



# Earnings Release

## 2nd Quarter — 2007

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Weyerhaeuser Company  
August 3, 2007

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# Forward-looking Statement

This presentation 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. Some of these forward-looking statements can be identified by the use of forward-looking terminology such as "expects," "may," "will," "believes," "should," "approximately," "anticipates," "estimates," and "plans," and the negative or other variations of those terms or comparable terminology or by discussions of strategy, plans or intentions. In particular, some of these forward-looking statements deal with expectations for third quarter 2007 regarding the company's markets, earnings and performance of the company's business segments, demand, pricing, shipments and sales realizations for the company's products, fee harvests in the West and South, non-strategic land sales, manufacturing costs, SG&A costs, product mix, OCC, fiber and energy costs, scheduled annual maintenance outages, energy usage, home closings, non-homebuilding activities, and capital expenditures and CBPR cost-savings for the year and related matters. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to:

- The effect of general economic conditions, including the level of interest rates and housing starts;
- Market demand for the company's products, which may be tied to the relative strength of various U.S. business segments;
- Energy prices;
- Raw material prices;
- Chemical prices;
- Performance of the company's manufacturing operations including unexpected maintenance requirements;
- The successful execution of internal performance plans;
- 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;
- 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 is also a large exporter and is affected by changes in economic activity in Europe and Asia, particularly Japan, and by changes in currency exchange rates, particularly the relative value of the U.S. dollar to the Euro and the Canadian dollar, and restrictions on international trade or tariffs imposed on imports. These and other factors could cause or contribute to actual results differing materially from such forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking statements will occur, or if any of them occurs, what effect they will have on the company's results of operations or financial condition. The company expressly declines any obligation to publicly revise any forward-looking statements that have been made to reflect the occurrence of events after the date of this presentation.

# *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)

# 2007 Q2 Consolidated Results

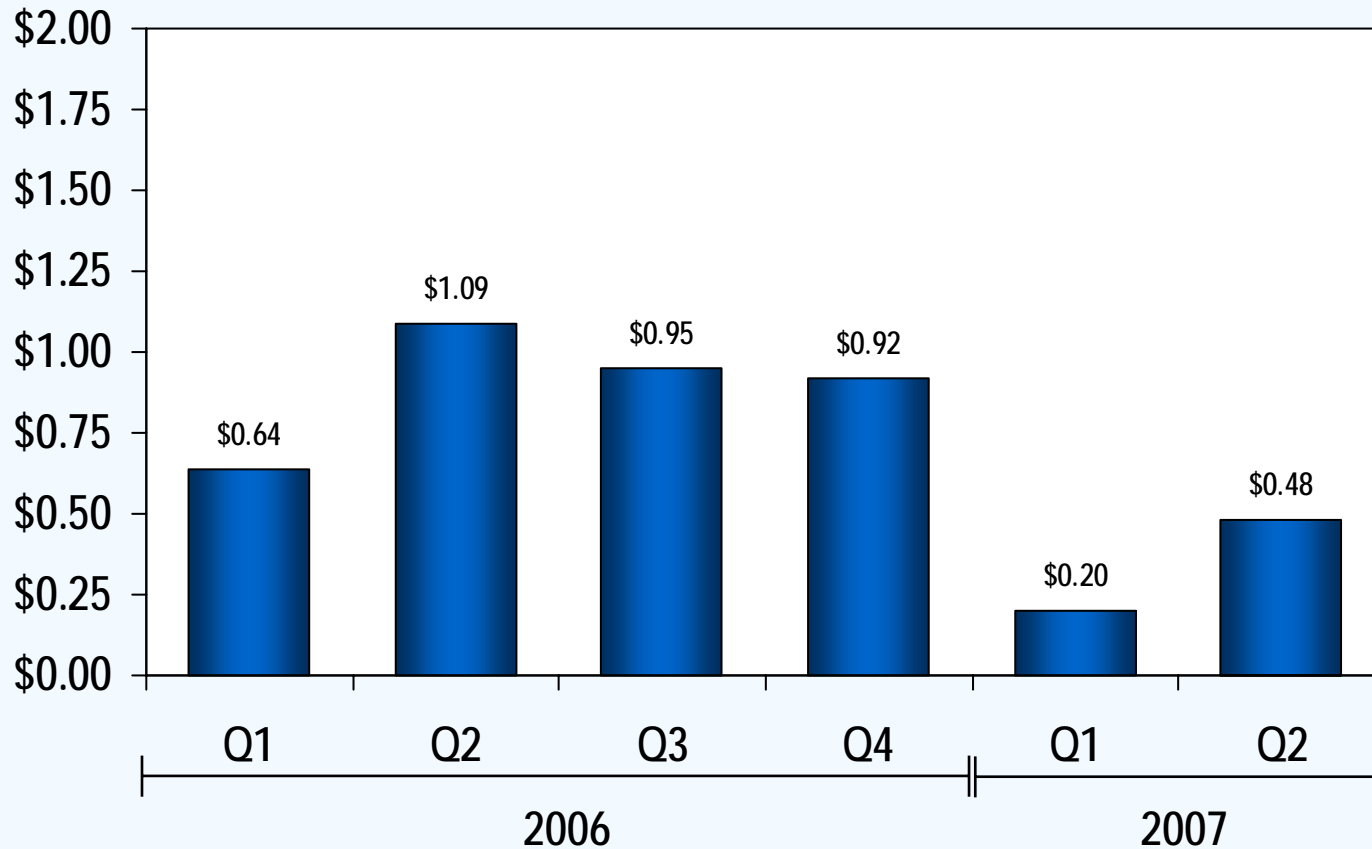
		\$ Millions except EPS	
		2007	2007
		Q1	Q2
Revenues (\$ Millions)	2007 Q2 \$4,334		
Net Earnings before Special Items (\$ Millions) 1.	\$104		
Diluted Earnings Per Share before Special Items 1.	\$0.48		
		Timberlands	\$175
		Wood Products	(108)
		Cellulose Fibers	22
		Fine Paper	22
		Containerboard, Packaging & Recycling	69
		Real Estate and Related Assets	58
		Corporate and Other	(49)
		<b>Total Contribution to Pre-Tax Earnings before Special Items</b>	<b>\$189</b>
		Special Items	619
		<b>Total Contribution to Pre-Tax Earnings</b>	<b>\$808</b>
		Interest Expense, net 2.	(118)
		Income Taxes	65
		<b>Net Income</b>	<b>\$755</b>
		Diluted EPS	\$3.24
		Diluted EPS before Special Items 1.	\$0.20
			\$142
			(73)
			48
			0
			88
			76
			(14)
			\$267
			(68)
			\$199
			(150)
			(17)
			\$32
			\$0.15
			\$0.48

