WEYERHAEUSER CO
Form 10-K
February 15, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018
or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 1-4825
WEYERHAEUSER COMPANY
A WASHINGTON CORPORATION
91-0470860
(IRS EMPLOYER IDENTIFICATION NO.)
220 OCCIDENTAL AVENUE SOUTH, SEATTLE, WASHINGTON 98104-7800 TELEPHONE (206) 539-3000
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED:
Common Shares ($1.25 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes o No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes x No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes o No
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). x Yes o No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o Non-accelerated filer o
Smaller reporting company o Emerging growth company o
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes x No

As of June 30, 2018, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $28.0 billion based on the closing sale price as reported on the New York Stock Exchange Composite Price Transactions.
As of February 4, 2019, 746,524 thousand shares of the registrant's common stock ($1.25 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the Notice of 2019 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 17, 2019, are incorporated by reference into Part II and III.

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OUR BUSINESS

We are one of the world's largest private owners of timberlands. We own or control 12.2 million acres of timberlands in the U.S. and manage an additional 14.0 million acres of timberlands under long-term licenses in Canada. We manage these timberlands on a sustainable basis in compliance with internationally recognized forestry standards. Our objective is to maximize the long-term value of timberlands we own. We analyze each timberland acre comprehensively to understand its highest-value use. We realize this value in many ways, particularly through growing and harvesting the trees, but also by selling properties when we can create incremental value. In addition, we focus on opportunities to realize value for oil and natural gas production, construction aggregates and mineral extraction, wind and solar power, communication tower leases and transportation rights of way that exist in our ownership.

We are also one of the largest manufacturers of wood products in North America. We manufacture and distribute high-quality wood products, including structural lumber, oriented strand board (OSB), engineered wood products and other specialty products. These products are primarily supplied to the residential, multi-family, industrial, light commercial and repair and remodel markets. We operate 35 manufacturing facilities in the United States and Canada.

Our company is a real estate investment trust (REIT).

Sustainability and citizenship are part of our core values. In addition to practicing sustainable forestry, we focus on increasing energy and resource efficiency, reducing greenhouse gas emissions, reducing water consumption, conserving natural resources and offering sustainable products that meet our customers' needs. We operate with world class safety results, actively support the communities in which we operate and strive to communicate transparently with our investors and other stakeholders. We are the only North American forest products company included on the Dow Jones Sustainability North America Index, and we also are recognized for our leading performance in the areas of ethics, citizenship and gender equality.

In 2018, we generated $7.5 billion in net sales and employed approximately 9,300 people who serve customers worldwide.

This portion of our Annual Report on Form 10-K provides detailed information about who we are, what we do and where we are headed. Unless otherwise specified, current information reported in this Form 10-K is as of or for the fiscal year ended December 31, 2018.

We break out financial information such as revenues, earnings and assets by the business segments that form our company. We also discuss the development of our company and the geographic areas where we do business.

Throughout this Form 10-K, unless specified otherwise, references to “we,” “our,” “us” and “the company” refer to the consolidated company.

WE CAN TELL YOU MORE

AVAILABLE INFORMATION

We meet the information-reporting requirements of the Securities Exchange Act of 1934 by filing periodic reports (annual reports on Form 10-K, quarterly reports on Form 10-Q), current reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission (SEC). These reports and statements — information about our company’s business, financial results and other matters — and amendments to these reports and statements are available at:

- the SEC website — www.sec.gov;
- the SEC’s Public Conference Room, 100 F St. N.E., Washington, D.C., 20549, (800) SEC-0330; and
- our website (free of charge) — www.weyerhaeuser.com.

When we file the information electronically with the SEC, it also is posted to our website.

WHO WE ARE

We were incorporated as Weyerhaeuser Timber Company in the state of Washington in January 1900, when Frederick Weyerhaeuser and 15 partners bought 900,000 acres of timberland. Today, we are working to be the world's premier timber, land, and forest products company for our shareholders, customers and employees.

REAL ESTATE INVESTMENT TRUST (REIT) ELECTION

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. We expect to derive most of our REIT income from our timberlands, including gains from the sales of our standing timber and rent from recreational leases. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which includes our Wood Products segment and a portion of our Timberlands and Real Estate, Energy and Natural Resources segments.

OUR BUSINESS SEGMENTS

In the Consolidated Results section of Management's Discussion and Analysis of Financial Condition and Results of Operations, you will find our overall performance results for our business segments, which are as follows:

- Timberlands;
- Real Estate, Energy and Natural Resources (Real Estate & ENR); and
- Wood Products.

Detailed financial information about our business segments and our geographic locations is provided in Note 2: Business Segments and Note 22: Geographic Areas in the Notes to Consolidated Financial Statements.

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EFFECT OF MARKET CONDITIONS

The health of the U.S. housing market strongly affects the performance of all our business segments. Wood Products primarily sells into the new residential building and repair and remodel markets. Demand for logs from our Timberlands segment is affected by the production of wood-based building products as well as export demand. Real Estate is affected by local real estate market conditions, such as the level of supply or demand for properties sharing the same or similar characteristics as our timberlands. Energy and Natural Resources is affected by underlying demand for commodities, including oil and gas.

COMPETITION IN OUR MARKETS

We operate in highly competitive domestic and foreign markets, with numerous companies selling similar products. Many of our products also face competition from substitutes for wood products. We compete in our markets primarily through product quality, service levels and price. We are relentlessly focused on operational excellence, producing quality products customers want and are willing to pay for, at the lowest possible cost.

Our business segments' competitive strategies are as follows:

- Timberlands — Deliver maximum timber value from every acre we own or manage.
- Real Estate & ENR — Deliver premiums to timberland value by identifying and monetizing higher and better use lands and capturing the full value of surface and subsurface assets.
- Wood Products — Manufacture high-quality lumber, structural panels, and engineered wood products, as well as deliver complementary building products for residential, multi-family, industrial and light commercial applications at competitive costs.

OUR EMPLOYEES

We have approximately 9,300 employees. Of these employees, approximately 2,500 are members of unions covered by multi-year collective-bargaining agreements. More information about these agreements is provided in Note 10: Pension and Other Postretirement Benefit Plans in the Notes to Consolidated Financial Statements.

WHAT WE DO

This section provides information about how we:

- grow and harvest trees,
- maximize the value of every acre we own and
- manufacture and sell wood products.

For each of our business segments, we provide details about what we do, where we do it, how much we sell and where we are headed.

TIMBERLANDS

Our Timberlands segment manages 12.2 million acres of private commercial timberlands in the U.S. We own 11.4 million of those acres and control the remaining acres through long-term contracts. In addition, we have renewable, long-term licenses on 14.0 million acres of Canadian timberlands. The tables presented in this section include data from this segment's business units as of the end of 2018.

WHAT WE DO

Forestry Management

Our Timberlands segment:

- plants seedlings to reforest harvested areas using the most effective regeneration method for the site and species (natural regeneration is employed and managed in parts of Canada and the northern U.S.);
- manages our timberlands as the trees grow to maturity;
- harvests trees to be converted into lumber, wood products, pellets, pulp and paper;
- manages the health of our forests to sustainably maximize harvest volumes, minimize risks, and protect unique environmental, cultural, historical and recreational value; and

• offers recreational access.

We seek to maximize the returns from our timberlands by selling delivered logs and through stumpage sales to both internal and external customers. We leverage our expertise in forestry and use intensive silviculture to improve forest productivity and returns while managing our forests on a sustainable basis. We use our scale, infrastructure and supply chain expertise to deliver reliable and consistent supply to our customers.

Competitive factors within each of our market areas generally include price, species, grade, quality, proximity to wood consuming facilities and the ability to consistently meet customer requirements. We compete in the marketplace through our ability to provide customers with a consistent and reliable supply of high-quality logs at scale volumes and competitive prices. Our customers also value our status as a Sustainable Forestry Initiative® (SFI) certified supplier.

Sustainable Forestry Practices

We manage our forests intensively to maximize the value of every acre and produce a sustainable supply of wood fiber for our customers. At the same time, we are careful to protect biological diversity, water quality and other ecosystem values. Our working forests also provide unique environmental, cultural, historical and recreational value. We work hard to protect these and other qualities, while still managing our forests to produce financially mature timber. We follow regulatory requirements, voluntary standards and certify 100 percent of our North American timberlands under the SFI Forest Management Standard.

Canadian Forestry Operations

In Canada, we manage timberlands under long-term licenses that provide the primary source of the raw material for our manufacturing facilities in various provinces. When we harvest trees, we pay the provinces at stumpage rates set by the government. We transfer logs to our

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manufacturing facilities at cost and do not generate any significant profit in the Timberlands segment from the harvest of timber from the licensed acres in Canada.

Timberlands Products

PRODUCTS	HOW THEY'RE USED
Delivered logs: • Grade logs • Fiber logs	Grade logs are made into lumber, plywood, veneer and other products used in residential homes, commercial structures, furniture, industrial and decorative applications. Fiber logs are sold to pulp, paper, and oriented strand board mills to make products used for printing, writing, packaging, homebuilding and consumer products, as well as into renewable energy and pellets.
Timber	Standing timber is sold to third parties through stumpage sales.
Recreational leases	Timberlands are leased or permitted for recreational purposes.
Other products	Seed and seedlings grown in the U.S and chips. We previously produced plywood at our mill in Uruguay [(1)].

(1) Our Uruguayan operations were divested on September 1, 2017. Refer to Note 4: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

HOW WE MEASURE OUR PRODUCT

We use multiple units of measure when transacting business including:

- Thousand board feet (MBF) — used in the West to measure the expected lumber recovery from a tree or log; and
- Green tons (GT) — used in the South to measure weight; factors used for conversion to product volume can vary by species, size, location and season.

We report Timberlands volumes in ton equivalents.

WHERE WE DO IT

We sustainably manage timberlands in twenty states. This includes owned or contracted acres in the following locations:

- 2.9 million acres in the western U.S. (Oregon and Washington);
- 6.9 million acres in the southern U.S. (Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and Virginia); and
- 2.4 million acres in the northern U.S. (Maine, Michigan, Montana, New Hampshire, Vermont, West Virginia and Wisconsin).

In Canada, we manage timberlands under long-term licenses that provide raw material for our manufacturing facilities. These licenses are in Alberta, British Columbia, Ontario (license is managed by partnership) and Saskatchewan (license is managed by partnership).

Our total timber inventory — including timber on owned and contracted land— is approximately 626 million tons. The amount of timber inventory does not translate into an amount of lumber or panel products because the quantity of end products varies according to the species, size and quality of the timber; and will change through time as these variables adjust.

We maintain our timber inventory in an integrated resource inventory system and geographic information system ("GIS"). The resource inventory component of the system is proprietary and is largely based on internally developed methods, including growth and yield models developed by our research and development organization. The GIS component is based on GIS software that is viewed as the standard in our industry.

Timber inventory data collection and verification techniques include the use of industry standard field sampling procedures as well as proprietary remote sensing technologies in some geographies. The data is collected and maintained at the timber stand level.

We also own and operate nurseries and seed orchards in Alabama, Arkansas, Georgia, Louisiana, Mississippi, Oregon, South Carolina, and Washington.

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Summary of 2018 Standing Timber Inventory

GEOGRAPHIC AREA	MILLIONS OF TONS AT DECEMBER 31, 2018
	TOTAL INVENTORY[(1)]
U.S.:	
West	
Douglas fir/Cedar	160
Whitewood	33
Hardwood	14
Total West	207
South	
Southern yellow pine	263
Hardwood	84
Total South	347
North	
Conifer	32
Hardwood	40
Total North	72
Total Company	626

(1) Inventory includes all conservation and non-harvestable areas.

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Summary of 2018 Timberland Locations

GEOGRAPHIC AREA	THOUSANDS OF ACRES AT DECEMBER 31, 2018		
	FEE OWNERSHIP	LONG-TERM CONTRACTS	TOTAL ACRES(1)
U.S.:			
West			
Oregon	1,596	—	1,596
Washington	1,314	—	1,314
Total West	2,910	—	2,910
South			
Alabama	388	228	616
Arkansas	1,211	18	1,229
Florida	226	85	311
Georgia	618	50	668
Louisiana	1,023	351	1,374
Mississippi	1,131	75	1,206
North Carolina	563	—	563
Oklahoma	494	—	494
South Carolina	278	—	278
Texas	29	2	31
Virginia	123	—	123
Total South	6,084	809	6,893
North			
Maine	838	—	838
Michigan	556	—	556
Montana	658	—	658
New Hampshire	24	—	24
Vermont	86	—	86
West Virginia	256	—	256
Wisconsin	4	—	4
Total North	2,422	—	2,422
Total Company	11,416	809	12,225

(1) Acres include all conservation and non-harvestable areas.

We provide a year-round flow of logs to internal and external customers. We sell grade and fiber logs to manufacturers that produce a diverse range of products. We also sell standing timber to third parties and lease land for recreational purposes. Our timberlands are generally well located to take advantage of road, logging and transportation systems for efficient delivery of logs to customers.

Western United States

Our Western timberlands are well situated to serve the wood products and pulp markets in Oregon and Washington. Additionally, our location on the West Coast provides access to higher-value export markets for Douglas fir and whitewood logs to Japan, China and Korea. Our largest export market is Japan, where Douglas fir is the preferred species for higher-valued post and beam homebuilding. The size and quality of our Western timberlands, coupled with their proximity to several deep-water port facilities, competitively positions us to meet the needs of Pacific Rim log markets. For the year ended December 31, 2018, we sold 24 percent of our total western log sales volume internally. Our holdings are composed primarily of Douglas fir, a species highly valued for its structural strength, stiffness and visual appearance. Most of our lands are located on the west side of the Cascade Mountain Range with soil and rainfall conditions considered favorable for growing this species. Approximately 80 percent of our lands are in established Douglas fir plantations. Our remaining holdings include a mix of whitewood and hardwood.

Our management systems and supply chain expertise provide us a competitive operating advantage in a number of areas including forestry and research, harvesting, marketing, and logistics. Additionally, our scale, diversity of timberlands ownership and infrastructure on the West Coast allow us to consistently and reliably supply logs to our internal and external customers year-round.

We sell recreational use permits covering approximately 2 million acres of our owned Western timberlands.

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2018 Western U.S. Inventory by Species

2018 Western U.S. Inventory by Age / Species

The average age of timber harvested from our Western timberlands in 2018 was 51 years. In accordance with our sustainable forestry practices, we harvest approximately 2 percent of our Western acreage each year.

