

WEYERHAEUSER CO  
Form 10-K  
February 19, 2013  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

or

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.)

FEDERAL WAY, WASHINGTON 98063-9777 TELEPHONE (253) 924-2345

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)	Chicago Stock Exchange New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  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.  Yes  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.  Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files).  Yes  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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

As of June 30, 2012, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$11,825,766,504 based on the closing sale price as reported on the New York Stock Exchange Composite Price Transactions.

Edgar Filing: WEYERHAEUSER CO - Form 10-K

As of February 1, 2013, 544,262,350 shares of the registrant's common stock (\$1.25 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Notice of 2013 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held April 11, 2013, are incorporated by reference into Part II and III.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K

---

Table of Contents

TABLE OF CONTENTS

PART I

ITEM 1.	<u>OUR BUSINESS</u>	1
	<u>WE CAN TELL YOU MORE</u>	1
	<u>WHO WE ARE</u>	1
	• <u>REAL ESTATE INVESTMENT TRUST (REIT) ELECTION</u>	1
	• <u>OUR BUSINESS SEGMENTS</u>	1
	• <u>EFFECT OF MARKET CONDITIONS</u>	1
	• <u>COMPETITION IN OUR MARKETS</u>	2
	• <u>SALES OUTSIDE THE U.S.</u>	2
	• <u>OUR EMPLOYEES</u>	2
	<u>WHAT WE DO</u>	2
	• <u>TIMBERLANDS</u>	2
	• <u>WOOD PRODUCTS</u>	10
	• <u>CELLULOSE FIBERS</u>	13
	• <u>REAL ESTATE</u>	15
	<u>NATURAL RESOURCE AND ENVIRONMENTAL MATTERS</u>	18
	• <u>REGULATIONS AFFECTING FORESTRY PRACTICES</u>	18
	• <u>ENDANGERED SPECIES PROTECTIONS</u>	18
	• <u>FOREST CERTIFICATION STANDARDS</u>	18
	• <u>WHAT THESE REGULATIONS AND CERTIFICATION PROGRAMS MEAN TO</u>	19
	<u>US</u>	
	• <u>CANADIAN ABORIGINAL RIGHTS</u>	19
	• <u>POLLUTION-CONTROL REGULATIONS</u>	19
	• <u>ENVIRONMENTAL CLEANUP</u>	20
	• <u>REGULATION OF AIR EMISSIONS IN THE U.S.</u>	20
	• <u>REGULATION OF AIR EMISSIONS IN CANADA</u>	21
	• <u>REGULATION OF WATER</u>	21
	• <u>POTENTIAL CHANGES IN POLLUTION REGULATION</u>	21
	<u>FORWARD-LOOKING STATEMENTS</u>	22
ITEM 1A.	<u>RISK FACTORS</u>	23
	<u>RISKS RELATED TO OUR INDUSTRIES AND BUSINESS</u>	23
	• <u>MACROECONOMIC CONDITIONS</u>	23
	• <u>COMMODITY PRODUCTS</u>	23
	• <u>INDUSTRY SUPPLY OF LOGS, WOOD PRODUCTS AND PULP</u>	23
	• <u>HOMEBUILDING MARKET AND ECONOMIC RISKS</u>	23
	• <u>CAPITAL MARKETS</u>	24
	• <u>CHANGES IN CREDIT RATINGS</u>	24
	• <u>SUBSTITUTION</u>	24
	• <u>CHANGES IN PRODUCT MIX OR PRICING</u>	24
	• <u>INTENSE COMPETITION</u>	24
	• <u>MATERIAL DISRUPTION OF MANUFACTURING</u>	25
	• <u>CAPITAL REQUIREMENTS</u>	25
	• <u>ENVIRONMENTAL LAW AND REGULATIONS</u>	25
	• <u>CURRENCY EXCHANGE RATES</u>	26
	• <u>AVAILABILITY OF RAW MATERIALS AND ENERGY</u>	26
	• <u>TRANSPORTATION</u>	26
	• <u>REIT STATUS AND TAX IMPLICATIONS</u>	26
	• <u>LEGAL PROCEEDINGS</u>	27

	• <u>EXPORT TAXES</u>	<u>27</u>
	• <u>NATURAL DISASTERS</u>	<u>28</u>
	<u>RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK</u>	<u>28</u>
	• <u>STOCK-PRICE VOLATILITY</u>	<u>28</u>
ITEM 1B.	<u>UNRESOLVED STAFF COMMENTS</u>	<u>28</u>
ITEM 2.	<u>PROPERTIES</u>	<u>28</u>
ITEM 3.	<u>LEGAL PROCEEDINGS</u>	<u>28</u>
ITEM 4.	<u>MINE SAFETY DISCLOSURES — NOT APPLICABLE</u>	
PART II		
ITEM 5.	<u>MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	<u>29</u>
ITEM 6.	<u>SELECTED FINANCIAL DATA</u>	<u>30</u>
ITEM 7.	<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>31</u>
	<u>WHAT YOU WILL FIND IN THIS MD&amp;A</u>	<u>31</u>
	<u>ECONOMIC AND MARKET CONDITIONS AFFECTING OUR OPERATIONS</u>	<u>31</u>
	<u>REAL ESTATE INVESTMENT TRUST (REIT) ELECTION</u>	<u>32</u>
	<u>FINANCIAL PERFORMANCE SUMMARY</u>	<u>33</u>
	<u>RESULTS OF OPERATIONS</u>	<u>34</u>
	• <u>CONSOLIDATED RESULTS</u>	<u>34</u>
	• <u>TIMBERLANDS</u>	<u>35</u>
	• <u>WOOD PRODUCTS</u>	<u>37</u>
	• <u>CELLULOSE FIBERS</u>	<u>38</u>
	• <u>REAL ESTATE</u>	<u>39</u>
	• <u>UNALLOCATED ITEMS</u>	<u>40</u>
	• <u>INTEREST EXPENSE</u>	<u>41</u>
	• <u>INCOME TAXES</u>	<u>41</u>
	<u>LIQUIDITY AND CAPITAL RESOURCES</u>	<u>41</u>
	• <u>CASH FROM OPERATIONS</u>	<u>41</u>
	• <u>INVESTING IN OUR BUSINESS</u>	<u>42</u>
	• <u>FINANCING</u>	<u>43</u>
	<u>OFF-BALANCE SHEET ARRANGEMENTS</u>	<u>45</u>
	<u>ENVIRONMENTAL MATTERS, LEGAL PROCEEDINGS AND OTHER CONTINGENCIES</u>	<u>45</u>
	<u>ACCOUNTING MATTERS</u>	<u>46</u>
	• <u>CRITICAL ACCOUNTING POLICIES</u>	<u>46</u>
	• <u>PROSPECTIVE ACCOUNTING PRONOUNCEMENTS</u>	<u>48</u>
ITEM 7A.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>49</u>
	<u>LONG-TERM DEBT OBLIGATIONS</u>	<u>49</u>
ITEM 8.	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>50</u>
	<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>50</u>
	<u>CONSOLIDATED STATEMENT OF OPERATIONS</u>	<u>51</u>
	<u>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</u>	<u>51</u>
	<u>CONSOLIDATED BALANCE SHEET</u>	<u>52</u>
	<u>CONSOLIDATED STATEMENT OF CASH FLOWS</u>	<u>54</u>
	<u>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</u>	<u>55</u>
	<u>INDEX FOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>56</u>
	<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>57</u>

ITEM 9.	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	<u>99</u>
ITEM 9A.	<u>CONTROLS AND PROCEDURES</u>	<u>99</u>
	<u>EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES</u>	<u>99</u>
	<u>CHANGES IN INTERNAL CONTROL</u>	<u>99</u>
	<u>MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	<u>99</u>
	<u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>100</u>
ITEM 9B.	OTHER INFORMATION — NOT APPLICABLE	
PART III		
ITEM 10.	<u>DIRECTORS AND EXECUTIVE OFFICERS</u>	<u>101</u>
ITEM 11.	<u>EXECUTIVE AND DIRECTOR COMPENSATION</u>	<u>106</u>
ITEM 12.	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	<u>106</u>
ITEM 13.	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	<u>106</u>
ITEM 14.	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	<u>106</u>
PART IV		
ITEM 15.	<u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	<u>107</u>
	<u>EXHIBITS</u>	<u>107</u>
	<u>SIGNATURES</u>	<u>108</u>
	CERTIFICATIONS	109
	COMPANY OFFICERS	112

---

## Table of Contents

### OUR BUSINESS

We are one of the world's largest private owners of timberlands. We own or control more than 6 million acres of timberlands, primarily in the U.S., and manage another 13.9 million acres under long-term licenses in Canada. We manage these timberlands on a sustainable basis in compliance with internationally recognized forestry standards. We are also one of the largest manufacturers of wood and specialty cellulose fibers products, and we develop real estate, primarily as a builder of single-family homes. Our company is a real estate investment trust (REIT).

We are committed to operate as a sustainable company and are listed on the Dow Jones World Sustainability Index. We focus on increasing energy and resource efficiency, reducing greenhouse gas emissions, reducing water consumption, conserving natural resources, and offering products that meet human needs with superior sustainability attributes. We operate with world class safety results, understand and address the needs of the communities in which we operate, and present ourselves transparently.

In 2012, we generated \$7.1 billion in net sales and employed approximately 13,200 people who serve customers worldwide.

This portion of our Annual Report and 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 the fiscal year ended December 31, 2012.

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.

We report our financial condition in two groups:

• **Forest Products** — our forest products-based operations, principally the growing and harvesting of timber, the manufacture, distribution and sale of forest products and corporate governance activities; and

• **Real Estate** — our real estate development and single-family home building operations.

Throughout this Form 10-K, unless specified otherwise, references to “we,” “our,” “us” and “the company” refer to the consolidated company, including both Forest Products and Real Estate.

### WE CAN TELL YOU MORE

#### AVAILABLE INFORMATION

We meet the information-reporting requirements of the Securities Exchange Act of 1934 by filing periodic reports, 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 — are available at:

• the SEC Internet site — [www.sec.gov](http://www.sec.gov);

• the SEC’s Public Conference Room, 100 F St. N.E., Washington, D.C., 20549, (800) SEC-0330; and

• our Internet site — [www.weyerhaeuser.com](http://www.weyerhaeuser.com).

When we file the information electronically with the SEC, it also is added to our Internet site.

### WHO WE ARE

We started out as Weyerhaeuser Timber Company, incorporated in the state of Washington in January 1900, when Frederick Weyerhaeuser and 15 partners bought 900,000 acres of timberland.

### REAL ESTATE INVESTMENT TRUST (REIT) ELECTION

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. We expect to derive most of our REIT income from investments in timberlands, including the sale of standing timber through pay-as-cut sales contracts. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. A significant portion of our timberland segment earnings receives this favorable tax treatment. We are, however, subject to corporate taxes on built-in-gains (the excess of fair market value over tax basis at January 1, 2010) on sales of real property (other than standing timber) held by the REIT during the first 10 years following the REIT conversion. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which principally includes our manufacturing businesses, our real estate development and single-family home building operations and the portion of our Timberlands segment income

included in the TRS.

#### 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:

- Timberlands,
- Wood Products,
- Cellulose Fibers and
- Real Estate.

Detailed financial information about our business segments and our geographic locations is in Note 2: Business Segments and Note 21: Geographic Areas in the Notes to Consolidated Financial Statements, as well as in this section and in the Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### EFFECT OF MARKET CONDITIONS

The health of the U.S. housing market strongly affects our Real Estate, Wood Products and Timberlands segments. Real Estate focuses on building single family homes. 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. Cellulose Fibers is primarily affected by global demand and the relative strength of the U.S. dollar.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 1

---

Table of Contents**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 and wood-fiber products. In real estate development, our competitors include numerous regional and national firms. We compete in our markets primarily through price, product quality and service levels.

Our business segments' competitive strategies are as follows:

• **Timberlands** — Extract maximum value from each acre we own or manage.

• **Wood Products** — Deliver high-quality lumber, structural panels, engineered wood products and complementary products for residential applications.

• **Cellulose Fibers** — Concentrate on value-added pulp products.

• **Real Estate** — Deliver unique value propositions in target markets.

**SALES OUTSIDE THE U.S.**

In 2012, \$2.1 billion — 30 percent — of our total consolidated sales and revenues from continuing operations were to customers outside the U.S. Exports from the U.S. decreased \$93 million, or 5 percent, primarily due to lower pulp price realizations in our Cellulose Fibers segment. The table below shows sales outside the U.S. for the last three years.

**SALES OUTSIDE THE U.S. IN MILLIONS OF DOLLARS**

	2012	2011	2010	
Exports from the U.S.	\$1,682	\$1,775	\$1,610	
Canadian export and domestic sales	348	363	327	
Other foreign sales	92	70	52	
Total	\$2,122	\$2,208	\$1,989	
Percent of total sales	30	% 36	% 33	%

**OUR EMPLOYEES**

We have approximately 13,200 employees. This number includes:

• 12,350 employed in North America and

• 850 employed by our operations outside of North America.

Of these employees, approximately 3,500 are members of unions covered by multi-year collective-bargaining agreements. More information about these agreements is in Note 8: 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,
- manufacture and sell products made from them,
- build and sell homes and
- develop land.

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 business segment manages 6.3 million acres of private commercial forestland worldwide. We own 5.6 million of those acres and have long-term leases on the other 0.7 million acres. In addition, we have renewable, long-term licenses on 13.9 million acres of forestland located in four Canadian provinces. The tables presented in this section include data from this segment's business units as of the end of 2012.



## WHAT WE DO

### Forestry Management

Our Timberlands business segment:

grows and harvests trees for use as lumber, other wood and building products and pulp and paper;  
exports logs to other countries where they are made into products;  
plants seedlings — and in parts of Canada we use natural regeneration — to reforest the harvested areas using the most effective regeneration method for the site and species;  
monitors and cares for the new trees as they grow to maturity; and  
seeks to sustain and maximize the timber supply from our forestlands while keeping the health of our environment a key priority.

Our goal is to maximize returns by selling logs and stumpage to internal and external customers. We focus on solid wood and use intensive silviculture to improve forest productivity and returns while managing our forests on a sustainable basis to meet customer and public expectations.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 2

---

Table of Contents

Sustainable Forestry Practices

We are committed to responsible environmental stewardship wherever we operate, managing forests to produce financially mature timber while protecting the ecosystem services they provide. Our working forests include places with unique environmental, cultural, historical or recreational value. To protect their unique qualities, we follow regulatory requirements, voluntary standards and implement the Sustainable Forestry Initiative® (SFI) standard. Independent auditing of all of the forests we own or manage in the United States and Canada certifies that we meet the SFI standard. Our forestlands in Uruguay are Forest Stewardship Council (FSC) certified or managed to the Uruguayan national forestry management standard designed to meet the Program for the Endorsement of Forest Certification (PEFC).

Canadian Forestry Operations

In Canada, we have licenses to operate forestlands that provide raw material for our manufacturing units in various provinces. When we harvest trees, we pay the provinces at stumpage rates set by the government, which generally are based on prevailing market prices. We transfer logs to our manufacturing units at cost, which means that we do not generate any profit in the Timberlands segment from the harvest of timber from the licensed acres in Canada.

Other Values From Our Timberlands

In the United States, we actively manage mineral, oil and gas leases on our land and use geologic databases to identify and market opportunities for commercial mineral and geothermal development. We recognize leasing revenue over the terms of agreements with customers. Revenue primarily comes from:

- royalty payments on oil and gas production;
- upfront bonus payments from oil and gas leasing and exploration activity;
- royalty payments on hard minerals (rock, sand and gravel);
- geothermal lease and option revenues; and
- the sale of mineral assets.

In managing mineral resources, we generate revenue related to our ownership of the minerals and, separately, related to our ownership of the surface. The ownership of mineral rights and surface acres may be held by two separate parties. Materials that can be mined from the surface, and whose value comes from factors other than their chemical composition, typically belong to the surface owner. Examples of surface materials include rock, sand, gravel, dirt and topsoil. The mineral owner holds the title to commodities that derive value from their unique chemical composition. Examples of mineral rights include oil, gas, coal (even if mined at the surface) and precious metals. If the two types of rights conflict, then mineral rights generally are superior to surface rights. A third type of land right is geothermal, which can belong to either the surface or mineral owner. We routinely reserve mineral and geothermal rights when selling surface timberlands acreage.

Timberlands Products

PRODUCTS	HOW THEY'RE USED
Logs	Logs are made into lumber, other wood and building products and pulp and paper products.
Timberlands	Timberland tracts are exchanged to improve our timberland portfolio or are sold to third parties by our land development subsidiary within this segment.
Timber	Standing timber is sold to third parties.
Minerals, oil and gas	Minerals, oil and gas are sold into construction and energy markets.
Other products	Other products includes seed and seedlings, poles, recreational leases, as well as plywood and hardwood lumber produced by our international operations, primarily in South America.

HOW WE MEASURE OUR PRODUCT

We report Timberlands data in cubic meters. Cubic meters measure the total volume of wood fiber in a tree or log that we can sell. Cubic meter volume is determined from the large and small-end diameters and length and provides a more consistent and comparative measure of timber and log volume among operating regions, species, size and seasons of the year than other units of measure.

We also use two other 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, but this measure does not include taper or recovery of nonlumber residual products; and

green tons — used in the South to measure weight, but factors used for conversion to product volume can vary by species, size, location and season.

Both measures are accurate in the regions where they are used, but they do not provide a meaningful basis for comparisons between the regions.

The conversion rate for MBF to cubic meters varies based on several factors including diameter, length and taper of the timber. The average conversion rate for MBF to cubic meters is approximately 6.7 cubic meters per MBF.

The conversion rate from green tons to cubic meters also varies based on the season harvested and the specific gravity of the wood for the region where the timber is grown. An average conversion rate for green tons to cubic meters is approximately 0.825 cubic meters per green ton.

#### WHERE WE DO IT

Our timberlands assets are located primarily in North America. In the U.S. we own and manage sustainable forests in nine states for use in wood products and pulp and paper manufacturing. We own or lease:

4.0 million acres in the southern U.S. (Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Oklahoma and Texas); and

2.0 million acres in the Pacific Northwest (Oregon and Washington).

Our international operations are located primarily in Uruguay. In Uruguay we own 300,000 acres and have long-term leases on 26,000 acres. In China we had a joint venture where we managed 44,000 acres of timberland. We sold our interest in this joint venture during 2012.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 3

---

Table of Contents

In addition, we have renewable, long-term licenses on 13.9 million acres of forestland owned by the provincial government of four Canadian provinces.

Our total timber inventory — including timber on owned and leased land in our U.S. and international operations — is approximately 300 million cubic meters. The timber inventory on licensed lands in Canada is approximately 443 million cubic meters. 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 the mix of these variables adjust.

The species, size and grade of the trees affects the relative value of our timberlands.

We maintain our timber inventory in an integrated resource inventory and geographic information system (“GIS”). The resource inventory component of the system is proprietary and is largely based on internally developed technologies, 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 where they generate improved estimates. The data is collected and maintained at the timber stand level.

**DISCUSSION OF OPERATIONS BY GEOGRAPHY****Summary of 2012 Timber Inventory and Timberland Locations****United States**

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS	THOUSANDS OF ACRES AT DECEMBER 31, 2012		
	TOTAL INVENTORY	FEE OWNERSHIP	LONG-TERM LEASES	TOTAL ACRES
U.S.:				
West	154	1,960	—	1,960
South	137	3,380	656	4,036
Total U.S.	291	5,340	656	5,996

**Western United States**

Our Western acres are well situated to serve the wood product markets in Oregon and Washington. Their location near Weyerhaeuser mills and many third-party facilities allows for multiple sales opportunities. In addition, our location on the West Coast provides access to higher-value export markets for Douglas fir and whitewood logs in Japan, Korea and China. The size and quality of our Western timberlands, coupled with their proximity to several deep-water port facilities, positions us to meet the needs of Pacific Rim log markets.

Our lands are composed primarily of Douglas fir, a species highly valued for its structural strength. Our coastal lands also contain whitewood and have a higher proportion of whitewood than our interior holdings. Our management systems, which provide us a competitive operating advantage, range from research and forestry, to technical planning models, mechanized harvesting and marketing and logistics.

**2012 WESTERN U.S. INVENTORY BY SPECIES**

Table of Contents

2012 WESTERN U.S. INVENTORY BY AGE / SPECIES

The average age of timber harvested in 2012 was 51 years. Most of our U.S. timberland is intensively managed for timber production, but some areas are conserved for environmental, historical, recreational or cultural reasons. Some of our older trees are protected in acreage set aside for conservation, and some are not yet logged due to harvest rate regulations. While over the long term our average harvest age will decrease in accordance with our sustainable forestry practices, we will only harvest approximately 1.5 percent of our Western acreage each year.

Southern United States

Our Southern acres predominantly contain southern yellow pine and encompass timberlands in seven states. This area provides a constant year round flow of logs to a variety of internal and third-party customers. We sell grade logs to mills that manufacture a diverse range of products including lumber, plywood and veneer. We also sell chips and fiber logs to oriented strand board, pulp and paper mills. Our timberlands are well located to take advantage of road, logging and transportation systems for efficient delivery of logs to these customers.

We intensively manage our timber plantations using forestry research and planning systems to optimize grade log production. We also actively manage our land to capture revenues from our oil, gas and hard minerals resources. We do this while providing quality habitat for a range of animals and birds, which is in high demand for recreational purposes. We lease more than 95 percent of our acres to the public and state wildlife agencies for recreational purposes.

2012 SOUTHERN U.S. INVENTORY BY SPECIES

2012 SOUTHERN U.S. INVENTORY BY AGE / SPECIES

The average age of timber harvested in 2012 was 32 years for southern yellow pine. In accordance with our sustainable forestry practices, we harvest approximately 3.0 percent to 3.5 percent of our acreage each year in the South.

Table of Contents

## International

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS	THOUSANDS OF ACRES AT DECEMBER 31, 2012		
	TOTAL INVENTORY	FEE OWNERSHIP	LONG-TERM LEASES	TOTAL ACRES
Uruguay	9	300	26	326

Our forestlands in Uruguay are approximately 51 percent loblolly pine and 49 percent eucalyptus on a hectare basis. On average, the timber in Uruguay is in the first third of its rotation age. It is entering into that part of the growth rotation when we will see increased volume accretion. About 95 percent of the area to be planted has been afforested to date.

## 2012 INTERNATIONAL INVENTORY BY SPECIES (URUGUAY)

In Uruguay, the target rotation ages are 21 to 22 years for pine and 14 to 17 years for eucalyptus. We manage both species to a grade (appearance) regime.

We also operate a plywood mill in Uruguay with a production capacity of 210,000 cubic meters and a production volume of 200,000 cubic meters reached in 2012.

In Brazil, Weyerhaeuser is a managing partner in a joint venture. We own 67 percent and Fibria Celulose SA owns 33 percent. A hardwood sawmill with 65,000 cubic meters of capacity produces high-value eucalyptus (Lyptus®) lumber and related appearance wood products. The mill's production in 2012 was 49,600 cubic meters.

## Canada — Licensed Timberlands

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS	THOUSANDS OF ACRES AT DECEMBER 31, 2012
	TOTAL INVENTORY LICENSED STANDING VOLUME	TOTAL LICENSE ARRANGEMENTS
Canada:		
Alberta	274	5,304
British Columbia	38	1,018
Ontario	39	2,573
Saskatchewan	92	4,968
Total Canada	443	13,863

We lease and license forestland in Canada from the provincial government to secure the volume for our manufacturing units in the various provinces. When the volume is harvested, we pay the province at stumpage rates set by the government and generally based on prevailing market prices. 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 conversion profit is recognized at the respective mill in either the Cellulose Fibers or Wood Products segment.

Table of Contents

## Five-Year Summary of Timberlands Production

## PRODUCTION IN THOUSANDS

	2012	2011	2010	2009	2008
Fee depletion – cubic meters:					
West	7,170	6,595	5,569	6,359	10,626
South	11,488	9,738	8,197	8,996	12,363
International <sup>(1)</sup>	763	854	349	503	—
Total	19,421	17,187	14,115	15,858	22,989

(1) International forestlands started commercial thinning in 2009 leading to production volumes.

Our Timberlands annual fee depletion represents the harvest of the timber assets we own. Depletion is a method of expensing the cost of establishing the fee timber asset base over the harvest or timber sales volume. The decline in fee depletion from 2008 through 2010 reflects the company's decision to defer harvest and preserve the long-term value of the assets, as well as two major dispositions in the West.

## Five-Year Summary of Timberlands Production - Percentage of Grade and Fiber

## PERCENTAGE OF GRADE AND FIBER

		2012	2011	2010	2009	2008	
West	Grade	90	%90	%92	%90	%91	%
	Fiber	10	%10	%8	%10	%9	%
South	Grade	59	%58	%55	%55	%56	%
	Fiber	41	%42	%45	%45	%44	%
International <sup>(1)</sup>	Grade	67	%55	%65	%65	%—	%
	Fiber	33	%45	%35	%35	%—	%
Total	Grade	71	%70	%70	%70	%72	%
	Fiber	29	%30	%30	%30	%28	%

(1) International forestlands started commercial thinning in 2009 leading to production volumes.

## HOW MUCH WE SELL

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

\$1.1 billion in 2012 — up 3 percent from 2011; and

\$1.0 billion in 2011.

Our intersegment sales over the last two years were:

\$683 million in 2012 — up 6 percent from 2011; and

\$646 million in 2011.

## Five-Year Summary of Net Sales for Timberlands

## NET SALES IN MILLIONS OF DOLLARS

	2012	2011	2010	2009	2008
To unaffiliated customers:					
Logs:					
West	\$559	\$545	\$414	\$329	\$547
South	233	196	145	144	97
Canada	19	17	17	13	20
Total	811	758	576	486	664
Pay as cut timber sales	37	34	33	31	32
Timberlands sales and exchanges <sup>(1)</sup>	59	77	109	66	73
Higher and better use land sales <sup>(1)</sup>	22	25	22	11	11
Minerals, oil and gas	31	53	60	62	61
Products from international operations <sup>(2)</sup>	106	86	65	44	40
Other products	11	11	9	14	18
Subtotal sales to unaffiliated customers	1,077	1,044	874	714	899
Intersegment sales:					

Edgar Filing: WEYERHAEUSER CO - Form 10-K

United States	447	424	409	392	817
Canada	236	222	194	145	217
Subtotal intersegment sales	683	646	603	537	1,034
Total	\$1,760	\$1,690	\$1,477	\$1,251	\$1,933

(1) Significant dispositions of higher and better use timberland and some non-strategic timberlands are made through Forest Products subsidiaries.

(2) Products include logs, plywood and hardwood lumber harvested or produced by our international operations, primarily in South America.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 7

---



Table of Contents

## Five-Year Trend for Total Net Sales in Timberlands

## Percentage of 2012 Sales to Unaffiliated Customers

## Log Sales Volumes

Logs sold to unaffiliated customers in 2012 increased 1.4 million cubic meters — 13 percent — from 2011.

Sales volumes in the West increased 631 thousand cubic meters — 12 percent — primarily due to strong export and domestic demand. Our western sales to unaffiliated customers generally are higher-grade logs sold into the export market and domestic-grade logs sold to West Coast sawmills.

Sales to unaffiliated customers in the South increased 696 thousand cubic meters — 14 percent — primarily due to increased harvest levels and increased sales of logs to third parties. Our southern sales volumes to unaffiliated customers generally are lower-grade fiber logs sold to pulp or containerboard mills. We use most of our high-grade logs in our own converting facilities.

Sales volumes from Canada increased 52 thousand cubic meters — 11 percent — in 2012. This increase in volume to unaffiliated customers primarily was due to increased demand.

Sales volumes from our international operations increased 29 thousand cubic meters — 9 percent — in 2012. This increase in volume was mainly due to increased domestic demand in Uruguay.

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 and containerboard mills; and

- export log sales — the level of housing starts in Japan, where most of our North American export logs are sold.

Our sales volumes include logs purchased in the open market and all our domestic and export logs that are sold to unaffiliated customers or transferred at market prices to our internal mills by the sales and marketing staff within our Timberlands business units.

## Five-Year Summary of Log Sales Volumes to Unaffiliated Customers for Timberlands

## SALES VOLUMES IN THOUSANDS

	2012	2011	2010	2009	2008
Logs – cubic meters:					
West	5,898	5,267	4,476	4,479	6,967
South	5,575	4,879	3,357	3,536	2,347
Canada	531	479	507	409	529
International	343	314	283	305	329
Total	12,347	10,939	8,623	8,729	10,172

Table of Contents

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:

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)

Our log prices are affected by the supply of and demand for grade and fiber logs and are influenced by the same factors that affect log sales. Export log prices are particularly affected by the Japanese housing market.

Our average 2012 log realizations in the West decreased from 2011 — primarily due to lower demand for logs in the Chinese market and an increase in log supply in the domestic market. Our average 2012 log realizations in the South increased slightly from 2011 — primarily due to stronger demand for logs in the South.

Minerals and Energy Products

Mineral revenue decreased in 2012 as recognition of leasing revenue from old leases in the Haynesville Shale trend was completed and low natural gas prices limited the sales of producing gas properties. This decline was partially offset by increased leasing activity in new areas and royalty received from production of oil in the Tuscaloosa Marine Shale trend. Earnings from construction aggregates and industrial minerals decreased slightly.

WHERE WE'RE HEADED

Our competitive strategies include:

- managing forests on a sustainable basis to meet customer and public expectations;
- reducing the time it takes to realize returns by practicing intensive forest management and focusing on the most advantageous markets;
- efficiently delivering raw materials to internal supply chains;
- building long-term relationships with external customers who rely on a consistent supply of high-quality raw material;
- continuously reviewing our portfolio of land holdings to create the greatest value for the company;
- investing in technology and advances in silviculture to improve yields and timber quality;
- positioning ourselves as one of the largest, lowest-cost growers of global softwood and hardwood timber;

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 9

---

Table of Contents

leveraging our mineral ownership position; and positioning ourselves to take advantage of new market opportunities that may be created by energy and climate change legislation and regulation.

In addition, we believe we will generate additional revenues from new products and services, such as wetland mitigation banking and conservation easements, and from participating in emerging carbon and energy markets.

**WOOD PRODUCTS**

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

**WHAT WE DO**

Our wood products segment:

provides a family of high-quality softwood lumber, engineered lumber, structural panels and other specialty products to the residential, multi-family and light commercial markets;

sells our products and services primarily through our own sales organizations and distribution facilities as well as building materials that we purchase from other manufacturers;

sells certain products into the repair and remodel market through the wood preserving and home-improvement warehouse channels; and

exports our softwood lumber, oriented strand board (OSB) and engineered building materials to Asia.

Wood Products

**PRODUCTS**

Structural lumber

**HOW THEY'RE USED**

Structural framing for new residential, repair and remodel, treated applications, industrial and commercial structures

Engineered lumber

- Solid section
- I-joists

Floor and roof joists, and headers and beams for residential, multi-family and commercial structures

Structural panels

- Oriented strand board (OSB)
- Softwood plywood

Structural sheathing, subflooring and stair tread for residential, multi-family and commercial structures

Other products

Complementary building products such as cedar, decking, siding, insulation, rebar and engineered lumber connectors

**WHERE WE DO IT**

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

**Principal Manufacturing Locations**

Locations of our principal manufacturing facilities as of December 31, 2012, by major product group were:

**Structural lumber**

- U.S. — Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Oklahoma, Oregon and Washington
- Canada — Alberta and British Columbia

**Engineered lumber**

- U.S. — Alabama, Georgia, Louisiana, Oregon and West Virginia
- Canada — British Columbia and Ontario

**Oriented strand board**

- U.S. — Louisiana, Michigan, North Carolina and West Virginia
- Canada — Alberta and Saskatchewan

**Softwood plywood**

- U.S. — Arkansas and Louisiana

Summary of 2012 Wood Products Capacities

**CAPACITIES IN MILLIONS**

PRODUCTION

NUMBER OF

	CAPACITY	FACILITIES
Structural lumber – board feet	4,519	18
Engineered solid section – cubic feet	33	7
Engineered I-joists – lineal feet	380	3
Oriented strand board – square feet (3/8")	3,015	6
Softwood plywood – square feet (3/8")	460	2

Capacities include two indefinitely closed facilities that produce engineered solid section and I-joists products.

Production capacities listed represent annual production volume under normal operating conditions and producing a normal product mix for each individual facility. Production capacities do not include any capacity for facilities that were sold or permanently closed as of the end of 2012.

We currently have two engineered lumber mills that remain indefinitely closed. We expect to reopen these as the residential housing market improves.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 10

---

Table of Contents

During the period of 2008 - 2011, we permanently closed, sold, or ended contractual relationships representing 1,470 million board feet of structural lumber capacity, 470 million square feet of OSB capacity, 165 million lineal feet of engineered I-joists capacity, and 20 million cubic feet of engineered solid section capacity.

