

# **WEYERHAEUSER COMPANY**

## **2010 Investor Meeting**

**MAY 27, 2010**



# Kathy McAuley

Vice President, Investor Relations



# Forward-looking Statement

This news release contains statements concerning the company's future results and performance that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on various assumptions and may not be accurate because of risks and uncertainties surrounding these assumptions. Factors listed below, as well as other factors, may cause actual results to differ significantly from these forward-looking statements. There is no guarantee that any of the events anticipated by these forward-looking statements will occur. If any of the events occur, there is no guarantee what effect they will have on company operations or financial condition. The company will not update these forward-looking statements after the date of this news release.

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

This release contains forward-looking statements regarding the company's expectations during the second quarter of 2010, including a lower grade mix, higher silviculture and road costs and lower sales of non-strategic timberlands in our Timberlands segment; improved sales realizations and volumes, improved operating costs and production rates, and higher log costs in the Wood Products segment; higher pulp price realizations, increased expenses for annual planned maintenance and freight in the Cellulose Fiber segment; and increases in home sale closings and lower average sales prices in our single-family homebuilding operations. Major risks, uncertainties and assumptions that affect the company's businesses and may cause actual results to differ from these forward-looking statements, include, but are not limited to:

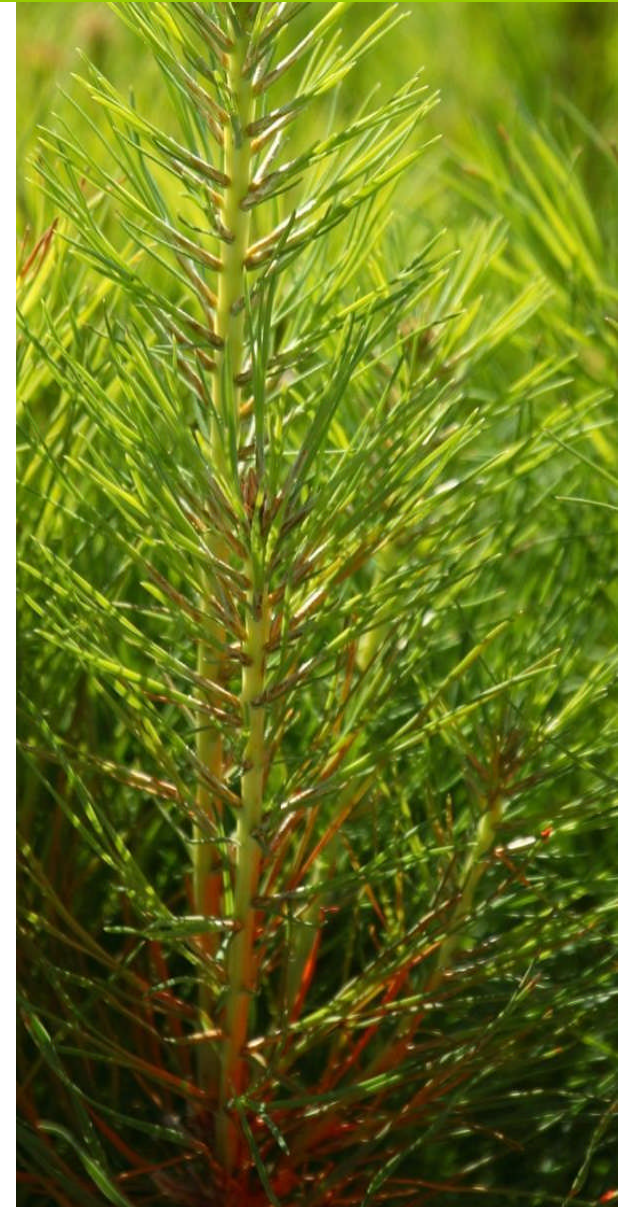
- the effect of general economic conditions, including the level of interest rates, availability of financing for home mortgages, strength of the U.S. dollar, employment rates and housing starts;
- market demand for the company's products, which is related to the strength of the various U.S. business segments and economic conditions;
- the successful execution of internal performance plans, including restructurings and cost reduction initiatives;
- performance of the company's manufacturing operations, including maintenance requirements and operating efficiencies;
- raw material prices;
- energy prices;
- transportation costs;
- changes in the Company's business support functions and support costs;
- changes in legislation or tax rules;
- the level of competition from domestic and foreign producers;
- the effect of forestry, land use, environmental and other governmental regulations;
- legal proceedings;
- the effect of weather;
- the risk of loss from fires, floods, windstorms, hurricanes, pest infestation and other natural disasters;
- changes in accounting principles;
- performance of pension fund investments and related derivatives;
- the effect of timing of retirements and changes in the market price of company stock on charges for stock-based compensation; and
- other factors described under "Risk Factors" in the Company's annual report on Form 10-K.

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



# Agenda

- Dan Fulton: Introduction
- Larry Burrows: Weyerhaeuser Real Estate Company (WRECO)
- Tom Gideon: Wood Products, Cellulose Fibers, Timberlands
- Miles Drake: Applied Technology
- Patty Bedient: REIT and Financial Update
- Dan Fulton: Conclusion and Q&A



Dan Fulton

President and Chief Executive Officer



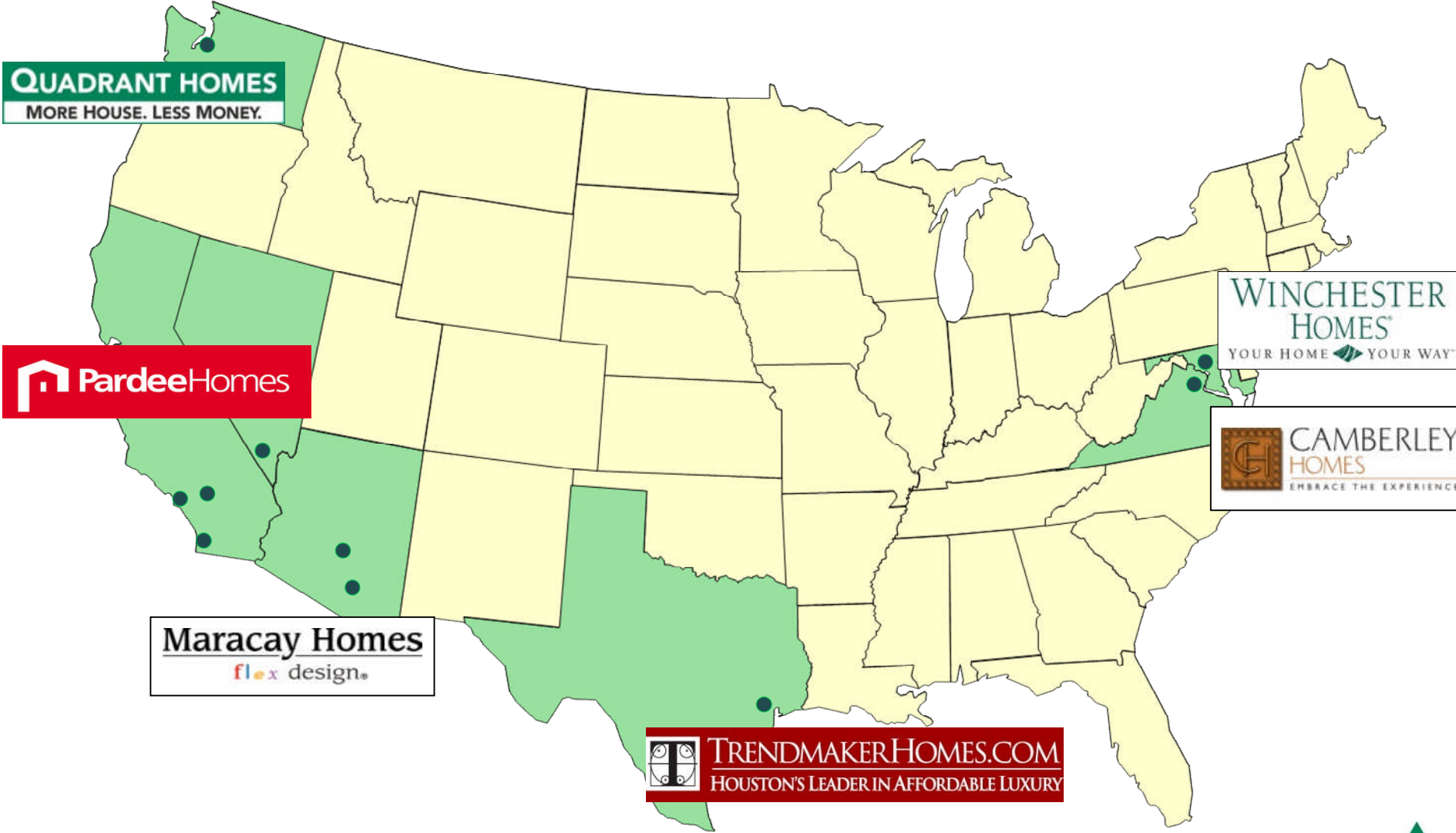
# Larry Burrows

President – Weyerhaeuser Real Estate  
Company (WRECO)



# WRECO Overview

## Located in Desirable Markets

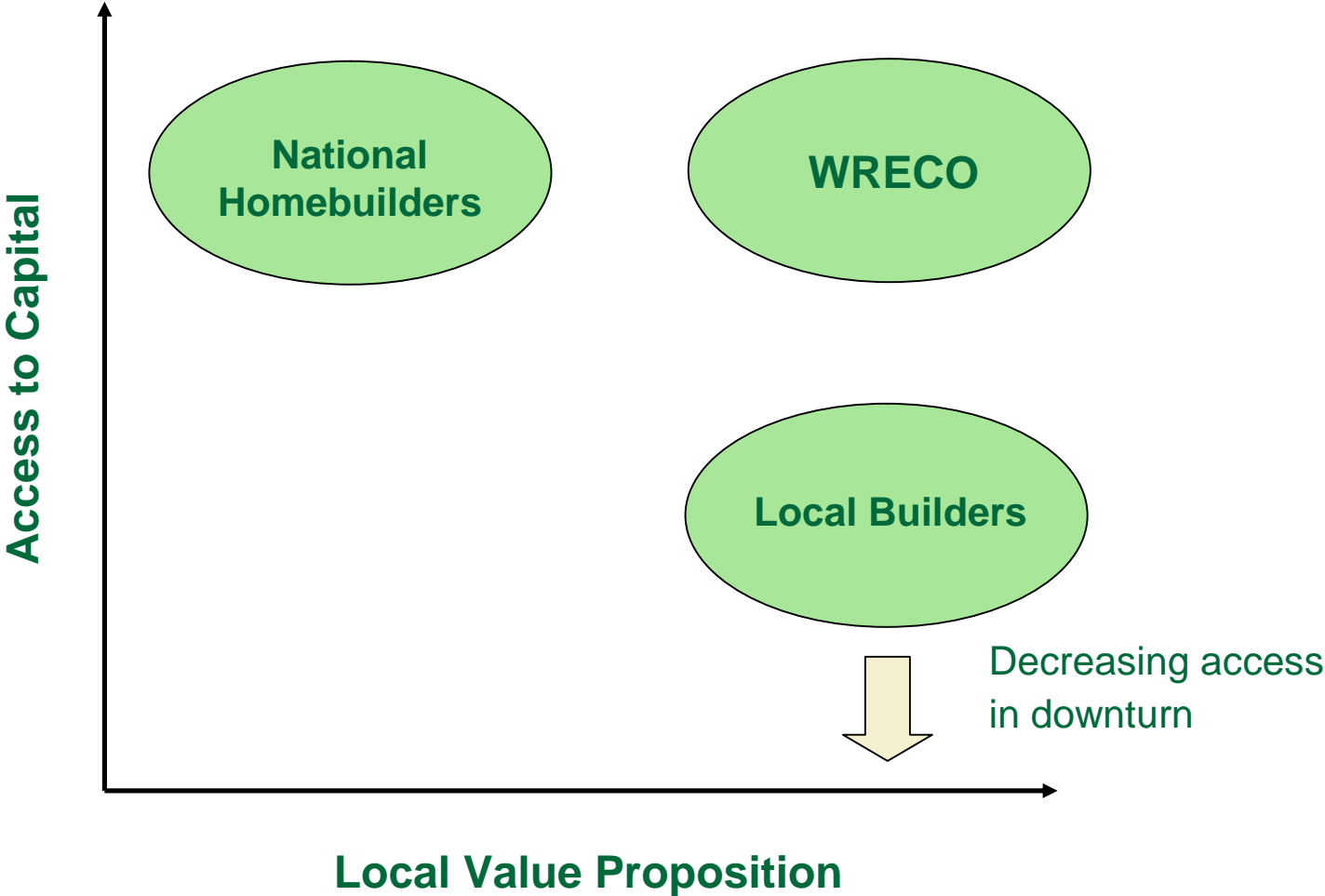


# Leading Brands, Local Value Propositions





# Financial Strength, Local Agility



# Strategic Initiatives

## Adapting to Local Market Conditions



- Reduced hard costs approximately 30%; monthly sales increased by 300%



- Extended product line to move-up buyer; increased sales in community by 15%



- Universal and green design features incorporated into active adult product line and offered as options in core product line



# Strategic Initiatives

## Adapting to Local Market Conditions



- Offer distinctive <\$200,000 product line in highly competitive sub-market; monthly sales increased 400%