Southern United States

Our Southern timberland ownership, covering 11 states, is well situated to serve domestic wood products and pulp markets, including third-party customers and our own mills. For the year ended December 31, 2018, we sold 24 percent of our total southern log sales volume internally. Additionally, our Atlantic and Gulf coastal locations position us to serve a developing Asian log export market. Our holdings are comprised of 76 percent Southern yellow pine and 24 percent hardwoods.

We intensively manage our Southern timber plantations using:

- forestry research and planning systems to optimize log production,
- customized silviculture prescriptions which increase productivity across our acreage and
- innovative planting and harvesting techniques on varying Southern terrain.

Operationally, we focus on efficiently harvesting and hauling logs from our ownership and capitalizing on our scale and supply chain expertise to consistently and reliably serve a broad range of customers through seasonal and weather-related events year-round.

We lease more than 94 percent of our owned Southern acreage for recreational purposes.

2018 Southern U.S. Inventory by Species

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2018 Southern U.S. Inventory by Age / Species

The average age of timber harvested from our Southern timberlands in 2018 was 31 years. In accordance with our sustainable forestry practices, we harvest approximately 3 percent of our acreage each year in the South.

Northern United States

We are one of the largest private owners of northern hardwood timberlands. Our Northern acres contain a diverse mix of temperate broadleaf hardwoods and mixed conifer species across timberlands located in seven states. We grow over 50 species and market over 600 product grades to a diverse mix of customers.

Our large-diameter cherry, red oak and hard maple saw logs and veneer logs serve domestic and export furniture markets. Our maple and other appearance woods are used in furniture and high-value decorative applications. In addition to high value hardwood saw logs, our mix includes hardwood fiber logs for pulp and OSB applications. Hardwood pulpwood is a significant market in the Northern region and we have long term supply agreements, primarily at market rates, for nearly 83 percent of our hardwood pulp production.

We also grow softwood logs that supply our Montana medium density fiberboard (MDF), lumber and plywood mills and other customers. Our competitive advantages include a merchandising program to capture the value of the premium hardwood logs.

Regeneration is predominantly natural, augmented by planting where appropriate.

2018 Northern U.S. Inventory by Species

2018 Northern U.S. Inventory by Age / Species

The average age of timber harvested from our Northern timberlands in 2018 was 62 years. Timber harvested in the North is sold predominantly as delivered logs to domestic mills, including our manufacturing facilities located in Montana and West Virginia. For the year ended

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December 31, 2018, we sold 13 percent of our total northern log sales volume internally. In accordance with our sustainable forestry practices, we harvest approximately 1 percent of our acreage each year in the North.

Canada — Licensed Timberlands

We manage timberlands in Canada under long-term licenses from the provincial governments to secure volume for our manufacturing facilities in various provinces. The provincial governments regulate the volume of timber that may be harvested each year through Annual Allowable Cuts (AAC), which are updated every 10 years. As of December 31, 2018, our AAC by province was:

- Alberta — 2,914 thousand tons,
- British Columbia — 547 thousand tons,
- Ontario — 154 thousand tons and
- Saskatchewan — 634 thousand tons.

When the volume is harvested, we pay the province for that volume at stumpage rates set by the government. The harvested logs are transferred to our manufacturing facilities at cost (stumpage plus harvest, haul and overhead costs less any margin on selling logs to third parties). Any profit from harvesting the log through to converting to finished products is recognized at the respective mill in our Wood Products segment.

A small amount of harvested volumes are sold to unaffiliated customers.

GEOGRAPHIC AREA	THOUSANDS OF ACRES AT DECEMBER 31, 2018
TOTAL ACRES UNDER LICENSE ARRANGEMENTS	
Province:	
Alberta	5,398
British Columbia	1,014
Ontario(1)	2,574
Saskatchewan(1)	4,987
Total Canada	13,973

(1) License is managed by partnership.

HOW MUCH WE HARVEST

Our fee harvest volumes are managed sustainably across all regions to ensure the preservation of long-term economic value of the timber and to capture maximum value from the markets. This is accomplished by ensuring annual harvest schedules target financially mature timber and reforestation activities align with the growing of timber through its life cycle to financial maturity.

Five-Year Summary of Timberlands Fee Harvest Volumes

FEE HARVEST VOLUMES IN THOUSANDS OF TONS(1)

	2018	2017	2016	2015	2014
Fee harvest volume – tons:					
West	9,571	10,083	11,083	10,563	10,580
South	26,708	27,149	26,343	14,113	14,276
North	2,129	2,205	2,044	—	—
Uruguay(2)	—	822	1,119	980	1,091
Other(3)	—	1,384	701	—	—
Total	38,408	41,643	41,290	25,656	25,947

(1) In February 2016, we merged with Plum Creek Timber Company, Inc. (Plum Creek). Refer to Note 5: Merger With Plum Creek in the Notes to Consolidated Financial Statements for further information on this merger.

(2) Our Uruguayan operations were divested on September 1, 2017. Refer to Note 4: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial

Statements for further information on this divestiture.
(3) Other includes volumes managed for the Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see Note 9: Related Parties in Notes to Consolidated Financial Statements.

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Five-Year Summary of Timberlands Fee Harvest Volumes - Percentage of Grade and Fiber

PERCENTAGE OF GRADE AND FIBER(1)

		2018	2017	2016	2015	2014
West	Grade	90 %	89 %	87 %	87 %	89 %
	Fiber	10 %	11 %	13 %	13 %	11 %
South	Grade	51 %	52 %	52 %	59 %	59 %
	Fiber	49 %	48 %	48 %	41 %	41 %
North	Grade	46 %	49 %	47 %	— %	— %
	Fiber	54 %	51 %	53 %	— %	— %
Uruguay (2)	Grade	— %	69 %	66 %	65 %	63 %
	Fiber	— %	31 %	34 %	35 %	37 %
Other (3)	Grade	— %	47 %	45 %	— %	— %
	Fiber	— %	53 %	55 %	— %	— %
Total	Grade	62 %	63 %	64 %	73 %	73 %
	Fiber	38 %	37 %	36 %	27 %	27 %

(1) In February 2016, we merged with Plum Creek. Refer to Note 5: Merger With Plum Creek in the Notes to Consolidated Financial Statements for further information on this merger.

(2) Our Uruguayan operations were divested on September 1, 2017. Refer to Note 4: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

(3) Other includes volumes managed for the Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see Note 9: Related Parties in Notes to Consolidated Financial Statements.

HOW MUCH WE SELL

Our net sales to unaffiliated customers over the last two years were:

- $1.9 billion in 2018 and
- $1.9 billion in 2017.

Our intersegment sales over the last two years were:

- $802 million in 2018 and
- $762 million in 2017.

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Five-Year Summary of Net Sales for Timberlands

NET SALES IN MILLIONS OF DOLLARS[1]

	2018	2017	2016	2015	2014
To unaffiliated customers:					
Delivered Logs:					
West	$987	$915	$865	$830	$972
South	625	616	566	241	257
North	99	95	91	—	—
Other[2]	41	59	38	24	22
Total	1,752	1,685	1,560	1,095	1,251
Stumpage and pay-as-cut timber	59	73	85	37	18
Uruguay operations[3]	—	63	79	87	88
Recreational lease revenue	59	59	44	25	22
Other products[4]	45	62	37	29	36
Subtotal sales to unaffiliated customers	1,915	1,942	1,805	1,273	1,415
Intersegment sales:					
United States	537	520	590	559	576
Canada	265	242	250	271	291
Subtotal intersegment sales	802	762	840	830	867
Total	$2,717	$2,704	$2,645	$2,103	$2,282

(1) In February 2016, we merged with Plum Creek. Refer to Note 5: Merger With Plum Creek in the Notes to Consolidated Financial Statements for further information on this merger.

(2) Other delivered logs include sales to unaffiliated customers in Canada and sales from timberlands managed for the Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see Note 9: Related Parties in Notes to Consolidated Financial Statements.

(3) Sales from our Uruguay operations include plywood and hardwood lumber. Our Uruguayan operations were divested on September 1, 2017. Refer to Note 4: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

(4) Other products include sales of seeds and seedlings from our nursery operations, chips and sales from our operations in Brazil (operations sold in 2014).

Five-Year Trend for Total Net Sales in Timberlands

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Percentage of 2018 Sales Dollars to Unaffiliated Customers

Log Sales Volume

Our sales volume includes fee timber, as well as logs purchased in the open market. Domestic and export logs are sold at market prices to both unaffiliated customers and our internal mills.

Our log sales volumes to unaffiliated customers over the last two years were:

- 28,250 thousand tons in 2018 and
- 29,420 thousand tons in 2017.

We sell three grades of logs — domestic grade, domestic fiber and export. Factors that may affect log sales in each of these categories include:

- domestic grade log sales — lumber usage, primarily for housing starts and repair and remodel activity, the needs of our own mills and the availability of logs from both outside markets and our own timberlands;
- domestic fiber log sales — demand for chips by pulp, containerboard mills, pellet mills and OSB mills; and
- export log sales — the level of housing starts in Japan and construction in China.

Five-Year Summary of Log Sales Volume to Unaffiliated Customers

SALES VOLUME IN THOUSANDS[1]

	2018	2017	2016	2015	2014
Logs – tons:					
West	7,858	8,202	8,713	8,212	8,504
South	18,008	17,895	15,967	6,480	6,941
North	1,628	1,574	1,500	—	—
Uruguay [2]	—	291	470	714	667
Other [3]	756	1,458	943	551	474
Total	28,250	29,420	27,593	15,957	16,586

(1) In February 2016, we merged with Plum Creek. Refer to Note 5: Merger With Plum Creek in the Notes to Consolidated Financial Statements for further information on this merger.

(2) Our Uruguayan operations were divested on September 1, 2017. Refer to Note 4: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

(3) Other includes our Canadian operations and managed Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see Note 9: Related Parties in Notes to Consolidated Financial Statements.

Log Prices

The majority of our log sales to unaffiliated customers involve sales to domestic sawmills and the export market. Log prices in the following tables are on a delivered (mill) basis.

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Five-Year Summary of Published Domestic Log Prices (#2 Sawlog Bark On — $/MBF)

Five-Year Summary of Export Log Prices (#2 Sawlog Bark On — $/MBF)

Log prices are affected by the supply of and demand for grade and fiber logs. Export log prices are particularly affected by the Japanese housing market and Chinese demand.

WHERE WE’RE HEADED

Our competitive strategies include:

- continuing to capitalize on our scale of operations, silviculture and supply chain expertise and sustainability practices;
- improving cash flow through operational excellence initiatives including merchandising for value, harvest and transportation efficiencies as well as focused silviculture investments to improve forest productivity;
- leveraging our export and domestic market access, infrastructure and strong customer relationships;
- increasing our recreational lease revenue; and
- continuing to maximize the value of our timberlands portfolio by managing the acres with the highest and best use in mind.

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REAL ESTATE, ENERGY AND NATURAL RESOURCES

Our Real Estate & ENR segment maximizes the value of our timberland ownership through application of our asset value optimization (AVO) process and captures the full value of surface and subsurface assets, such as oil, natural gas, minerals and wind and solar resources.

WHAT WE DO

Real Estate

Properties that exhibit higher use value than as commercial timberlands are monetized by our Real Estate business over time. We analyze our existing U.S. timberland holdings using a process we call AVO. We start with understanding the value of a parcel operating as commercial timberlands and then assess the specific real estate attributes of the parcel and its corresponding market. The assessment includes demographics, infrastructure and proximity to amenities and recreation to determine the potential to realize a premium value to commercial timberland. Attributes can evolve over time, and accordingly, the assignment of value and opportunity can change. We continually revisit our AVO assessment of all of our timberland acres.

These properties are acres we expect to sell for recreational, conservation, commercial or residential purposes over time. We will entitle a small amount of acres to support development. Development, outside of entitlement activities, is typically performed by third parties. Some of our real estate activities are conducted through our taxable REIT subsidiary.

Occasionally, we sell a small amount of timberlands acreage in areas where we choose to reduce our market presence, and we can capture a price that exceeds the value derivable from holding and operating as commercial timberlands. These transactions will vary based on factors including the locations and physical characteristics of the timberlands.

The timing of real estate sales is a function of many factors, including the general state of the economy, demand in local real estate markets, the ability of buyers to obtain financing, the number of competing properties listed for sale, the seasonal nature of sales (particularly in the Northern states), the plans of adjacent landowners, our expectation of future price appreciation, the timing of the harvesting activities, and the availability of government and not-for-profit funding. In any period, the average sales price per acre will vary based on the location and physical characteristics of parcels sold.

Energy and Natural Resources

We focus on maximizing potential opportunities for oil, natural gas, construction materials, industrial minerals, coal, renewable energy and rights of way easements on our timberlands portfolio and retained mineral interests.

As the owner of mineral rights and interests, we typically do not invest in development or operations but instead enter into contracts with operators granting them the rights to explore and sell energy and natural resources produced from our property in exchange for rents and royalties. Our primary sources of revenue are:

- rentals and royalties from the exploration, extraction, production and sale of aggregates and industrial minerals, oil and natural gas, coal and wind energy production;
- rental payments from, or sale of, communication, energy and transportation rights of way; and
- the occasional sale of mineral assets.

We generally reserve mineral rights when selling timberlands acreage. Some Energy and Natural Resources activities are conducted through our taxable REIT subsidiary.

Real Estate, Energy and Natural Resources Sources of Revenue

SOURCES	ACTIVITIES
Real Estate	Select timberland tracts are sold for recreational, conservation, commercial or residential purposes.
Energy and Natural Resources	• Rights are sold to explore and

extract construction aggregates (rock, sand and gravel), coal, industrial materials and oil and natural gas for sale into energy markets.

- Ground leases and easements are granted to wind and solar developers to generate renewable electricity from our timberlands.
- Rights are granted to access and utilize timberland acreage for communications, pipeline, powerline and transportation rights of way.

WHERE WE DO IT

Our Real Estate business identifies opportunities to realize premium value for our U.S. owned timberland acreage. Our significant Energy and Natural Resources revenue sources are located in Oregon, South Carolina and Georgia (construction material royalties); the Gulf South (oil and natural gas royalties); and West Virginia (coal reserves).