Additionally, our hardwoods operations were sold in third quarter 2011 and are excluded from our Wood Product's results below. More information about this sale is in Note 3: Discontinued Operations in the Notes to Consolidated Financial Statements.

## Five-Year Summary of Wood Products Production

## PRODUCTION IN MILLIONS

	2012	2011	2010	2009	2008
Structural lumber – board feet	3,846	3,528	3,289	3,098	4,451
Engineered solid section – cubic feet <sup>(1)</sup>	15.4	13.4	14.5	11.3	22.1
Engineered I-joists – lineal feet <sup>(1)</sup>	147	122	133	109	218
Oriented strand board – square feet (3/8")	2,511	2,127	1,721	1,448	2,468
Softwood plywood – square feet (3/8")	214	197	212	150	333

(1) Weyerhaeuser engineered I-joist facilities also may produce engineered solid section.

(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. In 2012, Wood Products net sales were \$3.1 billion, an increase of 34 percent, compared with \$2.3 billion in 2011.

## Five-Year Summary of Net Sales for Wood Products

## NET SALES IN MILLIONS OF DOLLARS

	2012	2011	2010	2009	2008
Structural lumber	\$1,400	\$1,087	\$1,044	\$846	\$1,348
Engineered solid section	279	235	246	219	387
Engineered I-joists	190	161	171	162	284
Oriented strand board	612	354	319	226	404
Softwood plywood	115	66	65	50	134
Other products produced	167	142	125	130	201
Other products purchased for resale	295	231	254	289	562
Total	\$3,058	\$2,276	\$2,224	\$1,922	\$3,320

## Five-Year Trend for Total Net Sales in Wood Products

## Percentage of 2012 Net Sales in Wood Products

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 11

---

Table of Contents

## Wood Products Volume

The volume of structural lumber, OSB, and engineered lumber sold in 2012 increased from 2011 primarily due to internal improvement efforts and better market conditions in the U.S. housing market.

## Five-Year Summary of Sales Volume for Wood Products

## SALES VOLUMES IN MILLIONS

	2012	2011	2010	2009	2008
Structural lumber – board feet	4,031	3,586	3,356	3,317	4,648
Engineered solid section – cubic feet	15.4	12.3	13.1	12.2	20.7
Engineered I-joists – lineal feet	152	128	145	139	227
Oriented strand board – square feet (3/8")	2,508	1,977	1,547	1,386	2,379
Softwood Plywood – square feet (3/8")	340	249	237	200	438

## Wood Products Prices

Prices for commodity wood products — Structural lumber, OSB and Plywood — increased in 2012 from 2011.

In general, the following factors influence prices 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 construction is influenced by factors such as population growth and other demographics, 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 availability of 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.

The North American housing market began to show sustained improvement in 2012. This improvement led to increased demand and resulted in improved pricing for commodity wood products in 2012. The following graphs reflect product price trends for the past five years.

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

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

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 12

---

Table of Contents

**WHERE WE'RE HEADED**

Our competitive strategies include:

- improving our cost competitiveness through operational excellence;
- expanding our target customer base in both residential and nonresidential markets;
- increasing our presence in geographies outside of North America; and
- differentiating our products and services from other manufacturers to create demand for them in the marketplace, and build on our reputation as the preferred provider of quality building products.

**CELLULOSE FIBERS**

Our cellulose fibers segment is one of the world's largest producers of absorbent fluff pulp used in products such as diapers. We also manufacture liquid packaging board and other pulp products. We have a 50 percent interest in North Pacific Paper Corporation (NORPAC) — a joint venture with Nippon Paper Industries that produces newsprint and high-brightness publication papers.

**WHAT WE DO**

Our cellulose fibers segment:

- provides cellulose fibers for absorbent products in markets around the world;
- works closely with our customers to develop unique or specialized applications;
- manufactures liquid packaging board used primarily for the production of containers for liquid products; and
- is largely energy self sufficient, with 83 percent of its energy derived from black liquor produced at the mills and biomass.

**Cellulose Fibers Products**

**PRODUCTS**

- Pulp
  - Fluff pulp (Southern softwood kraft fiber)
  - Softwood papergrade pulp
  - Specialty chemical cellulose pulp
- Liquid packaging board
- Other products
  - Slush pulp
  - Wet lap pulp

**HOW THEY'RE USED**

- Used in sanitary disposable products that require bulk, softness and absorbency
  - Used in products that include printing and writing papers and tissue
  - Used in textiles, absorbent products, specialty packaging, specialty applications and proprietary high-bulking fibers
- Converted into containers to hold liquids such as milk, juice and tea
- Used in the manufacture of paper products

**WHERE WE DO IT**

Our cellulose fibers (pulp) products are distributed through a global direct sales network, and our liquid packaging products are sold directly to carton and food product packaging converters in North America and Asia. Locations of our principal manufacturing facilities by major product group are:

**Pulp Manufacturing**

- U.S. - Georgia (2), Mississippi and North Carolina
- Canada - Alberta

**Pulp Converting**

- U.S. - Mississippi
- Poland (will begin converting in first quarter 2013)

**Liquid packaging board**

- U.S. - Washington

**Summary of 2012 Cellulose Fibers Capacities**

**CAPACITIES IN THOUSANDS**

	PRODUCTION CAPACITY	NUMBER OF FACILITIES
Pulp – air-dry metric tons	1,852	5
Liquid packaging board – tons	300	1

Production capacities listed represent annual production volume under normal operating conditions and producing a normal product mix for each individual facility.

Five-Year Summary of Cellulose Fibers Production

PRODUCTION IN THOUSANDS

	2012	2011	2010	2009	2008
Pulp – air-dry metric tons	1,773	1,769	1,774	1,629	1,760
Liquid packaging board – tons	292	307	316	282	297

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 13

---



Table of Contents**HOW MUCH WE SELL**

Revenues of our Cellulose Fibers segment come from sales to customers who use the products for further manufacturing or distribution and for direct use. Our net sales were \$1.9 billion in 2012, a decrease of 10 percent, compared with \$2.1 billion in 2011.

## Five-Year Summary of Net Sales for Cellulose Fibers

## NET SALES IN MILLIONS OF DOLLARS

	2012	2011	2010	2009	2008
Pulp	\$1,433	\$1,617	\$1,489	\$1,148	\$1,357
Liquid packaging board	332	346	337	290	290
Other products	89	95	85	73	118
Total	\$1,854	\$2,058	\$1,911	\$1,511	\$1,765

## Five-Year Trend for Total Net Sales in Cellulose Fibers

## Percentage of 2012 Net Sales in Cellulose Fibers

## Pulp Volumes

Our sales volumes of cellulose fiber products were 1.8 million tons in 2012 and 2011.

Factors that affect sales volumes for cellulose fiber products include:

- growth of the world gross domestic product and
- demand for absorbent hygiene products and paper.

## Five-Year Summary of Sales Volume for Cellulose Fibers

## SALES VOLUMES IN THOUSANDS

	2012	2011	2010	2009	2008
Pulp – air-dry metric tons	1,762	1,756	1,714	1,697	1,704
Liquid packaging board – tons	289	297	311	288	302

## Pulp Prices

Our average pulp prices in 2012 decreased compared with 2011 due to:

- decreased demand,
- a weak world economic environment and
- the strengthening of the U.S. dollar.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 14

---

Table of Contents

Five-Year Summary of Published NBSK Pulp Prices — \$/ADMT

WHERE WE'RE HEADED

Our competitive strategies include:

- improving our cost-competitiveness through operational excellence and non-capital solutions;
- focusing capital investments on product quality, cost reduction and green energy opportunities;
- driving growth of new products that expand and improve the range of applications for cellulose fibers; and
- maximizing margin through increased sales of specialty chemical cellulose pulp.

REAL ESTATE

Our Real Estate business segment includes our wholly-owned subsidiary Weyerhaeuser Real Estate Company (WRECO) and its subsidiaries.

WHAT WE DO

The Real Estate segment focuses on:

- constructing single-family housing and
- developing residential lots for our use and for sale.

Real Estate Products and Activities

PRODUCTS                      HOW THEY'RE USED

Single-family housing	Residential living
Land	Residential lots and land for construction and sale, master-planned communities with mixed-use property

WHERE WE DO IT

Our operations are concentrated in metropolitan areas in Arizona, California, Maryland, Nevada, Texas, Virginia and Washington.

Controlled Lots by Primary Market as of December 31, 2012

PRIMARY MARKETS	NUMBER OF LOTS AT DECEMBER 31, 2012
Arizona	1,477
California	17,844
Maryland and Virginia	3,005
Nevada	1,683
Texas	1,266
Washington	1,239
Total controlled lots	26,514

Our lots are controlled through both ownership and the use of options and are in various stages of development. Of the total lots we have under control, approximately 25 percent of them are intended for sale to other builders. In addition, we control 67,000 lots, mostly under option, in a large master plan community in Nevada, where development and construction is on hold, pending improvement in the local market.

HOW MUCH WE SELL

We are one of the top 20 homebuilding companies in the United States as measured by annual single-family home closings.

Our revenues increased to \$1.1 billion in 2012, up 28 percent, compared with \$838 million in 2011. Revenues from single-family housing increased \$102 million, or 13 percent, as a result of a 21 percent increase in home closings. Revenues from land and lot sales increased \$126 million, primarily due to the sale of a 3,200-acre master planned community in Houston, Texas and the sale of commercial acreage and multi-family lots in southern California.



Table of Contents

The following factors affect revenues in our Real Estate business segment:

• The market prices of the homes that we build varies.

• The product and geographic mix of sales varies based on the following:

– The markets where we build vary by geography.

– We build homes that range in price points to meet our target customers' needs, from first-time to semi-custom homes based on geography.

– The mix of price points, which differ for traditional, single-family detached homes and attached products such as townhomes and condominiums.

Land and lot sales are a component of our activities. These sales do not occur evenly from year to year and may range from approximately 5 percent to 20 percent of total Real Estate revenues annually.

From time to time, we sell apartment buildings and other income producing properties.

## Five-Year Summary of Net Sales for Real Estate

## REVENUE IN MILLIONS OF DOLLARS

	2012	2011	2010	2009	2008
Single-family housing	\$870	\$768	\$842	\$832	\$1,294
Land	193	67	64	68	99
Other	7	3	17	4	15
Total	\$1,070	\$838	\$923	\$904	\$1,408

## Five-Year Trend for Total Net Sales in Real Estate

## Percentage Breakdown of 2012 Net Sales in Real Estate

## Five-Year Summary of Single-Family Unit Statistics

## SINGLE-FAMILY UNIT STATISTICS

	2012	2011	2010	2009	2008	
Homes sold	2,659	1,902	1,914	2,269	2,522	
Homes closed	2,314	1,912	2,125	2,177	3,188	
Homes sold but not closed (backlog)	774	429	439	650	558	
Cancellation rate	14.9	% 15.7	% 19.9	% 23.3	% 32.4	%
Buyer traffic	64,410	50,125	68,430	65,781	112,817	
Average price of homes closed	\$376,000	\$402,000	\$396,000	\$382,000	\$406,000	
Single-family gross margin – excluding impairments (%) <sup>(1)</sup>	20.7	% 23.3	% 23.7	% 17.5	% 15.1	%

(1) Single-family gross margin equals revenue less cost of sales and period costs (other than impairments, deposit write-offs and project abandonments).

Table of Contents

WHERE WE'RE HEADED

Our competitive strategies include:

- offering customer-driven, distinct value propositions to specific market niches in each of our targeted geographies;
- delivering quality homes to satisfied customers — measured, in part, by “willingness to refer” rates from independent surveys of homebuyers;
- replicating best practices developed in each geographic area; and
- optimizing value from our land portfolio, through both internal absorption of lots for homebuilding and sales to third parties.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 17

---

## Table of Contents

### NATURAL RESOURCE AND ENVIRONMENTAL MATTERS

Many social values are expressed in the laws and regulations that pertain to growing and harvesting timber. We participate in voluntary certification of our timberlands to assure that we sustain their values including the protection of wildlife and water quality. We are also subject to laws regulating forestry practices. Changes in law and regulation can significantly affect local or regional timber harvest levels, production costs and market values of timber-based raw materials.

### REGULATIONS AFFECTING FORESTRY PRACTICES

In the United States, regulations established by federal, state and local governments or agencies to protect water quality and wetlands could affect future harvests and forest management practices on some of our timberlands. Forest practice acts in some states in the United States that affect present or future harvest and forest management activities 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, or achieve other public policy objectives.

In Canada, our forest operations are carried out on public forestlands under forest licenses with the provinces. All forest operations 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.

On May 18, 2010, 21 member companies of the Forest Products Association of Canada (FPAC), including Weyerhaeuser's Canadian subsidiary, announced 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, is expected to lead to the conservation of significant areas of Canada's boreal forest and protection of woodland caribou. CBFA signatories continue to work on management plans to be proposed to provincial governments, and to communicate with aboriginal and local communities to seek their participation in advancing the goals of the CBFA. Progress under the CBFA is measured by an independent auditor.

### 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:

- 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, gopher frog and American burying beetle 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 these measures have not had, and in 2013 will not 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 critical habitat.

Environment Canada announced a series of western science studies in 2010 that, with other landscape information, are designed to identify critical habitat.

The Canadian Minister of the Environment released for comment in 2011, a strategy for the recovery of the boreal population of woodland caribou under the SARA.

The identification and protection of habitat may, over time, result in additional restrictions on timber harvests and other forest management practices that could increase operating costs for operators of forestlands in Canada. To date these Canadian measures have not had, and in 2013 will not 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,

## Table of Contents

the forest industry and  
large and small forest landowners.

Ongoing compliance with SFI® may result in some increases in our operating costs and curtailment of our timber harvests in some areas. There also is 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 geographic 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 additional costs for operations and be required to reduce harvest levels.

### WHAT THESE REGULATIONS AND CERTIFICATION PROGRAMS MEAN TO US

The regulatory and nonregulatory 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 usage of, or substitution of other products for, lumber and plywood.
- We believe that these kinds of programs have not had, and in 2013 will not have, a significant effect on the 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 forestlands 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 are largely unresolved, although many aboriginal groups are engaged in treaty discussions with the governments of B.C. and Canada.

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

- additional restrictions on the sale or harvest of timber,
- potential increase in operating costs and
- effects 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 2013, 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;
- disposal and remediation; and
- the chemical content of some of our products.

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,
- increase capacity,
- increase efficiency,
- change raw material requirements,
- increase the economic value of assets or products and
- comply with regulatory standards.

We estimate that we had no capital expenditures made primarily for environmental compliance in 2012. Based on our understanding of current regulatory requirements in the U.S. and Canada, we expect no material capital expenditures for environmental compliance in 2013.

## Table of Contents

### 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 or
- we may have been named as a potentially responsible party for sites designated as 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
- the number and economic viability of the other responsible parties.

We spent approximately \$6 million in 2012 and expect to spend approximately \$6 million in 2013 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 \$32 million. The excess amounts required may be insignificant or could range, in the aggregate, up to \$95 million over several years. 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) had promulgated regulations for air emissions from:  
• pulp and paper manufacturing facilities,  
• wood products facilities and  
• industrial boilers.

These regulations cover:

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

The U.S. Court of Appeals for the D.C. Circuit issued decisions in 2007:

- vacating the MACT standards for air emissions from industrial boilers and process heaters and
- remanding the standards for plywood and composite wood products to the EPA.

In 2012, EPA issued new MACT standards for industrial boilers and process heaters and completed a technology and residual risk review for the MACT standards applicable to pulping and bleaching operations at pulp and paper manufacturing facilities. As a result of these recent final actions by the EPA, we expect we might spend as much as \$25 million to \$45 million over the next few years to comply with the MACT standards.

The EPA must still promulgate:

- technology and residual risk review for pulp and paper manufacturing facilities and
- supplemental MACT standards for plywood and composite products.

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

In 2007, the U.S. Supreme Court ruled that greenhouse gases are pollutants that can be subject to regulation under the Clean Air Act. As a result, the EPA:

- promulgated regulations in 2009 for reporting greenhouse gas emissions that are applicable to our manufacturing operations;
- issued a final rule in 2010 that applies to our manufacturing operations on a project-by-project basis that would limit the growth in greenhouse gas emissions from new projects meeting certain emission thresholds;
- issued a final rule deferring until mid-2014 greenhouse gas permitting requirements for carbon dioxide emissions from biomass; and

initiated in 2011 efforts to further develop independent scientific analysis and rulemaking on how biomass emissions should be treated.

It is unclear what the effect of EPA's greenhouse gas regulations will be on our operations until final rules regarding biomass emissions are promulgated.

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 31 percent considering changes in the asset portfolio according to 2011 data, compared to our 2000 baseline.

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

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

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 20

---

## Table of Contents

It is not yet known when and to what extent these policy activities may come into force or how they may relate to each other in the future.

We believe these measures have not had, and in 2013 will not have, a significant effect on our operations, although they may have such an effect in the future. We expect we will not be disproportionately affected by these measures as compared with typical 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 Canada:

We participate in negotiations between the FPAC and Environment Canada to define industry obligations for complying with Canada's national plan for reducing greenhouse gas emissions and achieving ambient air quality objectives over the next several years.

We work with provincial forestry associations to develop technically sound and economically viable policies, practices and procedures for measuring, reporting and managing greenhouse gas emissions and protecting air quality.

The Canadian federal government:

proposed a regulatory framework for air emissions in 2007 that adopted some aspects of the Kyoto Protocol; called for mandatory reductions in greenhouse gas emissions for heavy industrial emissions producers, among other measures, to be put in place by 2010;

signed the Copenhagen Accord in December 2009, committing to reducing its greenhouse gas emissions by 17 percent below 2005 levels; and

announced in December 2011 that it was withdrawing from the Kyoto Protocol.

Environment Canada is moving forward with a sector-based approach for GHG reduction and is currently working with provincial regulatory authorities to try to harmonize with their regulations.

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.

We believe these measures have not had, and in 2013 will not have, a significant effect on our operations, although they may have such an effect in the future. We expect we will not be disproportionately affected by these measures as compared with typical 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 (some of which is ongoing), additional federal or state permits will be required in the future

under the federal Clean Water Act in one or more of the states in which we operate. These permits relate to:

pollution discharges from forest roads,

other drainage features on forest land and

the application of pesticides, including herbicides, on forest lands.

Such permits, some of which became effective in early 2012, will entail additional costs for Weyerhaeuser and some other forest landowners.

In Canada, in 2011, a National Round Table on the Environment and the Economy (NRTEE) proposed changes to water-use management across Canada and recommended that federal, provincial and territorial governments develop new water strategies. NRTEE has convened experts from across Canada to develop a national action plan on how to effectively implement the report's recommendations. Recommendations, if adopted by the Federal government, may entail additional costs. However, we do not expect a disproportionate effect on Weyerhaeuser as compared to comparable operations of other forest landowners. In June 2012, the federal government announced that NRTEE's

funding will end in 2013.

#### 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

• set 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 started work to address water usage and quality issues. Regional watershed protection is increasing and appears to be a part of future water strategies across Canada. We established a goal in May 2008 to reduce water use at our cellulose fibers mills 20 percent by 2012, using a 2007 baseline. We achieved a 19 percent water use reduction in 2011 compared to our 2007 baseline.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 21

---

## Table of Contents

### 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:

are based on various assumptions we make and

may not be accurate because of risks and uncertainties surrounding the assumptions we make.

Factors listed in this section — as well as other factors not included — may cause our actual results to differ from our forward-looking statements. 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 or financial condition.

We will not update our forward-looking statements after the date of this report.

### FORWARD-LOOKING TERMINOLOGY

Some forward-looking statements discuss our 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.

### STATEMENTS

We make forward-looking statements of our expectations regarding first quarter 2013, including:

improved selling prices for Western domestic and export logs, a seasonal decline in Southern fee harvest volumes, decreased earnings from dispositions of non-strategic timberlands and comparable earnings in our Timberlands segment excluding dispositions of non-strategic timberlands;

increased average sales realizations for lumber and oriented strand board, seasonally higher sales volumes across all product lines, improved operating rates, higher raw material costs and significantly higher earnings in our Wood Products segment;

increased maintenance expense, slightly higher average selling prices for pulp and lower earnings in our Cellulose Fibers segment; and

seasonally lower home closings, comparable margins, decreased selling expenses due to lower closing volumes and a slight profit from single-family homebuilding in our Real Estate segment.

In addition, we base our forward-looking statements on the expected effect of:

the economy;

regulations;

adverse litigation outcomes and the adequacy of reserves;

changes in accounting principles;

contributions to pension plans;

projected benefit payments;

projected tax rates and credits; and

other related matters.

### RISKS, UNCERTAINTIES AND ASSUMPTIONS

Major risks and uncertainties — and assumptions that we make — that affect our business 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 our products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions;

performance of our manufacturing operations, including maintenance requirements;

level of competition from domestic and foreign producers;

raw material prices;

the effect of weather;

the risk of loss from fires, floods, windstorms, hurricanes, pest infestations and other natural disasters;

energy prices;

the successful execution of our internal performance plans, including restructurings and cost reduction initiatives;

- transportation costs;
- federal tax policies;
- the effect of forestry, land use, environmental and other governmental regulations;
- legal proceedings;
- performance of pension fund investments and related derivatives;
- the effect of timing of retirements and changes in the market price of our common stock on charges for share-based compensation;
- changes in accounting principles; and
- other factors described under Risk Factors.

#### EXPORTING ISSUES

We are a large exporter, affected by changes in:

- economic activity in Europe and Asia — especially Japan and China;
- 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; and
- restrictions on international trade or tariffs imposed on imports.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 22

---

## Table of Contents

### RISK FACTORS

We are subject to certain risks and events that, if one or more of them occur, could adversely affect our business, our financial condition, our results of operations and the trading price of our common stock.

You should consider the following risk factors, in addition to the other information presented in this report and the matters described in “Forward-Looking Statements,” as well as the other reports and registration statements we file from time to time with the SEC, in evaluating us, our business and an investment in our securities.

The risks 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 INDUSTRIES AND BUSINESS

#### MACROECONOMIC CONDITIONS

The industries in which we operate are sensitive to macroeconomic conditions and consequently highly cyclical. The overall levels of demand for the products we manufacture and distribute reflect fluctuations in levels of end-user demand which consequently impact our sales and profitability. End-user demand depends in part on general macroeconomic conditions in North America and worldwide as well as on local economic conditions. Current economic conditions in the United States reflect slow growth and high levels of consumer and business uncertainty, which has been fueled by fiscal concerns with the U.S. as well as global economic issues such as European sovereign debt and slowing growth in China. The homebuilding industry (including our Real Estate Business), has seen increased demand for new homes resulting in falling inventories, which contributed to some improvement in selling prices for new and existing homes. This improvement is highly dependent on continued improvement in the overall economy, the relative health of which has been subject to the numerous shocks and obstacles, including those mentioned earlier. Our Wood Products segment is highly dependent on the strength of the homebuilding industry. The decline in home construction activity, which occurred as a result of the credit bubble and recession resulted in depressed prices of and demand for wood products and building materials. This was reflected in lower prices and demand for logs and reduced harvests in our Timberland segment. The length and magnitude of industry cycles have varied over time and by product, but generally reflect changes in macroeconomic conditions. Those conditions improved for some sectors such as homebuilding, but deteriorated for other sectors such as cellulose fibers, as the global demand for pulp has declined with the slowing economies in Europe and Asia.

#### 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. Prices for our products are affected by many factors outside of our control, and we have no 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 and energy costs, which represent significant components of our operating costs and can fluctuate based upon factors beyond our control. Prices of and demand for many of our products have fluctuated significantly in recent quarters, while many of our raw material or energy costs have increased. As a result, both sales and profitability are subject to volatility due to market forces beyond our control.

#### INDUSTRY SUPPLY OF LOGS, WOOD PRODUCTS AND PULP

Excess supply of products may adversely affect prices and margins.

Oversupply of products also may result from producers introducing new capacity or increasing harvest levels in response to favorable short-term pricing trends. Industry supplies of pulp also are influenced by overseas production capacity, which has grown in recent years and is expected to continue to grow. While the weakness of the U.S. dollar in recent years has improved the company’s competitive position, the recent strengthening of the U.S. dollar and decreases in demand for consumer products in emerging markets may result in lower prices. Continuation of these



factors could materially and adversely affect sales volumes and margins of our operations.

#### HOMEBUILDING MARKET AND ECONOMIC RISKS

High unemployment, low demand and low levels of consumer confidence could continue to adversely affect our sales volume, pricing and margins and result in further impairments.

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. During the period of 2007 through 2011, the mortgage industry experienced significant instability and increasing default rates, particularly with regard to subprime and other nonconforming loans. This caused many lenders to tighten credit requirements and reduce the number of mortgage loans available for financing home purchases. Credit conditions have begun to ease, but remain significantly more restrictive than prior to 2007. Demand for new homes also has been adversely affected by factors such as continued high unemployment and weak consumer confidence. Foreclosure rates and distress sales of houses, while still at elevated levels, have fallen and are less of an impact compared to the years immediately following the house collapse.

The company has traditionally carried a larger supply of land for development than many of our competitors. Land markets and prices have been volatile in recent years and significant changes in the real estate markets in which we operate may create valuation risk for this land. Although our land portfolio may reduce inventory risk for certain of our homebuilding operations and may create the opportunity to generate revenue from the sale of non-strategic assets to third parties, the company will be required to purchase additional lots to support our homebuilding operations. Intense competition for land may significantly increase the prices we pay to acquire land and lots in the near term.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 23

---

## Table of Contents

Our homebuyers' ability to qualify for and obtain affordable mortgages could be affected by changes in government sponsored entities and private mortgage insurance companies supporting the mortgage market.

The federal government has historically had a significant role in supporting mortgage lending through its sponsorship of Fannie Mae and Freddie Mac. As a result of turbulence in the credit markets and mortgage finance industry in the last few years, the effect of the federal government's conservatorship of these government sponsored entities on the short-term and long-term demand for new housing remains unclear. 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, is critical to the housing market. There have been significant concerns about the future purpose of Fannie Mae and Freddie Mac and a number of proposals to curtail their activities over time are under review. Any limitations or restrictions on the availability of financing by these entities could adversely affect interest rates, mortgage financing, and increase the effective cost of our homes, which could reduce demand for our homes and adversely affect our results of operations.

Changes in mortgage interest expense and real estate tax regulations 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. Any changes to income tax laws by the federal government or a state government to eliminate or substantially reduce these income tax deductions, as has been considered from time to time, would increase the after-tax cost of owning a home. Increases in real estate taxes by local governmental authorities also increase the cost of homeownership. Any such increases to the cost of homeownership could adversely affect the demand for and sales prices of new homes.

## CAPITAL MARKETS

Deterioration in economic conditions and the credit markets could adversely affect our access to capital.

Financial and credit markets have experienced turmoil and which may impair the company's ability to borrow money. Similarly, our customers may be unable to borrow money to fund their operations.

Continued deteriorating or volatile market conditions could:

- adversely affect our ability to access credit markets on terms acceptable to us,
- limit our capital expenditures for repair or replacement of existing facilities or equipment,
- adversely affect our compliance with covenants under existing credit agreements,
- result in adverse changes in the credit ratings of our debt securities,
- have an adverse effect on our customers and suppliers and their ability to purchase our products,
- adversely affect the banks providing financial security for the transaction structures used to defer taxes related to several major sales of timber,
- adversely affect the performance of our pension plans requiring additional company contributions and
- reduce our ability to take advantage of growth and expansion opportunities.

## CHANGES IN CREDIT RATINGS

Changes in credit ratings issued by nationally recognized statistical 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, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading or downgrading the current rating or placing the company on a watch list for possible future downgrading. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading could limit our access to the credit markets, increase our cost of financing, and have an adverse effect on the market price of our securities.

## SUBSTITUTION

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

Our products may compete with nonfiber-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 the products

produced by our Wood Products businesses 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. As the use of these alternatives grows, demand for our products may further decline.

#### CHANGES IN PRODUCT MIX OR PRICING

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

Our results may be affected by a change in our sales mix. Our outlook assumes a certain volume and product mix of sales. If actual results vary from this projected volume and product mix of sales, our operations and our results could be negatively affected. Our outlook also assumes we will be successful in implementing previously announced or future price increases, or plans to move customers to higher-priced products. Delays in acceptance of price increases or failure of customers to accept higher-priced products could negatively affect our results. Moreover, price discounting, if required to maintain our competitive position, could result in lower than anticipated price realizations.

#### INTENSE COMPETITION

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

We compete with North American and, for many of our product lines, global producers, some of which may have greater financial resources and lower production costs than we do. The principal basis for competition is selling price. Our ability to maintain satisfactory margins depends in large part on our ability to control our costs. 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 one or more of our competitors become more successful with respect to any key competitive factor, our ability to attract and retain customers could be materially adversely affected. If we are unable to compete effectively, such failure could have a material adverse effect on our business, financial condition and results of operations.

## Table of Contents

Another emerging 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.

In North America, our forests are third-party certified to the Sustainable Forestry Initiative (SFI®) standard. 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 and to the extent that this preference becomes a customer requirement, 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 reduce 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.

### MATERIAL DISRUPTION OF MANUFACTURING

A material disruption at one of our manufacturing facilities could prevent us from meeting customer demand, reduce our sales or 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;
- a chemical spill or release;
- explosion of a boiler;
- the effect of a drought or reduced rainfall on its water supply;
- labor difficulties;
- disruptions in the transportation infrastructure, including roads, bridges, railroad tracks and tunnels;
- fires, floods, windstorms, earthquakes, hurricanes or other catastrophes;
- terrorism or threats of terrorism;
- governmental regulations; and
- other operational problems.

Any such downtime or facility damage could prevent us from meeting customer demand for our products or require us to make unplanned capital expenditures. If one of these machines or facilities were to incur significant downtime, our ability to meet our production targets and satisfy customer requirements could be impaired, resulting in lower sales and income.

### CAPITAL REQUIREMENTS

Our operations require substantial capital.

The company has substantial capital requirements for expansion and 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 material adverse effect on our financial condition, results of operations and cash flows.

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 provide for our operating needs, capital expenditures and other cash requirements on economic terms, we could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

### 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, 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.

For example, the U.S. Environmental Protection Agency (EPA) is in the process of implementing final rules regulating greenhouse gases that apply to our operations on a project-by-project basis and may be applied to carbon dioxide emissions from biomass. These and similar laws and regulations in the U.S. and Canada will require us to obtain authorizations from and comply with the authorization requirements of the appropriate governmental authorities, which have considerable discretion over the terms and timing of permits.

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.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 25

---

## Table of Contents

As the owner and operator of real estate, including in our homebuilding business, 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. Any material liability we incur could adversely affect our financial condition or preclude us from making capital expenditures that otherwise would benefit our business.

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, health care and a number of other areas that could require significant expenditures.

### CURRENCY EXCHANGE RATES

We will be affected by changes in currency exchange rates.

We have manufacturing operations in Canada, Uruguay and Brazil. We are also a large exporter and compete with producers of products very similar to ours. Therefore, we are affected by changes in the strength of the U.S. dollar relative to the Canadian dollar, euro and yen, and the strength of the euro relative to the yen.

### AVAILABILITY OF RAW MATERIALS AND ENERGY

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, coal 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 hedging arrangements, price increases, productivity improvements or cost-reduction programs.

### TRANSPORTATION

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

Our business depends on the transportation of a large number of products, both domestically and internationally. We rely primarily on third parties for transportation of the products we manufacture or distribute as well as delivery of our raw materials. In particular, a significant portion of the goods we manufacture and raw materials we use are transported by railroad or trucks, which are highly regulated.

If any of our third-party transportation providers were to fail to deliver the goods we manufacture or distribute in a timely manner, we may be unable to sell those products at full value — or at all. Similarly, if any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture our products in response to customer demand. In addition, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at reasonable cost.

Any failure of a third-party transportation provider to deliver raw materials or finished products in a timely manner could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial condition and results of operation.

In addition, an increase in transportation rates or fuel surcharges could materially adversely affect our sales and profitability.

#### 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 regular 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.

In addition, 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 the tax law could adversely affect our shareholders. 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.

Certain of our business activities are potentially subject to prohibited transactions tax or corporate-level income 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 manufacture and sale by us of wood products, the harvesting and sale of logs, and the development or sale of certain timberlands, the manufacture and sale of pulp products, the development of real estate, the building and sale of single-family houses and the development and sale of land and lots for real estate development are conducted through one or more of our wholly-owned taxable REIT subsidiaries (“TRSs”) because such activities could generate non-qualifying REIT income and 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

## Table of Contents

business. By conducting our business in this manner we believe that we satisfy the REIT requirements of the Internal Revenue Code and are not subject to the 100 percent tax that could be imposed if a REIT were to conduct a prohibited transaction. The net income of our TRSs is subject to corporate-level income tax.