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

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

# Diluted EPS Before Special Items

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



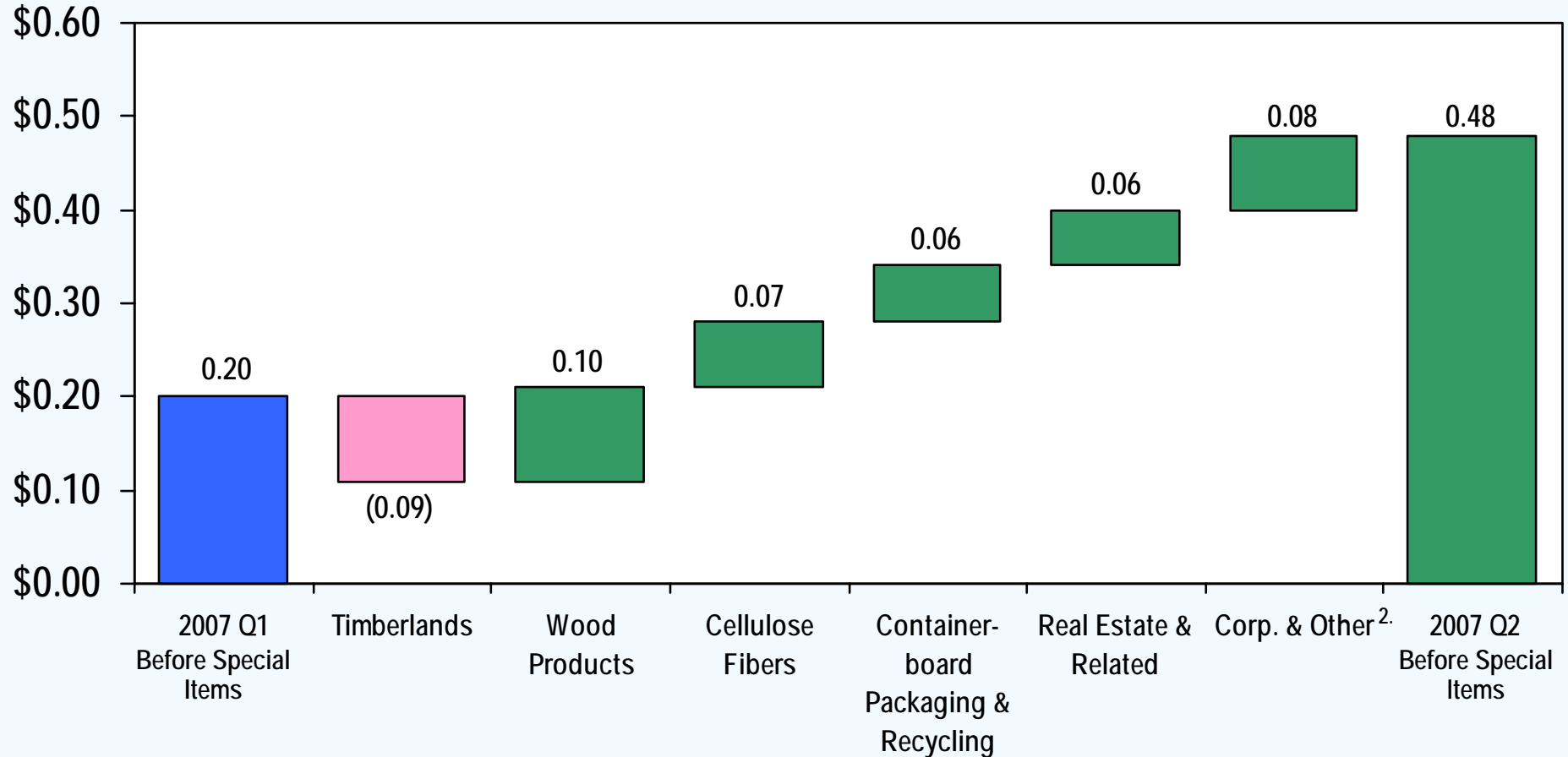
# Reconciliation to GAAP

\$ Millions except EPS	Diluted EPS		Net Earnings	
	2007		2007	
	Q1	Q2	Q1	Q2
Diluted EPS / Net Earnings before Special Items	\$0.20	\$0.48	\$48	\$104
Gain (Loss) on Domtar Transaction	3.24	(0.02)	756	(5)
Net Gain on Sale of Assets and Operations		0.06		15
Charges for Closure and Impairments	(0.20)	(0.13)	(49)	(30)
Legal Settlements / Contract Terminations		(0.12)		(25)
Loss on Early Extinguishment of Debt		(0.12)		(27)
Diluted EPS / Net Earnings (GAAP)	<u>\$3.24</u>	<u>\$0.15</u>	<u>\$755</u>	<u>\$32</u>

# Changes in Earnings per Share by Segment 2007 Q1 vs. 2007 Q2

Chart 4

\$ 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)

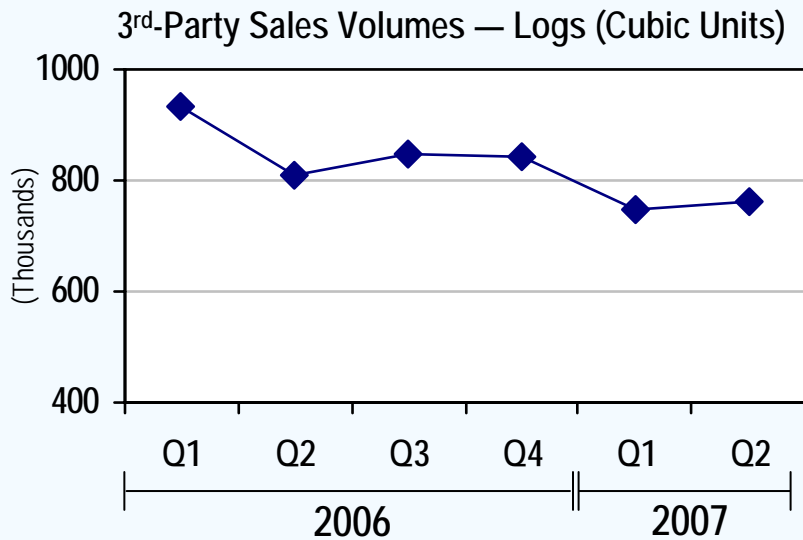
2. Corporate & Other includes the effect from having 9 weeks of Fine Paper operations in 2007 Q1 (prior to the Domtar Transaction) and none in 2007 Q2

# Segment Highlights — Timberlands

<u>Timberlands</u> (\$ Millions)	<u>2007 Q2</u>	<u>2007 Q1</u>
Revenues	\$211	\$233
Contribution to Pre-Tax Earnings	\$142	\$175

## 2<sup>nd</sup> Quarter Highlights

- Higher seasonal costs and lower sales of non-strategic timberlands adversely affected earnings
- Changed the method of accounting for oil and gas revenues and revenues associated with leasing the company's timberlands





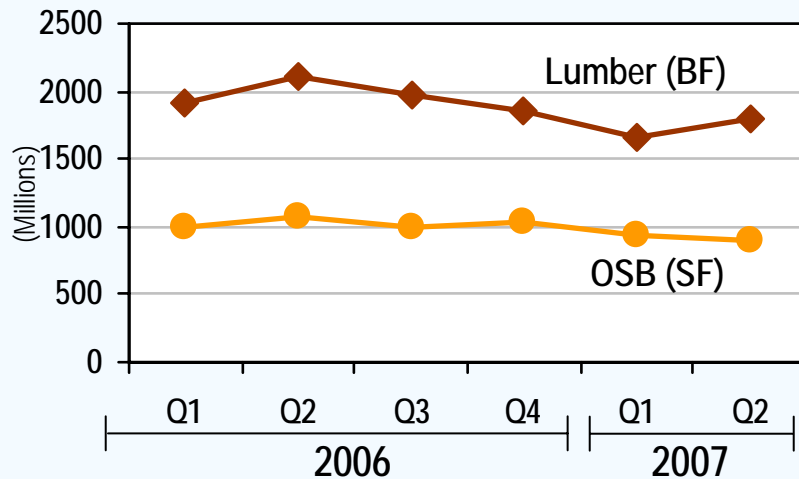
# Segment Highlights — Wood Products

<u>Wood Products</u> (\$ Millions)	<u>2007 Q2</u>	<u>2007 Q1</u>
Revenues	\$1,662	\$1,470
Contribution to Pre-Tax Earnings	(\$123)	(\$167)