HOW MUCH WE SELL

Our net sales to unaffiliated buyers over the last two years were:

- $306 million in 2018 and
- $280 million in 2017.

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Five-Year Summary of Net Sales for Real Estate, Energy and Natural Resources

NET SALES IN MILLIONS OF DOLLARS

	2018	2017	2016	2015	2014
Net Sales:					
Real Estate	$229	$208	$172	$75	$72
Energy and Natural Resources	78	73	54	26	32
Total	$307	$281	$226	$101	$104

Five-Year Summary of Real Estate Sales Statistics

REAL ESTATE SALES STATISTICS

	2018	2017	2016	2015	2014
Acres sold	131,575	97,235	82,687	27,390	24,583
Average price per acre	$ 1,701	$2,079	$2,072	$2,490	$2,428

WHERE WE'RE HEADED

Our competitive strategies include:

- continuing to apply the AVO process to identify opportunities to capture a premium to timber value;
- maintaining a flexible, low-cost execution model by continuing to leverage strategic relationships with outside real estate brokers;
- capturing the full value of our oil and natural gas, aggregates and industrial minerals, and wind renewable energy resources; and
- delivering the most value from every acre.

WOOD PRODUCTS

We are a large manufacturer and distributor of wood products in North America.

WHAT WE DO

Our wood products segment:

- provides high-quality structural lumber, oriented strand board (OSB), engineered wood products and other specialty products to the residential, multi-family, industrial, light commercial and repair and remodel markets;
- distributes our products as well as complementary building products that we purchase from other manufacturers; and
- exports our structural lumber and engineered wood products, primarily to Asia.

Wood Products

PRODUCTS	HOW THEY'RE USED
Structural lumber	Structural framing for new residential, repair and remodel, treated applications, industrial and commercial structures
Oriented strand board	Structural sheathing, subflooring and stair tread for residential, multi-family and commercial structures
Engineered wood products • Solid section • I-joists • Softwood plywood • Medium density fiberboard	Structural elements for residential, multi-family and commercial structures such as floor and roof joists, headers, beams, subflooring, and sheathing. Medium density fiberboard products are used for store fixtures, molding, doors, and cabinet components.
Other products	Wood chips and other byproducts
Complementary building products	Complementary building products such as cedar, decking, siding, insulation and rebar sold in our distribution facilities

WHERE WE DO IT

We operate manufacturing facilities in the United States and Canada. We distribute through a combination of Weyerhaeuser distribution centers and third-party distributors. Information about the locations, capacities and actual production of our manufacturing facilities is included below.

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Summary of Wood Products Capacities and Principal Manufacturing Locations as of December 31, 2018
CAPACITIES IN MILLIONS

	PRODUCTION CAPACITY	NUMBER OF FACILITIES	FACILITY LOCATION
Structural lumber – board feet	5,025	19	Alabama, Arkansas, Louisiana (2), Mississippi (3), Montana, North Carolina (3), Oklahoma, Oregon (2), Washington (2), Alberta (2), British Columbia
Oriented strand board – square feet (3/8”)	3,035	6	Louisiana, Michigan, North Carolina, West Virginia, Alberta, Saskatchewan
Engineered solid section – cubic feet (1)	43	6	Alabama, Louisiana, Oregon, West Virginia, British Columbia, Ontario
Softwood plywood – square feet (3/8”)	610	3	Arkansas, Louisiana, Montana
Medium density fiberboard – square feet (3/4")	265	1	Montana

(1) This represents total press capacity. Three facilities also produce I-Joist to meet market demand. In 2018, approximately 25 percent of the total press production was converted into 191 lineal feet of I-Joist.
Production capacities listed represent annual production volume under normal operating conditions and producing a normal product mix for each individual facility.
We also own or lease 18 distribution centers in the U.S. where our products and complementary building products are sold.

Five-Year Summary of Wood Products Production
PRODUCTION IN MILLIONS

	2018	2017	2016	2015	2014
Structural lumber – board feet	4,541	4,509	4,516	4,252	4,152
Oriented strand board – square feet (3/8”)	2,837	2,995	2,910	2,847	2,749
Engineered solid section – cubic feet (1)	24.3	25.1	22.8	20.9	20.4
Engineered I-joists – lineal feet (1)	191	213	184	185	182
Softwood plywood – square feet (3/8”) (2)	404	370	396	248	252
Medium density fiberboard – square feet (3/4")	220	232	209	—	—

(1) Weyerhaeuser engineered solid section facilities also may produce engineered I-joists.
(2) All Weyerhaeuser plywood facilities also produce veneer.

HOW MUCH WE SELL

Revenues of our Wood Products segment come from sales to wood products dealers, do-it-yourself retailers, builders and industrial users. Wood Products net sales were $5.3 billion in 2018 and $5.0 billion in 2017.

Five-Year Summary of Net Sales for Wood Products
NET SALES IN MILLIONS OF DOLLARS

	2018	2017	2016	2015	2014
Structural lumber	$2,258	$2,058	$1,839	$1,741	$1,901
Oriented strand board	891	904	707	595	610
Engineered solid section	521	500	450	428	402
Engineered I-joists	336	336	290	284	277
Softwood plywood	200	176	174	129	143
Medium density fiberboard	177	183	158	—	—
Other products produced (1)	288	276	201	189	176
Complementary building products	584	541	515	506	461
Total	$5,255	$4,974	$4,334	$3,872	$3,970

(1) Includes wood chips and other byproducts.

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Five-Year Trend for Total Net Sales in Wood Products

Percentage of 2018 Net Sales Dollars in Wood Products

Wood Products Volume

Five-Year Summary of Sales Volume for Wood Products

SALES VOLUME[(1)] IN MILLIONS

	2018	2017	2016	2015	2014
Structural lumber – board feet	4,684	4,658	4,723	4,588	4,463
Oriented strand board – square feet (3/8”)	2,827	2,971	2,934	2,972	2,788
Engineered solid section – cubic feet	24.3	25.1	23.3	21.3	20.0
Engineered I-joists – lineal feet	204	220	195	188	184
Softwood Plywood – square feet (3/8”)	459	453	481	381	395
Medium density fiberboard – square feet (3/4")	212	222	206	—	—

(1) Sales volume includes sales of internally produced products and complementary building products sold primarily through our distribution centers.

Wood Products Prices

Prices for commodity wood products — Structural lumber, OSB and Plywood — increased in 2018 from 2017.

In general, the following factors influence sales realizations for wood products:

- Demand for wood products used in residential and multi-family construction and the repair and remodel of existing homes affects prices. Residential and multi-family construction is influenced by factors such as population growth and other demographics, availability of labor and lots, the level of employment, consumer confidence, consumer income, availability of financing and interest rate levels, and the supply and pricing of existing homes on the market. Repair and remodel activity is affected by the size and age of existing housing inventory and access to home equity financing and other credit.
- The supply of commodity building products such as structural lumber, OSB and plywood affects prices. A number of factors can influence supply, including changes in production capacity and utilization rates, weather, raw material supply and availability of transportation.

Demand for wood products continued to improve in 2018. The following graphs reflect product price trends for the past five years.

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Five-Year Summary of Published Lumber Prices — $/MBF

Five-Year Summary of Published Oriented Strand Board Price — $/MSF

WHERE WE’RE HEADED

Our competitive strategies include:

- Achieve industry leading controllable manufacturing costs through operational excellence and disciplined capital execution;
- strong alignment with fiber supply;
- leverage our brand and reputation as the preferred provider of quality building products; and
- pursue disciplined, profitable sales growth in target markets.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Adrian M. Blocker, 62, has been senior vice president, Timberlands, since January 2019. Previously, he served as senior vice president, Wood Products, from January 2015 to January 2019. He joined the company in May 2013 as vice president, Lumber. Prior to joining the company, he served as CEO of the Wood Products Council. He has held numerous leadership positions in the industry focused on forest management, fiber procurement, consumer packaging, strategic planning, business development and manufacturing, including at West Fraser, International Paper and Champion International.

Russell S. Hagen, 53, has been senior vice president and chief financial officer since February 2016. Previously, he served as senior vice president, Business Development, at Plum Creek from December 2011 to February 2016. Prior to this he was vice president, Real Estate Development, overseeing the development activities of the company's real estate, oil and gas, construction materials and bioenergy businesses. Mr. Hagen began his career in 1988 with Coopers and Lybrand, where he was a certified public accountant and led the audits of public clients in technology, banking and natural resource industries. He joined Plum Creek in 1993 as Manager of Internal Audit and held director-level positions in accounting, financial operations, risk management and information technology.

Kristy T. Harlan, 45, has been senior vice president, general counsel and corporate secretary since January 2017. She leads the company's Law department, with responsibility for global legal, compliance, enterprise risk management, procurement and land title functions. Before joining the company, she was a partner at K&L Gates LLP since 2007. Previously, she worked as an attorney at Preston Gates & Ellis LLP and Akin Gump Strauss Hauer & Feld LLP.

James A. Kilberg, 62, has been senior vice president, Real Estate, Energy and Natural Resources, since April 2016. In this position, he oversees the company's real estate development, land asset management, conservation, mitigation banking, recreational lease management, oil and gas, construction materials, heavy minerals, wind and solar. Prior to joining the company, he served as Plum Creek's senior vice president, Real Estate, Energy and Natural Resources, from 2006 until February 2016, and as Plum Creek’s vice president, Land Management, from 2001 until 2006. Prior to joining Plum Creek, Mr. Kilberg held several executive positions in real estate, asset management and development. He currently serves on the board of the Georgia Chamber of Commerce and the Alliance Theater, as well as the Corporate Council of the Land Trust Alliance.

Denise M. Merle, 55, has been senior vice president and chief administration officer, since February 2018. Previously, she served as senior vice president, Human Resources and Information Technology, from February 2016 to February 2018 and senior vice president, Human Resources and Investor Relations, from February 2014 to February 2016. She was director, Finance and Human Resources, for the Lumber business from 2013 to 2016. Prior to that, she was director, Compliance & Enterprise Planning, from 2009 to 2013, and director, Internal Audit, from 2004 to 2009. She has also held various roles in the company's paper and packaging businesses, including finance, capital planning and analysis, and business development. She is a licensed CPA in the state of Washington. She serves on the Board of Advisors of the Seattle University business school.

Keith J. O'Rear, 56, has been senior vice president, Wood Products, since January 2019. Previously, he was vice president of Wood Products sales and marketing from 2017 to 2018 and vice president of Wood Products Manufacturing for the company's Mid-South region from 2014 to 2017. Mr. O'Rear led the company's Timberlands operations in Oklahoma and Arkansas from 2013-2014, and prior to that he held various manufacturing leadership roles at the company's lumber mills in Dierks, Arkansas, and Idabel, Oklahoma. He also led a variety of initiatives for the company in the areas of safety, reliability, strategic planning and large capital projects. Mr. O'Rear joined Weyerhaeuser in 1989.

Devin W. Stockfish, 45, has been president and chief executive officer and a member of the company’s board of directors since January 2019. Previously, he served as senior vice president, Timberlands, from January 2018 to December 2018 and as vice president, Western timberlands, from January 2017 to December 2017. He also served as senior vice president, general counsel and corporate secretary, from July 2014 to December 2016 and as assistant general counsel from March 2013 to July 2014. Before joining the company in March 2013, he was vice president and associate general counsel at Univar Inc. where he focused on mergers and acquisitions, corporate governance and securities law. Previously, he was an attorney in the law department at Starbucks Corporation and practiced corporate law at K&L Gates LLP. Before he began practicing law, Mr. Stockfish was an engineer with the Boeing Company.

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NATURAL RESOURCE AND ENVIRONMENTAL MATTERS

We are subject to a multitude of laws and regulations in the operation of our businesses. We also participate in voluntary certification of our timberlands to ensure that we sustain their overall quality, including the protection of wildlife and water quality. Changes in law and regulation, or certification standards, can significantly affect our business.

REGULATIONS AFFECTING FORESTRY PRACTICES

In the United States, regulations established by federal, state and local government agencies to protect water quality, wetlands and other wildlife habitat could affect future harvests and forest management practices on our timberlands. Forest practice laws and regulations that affect present or future harvest and forest management activities in certain states include:

- limits on the size of clearcuts,
- requirements that some timber be left unharvested to protect water quality and fish and wildlife habitat,
- regulations regarding construction and maintenance of forest roads,
- rules requiring reforestation following timber harvest and
- various related permit programs.

Each state in which we own timberlands has developed best management practices to reduce the effects of forest practices on water quality and aquatic habitats. Additional and more stringent regulations may be adopted by various state and local governments to achieve water-quality standards under the federal Clean Water Act, protect fish and wildlife habitats, human health, or achieve other public policy objectives.

In Canada, our forest operations are carried out on public timberlands under forest licenses with the provinces. All forest operations in Canada are subject to:

- forest practices and environmental regulations and
- license requirements established by contract between us and the relevant province designed to:
  - protect environmental values and
  - encourage other stewardship values.

In Canada, 21 member companies of the Forest Products Association of Canada (FPAC), including Weyerhaeuser's Canadian subsidiary, announced in May 2010 the signing of a Canadian Boreal Forest Agreement (CBFA) with nine environmental organizations. The CBFA applies to approximately 72 million hectares of public forests licensed to FPAC members and, when fully implemented, was expected to lead to the conservation of significant areas of Canada's boreal forest and protection of boreal species at risk, in particular, woodland caribou. While the CBFA mandate came to an end in 2017, CBFA signatories continue to work on management plans with provincial governments, and seek the participation of aboriginal and local communities in advancing the goals of the CBFA.

ENDANGERED SPECIES PROTECTIONS

In the United States, a number of fish and wildlife species that inhabit geographic areas near or within our timberlands have been listed as threatened or endangered under the federal Endangered Species Act (ESA) or similar state laws, including but not limited to:

- the northern spotted owl, the marbled murrelet, a number of salmon species, bull trout and steelhead trout in the Pacific Northwest;
- several freshwater mussel and sturgeon species; and
- the red-cockaded woodpecker, gopher tortoise, dusky gopher frog, American burying beetle and Northern long-eared bat in the South or Southeast.

Additional species or populations may be listed as threatened or endangered as a result of pending or future citizen petitions or petitions initiated by federal or state agencies. In addition, significant citizen litigation seeks to compel the federal agencies to designate "critical habitat" for ESA-listed species, and many cases have resulted in settlements under which designations will be implemented over time. Such designations may adversely affect some management activities and options. Restrictions on timber harvests can result from:

- federal and state requirements to protect habitat for threatened and endangered species;

- regulatory actions by federal or state agencies to protect these species and their habitat; and
- citizen suits under the ESA.