The extent of our use of our TRS 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. Our 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 pulp products, real estate development and single-family home sales, and sale of HBU property. Our TRSs are subject to corporate-level tax. Therefore, we pay income taxes on the income generated by our TRSs. Under the Code, no more than 25 percent of the value of the gross assets of a REIT may be represented by securities of one or more TRS. 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 taxable REIT subsidiaries. The ability of the REIT to receive dividends from our TRS 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 passive 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 TRS 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 income that is not distributed 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 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.

We may not be able to complete desired like-kind exchange transactions for timberlands and real estate we sell. When we sell timberlands and real estate, we generally seek to match these sales with the acquisition of suitable replacement timberlands. This allows us "like-kind exchange" treatment for these transactions under section 1031 and related regulations of the Code. This matching of sales and purchases provides us with significant tax benefits, most importantly the deferral of any gain on the property sold until ultimate disposition of the replacement property. While we attempt to complete like-kind exchanges wherever practical, we may not be able to do so in all instances due to various factors, including the lack of availability of suitable replacement property on acceptable terms and our inability to complete a qualifying like-kind exchange transaction within the time frames required by the Code. The inability to obtain like-kind exchange treatment would result in the payment of taxes with respect to the property sold, and a corresponding reduction in earnings and cash available for distribution to shareholders as dividends.

## LEGAL PROCEEDINGS

We are a party to a number of legal proceedings, and adverse judgments in certain legal proceedings could have a material adverse effect on our financial condition.



The costs and other effects of pending litigation against us and related insurance recoveries cannot be determined with certainty. Although the disclosure in Note 15: Legal Proceedings, Commitments and Contingencies of Notes to Consolidated Financial Statements contains management's current views of the effect such litigation will have on our financial results, there can be no assurance that the outcome of such proceedings will be as expected.

For example, there have been several lawsuits filed against us alleging that we violated U.S. antitrust laws. Those included lawsuits alleging antitrust violations against us and other manufacturers of oriented strand board and lawsuits alleging antitrust violations with respect to alder logs and lumber. All of these matters have been settled.

It is possible that there could be adverse judgments against us in some or all major litigation against us and that we could be required to take a charge for all or a portion of any damage award. Any such charge could materially and adversely affect our results of operations for the quarter or year in which we record it.

#### EXPORT TAXES

We may be required to pay significant export taxes or countervailing and anti-dumping duties for exported products. We may experience reduced revenues and margins on some of our businesses as a result of export taxes or countervailing and anti-dumping duty assessments. International trade disputes occur frequently and can be taken to an International Trade Court for resolution of unfair trade practices between countries. For example, there have been many disputes and subsequent trade agreements regarding sales of softwood lumber between Canada and the United States. The current Softwood Lumber Act signed in October 2006 requires our Canadian softwood lumber facilities to pay an export tax when the price of lumber is at or below a threshold price. The export tax could be as high as 22.5 percent if a province exceeds its total allotted export share. It is possible that additional countervailing duty and antidumping tariffs, or similar type tariffs could be imposed on us in the future. We may experience reduced revenues and margins in any business that is subject to such tariffs or to the terms of the settlements of such international disputes. These tariffs or settlement terms could have a material adverse effect on our business, financial results and financial condition, including facility closures or impairments of assets.

## Table of Contents

### NATURAL DISASTERS

Our business and operations could be adversely affected by weather, fire, infestation or natural disasters. Our timberlands assets may be damaged by adverse weather, severe wind and rainstorms, fires, pest infestation or other natural disasters. Because our manufacturing processes primarily use wood fiber, in many cases from our own timberlands, in the event of material damage to our timberlands, our operations could be disrupted or our production costs could be increased. As is typical in the forestry industry, we do not insure against losses of timber, including losses due to these causes.

### RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK

#### STOCK-PRICE VOLATILITY

The price of our common stock may be volatile.

The market price of our common stock may be influenced by many factors, some of which are beyond our control, including those described above under "Risks Related to our Industries and Business" and 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;
- the financial market and general economic conditions;
- 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 stockholders or sales 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 the operating performance of particular companies.

Some companies that have had 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 would divert management's attention and resources.

#### 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 Wood Products properties, go to Our Business/What We Do/Wood Products/Where We Do It.

For details about our Cellulose Fibers properties, go to Our Business/What We Do/Cellulose Fibers/Where We Do It.

For details about our Real Estate properties, go to Our Business/What We Do/Real Estate/Where We Do It.

#### LEGAL PROCEEDINGS

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



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

Our common stock trades on the following exchanges under the symbol WY:

• New York Stock Exchange and

• Chicago Stock Exchange

As of December 31, 2012, there were approximately 9,227 holders of record of our common shares.

Dividend-per-share data and the range of closing market prices for our common stock for each of the four quarters in 2012 and 2011 are included in Note 22: 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 <sup>(1)</sup>	26,423,028	\$ 22.38	11,848,635
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	26,423,028	\$ 22.38	11,848,635

(1) Includes 1,648,752 restricted stock units and 814,232 performance share units. Because there is no exercise price associated with restricted stock units and performance share units, such stock units are not included in the weighted average price calculation.

**INFORMATION ABOUT COMMON STOCK REPURCHASES**

We did not repurchase any common shares in 2012. During 2011, we repurchased 1,199,800 shares of common stock for \$20 million under the 2008 stock repurchase program. On August 11, 2011, our Board of Directors terminated the 2008 stock repurchase program and approved the 2011 stock repurchase program under which we are authorized to repurchase up to \$250 million of outstanding shares. During 2011, we repurchased 1,089,824 shares of common stock for \$17 million under the 2011 program. As of December 31, 2012, we had remaining authorization of \$233 million for future share repurchases.

**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, 2007 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.

Table of Contents

## SELECTED FINANCIAL DATA

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

PER SHARE

	2012	2011	2010	2009	2008
Diluted earnings (loss) from continuing operations attributable to Weyerhaeuser common shareholders	\$0.71	0.59	3.96	(2.38 )	(8.73 )
Diluted earnings (loss) from discontinued operations attributable to Weyerhaeuser common shareholders <sup>(1)</sup>	—	0.02	0.03	(0.20 )	3.16
Diluted net earnings (loss) attributable to Weyerhaeuser common shareholders	\$0.71	0.61	3.99	(2.58 )	(5.57 )
Dividends paid	\$0.62	0.60	26.61	0.60	2.40
Weyerhaeuser shareholders' interest (end of year)	\$7.50	7.95	8.60	19.13	22.78

## FINANCIAL POSITION

	2012	2011	2010	2009	2008
Total assets:					
Forest Products	\$10,589	10,717	11,511	13,317	14,080
Real Estate	2,003	1,917	1,953	2,002	2,615
Total	\$12,592	12,634	13,464	15,319	16,695
Total long-term debt:					
Forest Products	\$4,182	4,193	4,710	5,284	5,560
Real Estate	109	285	350	402	456
Total	\$4,291	4,478	5,060	5,686	6,016
Weyerhaeuser shareholders' interest	\$4,070	4,263	4,612	4,044	4,814
Percent earned on average Weyerhaeuser shareholders' interest	9.2	%7.5	%29.6	%(12.3 )	%(18.4 )%

## OPERATING RESULTS

	2012	2011	2010	2009	2008
Net sales and revenues	\$7,059	6,216	5,954	5,068	7,413
Earnings (loss) from continuing operations	\$384	319	1,274	(525 )	(1,911 )
Discontinued operations, net of income taxes <sup>(1)</sup>	—	12	9	(43 )	669
Net earnings (loss)	384	331	1,283	(568 )	(1,242 )
Net loss (earnings) attributable to noncontrolling interest	1	—	(2 )	23	66
Net earnings (loss) attributable to Weyerhaeuser common shareholders	\$385	331	1,281	(545 )	(1,176 )

## CASH FLOWS

	2012	2011	2010	2009	2008
Net cash from operations	\$581	291	689	(203 )	(1,411 )
Cash from investing activities	\$(192 )	122	164	276	5,571
Cash from financing activities	\$(444 )	(927 )	(1,255 )	(498 )	(1,980 )
Net change in cash and cash equivalents	\$(55 )	(514 )	(402 )	(425 )	2,180

## STATISTICS (UNAUDITED)

	2012	2011	2010	2009	2008
Number of employees	13,200	12,800	14,250	14,888	19,843
Number of common shareholder accounts at year-end	9,227	9,724	10,050	10,577	11,088

Number of common shares outstanding at year-end (thousands)	542,393	536,425	535,976	211,359	211,289
Weighted average shares outstanding – diluted (thousands)	542,310	539,879	321,096	211,342	211,258

In addition to our discontinued operations that are presented in Note 3: Discontinued Operations in the Notes to (1) Consolidated Financial Statements, 2008 contains the results of our Containerboard, Packaging and Recycling segment, which was sold in 2008.

To implement our decision to be taxed as a REIT, we distributed to our shareholders our accumulated earnings and profits, determined under federal income tax provisions, as a “Special Dividend.” On September 1, 2010, we paid a dividend of \$5.6 billion which included the Special Dividend and the regular quarterly dividend of approximately \$11 million. At the election of each shareholder, the Special Dividend was paid in cash or Weyerhaeuser common shares. The number of common shares issued was approximately 324 million. The stock portion of the Special Dividend was treated as the issuance of new shares for accounting purposes and affects our earnings per share only for periods after the distribution. Prior periods are not restated. The required treatment results in earnings per share that is less than would have been the case had the common shares not been issued. See Note 4: Net Earnings Per Share in the Notes to Consolidated Financial Statements for 2010 pro forma results giving effect to the common stock distribution for diluted earnings per common share as if the common stock distribution had occurred at the beginning of that period.

## Table of Contents

### 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;
- real estate investment trust (REIT) election;
- financial performance summary;
- 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

In 2012, the U.S. economy advanced at a muted pace. U.S. recovery was hindered by slowing global growth as well as domestic issues which included the rising U.S. deficit and political uncertainty related to the fall elections. Continued uncertainty on the part of business and consumers limited investment and spending. These factors significantly affected the economy, limiting anticipated improvements in key economic indicators. The U.S. housing market, while affected by these factors, showed signs of improvement in 2012 as lower inventories of new and existing homes led to increases in construction and home values. The strength of the U.S. housing market strongly affects our Real Estate, Wood Products and Timberlands segments. Real Estate focuses on building single-family homes. 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. Cellulose Fibers is primarily affected by global demand and the relative strength of the U.S. dollar.

#### HOUSING MARKET

We track certain indicators such as employment, consumer confidence, housing starts, home sales, foreclosures, home prices, mortgage interest rates and the number of homes for sale to assess housing market conditions. The following market statements refer to industry conditions in general and not to Weyerhaeuser operations directly.

Total U.S. housing starts for 2012 were 781 thousand units, with single family units accounting for 535 thousand of the total. This represents a 23 percent increase in single family starts from 2011. Multifamily construction also increased in 2012 to 246 thousand units compared with 178 thousand in 2011. While a significant improvement, current housing demand remains well below 1 million or more single family starts, the typical level during the 15-year period of 1992-2007. In 2012, new home sales in the U.S. averaged 366 thousand units. This level represents a 19 percent increase over 2011, which had the lowest number of new home sales since 1963, when U.S. Census started reporting this data. Through much of 2012 the unemployment rate has remained above 8 percent, but as of December had fallen to 7.8 percent, the lowest level for the year. Weak employment growth contributed to weak consumer confidence, limiting much of the potential growth in demand for housing and wood products. The number of mortgages in default remains above historic (pre 2006 levels), but has fallen significantly since the peak in 2009. Although, this factor will continue to contribute to the inventory of existing homes for sale, it is diminishing in significance as the overall housing market continues to improve from the credit crisis and recession of 2009. Demand for wood products has gradually improved as housing starts have increased. Overall demand levels for lumber increased 6 percent from 2011, with a similar 6 percent rise in the demand for structural panels. Despite the improvement, demand for both lumber and panels remain below peak levels. However, industry operating rates for lumber and structural panels have improved over 2011 and this has resulted in higher prices than those observed in 2011. Prices for most commodity wood products were higher in 2012, with the greatest increases in southern yellow pine lumber and oriented strand board (OSB). Demand for logs increased as lumber production increased. In the West,

demand for logs was bolstered by demand from Japan, China and Korea, although demand from China is lower than in 2011. In the South, several years of deferred harvest due to weak demand have created increased inventories and as a result southern pine log prices were relatively flat in 2012.

#### U.S. DOLLAR/GLOBAL DEMAND

The U.S. dollar remained weak relative to many global currencies during 2012. However, the year was characterized by volatility in euro exchange rates as a result of the debt crisis in Eurozone countries. The U.S. dollar strengthened against the euro for much of 2012, which had a detrimental effect on Cellulose Fibers, as our pulp mills became less competitive against competitors with euro denominated costs. Additionally, the slowdown in the key global economies of Europe and China led to a slowdown in pulp demand, putting additional downward pressure on prices as operating rates worldwide moved lower. The key indicator, northern bleached softwood kraft (NBSK) pulp, fell to an average of \$813/ton (delivered N Europe) in 2012. This was a 15 percent decline from 2011. Pulp prices started the first half of the year at \$837/ton, which was lower than 2011, and fell below \$800/ton in the third quarter.

Japan experienced an uptick in housing starts in 2012 with total housing starts in Japan increasing 5 percent from 2011 levels. Shipment of logs to Japan increased 6 percent over 2011. In 2012 the U.S. dollar yen exchange rate was comparable to 2011. However the yen began to weaken in the fourth quarter, making U.S. wood less affordable in yen terms. This was offset to some extent by the appreciating euro, which increased the cost of competing supplies from Europe into Japan. The export log market was affected by the slowdown in China's construction sector related to the overall slowdown in the Chinese economy. Chinese imports of softwood logs from the U.S. were lower than the same period in 2011, but above 2010 levels.



Table of Contents

WHERE WE ARE HEADED

Growth in the U.S. economy is estimated to be 2.2 percent for 2012 and the expectation is for slightly lower growth of 1.9 percent in 2013. The ongoing weak economic recovery from the recession of 2009 has limited job growth, and improvements in consumer confidence and spending. The U.S. is expected to add enough jobs to continue to lower the overall unemployment rate in 2013, but at a gradual pace. Single-family starts are expected to continue to increase in 2013, a result of improving demand for homes and low inventories of new and existing homes for sale. Demand for wood products is expected to increase as a result of greater demand for housing. Prices for wood products in 2013 are expected to be similar to 2012, although some prices may weaken as previously idled manufacturing capacity is restarted and inventories increase. Log prices in western markets are expected to rise slightly with improving export and domestic demand. In the South, log prices are expected to remain near current levels until increased demand decreases inventories. The U.S. dollar is expected to remain weak relative to developed currencies outside of the euro, which is expected to continue to be affected by uncertainty in the Eurozone. Weakness in global pulp demand and volatility in the euro are expected to continue and to limit improvement in commodity pulp prices.

REAL ESTATE INVESTMENT TRUST (REIT) ELECTION

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. We expect to derive most of our REIT income from investments in timberlands, including the sale of standing timber through pay-as-cut sales contracts. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. A significant portion of our timberland segment earnings receives this favorable tax treatment. We are, however, subject to corporate taxes on built-in-gains (the excess of fair market value over tax basis at January 1, 2010) on sales of real property (other than standing timber) held by the REIT during the first 10 years following the REIT conversion. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which principally includes our manufacturing businesses, our real estate development business and our non-qualified timberland segment income. Following are points related to our conversion:

To implement our decision to be taxed as a REIT, we distributed to our shareholders our accumulated earnings and profits, determined under federal income tax provisions, as a "Special Dividend." On September 1, 2010, we paid a dividend of \$5.6 billion which included the Special Dividend and the regular quarterly dividend of approximately \$11 million. At the election of each shareholder, the Special Dividend was paid in cash or Weyerhaeuser common shares. The aggregate amount of cash distributed was \$560 million and the number of common shares issued was approximately 324 million.

The stock portion of the Special Dividend is treated as the issuance of new shares for accounting purposes and affects our earnings (loss) per share only for periods after the distribution. Prior periods are not restated. The required treatment results in earnings (loss) per share that is less than would have been the case had the common shares not been issued.

We reversed certain deferred income tax liabilities, which resulted in a benefit in the Consolidated Statement of Operations during 2010 of approximately \$1,064 million. Our effective income tax rate also decreased beginning in 2010, due to lower taxes on REIT qualifying timberlands income.

Table of Contents

FINANCIAL PERFORMANCE SUMMARY

Net Sales and Revenues by Segment

Contribution (Charge) to Pretax Earnings by Segment, Excluding Discontinued Operations

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 33

---

Table of Contents

## RESULTS OF OPERATIONS

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

• Price realizations refer to net selling prices — this includes selling price plus freight minus normal sales deductions.

• Net contribution to earnings can be positive or negative and refers to earnings (loss) attributable to Weyerhaeuser shareholders before interest expense and income taxes.

## CONSOLIDATED RESULTS

## HOW WE DID IN 2012

## Summary of Financial Results

## DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

	2012	2011	2010	AMOUNT OF CHANGE	
				2012 vs. 2011	2011 vs. 2010
Net sales and revenues	\$7,059	\$6,216	\$5,954	\$843	\$262
Operating income	\$735	\$594	\$454	\$141	\$140
Earnings from discontinued operations, net of tax	\$—	\$12	\$9	\$(12)	)\$3
Net earnings attributable to Weyerhaeuser common shareholders	\$385	\$331	\$1,281	\$54	\$(950)
Basic earnings per share attributable to Weyerhaeuser common shareholders	\$0.71	\$0.62	\$4.00	\$0.09	\$(3.38)
Diluted earnings per share attributable to Weyerhaeuser common shareholders	\$0.71	\$0.61	\$3.99	\$0.10	\$(3.38)

## COMPARING 2012 WITH 2011

## Net Sales and Revenues

Net sales and revenues increased \$843 million — 14 percent — primarily due to the following:

• Wood Products segment sales increased \$782 million, primarily due to higher sales volumes across all major product lines and improved selling prices for structural lumber, OSB and plywood.

• Real Estate segment sales increased \$232 million, primarily due to the sale of a 3,200 acre master planned community in Houston, Texas, sale of commercial acreage and multi-family lots in southern California and increased home closings.

These increases were partially offset by a decrease of \$204 million in Cellulose Fibers segment sales, primarily due to lower pulp price realizations.

## Net Earnings Attributable to Weyerhaeuser Common Shareholders

Our net earnings attributable to Weyerhaeuser common shareholders increased \$54 million — 16 percent — primarily due to the following:

• a \$355 million increase in gross margin from our Wood Products segment, primarily due to higher price realizations for lumber, OSB and plywood;

• a \$103 million pretax gain recognized in 2012 related to a postretirement plan amendment;

• charges for restructuring, closures and asset impairments decreased \$51 million; and

• a \$48 million increase in gross margin from our Real Estate segment, primarily due to increased contributions from land and lot sales.

These increases in our earnings were partially offset by:

• a \$240 million decrease in gross margin from our Cellulose Fibers segment, primarily due to lower pulp price realizations;

• a pretax gain of \$152 million on the sale of 82,000 acres of non-strategic timberlands in 2011; and

• a \$117 million increase in income taxes due to higher income in our TRS in 2012 compared to 2011, and lower tax benefits primarily due to foreign tax credits recognized in 2011.

COMPARING 2011 WITH 2010

Net Sales and Revenues

Net sales and revenues increased \$262 million — 4 percent — primarily due to the following:

- Timberlands segment sales increased \$170 million, as a result of higher log prices and volumes sold;
- Cellulose Fibers segment sales increased \$147 million, as a result of higher pulp prices and volumes sold; and
- Wood Products segment sales increased \$52 million, as a result of increased volumes sold of structural lumber and OSB.

These increases were partially offset by an \$85 million decrease in Real Estate segment sales, as a result of fewer home closings.

Net Earnings Attributable to Weyerhaeuser Common Shareholders

Our net earnings attributable to Weyerhaeuser common shareholders decreased \$950 million — 74 percent — primarily due to certain significant benefits in 2010 that were not repeated in 2011, including:

- a \$1,064 million reversal of certain deferred income tax liabilities as a result of our conversion to a REIT in 2010;
- a \$149 million cellulosic biofuel producer credit in 2010;

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 34

---

Table of Contents

- a pretax gain of \$46 million on the sale of five short line railroads in 2010; and
  - a pretax gain of \$40 million on the sale of certain British Columbia forest licenses and associated rights in 2010.
- These decreases in our earnings were partially offset by:
- a pretax gain of \$152 million on the sale of 82,000 acres of non-strategic timberlands in 2011;
  - a \$76 million tax benefit related to foreign tax credits in 2011;
  - a \$68 million decrease in interest expense due to lower charges associated with the early extinguishment of debt and lower interest expense due to a lower level of debt;
  - charges for restructuring, closure and asset impairments decreased \$65 million, primarily due to decreased impairments recognized in our Wood Products segment; and
  - a \$49 million decrease in selling, general and administrative expenses.

## TIMBERLANDS

## HOW WE DID IN 2012

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

Here is a comparison of net sales and revenues to unaffiliated customers, intersegment sales, and net contribution to earnings for the last three years:

Net Sales and Revenues and Net Contribution to Earnings for Timberlands

DOLLAR AMOUNTS IN MILLIONS

	AMOUNT OF CHANGE				
	2012	2011	2010	2012 vs. 2011	2011 vs. 2010
Net sales and revenues to unaffiliated customers:					
Logs:					
West	\$559	\$545	\$414	\$14	\$131
South	233	196	145	37	51
Canada	19	17	17	2	—
Total	811	758	576	53	182
Pay as cut timber sales	37	34	33	3	1
Timberlands exchanges <sup>(1)</sup>	59	77	109	(18)	)(32)
Higher and better-use land sales <sup>(1)</sup>	22	25	22	(3)	)3
Minerals, oil and gas	31	53	60	(22)	)(7)
Products from international operations <sup>(2)</sup>	106	86	65	20	21
Other products	11	11	9	—	2
Subtotal sales to unaffiliated customers	1,077	1,044	874	33	170
Intersegment sales:					
United States	447	424	409	23	15
Canada	236	222	194	14	28
Subtotal intersegment sales	683	646	603	37	43
Total	\$1,760	\$1,690	\$1,477	\$70	\$213
Net contribution to earnings	\$322	\$491	\$282	\$(169)	)\$209

(1) Significant disposition of higher and better use timberland and some non-strategic timberlands are made through Forest Products subsidiaries.

(2) Includes logs, plywood and hardwood lumber harvested or produced by our international operations, primarily in South America.

## COMPARING 2012 WITH 2011

Net Sales and Revenues — Unaffiliated Customers

Net sales and revenues to unaffiliated customers increased \$33 million — 3 percent — primarily due to the following:

- Southern log sales increased \$37 million due to increased sales volumes of 14 percent and increased price realizations of 4 percent, as a result of increased harvest levels in response to increased third party demand.

• Sales from our international operations increased \$20 million, primarily due to increased plywood prices of 16 percent and a 33 percent increase in plywood sales volumes.

• Western log sales increased by \$14 million due to increased sales volumes of 12 percent, partially offset by lower export and domestic log prices.

The above items were partially offset by:

• a \$22 million decrease in minerals, oil and gas revenue primarily due to lower natural gas prices; and

• a \$21 million decrease in timberland exchanges.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 35

---

## Table of Contents

### Intersegment Sales

Intersegment sales increased \$37 million — 6 percent — primarily due to the following:

- a \$23 million increase due to higher sales volumes in the West and South, partially offset by lower log prices in the South; and

- a \$14 million increase due to increased Canadian log and chip sales volumes.

### Net contribution to earnings

Net contribution to earnings decreased \$169 million — 34 percent — primarily from:

- a \$152 million decrease due to the sale of 82,000 acres of non-strategic timberlands in 2011;

- a \$36 million decrease as the mix of export log sales compared to domestic log sales decreased in the West and both domestic and export log prices were lower in the West;

- a \$22 million decrease in mineral income, primarily as a result of lower natural gas prices;

- a \$15 million decrease due to fewer timberland exchanges and higher and better-use land sales; and

- a \$12 million increase in operating costs in the West, primarily due to increased logging and maintenance costs.

The above items were partially offset by:

- a \$46 million increase, primarily due to higher sales volumes and demand for domestic and export logs and an increase in harvest levels of 9 percent in the West and 18 percent in the South;

- a \$10 million increase in earnings from our international operations, primarily due to higher plywood prices and sales volumes; and

- a \$7 million increase due to higher log prices in the South.

### COMPARING 2011 WITH 2010

#### Net Sales and Revenues — Unaffiliated Customers

Net sales and revenues to unaffiliated customers increased \$170 million — 19 percent — primarily due to the following:

- Western log sales increased by \$131 million due to increased sales volumes of 18 percent and increased price realizations of 12 percent as a result of strong export demand.

- Southern log sales increased by \$51 million due to increased sales volumes of 45 percent resulting from increased harvest levels and increased sales of logs to third parties.

- Sales from our International operations increased by \$21 million, primarily due to increased plywood sales volumes of 34 percent.

The above items were partially offset by a decrease of \$29 million in land exchanges and higher and better-use land sales.

### Intersegment Sales

Intersegment sales increased 43 million — 7 percent — primarily from the following:

- a \$28 million increase due to increased Canadian log and chip sales volumes and

- a \$15 million increase due to higher log prices and sales volumes in the West partially offset by lower log prices and sales volumes in the South.

### Net contribution to earnings

Net contribution to earnings increased \$209 million — 74 percent — primarily from the following:

- a \$152 million pretax gain on the sale of 82,000 acres of non-strategic timberlands in 2011;

- a \$77 million increase primarily due to higher domestic and export prices in the West; and

- a \$59 million increase due to increased harvest levels of 18 percent in the West and 19 percent in the South.

These items were partially offset by:

- increased operating costs of \$33 million, primarily due to higher fuel and silviculture costs;

- a \$23 million decrease due to fewer land exchanges and higher and better-use land sales; and

- a \$20 million decrease due to lower prices for logs in the South.

### OUR OUTLOOK FOR FIRST QUARTER 2013

Excluding dispositions of non-strategic timberlands, we expect earnings from the segment to be comparable to fourth quarter. We anticipate improved selling prices for Western domestic and export logs, offset by a seasonal decline in Southern fee harvest volumes. Earnings from dispositions of non-strategic timberlands are expected to decrease.





Table of Contents

## WOOD PRODUCTS

## HOW WE DID IN 2012

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

Net Sales and Revenues and Net Contribution to Earnings for Wood Products

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	AMOUNT OF CHANGE	
				2012	2011
				vs. 2011	vs. 2010
Net sales and revenues:					
Structural lumber	\$1,400	\$1,087	\$1,044	\$313	\$43
Engineered solid section	279	235	246	44	(11 )
Engineered I-joists	190	161	171	29	(10 )
Oriented strand board	612	354	319	258	35
Softwood plywood	115	66	65	49	1
Other products produced	167	142	125	25	17
Other products purchased for resale	295	231	254	64	(23 )
Net sales and revenues from continuing operations	\$3,058	\$2,276	\$2,224	\$782	\$52
Net contribution to earnings from continuing operations	\$120	\$(243)	\$(316)	)\$363	\$73
Net contribution to earnings from discontinued operations	—	(25)	)8	25	(33 )
Net contribution to earnings	\$120	\$(268)	\$(308)	)\$388	\$40

## COMPARING 2012 WITH 2011

Overall performance in our Wood Products segment significantly improved year over year. We continue to focus on reducing costs and increasing revenues by broadening our customer base; introducing new products; growing our specialty, as well as commodity building products business; and improving our operational capabilities. These improvement efforts and better market conditions resulted in higher production rates in all primary product lines.

## Net Sales and Revenues

Net sales and revenues increased \$782 million — 34 percent — primarily due to the following:

• Structural lumber shipment volumes increased 12 percent and average price realizations increased 15 percent.

• OSB shipment volumes increased 27 percent and average price realizations increased 36 percent.

• Engineered solid section shipment volumes increased 25 percent.

• Engineered I-joints shipment volumes increased 19 percent.

• Softwood plywood shipment volumes increased 37 percent and average price realizations increased 28 percent.

• Other products produced increased 18 percent.

• Other products purchased for resale increased 28 percent.

The above items were partially offset by a decrease of 6 percent in engineered solid section average price realizations.

## Net Contribution to Earnings

Net contribution to earnings increased \$388 million primarily from:

• a \$363 million increase as higher lumber, OSB and plywood price realizations more than offset lower prices for engineered I-joists and engineered solid section:

• a \$58 million decrease in charges for restructuring, closures and asset impairments;

• a \$25 million loss from discontinued operations included in 2011 earnings; and

• a \$23 million increase in sales volumes across all products.

These changes were partially offset by a \$51 million increase in freight expense due to higher shipment volumes.

COMPARING 2011 WITH 2010

Restructuring, Closures and Asset Impairments

During 2011, we recognized \$29 million of impairment charges in the Wood Products segment primarily related to the decision to permanently close four engineered lumber facilities that had been previously indefinitely closed. These facilities are located in Albany, Oregon; Dodson, Louisiana; Pine Hill, Alabama; and Simsboro, Louisiana. Total restructuring, closures and asset impairment charges in 2011 for the segment were \$64 million. This compares with total Wood Products restructuring, closures and asset impairment charges of \$114 million in 2010.

Net Sales and Revenues

Net sales and revenues decreased \$52 million — 2 percent — primarily due to the following:

• Structural lumber average price realizations decreased 3 percent as a result of:

- An 11 percent decrease in southern yellow pine realizations. In 2011, southern yellow pine accounted for 50 percent of the sales volume from our sawmills.
- This was partially offset by a 9 percent increase in Douglas fir realizations.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 37

---

Table of Contents

OSB average price realizations decreased 13 percent.

Engineered solid section shipment volumes decreased 6 percent.

Engineered I-joints shipment volumes decreased 12 percent.

Other products purchased for resale decreased primarily as a result of ceasing to offer a composite decking product line.

These items were partially offset by the following:

Structural lumber shipment volumes increased 7 percent.

OSB shipment volumes increased 28 percent, primarily due to the re-opening of our Hudson Bay, Saskatchewan facility.

Engineered I-joists average price realizations increased 7 percent.

Net Contribution to Earnings

Net contribution to earnings increased \$40 million — 13 percent — primarily from:

a \$83 million decrease in manufacturing costs, primarily due to increased operating rates;

• selling and general administrative costs decreased \$58 million, primarily due to previous cost reduction efforts;

charges for restructuring, closures and asset impairments decreased \$49 million; and

an increase in by-product sales of \$32 million.

These changes were partially offset by the following:

a \$66 million decrease due to lower sales price realizations, primarily for OSB and structural lumber;

freight expense increased \$43 million due to higher fuel cost and increasing shipments of OSB and structural lumber;

a \$40 million pretax gain was recognized in 2010 on the sale of certain British Columbia forest licenses and associated rights;

a \$33 million increase in charges related to the sale of our hardwoods operations; and

log costs increased \$16 million as domestic prices increased in the West as a result of strong export demand.

**OUR OUTLOOK FOR FIRST QUARTER 2013**

We anticipate significantly higher earnings from the Wood Products segment in first quarter. We expect increased average sales realizations for lumber and oriented strand board and seasonally higher sales volumes across all product lines. Unit manufacturing costs are expected to decline due to improved operating rates, partially offset by higher raw material costs.

**CELLULOSE FIBERS****HOW WE DID IN 2012**

We report sales volume and annual production data for our Cellulose Fibers business segment in [Our Business/What We Do/Cellulose Fibers](#).

Here is a comparison of net sales and revenues and net contribution to earnings for the last three years:

Net Sales and Revenues and Net Contribution to Earnings for Cellulose Fibers

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	AMOUNT OF CHANGE	
				2012	2011
				vs. 2011	vs. 2010
Net sales and revenues:					
Pulp	\$1,433	\$1,617	\$1,489	\$(184)	)\$128
Liquid packaging board	332	346	337	(14)	)9
Other products	89	95	85	(6)	)10
Total	\$1,854	\$2,058	\$1,911	\$(204)	)\$147
Net contribution to earnings	\$223	\$452	\$421	\$(229)	)\$31

COMPARING 2012 WITH 2011

Net Sales and Revenues

Net sales and revenues decreased \$204 million — 10 percent — primarily due to:

• Pulp price realizations decreased \$108 per ton — 12 percent — resulting from weak global economies and a weak euro.

• The effect of the price decrease was partially offset by an improved sales mix to higher valued products.

• Sales volumes for liquid packaging board decreased 8,000 tons — 3 percent as the result of weaker demand in Japan.