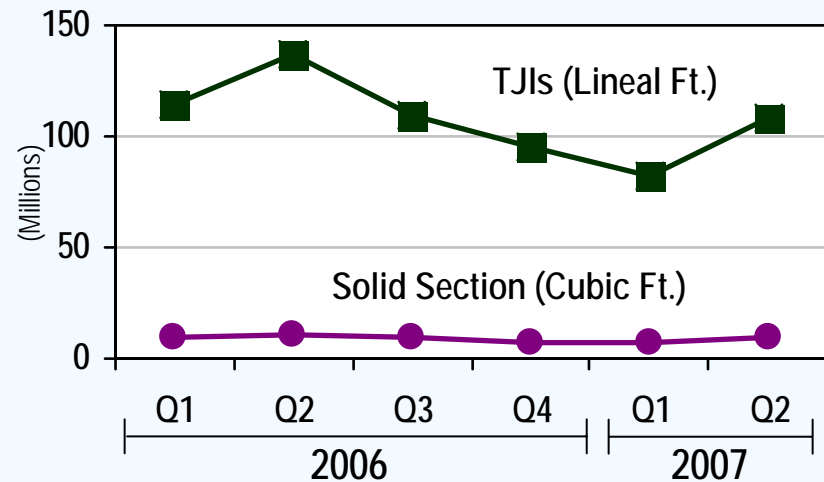
## 2<sup>nd</sup> Quarter Highlights

- Lumber, plywood and OSB prices increased slightly, but market conditions remained difficult