- Tap underserved second home rural/beach market on customer's lot

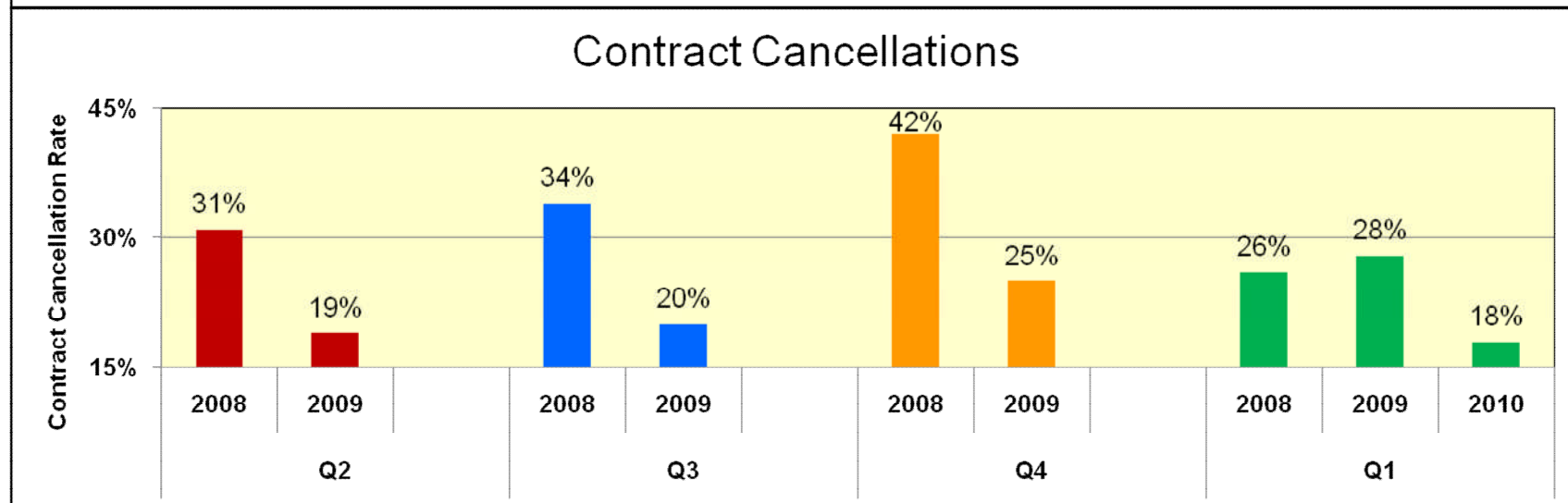
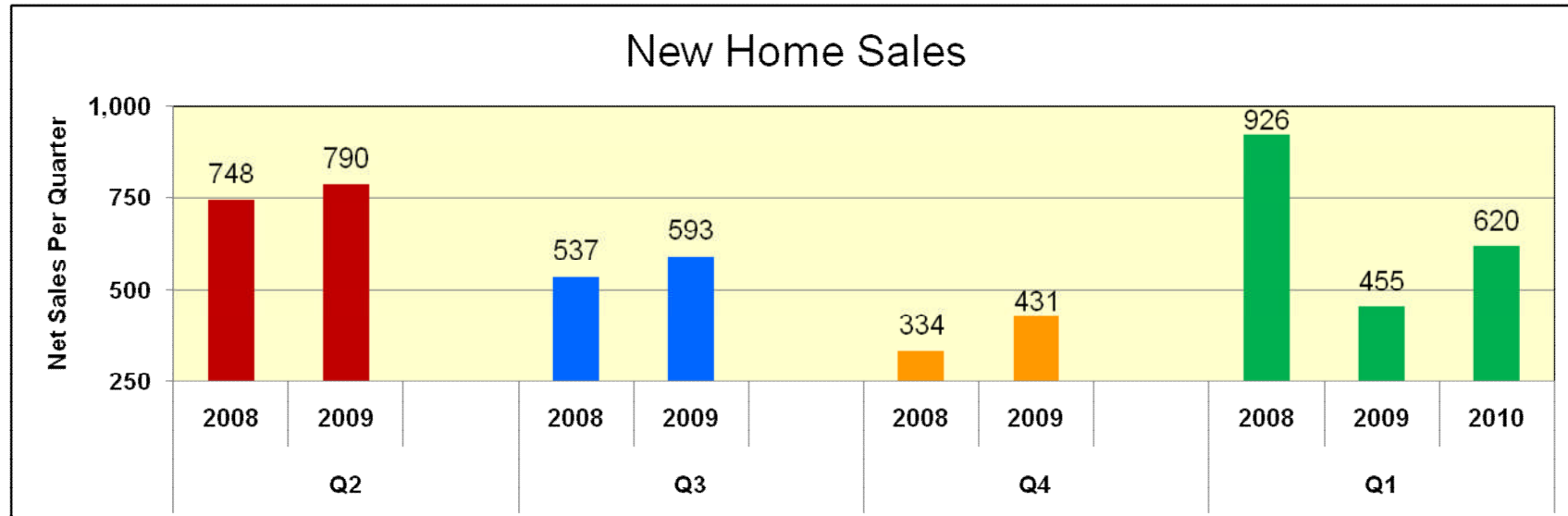


- Exploit new land opportunity through re-designed product

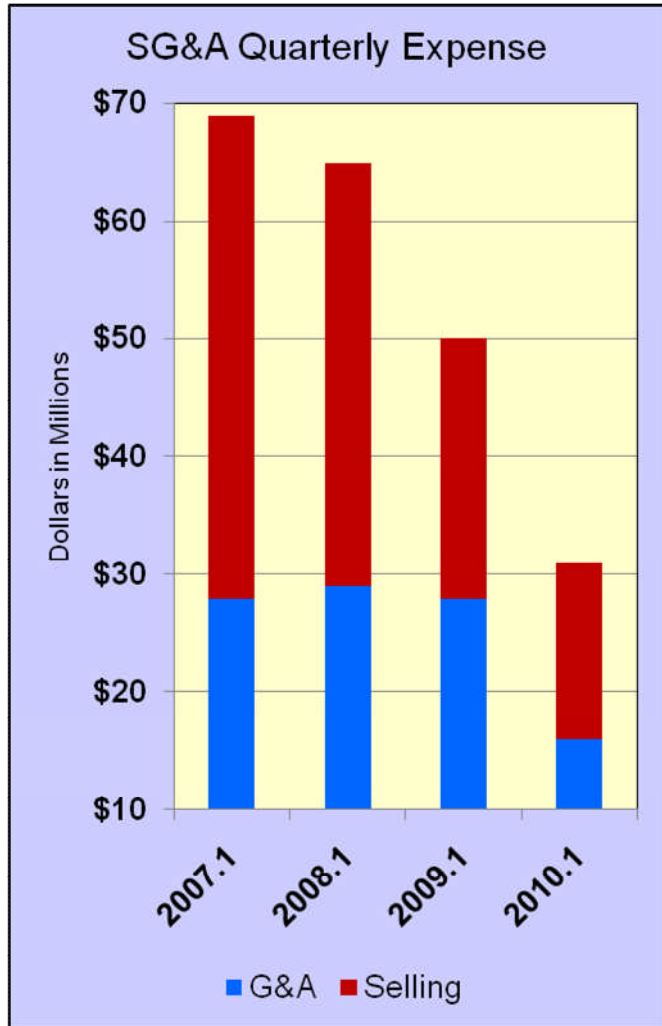


# Market Performance

## Year Over Year Improvement for 4 Consecutive Quarters

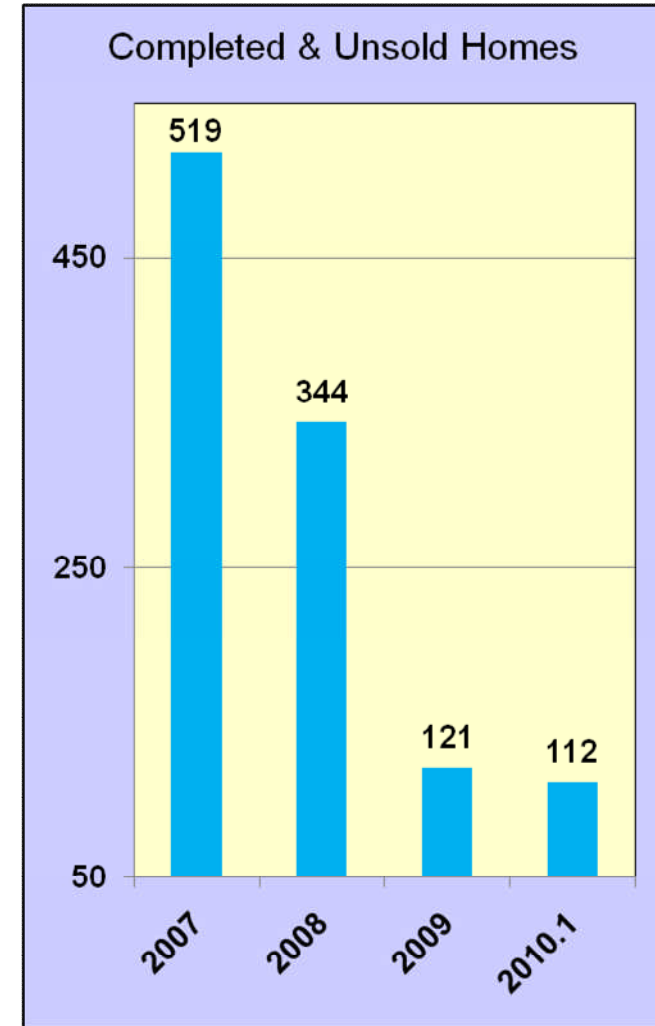


# Operational Improvements



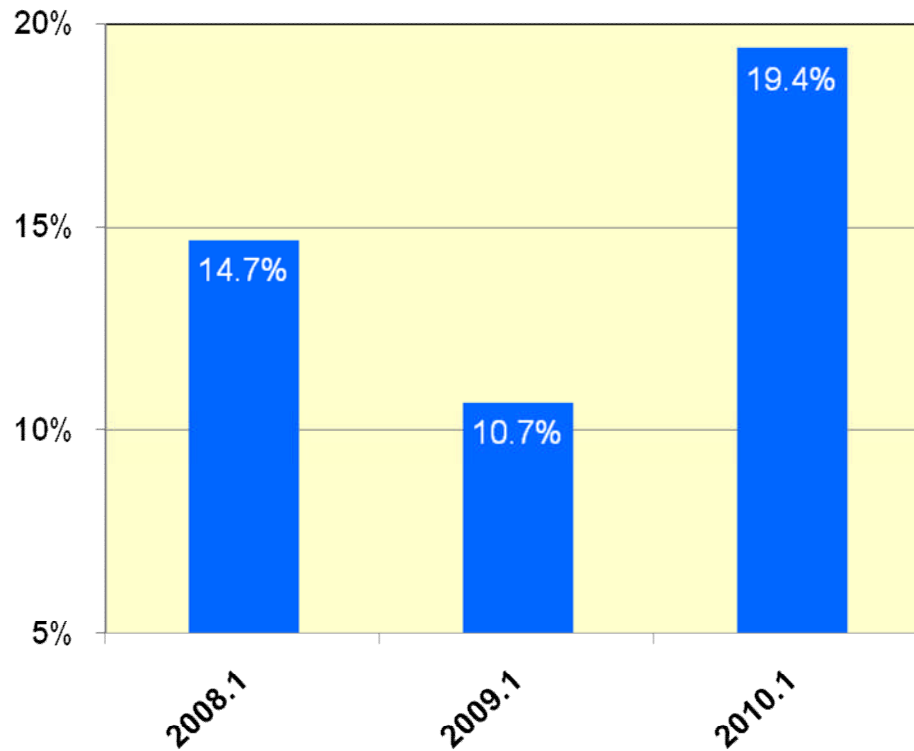
**Residential Lots Sold**

2007	572
2008	5,141
2009	5,011
2010.1	40



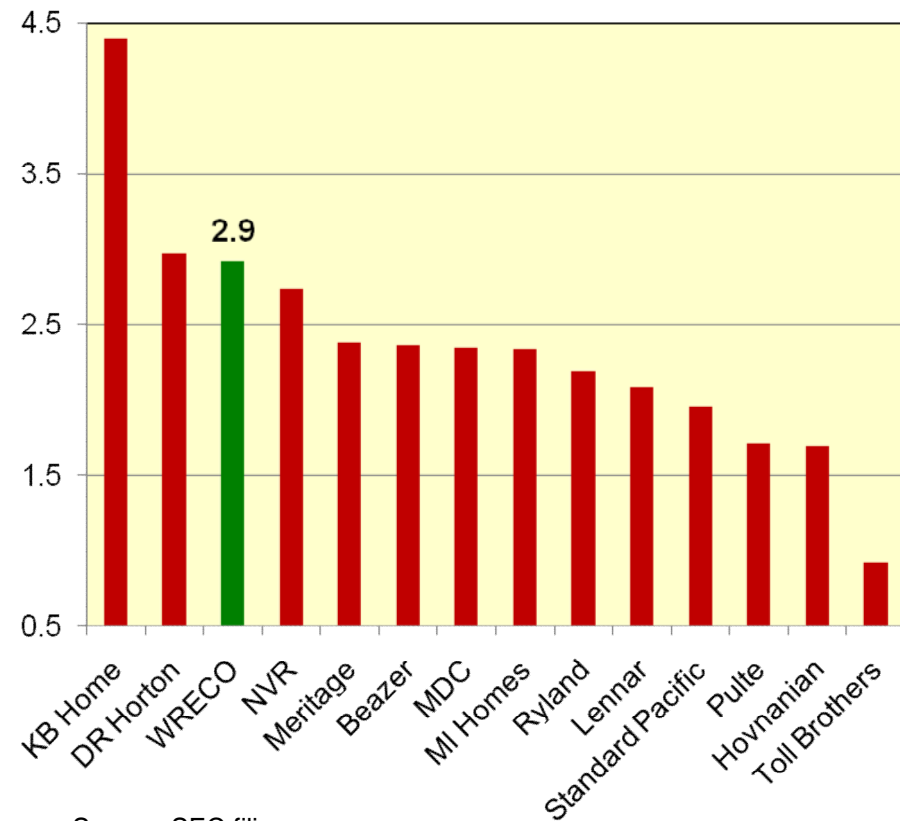
# Improved Margins and Sales Velocity

## Single-Family Gross Margins (1)



(1) Single-family gross margin = revenue less direct cost of sales, indirect cost of sales and period costs without regard to impairment charges

