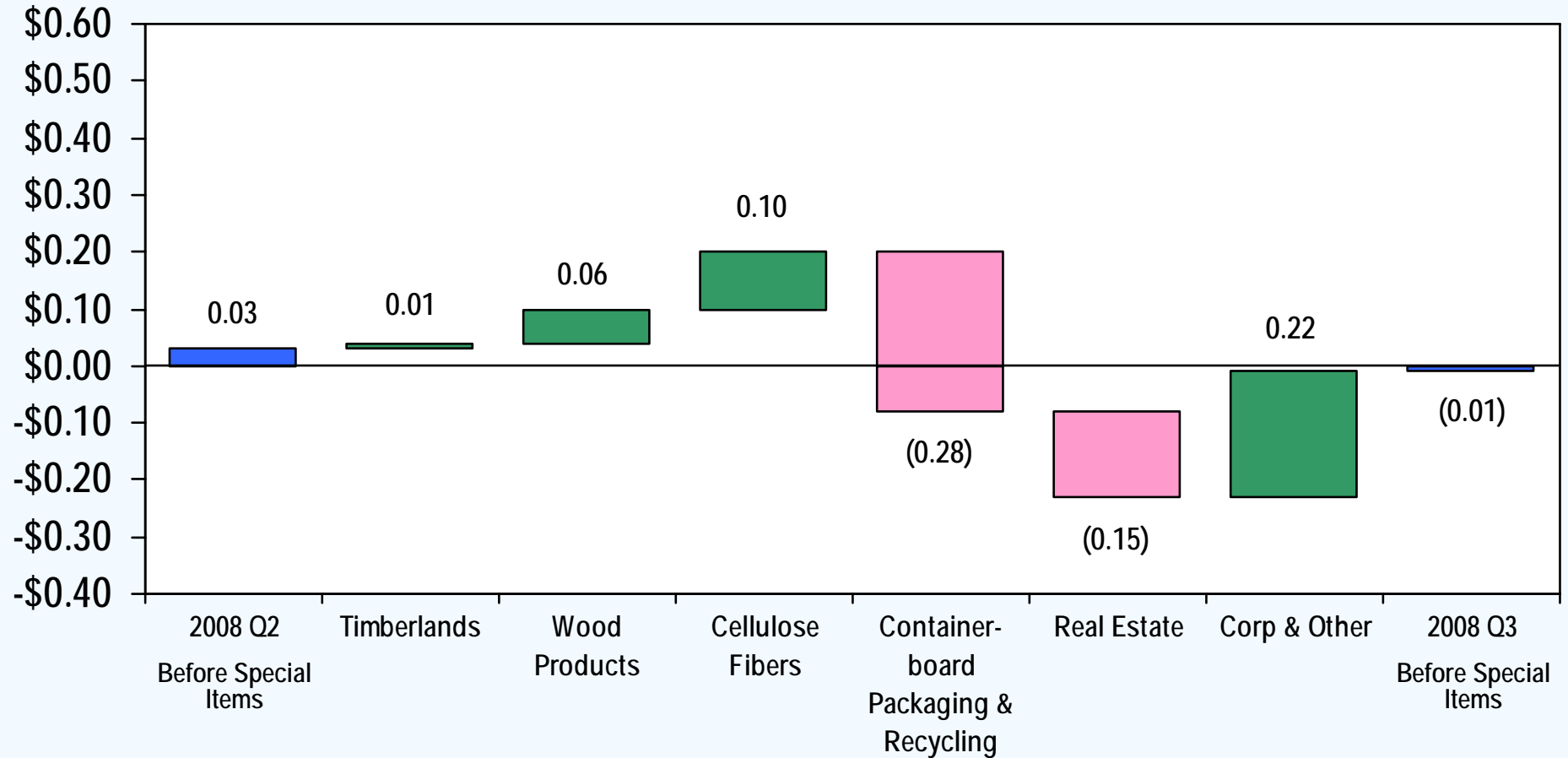


# Reconciliation to GAAP

\$ Millions except EPS	Diluted EPS		Net Earnings	
	2008	2008	2008	2008
	Q2	Q3	Q2	Q3
Diluted EPS / Net Earnings before Special Items	\$0.03	(\$0.01)	\$7	(\$3)
Sale of Containerboard, Packaging & Recycling Operations	(0.00)	1.44	0	303
Sale of Australian Operations	(0.00)	0.75	0	158
Impairments and Reserves for Real Estate Assets	(0.98)	(0.69)	(206)	(144)
Closures and Impairment of Weyerhaeuser Assets	(0.09)	(0.11)	(20)	(24)
Restructuring Charges	(0.11)	(0.05)	(24)	(10)
Ownership Restructuring of Uruguay Assets	0.48	0.00	101	0
Changes to Post-Retirement Benefits	0.15	0.00	32	0
Release of Tax Liabilities	0.07	0.00	14	0
Diluted EPS / Net Earnings (GAAP)	<u>(\$0.45)</u>	<u>\$1.33</u>	<u>(\$96)</u>	<u>\$280</u>