Net Contribution to Earnings

Net contribution to earnings decreased \$229 million — 51 percent — primarily due to:

• a \$190 million decrease due to lower pulp price realizations, partially offset by an improved sales mix to higher value products; and

• a \$35 million increase in chemical, freight, warehousing and other operating costs.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 38

---

Table of Contents

## COMPARING 2011 WITH 2010

## Net Sales and Revenues

Net sales and revenues increased \$147 million — 8 percent — primarily due to the following:

- Pulp price realizations increased \$52 per ton — 6 percent — primarily due to lower global softwood pulp inventories in the first half of the year and a change in sales mix to higher valued products.
- Sales volumes for pulp increased 42,000 tons — 2 percent.
- Liquid packaging board price realizations increased \$82 per ton — 8 percent — due to a favorable shift in product mix to coated board sales and an increase in market price.

## Net Contribution to Earnings

Net contribution to earnings increased \$31 million — 7 percent — primarily from:

- a \$92 million increase due to higher pulp price realizations;
- a \$24 million improvement in liquid packaging board price realizations; and
- a \$13 million increase in other non operating income, which includes earnings from an equity affiliate.

Partially offsetting these increases in earnings was:

- a \$57 million increase, primarily due to rising fiber and chemical costs;
  - a \$33 million increase in operating costs, maintenance, freight, energy and the effect on Canadian operating costs of the weakening U.S. dollar compared to the Canadian dollar; and
- a \$12 million increase in selling, general and administrative costs.

## OUR OUTLOOK FOR FIRST QUARTER 2013

We expect lower earnings from the Cellulose Fibers segment in first quarter. We anticipate increased maintenance expenses, partially offset by slightly higher average selling prices for pulp.

## REAL ESTATE

## HOW WE DID IN 2012

We report single-family unit statistics for our Real Estate business segment in [Our Business/What We Do/Real Estate](#). Here is a comparison of net sales and revenues and net contribution to earnings for the last three years:

## Net Sales and Revenues and Net Contribution to Earnings for Real Estate

## DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	AMOUNT OF CHANGE	
				2012	2011
				vs. 2011	vs. 2010
Net sales and revenues:					
Single-family housing	\$870	\$768	\$842	\$102	\$(74)
Land	193	67	64	126	3
Other	7	3	17	4	(14)
Total	\$1,070	\$838	\$923	\$232	\$(85)
Net contribution to earnings	\$105	\$58	\$91	\$47	\$(33)

## COMPARING 2012 WITH 2011

## Net Sales and Revenues

Net sales and revenues increased \$232 million — 28 percent — primarily due to:

- Single-family housing revenues increased \$102 million. Home closings increased 21 percent to 2,314 in 2012 from 1,912 in 2011. The average price of homes closed declined 6 percent to \$376,000 in 2012 from \$402,000 in 2011.
- Revenues from land and lot sales increased \$126 million. 2012 included the sale of a 3,200 acre master planned community in Houston, Texas and the sale of commercial acreage and multi-family lots in southern California.

## Net Contribution to Earnings

Net contribution to earnings increased \$47 million — 81 percent — primarily due to:

- a \$54 million increase in contribution from land and lot sales; and
- an \$8 million decrease in charges for impairments and restructuring.

These improvements were partially offset by the following:

- \$7 million increase in selling expenses, primarily due to volume related increases in sales and marketing costs; and
- \$7 million decrease in income from loss reserves for adjustments for settled matters.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 39

---

Table of Contents

Net contribution from single-family housing was comparable year-over-year. Improvements from the higher volume of closings was offset by the decrease in the average price of homes closed and lower single-family gross margins. Average single-family gross margins were 20.7 percent in 2012 compared to 23.3 percent in 2011.

**COMPARING 2011 WITH 2010****Net Sales and Revenues**

Net sales and revenues decreased \$85 million — 9 percent — primarily due to:

• Home closings declined 10 percent to 1,912 in 2011 from 2,125 in 2010.

• Revenues from land and other sales decreased \$11 million.

**Net Contribution to Earnings**

Net contribution to earnings decreased \$33 million — 36 percent — primarily due to:

• a \$33 million decrease in contribution from the sale of partnership interests — first quarter 2010 included the sale of interests in two commercial partnerships;

• a \$25 million decrease — 12 percent — in contribution from single-family operations, primarily due to fewer home closings; and

• a \$9 million decrease in contribution from partnerships interests.

These decreases were partially offset by the following improvements:

• a \$16 million decrease in selling, general and administrative expenses as the result of lower closing volumes and ongoing cost reduction efforts;

• an \$11 million increase related to contingent loss reserves – 2011 included net income from reserve adjustments for settled matters compared to net charges in 2010; and

• a \$10 million decrease in impairments and restructuring charges.

**OUR OUTLOOK FOR FIRST QUARTER 2013**

We anticipate a slight profit from single-family homebuilding in first quarter. Home closings should decline seasonally to approximately 500 homes, with margins comparable to fourth quarter. Selling expenses are expected to decrease due to lower closing volume.

**UNALLOCATED ITEMS**

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.

**Net Contribution to Earnings for Unallocated Items****DOLLAR AMOUNTS IN MILLIONS**

	2012	2011	2010	AMOUNT OF CHANGE	
				2012	2011
				vs.	vs.
				2011	2010
Unallocated corporate function expenses	\$(22)	\$(44)	\$(52)	)\$22	\$8
Unallocated share-based compensation	(16)	(5)	(15)	) (11)	) 10
Unallocated pension and postretirement credits (costs)	(29)	(26)	)73	(3	) (99)
Foreign exchange gains (losses)	7	(5)	)11	12	(16)
Elimination of intersegment profit in inventory and LIFO	(16)	(25)	(11)	)9	(14)
Other	56	(45)	)15	101	(60)
Operating income (loss)	(20)	(150)	)21	130	(171)
Interest income and other	38	33	33	5	—
Net contribution to earnings from continuing operations	18	(117)	)54	135	(171)

Net contribution to earnings from discontinued operations	—	45	6	(45	)39
Net contribution to earnings	\$18	\$(72	)\$60	\$90	\$(132 )

Other Unallocated Items in 2012 included a gain of \$103 million related to a postretirement plan amendment. Changes in Unallocated pension and postretirement credits (costs) in 2011 compared to 2010 were primarily due to an increase of \$100 million due to the amortization of deferred pension losses. We amortize the cumulative unrecognized net actuarial gains and losses—generally in excess of 10 percent of the greater of the projected benefit obligation or market-related value of plan assets at the beginning of the year—over the average remaining service period of the active employee group covered by the plans. Unrecognized net actuarial gains and losses arise primarily from differences between our expected long-term return on plan assets and the actual return in a particular year and changes in actuarial assumptions. See Note 8: Pension and Other Postretirement Benefit Plans in the Notes to Consolidated Financial Statements for more information.

Other Unallocated Items in 2010 included a gain on the sale of five short line railroads of \$46 million.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 40

---



Table of Contents

## INTEREST EXPENSE

Our net interest expense incurred for the last three years was:

\$348 million in 2012,  
 \$384 million in 2011 and  
 \$452 million in 2010.

Reductions in our amount of outstanding debt was:

\$187 million in 2012,  
 \$583 million in 2011 and  
 \$627 million in 2010.

In connection with the repayments, included in our net interest expense, we recognized the following pretax losses on early extinguishment of debt:

\$26 million in 2011 and  
 \$50 million in 2010.

## INCOME TAXES

Our provision (benefit) for income taxes for our continuing operations over the last three years was:

\$55 million in 2012,  
 \$(62) million in 2011 and  
 \$(1,192) million in 2010.

During 2012, we recorded the following tax benefits or charges:

- \$36 million tax charge related to a previously announced postretirement plan amendment and
- \$12 million tax benefit related to income tax settlements.

During 2011, we recorded the following tax benefits or charges:

- \$76 million tax benefit related to foreign tax credits associated with the repatriation of Canadian earnings,
- \$57 million tax charge resulting from the sale of non-strategic timberlands and
- \$10 million tax benefit due to the early extinguishment of debt.

During 2010, we recorded the following tax benefits or charges:

• We reversed certain deferred income tax liabilities as a result of our conversion to a REIT, which resulted in a benefit of \$1,064 million.

• We recorded a tax benefit of \$149 million for cellulosic biofuel producer credits; see “Fuel Credits” for more information.

• We recorded a \$32 million tax charge as a result of the Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act and a change in our postretirement medical plan.

As a REIT, we generally are not subject to corporate level tax on income of the REIT that is distributed to shareholders. We will, however, be subject to corporate taxes on built-in-gains (the excess of fair market value over tax basis at January 1, 2010) on sales of real property (other than standing timber) held by the REIT during the first 10 years following the REIT conversion. We also will continue to be required to pay federal corporate income taxes on earnings of our TRS, which principally includes our manufacturing businesses, our real estate development business and the portion of our timberlands segment income included in the TRS.

The table below summarizes the historical tax characteristics of distributions to shareholders for the years ended December 31:

## AMOUNTS PER SHARE

	2012	2011	2010
Qualified dividend	\$—	\$—	\$25.53
Capital gain dividend	0.62	0.60	0.61
Pre-March 1, 1913 earnings	—	—	0.47
Total distributions	\$0.62	\$0.60	\$26.61

## LIQUIDITY AND CAPITAL RESOURCES

We are committed to maintaining a sound, conservative capital structure that enables us to:  
• protect the interests of our shareholders and lenders and  
• have access at all times to major financial markets.

**CASH FROM OPERATIONS**

Cash from operations includes:

- cash received from customers;
- cash paid to employees, suppliers and others;
- cash paid for interest on our debt; and
- cash paid or received for taxes.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 41

---

Table of Contents

Consolidated net cash provided by our operations was:

\$581 million in 2012,

\$291 million in 2011 and

\$689 million in 2010.

COMPARING 2012 WITH 2011

Net cash provided by operations increased \$290 million in 2012 as compared with 2011:

• Cash we received from customers in our Wood Products and Real Estate segments increased \$931 million, primarily due to increased sales and cash received of \$120 million for land and lot sales.

• Cash paid for interest decreased \$69 million, primarily due to the early retirement of \$518 million of debt in 2011. We paid interest of \$351 million in 2012 compared to \$420 million in 2011.

• Net cash inflows related to income taxes increased \$41 million. We received income tax refunds of \$13 million in 2012 and paid \$28 million in 2011.

Partially offsetting these increases were:

• Cash paid to employees, suppliers and others increased \$638 million in our Wood Products and Real Estate segments due to increased production.

• Cash we received from customers in our Cellulose Fibers segment decreased \$129 million due to decreased sales.

COMPARING 2011 WITH 2010

Net cash provided by operations decreased \$398 million in 2011 as compared with 2010:

• Cash paid to employees, suppliers and others increased \$517 million in our Timberlands, Wood Products and Cellulose Fibers segments due to increased production rates in our Timberlands and Wood Products segments and higher production costs in our Cellulose Fibers segment.

• Net cash inflows related to income taxes decreased \$481 million. We paid taxes of \$28 million in 2011 and received \$453 million in 2010.

Partially offsetting the above decreases were:

• Cash we received from customers in our Timberlands and Cellulose Fibers segments increased \$356 million, primarily due to increased sales.

• Pension and postretirement contributions decreased \$137 million, primarily due to a contribution of approximately \$150 million to our U.S. qualified pension plans in 2010. These contributions were \$143 million in 2011 compared to \$280 million in 2010.

• Cash paid to employees, suppliers and others decreased \$86 million in our Real Estate segment due to fewer home closings.

Fuel Credits

In 2010, the IRS concluded that black liquor sold or used in 2009 qualifies for the cellulosic biofuel producer credit. Black liquor potentially qualifies for either the cellulosic biofuel producer credit or the alternative fuel mixture credit (but not both on the same gallon of black liquor). During 2009, we produced approximately 238 million gallons of black liquor, which did not qualify for the alternative fuel mixture credit. This equals \$240 million of potential cellulosic biofuel producer credit at \$1.01 per gallon, or \$149 million net of tax, which we recognized in fourth quarter 2010.

Pension Contributions and Benefit Payments Made and Expected

During 2012, we:

• contributed \$89 million to our Canadian registered and nonregistered pension plans in accordance with minimum funding rules and respective provincial regulations;

• made benefit payments of \$21 million related to our U.S. nonqualified pension plans; and

• made benefit payments of \$35 million related to our U.S. and Canadian other postretirement plans.

Congress passed legislation in June 2012 that changed the way the discount rate is computed for purposes of determining minimum pension contribution funding. Based upon this legislation, we did not have a required contribution to our U.S. qualified plan in 2012.

During 2013, based on estimated year-end assets and projections of plan liabilities, we expect to:

• be required to contribute approximately \$88 million to our Canadian registered and nonregistered pension plans;

make benefit payments of \$19 million related to our U.S. nonqualified pension plans; and  
make benefit payments of \$37 million related to our U.S. and Canadian other postretirement plans.  
We do not anticipate making a contribution to our U.S. qualified pension plan for 2013.

#### INVESTING IN OUR BUSINESS

Cash from investing activities includes:

- acquisitions of property, equipment, timberlands and reforestation;
- investments in or distribution from equity affiliates;
- proceeds from sale of assets and operations; and
- purchases and redemptions of short-term investments.

The pension trust repaid net amounts of \$146 million in 2010 of short-term loans made in 2008 and 2009.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 42

---

Table of Contents

## Three-Year Summary of Capital Spending by Business Segment

## DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010
Timberlands	\$60	\$53	\$72
Wood Products	56	35	31
Cellulose Fibers <sup>(1)</sup>	160	146	123
Real Estate	4	3	5
Unallocated Items	5	1	1
Discontinued operations	—	3	2
Total	\$285	\$241	\$234

(1) 2010 includes the exercise of an option to acquire liquid packaging board extrusion equipment for \$21 million, including the assumption of liabilities of \$4 million.

We anticipate that our net capital expenditures for 2013 — excluding acquisitions — will be approximately \$285 million.

However, that amount could change due to:

- future economic conditions,
- environmental regulations,
- weather and
- timing of equipment purchases.

## PROCEEDS FROM THE SALE OF NONSTRATEGIC ASSETS

Proceeds received from the sale of nonstrategic assets over the last three years were:

\$80 million in 2012 for the sale of various non-strategic assets.

\$362 million in 2011 including:

- \$192 million for the sale of 82,000 acres of non-strategic timberlands in southwestern Washington;
- \$84 million for the sale of our hardwoods operations (we expect to receive an additional \$25 million plus interest in 2016 from a note receivable);
- \$58 million for the sale of our Westwood Shipping Lines operations; and
- \$28 million for the sale of other non-strategic assets.

\$213 million in 2010 including:

- \$66 million for the sale of Wood Products assets,
- \$52 million for the sale of five short line railroads,
- \$40 million for the sale of British Columbia forest licenses and associated rights in our Wood Products segment,
- \$33 million for the sale of partnership interests in our Real Estate segment and
- \$22 million for the sale of other non-strategic assets.

Discontinued operations are discussed in Note 3: Discontinued Operations in the Notes to Consolidated Financial Statements.

## FINANCING

Cash from financing activities includes:

- issuances and payments of long-term debt,
- borrowings and payments under revolving lines of credit,
- changes in book overdrafts,
- proceeds from stock offerings and option exercises and
- payments of cash dividends and repurchasing stock.

## DEBT

Our consolidated long-term debt was:

\$4.3 billion as of December 31, 2012;

\$4.5 billion as of December 31, 2011; and

\$5.7 billion as of December 31, 2010.

Long-term debt we retired according to its scheduled maturity was:

\$187 million in 2012,  
\$33 million in 2011 and  
\$43 million in 2010.

Long-term debt we retired prior to its scheduled maturity was:

\$550 million in 2011 and  
\$589 million in 2010.

Losses recognized on early extinguishment of debt and included in our net interest expense were:

\$26 million in 2011 and  
\$50 million in 2010.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 43

---

Table of Contents

Debt maturities in the next twelve months are:

- \$156 million in first quarter 2013,
- \$21 million in second quarter 2013,
- \$163 million in third quarter 2013
- and
- \$69 million in fourth quarter 2013.

See Note 13: Long-Term Debt in the Notes to Consolidated Financial Statements for more information.

REVOLVING CREDIT FACILITY

Weyerhaeuser Company and Weyerhaeuser Real Estate Company (WRECO) have a \$1.0 billion 4-year revolving credit facility that expires in June 2015. WRECO can borrow up to \$50 million under this facility. Neither of the entities is a guarantor of the borrowing of the other under this credit facility.

There were no net proceeds from the issuance of debt or from borrowings (repayments) under our available credit facility in 2012, 2011 or 2010.

Debt covenants:

As of December 31, 2012, Weyerhaeuser Company and WRECO:

had no borrowings outstanding under our credit facility and

were in compliance with the credit facility covenants.

Weyerhaeuser Company Covenants:

Key covenants related to Weyerhaeuser Company include the requirement to maintain:

- a minimum defined net worth of \$3.0 billion;
- a defined debt-to-total-capital ratio of 65 percent or less; and
- ownership of, or long-term leases on, no less than four million acres of timberlands.

Weyerhaeuser Company's defined net worth is comprised of:

- total Weyerhaeuser shareholders' interest,
- excluding accumulated comprehensive income (loss) related to pension and postretirement benefits,
- minus Weyerhaeuser Company's investment in subsidiaries in our Real Estate segment or other unrestricted subsidiaries.

Total Weyerhaeuser Company capitalization is comprised of:

- total Weyerhaeuser Company (excluding WRECO) debt
- plus total defined net worth.

As of December 31, 2012, Weyerhaeuser Company had:

- a defined net worth of \$5.0 billion and
- a defined debt-to-total-capital ratio of 45.6 percent.

Weyerhaeuser Real Estate Company Covenants:

Key covenants related to WRECO revolving credit facility and medium-term notes include the requirement to maintain:

- a minimum capital base of \$100 million,
- a defined debt-to-total-capital ratio of 80 percent or less and
- Weyerhaeuser Company or a subsidiary must own at least 79 percent of WRECO.

WRECO's defined net worth is:

- total WRECO shareholders' interest,
- minus intangible assets,
- minus WRECO's investment in joint ventures and partnerships.

Total WRECO defined debt is:

- total WRECO debt — including any intercompany debt
- plus outstanding WRECO guarantees and letters of credit.

Total WRECO capitalization is defined as:

- total WRECO defined debt and

total WRECO defined net worth.

As of December 31, 2012, WRECO had:

- a capital base of \$917 million and
- a defined debt-to-total-capital ratio of 46.9 percent.

There are no other significant financial debt covenants related to our third party debt for either Weyerhaeuser Company or WRECO. See Note 12: Lines of Credit in the Notes to Consolidated Financial Statements for more information.

#### OPTION EXERCISES

Our cash proceeds from the exercise of stock options were:

\$112 million in 2012, and

\$38 million in 2011.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 44

---



Table of Contents

## PAYING DIVIDENDS AND REPURCHASING STOCK

We paid cash dividends of:

\$334 million in 2012,

\$323 million in 2011 and

\$608 million in 2010.

Changes in the amount of dividends we paid were primarily due to:

• the Special Dividend paid on September 1, 2010, see Note 16: Shareholders' Interest in the Notes to Consolidated Financial Statements for more information;

• an increase in the number of our common shares outstanding as a result of the Special Dividend;

• an increase in our quarterly dividend from 5 cents per share to 15 cents per share in February 2011; and

• an increase in our quarterly dividend from 15 cents per share to 17 cents per share in November 2012.

On February 14, 2013, our Board of Directors declared a dividend of 17 cents per share, payable on March 15, 2013, to shareholders of record at the close of business March 1, 2013.

During 2011, we repurchased 1,199,800 shares of common stock for \$20 million under the 2008 stock repurchase program. On August 11, 2011, our Board of Directors terminated the 2008 stock repurchase program and approved the 2011 stock repurchase program under which we are authorized to repurchase up to \$250 million of outstanding shares. During 2011, we repurchased 1,089,824 shares of common stock for \$17 million under the 2011 program. As of December 31, 2012, we had remaining authorization of \$233 million for future share repurchases.

## OUR CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

More details about our contractual obligations and commercial commitments are in Note 8: Pension and Other Postretirement Benefit Plans, Note 13: Long-Term Debt, Note 15: Legal Proceedings, Commitments and Contingencies and Note 20: Income Taxes in the Notes to Consolidated Financial Statements.

Significant Contractual Obligations as of December 31, 2012

DOLLAR AMOUNTS IN MILLIONS

			PAYMENTS DUE BY PERIOD		
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-term debt obligations:					
Forest Products	\$4,187	\$340	\$—	\$281	\$3,566
Real Estate	109	69	15	—	25
Interest <sup>(1)</sup>	4,023	309	573	572	2,569
Operating lease obligations	214	35	45	26	108
Purchase obligations <sup>(2)</sup>	130	105	12	4	9
Employee-related obligations <sup>(3)</sup>	559	178	59	46	118
Liabilities related to unrecognized tax benefits <sup>(4)</sup>	192	—	—	—	—
Total	\$9,414	\$1,036	\$704	\$929	\$6,395

(1) Amounts presented for interest payments assume that all long-term debt obligations outstanding as of December 31, 2012 will remain outstanding until maturity, and interest rates on variable-rate debt in effect as of December 31, 2012 will remain in effect until maturity.

(2) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on the company and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude arrangements that the company can cancel without penalty.

(3) The timing of certain of these payments will be triggered by retirements or other events. When the timing of payment is uncertain, the amounts are included in the total column only. Minimum pension funding is required by established funding standards and estimates are not made beyond 2014. Estimated payments of contractually obligated postretirement benefits are not made beyond 2012.

(4) We have recognized total liabilities related to unrecognized tax benefits of \$192 million as of December 31, 2012, including interest of \$15 million. The timing of payments related to these obligations is uncertain; however, none of this amount is expected to be paid within the next year.

#### OFF-BALANCE SHEET ARRANGEMENTS

Off-balance sheet arrangements have not had — and are not reasonably likely to have — a material effect on our current or future financial condition, results of operations or cash flows. Note 9: Variable Interest Entities and Note 12: Lines of Credit in the Notes to Consolidated Financial Statements contain our disclosures of:

- surety bonds,
- letters of credit and guarantees and
- information regarding variable interest entities.

#### ENVIRONMENTAL MATTERS, LEGAL PROCEEDINGS AND OTHER CONTINGENCIES

See Note 15: Legal Proceedings, Commitments and Contingencies in the Notes to Consolidated Financial Statements.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 45

---

Table of Contents

ACCOUNTING MATTERS

CRITICAL ACCOUNTING POLICIES

Our critical accounting policies involve a higher degree of judgment and estimates. They also have a high degree of complexity.

In accounting, we base our judgments and estimates on:

- historical experience and
  - assumptions we believe are appropriate and reasonable under current circumstances.
- Actual results, however, may differ from the estimated amounts we have recorded.

Our most critical accounting policies relate to our:

- pension and postretirement benefit plans;
- potential impairments of long-lived assets; and
- legal, environmental and product liability reserves.

Details about our other significant accounting policies — what we use and how we estimate — are in Note 1: Summary of Significant Accounting Policies in the Notes to Consolidated Financial Statements.

PENSION AND POSTRETIREMENT BENEFIT PLANS

We sponsor several pension and postretirement benefit plans for our employees. Key assumptions we use in accounting for the plans include our:

- discount rates,
- expected long-term rate of return,
- anticipated trends in health care costs,
- assumed increases in salaries and
- mortality rates.

At the end of every year, we review our assumptions with external advisers and make adjustments as appropriate.

Actual experience that differs from our assumptions or any changes in our assumptions could have a significant effect on our financial position, results of operations and cash flows.

Other factors that affect our accounting for the plans include:

- actual pension fund performance,
- level of lump sum distributions,
- plan changes,
- changes in plan participation or coverage and
- portfolio changes and restructuring.

This section provides more information about our:

- expected long-term rate of return and
- discount rates.

Expected Long-Term Rate of Return

Plan assets are assets of the pension plan trusts that fund the benefits provided under the pension plans. The expected long-term rate of return is our estimate of the long-term rate of return that our plan assets will earn. Our expected long-term rate of return is important in determining the net income or expense we recognize for our plans.

Over the 28 years it has been in place, our U.S. pension trust investment strategy has achieved a 14.8 percent net compound annual return rate.

After considering available information at the end of 2012, we continue to assume an expected long-term rate of return of 9.0 percent. Factors we considered include:

- the net compounded annual return of 11.5 percent achieved by our U.S. pension trust investment strategy the past 10 years and
- current and expected valuation levels in the global equity and credit markets.

Our expected long-term rate of return is important in determining the net income or expense we recognize for our plans. Every 0.5 percent decrease in our expected long-term rate of return would increase expense or reduce a credit by approximately:

\$21 million for our U.S. qualified pension plans and  
\$4 million for our Canadian registered pension plans.

Likewise, every 0.5 percent increase in our expected long-term rate of return would decrease expense or increase a credit by those same amounts.

The actual return on plan assets in any given year may vary from our expected long-term rate of return. Actual returns on plan assets affect the funded status of the plans. Differences between actual returns on plan assets and the expected long-term rate of return are reflected as adjustments to cumulative other comprehensive income (loss), a component of total equity.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 46

---

## Table of Contents

### Discount Rates

Our discount rates as of December 31, 2012, are:

- 3.7 percent for our U.S. pension plans — compared with 4.5 percent at December 31, 2011;
- 3.0 percent for our U.S. postretirement plans — compared with 4.1 percent at December 31, 2011;
- 4.1 percent for our Canadian pension plans — compared with 4.9 percent at December 31, 2011; and
- 4.0 percent for our Canadian postretirement plans — compared with 4.8 percent at December 31, 2011.

We review our discount rates annually and revise them as needed. The discount rates are selected at the measurement date by matching current spot rates of high-quality corporate bonds with maturities similar to the timing of expected cash outflows for benefits.

Pension and postretirement benefit expenses for 2013 will be based on the 3.7 percent and 3.0 percent assumed discount rates for U.S. plans and 4.1 percent and 4.0 percent assumed discount rates for the Canadian plans.

Our discount rates are important in determining the cost of our plans. A 0.5 percent decrease in our discount rate would increase expense or reduce a credit by approximately:

- \$26 million for our U.S. qualified pension plans and
- \$4 million for our Canadian registered pension plans.

### LONG-LIVED ASSETS

We review the carrying value of our long-lived assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable through future operations. The carrying value is the amount assigned to long-lived assets in our financial statements.

An impairment occurs when the carrying value of long-lived assets will not be recovered from future cash flows and is more than fair market value. Fair market value is the estimated amount we would receive if we were to sell the assets.

In determining fair market value and whether impairment has occurred, we are required to estimate:

- future cash flows,
- residual values and
- fair values of the assets.

Key assumptions we use in developing the estimates include:

- probability of alternative outcomes,
- product pricing,
- raw material costs,
- product sales and
- discount rate.

### IMPAIRMENT OF LONG-LIVED ASSETS: REAL ESTATE

We review homebuilding long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

#### Real Estate In Process of Development and Land Being Processed for Development

Real estate in process of development and land being processed for development includes subdivisions and master planned communities (MPCs). MPCs typically include several product segments such as residential, active adult, retail and commercial. We evaluate impairment at the subdivision or MPC product segment level. Factors that are considered when evaluating a subdivision or MPC product segment for impairment include:

- gross margins and selling costs on homes closed in recent months;
- projected gross margins and selling costs based on our operating budgets;
- competitor pricing and incentives in the same or nearby communities; and
- trends in average selling prices, discounts, incentives, sales velocity and cancellations.

We update the undiscounted cash flow forecast for each subdivision and MPC product segment that may be impaired.

The undiscounted cash flow forecasts are affected by community-specific factors that include:

- estimates and timing of future revenues;
- estimates and timing of future land development, materials, labor and contractor costs;
- community location and desirability, including availability of schools, retail, mass transit and other services;

local economic and demographic trends regarding employment, new jobs and taxes;  
competitor presence, product types, future competition, pricing, incentives and discounts; and  
land availability, number of lots we own or control, entitlement restrictions and alternative uses.

The carrying amount of each subdivision and MPC product segment is written down to fair value when the forecasted cash flows are less than the carrying amount of a subdivision or MPC product segment. An impairment charge for a subdivision or MPC product segment is allocated to each lot in the community in the same manner as land and development costs are allocated to each lot.

#### Real Estate for Sale

Real estate for sale includes homes that have been completed and land that we intend to sell. We regularly sell land or lots that do not fit our value proposition or development plans.

The carrying amount of real estate for sale is reduced to fair value less estimated costs to sell if the forecasted net proceeds are less than the carrying amount. The fair value analysis is affected by local market economic conditions, demographic factors and competitor actions, and is inherently uncertain. Actual net proceeds can differ from the estimates. The carrying amount of real estate for sale is evaluated quarterly.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 47

---

## Table of Contents

### Market Approach

We use the market approach to determine fair value of real estate assets when information for comparable assets is available. This approach is commonly used for completed inventory and individual assets for sale. We typically use:

- sales prices for comparable assets,
- market studies,
- appraisals or
- legitimate offers.

### Income Approach

We generally use the income approach to determine fair value of real estate for our inactive projects and assets in process of development. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The fair value measurement is based on the value indicated by current market expectations regarding those future estimated cash inflows and outflows. We use present value techniques based on discounting the estimated cash flows at a rate commensurate with the inherent risks associated with the assets and related estimated cash flow streams. The income approach relies on management judgment regarding the various inputs to the undiscounted cash flow forecasts.

### CONTINGENT LIABILITIES

We are subject to lawsuits, investigations and other claims related to environmental, product and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses.

We record contingent liabilities when:

- it becomes probable that we will have to make payments and
- the amount of loss can be reasonably estimated.

Assessing probability of loss and estimating probable losses requires analysis of multiple factors, including:

- historical experience,
- judgments about the potential actions of third party claimants and courts and
- recommendations of legal counsel.

In addition to contingent liabilities recorded for probable losses, we disclose contingent liabilities when there is a reasonable possibility that an ultimate loss may occur.

While we do our best in developing our projections, recorded contingent liabilities are based on the best information available and actual losses in any future period are inherently uncertain. If estimated probable future losses or actual losses exceed our recorded liability for such claims, we would record additional charges in other (income) expense, net. These exposures and proceedings can be significant and the ultimate negative outcomes could be material to our operating results or cash flow in any given quarter or year. See Note 15: Legal Proceedings, Commitments and Contingencies in the Notes to Consolidated Financial Statements for more information.

### PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

Currently there are no significant prospective accounting pronouncements that are expected to have a material impact on us.

Table of Contents

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

## LONG-TERM DEBT OBLIGATIONS

The following summary of our long-term debt obligations includes:

- scheduled principal repayments for the next five years and after,
- weighted average interest rates for debt maturing in each of the next five years and after and
- estimated fair values of outstanding obligations.

We estimate the fair value of long-term debt based on quoted market prices we received for the same types and issues of our debt or on the discounted value of the future cash flows using market yields for the same type and comparable issues of debt. Changes in market rates of interest affect the fair value of our fixed-rate debt.