## Sales Per Community Per Month 2010.1



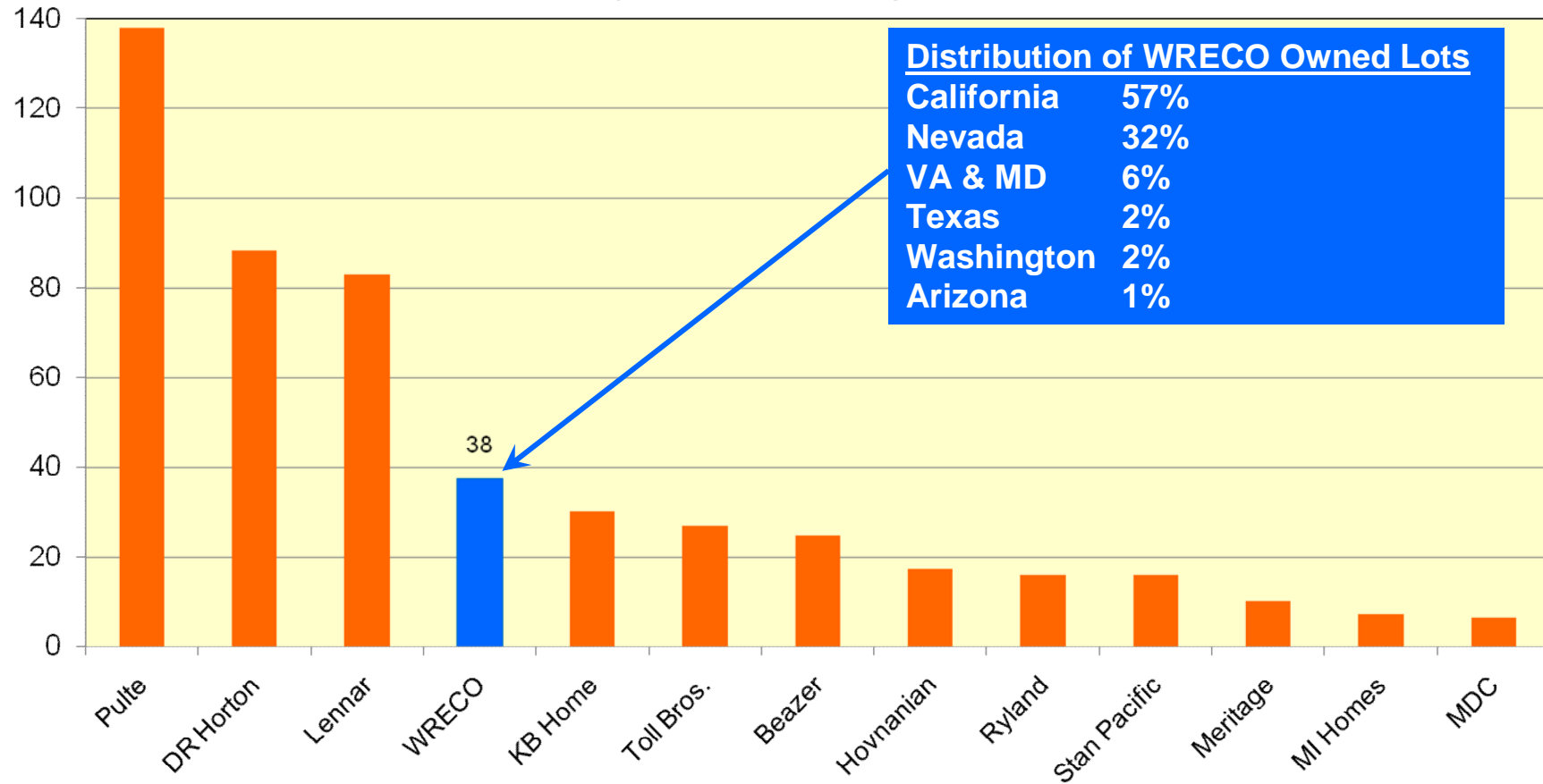
Source: SEC filings



# Well-Positioned Land in Target Markets

Positioning Allows Opportunistic Sales to Land-Light Builders

**Lots Owned as of 3/31/10 or Closest Reporting Period  
(in thousands)**



# Well-Positioned for Recovery

- 2010 priorities
  - Return to profitability
  - Generate positive cash flow
  - Flexibility to adjust land pipeline for current market opportunity
- Long-term opportunities
  - Housing fundamentals are favorable
  - Market recovery creates further opportunities to reposition land portfolio





Tom Gideon

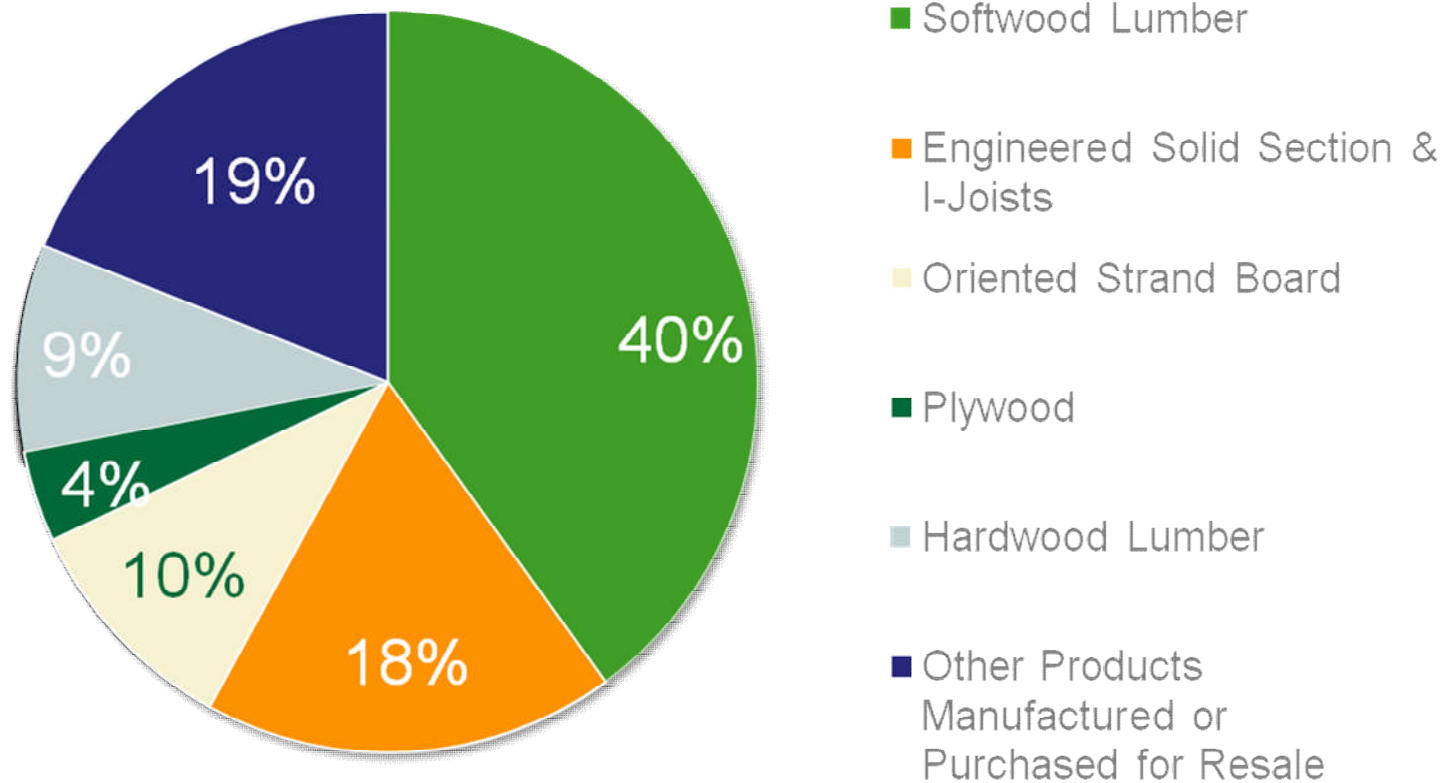
Executive Vice President – Forest Products

Wood Products



# Focus on Residential Structural Frame

2009 Wood Products Net Sales  
\$2.2 Billion



# Aggressive Action to Restructure Operations

- **Significantly reduced costs**
  - Closed and curtailed facilities
  - Reduced staff
  - Optimized manufacturing efficiencies



# Well-Positioned for Recovery

- Leveraging scale and market position to maximize returns as markets recover
- Capitalizing on the gains resulting from the actions taken during the downturn
- Disciplined approach to working capital management



# Cellulose Fibers



# Focus on Absorbents and Specialty Fibers

- Value-added, innovative specialty fibers create a competitive advantage
  - Leading producer of absorbent fluff
  - Proprietary fibers for specialty applications
- Strong markets experiencing global growth
- Constant focus on operational improvement
  - Achieve world class performance
  - Capture value by reducing operating costs



# Creating Value through Collaboration and Innovation

- Key customers offer growth opportunities
- Develop technology solutions through targeted collaboration
  - Differentiated absorbent products
  - Non-wovens
  - Composite materials
- Green energy solutions



# Timberlands





# Timberlands Strategy

- Grow and manage financially attractive, sustainable forests
- Position harvest for US recovery
- Apply market knowledge to create additional value
- Operate at scale and capture cost advantages
- Explore opportunities for future growth

**Increasing cash flow and asset value**



# Asset Base is Over 90% Productive Timberlands

- High quality sawtimber
- Source of environmental and public benefits

Timberlands	Acres (000)					%
	US West	US South	Uruguay	China JV	Total	
<b>Core</b>	1,850	3,720	341	45	5,956	90.7%
<b>Non-Core</b>	213	394	-	-	607	9.3%
<b>TOTAL</b>	<b>2,063</b>	<b>4,114</b>	<b>341</b>	<b>45</b>	<b>6,563</b>	<b>100%</b>

Does not include 15.2 million acres of forestland under license in Canada



# Generating Earnings from Non-Core Land

- Exchange for core land
- Sales of higher-and-better use (HBU) and non-strategic land
- Conservation and wetlands mitigation opportunities



# Canadian Licensed Timberlands Managed for Manufacturing Operations

- Timberlands leased from provincial governments to secure volume for our iLevel and Cellulose Fibers facilities
- Lands managed according to provincial standards

<b>Province</b>	<b>Acres (millions)</b>
Alberta	5.3
British Columbia	2.3
Ontario	2.6
Saskatchewan	5.0
<b>Total</b>	<b>15.2</b>



# All Lands are Independently Certified Under Applicable Standards

- Key stakeholder involvement
- Based on sound science
  - Open, independent, peer reviewed research



- Program broad in scope
  - Lands managed for productivity and ecosystem values

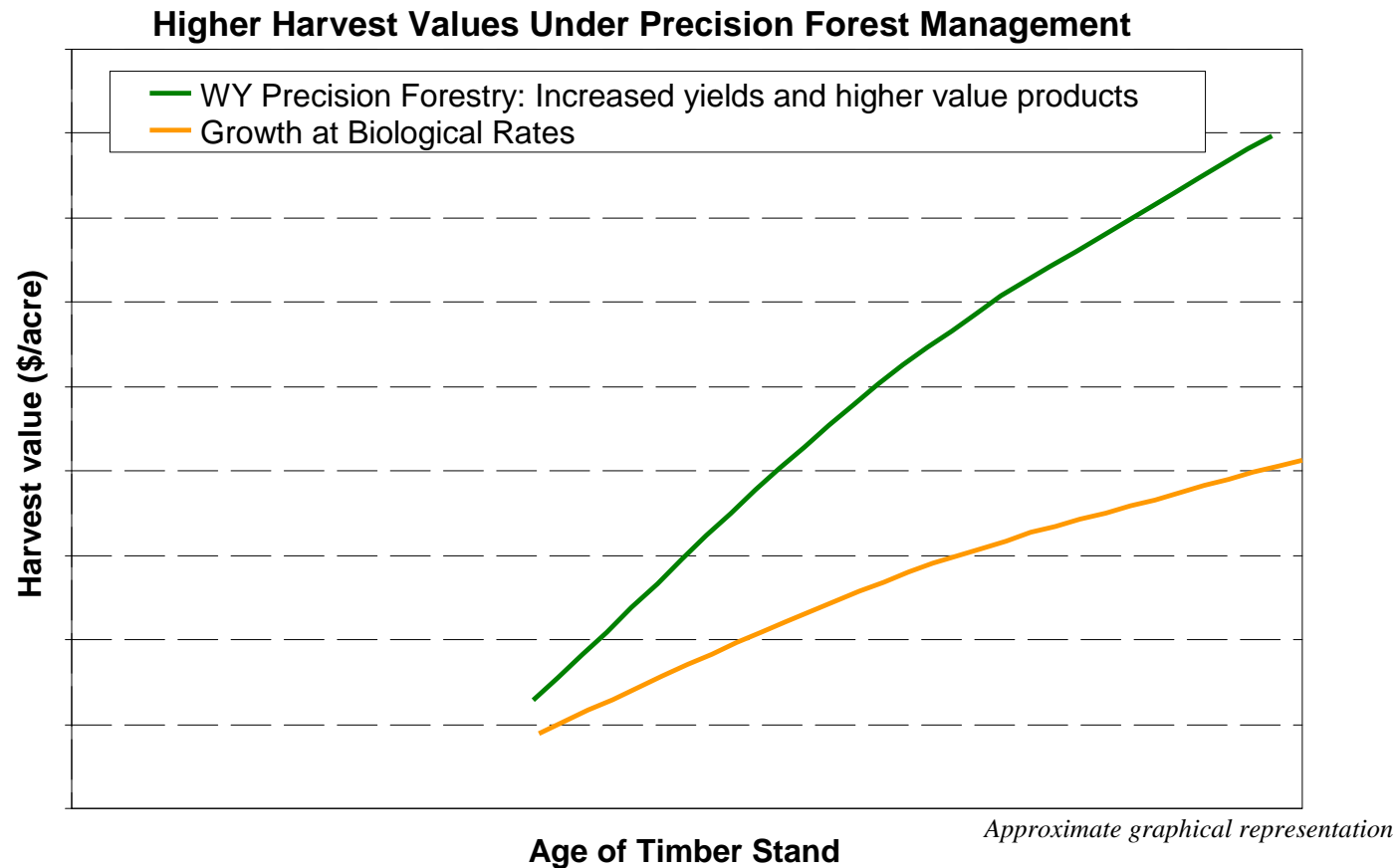


- Recognized as an industry leader by the Dow Jones Sustainability Index



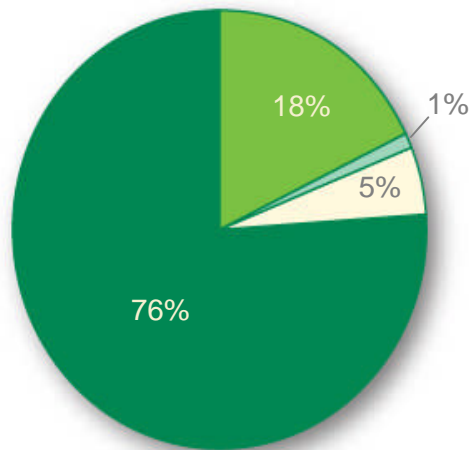
# Sawtimber Expertise Creates Highest Operating Values

