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Weyerhaeuser reports second quarter results

- **Net earnings increased 18% compared with first quarter**
- **Earnings before special items increased 21% compared with first quarter and 57% compared with one year ago**
- **Highest Wood Products EBITDA on record**

SEATTLE (July 27, 2018) — [Weyerhaeuser Company](#) (NYSE: WY) today reported second quarter net earnings of \$317 million, or 42 cents per diluted share, on net sales of \$2.1 billion. This compares with earnings of \$24 million, or 3 cents per diluted share, on net sales of \$1.8 billion for the same period last year.

Excluding net after-tax special charges of \$15 million, the company reported net earnings of \$332 million, or 44 cents per diluted share for the second quarter. This compares with net earnings before special items of \$212 million for the same period last year and \$275 million for the first quarter of 2018. Adjusted EBITDA for the second quarter was \$637 million compared with \$506 million for the second quarter of last year and \$544 million for the first quarter of 2018.

"I am very pleased with our second quarter financial results, as each of our businesses delivered solid operational performance and capitalized on market conditions to drive strong year-over-year improvement, including the highest Wood Products EBITDA on record," said Doyle R. Simons, president and chief executive officer. "In addition, we delivered Weyerhaeuser's highest EBITDA since 2006, when the company's operations were nearly three times larger than they are today. Looking forward, housing market fundamentals remain strong, and we remain relentlessly focused on driving operational excellence and fully capitalizing on market conditions to drive value for shareholders."

WEYERHAEUSER FINANCIAL HIGHLIGHTS	2018	2018	2017
(millions, except per share data)	Q1	Q2	Q2
Net sales	\$1,865	\$2,065	\$1,808
Net earnings	\$269	\$317	\$24
Net earnings per diluted share	\$0.35	\$0.42	\$0.03
Weighted average shares outstanding, diluted	759	761	756
Net earnings before special items ⁽¹⁾	\$275	\$332	\$212
Net earnings per diluted share before special items	\$0.36	\$0.44	\$0.28
Adjusted EBITDA ⁽²⁾	\$544	\$637	\$506

(1) First quarter 2018 after-tax special items include charges of \$21 million for environmental remediation and a \$15 million benefit from product remediation insurance proceeds. Second quarter 2018 special items include \$15 million of net after-tax charges for product remediation. Second quarter 2017 after-tax special items include a \$147 million non-cash impairment charge for the Uruguay business, and charges of \$31 million for product remediation, \$8 million for countervailing and antidumping duties on Canadian softwood lumber the company sold into the United States and \$2 million for Plum Creek merger-related costs. Beginning first quarter 2018, these duties are no longer reported as a

(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. A reconciliation of Adjusted EBITDA to GAAP earnings is included within this release.

TIMBERLANDS

FINANCIAL HIGHLIGHTS (millions)	2018 Q1	2018 Q2	Change
Net sales	\$733	\$667	(\$66)
Contribution to pre-tax earnings	\$189	\$161	(\$28)
Adjusted EBITDA	\$268	\$240	(\$28)

2Q 2018 Performance - In the South, log sales volumes were comparable with the first quarter and average realizations declined slightly due to a greater proportion of pulpwood sales. Unit logging costs increased seasonally due to additional thinning activity. In the West, slightly higher average log sales realizations were more than offset by seasonally higher forestry, road and unit logging costs. Fuel costs increased in both regions.

3Q 2018 Outlook - Weyerhaeuser expects third quarter earnings and Adjusted EBITDA will be lower than the second quarter, but slightly higher than the third quarter of 2017. The company anticipates seasonally higher road and forestry costs and higher fuel and unit logging costs. In the West, average sales realizations are expected to be slightly lower than the second quarter and fee harvest volumes will be comparable. In the South, the company anticipates higher fee harvest volumes and comparable average log sales realizations.

REAL ESTATE, ENERGY & NATURAL RESOURCES

FINANCIAL HIGHLIGHTS (millions)	2018 Q1	2018 Q2	Change
Net sales	\$51	\$58	\$7
Contribution to pre-tax earnings	\$25	\$22	(\$3)
Adjusted EBITDA	\$41	\$47	\$6

2Q 2018 Performance - Real Estate sales increased slightly compared with the first quarter and Energy and Natural Resources royalties were modestly higher. Adjusted EBITDA increased, but earnings were slightly lower due to a higher average land basis on the mix of properties sold.

