

WEYERHAEUSER

Earnings Results: 2nd Quarter 2013



07.26.13



FORWARD-LOOKING STATEMENT

This presentation contains statements concerning the company's future results and performance that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 third quarter of 2013, including weaker domestic and export prices for Western logs, seasonally lower fee harvest from existing Western operations, comparable log price realizations and seasonally higher harvest volumes in the South, seasonally higher road and silviculture costs, somewhat higher earnings from disposition of non-strategic timberlands, just over two months of earnings from Longview Timber, seasonal slowdown in existing operations, and lower earnings from the Timberlands segment; substantially lower average selling prices for oriented strand board, lower lumber realizations, improved sales volumes across most product lines, lower log prices in the West, lower manufacturing costs and improved operating rates for OSB and engineered wood products, and lower earnings from the Wood Products segment; modestly improved average sales realizations and volumes for pulp and liquid packaging board, lower fiber and energy costs, higher maintenance costs and lower productivity due to additional planned annual outage days, and comparable earnings from the Cellulose Fibers segment; and seasonally increased home closings to more than 700 single-family homes, lower average margins due to mix, higher selling-related expenses due to the additional closing volume, somewhat higher earnings from the sale of land and lots, and higher earnings in the Real Estate segment. 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 employment rates, housing starts, interest rate levels, availability of financing for home mortgages, and strength of the U.S. dollar;
- market demand for the company's products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions;
- performance of the company's manufacturing operations, including maintenance requirements;
- the level of competition from domestic and foreign producers;
- the successful execution of internal performance plans, including restructurings and cost reduction initiatives;
- raw material and energy prices and transportation costs;
- the effect of weather and the risk of loss from fires, floods, windstorms, hurricanes, pest infestation and other natural disasters;
- federal tax policies;
- the effect of forestry, land use, environmental and other governmental regulations;
- legal proceedings;
- performance of pension fund investments and related derivatives;
- The effect of timing of retirements and changes in the market price of company stock on charges for stock-based compensation;
- changes in accounting principles; and
- other factors described under "Risk Factors" in the Company's annual report on Form 10-K and quarterly reports on Form 10-Q.

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



NON-GAAP FINANCIAL MEASURES

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



2013 Q2 CONSOLIDATED RESULTS

Chart 1

\$ Millions	2013	2013	
Contribution to Earnings	Q1	Q2	Change
Timberlands	\$104	\$114	\$10
Wood Products	178	136	(42)
Cellulose Fibers	31	57	26
Real Estate	--	14	14
Unallocated Items	(46)	--	46
Total Contribution to Earnings	\$267	\$321	\$54
Adjusted EBITDA ¹	\$387	\$447	\$60

\$ Millions EXCEPT EPS	2013	2013
Consolidated Statement of Operations	Q1	Q2
Net sales	\$1,951	\$2,141
Cost of products sold	1,533	1,664
Gross margin	418	477
SG&A expenses	169	162
Other income, net ²	(18)	(6)
Total Contribution to Earnings	\$267	\$321
Interest expense, net ³	(82)	(81)
Income taxes	(41)	(42)
Dividends on preference shares ⁴	--	(2)
Net Earnings to Common Shareholders	\$144	\$196
Diluted EPS⁴	\$0.26	\$0.35

1. A reconciliation to GAAP is set forth on Chart 19 and at www.weyerhaeuser.com.

2. Other income, net includes: R&D expense, charges for restructuring, closures and impairments; other operating income, net; interest income and other; and net loss attributable to non-controlling interests.

3. Interest expense is net of capitalized interest.

4. During 2013 Q2, Weyerhaeuser issued 29 million common shares in conjunction with the acquisition of Longview Timber LLC. The company also issued 13.8 million mandatory convertible preference shares with a conversion date of July 1, 2016. The mandatory convertible preference shares are currently antidilutive and are not included in the calculation of diluted EPS. An explanation of the change in share count is set forth on Chart 15.



2nd Quarter Notes

- Higher earnings from disposition of non-strategic timberlands
- Improved selling prices, slightly lower fee harvest volumes, and higher logging costs in the West
- Flat fee harvest volumes and log realizations in the South
- Seasonally higher road and silviculture expenses

TIMBERLANDS (\$ Millions)	2013	2013
Segment Statement of Operations	Q1	Q2
Third party sales	\$285	\$332
Intersegment sales	127	123
Total sales	412	455
Cost of products sold ¹	290	321
Gross margin	122	134
SG&A expenses	28	27
Other income, net ²	(10)	(7)
Contribution to Earnings	\$104	\$114
Adjusted EBITDA³	\$139	\$147
Gross Margin Percentage⁴	30%	29%
Operating Margin Percentage⁵	25%	25%

1. 2013 Q2 excludes \$1 million of third party sales, \$43 million of intersegment sales, and \$44 million in cost of products sold for Canadian Forestland operations, compared with \$8 million of third party sales, \$97 million of intersegment sales and \$105 million in cost of products sold in 2013 Q1.

2. Other income, net includes: R&D expense, charges for restructuring, closures and impairments; other operating income, net; interest income and other; and net loss attributable to non-controlling interests.

3. A reconciliation to GAAP is set forth on Chart 19, and at www.weyerhaeuser.com.

4. Gross margin divided by total sales excluding Canadian Forestlands operations. Timberlands makes no margin on Canadian Forestlands operations, which are operated as a cost center for the purpose of supplying Weyerhaeuser's Canadian manufacturing facilities.

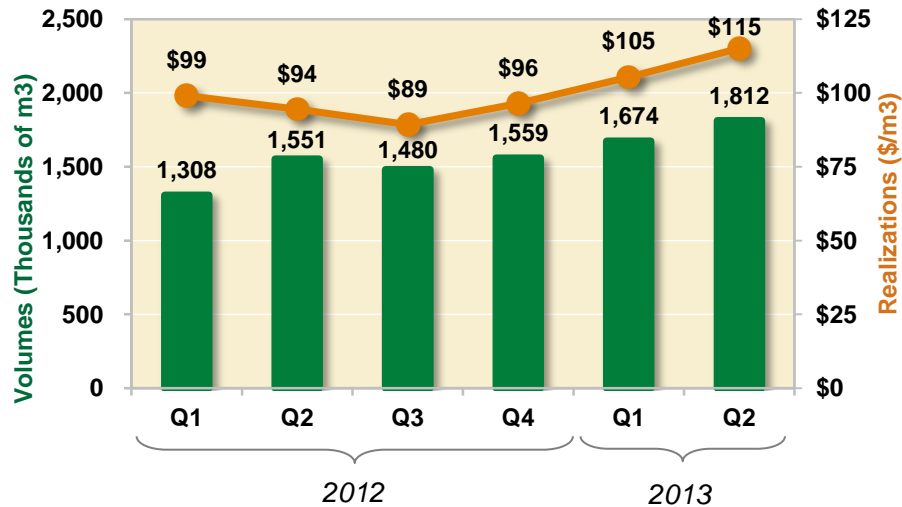
5. Contribution to earnings divided by total sales excluding Canadian Forestlands operations.