- Sawtimber increases in volume and value as it grows
- Weyerhaeuser's precision forestry further improves value



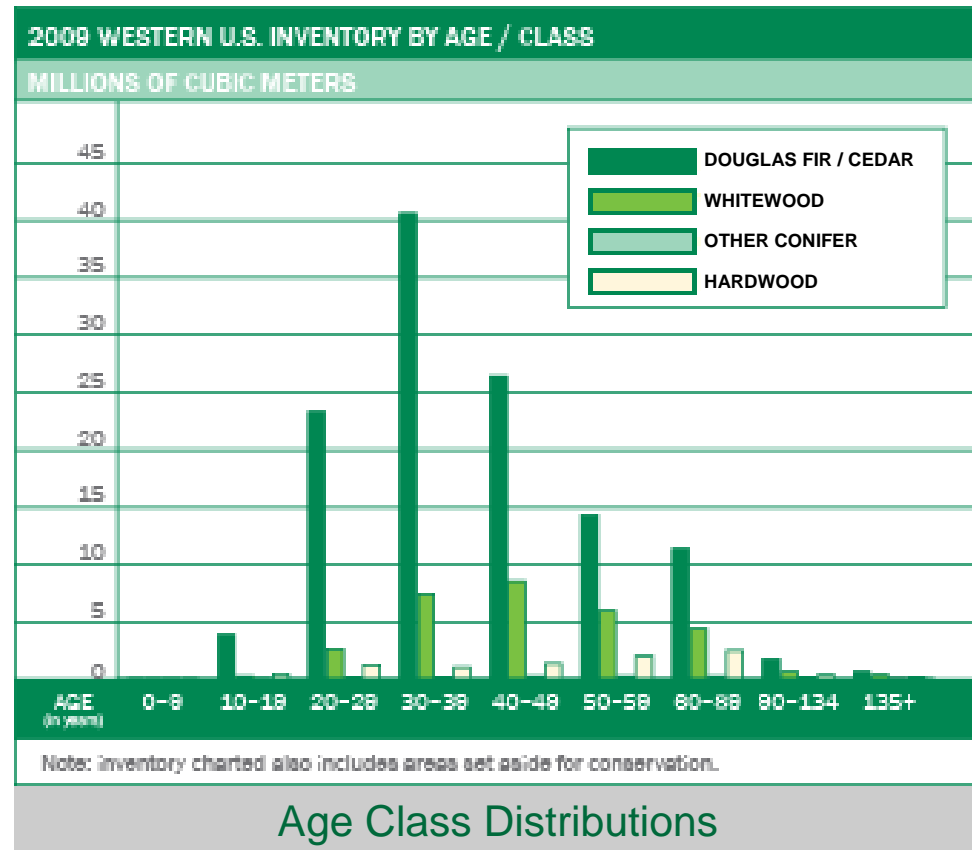
# Timberlands Inventory Demonstrates Species Preference and Age Class Distribution

## US West



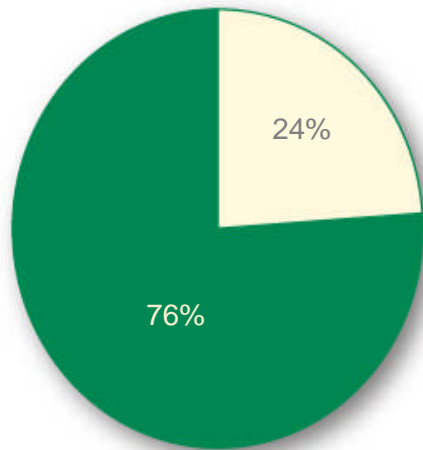
- Douglas fir – most desired, highest value species
- Sustainable harvest volumes
- 93%+ Sawlogs, remaining stable

2.1 million acres and  
160 million cubic meters



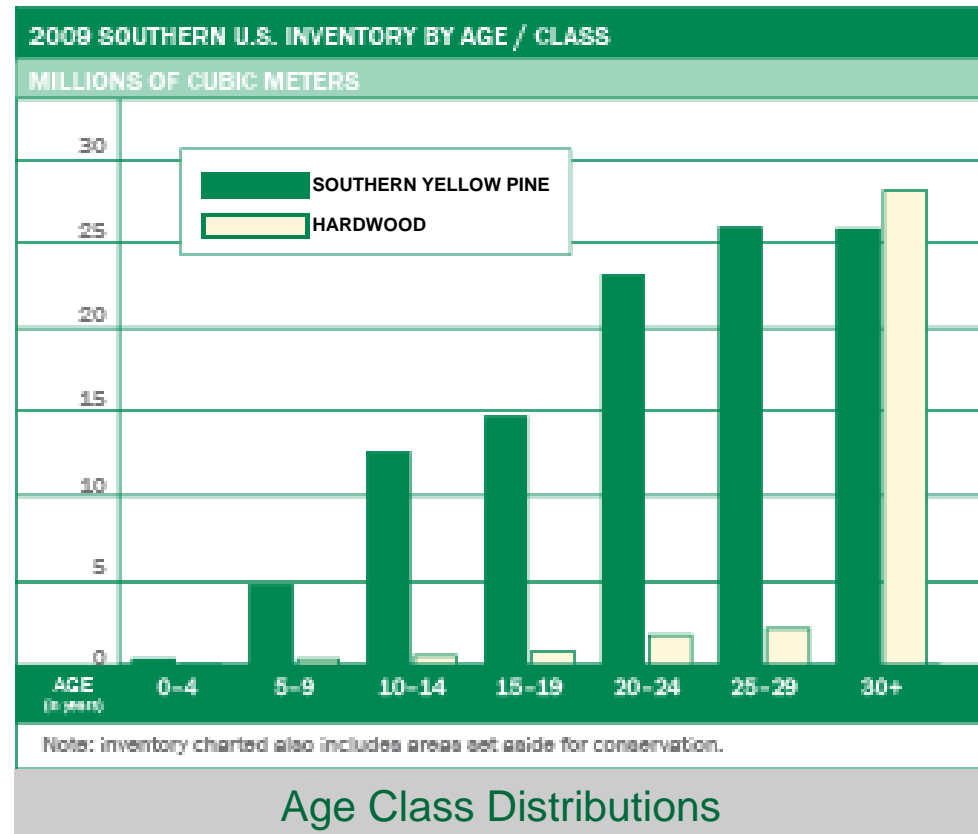
# Timberlands Inventory Demonstrates Species Preference and Age Class Distribution

## US South



- Southern yellow pine – most desired/highest-valued species
- 60%+ Sawlogs, increasing to 65% over the next five years

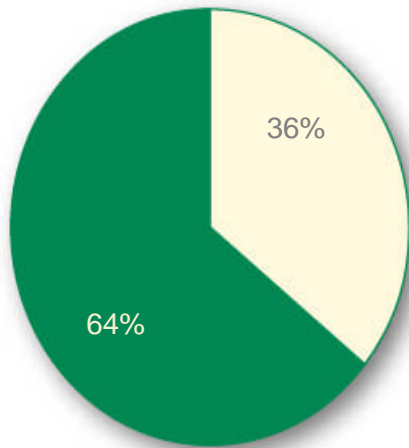
4.1 million acres and  
140 million cubic meters





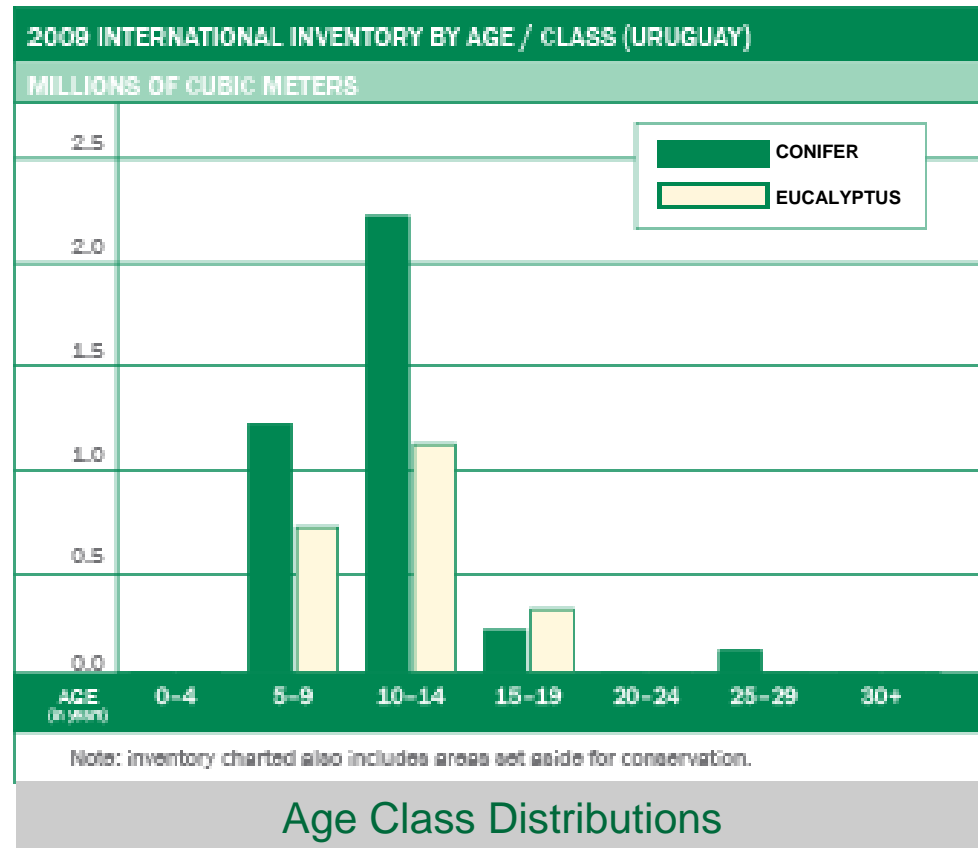
# Timberlands Inventory Demonstrates Species Preference and Age Class Distribution

## Uruguay



- 30% Peeler Grade logs, increasing to 45%+ over the next 10 years

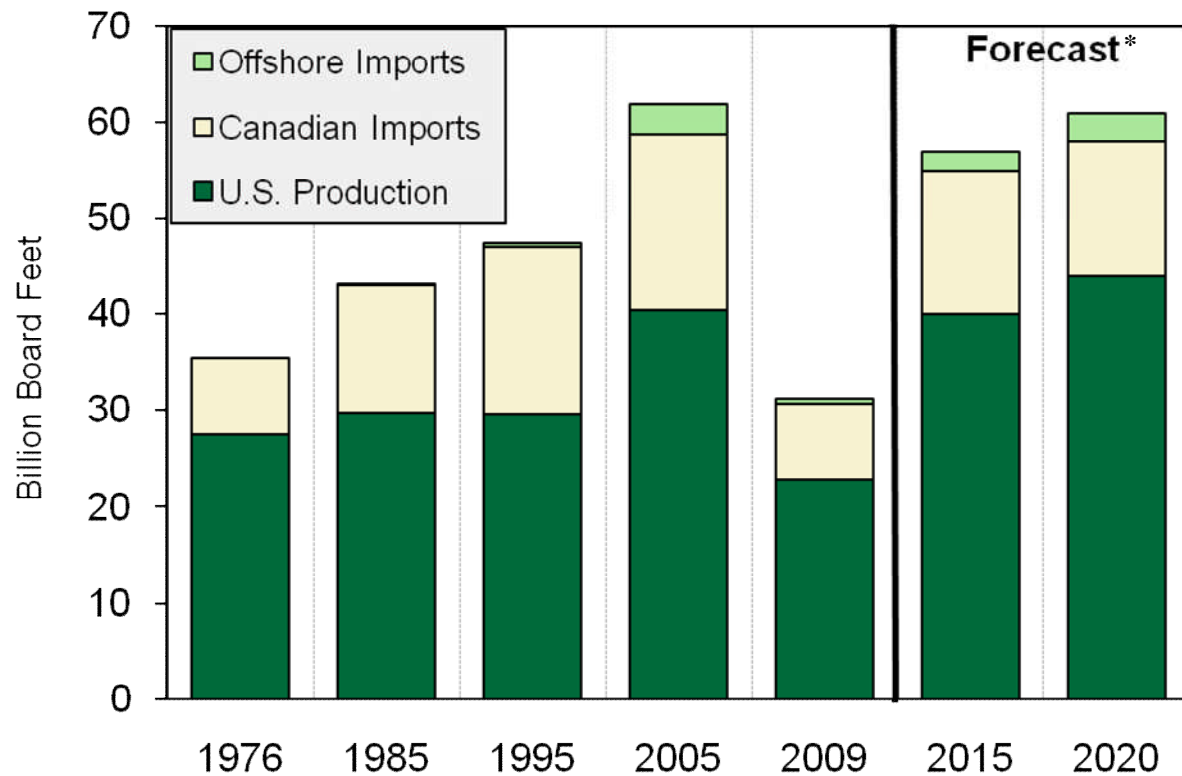
341 thousand acres and  
6 million cubic meters



# US Trend Log Demand Exceeds Domestic Supply

- US lumber demand will recover from cyclical low
- Canadian lumber imports will not return to prior peaks
- Expect log values will improve