3<sup>rd</sup>-Party OSB and Lumber Sales Volumes

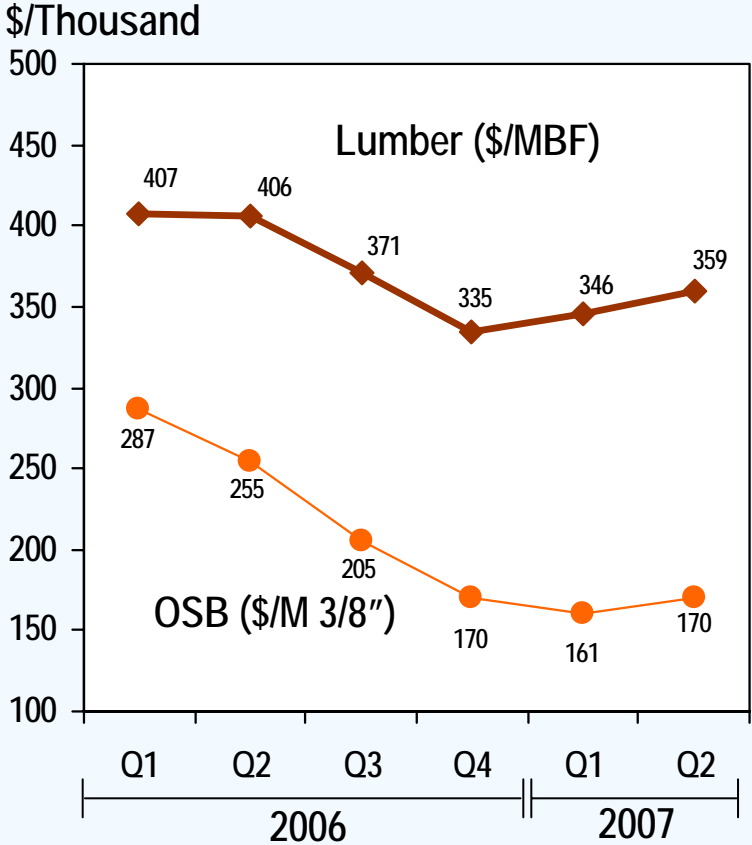


3<sup>rd</sup>-Party Engineered Wood Products Sales Volumes

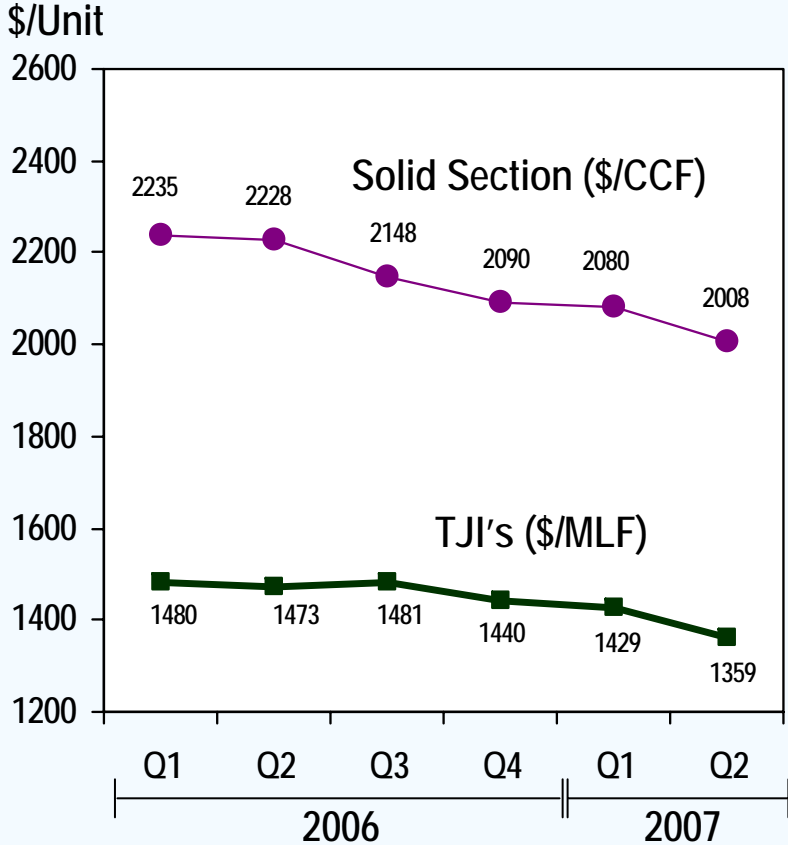


# Average 3<sup>rd</sup>-Party Realizations — OSB and Lumber / Engineered Lumber

OSB and Lumber



Engineered Lumber

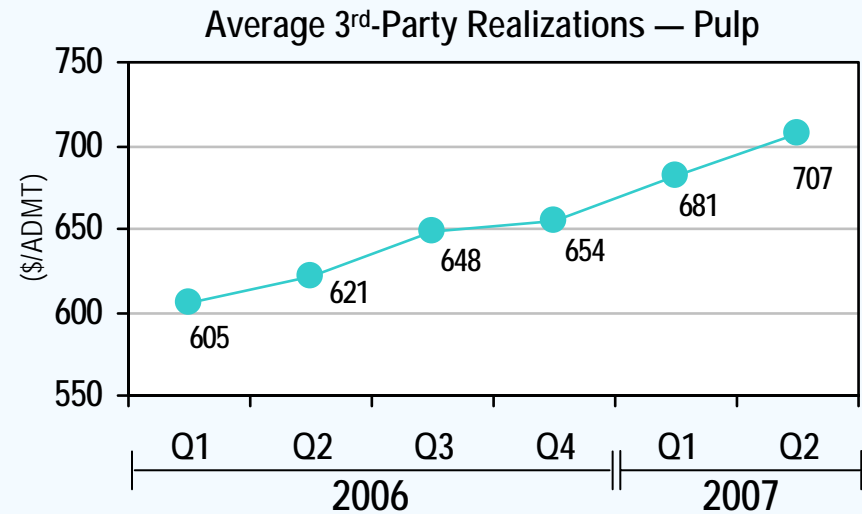
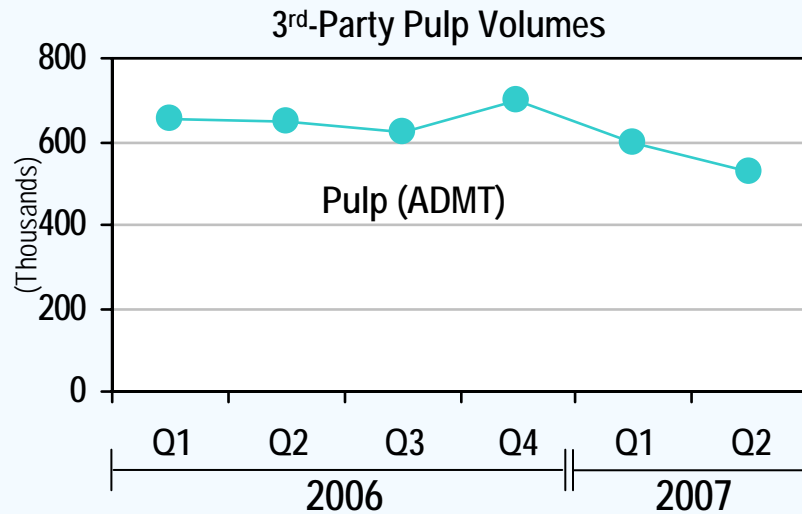