Such actions could increase our operating costs and affect timber supply and prices in general. To date, we do not believe that these measures have had, and we do not believe that in 2019 they will have, a significant effect on our harvesting operations. We anticipate that likely future actions will not disproportionately affect Weyerhaeuser as compared with comparable operations of U.S. competitors.

In Canada:

- The federal Species at Risk Act (SARA) requires protective measures for species identified as being at risk and for their critical habitat. Pursuant to SARA, Environment Canada continues to identify and assess species deemed to be at risk and their critical habitat.
- In October 2012, the Canadian Minister of the Environment released a strategy for the recovery of the boreal population of woodland caribou under the SARA. The population and distribution objectives for boreal caribou across Canada are to (1) maintain the current status of existing, self-sustaining local caribou populations and (2) stabilize and achieve self-sustaining status for non-self-sustaining local caribou populations. Critical habitat for boreal caribou is identified for all boreal caribou ranges, except for northern Saskatchewan's Boreal Shield range (SK1) where additional information is required for that population. Species assessment and recovery plans are developed in consultation with aboriginal communities and stakeholders.
- In 2017, the Provinces were required to update the federal government on any progress associated with their draft caribou range plans. These draft plans will be further evaluated in 2019, and any additional information on potential effects to forest harvest operations will be released.

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The identification and protection of habitat and the implementation of range plans and land use action plans may, over time, result in additional restrictions on timber harvests and other forest management practices that could increase operating costs for operators of timberlands in Canada. To date, we do not believe that these Canadian measures have had, and we do not believe that in 2019 they will have, a significant effect on our harvesting operations. We anticipate that likely future measures will not disproportionately affect Weyerhaeuser as compared with similar operations of Canadian competitors.

FOREST CERTIFICATION STANDARDS

We operate in North America under the Sustainable Forestry Initiative® (SFI). This is a certification standard designed to supplement government regulatory programs with voluntary landowner initiatives to further protect certain public resources and values. SFI is an independent standard, overseen by a governing board consisting of:

- conservation organizations,
- academia,
- the forest industry and
- large and small forest landowners.

Ongoing compliance with SFI may result in some increases in our operating costs and reduction of our timber harvests in some areas. There is also competition from other private certification systems, primarily the Forest Stewardship Council (FSC), coupled with efforts by supporters to further those systems by persuading customers of forest products to require products certified to their preferred system. Certain features of the FSC system could impose additional operating costs on timberland management. Because of the considerable variation in FSC standards, and variability in how those standards are interpreted and applied, if sufficient marketplace demand develops for products made from raw materials sourced from other than SFI-certified forests, we could incur substantial additional costs for operations and be required to reduce harvest levels.

WHAT THESE REGULATIONS AND CERTIFICATION PROGRAMS MEAN TO US

The regulatory and non-regulatory forest management programs described above have:

- increased our operating costs;
- resulted in changes in the value of timber and logs from our timberlands;
- contributed to increases in the prices paid for wood products and wood chips during periods of high demand;
- sometimes made it more difficult for us to respond to rapid changes in markets, extreme weather or other unexpected circumstances; and
- potentially encouraged further reductions in the use of, or substitution of other products for, lumber, oriented strand board, engineered wood products and plywood.

We believe that these regulations and programs have not had, and in 2019 will not have, a significant effect on our total harvest of timber in the United States or Canada. However, these kinds of programs may have such an effect in the future. We expect we will not be disproportionately affected by these programs as compared with typical owners of comparable timberlands. We also expect that these programs will not significantly disrupt our planned operations over large areas or for extended periods.

CANADIAN ABORIGINAL RIGHTS

Many of the Canadian timberlands are subject to the constitutionally protected treaty or common-law rights of aboriginal peoples of Canada. Most of British Columbia (B.C.) is not covered by treaties, and as a result the claims of B.C.'s aboriginal peoples relating to forest resources have been largely unresolved. On June 26, 2014 the Supreme Court of Canada ruled that the Tsilhqot'in Nation holds aboriginal title to approximately 1,900 square kilometers in B.C. This was the first time that the court has declared title to exist based on historical occupation by aboriginal peoples. Many aboriginal groups continue to be engaged in treaty discussions with the governments of B.C., other provinces and Canada.

Final or interim resolution of claims brought by aboriginal groups can be expected to result in:

- additional restrictions on the sale or harvest of timber,

- potential increase in operating costs and
- effect on timber supply and prices in Canada.

We believe that such claims will not have a significant effect on our total harvest of timber or production of forest products in 2019, although they may have such an effect in the future. In 2008, FPAC, of which we are a member, signed a Memorandum of Understanding with the Assembly of First Nations, under which the parties agree to work together to strengthen Canada's forest sector through economic-development initiatives and business investments, strong environmental stewardship and the creation of skill-development opportunities particularly targeted to aboriginal youth.

POLLUTION-CONTROL REGULATIONS

Our operations are subject to various laws and regulations, including federal, state, provincial and local pollution controls.

These laws and regulations, as well as market demands, impose controls with regard to:

- air, water and land;
- solid and hazardous waste management;
- waste disposal;
- remediation of contaminated sites; and
- the chemical content of some of our products.

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Compliance with these laws, regulations and demands usually involves capital expenditures as well as additional operating costs. We cannot easily quantify the future amounts of capital expenditures we might have to make to comply with these laws, regulations and demands or the effects on our operating costs because in some instances compliance standards have not been developed or have not become final or definitive. In addition, it is difficult to isolate the environmental component of most manufacturing capital projects.

Our capital projects typically are designed to:

- enhance safety,
- extend the life of a facility,
- lower costs and improve efficiency,
- improve reliability,
- increase capacity,
- facilitate raw material changes and handling requirements,
- increase the economic value of assets or products, and
- comply with regulatory standards.

ENVIRONMENTAL CLEANUP

We are involved in the environmental investigation or remediation of numerous sites. Of these sites:

- we may have the sole obligation to remediate,
- we may share that obligation with one or more parties,
- several parties may have joint and several obligations to remediate and
- we may have been named as a potentially responsible party for contaminated sites, including those designated as U.S. Superfund sites.

Our liability with respect to these various sites ranges from insignificant to substantial. The amount of liability depends on the:

- quantity, toxicity and nature of materials at the site; and
- number and economic viability of the other responsible parties.

We spent approximately $13 million in 2018 and expect to spend approximately $6 million in 2019 on environmental remediation of these sites.

It is our policy to accrue for environmental-remediation costs when we:

- determine it is probable that such an obligation exists and
- can reasonably estimate the amount of the obligation.

We currently believe it is reasonably possible that our costs to remediate all the identified sites may exceed our current accruals of $62 million. Based on currently available information and analysis, remediation costs for all identified sites may exceed our existing reserves by up to $126 million. This estimate of the upper end of the range of reasonably possible additional costs is much less certain than the estimates we currently are using to determine how much to accrue. The estimate of the upper range also uses assumptions less favorable to us among the range of reasonably possible outcomes.

REGULATION OF AIR EMISSIONS IN THE U.S.

The United States Environmental Protection Agency (EPA) has promulgated regulations for air emissions from:

- wood products facilities and
- industrial boilers.

These regulations cover:

- hazardous air pollutants that require use of maximum achievable control technology (MACT); and
- controls and/or monitoring for pollutants that contribute to smog, haze and more recently, greenhouse gases.

Between 2011 and 2015, the EPA issued three related portions of new MACT standards for industrial boilers and process heaters. In July 2016, a court decision was issued that requires EPA to re-issue certain of the emissions standards. Some of these re-issued emissions standards will be applicable to a small number of our wood products mills. Because we do not know specifically how or when the EPA will implement the final court decision, we cannot predict whether or when the emission standard revisions may have a material effect on regulatory compliance costs at our mills. We do not expect any material expenditures in 2019 necessary to comply with MACT standards.

The EPA must still promulgate supplemental MACT standards for plywood, lumber and composite wood products facilities.

We cannot currently quantify the amount of capital we will need in the future to comply with new regulations being developed by the EPA because final rules have not been promulgated.

In 2010, the EPA issued a final greenhouse gas rule limiting the growth of emissions from new projects meeting certain thresholds. On June 23, 2014, the US Supreme Court issued a decision that removed potential applicability of the underlying 2010 regulations based solely on greenhouse gas emissions and limited application of the rule’s technology requirements to larger emission sources as a result of new emissions from non-greenhouse gas pollutants. As a result of this Supreme Court ruling, EPA proposed a new regulation in 2016 to set thresholds for when the greenhouse gas technology requirements apply if the non-greenhouse gas emissions trigger the rule in the first instance. EPA to date has not finalized this regulation. The effect of the Supreme Court ruling is to end the potential applicability of the technology requirements for our smaller manufacturing operations and limit the applicability for our other operations.

In 2015, the EPA issued an extensive regulatory program for new and existing electric utility generating units to scale back emissions of greenhouse gas carbon dioxide (CO_2) arising from fossil fuel use to generate electricity. EPA also proposed additional, supplemental regulations related to how states and federal agencies may implement the requirements finalized in 2015. Subsequent actions include in 2016 a US Supreme Court stay of the 2015 rule pending resolution of lower court challenges to the rule, in 2017 the withdrawal by EPA of the proposed supplemental regulations and a proposal to rescind the 2015 final rule, and in 2018 an EPA proposal of a substantially different replacement rule. Depending on the final outcomes, this regulatory program potentially will have indirect effects on our operations, such as from rising purchased electricity prices or from mandated energy demand reductions that could apply to our mills and other facilities that we operate. We continue to track and evaluate the litigation and regulatory development but are not able to predict whether the regulations, when complete and implemented, will have a material effect on our operations.

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We use significant biomass for energy production at our mills. EPA is currently working on rules regarding regulation of biomass emissions.

The effect of these greenhouse gas and biomass rules, as well as recent court decisions, on our operations remains uncertain.

To address concerns about greenhouse gases as a pollutant, we:

- closely monitor legislative, regulatory and scientific developments pertaining to climate change;
- adopted in 2006, as part of the company's sustainability program, a goal of reducing greenhouse gas emissions by 40 percent by 2020 compared with our emissions in 2000, assuming a comparable portfolio and regulations;
- determined to achieve this goal by increasing energy efficiency and using more greenhouse gas-neutral, biomass fuels instead of fossil fuels; and
- reduced greenhouse gas emissions by approximately 44 percent considering changes in the asset portfolio according to 2017 data, compared to our 2000 baseline.

Additional factors that could affect regulation of greenhouse gas emissions in the future include:

- policy proposals by federal or state governments regarding regulation of greenhouse gas emissions,
- Congressional legislation regulating or taxing greenhouse gas emissions within the next several years and
- establishment of a multistate or federal greenhouse gas emissions reduction trading system with potentially significant implications for all U.S. businesses.

We believe these developments have not had, and in 2019 will not have, a significant effect on our operations. Although these measures could have a material adverse effect on our operations in the future, we expect that we will not be disproportionately affected by these measures as compared with owners of comparable operations. We maintain an active forestry research program to track and understand any potential effect from actual climate change related parameters that could affect the forests we own and manage and do not anticipate any disruptions to our planned operations.

REGULATION OF AIR EMISSIONS IN CANADA

In addition to existing provincial air quality regulations, the Canadian federal government has proposed an air quality management system (AQMS) as a comprehensive national approach for improving air quality in Canada. The federal proposed AQMS includes:

- ambient air quality standards for outdoor air quality management across the country;
- a framework for air zone air management within provinces and territories that targets specific sources of air emissions;
- regional airsheds that facilitate coordinated action across borders;
- industrial sector based emission requirements that set a national base level of performance for major industries in Canada; and
- improved intergovernmental collaboration to reduce emissions from the transportation sector.

In 2016, Environment Canada released the Pan-Canadian Framework on Clean Growth and Climate Change, a "Greenhouse Gas Emission Framework." The framework put in place a national, sector-based greenhouse gas reduction program applicable to a number of industries, including ours.

All Canadian provincial governments:

- have greenhouse gas reporting requirements,
- are working on reduction strategies and
- together with the Canadian federal government, are considering new or revised emission standards.

In addition, British Columbia has adopted a carbon tax and Alberta has a mandatory greenhouse gas emission reduction regulation.

We believe these measures have not had, and in 2019 will not have, a significant effect on our operations. Although these measures could have a material adverse effect on our operations in the future, we expect that we will not be disproportionately affected by these measures as compared with owners of comparable operations. We also expect that these measures will not significantly disrupt our planned operations.

REGULATION OF WATER

In the U.S., as a result of litigation under the federal Clean Water Act, additional federal or state permits are now required in some states for the application of pesticides, including herbicides, on timberlands. Those permits have entailed payment of additional costs. In 2015, federal regulatory agencies adopted rules that potentially expand the definition of waters subject to federal Clean Water Act jurisdiction, which could increase the scope and number of permits required for forestry-related activities and entail additional costs for Weyerhaeuser and other forest landowners in the U.S. Those rules were challenged in various federal courts by numerous parties and states, and a nationwide injunction was issued against the rule by the Sixth Circuit Court of Appeals, but was dissolved in 2018 due to action by the U.S. Supreme Court. Other injunctions still block the rule in several states. In January 2018, federal agencies took regulatory action to further delay the 2015 rules from going into effect until February 2020; however, that action was enjoined in September 2018 by a South Carolina court. Challenges to the substance of the 2015 rule are being pursued in other pending cases challenging the 2015 rules. Meanwhile, the federal agencies have proposed repeal of the 2015 rules entirely and replacement of them with a new rule, which is now open for public comment. We are not able to predict the ultimate resolution of these pending legal and regulatory actions.

In 2016, Washington State Department of Ecology (WA DOE) adopted human health-based water quality criteria. The EPA subsequently promulgated its own water quality standards for Washington state for the protection of human health for certain pollutants. It is unclear what effect, if any, these rules will have on our manufacturing operations in Washington state.

In addition, in 2013, amendments to the Canadian Federal Fisheries Act came into force. These amendments changed the focus from habitat protection to fisheries protection and increased penalties. We expect further changes to these regulations subsequent to review and regulatory consultations that took place in 2016, but we cannot predict the scope or potential effect, if any, on our operations.