# Changes in Earnings per Share by Segment

\$ per Share Before Special Items<sup>1</sup>.



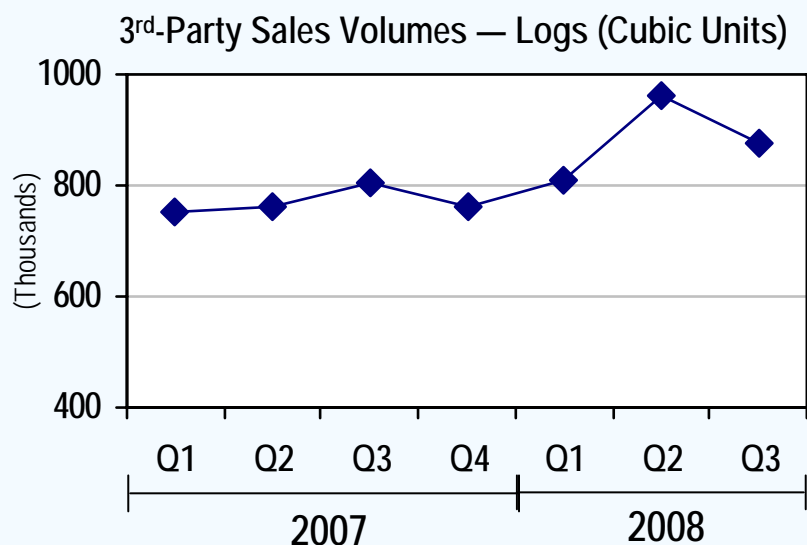
1. A reconciliation before Special Items to GAAP can be found on Chart 3 and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)

# Segment Highlights — Timberlands

<u>Timberlands</u> (\$ Millions)	<u>2008 Q2</u>	<u>2008 Q3</u>
Revenues	\$224	\$254
Contribution to Pre-Tax Earnings	\$103	\$107

## 3rd Quarter Highlights

- Higher oil and gas revenues
- Increase in sales of non-strategic timberlands
- Lower domestic log prices
- Seasonal decline in fee harvest volumes
- Included losses related to international operations of approximately \$6 million



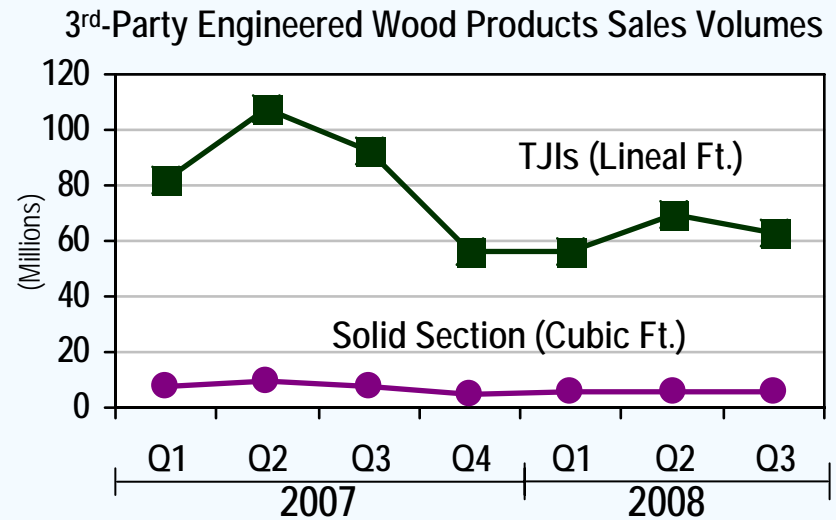
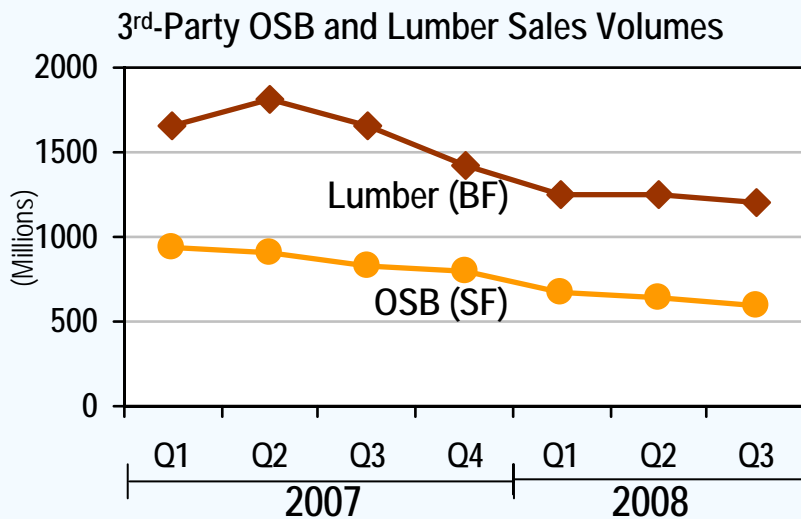