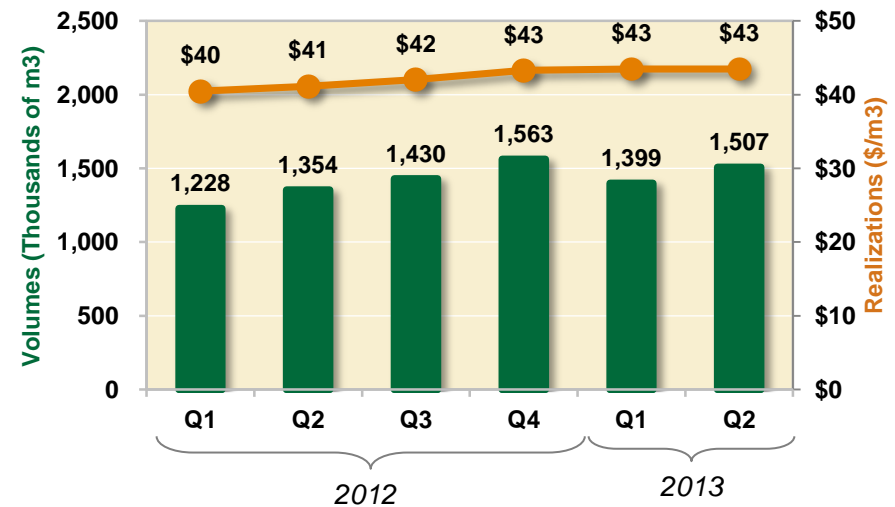
WESTERN/SOUTHERN TIMBERLANDS

Chart 3

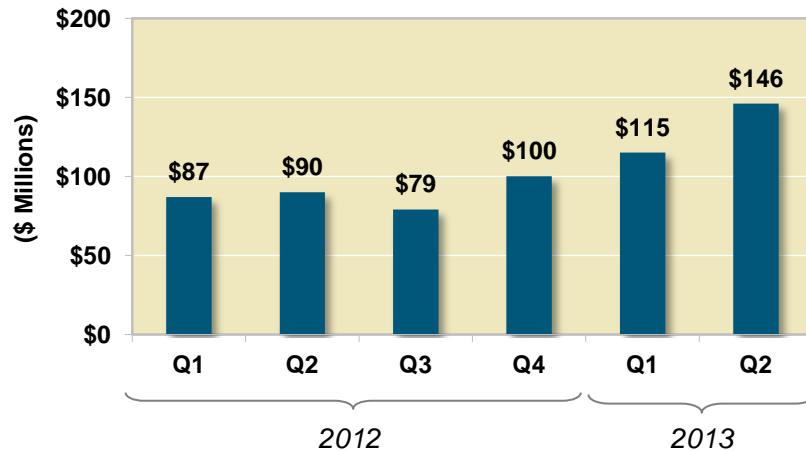
3rd-Party Log Sales and Realizations - West



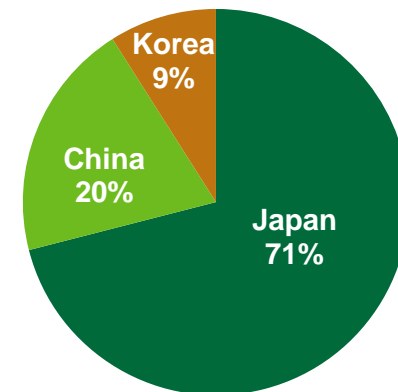
3rd-Party Log Sales and Realizations - South