## U.S. Lumber Consumption

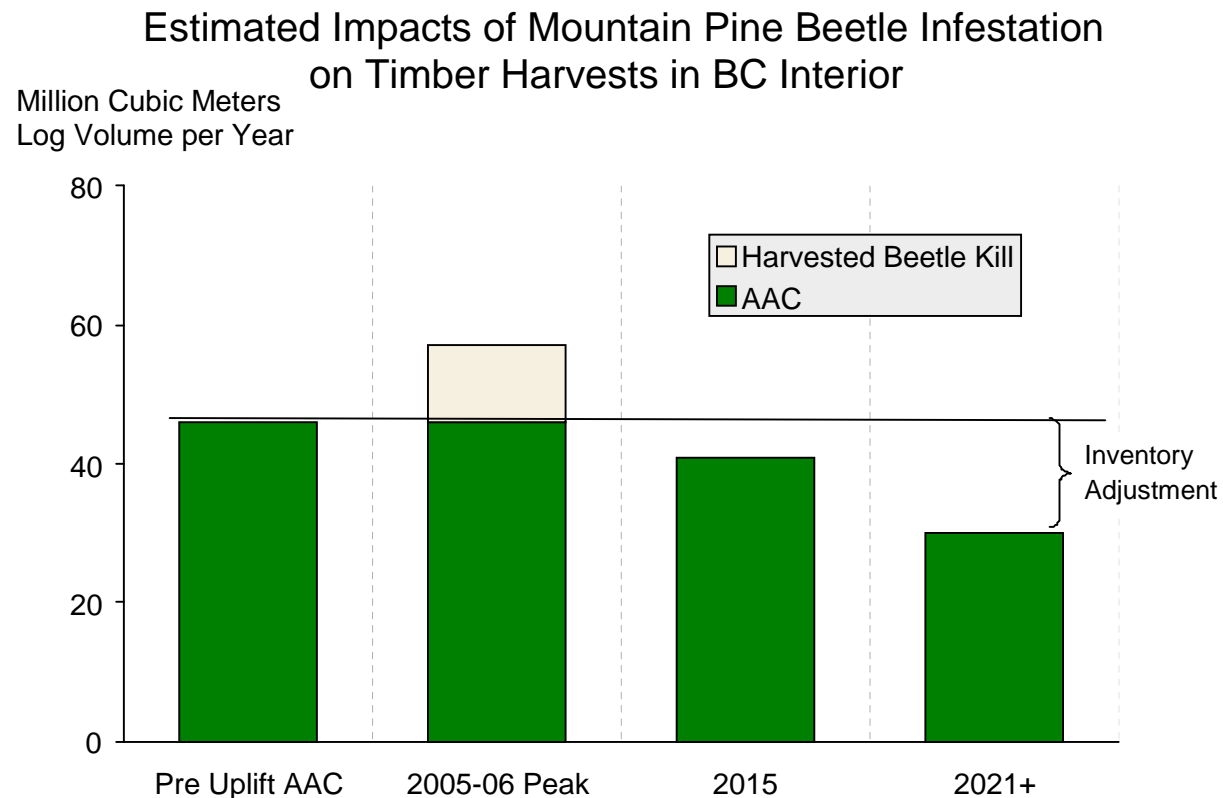


Source: WWPA, AF&PA \*Weyerhaeuser



# BC Supplies Constrained Going Forward

- Opportunity for US suppliers as Canadian production falls off
  - Annual allowable cut (AAC) reductions in British Columbia (BC) due to impact of pine beetle

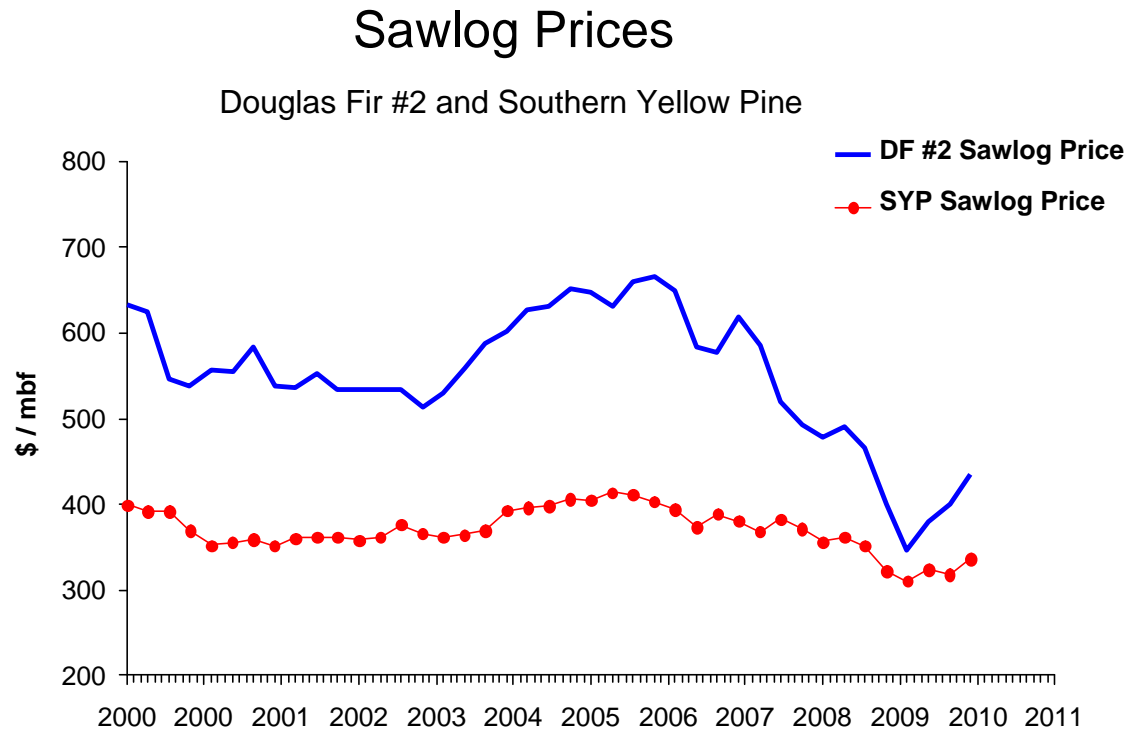


Source: BCMOF



# US Log Prices Have Bottomed, Now Rebounding

- Q1 2010 Western prices up over 25% from Q2 2009
- Expect continued improvement with gradual recovery in housing and wood product demand
- Earnings improve as deferred volume is harvested

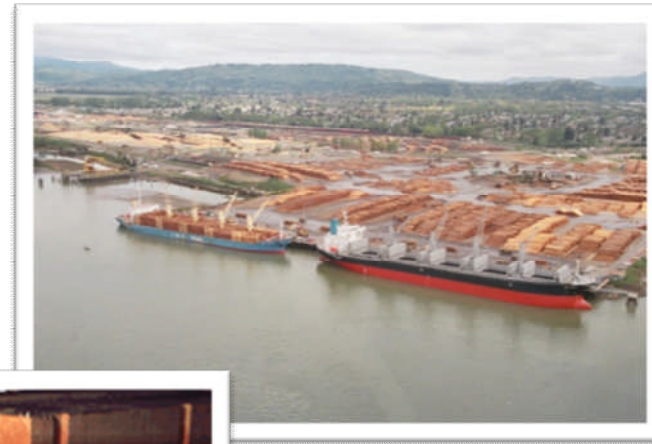


Source: Log Lines, Timber Mart South



# International Markets Add to Weyerhaeuser's Competitive Advantage

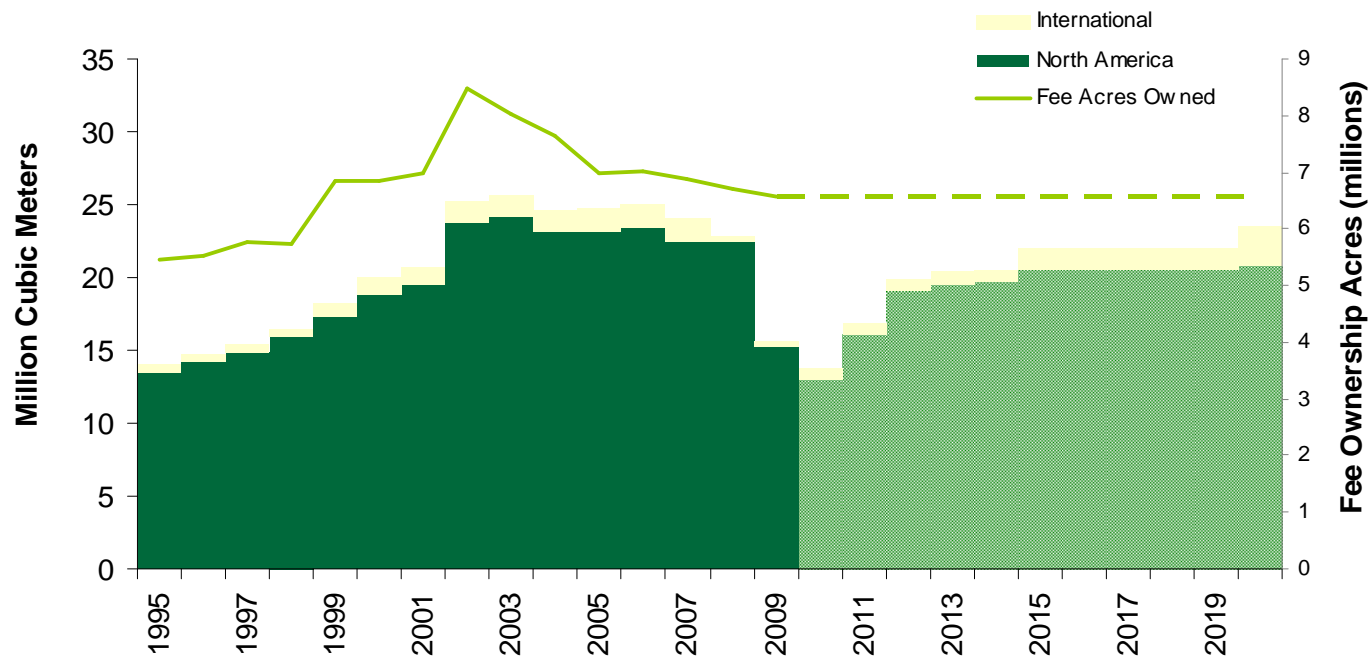
- Japan is a premium market for logs
- China and Korea have increased imports of US timber through the downturn



# Harvest Volume Outlook is Positive

- Harvest expected to increase 71% (2009 – 2019)
  - US will rise 60%; international to increase 4-fold
- Cash flow driven by increased harvest and price recovery

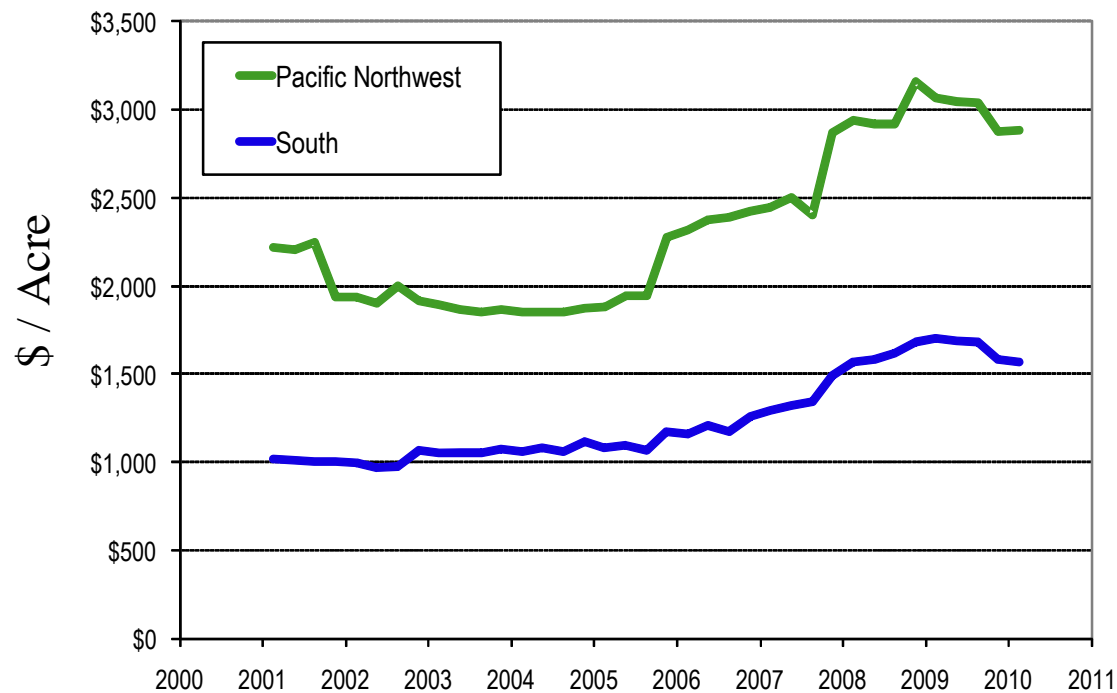
**Weyerhaeuser Global Fee Harvest Volume**



# Timberland Values Have Held Up

- Land prices did not follow log prices through cycle
- Risk profile and option value being bid into land prices

**NCREIF Average Timberland Values**



# Scale and Logistics Provide Cost Advantages

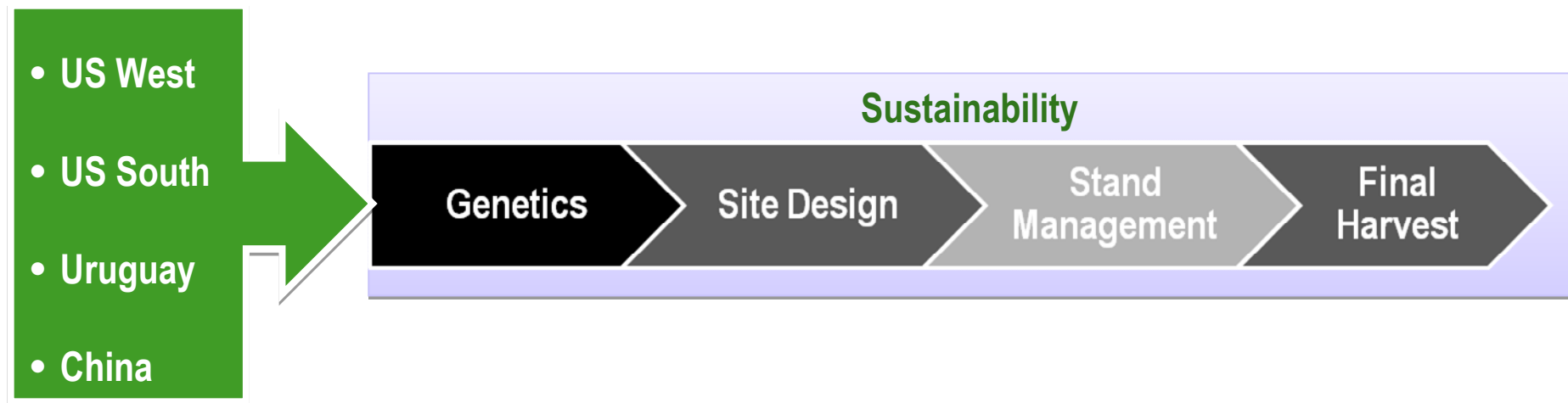
- Best practices and know-how shared across company
- Logistical coordination eliminates bottlenecks and increases capacity
  - Hauling / dispatch trucking
  - Harvesting
  - Silviculture