3Q 2018 Outlook - Weyerhaeuser anticipates third quarter earnings and Adjusted EBITDA will be higher than the second quarter. We continue to expect full year 2018 Adjusted EBITDA for the segment will be approximately \$250 million.

WOOD PRODUCTS

FINANCIAL HIGHLIGHTS (millions)	2018 Q1	2018 Q2	Change
Net sales	\$1,309	\$1,525	\$216
Contribution to pre-tax earnings	\$270	\$329	\$59
Pre-tax charge (benefit) for special items	(\$20)	\$20	\$40
Contribution to pre-tax earnings before special items	\$250	\$349	\$99
Adjusted EBITDA	\$286	\$385	\$99

2Q 2018 Performance - Average sales realizations for lumber and oriented strand board improved significantly compared with the first quarter, and engineered wood products realizations increased modestly. Sales volumes rose seasonally for all product lines. These factors were partially offset by higher log, raw material and transportation costs.

Second quarter special items consist of a \$20 million net pre-tax charge for finalization of product remediation costs.

3Q 2018 Outlook - Weyerhaeuser expects earnings before special items and Adjusted EBITDA will decrease compared with the second quarter. The company anticipates moderately lower average sales realizations for lumber and oriented strand board. As previously disclosed, sales volumes for oriented strand board will be lower due to an extended outage at our Grayling, Michigan mill for a scheduled press replacement.

UNALLOCATED

FINANCIAL HIGHLIGHTS (millions)	2018 Q1	2018 Q2	Change
Contribution to pre-tax earnings	(\$92)	(\$38)	\$54
Pre-tax charge for special items	\$28	\$ -	(\$28)
Contribution to pre-tax earnings before special items	(\$64)	(\$38)	\$26
Adjusted EBITDA	(\$51)	(\$35)	\$16

2Q 2018 Performance - Second quarter results include a small non-cash benefit from elimination of intersegment profit in inventory and LIFO due to reduced log and lumber inventories. This compares with a charge in the first quarter. Non-cash non-operating pension and post-retirement expense also decreased due to finalization of measurements of year-end pension plan assets and liabilities.

ABOUT WEYERHAEUSER

[Weyerhaeuser Company](#), one of the world's largest private owners of [timberlands](#), began operations in 1900. We own or control 12.4 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 February 2016, we merged with Plum Creek Timber Company, Inc. In 2017, we generated \$7.2 billion in net sales and employed approximately 9,300 people who serve customers worldwide. We are listed on the North American and World Dow Jones Sustainability Indices. 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 July 27, 2018, to discuss second quarter results.

To access the live webcast and presentation online, go to the [Investor Relations](#) section on www.weyerhaeuser.com on July 27, 2018.

To join the conference call from within North America, dial 855-223-0757 (access code: 5882807) at least 15 minutes prior to the call. Those calling from outside North America should dial 574-990-1206 (access code: 5882807). Replays will be available for two weeks at 855-859-2056 (access code: 5882807) from within North America and at 404-537-3406 (access code: 5882807) 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 without limitation with respect to the following for the third quarter of 2018: earnings and Adjusted EBITDA for each of our Timber and Real Estate, Energy & Natural Resources business segments; earnings before special items and Adjusted EBITDA for our Wood Products business segment; log sales realizations, fee harvest volumes, road and forestry costs and fuel and unit logging costs in our timber business; and sales realizations for lumber and oriented strand board and sales volumes for oriented strand board for our Wood Products business. 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 yen and the Canadian dollar, and the relative value of the euro to the yen;
- restrictions on international trade, tariffs imposed on imports and 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;
- the successful execution of our internal plans and strategic initiatives, including restructuring and cost reduction 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 2017 Annual Report 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 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	\$ 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 ⁽¹⁾⁽²⁾	—	—	(20)	28	8
Adjusted EBITDA	\$ 268	\$ 41	\$ 286	\$ (51)	\$ 544

(1) Pre-tax special items attributable to Wood Products include a \$20 million benefit from product remediation insurance proceeds.

(2) Pre-tax special items included in Unallocated Items consist of charges of \$28 million for environmental remediation.