# Segment Highlights — Cellulose Fibers

<u>Cellulose Fibers</u> (\$ Millions)	<u>2007 Q2</u>	<u>2007 Q1</u>
Revenues	\$470	\$482
Contribution to Pre-Tax Earnings	\$48	\$22

## 2<sup>nd</sup> Quarter Highlights

- Prices continued to increase
- Pulp shipment volumes were down due to the 2007 Q1 completion of the Domtar transaction

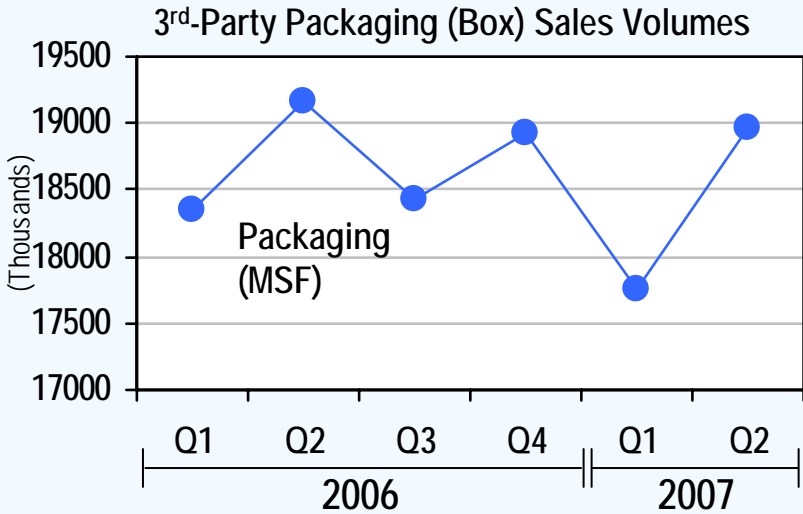
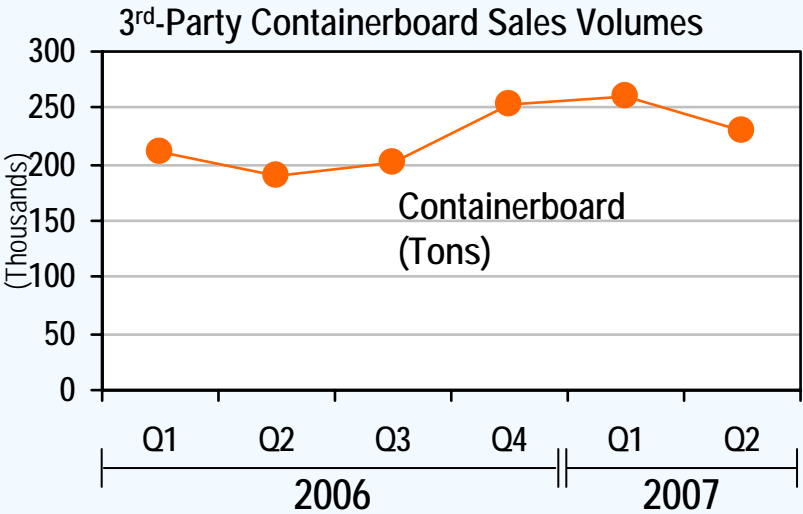