## SUMMARY OF LONG-TERM DEBT OBLIGATIONS AS OF DECEMBER 31, 2012

## DOLLAR AMOUNTS IN MILLIONS

	2013	2014	2015	2016	2017	THEREAFTER	TOTAL	FAIR VALUE
Forest Products:								
Fixed-rate debt	\$340	\$—	\$—	\$—	\$281	\$3,566	\$4,187	\$4,994
Average interest rate	7.33	%—	%—	%—	%6.95	%7.48	%7.43	%N/A
Real Estate:								
Fixed-rate debt	\$69	\$15	\$—	\$—	\$—	\$—	\$84	\$87
Average interest rate	6.14	%6.22	%—	%—	%—	%—	%6.15	%N/A
Variable-rate debt	\$—	\$—	\$—	\$—	\$—	\$25	\$25	\$25
Average interest rate	—	%—	%—	%—	%—	%0.25	%0.25	%N/A

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 49

---



Table of Contents

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Weyerhaeuser Company:

We have audited the accompanying consolidated balance sheets of Weyerhaeuser Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Weyerhaeuser Company and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Weyerhaeuser Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 19, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington

February 19, 2013

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 50

---

Table of Contents

CONSOLIDATED STATEMENT OF OPERATIONS  
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2012  
 DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

	2012	2011	2010	
Net sales and revenues	\$7,059	\$6,216	\$5,954	
Costs of products sold	5,810	5,120	4,831	
Gross margin	1,249	1,096	1,123	
Selling expenses	194	178	200	
General and administrative expenses	436	423	450	
Research and development expenses	32	30	34	
Charges for restructuring, closures and impairments <u>(Note 18)</u>	32	83	148	
Other operating income, net <u>(Note 19)</u>	(180)	(212)	(163)	)
Operating income	735	594	454	
Interest income and other	52	47	80	
Interest expense, net of capitalized interest <u>(Note 13)</u>	(348)	(384)	(452)	)
Earnings from continuing operations before income taxes	439	257	82	
Income taxes <u>(Note 20)</u>	(55)	62	1,192	
Earnings from continuing operations	384	319	1,274	
Earnings from discontinued operations, net of income taxes <u>(Note 3)</u>	—	12	9	
Net earnings	384	331	1,283	
Net (earnings) loss attributable to noncontrolling interests	1	—	(2)	)
Net earnings attributable to Weyerhaeuser common shareholders	\$385	\$331	\$1,281	
Basic earnings per share attributable to Weyerhaeuser common shareholders <u>(Note 4)</u> :				
Continuing operations	\$0.71	\$0.60	\$3.97	
Discontinued operations	—	0.02	0.03	
Net earnings per share	\$0.71	\$0.62	\$4.00	
Diluted earnings per share attributable to Weyerhaeuser common shareholders <u>(Note 4)</u> :				
Continuing operations	\$0.71	\$0.59	\$3.96	
Discontinued operations	—	0.02	0.03	
Net earnings per share	\$0.71	\$0.61	\$3.99	
Dividends paid per share <u>(Note 16)</u>	\$0.62	\$0.60	\$26.61	
Weighted average shares outstanding (in thousands) <u>(Note 4)</u> :				
Basic	539,140	537,534	319,976	
Diluted	542,310	539,879	321,096	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2012  
 DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
Comprehensive income (loss):				
Consolidated net earnings	\$384	\$331	\$1,283	
Other comprehensive income (loss):				
Foreign currency translation adjustments	2	(8)	30	
Changes in unamortized net pension and other postretirement benefit loss, net of tax expense (benefit) of (\$191) in 2012, (\$243) in 2011, and \$66 in 2010	(258)	(463)	(166)	)
Changes in unamortized prior service credit (cost), net of tax expense (benefit) of (\$51) in 2012, \$49 in 2011, and (\$9) in 2010	(123)	82	9	

Edgar Filing: WEYERHAEUSER CO - Form 10-K

Unrealized gains on available-for-sale securities	—	1	—
Total comprehensive income (loss)	5	(57	)1,156
Comprehensive (earnings) loss attributable to noncontrolling interests	1	—	(2 )
Total comprehensive income (loss) attributable to Weyerhaeuser shareholders \$6		\$(57	)\$1,154

See accompanying Notes to Consolidated Financial Statements.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 51

---

Table of Contents

## CONSOLIDATED BALANCE SHEET

## ASSETS

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Forest Products		
Current assets:		
Cash and cash equivalents	\$893	\$950
Receivables, less allowances of \$3 and \$6	468	468
Receivables for taxes	95	22
Inventories <u>(Note 5)</u>	531	476
Prepaid expenses	83	68
Deferred tax assets <u>(Note 20)</u>	65	81
Total current assets	2,135	2,065
Property and equipment, less accumulated depreciation of \$6,350 and \$6,550 <u>(Note 6)</u>	2,859	2,901
Construction in progress	50	145
Timber and timberlands at cost, less depletion charged to disposals	3,961	3,978
Investments in and advances to equity affiliates <u>(Note 7)</u>	192	192
Goodwill	40	40
Deferred tax assets <u>(Note 20)</u>	189	36
Other assets	358	444
Assets held by variable interest entities <u>(Note 9)</u>	805	916
	10,589	10,717
Real Estate		
Cash and cash equivalents	5	3
Receivables, less discounts and allowances of \$4 and \$2	72	41
Real estate in process of development and for sale <u>(Note 10)</u>	658	555
Land being processed for development	904	936
Investments in and advances to equity affiliates <u>(Note 7)</u>	21	21
Deferred tax assets <u>(Note 20)</u>	202	240
Other assets	94	113
Assets held by variable interest entities <u>(Note 9)</u>	47	8
	2,003	1,917
Total assets	\$12,592	\$12,634
See accompanying <u>Notes to Consolidated Financial Statements</u> .		

WEYERHAEUSER COMPANY &gt; 2012 ANNUAL REPORT AND FORM 10-K 52

Table of ContentsCONSOLIDATED BALANCE SHEET  
LIABILITIES AND EQUITY

	DECEMBER 31, 2012	DECEMBER 31, 2011
Forest Products		
Current liabilities:		
Current maturities of long-term debt ( <u>Notes 13</u> and <u>14</u> )	\$340	\$12
Accounts payable	329	336
Accrued liabilities ( <u>Note 11</u> )	561	593
Total current liabilities	1,230	941
Long-term debt ( <u>Notes 13</u> and <u>14</u> )	3,842	4,181
Deferred income taxes ( <u>Note 20</u> )	—	129
Deferred pension and other postretirement benefits ( <u>Note 8</u> )	1,930	1,467
Other liabilities	499	408
Liabilities (nonrecourse to the company) held by variable interest entities ( <u>Note 9</u> )	681	776
	8,182	7,902
Real Estate		
Long-term debt ( <u>Notes 13</u> and <u>14</u> )	109	285
Other liabilities	187	172
Liabilities (nonrecourse to the company) held by variable interest entities ( <u>Note 9</u> )	1	8
	297	465
Commitments and contingencies ( <u>Note 15</u> )		
Total liabilities	8,479	8,367
Equity:		
Weyerhaeuser shareholders' interest ( <u>Notes 16</u> and <u>17</u> ):		
Common shares: \$1.25 par value; authorized 1,360,000,000 shares; issued and outstanding: 542,392,642 and 536,425,400 shares	678	671
Other capital	4,731	4,595
Retained earnings	219	176
Cumulative other comprehensive loss	(1,558)	(1,179)
Total Weyerhaeuser shareholders' interest	4,070	4,263
Noncontrolling interests	43	4
Total equity	4,113	4,267
Total liabilities and equity	\$12,592	\$12,634
See accompanying <u>Notes to Consolidated Financial Statements</u> .		

WEYERHAEUSER COMPANY &gt; 2012 ANNUAL REPORT AND FORM 10-K 53

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2012  
DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
Cash flows from operations:				
Net earnings	\$384	\$331	\$1,283	
Noncash charges (credits) to income:				
Depreciation, depletion and amortization	456	480	503	
Deferred income taxes, net <u>(Note 20)</u>	109	(26)	(1,257)	)
Pension and other postretirement benefits <u>(Note 8)</u>	(19)	)81	(21)	)
Share-based compensation expense <u>(Note 17)</u>	37	25	24	
Charges for impairment of assets <u>(Notes 18)</u>	24	56	117	
Net gains on dispositions of assets and operations <sup>(1)</sup>	(69)	)236	(149)	)
Foreign exchange transaction (gains) losses	(6)	)6	(8)	)
Change in:				
Receivables less allowances	(33)	)53	(67)	)
Receivable for taxes	(73)	)37	)583	
Inventories	(54)	)46	(30)	)
Real estate and land	(75)	)12	)5	
Prepaid expenses	(16)	)3	6	
Accounts payable and accrued liabilities	18	(133)	(53)	)
Deposits on land positions and other assets	4	(4)	(10)	)
Pension and postretirement contributions / benefit payments	(145)	)143	(280)	)
Other	39	(1)	)43	)
Net cash from operations	581	291	689	
Cash flows from investing activities:				
Property and equipment	(256)	)212	(194)	)
Timberlands reforestation	(29)	)29	(36)	)
Redemption of short-term investments	—	—	49	
Proceeds from sale of assets and operations	80	362	213	
Repayments from pension trust	—	—	146	
Net proceeds of investments held by special purpose entities <u>(Note 9)</u>	13	—	—	
Other	—	1	(14)	)
Cash from investing activities	(192)	)122	164	
Cash flows from financing activities:				
Notes, commercial paper borrowings and revolving credit facilities, net	—	—	(4)	)
Cash dividends	(334)	)323	(608)	)
Change in book overdrafts	(32)	)2	(10)	)
Payments on debt <u>(Note 13)</u>	(187)	)583	(632)	)
Exercises of stock options	112	38	—	
Repurchase of common stock <u>(Note 16)</u>	—	(37)	)—	
Other	(3)	)24	(1)	)
Cash from financing activities	(444)	)927	(1,255)	)
Net change in cash and cash equivalents	(55)	)514	(402)	)
Cash and cash equivalents at beginning of year	953	1,467	1,869	
Cash and cash equivalents at end of year	\$898	\$953	\$1,467	
Cash paid (received) during the year for:				
Interest, net of amounts capitalized of \$18 in 2012, \$30 in 2011 and \$29 in 2010	\$351	\$420	\$463	

Edgar Filing: WEYERHAEUSER CO - Form 10-K

Income taxes \$(13 )\$28 \$(453 )

(1) Includes gain on timberland exchanges.

See accompanying Notes to Consolidated Financial Statements.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 54

---

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2012  
 DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
Common shares:				
Balance at beginning of year	\$671	\$670	\$264	
Issued for exercise of stock options	7	4	1	
Share repurchases	—	(3	)—	
Special Dividend <u>(Note 16)</u>	—	—	405	
Balance at end of year	\$678	\$671	\$670	
Other capital:				
Balance at beginning of year	\$4,595	\$4,552	\$1,786	
Exercise of stock options	105	35	2	
Special Dividend <u>(Note 16)</u>	—	—	2,745	
Repurchase of common shares	—	(34	)—	
Share-based compensation	34	27	21	
Other transactions, net	(3	)15	(2	)
Balance at end of year	\$4,731	\$4,595	\$4,552	
Retained earnings:				
Balance at beginning of year	\$176	\$181	\$2,658	
Net earnings attributable to Weyerhaeuser common shareholders	385	331	1,281	
Dividends on common shares <u>(Note 16)</u>	(342	)(336	)(3,758	)
Balance at end of year	\$219	\$176	\$181	
Cumulative other comprehensive loss:				
Balance at beginning of year	\$(1,179	)\$(791	)\$(664	)
Annual changes – net of tax:				
Foreign currency translation adjustments	2	(8	)30	
Changes in unamortized net pension and other postretirement benefit loss <u>(Note 8)</u>	(258	)(463	)(166	)
Changes in unamortized prior service credit (cost) <u>(Note 8)</u>	(123	)82	9	
Unrealized gains on available-for-sale securities	—	1	—	
Balance at end of year	\$(1,558	)\$(1,179	)\$(791	)
Total Weyerhaeuser shareholders' interest:				
Balance at end of year	\$4,070	\$4,263	\$4,612	
Noncontrolling interests:				
Balance at beginning of year	\$4	\$2	\$10	
Net earnings (loss) attributable to noncontrolling interests	(1	)—	2	
Contributions	—	2	—	
New consolidations, de-consolidations and other transactions	40	—	(10	)
Balance at end of year	\$43	\$4	\$2	
Total equity:				
Balance at end of year	\$4,113	\$4,267	\$4,614	
See accompanying <u>Notes to Consolidated Financial Statements</u> .				



Table of Contents

INDEX FOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:	<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>	<u>57</u>
NOTE 2:	<u>BUSINESS SEGMENTS</u>	<u>61</u>
NOTE 3:	<u>DISCONTINUED OPERATIONS</u>	<u>62</u>
NOTE 4:	<u>NET EARNINGS PER SHARE</u>	<u>63</u>
NOTE 5:	<u>INVENTORIES</u>	<u>65</u>
NOTE 6:	<u>PROPERTY AND EQUIPMENT</u>	<u>65</u>
NOTE 7:	<u>EQUITY AFFILIATES</u>	<u>65</u>
NOTE 8:	<u>PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS</u>	<u>67</u>
NOTE 9:	<u>VARIABLE INTEREST ENTITIES</u>	<u>79</u>
NOTE 10:	<u>REAL ESTATE IN PROCESS OF DEVELOPMENT AND FOR SALE</u>	<u>80</u>
NOTE 11:	<u>ACCRUED LIABILITIES</u>	<u>80</u>
NOTE 12:	<u>LINES OF CREDIT</u>	<u>80</u>
NOTE 13:	<u>LONG-TERM DEBT</u>	<u>81</u>
NOTE 14:	<u>FAIR VALUE OF FINANCIAL INSTRUMENTS</u>	<u>82</u>
NOTE 15:	<u>LEGAL PROCEEDINGS, COMMITMENTS AND CONTINGENCIES</u>	<u>82</u>
NOTE 16:	<u>SHAREHOLDERS' INTEREST</u>	<u>85</u>
NOTE 17:	<u>SHARE-BASED COMPENSATION</u>	<u>86</u>
NOTE 18:	<u>CHARGES FOR RESTRUCTURING, CLOSURES AND ASSET IMPAIRMENTS</u>	<u>92</u>
NOTE 19:	<u>OTHER OPERATING INCOME, NET</u>	<u>93</u>
NOTE 20:	<u>INCOME TAXES</u>	<u>93</u>
NOTE 21:	<u>GEOGRAPHIC AREAS</u>	<u>96</u>
NOTE 22:	<u>SELECTED QUARTERLY FINANCIAL INFORMATION (unaudited)</u>	<u>98</u>

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 56

---

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies describe:

- our election to be taxed as a real estate investment trust,
- how we report our results,
- changes in how we report our results and
- how we account for various items.

OUR ELECTION TO BE TAXED AS A REAL ESTATE INVESTMENT TRUST (REIT)

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. We expect to derive most of our REIT income from investments in timberlands, including the sale of standing timber through pay-as-cut sales contracts. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. A significant portion of our timberland segment earnings receives this favorable tax treatment. We are, however, subject to corporate taxes on built-in-gains (the excess of fair market value over tax basis at January 1, 2010) on sales of real property (other than standing timber) held by the REIT during the first 10 years following the REIT conversion. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which principally includes our manufacturing businesses, our real estate development business and our non-qualified timberland segment income.

HOW WE REPORT OUR RESULTS

Our report includes:

- consolidated financial statements,
- our business segments,
- foreign currency translation, and
- estimates.

CONSOLIDATED FINANCIAL STATEMENTS

Our consolidated financial statements provide an overall view of our results and financial condition. They include our accounts and the accounts of entities that we control, including:

- majority-owned domestic and foreign subsidiaries and
- variable interest entities in which we are the primary beneficiary.

They do not include our intercompany transactions and accounts, which are eliminated, and noncontrolling interests are presented as a separate component of equity.

We account for investments in and advances to unconsolidated equity affiliates using the equity method, with taxes provided on undistributed earnings. This means that we record earnings and accrue taxes in the period that the earnings are recorded by our unconsolidated equity affiliates.

We report our financial condition in two groups:

- **F**orest Products — our forest products-based operations, principally the growing and harvesting of timber, the manufacture, distribution and sale of forest products and corporate governance activities; and
- **R**eal Estate — our real estate development and construction operations.

Throughout these Notes to Consolidated Financial Statements, unless specified otherwise, references to “Weyerhaeuser,” “we” and “our” refer to the consolidated company, including both Forest Products and Real Estate.

OUR BUSINESS SEGMENTS

We are principally engaged in:

- growing and harvesting timber;
- manufacturing, distributing and selling forest products; and
- developing real estate and building single-family homes.

Our business segments are organized based primarily on products and services.

Our Business Segments and Products

SEGMENT

PRODUCTS AND SERVICES

Edgar Filing: WEYERHAEUSER CO - Form 10-K

Timberlands	Logs, timber, minerals, oil and gas and international wood products
Wood Products	Softwood lumber, engineered lumber, structural panels and building materials distribution
Cellulose Fibers	Pulp, liquid packaging board and an equity interest in a newsprint joint venture
Real Estate	Real estate development and single-family home building operations

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 57

---

## Table of Contents

We also transfer raw materials, semifinished materials and end products among our business segments. Because of this intracompany activity, accounting for our business segments involves:

- allocating joint conversion and common facility costs according to usage by our business segment product lines and
- pricing products transferred between our business segments at current market values.

Gains or charges not related to or allocated to an individual operating segment are held in Unallocated Items. This includes 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.

### FOREIGN CURRENCY TRANSLATION

Local currencies are the functional currencies for most of our operations outside the U.S. We translate foreign currencies into U.S. dollars in two ways:

- assets and liabilities — at the exchange rates in effect as of our balance sheet date; and
- revenues and expenses — at average monthly exchange rates throughout the year.

### ESTIMATES

We prepare our financial statements according to U.S. generally accepted accounting principles (U.S. GAAP). This requires us to make estimates and assumptions during our reporting periods and at the date of our financial statements.

The estimates and assumptions affect our:

- reported amounts of assets, liabilities and equity;
- disclosure of contingent assets and liabilities; and
- reported amounts of revenues and expenses.

While we do our best in preparing these estimates, actual results can and do differ from those estimates and assumptions.

### CHANGES IN HOW WE REPORT OUR RESULTS

Changes in how we report our results come from:

- accounting changes made upon our adoption of new accounting guidance and
- our reclassification of certain balances and results from prior years to make them consistent with our current reporting.

### RECLASSIFICATIONS

We have reclassified certain balances and results from the prior years to be consistent with our 2012 reporting. This makes year-to-year comparisons easier. Our reclassifications had no effect on net earnings or Weyerhaeuser shareholders' interest. The reclassifications include where we report the elimination of intersegment profit on inventory and the LIFO reserve. Previously these company-level adjustments were recorded in the business segments and are now recorded in Unallocated Items. This provides a better understanding of business operating results.

### HOW WE ACCOUNT FOR VARIOUS ITEMS

This section provides information about how we account for certain key items related to:

- capital investments,
- financing our business and
- operations.

### ITEMS RELATED TO CAPITAL INVESTMENTS

Key items related to accounting for capital investments pertain to property and equipment, timber and timberlands, impairment of long-lived assets and goodwill.

#### Property and Equipment

We maintain property accounts on an individual asset basis. Here's how we handle major items:

- Improvements to and replacements of major units of property are capitalized.

- Maintenance, repairs and minor replacements are expensed.

- Depreciation is calculated using a straight-line method at rates based on estimated service lives.

- Logging roads are generally amortized — as timber is harvested — at rates based on the volume of timber estimated to be removed.

Cost and accumulated depreciation of property sold or retired are removed from the accounts and the gain or loss is included in earnings.

Timber and Timberlands

We carry timber and timberlands at cost less depletion charged to disposals. Depletion refers to the carrying value of timber that is harvested, lost as a result of casualty, or sold.

Key activities affecting how we account for timber and timberlands include:

• reforestation,

• depletion and

• forest management in Canada.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 58

---

## Table of Contents

Reforestation. Generally, we capitalize initial site preparation and planting costs as reforestation. We transfer reforestation to a merchantable timber classification when the timber is considered harvestable. That generally occurs after:

• 15 years in the South and

• 30 years in the West.

Generally, we expense costs after the first planting as they are incurred or over the period of expected benefit. These costs include:

• fertilization,

• vegetation and insect control,

• pruning and precommercial thinning,

• property taxes and

• interest.

Accounting practices for these costs do not change when timber becomes merchantable and harvesting starts.

Depletion. To determine depletion rates, we divide the net carrying value of timber by the related volume of timber estimated to be available over the growth cycle. To determine the growth cycle volume of timber, we consider:

• regulatory and environmental constraints,

• our management strategies,

• inventory data improvements,

• growth rate revisions and recalibrations and

• known dispositions and inoperable acres.

We include the cost of timber harvested in the carrying values of raw materials and product inventories. As these inventories are sold to third parties, we include them in the cost of products sold.

Forest management in Canada. We hold forest management licenses in various Canadian provinces that are:

• granted by the provincial governments;

• granted for initial periods of 15 to 25 years; and

• renewable every five years provided we meet reforestation, operating and management guidelines.

Calculation of the fees we pay on the timber we harvest:

• varies from province to province,

• is tied to product market pricing and

• depends upon the allocation of land management responsibilities in the license.

Impairment of Long-Lived Assets

We review long-lived assets — including certain identifiable intangibles — for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Impaired assets held for use are written down to fair value. Impaired assets held for sale are written down to fair value less cost to sell. We determine fair value based on:

• appraisals,

• market pricing of comparable assets,

• discounted value of estimated cash flows from the asset and

• replacement values of comparable assets.

Goodwill

Goodwill is the purchase price minus the fair value of net assets acquired when we buy another entity. We assess goodwill for impairment:

• using a fair-value-based approach and

• at least annually — at the beginning of the fourth quarter.

In 2012 the fair value of the reporting unit with goodwill substantially exceeded its carrying value.

Fair Value Measurements

We use a fair value hierarchy in accounting for certain nonfinancial assets and liabilities including:

• long-lived assets (asset groups) measured at fair value for an impairment assessment,

• reporting units measured at fair value in the first step of a goodwill impairment test,

nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment assessment and

asset retirement obligations initially measured at fair value.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 — Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs are:

- quoted prices for similar assets or liabilities in an active market;
- quoted prices for identical or similar assets or liabilities in markets that are not active; or
- inputs other than quoted prices that are observable and market-corroborated inputs, which are derived principally from or corroborated by observable market data.

Level 3 — Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 59

---

Table of Contents

ITEMS RELATED TO FINANCING OUR BUSINESS

Key items related to financing our business include financial instruments, cash and cash equivalents and accounts payable.

Financial Instruments

We estimate the fair value of financial instruments where appropriate. The assumptions we use — including the discount rate and estimates of cash flows — can significantly affect our fair-value amounts. Our fair values are estimates and may not match the amounts we would realize upon sale or settlement of our financial positions.

Cash and Cash Equivalents

Cash equivalents are investments with original maturities of 90 days or less. We state cash equivalents at cost, which approximates market.

Accounts Payable

Our banking system replenishes our major bank accounts daily as checks we have issued are presented for payment. As a result, we have negative book cash balances due to outstanding checks that have not yet been paid by the bank. These negative balances are included in accounts payable on our Consolidated Balance Sheet. Changes in these negative cash balances are reported as financing activities in our Consolidated Statement of Cash Flows. Negative book cash balances were:

\$15 million at December 31, 2012; and

\$47 million at December 31, 2011.

ITEMS RELATED TO OPERATIONS

Key items related to operations include revenue recognition, inventories, shipping and handling costs, income taxes, share-based compensation, pension and other postretirement plans, and environmental remediation.

Revenue Recognition

Forest Products operations generally recognize revenue upon shipment to customers. For certain export sales, revenue is recognized when title transfers at the foreign port.

For real estate and timberland sales, we recognize revenue when:

• closings have occurred,

• required down payments have been received,

• title and possession have been transferred to the buyer and

• all other criteria for sale and profit recognition have been satisfied.

Inventories

We state inventories at the lower of cost or market. Cost includes labor, materials and production overhead. We use LIFO — the last-in, first-out method — for certain of our domestic raw material, in-process and finished goods inventories.

Our LIFO inventories were:

\$192 million at December 31, 2012; and

\$172 million at December 31, 2011.

We use FIFO — the first-in, first-out method — or moving average cost methods for the balance of our domestic raw materials and product inventories as well as for all material and supply inventories and all foreign inventories. If we used FIFO for all inventories, our stated product inventories would have been higher by:

\$112 million at December 31, 2012; and

\$120 million at December 31, 2011.

Shipping and Handling Costs

We classify shipping and handling costs in the costs of products sold in our Consolidated Statement of Operations.

Income Taxes

We account for income taxes under the asset and liability method. Unrecognized tax benefits represent potential future funding obligations to taxing authorities if uncertain tax positions the company has taken on previously filed tax returns are not sustained. In accordance with the company's accounting policy, accrued interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense.

We recognize deferred tax assets and liabilities to reflect:

•



future tax consequences due to differences between the carrying amounts for financial purposes and the tax bases of certain items and

operating loss and tax credit carryforwards.

To measure deferred tax assets and liabilities, we:

determine when the differences between the carrying amounts and tax bases of affected items are expected to be recovered or resolved and

use enacted tax rates expected to apply to taxable income in those years.

#### Share-Based Compensation

We generally measure the fair value of share-based awards on the dates they are granted or modified. These measurements establish the cost of the share-based awards for accounting purposes. We then recognize the cost of share-based awards in our Consolidated Statement of Operations over each employee's required service period.

Note 17: Share-Based Compensation provides more information about our share-based compensation.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 60

---

Table of Contents

Pension and Other Postretirement Benefit Plans

We recognize the overfunded or underfunded status of our defined benefit pension and other postretirement plans on our Consolidated Balance Sheet and recognize changes in the funded status through comprehensive income (loss) in the year in which the changes occur.

Actuarial valuations determine the amount of the pension and other postretirement benefit obligations and the net periodic benefit cost we recognize. The net periodic benefit cost includes:

- cost of benefits provided in exchange for employees' services rendered during the year;
- interest cost of the obligations;
- expected long-term return on fund assets;
- gains or losses on plan settlements and curtailments;
- amortization of prior service costs and plan amendments over the average remaining service period of the active employee group covered by the plans; and
- amortization of cumulative unrecognized net actuarial gains and losses — generally in excess of 10 percent of the greater of the accrued benefit obligation or market-related value of plan assets at the beginning of the year — over the average remaining service period of the active employee group covered by the plans.

Pension plans. We have pension plans covering most of our employees. Determination of benefits differs for salaried, hourly and union employees:

- Salaried employee benefits are based on each employee's highest monthly earnings for five consecutive years during the final 10 years before retirement.

- Hourly and union employee benefits generally are stated amounts for each year of service.

- Union employee benefits are set through collective-bargaining agreements.

We contribute to our U.S. and Canadian pension plans according to established funding standards. The funding standards for the plans are:

- U.S. pension plans — according to the Employee Retirement Income Security Act of 1974; and

- Canadian pension plans — according to the applicable provincial pension act and the Income Tax Act.

Postretirement benefits other than pensions. We provide certain postretirement health care and life insurance benefits for some retired employees. In some cases, we pay a portion of the cost of the benefit. Note 8: Pension and Other Postretirement Benefit Plans provides additional information about changes made in our postretirement benefit plans during 2012 and 2011.

Environmental Remediation

We accrue losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Future expenditures for environmental remediation obligations are not discounted to their present value. Recoveries of environmental remediation costs from other parties are recorded as assets when the recovery is deemed probable and does not exceed the amount of losses previously recorded.

NOTE 2: BUSINESS SEGMENTS

Our business segments and how we account for those segments are discussed in Note 1: Summary of Significant Accounting Policies. This note provides key financial data by business segment.

DISCONTINUED OPERATIONS

We have disposed of various businesses and operations that are excluded from the segment results below. See Note 3: Discontinued Operations for information regarding our discontinued operations and the segments affected.

KEY FINANCIAL DATA BY BUSINESS SEGMENT

Sales, Revenues and Contribution (Charge) to Earnings

DOLLAR AMOUNTS IN MILLIONS

TIMBERLANDS	WOOD PRODUCTS	CELLULOSE FIBERS	REAL ESTATE	UNALLOCATED ITEMS <sup>(1)</sup> AND INTERSEGMENT ELIMINATIONS	CONSOLIDATED
-------------	---------------	------------------	-------------	--	--------------

Sales to and revenues from unaffiliated customers

Edgar Filing: WEYERHAEUSER CO - Form 10-K

2012	\$ 1,077	\$3,058	\$ 1,854	\$1,070	\$—	\$ 7,059
2011	\$ 1,044	\$2,276	\$ 2,058	\$838	\$—	\$ 6,216
2010	\$ 874	\$2,224	\$ 1,911	\$923	\$22	\$ 5,954
Intersegment sales						
2012	\$ 683	\$74	\$ —	\$—	\$(757	)\$ —
2011	\$ 646	\$80	\$ —	\$—	\$(726	)\$ —
2010	\$ 603	\$63	\$ —	\$—	\$(666	)\$ —
Contribution (charge) to earnings from continuing operations						
2012	\$ 322	\$120	\$ 223	\$105	\$18	\$ 788
2011	\$ 491	\$(243	)\$ 452	\$58	\$(117	)\$ 641
2010	\$ 282	\$(316	)\$ 421	\$91	\$54	\$ 532

(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.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 61

---

Table of Contents

Management evaluates segment performance based on the contributions to earnings of the respective segments. An analysis and reconciliation of our business segment information to the consolidated financial statements follows:  
Reconciliation of Contribution to Earnings to Net Earnings Attributable to Weyerhaeuser Shareholders

## DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010
Net contribution to earnings from continuing operations	\$788	\$641	\$532
Net contribution to earnings from discontinued operations	—	20	14
Total contribution to earnings	788	661	546
Interest expense, net of capitalized interest	(348)	)(384	)(452
Income before income taxes (continuing and discontinued operations)	440	277	94
Income taxes (continuing and discontinued operations)	(55)	)54	1,187
Net earnings attributable to Weyerhaeuser common shareholders	\$385	\$331	\$1,281

## Additional Financial Information

## DOLLAR AMOUNTS IN MILLIONS

	TIMBERLANDS	WOOD PRODUCTS	CELLULOSE FIBERS	REAL ESTATE	UNALLOCATED ITEMS	CONSOLIDATED
Depreciation, depletion and amortization						
2012	\$ 142	\$133	\$ 150	\$12	\$ 19	\$ 456
2011	\$ 137	\$151	\$ 147	\$13	\$ 28	\$ 476
2010	\$ 121	\$181	\$ 148	\$17	\$ 28	\$ 495
Net pension and postretirement cost (credit) <sup>(1)</sup>						
2012	\$ 8	\$25	\$ 14	\$4	\$ 29	\$ 80
2011	\$ 7	\$22	\$ 13	\$4	\$ 26	\$ 72
2010	\$ 6	\$19	\$ 11	\$3	\$ (73)	)\$ (34
Charges for restructuring, closures and impairments <sup>(2)</sup>						
2012	\$ 2	\$6	\$ —	\$6	\$ 18	\$ 32
2011	\$ —	\$64	\$ 1	\$14	\$ 4	\$ 83
2010	\$ 2	\$113	\$ —	\$21	\$ 12	\$ 148
Equity in income (loss) of equity affiliates and unconsolidated entities						
2012	\$ —	\$—	\$ 5	\$2	\$ (3	)\$ 4
2011	\$ —	\$—	\$ 2	\$2	\$ (4	)\$ —
2010	\$ —	\$—	\$ (6	)\$12	\$ (6	)\$ —
Capital expenditures						
2012	\$ 60	\$56	\$ 160	\$4	\$ 5	\$ 285
2011	\$ 53	\$35	\$ 146	\$3	\$ 1	\$ 238
2010	\$ 72	\$31	\$ 123	\$5	\$ 1	\$ 232
Investments in and advances to equity affiliates and unconsolidated entities						
2012	\$ —	\$—	\$ 191	\$21	\$ 1	\$ 213
2011	\$ —	\$—	\$ 191	\$21	\$ 1	\$ 213
2010	\$ —	\$—	\$ 194	\$16	\$ —	\$ 210
Total assets						
2012	\$ 4,697	\$1,319	\$ 2,386	\$2,003	\$ 2,187	\$ 12,592
2011	\$ 4,694	\$1,256	\$ 2,435	\$1,917	\$ 2,332	\$ 12,634
2010	\$ 4,731	\$1,551	\$ 2,406	\$1,953	\$ 2,823	\$ 13,464

(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. See Note 8: Pension and Other Postretirement Benefit Plans for more information.

(2) See Note 18: Charges for Restructuring, Closures and Asset Impairments for more information

**NOTE 3: DISCONTINUED OPERATIONS**

There are no operations classified as discontinued in December 31, 2012. Discontinued operations in December 31, 2011 and December 31, 2010 include our hardwoods and Westwood Shipping Lines operations, both of which were sold in third quarter 2011.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 62

---

Table of Contents

## OPERATIONS INCLUDED IN DISCONTINUED OPERATIONS

## Discontinued Operations

Operations	Disposition	Segment where activities were included	Pretax gain or loss on sale
Hardwoods	Sold 2011 — third quarter	Wood Products	\$22 million loss in Wood Products
Westwood Shipping Lines	Sold 2011 — third quarter	Corporate and Other	\$49 million gain in Unallocated Items

## Sale of Hardwoods

On August 1, 2011, we completed the sale of our hardwoods operations to American Industrial Partners for consideration of \$109 million, of which \$25 million was a note receivable. During second quarter 2011, we reduced our hardwoods assets to their fair value less selling costs which resulted in the recognition of a \$9 million charge. An additional \$10 million pension curtailment charge was recognized in third quarter 2011 when the transaction closed. Total pre-tax charges on the sale of \$22 million were recorded in our Wood Products segment. We recognized a tax benefit on the sale of \$8 million, resulting in a year-to-date net loss of \$14 million.

The following operating assets were included as part of the transaction:

- seven primary hardwood mills with a total capacity of 300 million board feet,
- four concentration yards,
- three remanufacturing plants,
- one log merchandising yard and
- sales office in the U.S., Canada, Japan, China and Hong Kong.