The table below reconciles Adjusted EBITDA for the quarter ended June 30, 2018:

DOLLAR AMOUNTS IN MILLIONS	Timberlands	Real Estate & ENR	Wood Products	Unallocated Items	Total
Adjusted EBITDA by Segment:					
Net earnings					\$ 317
Interest expense, net of capitalized interest					92
Income taxes					65
Net contribution to earnings	\$ 161	\$ 22	\$ 329	\$ (38)	\$ 474
Non-operating pension and other postretirement benefit costs	—	—	—	13	13
Interest income and other	—	—	—	(11)	(11)
Operating income (loss)	161	22	329	(36)	476
Depreciation, depletion and amortization	79	3	36	1	119
Basis of real estate sold	—	22	—	—	22
Special items ⁽¹⁾	—	—	20	—	20
Adjusted EBITDA	\$ 240	\$ 47	\$ 385	\$ (35)	\$ 637

(1) Pre-tax special items included in Wood Products consist of net charges of \$20 million for finalization of product remediation costs.

The table below reconciles Adjusted EBITDA for the quarter ended June 30, 2017:

<u>DOLLAR AMOUNTS IN MILLIONS</u>	<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					\$ 24
Interest expense, net of capitalized interest					100
Income taxes					34
Net contribution to earnings	\$ (12)	\$ 23	\$ 177	\$ (30)	\$ 158
Non-operating pension and other nonretirement benefit costs	—	—	—	8	8
Interest income and other	—	—	—	(9)	(9)
Operating income (loss)	(12)	23	177	(31)	157
Depreciation, depletion and amortization	87	4	36	2	129
Basis of real estate sold	—	10	—	—	10
Special items ⁽¹⁾	147	—	61	2	210
Adjusted EBITDA	\$ 222	\$ 37	\$ 274	\$ (27)	\$ 506

(1) Pre-tax special items include \$147 million of impairment charges related to our Uruguayan operations; \$50 million for product remediation; \$11 million of countervailing and antidumping duties; and \$2 million of Plum Creek merger-related costs.

Consolidated Statement of Operations

in millions

	Q1		Q2		Year-to-Date	
	March 31, 2018	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Net sales	\$ 1,865	\$ 2,065	\$ 1,808	\$ 3,930	\$ 3,501	
Cost of products sold	1,348	1,447	1,336	2,795	2,608	
Gross margin	517	618	472	1,135	893	
Selling expenses	23	23	22	46	44	
General and administrative expenses	78	80	76	158	163	
Research and development expenses	2	2	4	4	8	
Charges for integration and restructuring, closures and asset impairments	2	—	151	2	164	
Charges (recoveries) for product remediation, net	(20)	20	50	—	50	
Other operating costs (income), net	28	17	12	45	14	
Operating income	404	476	157	880	450	
Non-operating pension and other postretirement benefit costs	(24)	(13)	(8)	(37)	(30)	
Interest income and other	12	11	9	23	18	
Interest expense, net of capitalized interest	(93)	(92)	(100)	(185)	(199)	
Earnings before income taxes	299	382	58	681	239	
Income taxes	(30)	(65)	(34)	(95)	(58)	
Net earnings	\$ 269	\$ 317	\$ 24	\$ 586	\$ 181	

Per Share Information

	Q1		Q2		Year-to-Date	
	March 31, 2018	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Earnings per share, basic and diluted	\$ 0.35	\$ 0.42	\$ 0.03	\$ 0.77	\$ 0.24	
Dividends paid per common share	\$ 0.32	\$ 0.32	\$ 0.31	\$ 0.64	\$ 0.62	
Weighted average shares outstanding (in thousands):						
Basic	756,815	757,829	752,630	757,317	751,674	
Diluted	759,462	760,533	756,451	759,992	755,625	
Common shares outstanding at end of period (in thousands)	756,700	757,646	752,711	757,646	752,711	

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

in millions

	Q1		Q2		Year-to-Date	
	March 31, 2018	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Net earnings	\$ 269	\$ 317	\$ 24	\$ 586	\$ 181	
Non-operating pension and other postretirement benefit costs	24	13	8	37	30	
Interest income and other	(12)	(11)	(9)	(23)	(18)	
Interest expense, net of capitalized interest	93	92	100	185	199	
Income taxes	30	65	34	95	58	
Operating income	404	476	157	880	450	
Depreciation, depletion and amortization	120	119	129	239	262	
Basis of real estate sold	12	22	10	34	24	
Unallocated pension service costs	—	—	—	—	2	
Special items	8	20	210	28	222	
Adjusted EBITDA*	\$ 544	\$ 637	\$ 506	\$ 1,181	\$ 960	

*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. 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.