# Segment Highlights — Containerboard, Packaging & Recycling

<u>Containerboard, Packaging &amp; Recycling</u> (\$ Millions)	<u>2007 Q2</u>	<u>2007 Q1</u>
Revenues	\$1,327	\$1,226
Contribution to Pre-Tax Earnings	\$112	\$67

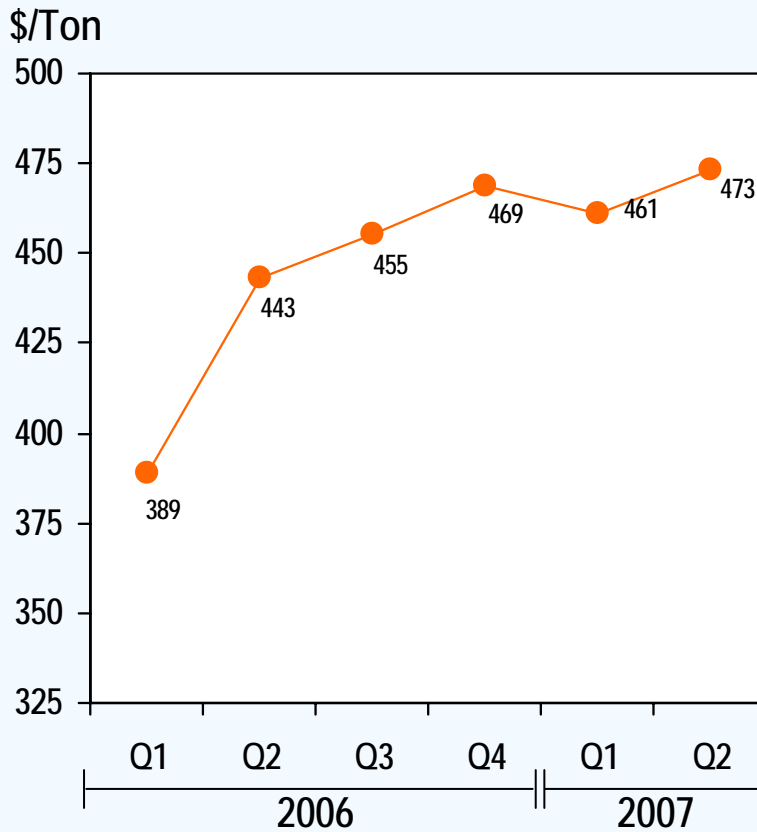
### 2<sup>nd</sup> Quarter Highlights

- Average packaging price realizations increased due to product mix, but fiber costs remained high

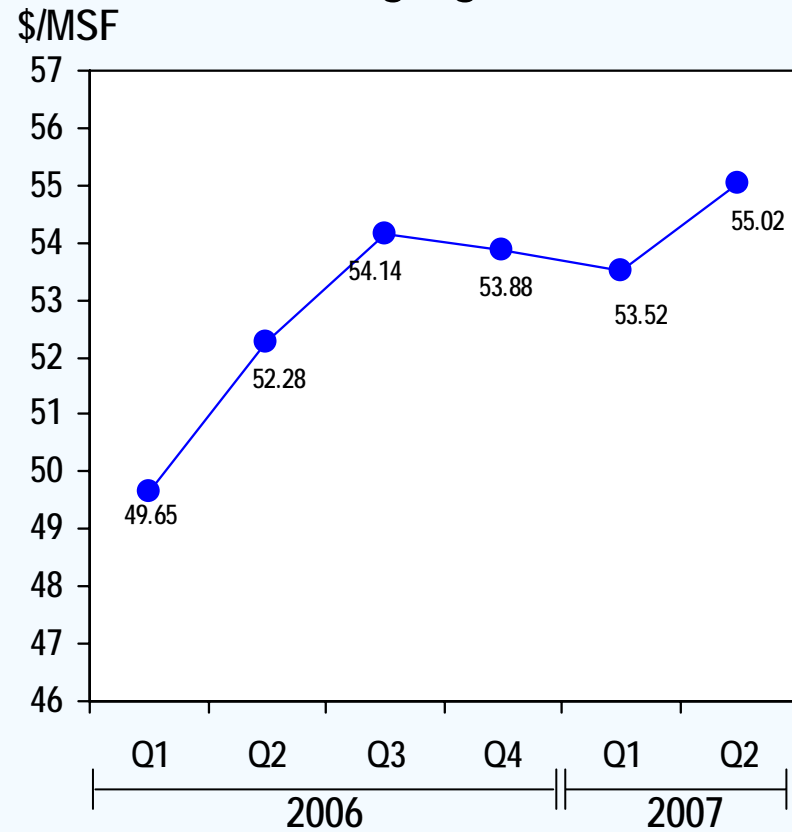


# Average 3rd-Party Realizations — Containerboard and Packaging

Containerboard



Packaging (Box)