Export Log Sales¹



Export Log Sales by Country¹



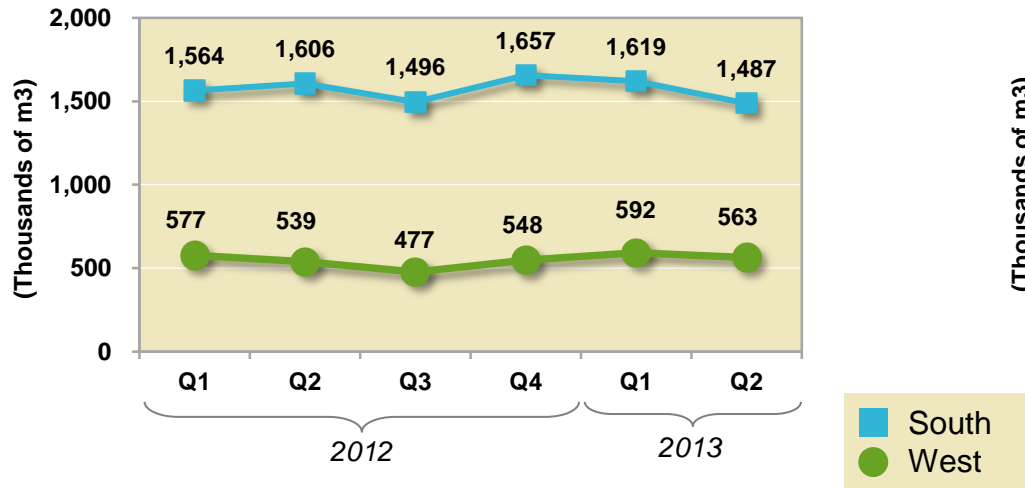
2013 Q2



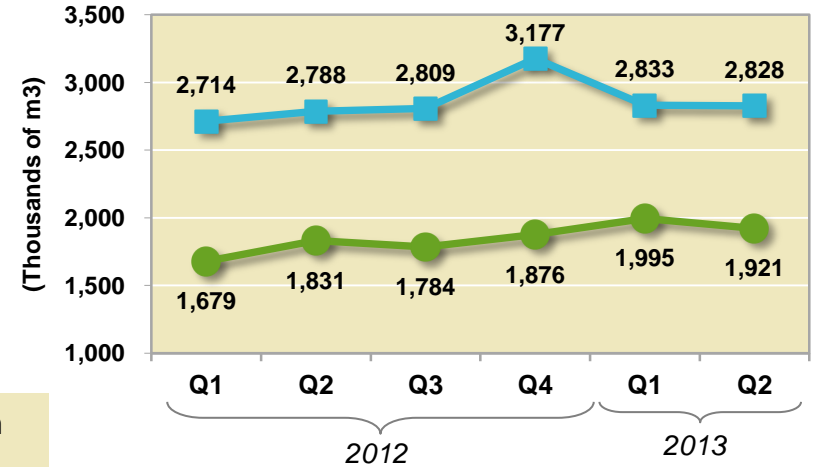
WESTERN/SOUTHERN TIMBERLANDS

Chart 4

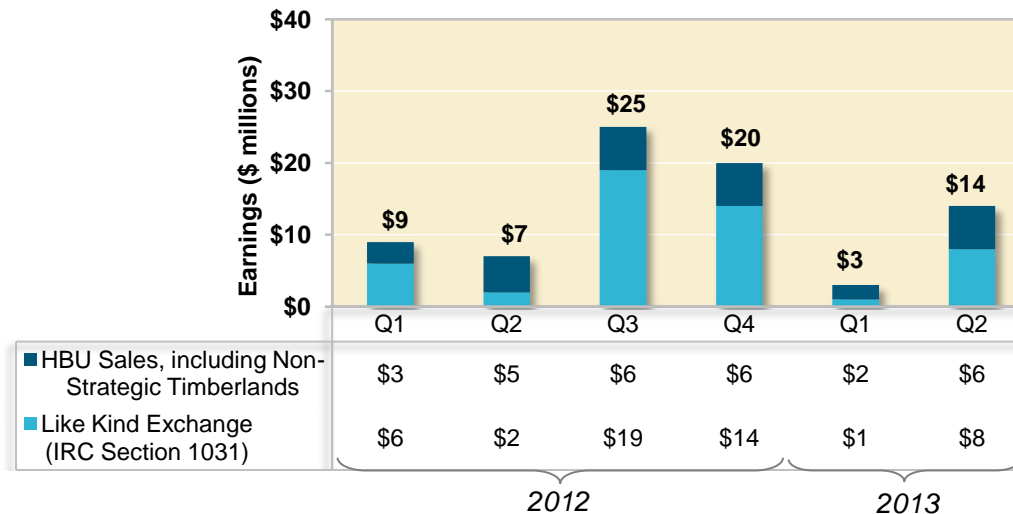
Intersegment Log Sales Volume



Fee Harvest Volume



Earnings from Timberland Dispositions



WOOD PRODUCTS SEGMENT

Chart 5

WOOD PRODUCTS (\$ Millions)	2013	2013
EBITDA by Business	Q1	Q2
Lumber	\$101	\$91
OSB	102	82
Engineered Wood Products	11	7
Distribution	(3)	(13)
Other	(2)	--
Total Adjusted EBITDA¹	\$209	\$167

2nd Quarter Notes

- Improved sales volumes for most products
- Lower average selling prices for OSB
- Higher raw material costs
- Higher maintenance expense and unplanned downtime in OSB and EWP mills
- Lower distribution business margins due to declining prices for commodity products

WOOD PRODUCTS (\$ Millions)	2013	2013
Segment Statement of Operations	Q1	Q2
Third party sales	\$988	\$1,065
Intersegment sales	18	18
Total sales	1,006	1,083
Cost of products sold	770	884
Gross margin	236	199
SG&A expenses	62	60
Other (income) expenses, net ²	(4)	3
Contribution to Earnings	\$178	\$136
Gross Margin Percentage³	23%	18%
Operating Margin Percentage⁴	18%	13%

1. A reconciliation to GAAP is set forth on Chart 20, and at www.weyerhaeuser.com. Adjusted EBITDAs for Wood Products businesses include earnings on internal sales, primarily from the manufacturing businesses to Distribution. These sales occur at market price.

2. Other (income) expenses, net includes: R&D expense, charges for restructuring, closures and impairments; other operating income, net; interest income and other; and net loss attributable to non-controlling interests.

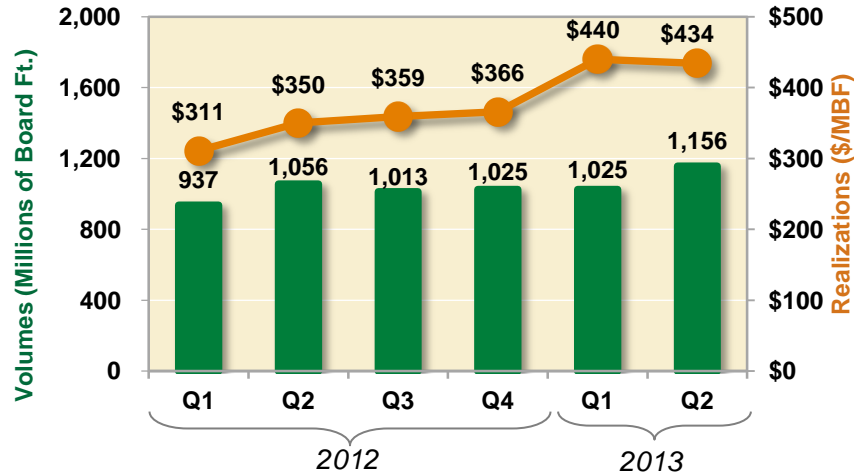
3. Gross margin divided by total sales.

4. Contribution to earnings divided by total sales.

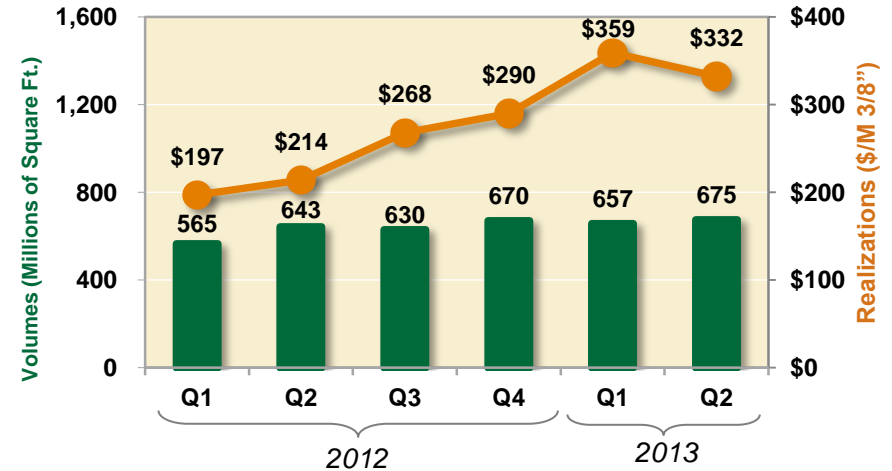


3RD-PARTY SALES VOLUMES AND REALIZATIONS¹

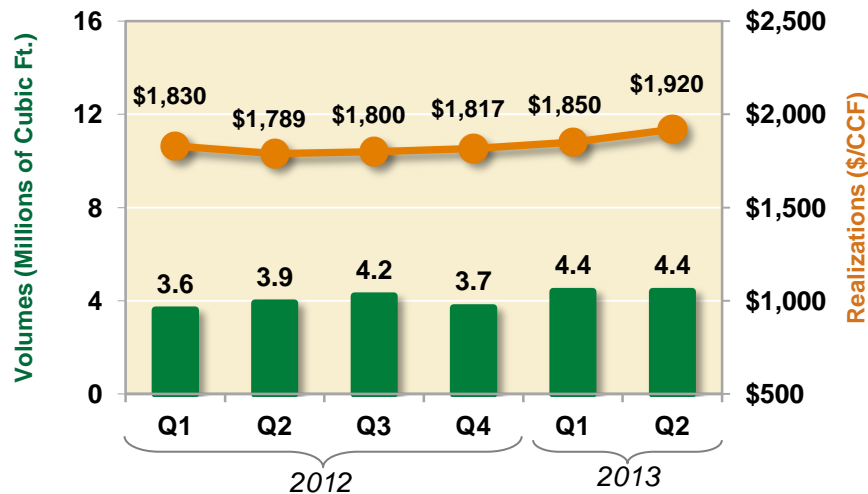
Lumber



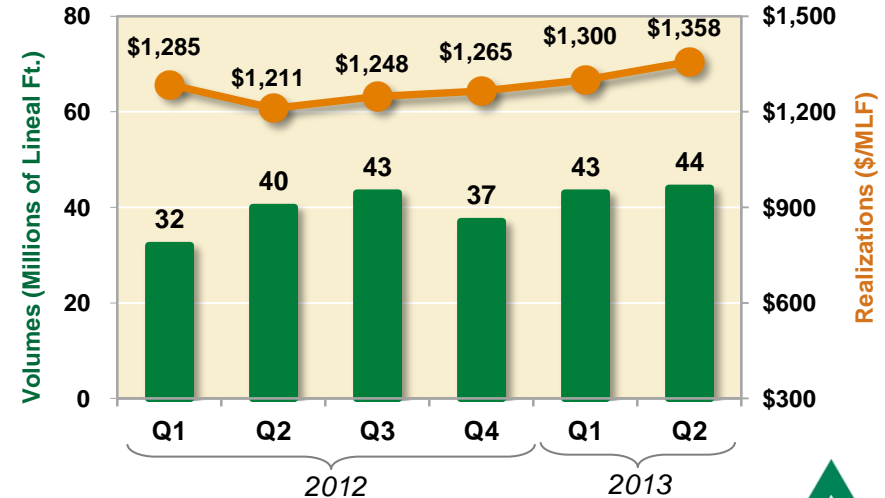
OSB



Engineered Wood – Solid Section



Engineered Wood – TJI's



CELLULOSE FIBERS SEGMENT

Chart 7

2nd Quarter Notes

- Slightly higher average pulp price realizations
- Lower maintenance costs and improved productivity due to a reduction in major maintenance projects
- Lower energy, fiber, and chemical costs