Q2.2018 Analyst Package

Preliminary results (unaudited)

Special Items Included in Net Earnings (Income Tax Affected)

in millions

	Q1		Q2		Year-to-Date	
	March 31, 2018	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Net earnings	\$ 269	\$ 317	\$ 24	\$ 586	\$ 181	
Plum Creek merger and integration-related costs	—	—	2	—	12	
Restructuring, impairment and other charges	—	—	147	—	147	
Environmental remediation charges (recoveries)	21	—	—	21	—	
Countervailing and antidumping duties charges (credits) ⁽¹⁾	—	—	8	—	8	
Product remediation charges (recoveries), net	(15)	15	31	—	31	
Net earnings before special items	\$ 275	\$ 332	\$ 212	\$ 607	\$ 379	

	Q1		Q2		Year-to-Date	
	March 31, 2018	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Net earnings per diluted share	\$ 0.35	\$ 0.42	\$ 0.03	\$ 0.77	\$ 0.24	
Plum Creek merger and integration-related costs	—	—	—	—	0.02	
Restructuring, impairment and other charges	—	—	0.20	—	0.19	
Environmental remediation charges (recoveries)	0.03	—	—	0.03	—	
Countervailing and antidumping duties charges (credits) ⁽¹⁾	—	—	0.01	—	0.01	
Product remediation charges (recoveries), net	(0.02)	0.02	0.04	—	0.04	
Net earnings per diluted share before special items	\$ 0.36	\$ 0.44	\$ 0.28	\$ 0.80	\$ 0.50	

⁽¹⁾As of first quarter 2018, countervailing and antidumping duties are no longer reported as a special item.

Selected Total Company Items

in millions

	Q1		Q2		Year-to-Date	
	March 31, 2018	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Pension and postretirement costs:						
Pension and postretirement service costs	\$ 10	\$ 8	\$ 7	\$ 18	\$ 17	
Non-operating pension and other postretirement benefit costs	24	13	8	37	30	
Total company pension and postretirement costs	\$ 34	\$ 21	\$ 15	\$ 55	\$ 47	

Consolidated Balance Sheet

in millions

	March 31, 2018	June 30, 2018	December 31, 2017
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 598	\$ 901	\$ 824
Receivables, less discounts and allowances	481	491	396
Receivables for taxes	24	23	14
Inventories	445	414	383
Prepaid expenses and other current assets	118	146	98
Current restricted financial investments held by variable interest entities	253	253	—
Total current assets	1,919	2,228	1,715
Property and equipment, net	1,573	1,597	1,618
Construction in progress	275	282	225
Timber and timberlands at cost, less depletion	12,888	12,790	12,954
Minerals and mineral rights, less depletion	306	302	308
Goodwill	40	40	40
Deferred tax assets	244	168	268
Other assets	278	279	316
Restricted financial investments held by variable interest entities	362	362	615
Total assets	\$ 17,885	\$ 18,048	\$ 18,059
LIABILITIES AND EQUITY			
Current liabilities:			
Current maturities of long-term debt	\$ —	\$ —	\$ 62
Current debt (nonrecourse to the company) held by variable interest entities	209	209	209
Accounts payable	245	270	249
Accrued liabilities	457	543	645
Total current liabilities	911	1,022	1,165
Long-term debt	5,928	5,924	5,930
Long-term debt (nonrecourse to the company) held by variable interest entities	302	302	302
Deferred pension and other postretirement benefits	1,454	1,224	1,487
Other liabilities	299	295	276
Total liabilities	8,894	8,767	9,160
Total equity	8,991	9,281	8,899
Total liabilities and equity	\$ 17,885	\$ 18,048	\$ 18,059