## Sale of Westwood Shipping Lines

On September 30, 2011, we completed the sale of Westwood Shipping Lines to J-WesCo of Japan for \$58 million in cash. We recognized a pre-tax gain of \$49 million in Unallocated Items and recorded tax expense of \$18 million, resulting in a net gain of \$31 million. This transaction also reduced our operating lease obligations by approximately \$130 million.

## NET EARNINGS FROM DISCONTINUED OPERATIONS

## Sales and Net Earnings from Discontinued Operations

## DOLLAR AMOUNTS IN MILLIONS

	2011	2010
Net sales:		
Hardwoods	\$222	\$367
Westwood Shipping Lines	180	231
Total net sales from discontinued operations	\$402	\$598
Income (loss) from operations:		
Hardwoods	\$(3)	)\$8
Westwood Shipping Lines	—	6
Other discontinued operations	(13)	)—
Total income (loss) from discontinued operations	(16)	)14
Income taxes	5	(5)
Net earnings (loss) from operations	(11)	)9
Net gain (loss) on sale (after-tax):		
Hardwoods	(14)	)—
Westwood Shipping Lines	31	—
Sale of property	6	—
Net earnings from discontinued operations	\$12	\$9

Results of discontinued operations exclude certain general corporate overhead costs that have been allocated to and are included in contribution to earnings for the operating segments.

Other discontinued operations relate to gains or losses for businesses we have divested in prior years and are included in Unallocated Items. During 2011 we increased our reserve for estimated future environmental remediation costs and recognized an \$11 million charge associated with discontinued operations.

NOTE 4: NET EARNINGS PER SHARE

Our basic earnings per share attributable to Weyerhaeuser shareholders for the last three years were:

\$0.71 in 2012,

\$0.62 in 2011 and

\$4.00 in 2010.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 63

---

Table of Contents

Our diluted earnings per share attributable to Weyerhaeuser shareholders for the last three years were:

\$0.71 in 2012,  
\$0.61 in 2011 and  
\$3.99 in 2010.

This note discloses:

how we calculate basic and diluted net earnings per share and  
shares excluded from dilutive effect.

**HOW WE CALCULATE BASIC AND DILUTED NET EARNINGS PER SHARE**

“Basic earnings” per share is net earnings divided by the weighted average number of our outstanding common shares, including stock equivalent units where there is no circumstance under which those shares would not be issued.

“Diluted earnings” per share is net earnings divided by the sum of the:

weighted average number of our outstanding common shares and  
the effect of our outstanding dilutive potential common shares.

Dilutive potential common shares may include:

outstanding stock options,  
restricted stock units or  
performance share units.

We use the treasury stock method to calculate the effect of our outstanding dilutive potential common shares.

Share-based payment awards that are contingently issuable upon the achievement of specified performance or market conditions are included in our diluted earnings per share calculation in the period in which the conditions are satisfied.

To implement our decision to be taxed as a REIT, we distributed to our shareholders our accumulated earnings and profits, determined under federal income tax provisions, as a “Special Dividend.” On September 1, 2010, we paid a dividend of \$5.6 billion which included the Special Dividend and the regular quarterly dividend of approximately \$11 million. At the election of each shareholder, the Special Dividend was paid in cash or Weyerhaeuser common shares. The number of common shares issued was approximately 324 million. The stock portion of the Special Dividend was treated as the issuance of new shares for accounting purposes and affects our earnings per share only for periods after the distribution. Prior periods are not restated. The required treatment results in earnings per share that is less than would have been the case had the common shares not been issued. Reflected below are pro forma results giving effect to the common stock distribution for diluted earnings per common share as if the common stock distribution had occurred at the beginning of the period.

Pro Forma 2010 Diluted Earnings per Share to Reflect Special Dividend  
DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER SHARE FIGURES

	2010
Net earnings attributable to Weyerhaeuser common shareholders	\$1,281
Diluted earnings per share:	
As reported	\$3.99
Pro forma	\$2.39
Diluted weighted average shares outstanding (in thousands):	
As reported	321,096
Pro forma	537,013

**SHARES EXCLUDED FROM DILUTIVE EFFECT**

The following shares were not included in the computation of diluted earnings per share because they were either antidilutive or the required performance or market conditions were not met. Some or all of these shares may be dilutive potential common shares in future periods.

**Potential Shares Not Included in the Computation of Diluted Earnings per Share**

Shares in thousands	2012	2011	2010
Stock options	3,519	23,363	26,385
Performance share units	—	396	—





Table of Contents

## NOTE 5: INVENTORIES

Forest Products inventories include raw materials, work-in-process and finished goods.

Inventories as of the End of Our Last Two Years

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Logs and chips	\$72	\$68
Lumber, plywood, panels and engineered lumber	151	134
Pulp and paperboard	185	181
Other products	96	76
Materials and supplies	139	137
Subtotal	643	596
Less LIFO reserve	(112	)(120
Total	\$531	\$476

The LIFO inventory reserve applies to major inventory products held at our U.S. domestic locations. These inventory products include grade and fiber logs, chips, lumber, plywood, oriented strand board, pulp and paperboard.

## HOW WE ACCOUNT FOR OUR INVENTORIES

The Inventories section of [Note 1: Summary of Significant Accounting Policies](#) provides details about how we account for our inventories.

## NOTE 6: PROPERTY AND EQUIPMENT

Forest Products property and equipment includes land, buildings and improvements, machinery and equipment, roads and other items.

Carrying Value of Forest Products Property and Equipment and Estimated Service Lives

DOLLAR AMOUNTS IN MILLIONS

	RANGE OF LIVES	DECEMBER 31, 2012	DECEMBER 31, 2011
Property and equipment, at cost:			
Land	N/A	\$128	\$142
Buildings and improvements	10–40	1,317	1,405
Machinery and equipment	2–25	6,896	7,036
Roads	10–20	549	537
Other	3–10	319	331
Total cost		9,209	9,451
Allowance for depreciation and amortization		(6,350	)(6,550
Property and equipment, net		\$2,859	\$2,901

## SERVICE LIVES AND DEPRECIATION

Buildings and improvements for Forest Products property and equipment have estimated lives that are generally at either the high end or low end of the range from 10 years to 40 years, depending on the type and performance of construction.

The maximum service lives for Forest Products machinery and equipment varies among our operations:

• Timberlands — 15 years;

• Wood products manufacturing facilities — 20 years; and

• Primary pulp mills — 25 years.

Forest Products depreciation expense, excluding discontinued operations, was:

\$332 million in 2012,

\$361 million in 2011 and

\$391 million in 2010.

**NOTE 7: EQUITY AFFILIATES**

We have investments in unconsolidated equity affiliates over which we have significant influence that we account for using the equity method with taxes provided on undistributed earnings. We record earnings and accrue taxes in the period that the earnings are recorded by the affiliates.

This note provides information about our:

• Forest Products equity affiliates and

• Real Estate equity affiliates.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 65

---

Table of Contents

## FOREST PRODUCTS EQUITY AFFILIATES

Following is a list of Forest Products equity affiliates as of December 31, 2012:

## Details About Our Equity Affiliates

AFFILIATE	WHAT IT DOES	OUR OWNERSHIP
North Pacific Paper Corporation (NORPAC)	Owns and operates a newsprint manufacturing facility in Longview, Washington	50 percent
Catchlight Energy	Researching and developing technology for converting cellulose-based biomass into economical, low-carbon biofuels	50 percent
Liaison Technologies Inc.	Provides integration and data management services across a wide variety of industries worldwide	9 percent

## Unconsolidated Financial Information of Forest Products Equity Affiliates

Aggregated assets, liabilities and operating results of the entities that we accounted for as equity affiliates are provided below.

## Assets and Liabilities of Forest Products Equity Affiliates

## DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Current assets	\$153	\$133
Noncurrent assets	\$561	\$517
Current liabilities	\$64	\$52
Noncurrent liabilities	\$172	\$173

## Operating Results of Forest Products Equity Affiliates

## DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010
Net sales and revenues	\$628	\$602	\$530
Operating income (loss)	\$6	\$(5)	\$(20)
Net loss	\$(6)	\$(4)	\$(15)

## Doing Business with Forest Products Affiliates

Doing business with our affiliates varies by the individual affiliate. We provide a varying mix of goods and services to some of our affiliates and buy finished products from some of our affiliates.

The goods and services we provide include:

- raw materials,
- management and marketing services,
- support services and
- shipping services.

In addition, we manage cash for NORPAC under a services agreement. Weyerhaeuser holds the cash and records a payable balance to NORPAC, which is included in accounts payable in the accompanying Consolidated Balance Sheet. We had the following payable balances to NORPAC:

\$102 million at December 31, 2012; and

\$75 million at December 31, 2011.

## REAL ESTATE EQUITY AFFILIATES

As of December 31, 2012, our Real Estate segment held equity investments in six real estate partnerships and limited liability companies. Our participation in these entities may be as a developer, a builder or an investment partner. Our ownership percentage varies from 7 percent to 50 percent depending on the investment.

## Assets and Liabilities of Real Estate Equity Affiliates

## DOLLAR AMOUNTS IN MILLIONS

Edgar Filing: WEYERHAEUSER CO - Form 10-K

	DECEMBER 31, 2012	DECEMBER 31, 2011
Current assets	\$48	\$40
Noncurrent assets	\$256	\$264
Current liabilities	\$111	\$21
Noncurrent liabilities	\$4	\$94

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 66

---

Table of Contents

## Results of Operations From Real Estate Equity Affiliates

## DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
Net sales and revenues	\$16	\$13	\$51	
Operating income (loss)	\$4	\$3	\$(31)	)
Net income (loss)	\$3	\$3	\$(32)	)

## NOTE 8: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

We sponsor several retirement programs for our employees.

This note provides details about:

- types of plans we sponsor,
- significant transactions and events affecting plans we sponsor,
- funded status of plans we sponsor,
- pension assets,
- activity of plans we sponsor and
- actuarial assumptions.

## TYPES OF PLANS WE SPONSOR

The plans we sponsor in the U.S. and Canada differ according to each country's requirements.

In the U.S., our pension plans are:

- qualified — plans that qualify under the Internal Revenue Code; and
- nonqualified — plans for select employees that provide additional benefits not qualified under the Internal Revenue Code.

In Canada, our pension plans are:

- registered — plans that are registered under the Income Tax Act and applicable provincial pension acts; and
- nonregistered — plans for select employees that provide additional benefits that may not be registered under the Income Tax Act or provincial pension acts.

We also offer retiree medical and life insurance plans in the U.S. and Canada. These plans are referred to as other postretirement benefit plans in the following disclosures.

## Employee Eligibility and Accounting

The Pension and Other Postretirement Benefit Plans section of [Note 1: Summary of Significant Accounting Policies](#) provides information about employee eligibility for pension plans and postretirement health care and life insurance benefits, as well as how we account for the plans and benefits. See "Effects of Significant Transactions and Events" below for changes to eligibility in the pension and other postretirement benefit plans.

## Measurement Date

We measure the fair value of pension plan assets and pension and other postretirement benefit obligations as of the end of our fiscal year. The fair value of pension plan assets are estimated at the end of the year and are revised in the first half of the following year when the information needed to finalize fair values is received. There were no significant events that triggered remeasurement in 2012, 2011 or 2010.

## EFFECTS OF SIGNIFICANT TRANSACTIONS AND EVENTS

The information that is provided in this note is affected by the following transactions and events.

## Amendments of Pension and Other Postretirement Benefit Plans for Salaried Employees

## Pension Benefit Plan Amendments

During 2012 we ratified amendments to the Weyerhaeuser Pension Plan for various collectively bargained benefits. These changes increased the projected benefit obligation by \$12 million.

During fourth quarter 2011, we ratified an amendment to the Weyerhaeuser Pension Plan that eliminated the Retiree Medical Enhancement for active employees effective July 1, 2012. This change reduced the Plan's projected benefit obligation by \$16 million. This change was announced to affected participants in January 2012.

Effective December 31, 2010, the Weyerhaeuser Company Retirement Plan for Hourly Rated Employees was merged into the Weyerhaeuser Company Retirement Plan for Salaried Employees resulting in the Weyerhaeuser Pension Plan.

There were no changes to the provisions as a result of the plan merger.

Postretirement Medical and Life Insurance Benefit Plan Amendments

During fourth quarter 2011, we ratified amendments to our postretirement medical and life insurance benefit plans for U.S. salaried employees that reduced or eliminated certain medical and life insurance benefits that were available to both past and present employees. The changes included the elimination of the Pre-Medicare Plan II company subsidy for those not enrolled as of July 1, 2012, and eliminated the Post-Medicare Health Reimbursement Account (HRA) for those not enrolled or Medicare eligible, if enrolled, as of July 1, 2012. These changes resulted in a \$108 million reduction in the company's postretirement liability as of December 31, 2011. These changes were announced to affected participants in January 2012.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 67

---

Table of Contents

During third quarter 2010, we made changes to our postretirement medical plan for certain retirees in the U.S. Specifically, Medicare eligible retirees will be covered by a Health Reimbursement Account (HRA) as of January 1, 2011. The HRA will allow these retirees to purchase coverage through a healthcare exchange, and will provide additional options for coverage. As a result of this plan change, the company will not be receiving a Medicare Part D subsidy for plan years beginning on or after January 1, 2011. The loss of Medicare Part D subsidy is considered in the calculation of the net prior service credit of \$3 million resulting from the plan change. This amount will be amortized into the net periodic benefit costs (credits) over the life expectancy of the affected plan participants.

**Restructuring Activities**

The information that is provided in this note is affected by company restructuring activities that occurred in 2011 and 2010. There were no restructuring activities in 2012 that affected the information provided in this note.

**2011 Restructuring**

The 2011 curtailments and special termination benefits are related to involuntary terminations due to company-wide restructuring activities, and the sale of our hardwoods and Westwood Shipping Lines operations. The total curtailment charge for U.S. pension plans was \$9 million. In addition, we recognized a \$3 million settlement charge for a Canadian pension plan in fourth quarter 2011. There were no curtailment charges or credits to the U.S. or Canadian postretirement plans.

Termination benefits were provided under the pension plan in the U.S. for those terminated employees who were not yet eligible to retire but whose age plus service was at least 65 and had at least ten years of service (Rule of 65).

Special termination charges were \$6 million.

**2010 Restructuring**

The 2010 curtailments and special termination benefits are related to involuntary terminations due to company-wide restructuring activities, the closure of Wood Products facilities and the sale of five short line railroads. The total curtailment charge for U.S. pension plans was \$5 million. There were no curtailment charges or credits to the Canadian pension plans, or the U.S. or Canadian postretirement plans.

Termination benefits were provided under the pension plan in the U.S. for those terminated employees who were not yet eligible to retire but whose age plus service was at least 65 and had at least ten years of service (Rule of 65).

Special termination charges were \$5 million.

**FUNDED STATUS OF PLANS WE SPONSOR**

The funded status of the plans we sponsor is determined by comparing the projected benefit obligation with the fair value of plan assets at the end of the year.

**Changes in Projected Benefit Obligations of Our Pension and Other Postretirement Benefit Plans****DOLLAR AMOUNTS IN MILLIONS**

	PENSION		OTHER POSTRETIREMENT BENEFITS		
	2012	2011	2012	2011	
Reconciliation of projected benefit obligation:					
Projected benefit obligation beginning of year	\$5,841	\$5,267	\$402	\$496	
Service cost	53	48	1	2	
Interest cost	262	276	15	24	
Plan participants' contributions	—	—	18	19	
Actuarial (gains) losses	708	611	(1	)29	
Foreign currency exchange rate changes	22	(15	)2	(1	)
Benefits paid (includes lump sum settlements)	(323	)(338	)(53	)(59	)
Plan amendments and other	12	(14	)49	(108	)
Special termination benefits	—	6	—	—	
Projected benefit obligation at end of year	\$6,575	\$5,841	\$433	\$402	





Table of ContentsChanges in Fair Value of Plan Assets  
DOLLAR AMOUNTS IN MILLIONS

	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2012	2011	2012	2011
Fair value of plan assets at beginning of year (estimated)	\$4,714	\$4,773	\$—	\$—
Adjustment for final fair value of plan assets	16	138	—	—
Actual return on plan assets	490	49	—	—
Foreign currency exchange rate changes	15	(11	)—	—
Employer contributions and benefit payments	110	103	35	40
Plan participants' contributions	—	—	18	19
Benefits paid (includes lump sum settlements)	(323	)(338	)(53	)(59
Fair value of plan assets at end of year (estimated)	\$5,022	\$4,714	\$—	\$—

Funded Status of Our Pension and Other Postretirement Benefit Plans  
DOLLAR AMOUNTS IN MILLIONS

	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2012	2011	2012	2011
Noncurrent assets	\$2	\$1	\$—	\$—
Current liabilities	(21	)(21	)(37	)(42
Noncurrent liabilities	(1,534	)(1,107	)(396	)(360
Funded status	\$(1,553	)(1,127	)(433	)(402

Changes in actuarial assumptions, primarily discount rates, used to calculate our pension liabilities resulted in an increase of \$655 million in the liabilities, which had a negative effect on the funded status of the pension plans as of the end of 2012. The discount rates declined from 4.50 percent at the end of 2011 to 3.70 percent at the end of 2012 for the U.S. plans. The discount rates declined from 4.90 percent at the end of 2011 to 4.10 percent at the end of 2012 for the Canadian plans.

Our qualified and registered pension plans and a portion of our nonregistered pension plans are funded. We contribute to these plans according to established funding standards. The nonqualified pension plan, a portion of the nonregistered pension plans, and the other postretirement benefit plans are unfunded. For the unfunded plans, we pay benefits to retirees from our general assets as they come due.

The values reported for our pension plan assets at the end of 2012 and 2011 were estimated. Additional information regarding the year-end values generally becomes available to us during the first half of the following year. We increased the fair value of plan assets by \$16 million to reflect final valuations as of December 31, 2011.

During 2012, we contributed \$89 million to our Canadian registered and nonregistered pension plans and made benefit payments of \$21 million to our nonqualified pension plans.

The asset or liability on our Consolidated Balance Sheet representing the funded status of the plans is different from the cumulative income or expense that we have recorded related to these plans. These differences are actuarial gains and losses and prior service costs and credits that are deferred and will be amortized into our periodic benefit costs in future periods. These unamortized amounts are recorded in "Cumulative Other Comprehensive Loss", which is a component of total equity on our Consolidated Balance Sheet.

Table of Contents

## Changes in Amounts Included in Cumulative Other Comprehensive Loss

## DOLLAR AMOUNTS IN MILLIONS

	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2012	2011	2012	2011
Net amount at beginning of year	\$(1,693	)\$(1,258	)\$99	\$45
Net change during the year:				
Net actuarial gain (loss):				
Net actuarial loss arising during the year, including foreign currency exchange rate changes	(637	) (837	)—	(22
Amortization of net actuarial loss	175	140	13	13
Taxes	193	240	(2	)3
Net actuarial gain (loss), net of tax	(269	) (457	)11	(6
Prior service credit (cost):				
Prior service credit (cost) arising during the year	(12	)14	(43	)116
Amortization of prior service (credit) cost	8	23	(127	) (22
Taxes	1	(15	)50	(34
Prior service credit (cost), net of tax	(3	)22	(120	)60
Net amount recorded during the year	(272	) (435	) (109	)54
Net amount at end of year	\$(1,965	)\$(1,693	)\$(10	)\$99

## Accumulated Benefit Obligations Greater Than Plan Assets

As of December 31, 2012, pension plans with accumulated benefit obligations greater than plan assets had: \$6.6 billion in projected benefit obligations, \$6.4 billion in accumulated benefit obligations and assets with a fair value of \$5 billion.

As of December 31, 2011, pension plans with accumulated benefit obligations greater than plan assets had: \$5.8 billion in projected benefit obligations, \$5.7 billion in accumulated benefit obligations and assets with a fair value of \$4.7 billion.

The accumulated benefit obligation for all of our defined benefit pension plans was:

\$6.4 billion at December 31, 2012; and

\$5.7 billion at December 31, 2011.

## PENSION ASSETS

## Our Investment Policies and Strategies

Our investment policies and strategies guide and direct how we manage funds for the benefit plans we sponsor. These funds include our:

• U.S. Pension Trust — funds our U.S. qualified pension plans;

• Canadian Pension Trust — funds our Canadian registered pension plans; and

• Retirement Compensation Arrangements — fund a portion of our Canadian nonregistered pension plans.

## U.S. and Canadian Pension Trusts

Our U.S. pension trust holds the funds for our U.S. qualified pension plans, while our Canadian pension trust holds the funds for our Canadian registered pension plans.

Our strategy within the trusts is to invest:

• directly in a diversified mix of nontraditional investments; and

• indirectly through derivatives to promote effective use of capital, increase returns and manage associated risk.

Consistent with past practice and in accordance with investment guidelines established by the company's investment committee, the investment managers of the company's pension plan asset portfolios utilize a diversified set of investment strategies.

Our direct investments include:

- cash and short-term investments,
- hedge funds,
- private equity,
- real estate fund investments and
- common and preferred stocks.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 70

---

## Table of Contents

Our indirect investments include:

- equity index derivatives,
- fixed income derivatives and
- swaps and other derivative instruments.

The overall return for our pension trusts includes:

- returns earned on our direct investments and
- returns earned on the derivatives we use.

Cash and short-term investments generally consist of highly liquid money market and government securities and are primarily held to fund benefit payments, capital calls and margin requirements.

Hedge fund investments generally consist of privately-offered managed pools primarily structured as limited liability entities, with the general members or partners of such limited liability entities serving as portfolio manager and thus being responsible for the fund's underlying investment decisions. Generally, these funds have varying degrees of liquidity and redemption provisions. Underlying investments within these funds may include long and short public and private equities, corporate, mortgage and sovereign debt, options, swaps, forwards and other derivative positions. These funds may also use varying degrees of leverage.

Private equity investments consist of investments in private equity, mezzanine, distressed, co-investments and other structures. Private equity funds generally participate in buyouts and venture capital of limited liability entities through unlisted equity and debt instruments. These funds may also employ borrowing at the underlying entity level.

Mezzanine and distressed funds generally follow strategies of investing in the debt of public or private companies with additional participation through warrants or other equity type options.

Real estate fund investments in real property may be initiated through private transactions between principals or public market vehicles such as real estate investment trusts and are generally held in limited liability entities.

Common and preferred stocks are equity instruments that generally have resulted from transactions related to private equity investment holdings.

Swaps and other derivative instruments generally are comprised of swaps, futures, forwards or options. In accordance with our investment risk and return objectives, some of these instruments are utilized to achieve target equity and bond asset exposure or to reduce exposure to certain market risks or to help manage the liquidity of our investments.

The resulting asset mix achieved is intended to allow the assets to perform comparably with established benchmarks. Others, mainly total return swaps with limited exchange of principal, are designed to gain exposure to the return characteristics of specific financial strategies.

All swap, forward and option contracts are executed in a diversified manner through a number of financial institutions and in accordance with our investment guidelines.

### Retirement Compensation Arrangements

Retirement Compensation Arrangements fund a portion of our Canadian nonregistered pension plans.

Under Retirement Compensation Arrangements, our contributions are split:

- 50 percent to our investments in a portfolio of equities; and

- 50 percent to a noninterest-bearing refundable tax account held by the Canada Revenue Agency — as required by Canadian tax rules.

The Canadian tax rules requirement means that — on average, over time — approximately 50 percent of our Canadian nonregistered pension plans' assets do not earn returns.

### Managing Risk

Investments and contracts, in general, are subject to risk, including market price, liquidity, currency, interest rate and credit risks. We have established governance practices to manage certain risks. The following provides an overview of these risks and describes actions we take to mitigate the potential adverse effects of these risks on the performance of our pension plan assets. Generally, we manage these risks through:

- selection and diversification of managers and strategies,
- use of limited-liability vehicles,
- diversification and

-

constraining risk profiles to predefined limits on the percentage of pension trust assets that can be invested in certain categories.

Market price risk is the risk that the future value of a financial instrument will fluctuate as a result of changes in its market price, whether caused by factors specific to the individual investment, its issuer, or any other market factor that may affect its price. We attempt to mitigate market price risk on the company's pension plan asset portfolios by investing in a diversified set of assets whose returns exhibit low correlation to those of traditional asset classes and each other. In addition, we and our investment advisers monitor the investments on a regular basis to ensure the decision to invest in particular assets continues to be suitable, including performing ongoing qualitative and quantitative assessments and comprehensive investment and operational due diligence. Special attention is paid to organizational changes made by the underlying fund managers and to changes in policy relative to their investment objectives, valuation, hedging strategy, degree of diversification, leverage, alignment of fund principles and investors, risk governance and costs.

Liquidity risk is the risk that the pension trusts will encounter difficulty in meeting obligations associated with their financial liabilities. Our financial obligations as they relate to the pension plans may consist of distributions and redemptions payable to pension plan participants, payments to counterparties and fees to service providers. As established, pension plan assets primarily consist of investments in limited liability pools for which there is no active secondary market. As a result, the investments may be illiquid. Further, hedge funds are subject to potential restrictions that may affect the timing of the realization of pending redemptions. Private equity funds are subject to distribution and funding schedules that are set by the private equity funds' respective managers and market activity. To mitigate liquidity risk on the company's pension plan asset portfolios, the hedge fund portfolios have been diversified across manager's strategies and funds that possess varying liquidity provisions and the private equity portfolios have been diversified across different vintage years and strategies. In addition, the investment committee regularly reviews cash flows of the pension trusts and sets appropriate guidelines to address liquidity needs.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 71

---

Table of Contents

Currency risk arises from holding pension plan assets denominated in a currency other than the currency in which its liabilities are settled. Such risk is managed generally through notional contracts designed to hedge the net exposure to non-functional currencies.

Interest rate risk is the risk that a change in interest rates will adversely affect the fair value of fixed income securities. The pension trust's primary exposure to interest rate risk is indirect and through their investments in limited liability pools. Such indirect exposure is managed by the respective fund managers in conjunction with their investment level decisions and predefined investment mandates.

Credit risk relates to the extent to which failures by counterparties to discharge their obligations could reduce the amount of future cash flows on hand at the balance sheet date. The pension trusts' exposure to counterparty credit risk is reflected as settlement receivables from derivative contracts within the pension plan assets. In evaluating credit risk, we will often be dependent upon information provided by the counterparty or a rating agency, which may be inaccurate. We decrease exposure to credit risk by only dealing with highly-rated financial counterparties, and as of year-end, our counterparties each had a credit rating of at least A from Standard and Poor's.

We further manage this risk through:

- diversification of counterparties,
- predefined settlement and margining provisions and
- documented agreements.

We expect that none of our counterparties will fail to meet its obligations. Also, no principal is at risk as a result of these types of investments. Only the amount of unsettled net receivables is at risk.

We are also exposed to credit risk indirectly through counterparty relationships struck by the underlying managers of investments in limited liability pools. This indirect exposure is mitigated through a due diligence process, which focuses on monitoring each investment fund to ensure the decision to invest in or maintain exposure to a fund continues to be suitable for the pension plans' asset portfolios.

While we do not target specific direct investment or derivative allocations, we have established guidelines on the percentage of pension trust assets that can be invested in certain categories to provide diversification by investment type fund and investment managers, as well as to manage overall liquidity.

Assets within our qualified and registered pension plans in our U.S. and Canadian pension trusts were invested as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2011	
Fixed income	11.4	% 11.5	%
Hedge funds	55.3	51.9	
Private equity and related funds	31.8	35.1	
Real estate and related funds	1.8	2.1	
Common and preferred stock and equity index instruments	0.1	—	
Accrued liabilities	(0.4	) (0.6	)
Total	100.0	% 100.0	%

Assets within our nonregistered plans that we are allowed to manage were invested as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2011	
Equities	43.5	% 23.0	%
Cash and cash equivalents	56.5	77.0	
Total	100.0	% 100.0	%

#### Valuation of Our Plan Assets

The pension assets are stated at fair value based upon the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. We do not value pension investments based upon a forced or distressed sale scenario. Instead, we consider both observable and unobservable inputs that reflect assumptions applied by market participants when setting the exit price of an asset or liability in an orderly transaction within the principal market of that asset or liability.

We value the pension plan assets based upon the observability of exit pricing inputs and classify pension plan assets based upon the lowest level input that is significant to the fair value measurement of the pension plan assets in their entirety. The fair value hierarchy we follow is outlined below:

Level 1: Inputs are unadjusted quoted prices for identical assets and liabilities traded in an active market.

Level 2: Inputs are quoted prices in non-active markets for which pricing inputs are observable either directly or indirectly at the reporting date.

Level 3: Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The pension assets are comprised of cash and short-term investments, derivative contracts, common and preferred stock and fund units. The fund units are typically limited liability interests in hedge funds, private equity funds, real estate funds and cash funds. Each of these assets participates in its own unique principal market.

Cash and short-term investments, when held directly, are valued at cost.

Common and preferred stocks are valued at exit prices quoted in the public markets.

Derivative contracts held by our pension trusts are not publicly traded and each derivative contract is specifically negotiated with a unique financial counterparty and references either illiquid fund units or a unique number of synthetic units of a publicly reported market index. The derivative contracts are valued based upon valuation statements received from the financial counterparties.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 72

---



Table of Contents

Fund units are valued based upon the net asset values of the funds which we believe represent the per-unit prices at which new investors are permitted to invest and the prices at which existing investors are permitted to exit. To the degree net asset values as of the end of the year have not been received, we use the most recently reported net asset values and adjust for market events and cash flows that have occurred between the interim date and the end of the year to estimate the fair values as of the end of the year.

Assets that do not have readily available quoted prices in an active market require a higher degree of judgment to value and have a higher degree of risk that the value that could have been realized upon sale as of the valuation date could be different from the reported value than assets with observable pricing inputs. It is possible that the full extent of market price, liquidity, currency, interest rate, or credit risks may not be fully factored into the fair values of our pension plan assets that use significant unobservable inputs. Approximately \$4.5 billion, or 89 percent, of our pension plan assets were classified as Level 3 assets as of December 31, 2012.

We estimate the fair value of pension plan assets based upon the information available during the year-end reporting process. In some cases, primarily private equity funds, the information available consists of net asset values as of an interim date, cash flows between the interim date and the end of the year, and market events. When the difference is significant, we revise the year-end estimated fair value of pension plan assets to incorporate year-end net asset values received after we have filed our annual report on Form 10-K. We increased the fair value of pension assets in the second quarter of 2012 by \$16 million, or 0.3 percent.

The net pension plan assets, when categorized in accordance with this fair value hierarchy, are as follows:

## DOLLAR AMOUNTS IN MILLIONS

2012	Level 1	Level 2	Level 3	Total
Pension trust investments:				
Fixed income instruments	\$476	\$93	\$—	\$569
Hedge funds	—	—	2,771	2,771
Private equity and related funds	—	(2	) 1,594	1,592
Real estate and related funds	—	—	91	91
Common and preferred stock and equity index instruments	—	4	—	4
Total pension trust investments	\$476	\$95	\$4,456	\$5,027
Accrued liabilities, net				(19
Pension trust net assets				\$5,008
Canadian nonregistered plan assets:				
Cash	\$8	\$—	\$—	\$8
Investments	6	—	—	6
Total Canadian nonregistered plan assets	\$14	\$—	\$—	\$14
Total plan assets				\$5,022

## DOLLAR AMOUNTS IN MILLIONS

2011	Level 1	Level 2	Level 3	Total
Pension trust investments:				
Fixed income instruments	\$470	\$71	\$—	\$541
Hedge funds	—	—	2,436	2,436
Private equity and related funds	—	2	1,649	1,651
Real estate and related funds	—	—	96	96
Common and preferred stock and equity index instruments	1	1	—	2
Total pension trust investments	\$471	\$74	\$4,181	\$4,726
Accrued liabilities, net				(27
Pension trust net investments				\$4,699
Canadian nonregistered plan assets:				
Cash	\$12	\$—	\$—	\$12

Edgar Filing: WEYERHAEUSER CO - Form 10-K

Investments	3	—	—	3
Total Canadian nonregistered plan assets	\$15	\$—	\$—	\$15
Total plan assets				\$4,714

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 73

---

Table of Contents

A reconciliation of the beginning and ending balances of the pension plan assets measured at fair value using significant unobservable inputs (Level 3) is presented below:

DOLLAR AMOUNTS IN MILLIONS

	INVESTMENTS			Total
	Hedge funds	Private equity and related funds	Real estate and related funds	
Balance as of December 31, 2010	\$2,284	\$ 1,575	\$120	\$3,979
Net realized gains (losses)	95	(6	)—	89
Net change in unrealized appreciation (depreciation)	(180	) 122	(21	)(79
Net purchases, (sales) and (settlements)	237	(42	)(3	) 192
Balance as of December 31, 2011	2,436	1,649	96	4,181
Net realized gains	70	146	6	222
Net change in unrealized appreciation	228	26	6	260
Net purchases, (sales) and (settlements)	37	(227	)(17	)(207
Balance as of December 31, 2012	\$2,771	\$ 1,594	\$91	\$4,456

This table shows the fair value of the derivatives held by our pension trusts — which fund our qualified and registered plans — at the end of the last two years.