We believe the above developments have not had, and in 2019 will not have, a significant effect on our operations. Although these measures could have a material adverse effect on our operations in the future, we expect that we will not be disproportionately affected by these measures as compared with owners of comparable operations. We also expect that these measures will not significantly disrupt our planned operations.

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POTENTIAL CHANGES IN POLLUTION REGULATION

State governments continue to promulgate total maximum daily load (TMDL) requirements for pollutants in water bodies that do not meet state or EPA water quality standards. State TMDL requirements may set:

- limits on pollutants that may be discharged to a body of water; or
- additional requirements, such as best management practices for nonpoint sources, including timberland operations, to reduce the amounts of pollutants.

It is not possible to estimate the capital expenditures that may be required for us to meet pollution allocations across the various proposed state TMDL programs until a specific TMDL is promulgated.

In Canada, various levels of government have been working to address water issues including use, quality and management. Recent areas of focus include water allocation, regional watershed protection, protection of drinking water, water pricing and a national water quality index.

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FORWARD-LOOKING STATEMENTS

This report contains statements concerning our future results and performance that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements often reference or describe our expected future financial and operating performance; our plans, strategies, intentions and expectations; our operational excellence and other strategic initiatives, including those pertaining to operating and other costs, product development and production; estimated taxes and tax rates; future debt payments; future restructuring charges; expected results of litigation and other legal proceedings and contingent liabilities, and the sufficiency of litigation and other contingent liability reserves; expected uses of cash, including future dividends and share repurchases; expected capital expenditures; expected economic conditions, including markets, pricing and demand for our products; laws and regulations relevant to our businesses; and our expectations relating to pension contributions, returns on invested plan assets and expected benefit payments.

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often involve use of words such as expects, may, should, will, believes, anticipates, estimates, projects, intends, plans, targets or approximately, or similar words or terminology. They may use the positive, negative or another variation of those and similar words. These forward-looking statements are based on our current expectations and assumptions and are not guarantees of future events or 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. The factors include those listed below and those described under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations as well as other factors not described herein because they are not currently known to us or we currently judge them to be immaterial. There is no guarantee that any of the events anticipated by our forward-looking statements will occur. Or if any of the events occur, there is no guarantee what effect it will have on our operations, cash flows, or financial condition. We undertake no obligation to update our forward-looking statements after the date of this report.

RISKS, UNCERTAINTIES AND ASSUMPTIONS

Major risks and uncertainties, and assumptions that we make, that affect our business and may cause actual results to differ materially from the content of these forward-looking statements include, but are not limited to:

- the effect of general economic conditions, including employment rates, interest rate levels, housing starts, general availability of financing for home mortgages and the relative strength of the U.S. dollar;
- market demand for the company's products, including market demand for our timberland properties with higher and better uses, which is related to, among other factors, the strength of the various U.S. business segments and U.S. and international economic conditions;
- changes in currency exchange rates, particularly the relative value of the U.S. dollar to the Japanese yen, the Chinese yuan, and the Canadian dollar, and the relative value of the euro to the yen;
- restrictions on international trade and tariffs imposed on imports or exports;
- the availability and cost of shipping and transportation;
- economic activity in Asia, especially Japan and China;
- performance of our manufacturing operations, including maintenance and capital requirements;
- potential disruptions in our manufacturing operations;
- the level of competition from domestic and foreign producers;
- 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;
- raw material availability and prices;
- the effect of weather;
- changes in global or regional climate conditions and governmental response to such changes;

- the risk of loss from fires, floods, windstorms, hurricanes, pest infestation and other natural disasters;
- energy prices;
- 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 employee retirements and changes in the market price of our common stock on charges for share-based compensation;
- the accuracy of our estimates of costs and expenses related to contingent liabilities;
- changes in accounting principles; and
- other factors described in this report under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations.

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RISK FACTORS

We are subject to various risks and events that could adversely affect our business, our financial condition, our results of operations, our cash flows and the price of our common stock.

You should consider the following risk factors, in addition to the information presented elsewhere in this report, particularly in Our Business - Who We Are, Our Business - What We Do, Our Business - Natural Resources and Environmental Matters, Forward-Looking Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations as well as in the filings we make from time to time with the SEC, in evaluating us, our business and an investment in our securities.

The risks discussed below are not the only risks we face. Additional risks not currently known to us or that we currently deem immaterial also may adversely affect our business.

RISKS RELATED TO OUR INDUSTRY

MACROECONOMIC CONDITIONS

The industries in which we operate are sensitive to macroeconomic conditions and consequently are highly cyclical.

The overall levels of demand for the products we manufacture and distribute reflect fluctuations in levels of end-user demand, which consequently affect our sales and profitability. End-user demand depends in large part on general macroeconomic conditions, both in the U.S. and globally, as well as on local economic conditions. Current economic conditions in the United States reflect growth enhanced by tax cuts passed in 2018, the effect of which may be adversely affected by increases in interest rates and other factors in 2019. Global economic conditions reflect volatile and sporadic growth in emerging countries and uncertainty over international trade. The length and magnitude of industry cycles vary over time, both by market and by product, but generally reflect changes in macroeconomic conditions and levels of industry capacity. Any decline or stagnation in macroeconomic conditions could cause us to experience lower sales volume and reduced margins.

COMMODITY PRODUCTS

Many of our products are commodities that are widely available from other producers.

Because commodity products have few distinguishing properties from producer to producer, competition for these products is based primarily on price, which is determined by supply relative to demand and competition from substitute products. In addition, prices for our products are affected by many other factors outside of our control. As a result, we have little influence over the timing and extent of price changes, which often are volatile. Our profitability with respect to these products depends, in part, on managing our costs, particularly raw material, labor (including contract labor) and energy costs, which represent significant components of our operating costs and can fluctuate based upon factors beyond our control. Both sales and profitability of our products are subject to volatility due to market forces beyond our control.

INDUSTRY SUPPLY OF LOGS AND WOOD PRODUCTS

Excess supply of logs and wood products may adversely affect prices and margins.

Our industry may increase harvest levels, which could lead to an oversupply of logs. Wood products producers may likewise expand manufacturing capacity, which could lead to an oversupply of manufactured wood products. Any increase of industry supply to our markets could adversely affect our prices and margins.

HOMEBUILDING MARKET AND ECONOMIC RISKS

High unemployment, low demand and low levels of consumer confidence can adversely affect our business and results of operations.

Our business is dependent upon the health of the U.S. housing market. Demand for homes is sensitive to changes in economic conditions such as the level of employment, consumer confidence, consumer income, the availability of financing and interest rate levels. Other factors that could limit or adversely affect demand for new homes, and hence demand for our products, include factors such as limited wage growth, increases in non-mortgage consumer debt, any

weakening in consumer confidence, and any increase in foreclosure rates and distress sales of houses.
Homebuyers’ ability to qualify for and obtain affordable mortgages could be affected by changes in interest rates, changes in home loan underwriting standards and government sponsored entities and private mortgage insurance companies supporting the mortgage market.
Access to affordable mortgage financing is critical to the health of the U.S. housing market. Generally, increases in interest rates make it more difficult for home buyers to obtain mortgage financing, which could negatively affect demand for housing and, in turn, negatively affect demand for our wood products. After an extended period during which the U.S. Federal Reserve kept its benchmark interest rate at historically low levels, it began raising rates again in 2016 and continued through 2018. The number and extent of further rate increases is uncertain.
Credit requirements were severely tightened, and the number of mortgage loans available for financing home purchases were severely reduced, during the most recent recession and ensuing credit crisis. Although the availability of credit has improved modestly since that time, the demand for new homes could be limited or adversely affected if credit requirements were to again tighten or become more restrictive for any reason.
The liquidity provided to the mortgage industry by Fannie Mae and Freddie Mac, both of which purchase home mortgages and mortgage-backed securities originated by mortgage lenders, has been critical to the housing market. Any political or other developments that would have the effect of limiting or restricting the availability of financing by these government sponsored entities could also adversely affect interest rates and the availability of mortgage financing. Whether resulting from direct increases in borrowing rates, tightened underwriting standards on mortgage loans or reduced federal support of the mortgage lending industry, a challenging mortgage financing environment could reduce demand for housing and, therefore, adversely affect demand for our products.

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Changes in regulations relating to tax deductions for mortgage interest expense and real estate taxes could harm our future sales and earnings.

Significant costs of homeownership include mortgage interest expense and real estate taxes, both of which are generally deductible for an individual's federal and, in some cases, state income taxes. Recent federal legislation reduced the amount of mortgage interest and real estate taxes that certain taxpayers may deduct. These and any similar changes to income tax laws by the federal government or by a state government to eliminate or substantially reduce these income tax deductions, or any significant increase in real property taxes by local governments, may increase the cost of homeownership and thus could adversely affect the demand for our products.

TRANSPORTATION

We depend on third parties for transportation services and any disruptions in the availability of transportation or increases in transportation costs could materially adversely affect our business and operations.

Our business depends heavily on the availability of third-party service providers for the transportation of our wood products and wood fiber; we are therefore materially affected by the availability and cost of these services. Any significant increase in the operating costs to our service providers, including without limitation the cost of fuel or labor, could have a material negative effect on our financial results by increasing the cost of these services to us, as well as result in an overall reduction in the availability of these services altogether.

Our third-party transportation providers are also subject to several events outside of their control, such as disruption of transportation infrastructure, labor issues and natural disasters. Any failure of a third-party transportation provider to timely deliver our products, including delivery of our wood products and wood fiber to our customers and delivery of wood fiber to our mills, could harm our supply chain, negatively affect our customer relationships and have a material adverse effect on our financial condition, results of operations and our reputation.

RISKS RELATED TO OUR BUSINESS

MANAGING COMMERCIAL TIMBERLANDS RISKS

Our ability to harvest and deliver timber may be subject to limitations which could adversely affect our results of operations.

Our primary assets are our timberlands. Weather conditions, timber growth cycles, access limitations, and availability of contract loggers and haulers may adversely affect our ability to harvest our timberlands. Other factors that may adversely affect our timber harvest include damage to our standing timber by fire or by insect infestation, disease, prolonged drought, flooding, severe weather and other natural disasters. Changes in global climate conditions could intensify one or more of these factors. Although damage from such causes usually is localized and affects only a limited percentage of standing timber, there can be no assurance that any damage affecting our timberlands will in fact be limited. As is common in the forest products industry, we do not maintain insurance coverage for damage to our timberlands. Our revenues, net income and cash flow from operations are dependent to a significant extent on the pricing of our products and our continued ability to harvest timber at adequate levels. Therefore, if we were to be restricted from harvesting on a significant portion of our timberlands for a prolonged period of time, or if material damage to a significant portion of our standing timber were to occur, we could suffer materially adverse effects to our results of operations.

Our timber harvest levels may be affected by acquisitions of additional timberlands, sales of existing timberlands and shifts in harvest from one region to another. Future timber harvest levels may also be affected by our ability to timely and effectively replant harvested areas, which depends on several factors including changes in estimates of long-term sustainable yield because of silvicultural advances, natural disasters, fires, pests, insects and other hazards, regulatory constraints, availability of logging contractors and other factors beyond our control.

Timber harvest activities are also subject to a number of federal, state and local regulations pertaining to the protection of fish, wildlife, water and other resources. Regulations, re-interpretations and litigation can restrict timber harvest activities and increase costs. Examples include federal and state laws protecting threatened, endangered and "at-risk" species, harvesting and forestry road building activities that may be restricted under the U.S. Federal Clean Water Act, state forestry practices laws, laws protecting aboriginal rights, and other similar regulations.

Our estimates of timber inventories and growth rates may be inaccurate and include risks inherent in calculating such estimates, which may impair our ability to realize expected revenues.

Whether in connection with managing our existing timberland portfolio or assessing potential timberland acquisitions, we make and rely on important estimates of merchantable timber inventories. These include estimates of timber inventories that may be lawfully and economically harvested, timber growth rates and end-product yields. Timber growth rates and yield estimates are developed by forest biometricians and other experts using statistical measurements of tree samples on given property. These estimates are central to forecasting our anticipated timber harvests, revenues and expected cash flows. While the company has confidence in its timber inventory processes and the professionals in the field who administer it, growth and yield estimates are inherently inexact and uncertain. If these estimates are inaccurate, our ability to manage our timberlands in a sustainable or profitable manner may be compromised, which may cause our results of operations and our stock price to be adversely affected.

Our operating results and cash flows will be materially affected by supply and demand for timber.

A variety of factors affect prices for timber, including available supply, changes in economic conditions that affect demand, the level of domestic new construction and remodeling activity, interest rates, credit availability, population growth, weather conditions and pest infestation, and other factors. These factors vary by region, by timber type (i.e., sawlogs or pulpwood logs) and by species.

Timber prices are affected by changes in demand on a local, national and international level. The closure of a mill in a region where we own timber could have a material adverse effect on demand in that region, and therefore pricing. For example, as the demand for paper continues to decline, closures of pulp mills in some of our operating regions have adversely affected the regional demand for pulpwood and wood chips. Another example involves our export of logs to Asia. While recent demand from Asian markets has remained steady, some Asian markets, particularly in China, have a history of significant volatility. A decrease in demand for logs from one or more Asian markets could have a negative effect on log and lumber prices.

Timber prices are also affected by changes in timber availability at the local, national and international level. Our timberland ownership is concentrated in Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Oklahoma, Oregon and Washington. In some of these states, much

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of the timberland is privately owned. Increases in timber prices often result in substantial increases in harvesting on private timberlands, including lands not previously made available for commercial timber operations, causing a short-term increase in supply that moderates such price increases. In western states such as Oregon and Washington, where a greater proportion of timberland is government-owned, any substantial increase in timber harvesting from government-owned land could significantly reduce timber prices. Any decrease in the demand from our log export markets could also result in significant downward pressure on timber prices, particularly in the western region. On a local level, timber supplies can fluctuate depending on factors such as changes in weather conditions and harvest strategies of local timberland owners, as well as occasionally high timber salvage efforts due to events such as pest infestations, fires or other natural disasters.

Timberlands make up a significant portion of our business portfolio.