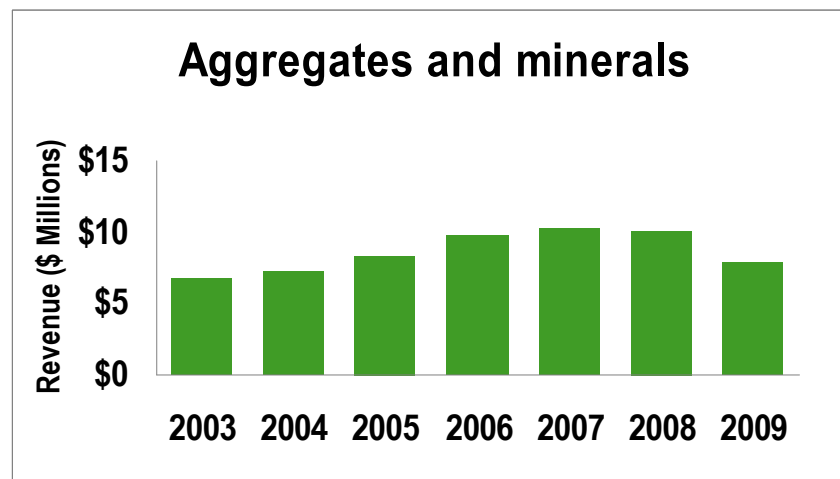
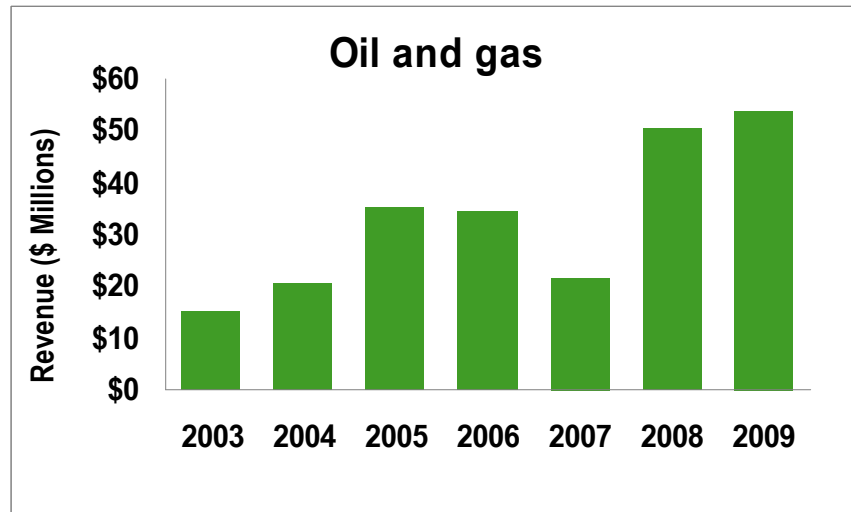
# Silviculture Results in Greater Productivity and Margin

- Leader in advanced silviculture
  - Increase productivity, reduce costs and gain value



# US Oil, Natural Gas, Aggregates and Minerals Have Growth Potential

- 7.1 million net mineral acres
- Oil and gas
  - Haynesville Shale (LA)
  - Revenue interest in >1000 producing wells
  - Developing equity participation program in selected wells
- Aggregates and minerals
  - \$10+ million annual business with growth potential
    - Economic downturn affected 2008-2009 revenues



# Exploring Timberlands Growth Opportunities

- Rising global demand for wood fiber and environmental solutions will drive timberland values
- Selective acquisition opportunities
  - United States
  - South America, China and other emerging geographies



# Well-positioned to Capitalize on Attractive Outlook

- Increasing harvest levels will generate higher cash flows
  - Positioned to bring deferred harvest to market as market conditions improve
  - Ongoing precision forestry will continue to generate higher value sawtimber
- Optimizing log export market opportunities
- Further improving operational efficiencies
- Evaluating portfolio growth opportunities



# Miles Drake

Chief Technology Officer

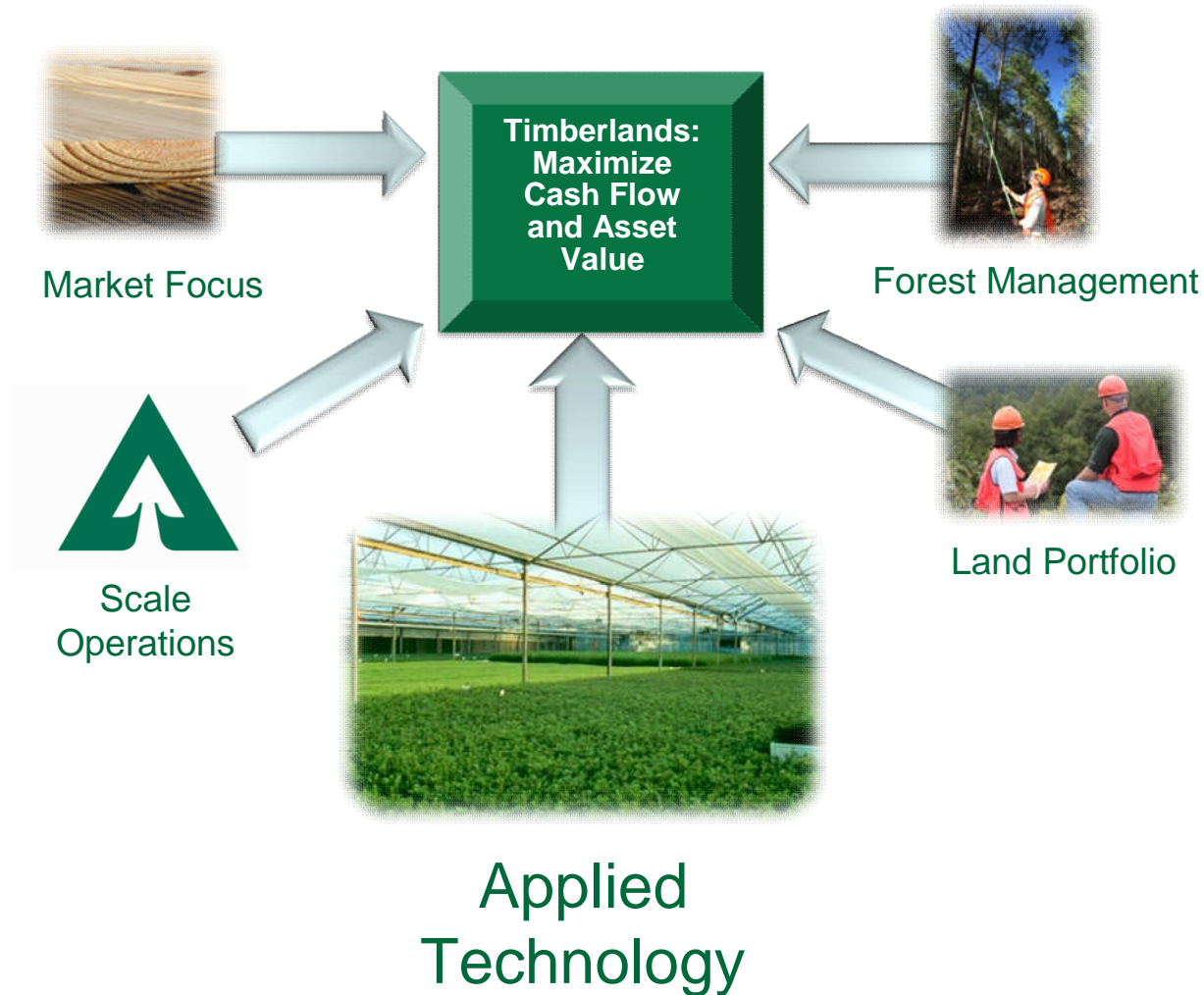


# Applied Technologies Capture Highest Value

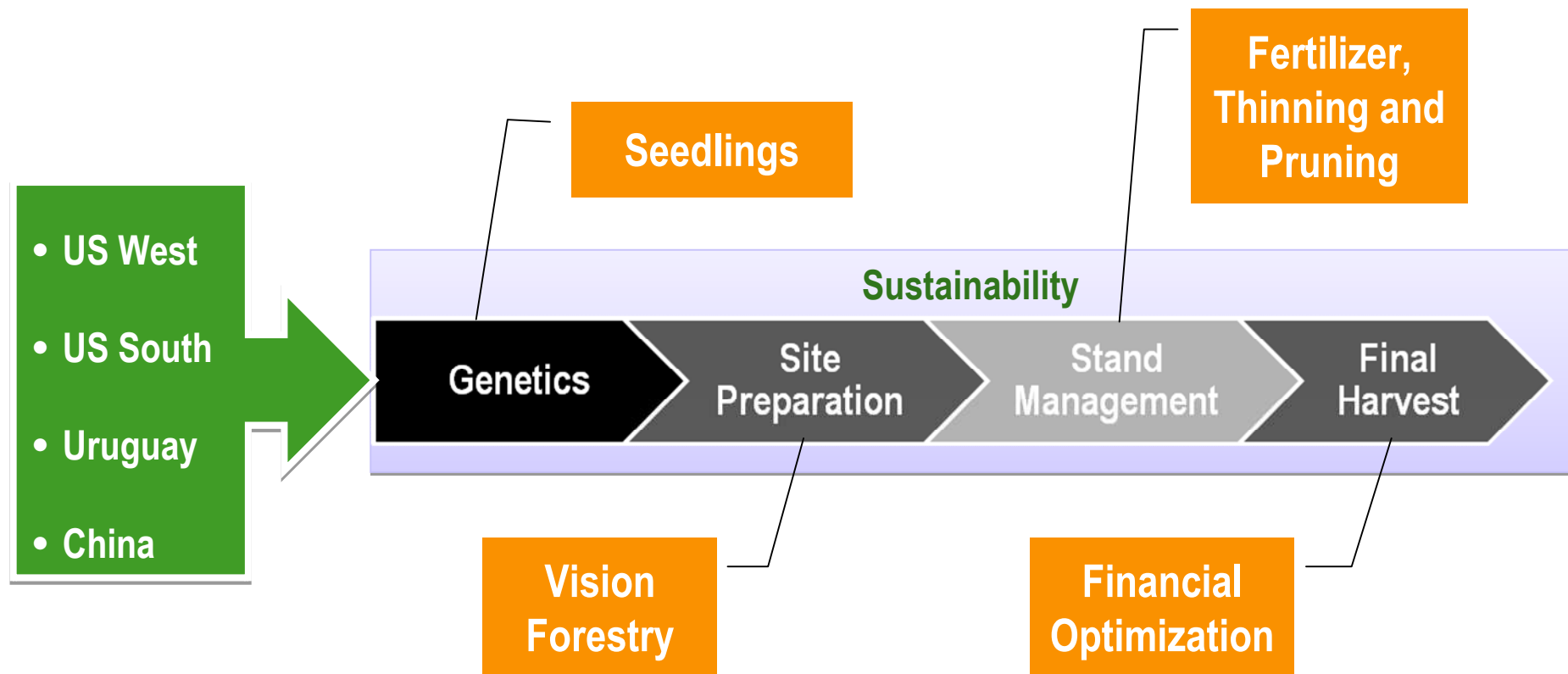
- **Benefits to core strategy**
  - Increased high quality sawtimber yield in North America
  - Reduced costs of forest interventions
  - Shorter rotation time
  - Optimized harvest planning
  - Enhance license to operate – sustainability
  
- **Underpins new opportunities**
  - Biomass
  - Environmental offsets



# Applied Technologies are Embedded in the Timberlands Business Model



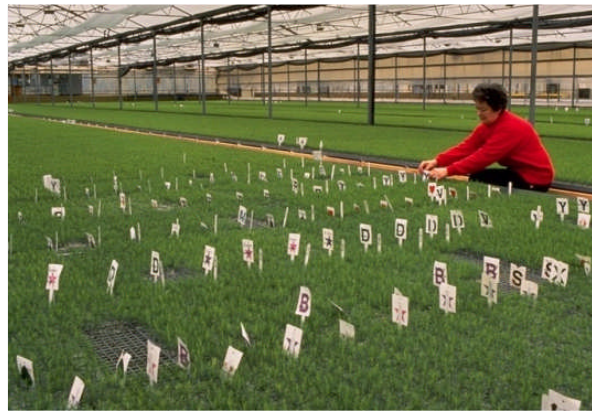
# Silviculture Optimized through the Rotation for Highest Value Product Mix





# Putting the Right Seedling in the Right Place for the Right Product

- Scale nurseries produce genetically improved trees
- For sawtimber, traits focused on
  - Volume growth
  - Strength
  - Straightness
  - Disease resistance



# Taking Seedling Improvement to the Next Level

- Patented manufactured seed technology to deploy desirable traits at scale and reduce cycle time for tree improvement



# Vision Forestry Lowers Costs and Generates Greater Returns

- Innovative site design for maximum survival and growth of seedlings
- Treatments focused only on acres to be planted
  - Allows efficient movement of people and equipment