# Segment Highlights — Wood Products

<u>Wood Products</u> (\$ Millions)	<u>2008 Q2</u>	<u>2008 Q3</u>
Revenues	\$1,071	\$1,006
Contribution to Pre-Tax Earnings	(\$164)	(\$146)

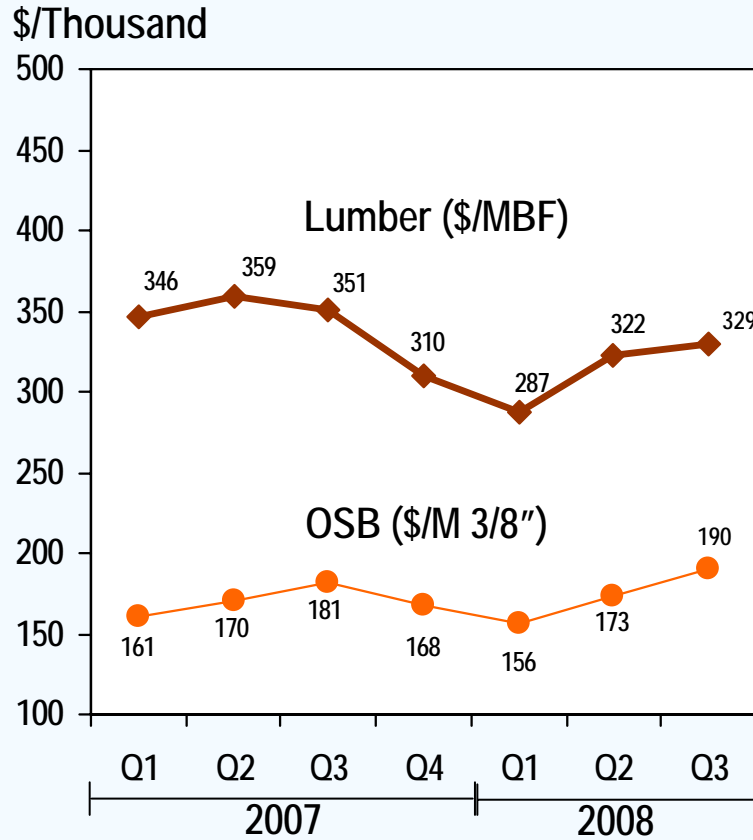
## 3rd Quarter Highlights

- Average price realizations for lumber, OSB and engineered lumber products improved
- Manufacturing and SG&A costs declined
- Lower shipment volumes for all primary products
- Included charges of \$37 million for asset impairments and income of \$13 million for a reduction in the hardboard siding claims reserve