Consolidated Statements of Cash Flows

in millions

	Q1		Q2		Year-to-Date	
	March 31, 2018	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Cash flows from operations:						
Net earnings	\$ 269	\$ 317	\$ 24	\$ 586	\$ 181	
Noncash charges (credits) to income:						
Depreciation, depletion and amortization	120	119	129	239	262	
Basis of real estate sold	12	22	10	34	24	
Deferred income taxes, net	10	15	3	25	6	
Pension and other postretirement benefits	34	21	15	55	47	
Share-based compensation expense	9	9	9	18	19	
Charges for impairments of assets	1	—	147	1	147	
Change in:						
Receivables, less allowances	(83)	(18)	(8)	(101)	(78)	
Receivables and payables for taxes	5	10	(17)	15	(53)	
Inventories	(66)	30	21	(36)	(7)	
Prepaid expenses	(5)	4	(4)	(1)	(13)	
Accounts payable and accrued liabilities	(173)	103	192	(70)	55	
Pension and postretirement benefit contributions and payments	(16)	(16)	(15)	(32)	(37)	
Other	19	(19)	(17)	—	(29)	
Net cash from operations	\$ 136	\$ 597	\$ 489	\$ 733	\$ 524	
Cash flows from investing activities:						
Capital expenditures for property and equipment	\$ (61)	\$ (83)	\$ (74)	\$ (144)	\$ (126)	
Capital expenditures for timberlands reforestation	(20)	(14)	(13)	(34)	(36)	
Proceeds from sale of nonstrategic assets	2	—	4	2	12	
Other	3	24	45	27	44	
Cash from (used in) investing activities	\$ (76)	\$ (73)	\$ (38)	\$ (149)	\$ (106)	
Cash flows from financing activities:						
Cash dividends on common shares	\$ (242)	\$ (243)	\$ (233)	\$ (485)	\$ (466)	
Payments of long-term debt	(62)	—	—	(62)	—	
Proceeds from exercise of stock options	25	23	26	48	81	
Other	(7)	(1)	2	(8)	(8)	
Cash from (used in) financing activities	\$ (286)	\$ (221)	\$ (205)	\$ (507)	\$ (393)	
Net change in cash and cash equivalents	\$ (226)	\$ 303	\$ 246	\$ 77	\$ 25	
Cash and cash equivalents at beginning of period	824	598	455	824	676	
Cash and cash equivalents at end of period	\$ 598	\$ 901	\$ 701	\$ 901	\$ 701	
Cash paid during the period for:						
Interest, net of amount capitalized	\$ 105	\$ 67	\$ 72	\$ 172	\$ 192	
Income taxes	\$ 17	\$ 41	\$ 47	\$ 58	\$ 106	

Segment Statement of Operations

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Sales to unaffiliated customers	\$ 505	\$ 482	\$ 469	\$ 987	\$ 955
Intersegment sales	228	185	163	413	365
Total net sales	733	667	632	1,400	1,320
Cost of products sold	526	485	476	1,011	995
Gross margin	207	182	156	389	325
Selling expenses	1	—	1	1	2
General and administrative expenses	23	25	23	48	47
Research and development expenses	2	1	4	3	7
Charges for integration and restructuring, closures and asset impairments	—	—	147	—	147
Other operating costs (income), net	(8)	(5)	(7)	(13)	(14)
Operating income and Net contribution to earnings	\$ 189	\$ 161	\$ (12)	\$ 350	\$ 136

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

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Operating income	\$ 189	\$ 161	\$ (12)	\$ 350	\$ 136
Depreciation, depletion and amortization	79	79	87	158	181
Special items	—	—	147	—	147
Adjusted EBITDA*	\$ 268	\$ 240	\$ 222	\$ 508	\$ 464

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

Segment Special Items Included in Net Contribution to Earnings (Pre-Tax)

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Restructuring, impairment and other charges	\$ —	\$ —	\$ (147)	\$ —	\$ (147)

Selected Segment Items

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Total decrease (increase) in working capital ⁽¹⁾	\$ (40)	\$ 70	\$ (5)	\$ 30	\$ (42)
Cash spent for capital expenditures	\$ (28)	\$ (29)	\$ (25)	\$ (57)	\$ (55)

⁽¹⁾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⁽²⁾⁽³⁾

		Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Third Party Net Sales (millions)	Delivered logs:					
	West	\$ 266	\$ 262	\$ 227	\$ 528	\$ 452
	South	157	158	148	315	296
	North	25	20	16	45	43
	Other	14	7	11	21	31
	Total delivered logs	462	447	402	909	822
	Stumpage and pay-as-cut timber	15	11	17	26	29
	Products from international operations	—	—	21	—	40
	Recreational and other lease revenue	14	15	15	29	29
	Other revenue	14	9	14	23	35
	Total	\$ 505	\$ 482	\$ 469	\$ 987	\$ 955
Delivered Logs Third Party Sales Realizations (per ton)	West	\$ 131.59	\$ 132.24	\$ 105.84	\$ 131.91	\$ 105.06
	South	\$ 34.83	\$ 34.55	\$ 34.48	\$ 34.69	\$ 34.48
	North	\$ 60.79	\$ 64.92	\$ 63.49	\$ 62.59	\$ 60.97
	Other	—	—	—	—	—
Delivered Logs Third Party Sales Volumes (tons, thousands)	West	2,019	1,984	2,143	4,003	4,300
	South	4,510	4,560	4,285	9,070	8,578
	North	404	313	253	717	707
	Other	317	81	292	398	802
Fee Harvest Volumes (tons, thousands)	West	2,443	2,360	2,652	4,803	5,309
	South	6,751	6,630	6,473	13,381	12,846
	North	549	423	383	972	1,005
	Other	—	—	444	—	815