CELLULOSE FIBERS (\$ Millions)	2013	2013
Segment Statement of Operations	Q1	Q2
Total sales	\$474	\$476
Cost of products sold	424	394
Gross margin	50	82
SG&A expenses	24	26
Other income, net ¹	(5)	(1)
Contribution to Earnings	\$31	\$57
Adjusted EBITDA²	\$70	\$98
Gross Margin Percentage³	11%	17%
Operating Margin Percentage⁴	7%	12%

1. Other income, net includes: R&D expense, charges for restructuring, closures and impairments; other operating income, net; interest income and other; and net loss attributable to non-controlling interests.

2. A reconciliation to GAAP is set forth on Chart 19, and at www.weyerhaeuser.com.

3. Gross margin divided by total sales.

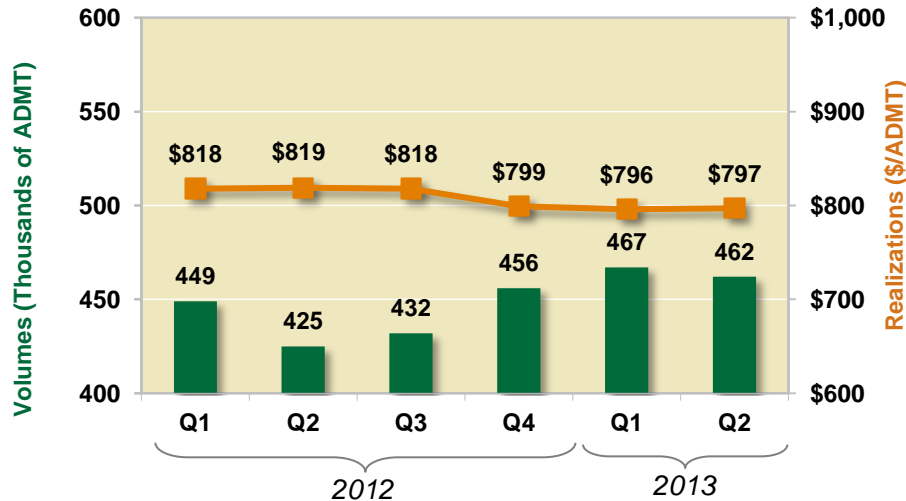
4. Contribution to earnings divided by total sales.



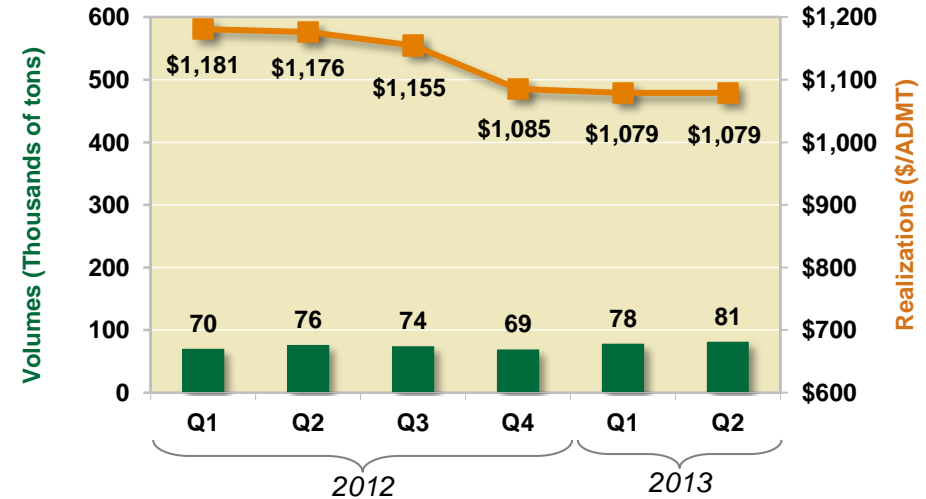
CELLULOSE FIBERS SEGMENT

Chart 8

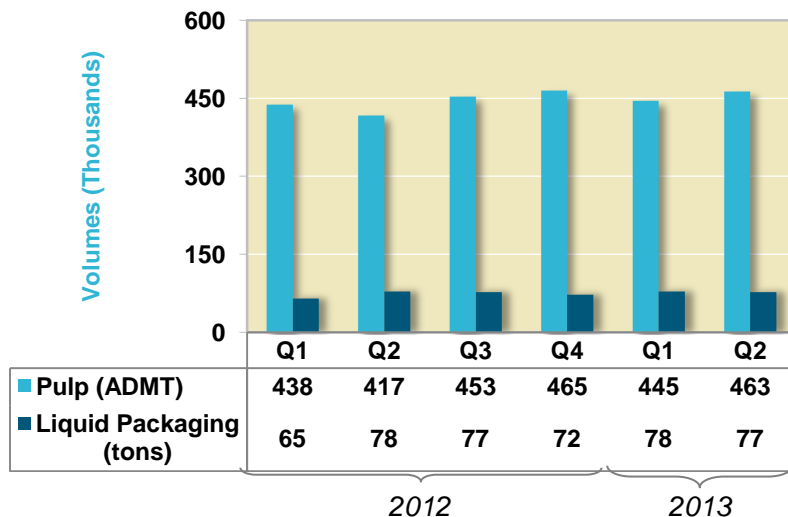
3rd-Party Sales Volumes and Realizations – Pulp



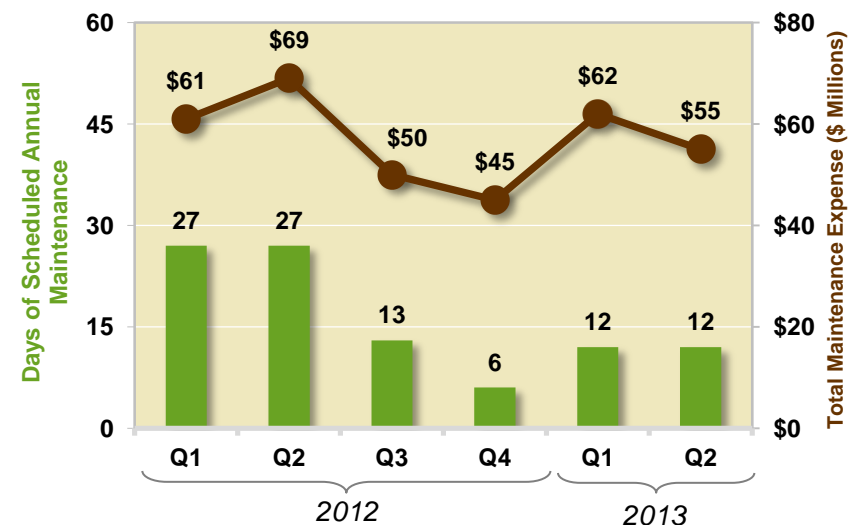
3rd-Party Sales Volumes and Realizations – Liquid Packaging