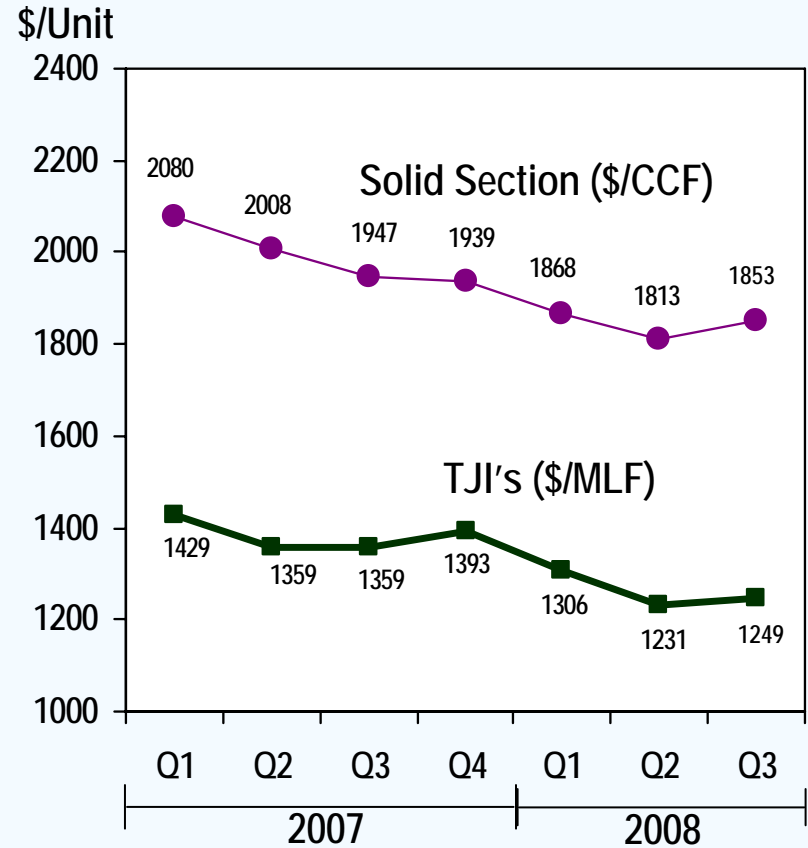


# Average 3<sup>rd</sup>-Party Realizations — OSB and Lumber / Engineered Lumber

OSB and Lumber



Engineered Lumber

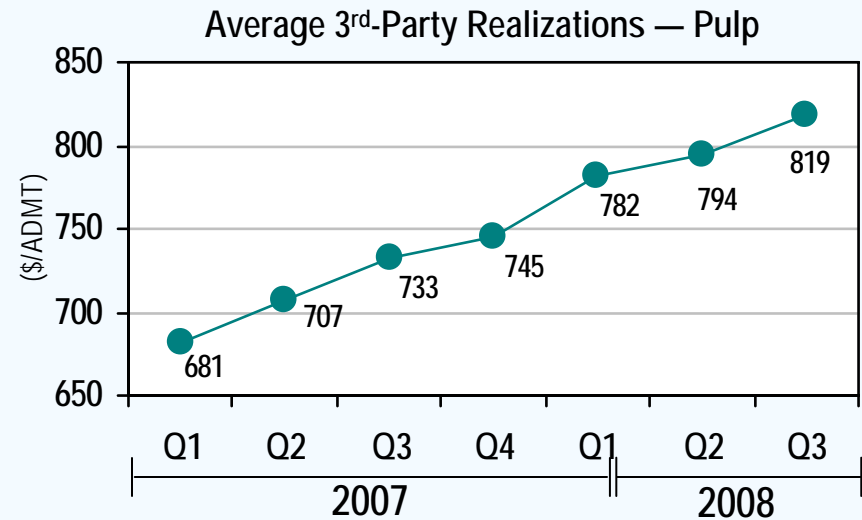
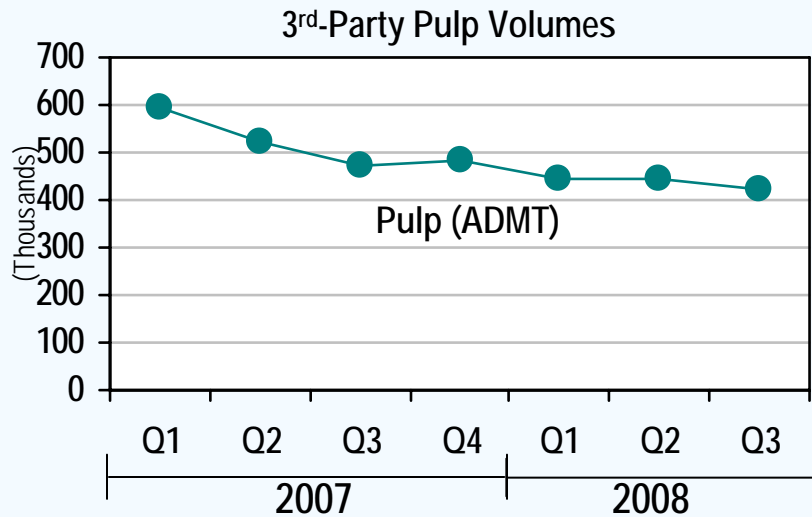