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Equity index instruments	\$4	\$1
Forward contracts	(2	)2
Swaps	288	220
Total	\$290	\$223

This table shows the aggregate notional amount of the derivatives held by our pension trusts — which fund our qualified and registered plans — at the end of the last two years.

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Equity index instruments	\$569	\$390
Forward contracts	199	208
Swaps	1,538	1,291
Total	\$2,306	\$1,889

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 74

Table of Contents

## ACTIVITY OF PLANS WE SPONSOR

Net Periodic Benefit Cost (Credit)

DOLLAR AMOUNTS IN MILLIONS

	PENSION			OTHER POSTRETIREMENT BENEFITS		
	2012	2011	2010	2012	2011	2010
Net periodic benefit cost (credit):						
Service cost <sup>(1)(2)</sup>	\$53	\$48	\$44	\$1	\$2	\$2
Interest cost	262	276	278	15	24	24
Expected return on plan assets	(422)	)(421	)(448	)—	—	—
Amortization of actuarial loss	175	136	61	13	13	11
Amortization of prior service cost (credit)	7	14	18	(127	)(22	)(21
Recognition of curtailments, settlements and special termination benefits due to closures, restructuring or divestitures <sup>(2)</sup>	—	18	10	—	—	—
Other	—	—	—	4	4	—
Net periodic benefit cost (credit)	\$75	\$71	\$(37	)\$94	)\$21	\$16

(1) During fourth quarter 2011, we ratified amendments to our postretirement medical and life insurance benefit plans for U.S. salaried employees that reduced or eliminated certain benefits that were available to both past and present employees. The company recognized a gain of \$103 million in 2012 due to these benefit changes. This gain is included in other operating income and reflected in the amortization of prior service credit in the table above. The benefit related to the fourth quarter 2011 amendments was fully recognized in first and second quarter 2012.

(2) Service cost includes \$2 million in 2011 and \$3 million in 2010 for employees that were part of the sale of our hardwoods operations. Curtailment and special termination benefits includes charges of \$11 million in 2011 related to the sale of our hardwoods and Westwood Shipping Lines operations. These charges are included in our results of discontinued operations.

## Estimated Amortization from Cumulative Other Comprehensive Loss in 2013

Amortization of the net actuarial loss and prior service cost (credit) of our pension and postretirement benefit plans will affect our other comprehensive income in 2013. The net effect of the estimated amortization will be an increase in net periodic benefit costs or a decrease in net periodic benefit credits in 2013.

DOLLAR AMOUNTS IN MILLIONS

	PENSION	POSTRETIREMENT TOTAL
Net actuarial loss	\$220	\$ 14
Prior service cost (credit)	7	(23
Net effect cost (credit)	\$227	\$ (9

## Expected Pension Funding

Established funding standards govern the funding requirements for our qualified and registered pension plans. We fund the benefit payments of our nonqualified and nonregistered plans as benefit payments come due.

During 2013, based on estimated year-end asset values and projections of plan liabilities, we expect to:

• be required to contribute approximately \$88 million to our Canadian registered and nonregistered pension plans; and

• make benefit payments of approximately \$19 million to our U.S. nonqualified pension plans.

We do not anticipate making a contribution to our U.S. qualified pension plan for 2013.

## Expected Postretirement Benefit Funding

Our retiree medical and life insurance plans are unfunded. Benefits for these plans are paid from our general assets as they come due. Except for benefits provided to certain unionized employees, we retain the right to terminate other postretirement benefits. We expect to make benefit payments of \$37 million to our U.S. and Canadian other

postretirement benefit plans in 2013, including \$10 million expected to be required to cover benefit payments under collectively bargained contractual obligations.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 75

---

Table of Contents

## Estimated Projected Benefit Payments for the Next 10 Years

DOLLAR AMOUNTS IN MILLIONS

	PENSION	OTHER POSTRETIREMENT BENEFITS
2013	\$ 329	\$ 37
2014	\$ 338	\$ 34
2015	\$ 342	\$ 32
2016	\$ 351	\$ 30
2017	\$ 359	\$ 29
2018-2022	\$ 1,897	\$ 126

## ACTUARIAL ASSUMPTIONS

We use actuarial assumptions to estimate our benefit obligations and our net periodic benefit costs.

## Rates We Use in Estimating Our Benefit Obligations

We use assumptions to estimate our benefit obligations that include:

- discount rates in the U.S. and Canada, including discount rates used to value lump sum distributions;
- rates of compensation increases for our salaried and hourly employees in the U.S. and Canada; and
- estimated percentages of eligible retirees who will elect lump sum payments of benefits.

## Discount Rates and Rates of Compensation Increase Used in Estimating Our Pension and Other Postretirement Benefit Obligation

	PENSION		OTHER POSTRETIREMENT BENEFITS		
	DECEMBER 31, 2012	DECEMBER 31, 2011	DECEMBER 31, 2012	DECEMBER 31, 2011	
Discount rates:					
U.S.	3.70	% 4.50	% 3.00	% 4.10	%
Canada	4.10	% 4.90	% 4.00	% 4.80	%
Lump sum distributions (US salaried and nonqualified plans only) <sup>(1)</sup>	Variable	Variable	N/A	N/A	
Rate of compensation increase:					
Salaried:					
	2.00% for 2012	2.00% for 2011			
United States	2.50% for 2013 and 3.5% thereafter	2.00% for 2012 and 3.5% thereafter	N/A	N/A	
	2.10% for 2012	2.00% for 2011		2.00% for 2011	
Canada	2.50% for 2013 and 3.5% thereafter	2.10% for 2012 and 3.5% thereafter	N/A	2.10% for 2012 and 3.5% thereafter	
Hourly:					
United States	3.00	% 3.00	% 3.00	% 3.00	%
Canada	3.25	% 3.25	% N/A	N/A	
Election of lump sum or installment distributions (US salaried and nonqualified plans only)	56.00	% 60.00	% N/A	N/A	

(1) The discount rates applicable to lump sum distributions vary based on expected retirement dates of the covered employees. The discount rates are determined in accordance with the Pension Protection Act.

## Estimating Our Net Periodic Benefit Costs

The assumptions we use to estimate our net periodic benefit costs include:

- discount rates in the U.S. and Canada, including discount rates used to value lump sum distributions;

• expected returns on our plan assets;  
• rates of compensation increases for our salaried and hourly employees in the U.S. and Canada; and  
• estimated percentages of eligible retirees who will elect lump sum payments of benefits.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 76

---

Table of Contents

This table shows the discount rates, expected returns on our plan assets and rates of compensation increases we used the last three years to estimate our net periodic benefit costs.

Rates Used to Estimate Our Net Periodic Benefit Costs

	PENSION			OTHER POSTRETIREMENT BENEFITS		
	2012	2011	2010	2012	2011	2010
Discount rates:						
U.S.	4.50%	5.40%	5.90%	4.10%	5.00%	5.20%
Salaried – lump sum distributions (U.S. salaried and nonqualified plan only) <sup>(1)</sup>	PPA Table	PPA phased Table	PPA phased Table	N/A	N/A	N/A
Canada	4.90%	5.30%	6.10%	4.80%	5.20%	6.00%
Expected return on plan assets:						
Qualified/registered plans	9.00%	9.50%	9.50%			
Nonregistered plans (Canada only)	3.50%	4.75%	4.75%			
Rate of compensation increase:						
Salaried:						
U.S.	2.00% for 2012 3.50% thereafter	2.00% for 2011 3.50% thereafter	1.75% for 2010 3.50% thereafter	N/A	N/A	N/A
Canada	2.10% for 2012 3.50% thereafter	2.00% for 2011 3.50% thereafter	1.75% for 2010 3.50% thereafter	2.10% for 2012 3.50% thereafter	2.00% for 2011 3.50% thereafter	3.50%
Hourly:						
U.S.	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Canada	3.25%	3.25%	3.25%	N/A	N/A	N/A
Election of lump sum distributions (U.S. salaried and nonqualified plans only)	60.00%	65.00%	72.00%	N/A	N/A	N/A

(1) PPA Phased Table: Interest and mortality assumptions as mandated by Pension Protection Act of 2006 including the phase out of the prior interest rate basis in 2012.

Expected Return on Plan Assets

We estimate the expected long-term return on assets for our:

- qualified and registered pension plans and
- nonregistered plans.

Qualified and Registered Pension Plans. Our expected long-term rate of return for plan assets as of December 31, 2012, is comprised of:

- a 7.3 percent assumed return from direct investments and
- a 1.7 percent assumed return from derivatives.

Determining our expected return:

- requires a high degree of judgment,
- uses our historical fund returns as a base and
- places added weight on more recent pension plan asset performance.



Over the 28 years it has been in place, our U.S. pension trust investment strategy has achieved a 14.8 percent net compound annual return rate.

Nonregistered plans. Canadian tax rules require that 50 percent of the assets for nonregistered plans go to a noninterest-bearing refundable tax account. As a result, the return we earn investing the other 50 percent is spread over 100 percent of the assets.

Our expected long-term annual rate of return on the equity portion of this portfolio — the portion we are allowed to invest and manage — is 7 percent. We base that expected rate of return on:

• historical experience and  
• future return expectations.

Our expected overall annual return on assets that fund our nonregistered plans is 3.5 percent.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 77

---

Table of Contents

## Actual Returns on Assets Held by Our Pension Trusts

Based on valuations received as of year-end, our total actual return on assets held by our pension trusts was a gain of approximately \$490 million in 2012. These trusts fund our qualified, registered and a portion of our nonregistered pension plans.

## DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010
Direct investments	\$324	\$48	\$362
Derivatives	166	1	153
Total	\$490	\$49	\$515

## HEALTH CARE COSTS

Rising costs of health care affect the costs of our other postretirement plans.

## Health Care Cost Trend Rates

We use assumptions about health care cost trend rates to estimate the cost of benefits we provide. In 2012, the assumed weighted health care cost trend rate for the next year was:

6.7 percent in the U.S. and

7.1 percent in Canada.

This table shows the assumptions we use in estimating the annual cost increase for health care benefits we provide.

## Assumptions We Use in Estimating Health Care Benefit Costs

	2012		2011		
	U.S.	CANADA	U.S.	CANADA	
Weighted health care cost trend rate assumed for next year	6.70	%7.10	%6.80	%7.30	%
Rate to which cost trend rate is assumed to decline (ultimate trend rate)	4.50	%4.50	%4.50	%4.50	%
Year that the rate reaches the ultimate trend rate	2029	2030	2029	2030	

A 1 percent change in our assumed health care cost trend rates can affect our accumulated benefit obligations.

## Effect of a 1 Percent Change in Health Care Costs

## AS OF DECEMBER 31, 2012 (DOLLAR AMOUNTS IN MILLIONS)

	1% INCREASE	1% DECREASE	
Effect on total service and interest cost components	\$1	\$(1	)
Effect on accumulated postretirement benefit obligation	\$12	\$(10	)

## UNION-ADMINISTERED MULTIEMPLOYER BENEFIT PLANS

We contribute to multiemployer defined benefit plans under the terms of collective-bargaining agreements that cover some of our union-represented employees.

The U.S. plans are established to provide retirement income for eligible employees who meet certain age and service requirements at retirement. The benefits are generally based on:

- a percentage of the employer contributions paid into the plan on the eligible employee's behalf or
- a formula considering an eligible employee's service, the total contributions paid on their behalf plus a benefit based on the value of an eligible employee's account.

The Canadian plan is a negotiated cost defined benefit plan. The plan is established to provide retirement income for members based on their number of years of service in the industry, and the benefit rate that applied to that service.

The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

• If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

•

If we choose to stop participating in some of the multiemployer plans, we may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. As of December 31, 2012, these plans covered approximately 1,300 of our employees.

Our contributions were:

\$4 million in 2012,

\$4 million in 2011 and

\$4 million in 2010.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 78

---

Table of Contents

There have been no significant changes that affect the comparability of the 2012, 2011 and 2010 contributions. None of our contributions exceeded more than five percent of any plan's total contributions during 2012, 2011 or 2010.

DEFINED CONTRIBUTION PLANS

We sponsor various defined contribution plans for our U.S. and Canadian salaried and hourly employees. Our contributions to these plans were:

- \$19 million in 2012,
- \$19 million in 2011 and
- \$12 million in 2010.

NOTE 9: VARIABLE INTEREST ENTITIES

This note provides details about:

- Forest Products special-purpose entities (SPEs) and
- Real Estate variable interest entities (VIEs).

FOREST PRODUCTS SPECIAL-PURPOSE ENTITIES

From 2002 through 2004, Forest Products sold certain nonstrategic timberlands in five separate transactions. We are the primary beneficiary and consolidate the assets and liabilities of certain monetization and buyer-sponsored SPEs involved in these transactions. We have an equity interest in the monetization SPEs, but no ownership interest in the buyer-sponsored SPEs. The following disclosures refer to assets of buyer-sponsored SPEs and liabilities of monetization SPEs. However, because these SPEs are distinct legal entities:

- Assets of the SPEs are not available to satisfy our liabilities or obligations.
- Liabilities of the SPEs are not our liabilities or obligations.

In 2012, we repaid a \$97 million note and received \$110 million from the related financial investment related to one of our timber monetization SPEs undertaken in 2002.

Our Consolidated Statement of Operations includes:

• Interest expense on SPE notes of:

- \$32 million in 2012,
- \$31 million in 2011 and
- \$32 million in 2010.

• Interest income on SPE investments of:

- \$34 million in 2012,
- \$34 million in 2011 and
- \$34 million in 2010.

Sales proceeds paid to buyer-sponsored SPEs were invested in restricted financial investments with a balance of \$799 million as of December 31, 2012, and \$909 million as of December 31, 2011. The weighted average interest rate was 3.8 percent during 2012 and 2011. Maturities of the financial investments at the end of 2012 were:

- \$184 million in 2013,
- \$253 million in 2019 and
- \$362 million in 2020.

The long-term notes of our monetization SPEs were \$672 million as of December 31, 2012, and \$767 million as of December 31, 2011. The weighted average interest rate was 4.3 percent during 2012 and 4.2 percent in 2011.

Maturities of the notes at the end of 2012 were:

- \$161 million in 2013,
- \$209 million in 2019 and
- \$302 million in 2020.

Financial investments consist of bank guarantees backed by bank notes for three of the SPE transactions and a letter of credit backed by cash deposits for one of the SPE transactions. Interest earned from each financial investment is used to pay interest accrued on the corresponding SPE's note. Any shortfall between interest earned and interest accrued reduces our equity in the monetization SPEs.

Upon dissolution of the SPEs and payment of all obligations of the entities, we would receive any net equity remaining in the monetization SPEs and would be required to report deferred tax gains on our income tax return. In the event that proceeds from the financial investments are insufficient to settle all of the liabilities of the SPEs, we are not obligated to contribute any funds to any of the SPEs. As of December 31, 2012, our net equity in the four SPEs was approximately \$125 million and the deferred tax liability was estimated to be approximately \$240 million.

#### REAL ESTATE VARIABLE INTEREST ENTITIES

In the ordinary course of business, our Real Estate segment enters into lot option purchase agreements in order to procure land and residential lots for development and the construction of homes in the future. The use of such lot option agreements generally allows us to reduce the risks associated with direct land ownership and development, and reduces our capital and financial commitments. Pursuant to these lot option purchase agreements, we generally provide a deposit to the seller as consideration for the right to purchase lots at different times in the future, usually at predetermined prices.

If the entity holding the lots under option is a VIE, our deposit represents a variable interest in that entity. If we are determined to be the primary beneficiary of the VIE, we consolidate the VIE in our financial statements and reflect its assets and liabilities as "Assets held by variable interest entities" and "Liabilities (nonrecourse to the company) held by variable interest entities." Creditors of the entities with which we have option agreements have no recourse against us. The maximum exposure to loss under our lot option agreements is limited to non-refundable option deposits and any capitalized pre-acquisition costs. In some cases, we have also contracted to complete development work at a fixed cost on behalf of the land owner and budget shortfalls and savings will be borne by us.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 79

---

Table of Contents

In determining whether we are the primary beneficiary of a VIE, we consider our ability to control activities of the VIE including, but not limited to the ability to:

- direct entitlement of land,
- determine the budget and scope of land development work,
- perform land development activities,
- control financing decisions for the VIE and
- acquire additional land into the VIE or dispose of land in the VIE not already under contract.

If we conclude that we control such activities of the VIE, we also consider whether we have an obligation to absorb losses of or a right to receive benefits from the VIE.

As of the end of 2012, we had options to purchase 1,200 residential lots from VIEs we consolidated because we concluded we were the primary beneficiary, compared to 400 residential lots as of the end of 2011. As of the end of both 2012 and 2011, our non-refundable option deposits to VIEs and capitalized pre-acquisition costs on assets under option from VIEs that were not consolidated were not significant.

**NOTE 10: REAL ESTATE IN PROCESS OF DEVELOPMENT AND FOR SALE**

Carrying Value of Our Real Estate in Process of Development and for Sale

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Dwelling units	\$249	\$206
Residential lots	400	261
Commercial acreage, acreage for sale, and other	9	88
Total	\$658	\$555

**HOW WE ACCOUNT FOR OUR REAL ESTATE IN PROCESS OF DEVELOPMENT AND FOR SALE**

Real estate in process of development and for sale is stated at cost unless events and circumstances trigger an impairment. More information about real estate asset impairments can be found in Note 18: Charges for Restructuring, Closures and Asset Impairments.

**NOTE 11: ACCRUED LIABILITIES**

Forest Products accrued liabilities were comprised of the following:

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Wages, salaries and severance pay	\$139	\$136
Pension and postretirement	58	63
Vacation pay	46	44
Income taxes	—	13
Taxes – Social Security and real and personal property	27	29
Interest	99	99
Customer rebates and volume discounts	44	54
Deferred income	60	59
Other	88	96
Total	\$561	\$593

**NOTE 12: LINES OF CREDIT**

This note provides details about our:

- lines of credit and
- other letters of credit and surety bonds.

OUR LINES OF CREDIT

Edgar Filing: WEYERHAEUSER CO - Form 10-K

As of December 31, 2012, we have a \$1 billion revolving credit facility available to us. We entered into this line of credit in June 2011 and it expires June 2015. Conditions of the line of credit include the following:

• The entire amount is available to Weyerhaeuser Company.

• \$50 million of the amount is available to Weyerhaeuser Real Estate Company (WRECO).

• Neither Weyerhaeuser Company nor WRECO is a guarantor of the borrowing of the other.

Borrowings are at LIBOR plus a spread or at other interest rates mutually agreed upon between the borrower and the lending banks. As of December 31, 2012, there were no borrowings outstanding under the facility and Weyerhaeuser Company and WRECO were in compliance with the credit facility covenants.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 80

---

Table of Contents

## OTHER LETTERS OF CREDIT AND SURETY BONDS

The amounts of other letters of credit and surety bonds we have entered into as of the end of our last two years are included in the following table:

## DOLLAR AMOUNTS IN MILLIONS

	FOREST PRODUCTS		REAL ESTATE	
	DECEMBER 31, 2012	DECEMBER 31, 2011	DECEMBER 31, 2012	DECEMBER 31, 2011
Letters of credit	\$49	\$44	\$4	\$11
Surety bonds	\$157	\$166	\$261	\$264

Our compensating balance requirements for our letters of credit were \$50 million as of December 31, 2012.

## NOTE 13: LONG-TERM DEBT

This note provides details about:

- Forest Products long-term debt and the portion due within one year,
- Real Estate long-term debt and the portion due within one year and
- long-term debt maturities.

Our long-term debt includes notes, debentures, revenue bonds and other borrowings. The following table lists Forest Products' long-term debt, which includes Weyerhaeuser Company debt, by types and interest rates at the end of our last two years and includes the current portion.

## Forest Products Long-Term Debt by Types and Interest Rates (Includes Current Portion)

## DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
7.50% debentures due 2013	\$156	\$156
7.25% debentures due 2013	129	129
6.95% debentures due 2017	281	281
7.00% debentures due 2018	62	62
7.375% notes due 2019	500	500
9.00% debentures due 2021	150	150
7.125% debentures due 2023	191	191
8.50% debentures due 2025	300	300
7.95% debentures due 2025	136	136
7.70% debentures due 2026	150	150
7.35% debentures due 2026	62	62
7.85% debentures due 2026	100	100
6.95% debentures due 2027	300	300
7.375% debentures due 2032	1,250	1,250
6.875% debentures due 2033	275	275
Industrial revenue bonds, rates from 6.7% to 6.8%, due 2022	88	88
Medium-term notes, rates from 6.6% to 7.3%, due 2013	56	67
Other	1	1
	4,187	4,198
Less unamortized discounts	(5	)(5
Total	\$4,182	\$4,193
Portion due within one year	\$340	\$12

In addition to repaying debt that was scheduled to mature, we repaid approximately \$518 million and \$572 million of long-term debt during the years ended December 31, 2011 and 2010, respectively. Included in our net interest expense, Weyerhaeuser recognized pretax charges in 2011 and 2010 of \$26 million and \$50 million, respectively, which included early retirement premiums, unamortized debt issuance costs and other miscellaneous charges in



connection with early extinguishment of debt.

Real Estate Long-Term Debt by Types and Interest Rates (Includes Current Portion)

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011
Notes payable, unsecured; weighted average interest rates are approximately 4.8%, due 2013-2027	\$ 109	\$ 285
Portion due within one year	\$ 69	\$ 176

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 81

---

Table of Contents

Amounts of Long-Term Debt Due Annually for the Next Five Years and the Total Amount Due After 2017  
DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	
	FOREST PRODUCTS	REAL ESTATE
Long-term debt maturities:		
2013	\$ 340	\$ 69
2014	\$—	\$ 15
2015	\$—	\$—
2016	\$—	\$—
2017	\$ 281	\$—
Thereafter	\$3,566	\$ 25

**NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS**

This note provides information about the fair value of our:

- debt and
- other financial instruments.

**FAIR VALUE OF DEBT**

The estimated fair values and carrying values of our long-term debt consisted of the following:

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012		DECEMBER 31, 2011	
	CARRYING VALUE	FAIR VALUE (LEVEL 2)	CARRYING VALUE	FAIR VALUE (LEVEL 2)
Long-term debt (including current maturities):				
Forest Products	\$4,182	\$4,994	\$4,193	\$4,579
Real Estate	\$ 109	\$ 112	\$ 285	\$ 291

To estimate the fair value of long-term debt, we used the following valuation approaches:

- market approach — based on quoted market prices we received for the same types and issues of our debt; or
- income approach — based on the discounted value of the future cash flows using market yields for the same type and comparable issues of debt.

The inputs to these valuations are based on market data obtained from independent sources or information derived principally from observable market data.

The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at the measurement date.

**FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS**

We believe that our other financial instruments, including cash, short-term investments, receivables, and payables, have net carrying values that approximate their fair values with only insignificant differences. This is primarily due to:

- the short-term nature of these instruments,
- carrying short-term investments at expected net realizable value and
- the allowance for doubtful accounts.

**NOTE 15: LEGAL PROCEEDINGS, COMMITMENTS AND CONTINGENCIES**

This note provides details about our:

- legal proceedings,
- environmental matters and
- commitments and other contingencies.

**LEGAL PROCEEDINGS**

We are party to legal matters generally incidental to our business. The ultimate outcome of any legal proceeding:

- is subject to a great many variables and
- cannot be predicted with any degree of certainty.

However, whenever probable losses from litigation could reasonably be determined — we believe that we have established adequate reserves. In addition, we believe the ultimate outcome of the legal proceedings: could have a material adverse effect on our results of operations, cash flows or financial position in any given quarter or year; but will not have a material adverse effect on our long-term results of operations, cash flows or financial position.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 82

---

Table of Contents

## 2011 Claim

On April 25, 2011, a complaint was filed in the United States District Court for the Western District of Washington on behalf of a person alleged to be a participant in the company's U.S. Retirement Plan for salaried employees. The complaint alleges violations of the Employee Retirement Security Act (ERISA) with respect to the management of the plan's assets and seeks certification as a class action. The company believes that its pension plans have been consistently managed in full compliance with established fiduciary standards and is vigorously contesting the claim. The company is seeking to have the case dismissed.

## ENVIRONMENTAL MATTERS

Our environmental matters include:

- site remediation and
- asset retirement obligations.

## Site Remediation

Under the Comprehensive Environmental Response, Compensation and Liability Act — commonly known as the Superfund — and similar state laws, we:

- are a party to various proceedings related to the cleanup of hazardous waste sites and
- have been notified that we may be a potentially responsible party related to the cleanup of other hazardous waste sites for which proceedings have not yet been initiated.

Our established reserves. We have established reserves for estimated remediation costs on the active Superfund sites and other sites for which we are responsible. These reserves are recorded in "Accrued liabilities" and "Other liabilities" in our Consolidated Balance Sheet.

## Changes in the Reserve for Environmental Remediation

## DOLLAR AMOUNTS IN MILLIONS

Reserve balance as of December 31, 2011	\$34	
Reserve charges and adjustments, net	4	
Payments	(6	)
Reserve balance as of December 31, 2012	\$32	
Total active sites as of December 31, 2012	53	

We change our accrual to reflect:

- new information on any site concerning implementation of remediation alternatives,
- updates on prior cost estimates and new sites and
- costs incurred to remediate sites.

Estimates. We believe it is reasonably possible — based on currently available information and analysis — that remediation costs for all identified sites may exceed our reserves by up to \$95 million.

That estimate — in which those additional costs may be incurred over several years — is the upper end of the range of reasonably possible additional costs. The estimate:

- is much less certain than the estimates on which our accruals currently are based and
- uses assumptions that are less favorable to us among the range of reasonably possible outcomes.

In estimating our current accruals and the possible range of additional future costs, we:

- assumed we will not bear the entire cost of remediation of every site,
- took into account the ability of other potentially responsible parties to participate and
- considered each party's financial condition and probable contribution on a per-site basis.

We have not recorded any amounts for potential recoveries from insurance carriers.

## Asset Retirement Obligations

We have obligations associated with the retirement of tangible long-lived assets consisting primarily of reforestation obligations related to forest management licenses in Canada and obligations to close and cap landfills. Some of our sites have asbestos containing materials. We have met our current legal obligation to identify and manage these materials. In situations where we cannot reasonably determine when asbestos containing materials might be removed from the sites, we have not recorded an accrual because the fair value of the obligation cannot be reasonably

estimated. These obligations are recorded in "Accrued liabilities" and "Other liabilities" in our Consolidated Balance Sheet.

Changes in the Reserve for Asset Retirement Obligations

DOLLAR AMOUNTS IN MILLIONS

Reserve balance as of December 31, 2011	\$65	
Reserve charges and adjustments, net	8	
Payments	(10	)
Reserve balance as of December 31, 2012	\$63	

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 83

---

Table of Contents

COMMITMENTS AND OTHER CONTINGENCIES

Our commitments and contingencies include:

- guarantees of debt and performance,
- purchase obligations for goods and services and
- operating leases.

Guarantees

We have guaranteed the performance of the buyer/lessee of a timberlands lease we sold in 2005. Future payments on the lease — which expires in 2023 — are \$18 million.

Our Real Estate segment has guaranteed buyer/lessee performance on ground leases that we sold. Future payments on the leases — which expire in 2041 — are \$12 million.

Purchase Obligations

Our purchase obligations as of December 31, 2012 were:

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31,
	2012
2013	\$105
2014	\$7
2015	\$5
2016	\$2
2017	\$2
Thereafter	\$9

Purchase obligations for goods or services are agreements that:

- are enforceable and legally binding,
- specify all significant terms and
- cannot be canceled without penalty.

The terms include:

- fixed or minimum quantities to be purchased;
- fixed, minimum or variable price provisions; and
- an approximate timing for the transaction.

Our purchase obligations include items such as:

- stumpage and log purchases,
- energy and
- other service and supply contracts.

Operating Leases

Our rent expense was:

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010
Rent expense	\$42	\$47	\$55

We have operating leases for:

- various equipment — including logging equipment, lift trucks, automobiles and office equipment;
- office and wholesale space;
- model homes; and
- real estate ground lease.

Commitments

Our operating lease commitments as of December 31, 2012 were:

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31,
	2012
2013	\$35

2014	\$27
2015	\$18
2016	\$15
2017	\$11
Thereafter	\$108

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 84

---

Table of Contents

Operating lease commitments have not been reduced by minimum sublease rental income of \$62 million that is due in future periods under noncancellable sublease agreements. These commitments include a lease that has commitment increases based on a consumer price index built into the agreement. These lease commitment increases are not included in the figures above.

**NOTE 16: SHAREHOLDERS' INTEREST**

This note provides details about:

- preferred and preference shares,
- common shares,
- Special Dividend,
- share-repurchase programs, and
- cumulative other comprehensive loss.

**PREFERRED AND PREFERENCE SHARES**

We had no preferred or preference shares outstanding at the end of 2012 or 2011.

However, we have authorization to issue:

- 7 million preferred shares with a par value of \$1 per share and
- 40 million preference shares with a par value of \$1 per share.

We may issue preferred or preference shares at one time or through a series of offerings. The shares may have varying rights and preferences that can include:

- dividend rates,
- redemption rights,
- conversion terms,
- sinking-fund provisions,
- values in liquidation and
- voting rights.

When issued, outstanding preferred and preference shares rank senior to outstanding common shares. That means preferred and preference shares would receive dividends and assets available on liquidation before any payments are made to common shares.

**COMMON SHARES**

We had 542 million shares of common stock outstanding at year-end 2012.

The number of common shares we have outstanding changes when:

- new shares are issued,
- stock options are exercised,
- restricted stock units vest,
- stock-equivalent units are paid out,
- shares are tendered,
- shares are repurchased or
- shares are canceled.

**Reconciliation of Our Common Share Activity****IN THOUSANDS**

	2012	2011	2010
Outstanding at beginning of year	536,425	535,976	211,359
Stock options exercised	5,404	2,199	133
Issued for restricted stock units	523	540	165
Issued for Directors' stock-equivalent units	41	—	—
Issued as part of Special Dividend	—	—	324,319
Repurchased	—	(2,290)	)—
Outstanding at end of year	542,393	536,425	535,976



#### SPECIAL DIVIDEND

To implement our decision to be taxed as a REIT, we distributed to our shareholders our accumulated earnings and profits, determined under federal income tax provisions, as a "Special Dividend." On September 1, 2010, we paid a dividend of \$5.6 billion which included the Special Dividend and the regular quarterly dividend of approximately \$11 million. At the election of each shareholder, the Special Dividend was paid in cash or Weyerhaeuser common shares. The aggregate amount of cash distributed was \$560 million and the number of common shares issued was approximately 324 million. Due to differences between book and tax earnings, the amount of the Special Dividend exceeded our book retained earnings. For book accounting purposes, the reduction in our retained earnings was limited to the outstanding balance of our retained earnings at the time of distribution. More information about the REIT conversion can be found in Note 1: Summary of Significant Accounting Policies.

#### OUR SHARE REPURCHASE PROGRAMS

During 2011, we repurchased 1,199,800 shares of common stock for \$20 million under the 2008 stock repurchase program. On August 11, 2011, our Board of Directors terminated the 2008 stock repurchase program and approved the 2011 stock repurchase program under which we are

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 85

---

Table of Contents

authorized to repurchase up to \$250 million of outstanding shares. During 2011, we repurchased 1,089,824 shares of common stock for \$17 million under the 2011 program. As of December 31, 2012, we had remaining authorization of \$233 million for future share repurchases.

**CUMULATIVE OTHER COMPREHENSIVE LOSS**

The components of our cumulative other comprehensive loss are:

**DOLLAR AMOUNTS IN MILLIONS**

	DECEMBER 31, 2012	DECEMBER 31, 2011	
Foreign currency translation adjustments	\$413	\$411	
Net pension and other postretirement benefit loss not yet recognized in earnings	(2,079	)(1,821	)
Prior service credit not yet recognized in earnings	104	227	
Unrealized gains on available-for-sale securities	4	4	
Total	\$(1,558	)\$(1,179	)

More information about the changes in net pension and other postretirement benefit loss not yet recognized in earnings and prior service credit not yet recognized in earnings can be found in Note 8: Pension and Other Postretirement Benefit Plans.

**NOTE 17: SHARE-BASED COMPENSATION**

Share-based compensation expense was:

\$37 million in 2012,

\$25 million in 2011 and

\$24 million in 2010.

This note provides details about:

- our Long-Term Incentive Compensation Plan,
- how we account for share-based awards,
- tax benefits of share-based awards,
- types of share-based compensation and
- unrecognized share-based compensation.