Production Volumes



Maintenance Expense and Scheduled Annual Outage Days¹



1. Includes expenses for annual maintenance outages and other maintenance projects.

2nd Quarter Notes

- Seasonally higher closing volume
- Improved average margins due to mix
- Higher selling expenses due to increased closing volume
- Earnings from land and lot sales increased \$2 million compared with first quarter

REAL ESTATE (\$ Millions)	2013	2013
Segment Statement of Operations	Q1	Q2
Total sales	\$196	\$267
Cost of products sold	160	210
Gross margin	36	57
SG&A expenses	36	42
Other (income) expenses, net ¹	--	1
Contribution to Earnings	\$--	\$14
Adjusted EBITDA²	\$9	\$28
Gross Margin Percentage³	18%	21%
Operating Margin Percentage⁴	0%	5%

1. Other (income) expenses, net includes: R&D expense, charges for restructuring, closures and impairments; other operating income, net; interest income and other; and net loss attributable to non-controlling interests.

2. A reconciliation to GAAP is set forth on Chart 19, and at www.weyerhaeuser.com.

3. Gross margin divided by total sales.

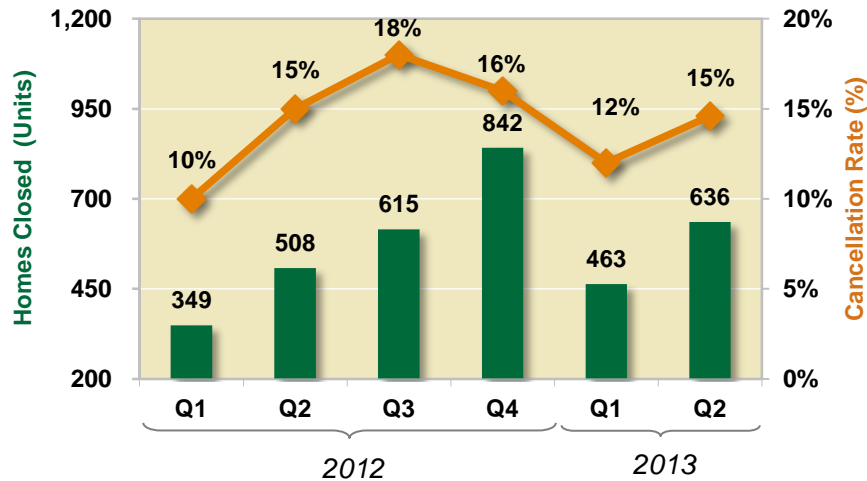
4. Contribution to earnings divided by total sales.



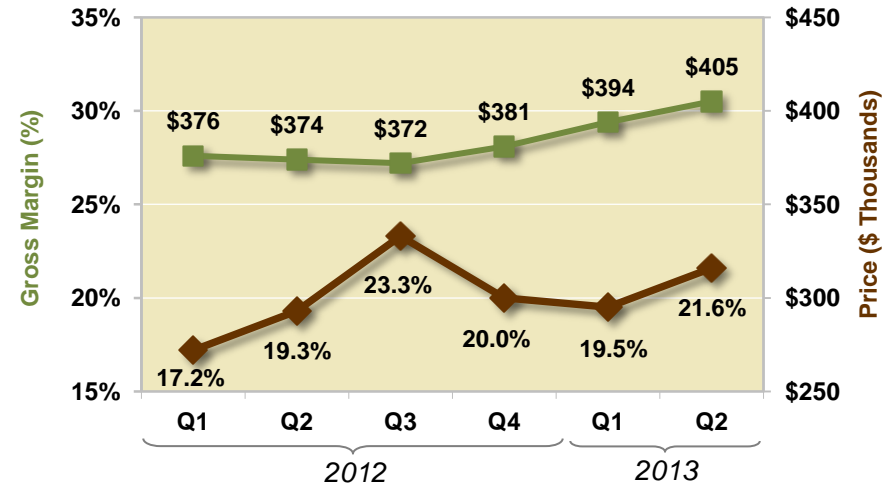
SINGLE FAMILY HOMEBUILDING

Chart 10

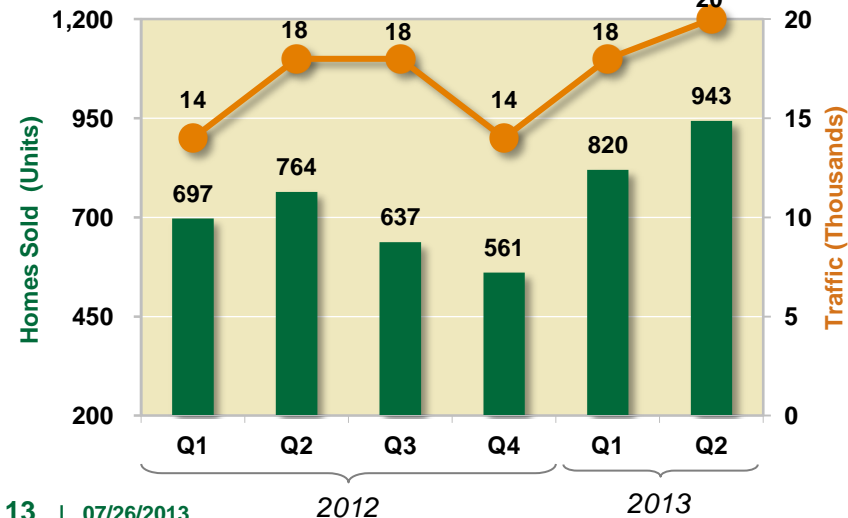
Home Closings and Cancellation Rate



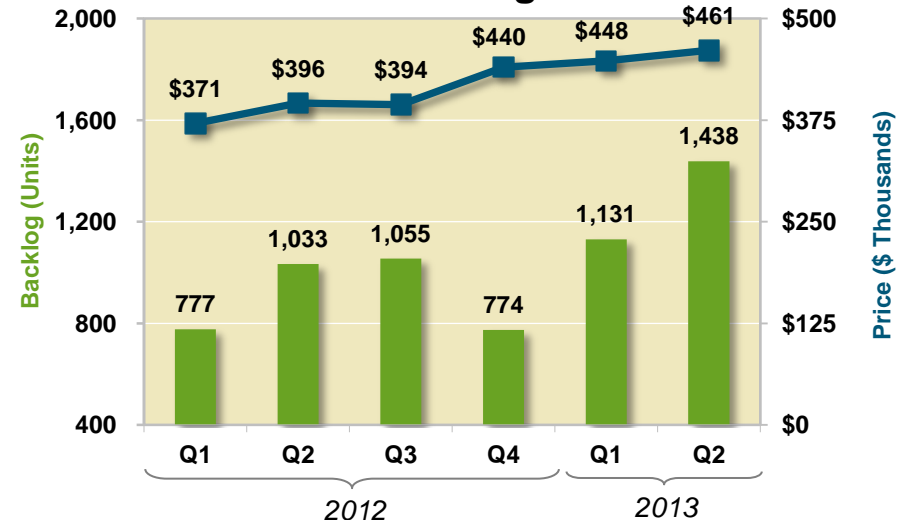
Average Closing Price and Single-Family Gross Margin