⁽²⁾The Western region includes Washington and Oregon. The Southern region includes Virginia, North Carolina, South Carolina, Florida, Georgia, Alabama, Mississippi, Louisiana, Arkansas, Texas and Oklahoma. The Northern region includes West Virginia, Maine, New Hampshire, Vermont, Michigan, Wisconsin and Montana. Other includes our Canadian operations and managed Twin Creeks operations (our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017).

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

Segment Statement of Operations

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Net sales	\$ 51	\$ 58	\$ 46	\$ 109	\$ 99
Cost of products sold	19	30	16	49	36
Gross margin	32	28	30	60	63
General and administrative expenses	7	6	7	13	14
Other operating costs (income), net	—	—	—	—	—
Operating income and net contribution to earnings	\$ 25	\$ 22	\$ 23	\$ 47	\$ 49

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

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Operating income	\$ 25	\$ 22	\$ 23	\$ 47	\$ 49
Depreciation, depletion and amortization	4	3	4	7	7
Basis of real estate sold	12	22	10	34	24
Adjusted EBITDA*	\$ 41	\$ 47	\$ 37	\$ 88	\$ 80

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

Selected Segment Items

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Cash spent for capital expenditures	\$ —	\$ —	\$ (1)	\$ —	\$ (1)

Segment Statistics

		Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Net Sales (millions)	Real Estate	\$ 34	\$ 38	\$ 27	\$ 72	\$ 64
	Energy and Natural Resources	17	20	19	37	35
	Total	\$ 51	\$ 58	\$ 46	\$ 109	\$ 99
Acres Sold	Real Estate	21,771	16,290	10,003	38,061	23,260
Price per Acre	Real Estate	\$ 1,539	\$ 2,258	\$ 2,714	\$ 1,847	\$ 2,537

Segment Statement of Operations

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Net sales	\$ 1,309	\$ 1,525	\$ 1,293	\$ 2,834	\$ 2,447
Cost of products sold	1,005	1,119	1,002	2,124	1,928
Gross margin	304	406	291	710	519
Selling expenses	21	22	19	43	40
General and administrative expenses	34	31	32	65	64
Research and development expenses	—	1	—	1	1
Charges for integration and restructuring, closures and asset impairments	2	—	2	2	3
Charges (recoveries) for product remediation, net	(20)	20	—	—	—
Other operating costs (income), net	(3)	3	61	—	62
Operating income and Net contribution to earnings	\$ 270	\$ 329	\$ 177	\$ 599	\$ 349

Adjusted Earnings before Interest, Tax, Depreciation and Amortization*

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Operating income	\$ 270	\$ 329	\$ 177	\$ 599	\$ 349
Depreciation, depletion and amortization	36	36	36	72	71
Special items	(20)	20	61	—	61
Adjusted EBITDA*	\$ 286	\$ 385	\$ 274	\$ 671	\$ 481

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

Segment Special Items Included in Net Contribution to Earnings (Pre-Tax)

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Countervailing and antidumping duties (charges) credits ⁽¹⁾	\$ —	\$ —	\$ (11)	\$ —	\$ (11)
Product remediation (charges) recoveries, net	20	(20)	(50)	—	(50)
Total	\$ 20	\$ (20)	\$ (61)	\$ —	\$ (61)

⁽¹⁾ As of first quarter 2018, countervailing and antidumping duties are no longer reported as a special item.