# Segment Highlights — Cellulose Fibers

<u>Cellulose Fibers</u> (\$ Millions)	<u>2008 Q2</u>	<u>2008 Q3</u>
Revenues	\$460	\$447
Contribution to Pre-Tax Earnings	\$42	\$78

### 3rd Quarter Highlights

- Fewer annual maintenance outages resulted in lower maintenance costs and improved productivity
- Average pulp price realizations increased
- Higher chemical and freight costs



# *Segment Highlights — Containerboard, Packaging & Recycling*

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## 3rd Quarter Highlights

- Weyerhaeuser sold its Containerboard, Packaging & Recycling operations to International Paper on August 4
- 3rd quarter results reflect the segment's operations for the month of July
- Weyerhaeuser recognized a pre-tax gain on sale of \$1.17 billion in the 3rd quarter
- This gain is offset by a \$869 million tax liability, resulting in a \$303 million after-tax gain on sale of operations
- The high overall tax rate on the sale results from the write-off of approximately \$1.25 billion in goodwill, which is not deductible for income tax purposes



# Segment Highlights — Real Estate

<u>Real Estate</u> (\$ Millions)	<u>2008 Q2</u>	<u>2008 Q3</u>
Revenues	\$354	\$329
Contribution to Pre-Tax Earnings	(\$337)	(\$316)

## 3rd Quarter Highlights

- Asset impairments and investment-related charges were \$235 million
- 3rd quarter included an \$87 million loss on an acreage sale and \$12 million of income from a commercial partnership investment
- Loss from homebuilding operations was slightly lower due to the mix of homes closed and lower selling expenses

## Weyerhaeuser Real Estate Company Key Indicators

	2007				2008		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales Traffic (in Thousands)	61	49	41	30	33	30	30
Single-Family Homes Sold (New Orders)	1,684	1,139	734	595	926	748	537
Single-Family Homes Sold But Not Closed At End of Period (Backlog)	2,207	2,284	1,873	1,224	1,306	1,185	1,002
Cancellation Rate (%)	16%	25%	33%	40%	26%	31%	36%
Single-Family Homes Closed	976	1,062	1,145	1,244	844	869	720
Average Home Closing Price (\$ Thousands)	\$480	\$466	\$461	\$472	\$399	\$399	\$421

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# 2008 4Q Outlook

Segment	Comments
Timberlands	<ul style="list-style-type: none"> <li>● Weyerhaeuser expects 2008 Q4 earnings from this segment to be lower than 2008 Q3.</li> <li>● Fee harvest volumes are expected to be lower due to the weak domestic market.</li> </ul>
Wood Products	<ul style="list-style-type: none"> <li>● Weyerhaeuser expects challenging housing market conditions to continue into 2008 Q4.</li> <li>● 2008 Q4 operating losses are anticipated to worsen as prices and volumes decline in the seasonally slower Q4.</li> </ul>
Cellulose Fibers	<ul style="list-style-type: none"> <li>● 2008 Q4 earnings for the segment are expected to be slightly lower than 2008 Q3.</li> <li>● Weyerhaeuser anticipates lower pulp prices, partially offset by benefits from a weakening Canadian dollar relative to the US dollar.</li> </ul>
Real Estate	<ul style="list-style-type: none"> <li>● Weyerhaeuser expects 2008 Q4 home sale closings to be comparable to 2008 Q3, but anticipates lower average sales price realizations.</li> <li>● Excluding impairments and lot and acreage sales, the segment's loss from homebuilding operations is expected to increase in 2008 Q4 due to continuing weakness in the housing market.</li> </ul>

# Financial Update

(\$ millions)	Debt	Cash and Short-Term Investments
Balance as of September 28, 2008	\$6,823	\$4,800
Estimated Scheduled Q4 Debt Maturities	(400)	(400)
Estimated December 2008 Dividend Payment		(130)
Estimated December 2008 Cash Taxes		(1,400)
Estimated Pro Forma Year End 2008 Balances	\$6,423	\$2,870