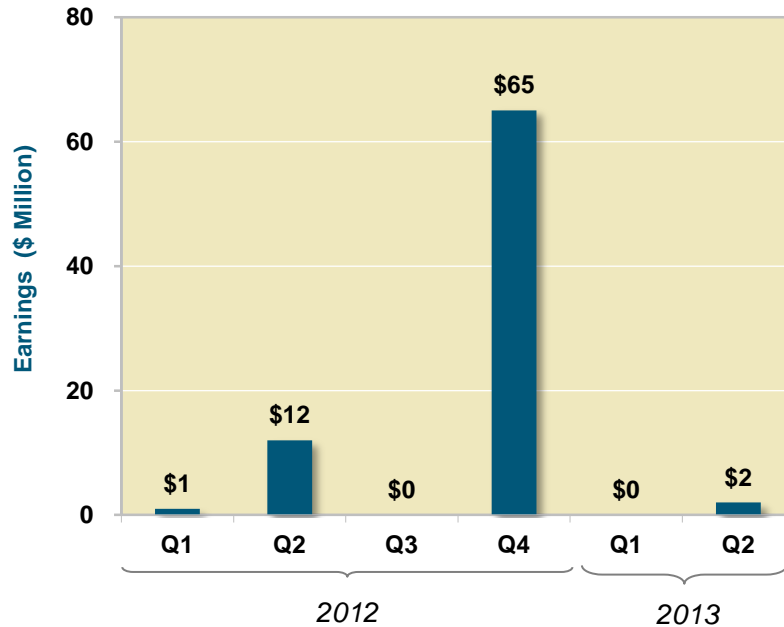
Homes Sold and Buyer Traffic



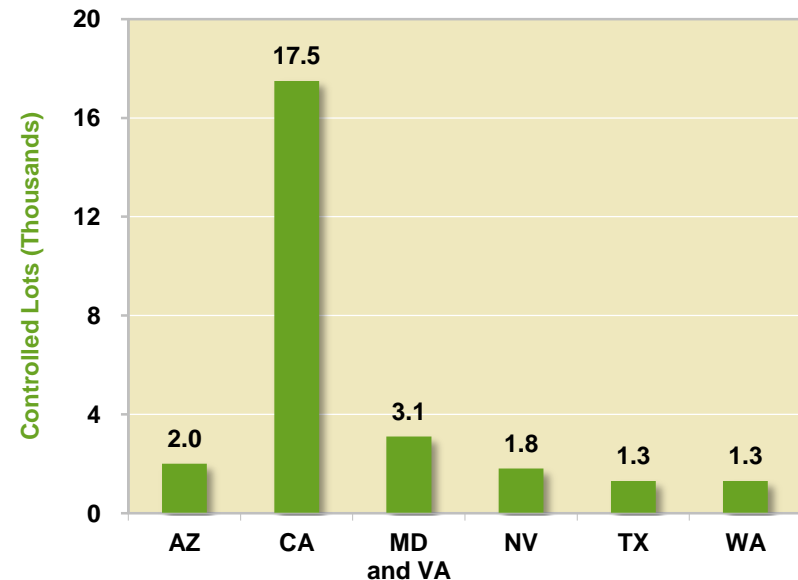
Backlog and Average Sale Price of Homes in Backlog



Earnings from Sale of Land and Lots



Controlled Lots as of June 30, 2013¹



1. Lots are controlled through both ownership and the use of options and are in various stages of development. The business also controls approximately 67,000 lots, mostly under option, in a large master planned community in Nevada. Development and construction of these lots is on hold, pending improvements in the local market.



UNALLOCATED ITEMS¹

Chart 12

UNALLOCATED ITEMS (\$ Millions)	2013 Q1	2013 Q2
Unallocated Corporate Function Expenses	(\$3)	(\$3)
Unallocated Share-Based Compensation	(7)	5
Unallocated Pension & Postretirement Costs	(10)	(12)
Foreign Exchange Gains (Losses)	(4)	(4)
Elimination of Intersegment Profit in Inventory and LIFO	(24)	8
Other	2	6
Charge to Earnings	(\$46)	\$--
Adjusted EBITDA²	(\$40)	\$7

UNALLOCATED ITEMS (\$ Millions)	2013 Q1	2013 Q2
By Natural Expense		
Cost of (credit to) products sold ³	\$26	(\$5)
G&A expenses	19	7
Other (income) expenses, net	1	(2)
Charge to Earnings	(\$46)	\$--

1. Unallocated items are gains or charges not related to or allocated to an individual operating segment. They include a portion of items such as: share-based compensation; pension and postretirement costs; foreign exchange transaction gains and losses associated with financing; and the elimination of intersegment profit in inventory and the LIFO reserve.
2. A reconciliation to GAAP is set forth on Chart 19, and at www.weyerhaeuser.com.
3. Cost of products sold is comprised primarily of elimination of intersegment profit in inventory and LIFO.



OUTLOOK: 2013 Q3

Chart 13

SEGMENT	COMMENTS
TIMBERLANDS	<ul style="list-style-type: none"> • Weaker domestic and export prices for Western logs, and seasonally lower fee harvest volumes from existing Western operations • Comparable log price realizations and seasonally higher harvest volumes in the South • Seasonally higher road and silviculture costs • Somewhat higher earnings from disposition of non-strategic timberlands • 2013 Q3 earnings will include just over two months of activity from Longview Timber LLC • Positive effect of incremental Longview Timber earnings will be more than offset by seasonal slowdown in existing operations • Expect 2013 Q3 earnings to be lower than 2013 Q2
WOOD PRODUCTS	<ul style="list-style-type: none"> • Substantially lower average selling prices for oriented strand board, and lower lumber realizations • Improved sales volumes across most product lines • Lower log prices in the West • Lower manufacturing costs and improved operating rates for OSB and engineered wood products • Expect 2013 Q3 earnings to be lower than 2013 Q2
CELLULOSE FIBERS	<ul style="list-style-type: none"> • Modestly improved average sales realizations and volumes for pulp and liquid packaging board • Lower fiber and energy costs • Higher maintenance costs and lower productivity due to additional planned annual outage days • Expect 2013 Q3 earnings to be comparable to 2013 Q2
REAL ESTATE	<ul style="list-style-type: none"> • Home closings increase seasonally to more than 700 homes • Average margins on homes closed decline to approximately 20% due to mix • Higher selling-related expenses due to the additional closing volume • Somewhat higher earnings from land and lot sales • Expect 2013 Q3 earnings to be higher than 2013 Q2