# Segment Highlights — Real Estate and Related Assets

<u>Real Estate &amp; Related Assets</u> (\$ Millions)	<u>2007 Q2</u>	<u>2007 Q1</u>
Revenues	\$559	\$487
Contribution to Pre-Tax Earnings	\$64	\$58

## 2<sup>nd</sup> Quarter Highlights

- Market conditions remained challenging and margins continued to decline
- Earnings included a gain of \$42MM on the sale of an apartment project

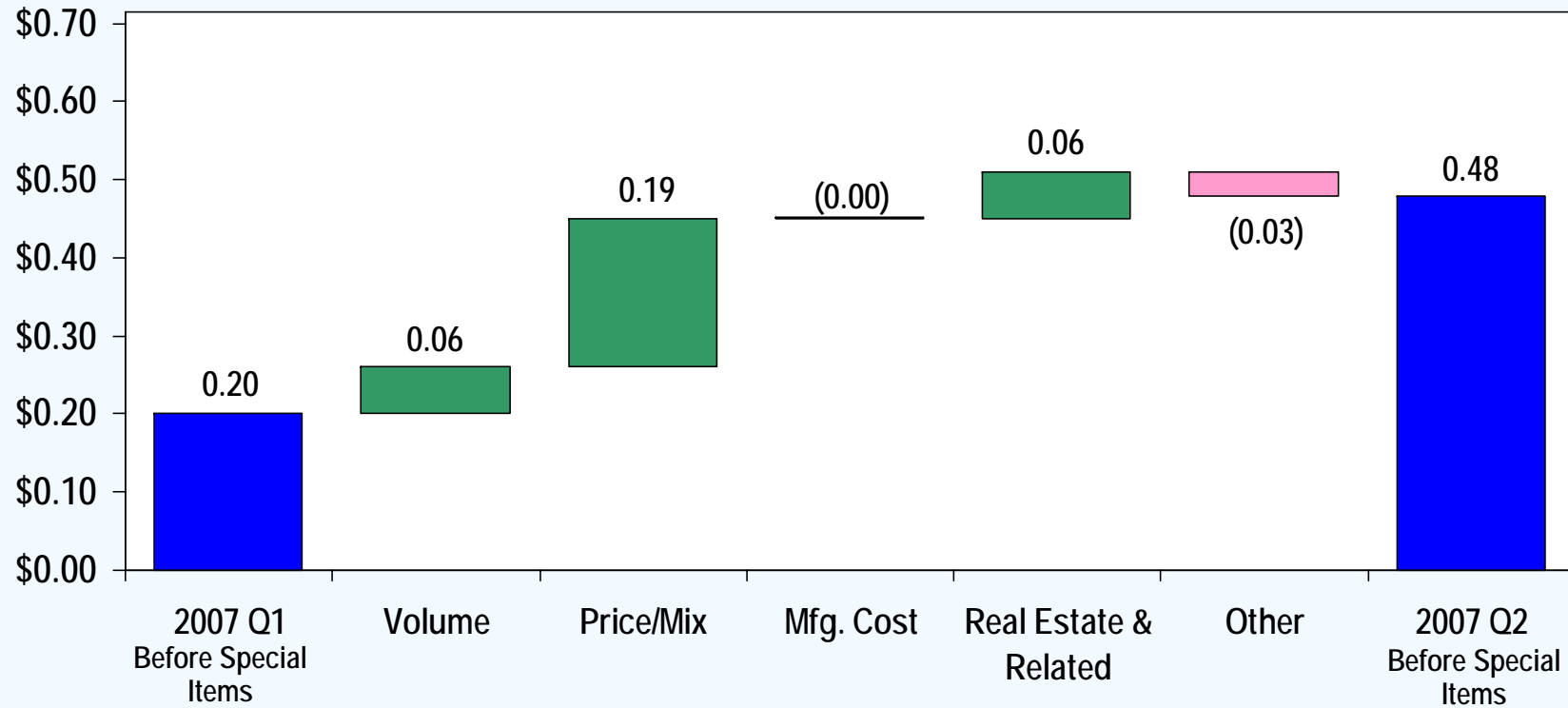
## Weyerhaeuser Real Estate Company Key Indicators

	2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2
Sales Traffic (in Thousands)	72	62	53	45	61	49
Single-Family Homes Sold	1,472	1,325	906	838	1,684	1,139
Cancellation Rate (%)	19%	26%	36%	36%	16%	25%
Average Home Closing Price (\$ Thousands)	\$485	\$491	\$512	\$526	\$480	\$466

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# Key Changes in Earnings per Share 2007 Q1 vs. 2007 Q2

\$ 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)