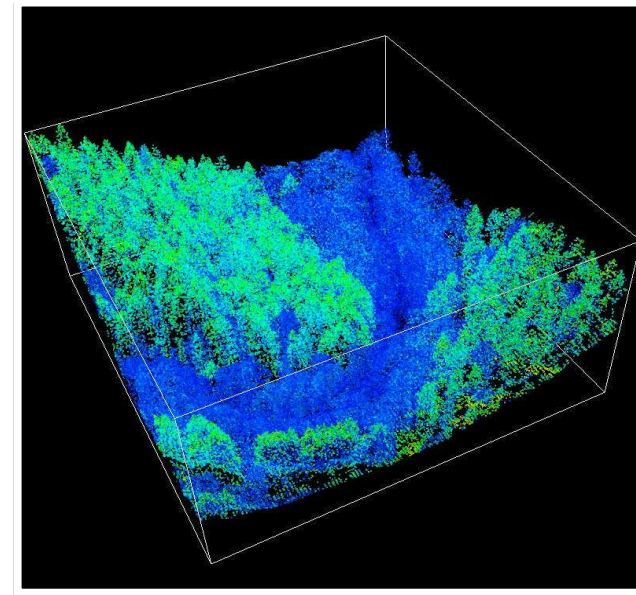
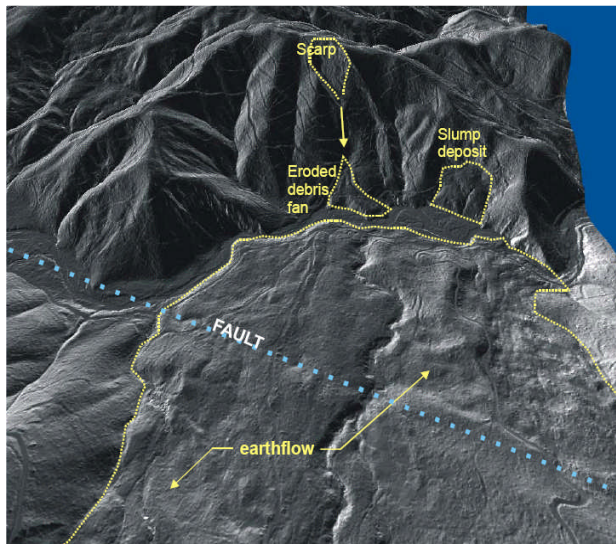
# Precision Fertilization Accelerates Growth and Reduces Cost

- Fertilizer is applied at differing rates to stands at different stages of tree growth
  - Precision application done at lower cost
- Proprietary Weyerhaeuser fertilizer
  - Reduces / controls volatility
  - Balanced nutrients
  - Nutrients available in single spot
  - Additional value through licensing to third parties



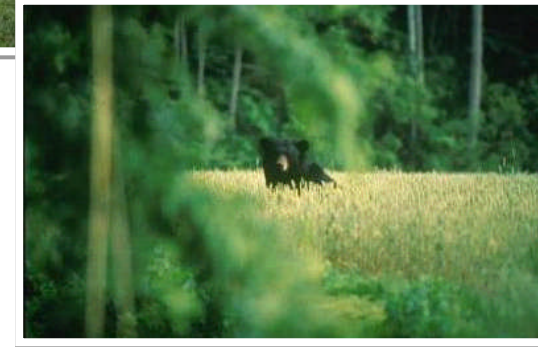
# Deploying Next Generation Technology to Optimize Harvest Timing

- Sensing technologies and growth and yield models ensure harvest at financial optimum
  - Growth and yield planning
  - Remote sensing
  - Environmental management



# Sustainability and Environmental Capabilities Increase Ownership Value

- Environmental competencies
  - Enable higher yields throughout a rotation
  - Meet ecological and sustainability requirements
  - Ensure license-to-operate and regulatory compliance



# Collaborative Approach Critical to Ensure Broad Acceptance of Results

- Working with stakeholders

- Industry, academia, government, public



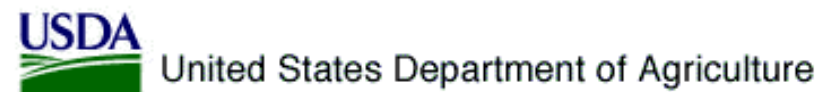
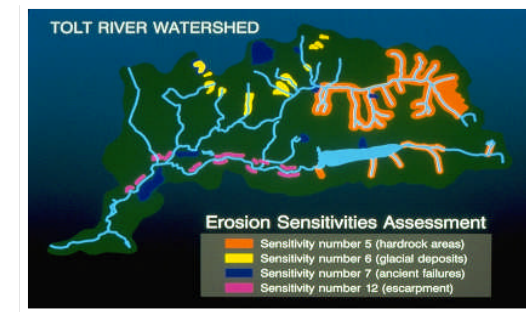
- Landscape scale field research trials

- Large, well managed and instrumented sites
- Open, independent, peer reviewed research
- University, government and NGO participation



- Life cycle impact studies

- Impact on soil nutrients, carbon, wildlife, water and greenhouse gases



# Applied Technologies Increase Cash Generation and Create Value

- Improved value at harvest
  - Example: Enhanced sawtimber yield in the South generates enhancement of \$75 per acre at harvest today over industry average
- Increased cash generation through operational efficiencies
  - Example: Fertilization savings \$8.5 million in year one of introduction



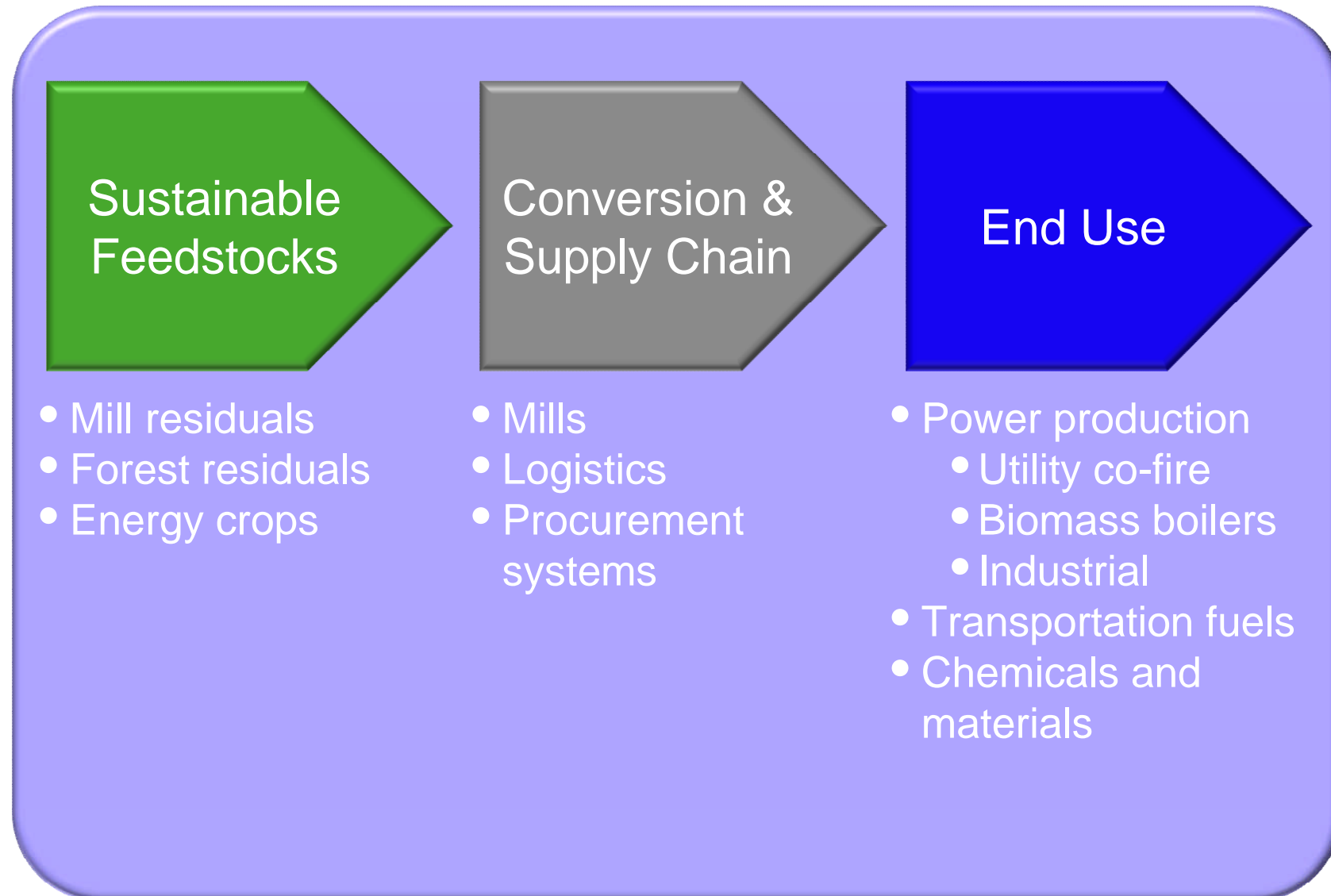


# Positioning for Emerging Business Opportunities

- Global requirements for sustainable products, green energy and more productive resource systems are leading to new business opportunities
  - Biomass
  - Environmental offsets
  - Land management
- Exploring new technologies, partnerships and on-the-ground pilots



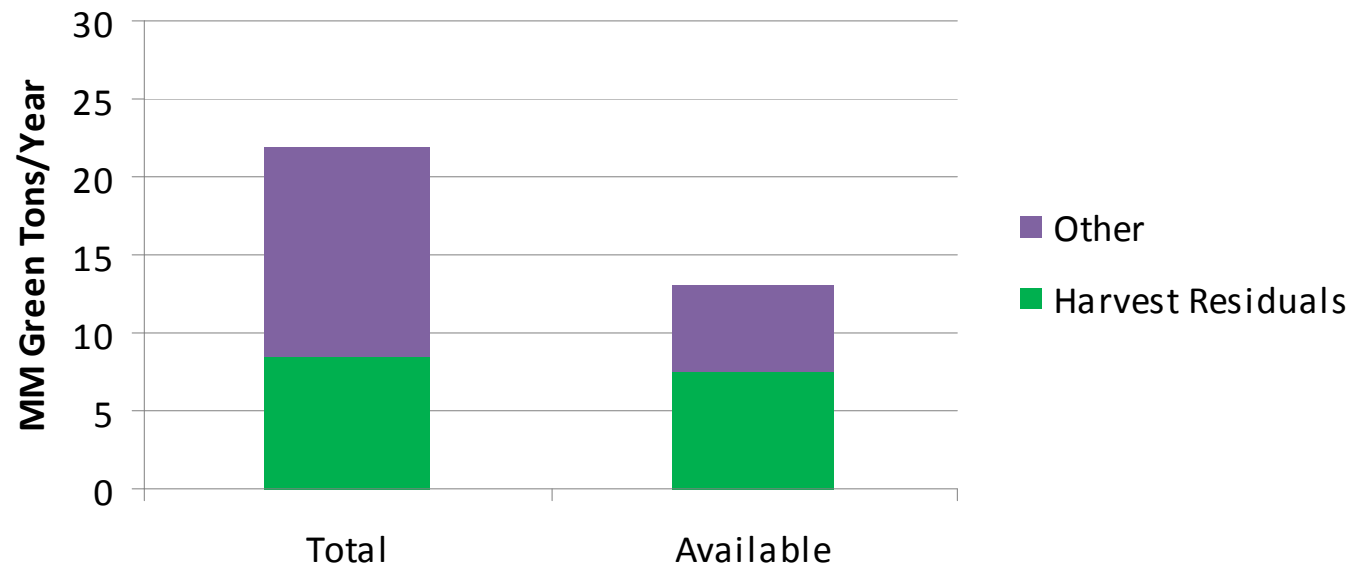
# Biomass Markets are Developing Rapidly



# Weyerhaeuser US Biomass Feedstock Volume

- Harvest residuals represent most of available biomass supply

Weyerhaeuser Biomass



# Logistics and Supply Chain Management a Competitive Requirement



Felling of Logs and Understory Material



Skidding



Chipping



Loading



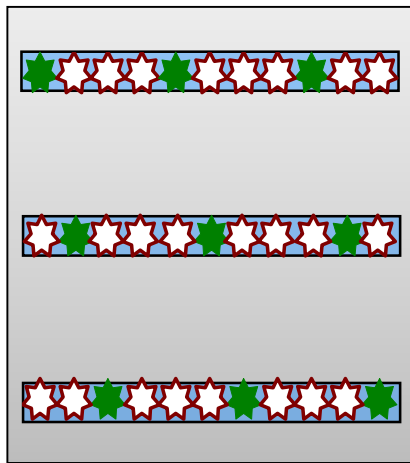
Transport



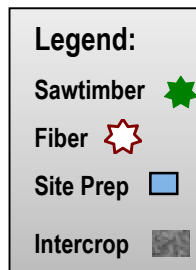
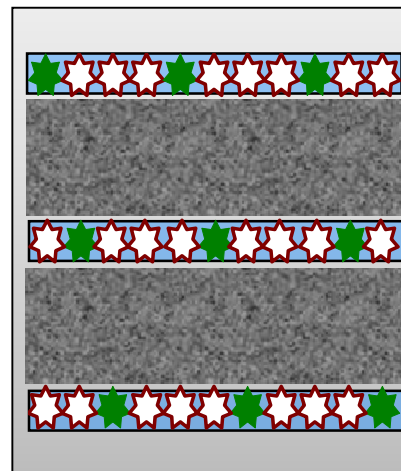
# Integrating New Biomass Sources into Precision Forestry

- Grow rows of pine trees and an energy crop
- Perennial energy crop harvested annually
- Trees managed for wood products and fiber