FINANCIAL ITEMS

Chart 14

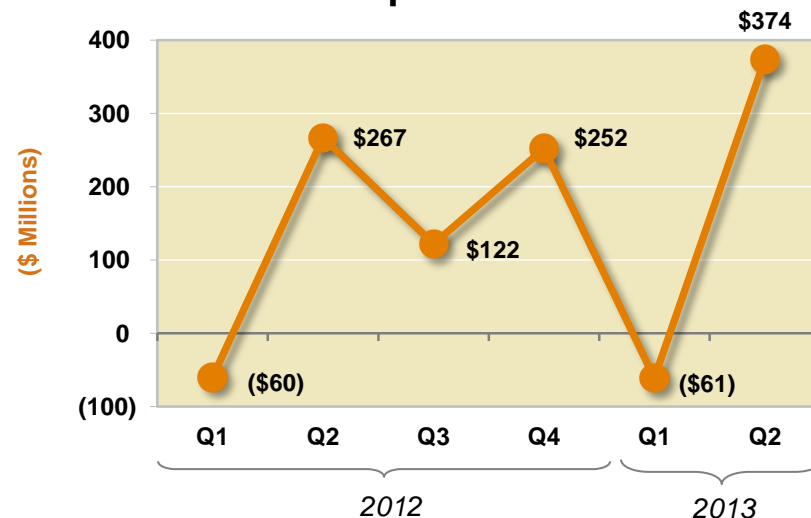
KEY FINANCIAL METRICS (\$ Millions)	2013 Q1	2013 Q2
Ending Cash Balance ¹	\$639	\$912
Long-Term Debt	\$4,135	\$4,114
Gross Debt to Adjusted EBITDA (LTM) ²	3.0	2.7
Net Debt to Enterprise Value ³	17%	16%

Scheduled Debt Maturities as of March 31, 2013

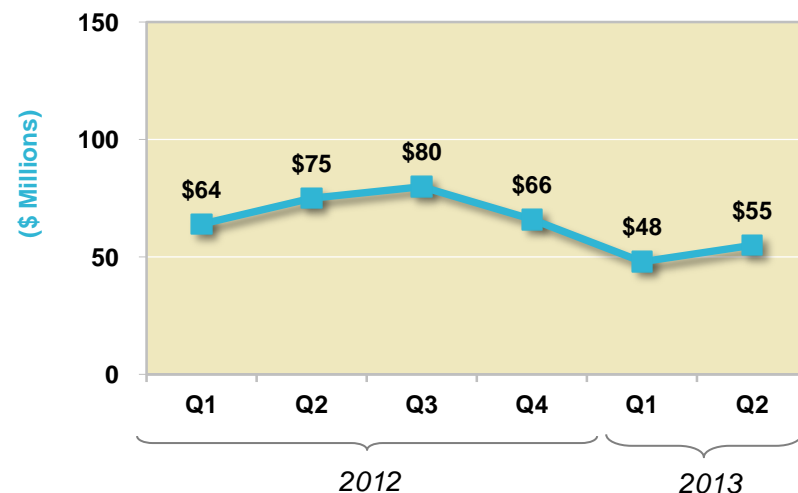
(\$ Millions)	2013 ⁴	2014	2015	2016	2017
Debt Maturities	\$232	\$15	\$0	\$0	\$281

1. During 2013 Q2, Weyerhaeuser received \$1,450 million from issuance of common and mandatory convertible preference shares related to the acquisition of Longview Timber LLC. These funds are recorded as "Cash and cash equivalents designated for purchase of Longview Timber LLC" on the Consolidated Balance Sheet.
2. LTM = last twelve months. A reconciliation to GAAP is set forth on Chart 21.
3. Long-term debt, net of cash and equivalents, divided by enterprise value. Enterprise value is defined as long term debt, net of cash and equivalents, plus market capitalization.
4. 2013 debt maturities include scheduled principal repayments of: \$163 million in 2013 Q3 and \$69 million in 2013 Q4.

Cash from Operations



Capital Expenditures



APPENDIX



EXPLANATION OF CHANGES IN SHARE COUNT

- During 2013 Q2, Weyerhaeuser issued 29 million common shares in conjunction with the acquisition of Longview Timber LLC.
- Subsequent to the end of 2013 Q2, the company issued an additional 4.35 million common shares in connection with the exercise of an overallotment option.
- Weyerhaeuser also issued 13.8 million mandatory convertible preference shares with a conversion date of July 1, 2016. These shares are currently antidilutive and are not included in the calculation of diluted shares outstanding.

Millions	2013		
Common shares outstanding	Q1	Q2	Q3 Pro Forma ¹
Beginning of period	542	547	578
Shares issued in connection with option exercises and vesting of share-based compensation	5	2	---
Common share issuance	--	29	4
End of period	547	578	582
Weighted average shares outstanding²			
Basic	545	553	582
Diluted ³	551	558	587

1. Pro forma common shares outstanding for 2013 Q3 exclude potential issuances in connection with option exercises or vesting of share based compensation.
2. Weighted average shares outstanding for 2013 Q2 reflect 29 million common shares issued on June 18, 2013. Pro forma weighted average shares outstanding for 2013 Q3 reflect 4.35 million common shares issued on July 2, 2013.
3. Weyerhaeuser's 13.8 million mandatory convertible preference shares are currently antidilutive and are not included in the computation of diluted shares outstanding.



PENSION AND POSTRETIREMENT EXPENSE

\$ Millions	2012				2013	
Net Pension and Postretirement Costs ¹	Q1	Q2	Q3	Q4	Q1	Q2
Timberlands	\$1	\$3	\$2	\$2	\$2	\$3
Wood Products	8	5	6	6	7	6
Cellulose Fibers	3	4	3	4	4	5
Real Estate	1	2	1	--	1	2
Unallocated Items	7	7	7	8	10	10
Total Company Pension and Postretirement Costs	\$20	\$21	\$19	\$20	\$24	\$26

1. Net pension and postretirement cost (credit) excludes special items, as well as the recognition of curtailments, settlements and special termination benefits due to closures, restructuring or divestitures.



EARNINGS SUMMARY

Weyerhaeuser began holding elimination of intersegment profit on inventory and the LIFO reserve as part of Unallocated Items during 2012 Q2. Contributions to earnings for 2012 Q1 have been adjusted to reflect this change.

\$ Millions EXCEPT EPS	2012				2013	
Contribution to Earnings Before Special Items	Q1	Q2	Q3	Q4	Q1	Q2
Timberlands	\$70	\$77	\$80	\$95	\$104	\$114
Wood Products	(13)	30	59	38	178	136
Cellulose Fibers	48	36	78	61	31	57
Real Estate	(8)	15	17	81	--	14
Unallocated Items	(22)	(28)	(17)	(4)	(46)	--
Total Contribution to Earnings before Special Items	\$75	\$130	\$217	\$271	\$267	\$321
Special Items	38	57	--	--	--	--
Total Contribution to Earnings	\$113	\$187	\$217	\$271	\$267	\$321
Interest Expense, net ¹	(87)	(86)	(87)	(88)	(82)	(81)
Income Taxes ²	15	(17)	(13)	(40)	(41)	(42)
Dividends on Preference Shares ³	--	--	--	--	--	(2)
Net Earnings to Common Shareholders	\$41	\$84	\$117	\$143	\$144	\$196
Net Earnings before Special Items ⁴	\$9	\$47	\$117	\$143	\$144	\$196
Diluted EPS ³	\$0.08	\$0.16	\$0.22	\$0.26	\$0.26	\$0.35
Diluted EPS before Special Items ^{3,4}	\$0.02	\$0.09	\$0.22	\$0.26	\$0.26	\$0.35

1. Interest expense is net of capitalized interest.

2. Income taxes include a net benefit of \$5 million from income tax adjustments in 2012 Q4 and benefits from income tax settlements of \$7 million in 2012 Q3 and \$8 million in 2012 Q1.