# 2007 3Q Outlook

Segment	Comments
Timberlands	<ul style="list-style-type: none"> <li>● Non-strategic timberland sales are expected to be higher in 2007 Q3 compared to 2007 Q2</li> <li>● Continued weakness in the housing market is expected to result in lower volumes and prices</li> </ul>
Wood Products	<ul style="list-style-type: none"> <li>● It is expected that the segment will operate at a smaller loss in 2007 Q3 vs. 2007 Q2 based on seasonal price increases for OSB and decreases in log and overhead costs</li> <li>● Prices for softwood lumber and engineered wood products are expected to decrease</li> <li>● Shipment volumes for lumber and engineered products are expected to remain close to 2007 Q2 levels and to decline for OSB</li> </ul>
Cellulose Fibers	<ul style="list-style-type: none"> <li>● Stronger prices in 2007 Q3 are expected to result in increased earnings from the segment</li> <li>● The company has less annual maintenance scheduled during 2007 Q3</li> </ul>
Containerboard, Packaging & Recycling	<ul style="list-style-type: none"> <li>● Earnings for 2007 Q3 are expected to be higher than 2007 Q2</li> <li>● The company expects to benefit from higher packaging shipment volume, fewer scheduled maintenance outages and lower seasonal energy costs in 2007 Q3</li> <li>● OCC fiber costs are expected to be higher in 2007 Q3</li> </ul>
Real Estate and Related Assets	<ul style="list-style-type: none"> <li>● Earnings from this segment in 2007 Q3 are expected to be lower than 2007 Q2 as margins continue to decline due to difficult market conditions</li> <li>● Significant gains from non-homebuilding activities are not anticipated in 2007 Q3</li> </ul>



# *Appendix*

# 2007 Q2 Earnings Summary

\$ Millions except EPS

	2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2
Contribution to Earnings before Special Items						
Timberlands	\$198	\$224	\$178	\$168	\$175	\$142
Wood Products	117	132	(46)	(186)	(108)	(73)
Cellulose Fibers	(5)	23	66	56	22	48
Fine Paper	(10)	(9)	72	61	22	0
Containerboard, Packaging & Recycling	26	92	100	75	69	88
Real Estate & Related Assets	155	123	149	312	58	76
Corporate and Other	(102)	(40)	(33)	(48)	(49)	(14)
<b>Total Contribution to Earnings before Special Items</b>	<b>\$379</b>	<b>\$545</b>	<b>\$486</b>	<b>\$438</b>	<b>\$189</b>	<b>\$267</b>
Special Items	(729)	(35)	(9)	414	619	(68)
<b>Total Contribution to Earnings</b>	<b>(\$350)</b>	<b>\$510</b>	<b>\$477</b>	<b>\$852</b>	<b>\$808</b>	<b>\$199</b>
Interest Expense, net <sup>2</sup>	(136)	(132)	(128)	(135)	(118)	(150)
Income Taxes <sup>3</sup>	(90)	(80)	(125)	(210)	65	(17)
<b>Net Income (loss)</b>	<b>(\$576)</b>	<b>\$298</b>	<b>\$224</b>	<b>\$507</b>	<b>\$755</b>	<b>\$32</b>
<b>Diluted EPS</b>	<b>\$(2.33)</b>	<b>\$1.19</b>	<b>\$0.91</b>	<b>\$2.12</b>	<b>\$3.24</b>	<b>\$0.15</b>
<b>Diluted EPS before Special Items <sup>1</sup></b>	<b>\$0.64</b>	<b>\$1.09</b>	<b>\$0.95</b>	<b>\$0.92</b>	<b>\$0.20</b>	<b>\$0.48</b>

1. A reconciliation to GAAP is set forth on Chart 15 and at [www.weyerhaeuser.com](http://www.weyerhaeuser.com)

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

3. Income taxes in 2006 Q2 included a one-time tax benefit of \$48MM. Income taxes in 2007 Q1 included a \$74MM tax benefit on the Canadian portion of the net gain recognized on the distribution of the fine paper business and related assets

# Earnings per Share Reconciliation

	2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2
Diluted EPS before Special Items	\$0.64	\$1.09	\$0.95	\$0.92	\$0.20	\$0.48
Gain (Loss) on Domtar Transaction					3.24	(0.02)
Net Gain on Sale of Assets and Operations			0.13	0.18		0.06
Charges for Closure and Impairments	(3.02)	(0.04)	(0.21)	(0.20)	(0.20)	(0.13)
Legal Settlements / Reserve Adjustment / Contract Terminations			0.06	0.27		(0.12)
Loss on Early Extinguishment of Debt						(0.12)
Recognize Tax Law Changes / One-time Tax Benefits		0.19				
WRECO Insurance Recovery / Partnership Income	0.05					
Charges for Restructuring of Containerboard		(0.05)				
Acquisition of Research and Development			(0.02)			
Countervailing Duty / Anti-Dumping Duty Refunds				0.95		
Diluted EPS (GAAP)	<u>\$(2.33)</u>	<u>\$1.19</u>	<u>\$0.91</u>	<u>\$2.12</u>	<u>\$3.24</u>	<u>\$0.15</u>

# Weyerhaeuser Real Estate Company

## Key Indicators

	2005				2006				2007	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Sales Traffic (in thousands)	64	90	90	63	72	62	53	45	61	49
Single-Family Homes Sold	1,378	1,525	1,608	1,174	1,472	1,325	906	838	1,684	1,139
Cancellation Rate (%)	15%	12%	17%	22%	19%	26%	36%	36%	16%	25%
Average Home Closing Price (\$ Thousands)	\$450	\$468	\$461	\$506	\$485	\$491	\$512	\$526	\$480	\$466