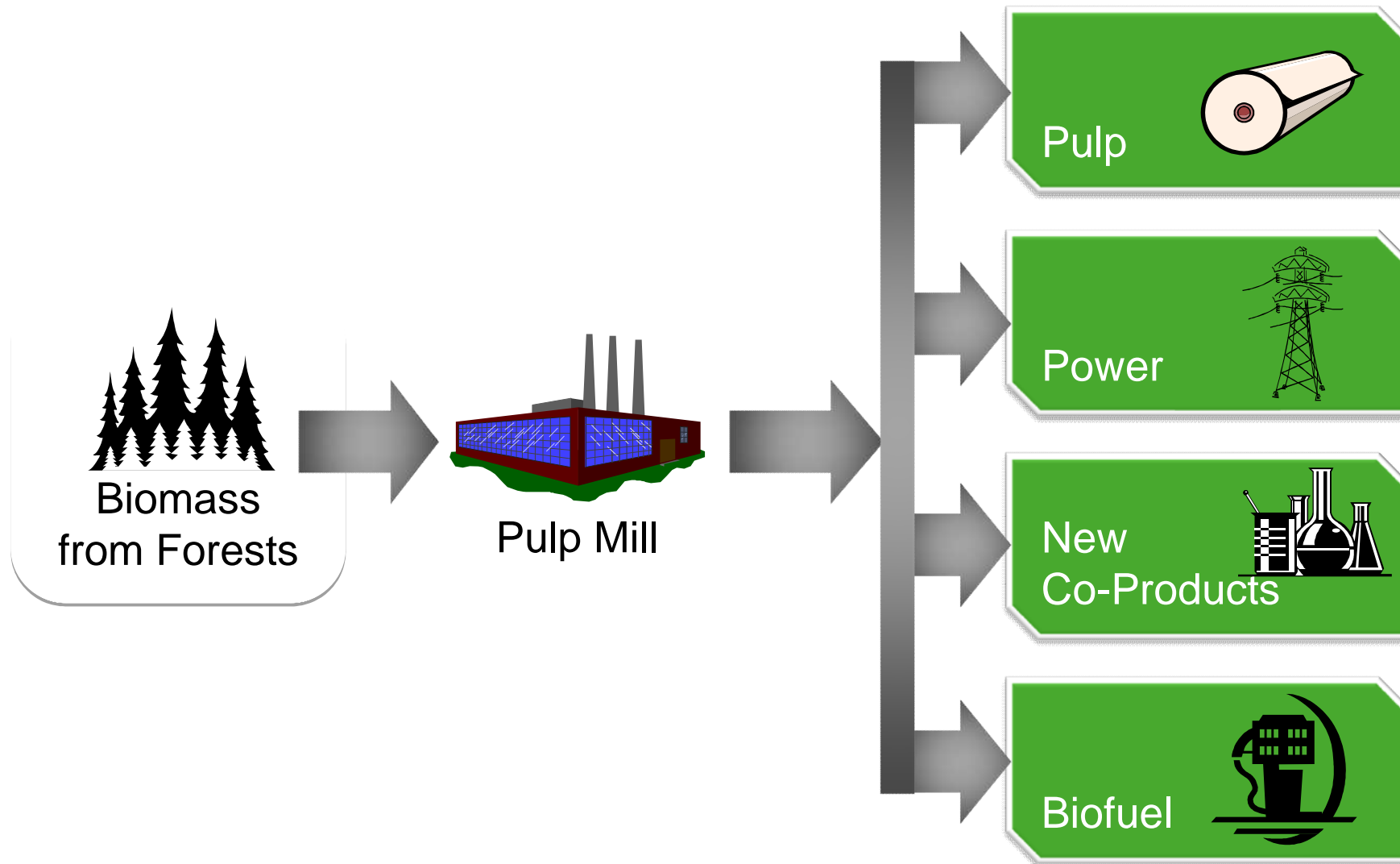
Vision Forestry



Intercropping

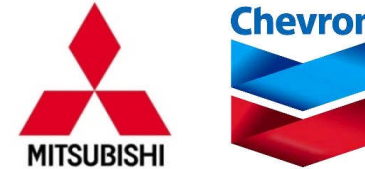


# Opportunity to Leverage Current Biomass and Mill Co-products



# Exploring New Partnerships to Open Up New Value Chains

- Energy producers – power and transportation fuels
- Supply chain partners
- Energy-intensive companies looking for sustainable services and products beyond biomass
  - Proven carbon sequestration
  - Sustainable resource management



**Knowledge**



**Reputation**



**Experience**



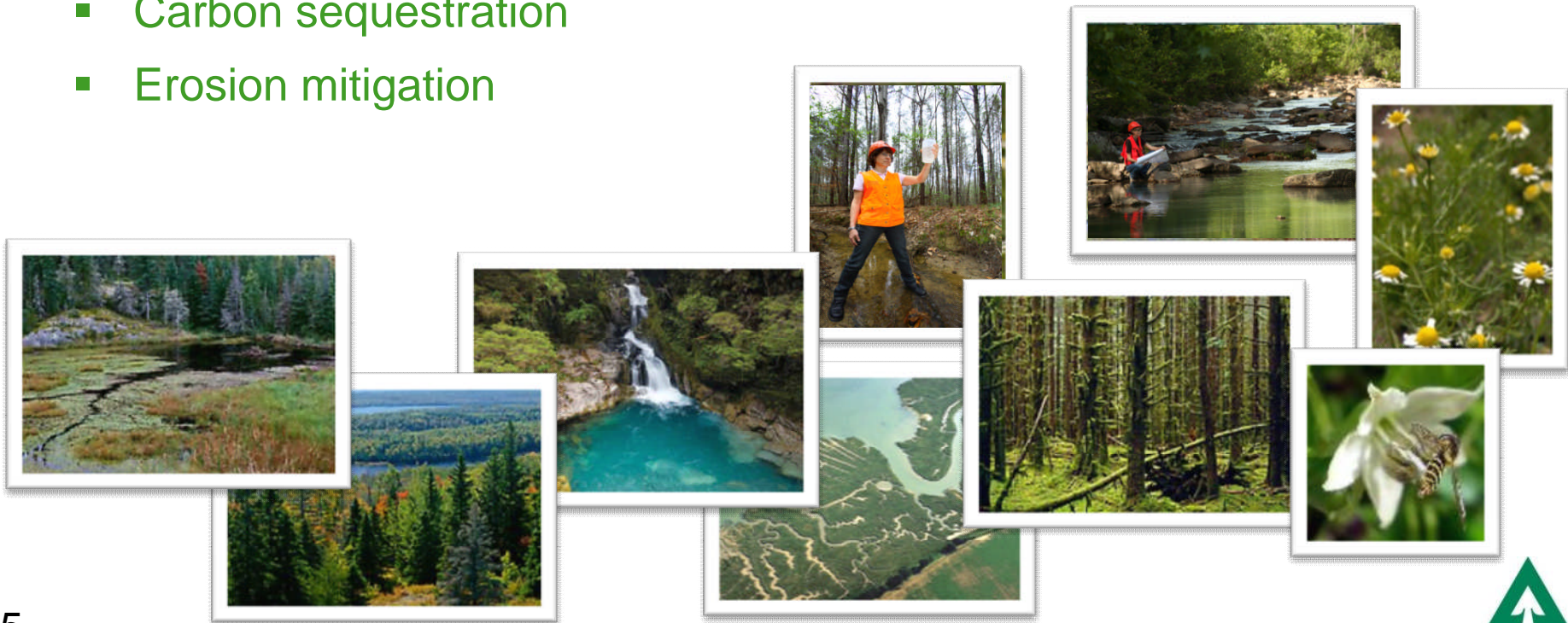
# Technology Joint Venture with Chevron to Develop Transportation Fuels from Forests





# Potential to Leverage our Expertise

- Exploring global opportunities to provide solutions to others
  - Forest management
  - Afforestation
  - Watershed and habitat improvement / management
  - Carbon sequestration
  - Erosion mitigation



# Benefits of Applied Technologies

- Maximizing value per acre
  - Forest systems with high sawtimber values in the US
  - Adapting forest regimes to increase total sustainable biomass harvest while preserving timber values
- Pursuing global opportunities to bring our expertise to others



# Patty Bedient

Executive Vice President and  
Chief Financial Officer



# REIT Conversion Likely in 2010

- REIT structure best supports strategic direction
  - Benefit to the Company
    - Qualified earnings distributed to shareholders not taxed at corporate level
  - Benefit to shareholders
    - Most dividends to shareholders taxed at capital gains rate
- No changes needed in legal structure or business mix
- Need to payout accumulated earnings and profits



# Earnings and Profits (E&P)

- Current estimate of E&P dividend: \$5.5 to \$5.7 billion
- Cash portion of E&P dividend will be capped at 10% of total
- Need to distribute by the end of the year of REIT conversion
- Process governed by SEC and IRS rules and regulations



# Process for E&P Distribution

Action	Approximate Days
Declare dividend	0
Ex-dividend date	7
Dividend record date; File prospectus with SEC	10
Notify holders regarding election of stock or cash dividend	14
Election forms due	40
Stock valuation dates	41-43
Dividend payment date	47-50



# Hypothetical Share Impact: E&P Distribution

(For illustrative purposes only)

## Assumptions:

- \$5.7 billion E&P
- \$45 stock price at ex-dividend date
- 211.40 million shares outstanding

Total Earnings and Profits Distribution	\$ 5.7 billion
Current Shares Outstanding	211.40 million
E&P Dividend per Share	\$26.96 per share
<b>Share Calculation</b>	
Total E&P	\$ 5.7 billion
Cash Portion of E&P (10%)	\$ .57 billion
Stock Portion of E&P (90%)	\$ 5.13 billion
Assumed Market Value of Stock at Ex-dividend Date	\$45.00 per share
E&P Dividend per Share	\$26.96 per share
Theoretical Share Price	\$18.04 per share
Estimated Stock Portion of E&P	\$ 5.13 billion
Theoretical Share Price	\$18.04 per share
<b>Theoretical Shares Issued for E&amp;P</b>	<b>284.42 million shares</b>
Current Shares Outstanding	211.40 million shares
<b>Total Pro-forma Shares Outstanding</b>	<b>495.82 million shares</b>



# Hypothetical Market Capitalization Impact: E&P Distribution (For illustrative purposes only)

*in millions except per share amounts*

	<u>Value</u>	<u>Share Count</u>	<u>Per Share</u>
Pre-Distribution Market Capitalization	\$9,513	211.4	\$45.00
Total E&P Distribution	(\$5,700)	211.4	(\$26.96)
Ex Dividend Value of Original Stock	\$3,813	211.4	\$18.04
Stock Received in E&P Distribution (90%)	\$5,130	284.4	\$18.04
<b>Pro Forma Post-Distribution Market Capitalization</b>	<b>\$8,943</b>	<b>495.8</b>	<b>\$18.04</b>
Cash Received in E&P Distribution (10%)	\$570		
<b>Total Value for Shareholders</b>	<b>\$9,513</b>		

## Assumptions:

- \$5.7 billion E&P
- \$45 stock price at ex-dividend date
- 211.40 million shares outstanding





# Accounting Impact of E&P Distribution

(Assuming \$5.7 billion E&P, and 90% stock and 10% cash distribution)

- Pro-forma changes to balance sheet
  - Cash reduced by \$570 million
  - Deferred tax liability reduced by approximately \$1.0 billion
  - Shareholders' equity increased by \$430 million
- Pro-forma changes to income statement
  - Tax benefit of \$1.0 billion, as a result of the elimination of deferred taxes
  - 2010 income tax expense recalculated to reflect REIT treatment
- Stock portion of E&P dividend treated as share issuance, and EPS will be adjusted on a prospective basis



# Ongoing REIT Requirements

- REITs are generally required to distribute 90% of tax basis income as a dividend, with certain exceptions for capital gain income
- Asset Test (Quarterly)
  - 75% of fair market value of REIT assets must be qualified assets – primarily timberlands and cash
  - Net investment in Taxable REIT Subsidiary (TRS) limited to 25% of REIT's gross assets
- Income Test (Annual)
  - At least 75% of a REIT's gross income must come from rent and sales of real property, including standing timber on a pay as cut basis
  - At least 95% of a REIT's gross income must come from rent and sales of real property plus interest or dividends (including dividends from the TRS)



# Substantial Near-Term Liquidity

Cash Balance (3/31/2010): \$2.1 billion

Bank Revolving Credit Facility: \$1.0 billion  
(Expires 12/2011)

Total Debt (3/31/2010): \$5.7 billion

Debt Maturity Schedule (\$ millions)					
2010	2011	2012	2013	2014	2017-2033
\$43	\$30	\$1,263	\$433	\$15	\$3,891

## Current Credit Ratings:

- S&P: BBB- (negative)
- Moody's: Ba1 (developing)
- DBRS: BBBH (negative)
- Fitch: BB+ (negative)



# Key Dividend Considerations

- Macroeconomic climate
- Earning potential of the company
- Target capital structure
  - Appropriate debt levels
  - Long term liquidity
  - Maintaining access to capital
- Affordability
- Future growth opportunities



# Updated Second Quarter 2010 Outlook

Segment	Q2 Outlook Compared to Q1 Earnings
<b>Timberlands</b>	<ul style="list-style-type: none"> <li>■ Log prices expected to increase, partially offset by a lower grade mix and higher silviculture and road costs</li> <li>■ Excluding the disposition of non-strategic timberlands, Q2 operating earnings are expected to be comparable to Q1</li> <li>■ Disposition of non-strategic timberlands are expected to be lower than Q1</li> </ul>
<b>Wood Products</b>	<ul style="list-style-type: none"> <li>■ Improved sales realizations and volumes anticipated</li> <li>■ Manufacturing unit costs are expected to improve as production increases, partially offset by higher log costs</li> <li>■ Segment expected to be profitable in Q2</li> </ul>
<b>Cellulose Fibers</b>	<ul style="list-style-type: none"> <li>■ Expect higher pulp price realizations, partially offset by increased freight and slightly higher annual maintenance costs</li> <li>■ Q2 earnings expected to be substantially higher than Q1</li> </ul>
<b>Real Estate</b>	<ul style="list-style-type: none"> <li>■ Anticipate an increase in home closings, offset by lower average sales prices due to mix</li> <li>■ Q2 loss from single-family homebuilding operations expected to be comparable to Q1</li> </ul>

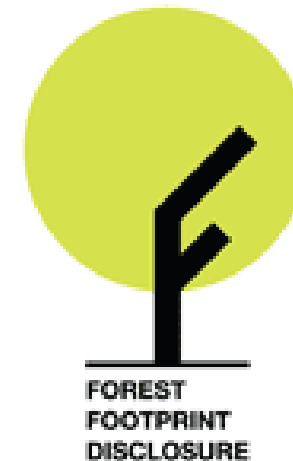
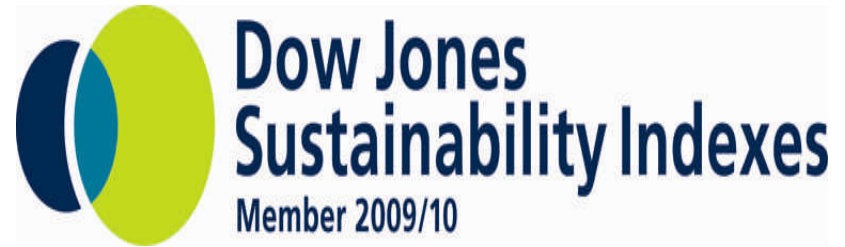


# Dan Fulton

President and Chief Executive Officer



# Recognized Leader in Sustainability



# Reasons to Own Weyerhaeuser

- Most attractive timberland in the world
- Leader in adding and extracting value from timberlands
- Uniquely positioned to benefit from the recovery
- Focused on returning value to shareholders