Our real property holdings are primarily timberlands and we may make additional timberlands acquisitions in the future. As the owner and manager of approximately 12.2 million acres of timberlands, we are subject to the risks that are inherent in concentrated real estate investments. A downturn in the real estate industry generally, or the timber or forest products industries specifically, could reduce the value of our properties and adversely affect our results of operations. Such a downturn could also adversely affect our customers and reduce the demand for our products, as well as our ability to execute upon our strategy of selling nonstrategic timberlands and timberland properties that have higher and better uses at attractive prices. These risks may be more pronounced than if we diversified our investments outside of real property holdings.

MANUFACTURING AND SELLING WOOD PRODUCTS RISKS

A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales, and negatively affect our results of operation and financial condition.

Any of our manufacturing facilities, or any of our machines within an otherwise operational facility, could cease operations unexpectedly due to a number of events, including:

- unscheduled maintenance outages;
- prolonged power failures;
- equipment failure;
- chemical spill or release;
- explosion of a boiler;
- fires, floods, windstorms, earthquakes, hurricanes or other severe weather conditions or catastrophes, affecting the production of goods or the supply of raw materials (including fiber);
- the effect of drought or reduced rainfall on water supply;
- labor difficulties;
- disruptions in transportation or transportation infrastructure, including roads, bridges, rail, tunnels, shipping and port facilities;
- terrorism or threats of terrorism;
- cyber attack;
- governmental regulations; and
- other operational problems.

We cannot predict the duration of any such downtime or extent of facility damage. If one of our facilities or machines were to incur significant downtime, our ability to meet our production targets and satisfy customer demand could be impaired, resulting in lower sales and income. Additionally, we may be required to make significant unplanned capital expenditures. Although some risks are not insurable and some coverage is limited, we purchase insurance on our manufacturing facilities for damage from fires, floods, windstorms, earthquakes, equipment failures and boiler explosions. Such insurance may not be sufficient to recover all of our damages.

Some of our wood products are vulnerable to declines in demand due to competing technologies or materials.

Our products compete with non-fiber based alternatives or with alternative products in certain market segments. For example, plastic, wood/plastic or composite materials may be used by builders as alternatives to our wood products such as lumber, veneer, plywood and oriented strand board. Changes in prices for oil, chemicals and wood-based fiber can change the competitive position of our products relative to available alternatives and could increase substitution of those products for our products. If use of these or other alternative products grows, demand for and pricing of our products could be adversely affected.

Our results of operations and financial condition could be materially adversely affected by changes in product mix or pricing.

Our results may be materially adversely affected by a change in our product mix or pricing. Some of our wood products, such as lumber, veneer, plywood and oriented strand board, are commodities and are subject to fluctuations in market pricing. If pricing on our commodity products decreases and if we are not successful in increasing sales of higher-priced, higher-value products, or if we are not successful in implementing price increases, or there are delays in acceptance of price increases or higher-priced products, our results of operations and financial condition could be materially and adversely affected. Price discounting, if required to maintain our competitive position in one or more markets, could result in lower than anticipated price realizations and margins.

We face intense competition in our markets; any failure to compete effectively could have a material adverse effect on our business, financial condition and results of operations.

We compete with North American producers and, for some of our product lines, global producers, some of which may have greater financial resources and lower production costs than do we. The principal basis for competition for many of our products is selling price. Our industries also are particularly sensitive to other factors including innovation, design, quality and service, with varying emphasis on these factors depending on the product line. To the extent that any of our competitors are more successful with respect to any key competitive factor, our ability to attract and retain customers and maintain and increase sales could be materially adversely affected. Any failure to compete effectively could have a material adverse effect on our business, financial condition and results of operations.

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Another form of competition is between brands of sustainably produced products; customer demand for certain brands could reduce competition among buyers for our products or cause other adverse effects.
We have adopted the Sustainable Forestry Initiative (SFI) standard for wood fiber supplied to our manufacturing facilities, both from our timberlands and from third-party suppliers. Some of our customers have expressed a preference in certain of our product lines for products made from raw materials sourced from forests certified to different standards, including standards of the Forest Stewardship Council (FSC). If customer preference for a sustainability standard other than SFI increases, or if the SFI standard falls into disfavor, there may be reduced demand and lower prices for our products relative to competitors who can supply products sourced from forests certified to competing certification standards. If we seek to comply with such other standards, we could incur materially increased costs for our operations or be required to modify our operations, such as reducing harvest levels. FSC, in particular, employs standards that are geographically variable and could cause a material reduction in the harvest levels of some of our timberlands, most notably in the Pacific Northwest.
Our business and operations could be materially adversely affected by changes in the cost or availability of raw materials and energy.
We rely heavily on certain raw materials (principally wood fiber and chemicals) and energy sources (principally natural gas, electricity and fuel oil) in our manufacturing processes. Our ability to increase earnings has been, and will continue to be, affected by changes in the costs and availability of such raw materials and energy sources. We may not be able to fully offset the effects of higher raw material or energy costs through price increases, productivity improvements, cost-reduction programs or hedging arrangements.

RISKS RELATED TO CAPITAL MARKETS

CAPITAL MARKETS
Deterioration in economic conditions and capital markets could adversely affect our access to capital.
Challenging market conditions could impair the company's ability to raise debt or equity capital or otherwise access capital markets on terms acceptable to us, which may, among other effects, reduce our ability to take advantage of growth and expansion opportunities. Likewise, our customers and suppliers may be unable to raise capital to fund their operations, which could, in turn, adversely affect their ability to purchase products or sell products to us.

CREDIT RATINGS
Changes in credit ratings issued by nationally recognized rating organizations could adversely affect our cost of financing and have an adverse effect on the market price of our securities.
Credit rating agencies rate our debt securities on factors that include our operating results and balance sheet, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Ratings decisions by these agencies include maintaining, upgrading or downgrading our current rating, as well as placing the company on a "watch list" for possible future ratings actions. Any downgrade of our credit rating, or decision by a rating agency to place us on a "watch list" for possible future downgrading could have an adverse effect on our ability to access credit markets, increase our cost of financing, and have an adverse effect on the market price of our securities.

CAPITAL REQUIREMENTS AND ACCESS TO CAPITAL
Access to capital required for our operations may be costly or impaired.
Our businesses require substantial capital for expansion and for repair or replacement of existing facilities or equipment. Although we maintain our production equipment with regular scheduled maintenance, key pieces of equipment may need to be repaired or replaced periodically. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a significant effect on our financial condition, results of operations and cash flows.
While we believe our capital resources will be adequate to meet our current projected operating needs, capital expenditures and other cash requirements, if for any reason we are unable to access capital for our operating needs,

capital expenditures and other cash requirements on acceptable economic terms, or at all, we could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

FOREIGN CURRENCY

We will be affected by changes in currency exchange rates.

We have manufacturing operations in Canada. We are also an exporter and compete with global producers of products very similar to ours. Therefore, we are affected by changes in the strength of the U.S. dollar, particularly relative to the Canadian dollar, euro, yuan and yen, and the strength of the euro relative to the yen. Changes in exchange rates could materially and adversely affect our sales volume, margins and results of operations.

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RISKS RELATED TO LEGAL, REGULATORY AND TAX

ENVIRONMENTAL LAWS AND REGULATIONS

We could incur substantial costs as a result of compliance with, violations of, or liabilities under applicable environmental laws and other laws and regulations.

We are subject to a wide range of general and industry-specific laws and regulations relating to the protection of the environment, including those governing:

- air emissions,
- wastewater discharges,
- harvesting and other silvicultural activities,
- forestry operations and endangered species habitat protection,
- surface water management,
- the storage, usage, management and disposal of hazardous substances and wastes,
- the cleanup of contaminated sites,
- landfill operation and closure obligations,
- building codes, and
- health and safety matters.

We have incurred, and we expect to continue to incur, significant capital, operating and other expenditures complying with applicable environmental laws and regulations and as a result of remedial obligations. We also could incur substantial costs, such as civil or criminal fines, sanctions and enforcement actions (including orders limiting our operations or requiring corrective measures, installation of pollution control equipment or other remedial actions), cleanup and closure costs, and third-party claims for property damage and personal injury as a result of violations of, or liabilities under, environmental laws and regulations.

As the owner and operator of real estate, we may be liable under environmental laws for cleanup, closure and other damages resulting from the presence and release of hazardous substances on or from our properties or operations. In addition, surface water management regulations may present liabilities and are subject to change. The amount and timing of environmental expenditures is difficult to predict, and in some cases, our liability may exceed forecasted amounts or the value of the property itself. The discovery of additional contamination or the imposition of additional cleanup obligations at our sites or third-party sites may result in significant additional costs.

We also lease some of our properties to third-party operators for the purpose of exploring, extracting, developing and producing oil, gas, rock and other minerals in exchange for fees and royalty payments. These activities are also subject to federal, state and local laws and regulations. These operations may create risk of environmental liabilities for any unlawful discharge of oil, gas or other chemicals into the air, soil or water. Generally, these third-party operators indemnify us against any such liability, and we require that that they maintain liability insurance during the term of our lease with them. However, if for any reason our third-party operators are not able to honor their indemnity obligation, or if the required liability insurance were not in effect, then it is possible that we could be deemed responsible for costs associated with environmental liability caused by such third-party operators.

Any material liability we incur as a result of activities conducted on our properties by us or by others with whom we have a business relationship could adversely affect our financial condition.

We also anticipate public policy developments at the state, federal and international level regarding climate change and energy access, security and competitiveness. We expect these developments to address emission of carbon dioxide, renewable energy and fuel standards, and the monetization of carbon. Compliance with regulations that implement new public policy in these areas might require significant expenditures. These developments may also include mandated changes to energy use and building codes which could affect our homebuilding practices.

Enactment of new environmental laws or regulations or changes in existing laws or regulations, or the interpretation of these laws or regulations, might require significant expenditures. We also anticipate public policy developments at the state, federal and international level regarding taxes and a number of other areas that could require significant expenditures.

Changes in global or regional climate conditions and governmental response to such changes at the international, U.S. federal and state levels may affect our operations or our planned or future growth activities.

There continue to be numerous international, U.S. federal and state-level initiatives and proposals to address domestic and global climate issues. Within the U.S. and Canada, some of these proposals would (and have in some Canadian provinces) regulate and/or tax the production of carbon dioxide and other greenhouse gases to facilitate the reduction of carbon compound emissions into the atmosphere and provide tax and other incentives to produce and use cleaner energy. Climate change effects, if they occur, and governmental initiatives, laws and regulations to address potential climate concerns, could increase our costs and have a long-term adverse effect on our businesses and results of operations. Future legislation or regulatory activity in this area remains uncertain, and its effect on our operations is unclear at this time. However, it is possible that legislation or government mandates, standards or regulations intended to mitigate or reduce carbon compound or greenhouse gas emissions or other climate change effects could adversely affect our operations. For example, such activities could limit harvest levels or result in significantly higher costs for energy and other raw materials. Because our manufacturing operations depend upon significant amounts of energy and raw materials, these initiatives could have an adverse effect on our results of operations and profitability.

LEGAL MATTERS

We are involved in various environmental, regulatory, product liability and other legal matters, disputes and proceedings that, if determined or concluded in a manner adverse to our interests, could have a material adverse effect on our financial condition.

We are, from time to time, involved in a number of legal matters, disputes and proceedings (legal matters), some of which involve on-going litigation. These include, without limitation, legal matters involving environmental clean-up and remediation, warranty and non-warranty product liability claims, regulatory issues, contractual and personal injury claims and other legal matters. In some cases, all or a portion of any loss we experience in connection with any such legal matters will be covered by insurance; in other cases, any such losses will not be covered.

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The outcome, costs and other effects of current legal matters in which we are involved, and any related insurance recoveries, cannot be determined with certainty. Although the disclosures in Note 15: Legal Proceedings, Commitments and Contingencies and Note 20: Income Taxes in the Notes to Consolidated Financial Statements contain management's current views of the effect such legal matters could have on our financial results, there can be no assurance that the outcome of such legal matters will be as currently expected. It is possible that there could be adverse judgments against us in some or all major litigation matters against us, and that we could be required to take a charge and make cash payments for all or a portion of any related awards of damages. Any one or more of such charges or cash payment could materially and adversely affect our results of operations or cash flows for the quarter or year in which we record or pay it.

REIT STATUS AND TAX IMPLICATIONS
If we fail to remain qualified as a REIT, our taxable income would be subject to tax at corporate rates and we would not be able to deduct dividends to shareholders.
In any taxable year in which we fail to qualify as a REIT, unless we are entitled to relief under the Internal Revenue Code:
- We would not be allowed to deduct dividends to shareholders in computing our taxable income.
- We would be subject to federal and state income tax on our taxable income at applicable corporate rates.
- We also would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification.

Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code to our operations and the determination of various factual matters and circumstances not entirely within our control. There are only limited judicial or administrative interpretations of these provisions. Although we operate in a manner consistent with the REIT qualification rules, we cannot assure you that we are or will remain so qualified.
Certain of our business activities are subject to corporate-level income tax and potentially subject to prohibited transactions tax.
Under the Internal Revenue Code, REITs generally must engage in the ownership and management of income producing real estate. For the
company, this generally includes owning and managing a timberland portfolio for the production and sale of standing timber. Accordingly, the harvesting and sale of logs, the development or sale of certain timberlands and other real estate, and the manufacture and sale of wood products are conducted through one or more of our wholly-owned taxable REIT subsidiaries (TRSs), the net income of which is subject to corporate-level tax, because such activities could generate non-qualifying REIT income and thus could constitute "prohibited transactions." Prohibited transactions are defined by the Internal Revenue Code generally to be sales or other dispositions of property to customers in the ordinary course of a trade or business. By conducting our business in this manner, we believe that we satisfy the REIT requirements of the Internal Revenue Code. However, if the IRS were to successfully assert that these or any of our activities conducted at the REIT constituted prohibited transactions, we could be subject to the 100 percent tax on the net income from such activities.
The extent of our use of our TRSs may affect the price of our common shares relative to the share price of other REITs.
We conduct a significant portion of our business activities through one or more TRSs. The use of our TRSs enables us to engage in non-REIT qualifying business activities such as the sale of logs, production and sale of wood products, and the development and sale of certain higher and better use (HBU) property. Our TRSs are subject to corporate-level income tax. Under the Code, no more than 20 percent of the value of the gross assets of a REIT may be represented by securities of one or more TRSs. This limitation may affect our ability to increase the size of our TRSs' operations. Furthermore, our use of TRSs may cause the market to value our common shares differently than the shares of other REITs, which may not use TRSs as extensively as we use them.
We may be limited in our ability to fund distributions using cash generated through our TRSs.
The ability of the REIT to receive dividends from our TRSs is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75 percent of gross income for each taxable year as a REIT must

be derived from real estate sources including sales of our standing timber and other types of qualifying real estate income and no more than 25 percent of our gross income may consist of dividends from our TRSs and other non-real estate income.