3. During 2013 Q2, Weyerhaeuser issued 13.8 million mandatory convertible preference shares with a conversion date of July 1, 2016. These shares are currently antidilutive and are not included in the calculation of diluted EPS.

4. A reconciliation to GAAP Net Income is set forth at www.weyerhaeuser.com. A reconciliation to GAAP EPS is set forth on Chart 18, and at www.weyerhaeuser.com.



EARNINGS PER SHARE RECONCILIATION

Millions EXCEPT EPS	2012				2013	
	Q1	Q2	Q3	Q4	Q1	Q2
Weighted Average Shares Outstanding, Diluted¹	540	540	542	547	551	558
Diluted EPS Before Special Items	\$0.02	\$0.09	\$0.22	\$0.26	\$0.26	\$0.35
Special Items:						
Net Gain on Sale of Assets, Operations and Property	--	0.01	--	--	--	--
Gain on Postretirement Plan Amendment	0.06	0.06	--	--	--	--
Income Tax Adjustments and Credits	0.02	--	--	--	--	--
Closures, Restructuring, Impairments, and Related Charges	(0.02)	--	--	--	--	--
Diluted EPS (GAAP)	\$0.08	\$0.16	\$0.22	\$0.26	\$0.26	\$0.35

1. During 2013 Q2, Weyerhaeuser issued 29 million common shares in conjunction with the acquisition of Longview Timber LLC. The company also issued 13.8 million mandatory convertible preference shares with conversion date of July 1, 2016. The mandatory convertible preference shares are currently antidilutive and are not included in the calculation of diluted EPS. An explanation of the change in share count is set forth on Chart 15.



EBITDA RECONCILIATION BY SEGMENT

\$ Millions	2013 Q1						2013 Q2					
	Timberlands	Wood Products	Cellulose Fibers	Real Estate	Unallocated Items	Total	Timberlands	Wood Products	Cellulose Fibers	Real Estate	Unallocated Items	Total
Adjusted EBITDA Excluding Special Items¹	\$139	\$209	\$70	\$9	(\$40)	\$387	\$147	\$167	\$98	\$28	\$7	\$447
Depletion, Depreciation & Amortization	(36)	(31)	(39)	(3)	(3)	(112)	(34)	(31)	(39)	(3)	(4)	(111)
Non-Operating Pension & Postretirement Costs	--	--	--	--	(10)	(10)	--	--	--	--	(12)	(12)
Special Items	--	--	--	--	--	--	--	--	--	--	--	--
Capitalized Interest Included in Cost of Products Sold	--	--	--	(7)	(2)	(9)	--	--	--	(12)	(1)	(13)
Operating Income (GAAP)	\$103	\$178	\$31	(\$1)	(\$55)	\$256	\$113	\$136	\$59	\$13	(\$10)	\$311
Interest Income and Other	1	--	--	1	9	11	1	--	(2)	1	10	10
Net Contribution to Earnings	\$104	\$178	\$31	\$0	(\$46)	\$267	\$114	\$136	\$57	\$14	\$--	\$321
Interest Expense, Net						(82)						(81)
Income Taxes						(41)						(42)
Net Earnings (GAAP)						\$144						\$198
Dividends on preference shares						--						(2)
Net Earnings to Common Shareholders (GAAP)						\$144						\$196

1. Adjusted EBITDA excluding special items is a non-GAAP measure that management uses to evaluate the performance of the company. Adjusted EBITDA, as we define it, is operating income adjusted for depreciation, depletion, amortization, pension and postretirement costs not allocated to business segments (primarily interest cost, expected return on plan assets, amortization of actuarial loss and amortization of prior service cost / credit), special items and interest included in cost of products sold. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.



EBITDA RECONCILIATION – WOOD PRODUCTS

\$ Millions	2013 Q1						2013 Q2					
	Lumber	OSB	EWP	Distribution	Other	Total	Lumber	OSB	EWP	Distribution	Other	Total
Adjusted EBITDA Excluding Special Items¹	\$101	\$102	\$11	(\$3)	(\$2)	\$209	\$91	\$82	\$7	(\$13)	\$0	\$167
Depletion, Depreciation & Amortization	(10)	(8)	(12)	(1)	--	(31)	(11)	(7)	(11)	(1)	(1)	(31)
Special Items	--	--	--	--	--	--	--	--	--	--	--	--
Operating Income (GAAP)	\$91	\$94	(\$1)	(\$4)	(\$2)	\$178	\$80	\$75	(\$4)	(\$14)	(\$1)	\$136
Interest Income and Other	--	--	--	--	--	--	--	--	--	--	--	--
Net Contribution to Earnings (GAAP)	\$91	\$94	(\$1)	(\$4)	(\$2)	\$178	\$80	\$75	(\$4)	(\$14)	(\$1)	\$136

1. Adjusted EBITDA excluding special items is a non-GAAP measure that management uses to evaluate the performance of the company. Adjusted EBITDA, as we define it, is operating income adjusted for depreciation, depletion, amortization, pension and postretirement costs not allocated to business segments (primarily interest cost, expected return on plan assets, amortization of actuarial loss and amortization of prior service cost / credit), special items and interest included in cost of products sold. Adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.



GROSS DEBT TO EBITDA RECONCILIATION

\$ Millions	2013	2013
	Q1	Q2
Gross Debt to Adjusted EBITDA (LTM)^{1, 2}	3.0	2.7
Long-Term Debt	\$4,135	\$4,114
Adjusted EBITDA Excluding Special Items (LTM)¹	\$1,363	\$1,552
Depletion, Depreciation & Amortization	(455)	(453)
Non-Operating Pension & Postretirement Costs	(32)	(37)
Special Items	57	--
Capitalized Interest Included in Cost of Products Sold	(43)	(37)
Operating Income (GAAP)	\$890	\$1,025
Interest Income and Other	51	50
Loss Attributable to Non-Controlling Interest	1	1
Net Contribution to Earnings	\$942	\$1,076
Interest Expense, Net of Capitalized Interest	(82)	(81)
Income Taxes	(41)	(42)
Net Earnings (GAAP)	\$144	\$198
Dividends on preference shares	--	(2)
Net Earnings to Common Shareholders (GAAP)	\$144	\$196

1. LTM = last twelve months.

2. Gross debt to adjusted EBITDA is a non-GAAP measure that management uses to evaluate the performance of the company. Gross debt to adjusted EBITDA, as we define it, is long-term debt divided by the last twelve months of adjusted EBITDA excluding special items. Adjusted EBITDA excluding special items is a non-GAAP measure that management uses to evaluate the performance of the company. Adjusted EBITDA, as we define it, is operating income adjusted for depreciation, depletion, amortization, pension and postretirement costs not allocated to business segments (primarily interest cost, expected return on plan assets, amortization of actuarial loss and amortization of prior service cost / credit), special items and interest included in cost of products sold. Gross debt to adjusted EBITDA should not be considered in isolation from and is not intended to represent an alternative to our GAAP results.