Note: Does not include cash flow from operations

# *Appendix*





# 2008 Q3 Earnings Summary

\$ Millions except EPS	2007				2008		
	Q1 Revised 4.	Q2	Q3	Q4	Q1	Q2	Q3
Contribution to Earnings before Special Items							
Timberlands 6.	\$175	\$141	\$165	\$129	\$112	\$102	\$107
Wood Products	(108)	(73)	(109)	(210)	(203)	(131)	(109)
Cellulose Fibers	22	48	81	80	56	43	78
Fine Paper	22	0	0	0	0	0	0
Containerboard, Packaging & Recycling 5.	69	88	100	103	97	109	8
Real Estate	58	76	83	143	(22)	(26)	(84)
Corporate and Other 6.	(49)	(13)	(36)	(34)	(19)	17	17
<b>Total Contribution to Earnings before Special Items</b>	<b>\$189</b>	<b>\$267</b>	<b>\$284</b>	<b>\$211</b>	<b>\$21</b>	<b>\$114</b>	<b>\$17</b>
Special Items	566	(68)	(24)	(222)	(156)	(254)	1,085
<b>Total Contribution to Earnings</b>	<b>\$755</b>	<b>\$199</b>	<b>\$260</b>	<b>(\$11)</b>	<b>(\$135)</b>	<b>(\$140)</b>	<b>\$1,102</b>
Interest Expense, net 1.	(118)	(150)	(102)	(104)	(108)	(106)	(116)
Income Taxes 2.	83	(17)	(57)	52	95	150	(706)
<b>Net Income (loss)</b>	<b>\$720</b>	<b>\$32</b>	<b>\$101</b>	<b>(\$63)</b>	<b>(\$148)</b>	<b>(\$96)</b>	<b>\$280</b>
<b>Diluted EPS</b>	<b>\$3.07</b>	<b>\$0.15</b>	<b>\$0.47</b>	<b>(\$0.30)</b>	<b>(\$0.70)</b>	<b>(\$0.45)</b>	<b>\$1.33</b>
<b>Diluted EPS before Special Items 3.</b>	<b>\$0.20</b>	<b>\$0.48</b>	<b>\$0.55</b>	<b>\$0.42</b>	<b>(\$0.24)</b>	<b>\$0.03</b>	<b>(\$0.01)</b>

1. Interest expense included \$42MM loss in 2007 Q2 on early extinguishment of debt.

2. Income taxes in 2007 Q1 included a \$92MM tax benefit on the Canadian portion of the net gain recognized on the distribution of the fine paper business and related assets (Domtar Transaction). Income taxes in 2007 Q4 include a \$13MM net tax benefit from changes in the Canadian federal tax rate and Mexican tax law. Income taxes for 2008 Q2 include a \$14 million tax benefit from the release of FIN 48 tax liabilities.

3. A reconciliation to GAAP is set forth on Chart 14 and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)

4. 2007 Q1 results have been revised to include a \$35MM after-tax adjustment to the net gain on the Domtar Transaction.

5. Containerboard, Packaging & Recycling is discontinued operations as of March 15, 2008.

6. Weyerhaeuser's continuing international operations outside of North America, previously reported in the Corporate and Other segment, are now reported as part of the Timberlands segment.

# Earnings per Share Reconciliation

	2007				2008		
	Q1 Revised 1.	Q2	Q3	Q4	Q1	Q2	Q3
Diluted EPS before Special Items	\$0.20	\$0.48	\$0.55	\$0.42	(\$0.24)	\$0.03	(\$0.01)
Closures, Restructuring and Impairment of Weyerhaeuser Assets	(0.20)	(0.09)	(0.16)	(0.37)	(0.19)	(0.20)	(0.16)
Impairments and Reserves for Real Estate Assets		(0.04)	(0.07)	(0.40)	(0.17)	(0.98)	(0.69)
Changes to Post-Retirement Benefits						0.15	
Environmental Reserve Adjustment					(0.05)		
Legal Settlement and Reserve Adjustments / Contract Terminations		(0.12)	0.12		(0.05)		
Net Gain on Divestiture of Assets and Operations / Restructuring of Uruguay Ownership	3.07	0.04	0.03	0.02		0.48	2.19
Casualty Loss / Storm Damage				(0.03)			
Tax Law Changes / Other One-time Tax Benefits				0.06		0.07	
Loss on Early Extinguishment of Debt		(0.12)					
<b>Diluted EPS (GAAP)</b>	<b>\$3.07</b>	<b>\$0.15</b>	<b>\$0.47</b>	<b>(\$0.30)</b>	<b>(\$0.70)</b>	<b>(\$0.45)</b>	<b>\$1.33</b>

1. 2007 Q1 results have been revised to reflect a \$0.17 per diluted share after-tax adjustment to the net gain on the Domtar Transaction.