This limitation on our ability to receive dividends from our TRSs may affect our ability to fund cash distributions to our shareholders using cash flows from our TRSs. The net income of our TRSs is not required to be distributed, and TRS income that is not distributed to the REIT will not be subject to the REIT income distribution requirement.

Our cash dividends are not guaranteed and may fluctuate.

Generally, REITs are required to distribute 90 percent of their ordinary taxable income and 95 percent of their net capital gains income. Capital gains may be retained by the REIT but would be subject to corporate income taxes. If capital gains are retained rather than distributed, our shareholders would be notified, and they would be deemed to have received a taxable distribution, with a refundable credit for any federal income tax paid by the REIT. Accordingly, we believe that we are not required to distribute material amounts of cash since substantially all of our taxable income is treated as capital gains income. Our board of directors, in its sole discretion, determines the amount of quarterly dividends to be provided to our shareholders based on consideration of a number of factors. These factors include, but are not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands including those timberland properties that have higher and better uses. Consequently, our dividend levels may fluctuate.

Changes in tax laws or their interpretation could adversely affect our shareholders and our results of operations.

Federal and state tax laws are constantly under review by persons involved in the legislative process, the Internal Revenue Service, the United States Department of the Treasury, and state taxing authorities. Changes to tax laws could adversely affect our shareholders or increase our effective tax rates. We cannot predict with certainty whether, when, in what forms, or with what effective dates, the tax laws applicable to us or our shareholders may be changed.

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IMPORT/EXPORT TAXES AND DUTIES

We may be required to pay significant taxes or tariffs on our exported products or countervailing and anti-dumping duties or tariffs on our imported products.

We export logs and finished wood products to foreign markets, and our ability to do so profitably is affected by U.S. and foreign trade policy. International trade disputes occur frequently and can be taken to an International Trade Court for resolution of unfair trade practices between countries.

U.S. international trade policy could result in one or more of our foreign export market jurisdictions adopting responsive trade policy making it more difficult or costly for us to export our products to those countries. We could therefore experience reduced revenues and margins in any of our businesses that is adversely affected by international trade tariffs, duties, taxes, customs or dispute settlement terms. To the extent such trade policies increase prices, they could also reduce the demand for our products and could have a material adverse effect on our business, financial results and financial condition, including facility closures or impairments of assets. We cannot predict future trade policy or the terms of any settlements of international trade disputes and their effect on our business.

OUR MERGER WITH PLUM CREEK TIMBER COMPANY, INC.

We could incur substantial U.S. federal tax liability in connection with our merger with Plum Creek.

On February 19, 2016, Plum Creek Timber Company, Inc. merged with and into Weyerhaeuser Company, with Weyerhaeuser continuing as the surviving company. Both companies have operated in a manner intended to qualify them as “REITs” for U.S. federal income tax purposes under the Internal Revenue Code. See “REIT Status and Tax Implications” above for a description of the consequences of our failure to maintain REIT status. However, even if we have operated in a manner that allows us to retain our REIT status, if Plum Creek were deemed to have lost its REIT status for a taxable year before the merger or the taxable year in which the merger occurred, we could face serious tax consequences that could substantially reduce cash available for distribution to our shareholders and significantly impair our ability to expand our business and raise capital. In addition, if the merger were determined not to qualify as a tax-free merger, we could incur substantial federal tax liability that could materially and adversely affect the company's cash flows, financial condition and results of operations.

OTHER RISKS

CYBERSECURITY

We rely on information technology to support our operations and reporting environments. A security failure of that technology could affect our ability to operate our businesses effectively, adversely affect our reported financial results, affect our reputation and expose us to potential liability or litigation.

We use information systems to carry out our operational activities, maintain our business records, collect and store sensitive data, including intellectual property, other proprietary and personally identifiable information. Some systems are internally managed and some are maintained by third-party service providers. We and our service providers employ what we believe are reasonably adequate security measures, but notwithstanding these efforts, our systems could be compromised as a result of a cyber incident, natural disaster, hardware or software corruption, failure or error, telecommunications system failure, service provider error or failure, intentional or unintentional personnel actions or other disruption. If by any cause our systems or information resources were compromised, or if our data were destroyed, misappropriated or inappropriately disclosed, our business operations could be negatively affected. Additionally, we could suffer significant loss or incur significant liability, including: damage to our reputation; loss of customer confidence or goodwill; and significant expenditures of time and money to address and remediate resulting damages to affected individuals or business partners, or to defend ourselves in resulting litigation or other legal proceedings, by affected individuals, business partners or regulators.

PENSION PLAN LIABILITY

Investment returns on our pension assets may be lower than expected, or interest rates may decline, requiring us to make significant additional cash contributions to our benefit plans.

A portion of our current and former employees have accrued benefits under our defined benefit pension plans. Although the plans are not open to employees hired on or after January 1, 2014, current employees hired before that time continue to accrue benefits. Requirements for funding our pension plan liabilities are based on a number of actuarial assumptions, including the expected rate of return on our plan assets and the discount rate applied to our pension plan obligations. Fluctuations in equity market returns and changes in long-term interest rates could increase our costs under our plans and may significantly affect future contribution requirements. It is unknown what the actual investment return on our pension assets will be in future years and what interest rates may be at any given point in time. We cannot therefore provide any assurance of what our actual pension plan costs will be in the future, or whether we will be required under applicable law to make future material plan contributions. See Note 10: Pension and Other Postretirement Benefit Plans in the Notes to Consolidated Financial Statements for additional information about these plans, including funding status.

STRATEGIC INITIATIVES

Our business and financial results may be adversely affected if we are unable to successfully execute on important strategic initiatives.

There can be no assurance that we will be able to successfully implement important strategic initiatives in accordance with our expectations, which may result in an adverse effect on our business and financial results. These strategic initiatives are designed to improve our results of operations and drive long-term shareholder value, and include, among others: optimizing cash flow through operational excellence; reducing costs to achieve industry-leading cost structure; and innovating in higher-margin products.

We may be unsuccessful in carrying out our acquisition strategy.

We intend to strategically pursue acquisitions of timberland properties when market conditions warrant. As with any investment, our acquisitions may not perform in accordance with our expectations. In addition, we anticipate financing such acquisitions through cash from operations,

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borrowings under our unsecured credit facilities, proceeds from equity or debt offerings or proceeds from asset dispositions, or any combination thereof. Our inability to finance future acquisitions on favorable terms could adversely affect our results of operations.

WORKFORCE

Our business is dependent upon attracting, retaining and developing key personnel.

Our success depends, to a significant extent, upon our ability to attract, retain and develop senior management, operations management and other key personnel. Our financial condition or results of operations could be significantly adversely affected if we were to fail to recruit, retain, and develop such personnel, or if there were to occur any significant increase in the cost of providing such personnel with competitive total compensation and benefits.

Availability of Independent Contractors

We use independent third-party contract loggers and haulers to deliver our logs to our customers. As a result of the weak business conditions in the timber business that persisted for several years, there are fewer of these contractors available in certain markets to harvest and deliver logs. This shortage in logging and hauling contractors has resulted in an overall increase in logging and hauling costs and, in some cases, the general availability of these contractors. Any increase in harvest levels due to positive changes in macroeconomic conditions driving demand for logs could further strain the existing supply of logging and hauling contractors. This, in turn, could increase the cost of log supply and delivery, or prevent us from fully capitalizing on favorable market conditions by limiting our ability to access and deliver our logs to market.

STOCK PRICE VOLATILITY

The market price of our common stock may be influenced by many factors, some of which are beyond our control.

The market price of our common stock may be influenced by many factors, some of which are beyond our control, including without limitation those described above and elsewhere in this report, as well as the following:

- actual or anticipated fluctuations in our operating results or our competitors' operating results;
- announcements by us or our competitors of new products, capacity changes, significant contracts, acquisitions or strategic investments;
- our growth rate and our competitors’ growth rates;
- general economic conditions;
- conditions in the financial markets;
- market interest rates and the relative yields on other financial instruments;
- general perceptions and expectations regarding housing markets, interest rates, commodity prices, and currencies;
- changes in stock market analyst recommendations regarding us, our competitors or the forest products industry generally, or lack of analyst coverage of our common stock;
- sales of our common stock by our executive officers, directors and significant shareholders;
- sales or repurchases of substantial amounts of common stock;
- changes in accounting principles; and
- changes in tax laws and regulations.

In addition, there has been significant volatility in the market price and trading volume of securities of companies operating in the forest products industry that often has been unrelated to individual company operating performance. Some companies that have experienced volatile market prices for their securities have had securities litigation brought against them. If litigation of this type is brought against us, it could result in substantial costs and divert management’s attention and resources.

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UNRESOLVED STAFF COMMENTS

There are no unresolved comments that were received from the SEC staff relating to our periodic or current reports under the Securities Exchange Act of 1934.

PROPERTIES

Details about our facilities, production capacities and locations are found in the Our Business — What We Do section of this report.

- For details about our Timberlands properties, go to Our Business/What We Do/Timberlands/Where We Do It.
- For details about our Real Estate, Energy and Natural Resources properties, go to Our Business/What We Do/Real Estate, Energy and Natural Resources/Where We Do It.
- For details about our Wood Products properties, go to Our Business/What We Do/Wood Products/Where We Do It.

LEGAL PROCEEDINGS

See Note 15: Legal Proceedings, Commitments and Contingencies and Note 21: Income Taxes in the Notes to Consolidated Financial Statements for a summary of legal proceedings.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on the New York Stock Exchange under the symbol WY.

As of December 31, 2018, there were 14,525 holders of record of our common shares. Dividend-per-share data for each of the four quarters in 2018 and 2017 are included in Note 23: Selected Quarterly Financial Information (unaudited) in the Notes to Consolidated Financial Statements.

INFORMATION ABOUT SECURITIES AUTHORIZED FOR ISSUANCE UNDER OUR EQUITY COMPENSATION PLAN

	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES TO BE ISSUED UPON EXERCISE)
Equity compensation plans approved by security holders(1)	9,180,693	$ 19.01	20,554,887
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	9,180,693	$ 19.01	20,554,887

(1) Includes 1,592,843 restricted stock units and 1,040,582 performance share units. Because there is no exercise price associated with restricted stock units and performance share units, excluding these stock units the weighted average exercise price calculation would be $26.66.

INFORMATION ABOUT COMMON SHARE REPURCHASES

The following table provides information with respect to purchases of common shares made by the company during fourth quarter 2018:

COMMON SHARE REPURCHASE DURING FOURTH QUARTER 2018	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	APPROXIMATE DOLLAR VALUE OF SHARES THAT

				MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS[1]
October 1 - October 31	394,223	$ 26.13	394,223	$ 199,311,977
November 1 - November 30	1,475,848	27.10	1,475,848	159,313,972
December 1 - December 31	954,418	25.86	954,418	134,633,963
Total	2,824,489	$ 26.55	2,824,489	$ 134,633,963

(1) During fourth quarter 2018, we repurchased 2.8 million shares of common stock for $75 million (including transaction fees) under the 2016 Share Repurchase Authorization. The 2016 Share Repurchase Authorization was approved in November 2015 by our Board of Directors and authorized management to repurchase up to $2.5 billion of outstanding shares subsequent to the closing of our merger with Plum Creek. Transaction fees incurred for repurchases are not counted as use of funds authorized for repurchase under the 2016 Share Repurchase Authorization. All common stock purchases under the stock repurchase program were made in open-market transactions.

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COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN
Weyerhaeuser Company, S&P 500 and S&P Global Timber & Forestry Index

PERFORMANCE GRAPH ASSUMPTIONS

- Assumes $100 invested on December 31, 2013, in Weyerhaeuser common stock, the S&P 500 Index and the S&P Global Timber & Forestry Index.
- Total return assumes dividends received are reinvested at month end.
- Measurement dates are the last trading day of the calendar year shown.

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SELECTED FINANCIAL DATA
DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

PER COMMON SHARE

	2018	2017	2016	2015	2014
Diluted earnings from continuing operations attributable to Weyerhaeuser common shareholders	$0.99	$0.77	$0.55	$0.71	$1.02
Diluted earnings from discontinued operations attributable to Weyerhaeuser common shareholders	$—	$—	$0.84	$0.18	$2.16
Diluted net earnings attributable to Weyerhaeuser common shareholders	$0.99	$0.77	$1.39	$0.89	$3.18
Dividends paid	$1.32	$1.25	$1.24	$1.20	$1.02
Weyerhaeuser shareholders' interest (end of year)	$12.12	$11.78	$12.26	$9.54	$10.11

FINANCIAL POSITION

	2018	2017	2016	2015	2014
Total assets	$17,249	$18,059	$19,243	$12,470	$13,247
Total long-term debt, including current portion, and borrowings on line of credit [(1)]	$6,344	$5,992	$6,610	$4,787	$4,873
Weyerhaeuser shareholders' interest	$9,046	$8,899	$9,180	$4,869	$5,304
Percent earned on average year-end Weyerhaeuser shareholders' interest	8.3 %	6.4 %	14.3 %	9.1 %	29.5 %

OPERATING RESULTS

	2018	2017	2016	2015	2014
Net sales	$7,476	7,196	6,365	5,246	5,489
Earnings from continuing operations	748	582	415	411	616
Discontinued operations, net of income taxes	—	—	612	95	1,210
Net earnings	748	582	1,027	506	1,826
Dividends on preference shares	—	—	(22)	(44)	(44)
Net earnings attributable to Weyerhaeuser common shareholders	$748	$582	$1,005	$462	$1,782

CASH FLOWS

	2018	2017	2016	2015	2014
Net cash from operations	$1,112	$1,201	$735	$1,075	$1,109
Net cash from investing activities	(440)	367	2,559	(487)	361
Net cash from financing activities	(1,162)	(1,420)	(3,630)	(1,156)	(725)
Net change in cash and cash equivalents	$(490)	$148	$(336)	$(568)	$745

STATISTICS (UNAUDITED)

	2018	2017	2016	2015	2014
Number of employees	9,300	9,300	10,400	12,600	12,800
Number of common shareholder accounts at year-end	14,525	15,138	15,504	7,700	8,248
Number of common shares outstanding at year-end (thousands)	746,391	755,223	748,528	510,483	524,474
Weighted average common shares outstanding – diluted (thousands)	756,827	756,666	722,401	519,618	560,899

(1) Does not include nonrecourse debt held by our Variable Interest Entities (VIEs). See Note 9: Related Parties in the Notes to Consolidated Financial Statements for further information on our VIEs and the related nonrecourse debt.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (MD&A)

WHAT YOU WILL FIND IN THIS MD&A

Our MD&A includes the following major sections:

- economic and market conditions affecting our operations;
- financial performance summary;
- discussion of the softwood lumber agreement;
- results of our operations — consolidated and by segment;
- liquidity and capital resources — where we discuss our cash flows;
- off-balance sheet arrangements;
- environmental matters, legal proceedings and other contingencies; and
- accounting matters — where we discuss critical accounting policies and areas requiring judgments and estimates.