Selected Segment Items

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Total decrease (increase) in working capital ⁽²⁾	\$ (226)	\$ 3	\$ 113	\$ (223)	\$ (9)
Cash spent for capital expenditures	\$ (52)	\$ (68)	\$ (61)	\$ (120)	\$ (105)

⁽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		Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Structural Lumber (volumes presented in board feet)	Third party net sales	\$ 569	\$ 681	\$ 538	\$ 1,250	\$ 1,016
	Third party sales realizations	\$ 498	\$ 541	\$ 441	\$ 521	\$ 427
	Third party sales volumes ⁽³⁾	1,140	1,261	1,218	2,401	2,376
	Production volumes	1,160	1,180	1,146	2,340	2,298
Engineered Solid Section (volumes presented in cubic feet)	Third party net sales	\$ 129	\$ 139	\$ 130	\$ 268	\$ 247
	Third party sales realizations	\$ 2,088	\$ 2,156	\$ 1,979	\$ 2,123	\$ 1,931
	Third party sales volumes ⁽³⁾	6.2	6.4	6.6	12.6	12.8
	Production volumes	6.3	6.4	6.6	12.7	12.9
Engineered I-joists (volumes presented in lineal feet)	Third party net sales	\$ 78	\$ 92	\$ 85	\$ 170	\$ 158
	Third party sales realizations	\$ 1,585	\$ 1,630	\$ 1,522	\$ 1,609	\$ 1,503
	Third party sales volumes ⁽³⁾	49	57	57	106	106
	Production volumes	56	52	53	108	103
Oriented Strand Board (volumes presented in square feet 3/8")	Third party net sales	\$ 232	\$ 277	\$ 225	\$ 509	\$ 428
	Third party sales realizations	\$ 314	\$ 367	\$ 295	\$ 341	\$ 279
	Third party sales volumes ⁽³⁾	739	754	764	1,493	1,533
	Production volumes	734	747	754	1,481	1,512
Softwood Plywood (volumes presented in square feet 3/8")	Third party net sales	\$ 50	\$ 55	\$ 47	\$ 105	\$ 91
	Third party sales realizations	\$ 438	\$ 461	\$ 380	\$ 450	\$ 379
	Third party sales volumes ⁽³⁾	115	118	123	233	241
	Production volumes	97	105	99	202	196
Medium Density Fiberboard (volumes presented in square feet 3/4")	Third party net sales	\$ 43	\$ 47	\$ 51	\$ 90	\$ 98
	Third party sales realizations	\$ 839	\$ 839	\$ 845	\$ 839	\$ 820
	Third party sales volumes ⁽³⁾	51	55	60	106	119
	Production volumes	50	57	63	107	119

⁽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 a portion of items such as share-based compensation expense, pension and postretirement costs, foreign exchange transaction gains and losses and the elimination of intersegment profit in inventory and

Contribution to Earnings

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Unallocated corporate function and variable compensation expense	\$ (18)	\$ (19)	\$ (17)	\$ (37)	\$ (36)
Liability classified share-based compensation	—	(2)	—	(2)	(6)
Foreign exchange gains (losses)	(2)	2	—	—	(3)
Elimination of intersegment profit in inventory and LIFO	(21)	3	(3)	(18)	(9)
Charges for integration and restructuring, closures and asset impairments	—	—	(2)	—	(14)
Other	(39)	(20)	(9)	(59)	(16)
Operating income (loss)	(80)	(36)	(31)	(116)	(84)
Non-operating pension and other postretirement benefit (costs) credits	(24)	(13)	(8)	(37)	(30)
Interest income and other	12	11	9	23	18
Net contribution to earnings	\$ (92)	\$ (38)	\$ (30)	\$ (130)	\$ (96)

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

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Operating income (loss)	\$ (80)	\$ (36)	\$ (31)	\$ (116)	\$ (84)
Depreciation, depletion and amortization	1	1	2	2	3
Unallocated pension service costs	—	—	—	—	2
Special items	28	—	2	28	14
Adjusted EBITDA*	\$ (51)	\$ (35)	\$ (27)	\$ (86)	\$ (65)

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

Unallocated Special Items Included in Net Contribution to Earnings (Pre-Tax)

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Plum Creek merger and integration-related costs	\$ —	\$ —	\$ (2)	\$ —	\$ (14)
Environmental remediation insurance (charges) recoveries	(28)	—	—	(28)	—
Total	\$ (28)	\$ —	\$ (2)	\$ (28)	\$ (14)

Unallocated Selected Items

in millions	Q1.2018	Q2.2018	Q2.2017	YTD.2018	YTD.2017
Cash spent for capital expenditures	\$ (1)	\$ —	\$ —	\$ (1)	\$ (1)