ECONOMIC AND MARKET CONDITIONS AFFECTING OUR OPERATIONS

The demand for grade logs within our Timberlands segment is directly affected by production levels of domestic wood-based building products. The strength of the U.S. housing market strongly affects demand in our Wood Products segment, as does repair and remodeling activity. Our Timberlands segment, specifically the Western region, is also affected by export demand and trade policy. Japanese housing starts are a key driver of export log demand in Japan. The demand for pulpwood from our Timberlands segment is directly affected by the production of pulp, paper and OSB as well as the demand for biofuels, such as pellets made from pulpwood.

Due to the partial government shutdown that occurred through late January 2019, full-year 2018 housing data is unavailable, however, for the January 2018 through November 2018 period, housing starts were 1.18 million total units, which is 5 percent above the total of 1.12 units for the same period in 2017 according to the U.S. Census Bureau. Single family units totaled 825 thousand compared to 794 thousand in 2017, a 4 percent increase. Multifamily starts were 354 thousand units for the first 11 months of 2018, which is 8 percent higher than 2017 for the same period. We continue to expect improving U.S. housing starts and anticipate a level of approximately 1.30 million units in 2019 which would be a 3 percent gain over 2018, assuming the year to date gains continue into December. We attribute this continued improvement primarily to ongoing employment growth, strong consumer confidence and mortgage rates, which have stabilized and declined since peaking in late 2018 and remain affordable on a historic basis.

According to the Joint Center for Housing of Harvard University, the Leading Indicator of Remodeling Activity (LIRA) projects that the year-over-year increase in residential remodeling expenditures reached 7.2 percent in 2018 and is expected to average 6.5 percent in 2019, with expenditure growth tapering through the year and reaching the long term average level of 5.2 percent in the fourth quarter 2019.

In U.S. wood product markets, prices in 2018 were mixed, rising the first half of the year to post record levels in May and June, only to fall sharply in third and fourth quarter 2018, as supply issues related to transportation eased and producers increased output in response to high prices. According to Random Lengths, the framing lumber composite averaged $459/MBF in 2018, an 11 percent increase over 2017. According to Forest Economic Advisors, LLC, U.S. lumber consumption is expected to grow at a 3.5 percent rate in 2019, however, due to declines forecast in off-shore export volumes and increases in off-shore imports, the increase in overall demand on North American mills is expected to rise by 2.5 percent over 2018. Log markets in the west were consistent with wood products manufacturing, exhibiting strong demand and pricing in the first half followed by slower demand and weaker market prices for western logs in the second half of 2018. In the south, log supplies kept pace with demand, leaving prices flat throughout 2018.

Log inventories in Chinese ports decreased 0.9 percent in December 2018 compared to November 2018 as reported by International Wood Markets China Bulletin. While the decline in overall volume was slight, there was a greater decline in North American Hemlock and Douglas fir volumes. These species were 5.9 percent lower in December 2018 compared to November 2018 which has positive implications for demand at the start of 2019 as suppliers will need to re-build depleted inventories. Total North American volumes increased in 2018 by 3 percent over 2017 despite retaliatory tariffs imposed by the Chinese government against U.S. imports. In addition, exchange rates also have an effect on our export business to China. A weaker yuan relative to the U.S. dollar reduces the competitiveness of U.S. logs relative to those imported from other countries whose currencies have not appreciated in a similar manner. During 2018, the yuan weakened relative to the U.S. dollar, which affects the competitiveness of our export logs to China.

In Japan, housing starts for November year to date for 2018 were down 2.7 percent from the same period in 2017 while the key Post and Beam segment was 0.8 percent lower in the first 11 months of 2018 compared to 2017.

We expect demand from China and Japan in 2019 to be similar to demand experienced in 2018.

Our Real Estate & ENR segment is affected by the health of the U.S. economy and especially the U.S. housing sector of the economy. According to the Realtors Land Institute (RLI) of the National Association of Realtors, the dollar volume of rural properties sold, including timber, grew 2 percent in 2018, and per acre prices were also up 2 percent on average. Additionally, RLI expects these trends to continue with prices and volumes of land transactions forecast to rise 3 percent in 2019.

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FINANCIAL PERFORMANCE SUMMARY
Net Sales by Segment
Contribution to Earnings by Segment

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SOFTWOOD LUMBER AGREEMENT

We operate a total of 19 softwood lumber mills with a total capacity of approximately 5 billion board feet. Three of these mills, located in Canada, produce approximately 900 million board feet annually, and sell products in Canada, Asia, and the U.S.

In April 2017, the U.S. Department of Commerce announced a preliminary determination that it would implement countervailing duties (CVD) on Canadian softwood lumber shipments to the U.S at the rate of 19.88 percent with a 90 day retroactive period. The preliminary countervailing duties were suspended in August 2017, at which time we effectively stopped accruing for the expense. The suspension of the countervailing duties was set to last until the US International Trade Commission reached its final determination of injury, which was issued in December 2017.

In June 2017, the U.S. Department of Commerce announced a preliminary determination that it would implement anti-dumping duties (AD) on Canadian softwood lumber shipments to the U.S. at the rate of 6.87 percent with a 90 day retroactive period.

Affirmative final determinations by the Department of Commerce (DOC) and the US International Trade Commission (USITC) in December 2017 issued CVD and AD duty orders on certain softwood lumber products from Canada. Based on these determinations, the CVD rate applicable to Weyerhaeuser is 14.19 percent and is assessed on entries of softwood lumber from Canada for consumption on or after April 28, 2017. The AD rate applicable to Weyerhaeuser is 6.04 percent and is assessed on entries of softwood lumber from Canada for consumption on or after June 30, 2017. For the years ended December 31, 2018 and December 31, 2017, we have expensed CVD and AD duties at the final published rates totaling $21 million and $7 million, respectively. These costs are recorded in "Costs of sales" within the Wood Products segment.

RESULTS OF OPERATIONS

In reviewing our results of operations, it is important to understand these terms:

- Sales realizations refer to net selling prices — this includes selling price plus freight minus normal sales deductions;
- Net contribution to earnings refers to earnings (loss) attributable to Weyerhaeuser shareholders before interest expense and income taxes.

Our merger with Plum Creek during first quarter 2016 affected the comparability of our consolidated operating results with 2016. Our results do not include pre-merger results of Plum Creek operations from January 1, 2016 through February 19, 2016.

CONSOLIDATED RESULTS

HOW WE DID IN 2018

Summary of Financial Results

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

	2018	2017	2016	AMOUNT OF CHANGE 2018 vs. 2017	AMOUNT OF CHANGE 2017 vs. 2016
Net sales	$7,476	$7,196	$6,365	$ 280	$ 831
Costs of sales	$5,592	$5,298	$4,980	$ 294	$ 318
Operating income	$1,394	$1,131	$822	$ 263	$ 309
Earnings from discontinued operations, net of tax	$—	$—	$612	$ —	$ (612)
Net earnings attributable to Weyerhaeuser common shareholders	$748	$582	$1,005	$ 166	$ (423)
Basic earnings per share attributable to Weyerhaeuser common shareholders	$0.99	$0.77	$1.40	$ 0.22	$ (0.63)
Diluted earnings per share attributable to Weyerhaeuser common shareholders	$0.99	$0.77	$1.39	$ 0.22	$ (0.62)

COMPARING 2018 WITH 2017

Net Sales

Net sales increased $280 million — 4 percent — primarily due to:

- Wood Products segment net sales to unaffiliated customers increased $281 million, primarily attributable to increased sales realizations across all product lines; and
- Real Estate & ENR segment net sales to unaffiliated customers increased $26 million primarily attributable to increased acres sold.

These increases were offset by a decrease in Timberlands segment net sales to unaffiliated customers by $27 million, primarily attributable to decreased revenue resulting from the divestiture of our Uruguayan operations in third quarter 2017, partially offset by an increase in Western log sales realizations.

Costs of Sales

Costs of sales increased $294 million — 6 percent — primarily due to increased log and fiber costs within our Wood Products and Timberlands segments as well as an increase in acres sold coupled with higher per acre basis of real estate sold within our Real Estate and ENR segment. Refer to additional analysis of fluctuations within our Timberlands, Real Estate, Energy and Natural Resources and Wood Products discussion below.

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Operating Income

Operating income increased $263 million — 23 percent — primarily due to:

- $290 million decrease in charges for product remediation; and
- $147 million decrease in charges related to a noncash pretax impairment in 2017, with no similar charges in 2018. This impairment was a result of our agreement to sell our Uruguayan operations, as announced during June 2017 (refer to Note 18: Charges for Integration and Restructuring, Closures and Asset Impairments in the Notes to Consolidated Financial Statements).

These increases were partially offset by the following:

- $99 million gain recorded in fourth quarter 2017 that did not occur in 2018 as a result of the sale of land in our Southern timberlands region to Twin Creeks (refer to Note 9: Related Parties in the Notes to Consolidated Financial Statements for further details);
- $37 million decrease in environmental remediation insurance recoveries received; and
- $14 million decreased consolidated gross margin, as described above.

Net Earnings Attributable to Weyerhaeuser Common Shareholders

Net earnings attributable to Weyerhaeuser common shareholders increased $166 million — 29 percent — primarily due to:

- a $263 million increase to operating income, as described above;
- a $75 million decrease in income tax expense; and
- an $18 million decrease in interest expense, net of capitalized interest.

These increases to net earnings were partially offset by a $200 million decrease due to a noncash pretax settlement charge related to our U.S. qualified pension plan lump sum offer (refer to Note 10: Pension and Other Postretirement Benefit Plans in the Notes to Consolidated Financial Statements)

COMPARING 2017 WITH 2016

Net Sales

Net sales increased $831 million — 13 percent — primarily due to:

- Wood Products net sales to unaffiliated customers increased $640 million primarily attributable to increased sales realizations across all product lines, as well as increased sales volumes within our oriented strand board, engineered I-joists, medium density fiberboard, and our engineered solid section product lines. Additionally, upon completion of the sales of our former Cellulose Fibers businesses, chips previously sold to Cellulose Fibers are now sales to unaffiliated customers. Refer to Note 4: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further details regarding these divestitures.
- Timberlands net sales to unaffiliated customers increased $137 million, which is primarily attributable to increased Southern and Other (includes our Canadian operations and timberlands included in the Twin Creeks Venture) delivered log sales volumes, as well as, an increase in Western log sales prices.
- Real Estate & ENR net sales to unaffiliated customers increased $54 million attributable to an increase in timberlands acres sold in Real Estate and an increase in royalties.

Costs of Sales

Costs of sales increased $318 million — 6 percent — primarily due to increased sales volumes within our Wood Products segment, as described above. Refer to additional analysis of fluctuations within our Timberlands, Real Estate, Energy and Natural Resources and Wood Products discussion below.

Operating Income

Operating income increased $309 million — 38 percent — primarily due to:

- an increase to consolidated gross margin of $513 million, as described above;
- an increase in other operating income, net of $75 million, which is primarily attributable to:
  – a $99 million gain recorded in fourth quarter 2017 as a result of the sale of land in our Southern timberlands region to Twin Creeks (refer to Note 9: Related Parties in the Notes to Consolidated Financial Statements for further details);
  – a $42 million benefit related to environmental remediation insurance recoveries received in 2017; and
  –

- a $44 million decrease in gains on disposition of nonstrategic assets, primarily attributable to a $36 million pretax gain recognized in the first quarter of 2016 on the sale of our Federal Way, Washington headquarters campus (refer to Note 20: Other Operating Costs (Income), Net in the Notes to Consolidated Financial Statements for further information).

These increases were partially offset by the following:

- the addition of $290 million in charges (recoveries) for product remediation, net in 2017, as there were no similar charges during 2016. Refer to Note 19: Charges (Recoveries) for Product Remediation, Net in the Notes to Consolidated Financial Statements for further information.
- a $24 million increase in charges for integration and restructuring, closures and asset impairments, which is primarily attributable to a $147 million noncash impairment charge recognized during second quarter 2017 in relation to the divestiture of our Uruguayan operations. This was partially offset by a $112 million decrease in charges related to our merger with Plum Creek. Refer to Note 18: Charges for Integration and Restructurings, Closures and Asset Impairments in the Notes to Consolidated Financial Statements for further details regarding the impairment as well as the Plum Creek merger related costs.

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Net Earnings Attributable to Weyerhaeuser Common Shareholders

Our net earnings attributable to Weyerhaeuser common shareholders decreased $423 million — 42 percent — compared to 2016. Excluding earnings from discontinued operations, net of tax, net earnings attributable to Weyerhaeuser common shareholders increased $189 million — 48 percent — primarily due to the increase in Operating income, as explained above. The increases in operating income were partially offset by a $110 million increase in expense related to non-operating pension and other postretirement benefits (costs) credits due to a decrease in the expected return on our plan assets as well as an increase in the amortization of actuarial losses.

Earnings from discontinued operations, net of tax, decreased $612 million — 100 percent — as all discontinued operations were sold in 2016.

TIMBERLANDS

HOW WE DID IN 2018

We report sales volume and annual production data for our Timberlands segment in Our Business/What We Do/Timberlands.

Net Sales and Net Contribution to Earnings for Timberlands

DOLLAR AMOUNTS IN MILLIONS

				AMOUNT OF CHANGE	
	2018	2017	2016	2018 vs. 2017	2017 vs. 2016
Net sales to unaffiliated customers:					