**OUR LONG-TERM INCENTIVE COMPENSATION PLAN**

Our Long-Term Incentive Compensation Plan (the Plan) provides for share-based awards that include:

- stock options,
- stock appreciation rights,
- restricted stock,
- restricted stock units,
- performance shares and
- performance share units.

We may issue future grants of up to 11,848,635 shares under the Plan. We also have the right to reissue forfeited and expired grants.

For stock options and stock appreciation rights:

• An individual participant may receive a grant of up to 1,327,093 shares in any one calendar year.

• The exercise price is required to be the market price on the date of the grant.

For restricted stock, restricted stock units, performance shares, performance share units or other equity grants:

• An individual participant may receive a grant of up to 540,584 shares annually.

• The maximum aggregate number of shares that may be issued as grants is 9.2 million shares.

The Compensation Committee of our Board of Directors (the Committee) annually establishes an overall pool of stock awards available for grants based on performance.

For stock-settled awards, we:

issue new stock into the marketplace and

generally do not repurchase shares in connection with issuing new awards.

Our common shares would increase by approximately 38 million shares if all share-based awards were exercised or vested. These include:

- all options, restricted stock units, and performance share units outstanding at December 31, 2012 under the Plan;

- all options outstanding at December 31, 2012 under earlier plans; and

- all remaining options, restricted stock units, and performance share units that could be granted under the Plan.

#### HOW WE ACCOUNT FOR SHARE-BASED AWARDS

We:

- use a fair-value-based measurement for share-based awards, and

- recognize the cost of share-based awards in our consolidated financial statements.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 86

---

## Table of Contents

We recognize the cost of share-based awards in our Consolidated Statement of Operations over the required service period — generally the period from the date of the grant to the date when it is vested. Special situations include:

- Awards that vest upon retirement — the required service period ends on the date an employee is eligible for retirement, including early retirement.
- Awards that continue to vest following job elimination or the sale of a business — the required service period ends on the date the employment from the company is terminated.

In these special situations, compensation expense from share-based awards is recognized over a period that is shorter than the stated vesting period.

### TAX BENEFITS OF SHARE-BASED AWARDS

Our total income tax benefit from share-based awards — as recognized in our Consolidated Statement of Operations — for the last three years was:

\$9 million in 2012,

\$6 million in 2011 and

\$4 million in 2010.

Tax benefits for share-based awards are accrued as stock compensation expense is recognized in the Consolidated Statement of Operations. Tax benefits on share-based awards are realized when:

- restricted shares and restricted share units vest,
- performance shares and performance share units vest,
- stock options are exercised and
- stock appreciation rights are exercised.

When actual tax benefits realized exceed the tax benefits accrued for share-based awards, we realize an excess tax benefit. We report the excess tax benefit as financing cash inflows rather than operating cash inflows. We had excess tax benefits of \$5 million in 2012 and \$2 million in 2011 and none in 2010.

### TYPES OF SHARE-BASED COMPENSATION

Our share-based compensation is in the form of:

- stock options,
- restricted stock units,
- performance share units,
- stock appreciation rights and
- deferred compensation stock equivalent units.

### STOCK OPTIONS

Stock options entitle award recipients to purchase shares of our common stock at a fixed exercise price. We grant stock options with an exercise price equal to the market price of our stock on the date of the grant.

#### The Details

Our stock options generally:

- vest over four years of continuous service and
- must be exercised within 10 years of the grant date.

The vesting and post-termination vesting terms for stock options granted in 2012, 2011 and 2010 were as follows:

- vest ratably over 4 years;
- vest or continue to vest in the event of death, disability or retirement at an age of at least 62;
- continue to vest for one year in the event of involuntary termination when the retirement criteria for full or continued vesting have not been met; and
- stop vesting for all other situations including early retirement prior to age 62.

#### Our Accounting

We use a Black-Scholes option valuation model to estimate the fair value of every stock option award on its grant date.

In our estimates, we use:

- historical data — for option exercise time and employee terminations;
- a Monte-Carlo simulation — for how long we expect granted options to be outstanding; and

the U.S. Treasury yield curve — for the risk-free rate. We use a yield curve over a period matching the expected term of the grant.

The expected volatility in our valuation model is based on:

- implied volatilities from traded options on our stock,
- historical volatility of our stock and
- other factors.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 87

---

Table of Contents

## Weighted Average Assumptions Used in Estimating Value of Stock Options Granted

	2012 GRANTS	2011 GRANTS	2010 GRANTS	
Expected volatility	40.41	% 38.56	% 37.62	%
Expected dividends	2.94	% 2.48	% 0.51	%
Expected term (in years)	5.33	5.73	5.16	
Risk-free rate	1.01	% 2.65	% 2.52	%
Weighted average grant date fair value	\$5.72	\$7.54	\$5.28	

Share-based compensation expense for stock options is generally recognized over the vesting period. There are exceptions for stock options awarded to employees who:

- are eligible for retirement;
- will become eligible for retirement during the vesting period; or
- whose employment is terminated during the vesting period due to job elimination or the sale of a business.

In these cases, we record the share-based compensation expense over a required service period that is less than the stated vesting period.

**Activity**

The following table shows our option unit activity for 2012.

	OPTIONS (IN THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN MILLIONS)
Outstanding at December 31, 2011	29,169	\$22.34		
Granted	1,915	\$20.42		
Exercised	(5,440)	\$20.59		
Forfeited or expired	(2,835)	\$24.26		
Outstanding at December 31, 2012 <sup>(1)</sup>	22,809	\$22.36	4.87	\$133
Exercisable at December 31, 2012	16,787	\$24.14	3.85	\$71

(1) As of December 31, 2012, there were approximately 1.5 million stock options that had met the requisite service period and will be released as identified in the grant terms.

**RESTRICTED STOCK UNITS**

Through the Plan, we award restricted stock units — grants that entitle the holder to shares of our stock as the award vests.

**The Details**

Our restricted stock units granted in 2012, 2011 and 2010 generally:

- vest ratably over four years;
- immediately vest in the event of death while employed or disability;
- partially vest upon retirement at an age of at least 62 or job elimination depending on the employment period after grant date; and
- will be forfeited upon termination of employment in all other situations including early retirement prior to age 62.

**Our Accounting**

The fair value of our restricted stock units is the market price of our stock on the grant date of the awards.

We generally record share-based compensation expense for restricted stock units over the four-year vesting period.

Generally for restricted stock units that continue to vest following the termination of employment, we record the share-based compensation expense over a required service period that is less than the stated vesting period.



Table of Contents

## Activity

The following table shows our restricted stock unit activity for 2012.

	STOCK UNITS (IN THOUSANDS)	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2011	1,739	\$24.72
Granted	704	\$20.42
Vested	(737)	\$26.31
Forfeited	(57)	\$22.54
Nonvested at December 31, 2012 <sup>(1)(2)</sup>	1,649	\$22.25

(1) As of December 31, 2012, there were approximately 57 thousand restricted stock units that had met the requisite service period and will be released as identified in the grant terms.

(2) Includes 306 thousand shares related to the Special Dividend associated with our REIT conversion in 2010. These units will be issued as the underlying shares vest. Nonvested units do not include any regular dividends.

Nonvested restricted stock units accrue dividends that are paid out when restricted stock units vest. Any restricted stock units forfeited will not receive dividends.

As restricted stock units vest, a portion of the shares awarded is withheld to cover employee taxes. As a result, the number of stock units vested and the number of common shares issued will differ.

**PERFORMANCE SHARE UNITS**

As part of a new long-term incentive compensation strategy intended to tie executive compensation more closely to company performance, we granted a target number of performance share units to executives in 2011 and 2012. Performance share units will be paid in the form of shares of Weyerhaeuser stock – to the extent earned through company performance against financial goals – over a four-year vesting period.

**The Details**

The final number of shares awarded will range from 0 percent to 150 percent of each grant's target, depending upon actual company performance.

The ultimate number of performance share units earned is based on two measures:

- Weyerhaeuser's cash flow during the first year determined the initial number of units earned and
- Weyerhaeuser's relative total shareholder return (TSR) ranking in the S&P 500 during the first two years is used to adjust the initial number of units earned up or down by 20 percent.

At the end of the two-year performance period and over a further two-year vesting period, performance share units would be paid in shares of our stock. Performance share units granted and that are earned vest as follows:

- units vest 50 percent, 25 percent and 25 percent on the second, third and fourth anniversaries of the grant date, respectively, as long as the individual remains employed by the company;
- units fully vest in the event the participant dies or becomes disabled while employed;
- a percentage of the units continue to vest upon retirement at age 62 or older or upon job elimination, with the percentage based on the length of time between the grant date and termination of employment; and
- unvested units will be forfeited upon termination of employment for all other reasons including early retirement prior to age 62.

**Our Accounting**

Since the award contains a market condition, the effect of the market condition is reflected in the grant date fair value which is estimated using a Monte Carlo simulation model. This model estimates the TSR ranking of the company among the S&P 500 index over the two-year performance period. Compensation expense is based on the estimated probable number of earned awards and recognized over the four-year vesting period on an accelerated basis.

Generally, compensation expense would be reversed if the performance condition is not met unless the requisite service period has been achieved.

**Weighted Average Assumptions Used in Estimating the Value of Performance Share Units**

2012 GRANTS	2011 GRANTS
-------------	-------------



Edgar Filing: WEYERHAEUSER CO - Form 10-K

Performance period	1/1/2012 – 12/31/2013	1/1/2011 – 12/31/2012
Valuation date closing stock price	\$ 20.56	\$ 24.32
Expected dividends	2.92	% 0.82 %
Risk-free rate	0.08% - 0.32%	0.12% - 0.80%
Volatility	34.86% - 34.66%	28.65% - 35.74%

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 89

---

Table of Contents

## Activity

The following table shows our performance share unit activity for 2012.

	2012 GRANTS (IN THOUSANDS)	2011 GRANTS (IN THOUSANDS)	TOTAL GRANTS(IN THOUSANDS)	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2011	—	314	314	\$ 27.30
Granted at target	344	—	344	\$ 21.73
Forfeited	—	(1)	(1)	\$ 27.30
Performance adjustment	76	81	157	\$ 24.38
Nonvested at December 31, 2012 <sup>(1)</sup>	420	394	814	\$ 24.38

(1) As of December 31, 2012, there were approximately 100 thousand performance share units that had met the requisite service period and will be released as identified in the grant terms.

For 2012 grants, the company exceeded the cash flow target, resulting in an initial number of shares earned equal to 122 percent of target. The ultimate number of performance shares earned may be adjusted when the TSR performance period is completed. The TSR component could modify the initial number of shares earned up or down by 20 percent. For 2011 grants, the company exceeded the cash flow target, resulting in an initial number of shares earned equal to 105 percent of target. Because the company's two-year TSR ranking was greater than the 75<sup>th</sup> percentile, the initial number of shares granted increased by 20 percent.

No performance share units were awarded in 2010.

As performance share units vest, a portion of the shares awarded is withheld to cover participant taxes. As a result, the number of stock units vested and the number of common shares issued will differ.

**STOCK APPRECIATION RIGHTS**

Through the Plan, we grant cash-settled stock appreciation rights as part of certain compensation awards.

**The Details**

Stock appreciation rights are similar to stock options. Employees benefit when the market price of our stock is higher on the exercise date than it was on the date the stock appreciation rights were granted. The differences are that the employee:

- receives the benefit as a cash award and
- does not purchase the underlying stock.

The vesting conditions and exceptions are the same as for 10-year stock options. Details are in the Stock Options section earlier in this note.

Stock appreciation rights are generally issued to employees outside of the U.S.

**Our Accounting**

We use a Black-Scholes option-valuation model to estimate the fair value of a stock appreciation right on its grant date and every subsequent reporting date that the right is outstanding. Stock appreciation rights are liability-classified awards and the fair value is remeasured at every reporting date.

The process used to develop our valuation assumptions is the same as for the 10-year stock options we grant. Details are in the Stock Options section earlier in this note.

**Weighted Average Assumptions Used to Re-measure Value of Stock Appreciation Rights at Year-End**

	December 31, 2012	
Expected volatility	29.07	%
Expected dividends	2.44	%
Expected term (in years)	1.71	
Risk-free rate	0.27	%

Weighted average fair value

\$7.25

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 90

---

Table of Contents

## Activity

The following table shows our stock appreciation rights activity for 2012.

	RIGHTS (IN THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE	AVERAGE REMAINING CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN MILLIONS)
Outstanding at December 31, 2011	1,578	\$22.80		
Granted	52	\$20.42		
Exercised	(235)	\$19.07		
Forfeited or expired	(244)	\$26.45		
Outstanding at December 31, 2012	1,151	\$22.67	4.64	\$6
Exercisable at December 31, 2012	926	\$24.18	3.94	\$4

## UNRECOGNIZED SHARE-BASED COMPENSATION

As of December 31, 2012, our unrecognized share-based compensation cost for all types of share-based awards included:

• \$42 million related to non-vested equity-classified share-based compensation arrangements — expected to be recognized over a weighted average period of approximately 1.8 years; and

• \$1 million related to non-vested liability-classified stock appreciation rights — expected to vest over a weighted average period of approximately 1.2 years.

## DEFERRED COMPENSATION STOCK EQUIVALENT UNITS

Certain employees and our board of directors may defer compensation into stock-equivalent units.

## The Details

The plan works differently for employees and directors.

## Eligible employees:

- may choose to defer all or part of their bonus into stock-equivalent units;
- may choose to defer part of their salary, except for executive officers; and
- receive a 15 percent premium if the deferral is for at least five years.

## Our directors:

• receive a portion of their annual retainer fee in the form of restricted stock units, which vest over one year and may be deferred into stock-equivalent units;

- may choose to defer some or all of the remainder of their annual retainer fee into stock-equivalent units; and
- do not receive a premium for their deferrals.

Employees and directors also choose when the deferrals will be paid out although no deferrals may be paid until after the separation from service of the employee or director.

## Our Accounting

We settle all deferred compensation accounts in cash for our employees. Our directors receive shares of common stock as payment for stock-equivalent units. In addition, we credit all stock-equivalent accounts with dividend equivalents.

During 2012, the directors' deferred compensation plan was amended to allow the directors to elect to receive payments of amounts deferred into stock-equivalent units in cash or stock for elections made prior to December 31, 2011. Deferrals made beginning January 1, 2012, into stock-equivalent units will be paid in common shares. Elections to receive these deferred amounts in stock resulted in the issuance of 40,899 shares in 2012. The number of common shares to be issued in the future to directors who elected common share payments is 519,281.

## Stock-equivalent units are:

- liability-classified awards and

re-measured to fair value at every reporting date.

The fair value of a stock-equivalent unit is equal to the market price of our stock.

Activity

The number of stock-equivalent units outstanding in our deferred compensation accounts was:

971,650 as of December 31, 2012;

1,021,977 as of December 31, 2011; and

1,027,768 as of December 31, 2010.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 91

---

Table of Contents

## NOTE 18: CHARGES FOR RESTRUCTURING, CLOSURES AND ASSET IMPAIRMENTS

Items Included in Our Restructuring, Closure and Asset Impairment Charges

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010
Restructuring and closure charges:			
Termination benefits	\$—	\$4	\$22
Pension and postretirement charges	—	6	7
Other restructuring and closure costs	8	17	5
Charges for restructuring and closures	8	27	34
Impairments of long-lived assets and other related charges:			
Long-lived asset impairments	19	42	92
Real estate impairments and charges	1	10	13
Write-off of pre-acquisition costs and abandoned community costs	3	1	5
Other assets	1	3	4
Impairment of long-lived assets and other related charges	24	56	114
Total charges for restructuring and impairment of long-lived assets	\$32	\$83	\$148

## RESTRUCTURING AND CLOSURES

Our restructuring and closure charges were primarily related to various Wood Products operations we closed or curtailed and restructuring our corporate staff functions to support achieving our competitive performance goals. Other restructuring and closure costs include lease termination charges, dismantling and demolition of plant and equipment, gain or loss on disposition of assets, environmental cleanup costs and incremental costs to wind down operating facilities.

## ASSET IMPAIRMENTS

The Impairment of Long-Lived Assets and Goodwill sections of [Note 1: Summary of Significant Accounting Policies](#) provide details about how we account for these impairments. Additional information can also be found in our [Critical Accounting Policies](#).

## Long-Lived Assets

Our long-lived asset impairments were primarily related to the following:

2012 — charges are primarily related to unutilized assets held in Unallocated Items that were sold or are currently held for sale. The fair values of the assets were determined using significant other observable inputs (Level 2) based on market quotes and significant unobservable inputs (Level 3) based on discounted cash flow models.

2011 — charges include \$29 million related to the decision to permanently close four engineered lumber facilities in our Wood Products segment that were previously indefinitely closed. These facilities are located in Albany, Oregon; Dodson, Louisiana; Pine Hill, Alabama; and Simsboro, Louisiana. The fair values of the facilities were determined using significant unobservable inputs (Level 3) based on liquidation values.

2010 — charges are primarily related to the decision to permanently close three Wood Products facilities that were previously indefinitely closed. These include an engineered wood products facility in Deerwood, Minnesota, a sawmill in Pine Hill, Alabama and an oriented strand board mill in Wawa, Ontario. The fair values of the assets were determined using significant other observable inputs (Level 2) based on market quotes and significant unobservable inputs (Level 3) based on discounted cash flow models.

## Real Estate Impairments and Charges

Real estate impairments relate primarily to projects or communities held for development. Within a community that is held for development, there may be individual homes or parcels of land that are currently held for sale. Impairment charges recognized as a result of adjusting individual held-for-sale assets within a community to estimated fair value less cost to sell are also included in the total impairment charges above. Impairment charges also include impairments

of certain assets that were disposed of during the year. The fair values of the assets were determined using significant other observable inputs (Level 2) based on market quotes and significant unobservable inputs (Level 3) based on discounted future cash flows of the projects. We use present value techniques based on discounting the estimated cash flows using a rate commensurate with the inherent risk associated with the assets and related cash flow streams.

**Write-off of Pre-Acquisition Costs and Abandoned Community Costs**

In addition to owning land and residential lots, we also have option agreements to purchase land and lots at a future date. As of December 31, 2012, we have option agreements on approximately 59,000 residential lots. Non-refundable option deposits and capitalized pre-acquisition costs associated with these lots were \$34 million as of December 31, 2012. When the economics of a project no longer support acquisition of the land or lots under option, we may elect not to move forward with the acquisition. Option deposits and capitalized engineering and related costs associated with the assets under option may be forfeited at that time. Charges for such forfeitures are reported as write-off of pre-acquisition costs.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 92

---

Table of Contents

## NOTE 19: OTHER OPERATING INCOME, NET

Other operating income, net:

includes both recurring and occasional income and expense items and can fluctuate from year to year.

Various Income and Expense Items Included in Other Operating Income, Net

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
Gain on the sale of non-strategic timberlands	\$—	\$(152)	)\$—	
Gain on postretirement plan amendment ( <u>Note 8</u> )	(103)	)—	—	
Gain on the sale of five short line railroads	—	—	(46	)
Gain on disposition of assets	(28	)(17	)(63	)
Foreign exchange (gains) losses, net	(6	)5	(10	)
Land management income	(27	)(26	)(26	)
Litigation expense, net	12	5	18	
Other, net	(28	)(27	)(36	)
Total	\$(180	)\$ (212	)\$ (163	)

The \$152 million pretax gain on sale of non-strategic timberlands in 2011 resulted from the sale of 82,000 acres in southwestern Washington. Timberland exchanges and smaller dispositions are included in our net sales and revenue and cost of products sold.

Gain on disposition of assets in 2010 included pretax gains of \$40 million from the sale of certain British Columbia forest licenses and associated rights.

Foreign exchange (gains) losses result from changes in exchange rates primarily related to our Canadian operations. Land management income includes income from recreational activities, land permits, grazing rights, firewood sales and other miscellaneous income related to land management activities.

## NOTE 20: INCOME TAXES

This note provides details about our income taxes applicable to continuing operations:

earnings before income taxes,  
provision for income taxes,  
effective income tax rate,  
deferred tax assets and liabilities and  
unrecognized tax benefits.

Income taxes related to discontinued operations are discussed in Note 3: Discontinued Operations.

## EARNINGS BEFORE INCOME TAXES

Domestic and Foreign Earnings (Loss) From Continuing Operations Before Income Taxes

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
Domestic earnings	\$450	\$341	\$96	
Foreign loss	(11	)(84	)(14	)
Total	\$439	\$257	\$82	



Table of Contents

## PROVISION FOR INCOME TAXES

Provision (Benefit) for Income Taxes From Continuing Operations

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
Current:				
Federal	\$(69	)\$(73	)\$53	
State	(11	)16	3	
Foreign	26	8	9	
	(54	)(49	)65	
Deferred:				
Federal	39	11	(1,180	)
State	4	(11	)(69	)
Foreign	66	(13	)(8	)
	109	(13	)(1,257	)
Total income tax provision (benefit)	\$55	\$(62	)\$(1,192	)

Included in our income tax provision for 2012 are recomputations of prior year taxes, resulting in reclassifications between foreign and domestic for both current and deferred taxes as a result of final tax proceedings between countries.

## EFFECTIVE INCOME TAX RATE

Effective Income Tax Rate Applicable to Continuing Operations

DOLLAR AMOUNTS IN MILLIONS

	2012	2011	2010	
U.S. federal statutory income tax	\$154	\$90	\$29	
State income taxes, net of federal tax benefit	6	4	4	
REIT income not subject to federal income tax	(94	) (80	) (37	)
Foreign taxes	8	20	4	
Federal income tax credits	—	(4	) (4	)
Medicare Part D subsidy	—	—	26	
Provision for unrecognized tax benefits	(6	) (7	) (3	)
REIT conversion benefit	—	—	(1,064	)
Cellulosic biofuel producer credit	—	—	(149	)
Repatriation of Canadian earnings	—	(76	) —	
State income tax settlement	(10	) —	—	
Other, net	(3	) (9	) 2	
Total income tax provision (benefit)	\$55	\$(62	) \$(1,192	)
Effective income tax rate	12.5	%(23.3	)%N/M*	

\* Not meaningful

## One-Time Tax Benefits/Charges

In 2012, we recorded a tax benefit resulting from a state income tax settlement.

In 2011, we recorded a tax benefit related to foreign tax credits associated with the repatriation of Canadian earnings. As a result of the Patient Protection and Affordable Care Act, as modified by the Health Care and Education Reconciliation Act and a change in our postretirement medical plan, it was determined that previously recognized deferred tax assets related to the income tax deduction for prescription drug benefits provided to retirees and reimbursed under the Medicare Part D subsidy would not be realized and a \$32 million charge was recorded in 2010. In 2010, we reversed certain deferred income tax liabilities, primarily relating to temporary differences of timber assets, as a result of our conversion to a REIT. See Note 1: Summary of Significant Accounting Policies.

## Fuel Credits

In 2010, the IRS concluded that black liquor sold or used in 2009 qualifies for the cellulosic biofuel producer credit. Black liquor potentially qualifies for either the cellulosic biofuel producer credit or the alternative fuel mixture credit

(but not both on the same gallon of black liquor). During 2009, we produced approximately 238 million gallons of black liquor, which did not qualify for the alternative fuel mixture credit. This equals \$240 million of potential cellulosic biofuel producer credit at \$1.01 per gallon, or \$149 million net of tax, which we recognized in 2010.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 94

---

Table of Contents

## DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities reflect temporary differences between pretax book income and taxable income. Deferred tax assets represent tax benefits that have already been recorded for book purposes but will be recorded for tax purposes in the future. Deferred tax liabilities represent income that has been recorded for book purposes but will be reported as taxable income in the future.

Deferred Income Tax Assets (Liabilities) Related to Continuing Operations by Category

## DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011	
Forest Products:			
Current	\$65	\$81	
Noncurrent - domestic	106	(129	)
Noncurrent - foreign	83	36	
Real Estate	202	240	
Net deferred tax assets	\$456	\$228	

Items Included in Our Deferred Income Tax Assets (Liabilities)

## DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011	
Postretirement benefits	\$144	\$134	
Pension	521	337	
Real estate impairments	115	141	
State tax credits	59	57	
Net operating loss carryforwards	187	162	
Cellulosic biofuel producers credit	240	240	
Other	336	369	
Gross deferred tax assets	1,602	1,440	
Valuation allowance	(144	)(139	)
Net deferred tax assets	1,458	1,301	
Property, plant and equipment	(577	)(610	)
Timber installment notes	(240	)(277	)
Other	(185	)(186	)
Deferred tax liabilities	(1,002	)(1,073	)
Net deferred tax assets	\$456	\$228	

## OTHER INFORMATION ABOUT OUR DEFERRED INCOME TAX ASSETS (LIABILITIES)

Other information about our deferred income tax assets (liabilities) include:

- net operating loss carryforwards,
- valuation allowances and
- reinvestment of undistributed earnings.

## Net Operating Loss Carryforwards

Our state and foreign net operating loss carryforwards as of the end of 2012 are as follows:

\$858 million, which expire from 2013 through 2032; and

\$111 million, which do not expire.

## Valuation Allowances

With the exception of the valuation allowance discussed below, we believe it is more likely than not that we will have sufficient future taxable income to realize our deferred tax assets.

Our valuation allowance on our deferred tax assets was \$144 million as of the end of 2012. This primarily related to foreign and state net operating losses and state and provincial credits.

The total changes in our valuation allowance over the last year was a net increase of \$5 million. This net increase resulted primarily from:

\$4 million increase due to additional foreign losses and

\$1 million increase due to the change in expectations of future use of state net operating loss carryforwards and state credits.

#### Reinvestment of Undistributed Earnings

The balance of our foreign undistributed earnings was approximately \$22 million at the end of 2012 and has been permanently reinvested; therefore, it is not subject to U.S. income tax. Generally, such earnings become subject to U.S. tax upon the remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability on the remaining undistributed earnings.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 95

---

Table of Contents

## HOW WE ACCOUNT FOR INCOME TAXES

The Income Taxes section of Note 1: Summary of Significant Accounting Policies provides details about how we account for our income taxes.

## UNRECOGNIZED TAX BENEFITS

Unrecognized tax benefits represent potential future obligations to taxing authorities if uncertain tax positions we have taken on previously filed tax returns are not sustained. The total amount of unrecognized tax benefits as of December 31, 2012 and 2011, are \$177 million and \$251 million, respectively, which does not include related interest of \$15 million and \$33 million, respectively. These amounts represent the gross amount of exposure in individual jurisdictions and do not reflect any additional benefits expected to be realized if such positions were not sustained, such as the federal deduction that could be realized if an unrecognized state deduction was not sustained.

Reconciliation of the Beginning and Ending Amount of Unrecognized Tax Benefits

## DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2012	DECEMBER 31, 2011	
Balance at beginning of year	\$251	\$180	
Additions based on tax positions related to current year	—	1	
Additions for tax positions of prior years	2	91	
Reductions for tax positions of prior years	(21	)(11	)
Foreign currency translation	—	(2	)
Settlements	(53	)(2	)
Lapse of statute	(2	)(6	)
Balance at end of year	\$177	\$251	

The net liability recorded in our Consolidated Balance Sheet related to unrecognized tax benefits was \$185 million as of December 31, 2012, and \$24 million as of December 31, 2011, which includes interest of \$15 million and \$33 million respectively, net of payments made in advance of settlements.

The net liability recorded for tax positions across all jurisdictions that, if sustained, would affect our effective tax rate was \$159 million as of December 31, 2012, and \$140 million as of December 31, 2011, which includes interest of \$15 million and \$33 million, respectively.

During third quarter 2012, as a result of reaching agreements with taxing authorities, we reduced our unrecognized tax benefits. This led to reclasses between our long-term tax receivables and payables and reduced our tax provision by \$7 million.

In accordance with our accounting policy, we accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense.

As of December 31, 2012, our 2008 - 2010 federal income tax returns are under exam. We are undergoing examination in various state and foreign jurisdictions for the 2005 - 2010 tax years. We expect that the outcome of any examination will not have a material effect on our consolidated financial statements; however, audit outcomes and the timing of audit settlements are subject to significant uncertainty.

In the next 12 months, we estimate a decrease of up to \$1 million in unrecognized tax benefits on several individually insignificant tax positions due to the lapse of applicable statutes of limitation in multiple jurisdictions.

## NOTE 21: GEOGRAPHIC AREAS

This note provides selected key financial data according to the geographical locations of our customers. The selected key financial data includes:

- sales to and revenues from unaffiliated customers,
- export sales from the U.S., and
- long-lived assets.

## SALES AND REVENUES

Our sales to and revenues from unaffiliated customers outside the U.S. are primarily to customers in Canada, China, Japan and Europe. Our export sales from the U.S. include:

pulp, liquid packaging board, logs, lumber and wood chips to Japan;  
pulp, logs and lumber to other Pacific Rim countries; and  
pulp to Europe.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 96

---

Table of Contents

Sales and Revenues by Geographic Area  
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2012  
 (DOLLAR AMOUNTS IN MILLIONS)

	2012	2011	2010
Sales to and revenues from unaffiliated customers:			
U.S.	\$4,937	\$4,008	\$3,965
Japan	639	640	621
Europe	300	331	325
China	360	446	312
Canada	302	271	269
South America	74	75	70
Other foreign countries	447	445	392
Total	\$7,059	\$6,216	\$5,954
Export sales from the U.S.:			
Japan	\$583	\$581	\$548
China	329	389	274
Other	770	805	788
Total	\$1,682	\$1,775	\$1,610

**LONG-LIVED ASSETS**

Our long-lived assets — used in the generation of revenues in the different geographical areas — are nearly all in the U.S. and Canada. Our long-lived assets include:

- goodwill,
- timber and timberlands and
- property and equipment, including construction in progress.

Long-Lived Assets by Geographic Area  
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2012  
 (DOLLAR AMOUNTS IN MILLIONS)

	2012	2011	2010
Long-lived assets:			
U.S.	\$5,510	\$5,682	\$5,946
Canada	728	745	827
Other foreign countries	672	637	642
Total	\$6,910	\$7,064	\$7,415

Table of Contents

## NOTE 22: SELECTED QUARTERLY FINANCIAL INFORMATION (unaudited)

Quarterly financial data provides a review of our results and performance throughout the year. Our earnings per share for the full year do not always equal the sum of the four quarterly earnings-per share amounts because of common share activity during the year.

## Key Quarterly Financial Data for the Last Two Years

## DOLLAR AMOUNTS IN MILLIONS EXCEPT PER-SHARE FIGURES

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2012:					
Net sales and revenues	\$1,494	\$1,793	\$1,772	\$2,000	\$7,059
Operating income	\$101	\$176	\$202	\$256	\$735
Earnings from continuing operations before income taxes	\$26	\$101	\$130	\$182	\$439
Net earnings	\$41	\$84	\$117	\$142	\$384
Net earnings attributable to Weyerhaeuser common shareholders	\$41	\$84	\$117	\$143	\$385
Basic net earnings per share attributable to Weyerhaeuser common shareholders	\$0.08	\$0.16	\$0.22	\$0.26	\$0.71
Diluted net earnings per share attributable to Weyerhaeuser common shareholders	\$0.08	\$0.16	\$0.22	\$0.26	\$0.71
Dividends paid per share	\$0.15	\$0.15	\$0.15	\$0.17	\$0.62
Market prices - high/low	\$22.28 - \$18.78	\$22.36 - \$18.69	\$27.15 - \$22.16	\$28.52 - \$24.99	\$28.52 - \$18.69
2011:					
Net sales and revenues	\$1,422	\$1,610	\$1,569	\$1,615	\$6,216
Operating income	\$236	\$127	\$100	\$131	\$594
Earnings from continuing operations before income taxes	\$154	\$19	\$29	\$55	\$257
Net earnings	\$99	\$10	\$157	\$65	\$331
Net earnings attributable to Weyerhaeuser common shareholders	\$99	\$10	\$157	\$65	\$331
Basic net earnings per share attributable to Weyerhaeuser common shareholders	\$0.18	\$0.02	\$0.29	\$0.12	\$0.62
Diluted net earnings per share attributable to Weyerhaeuser common shareholders	\$0.18	\$0.02	\$0.29	\$0.12	\$0.61
Dividends paid per share	\$0.15	\$0.15	\$0.15	\$0.15	\$0.60
Market prices - high/low	\$25.20 - \$19.55	\$25.14 - \$20.01	\$22.57 - \$15.55	\$18.88 - \$15.25	\$25.20 - \$15.25



Table of Contents

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The company's principal executive officer and principal financial officer have evaluated the effectiveness of the company's disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K. Disclosure controls are controls and other procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

Based on their evaluation, the company's principal executive officer and principal financial officer have concluded that the company's disclosure controls and procedures are effective to ensure that information required to be disclosed complies with the SEC's rules and forms.

CHANGES IN INTERNAL CONTROL

No changes occurred in the company's internal control over financial reporting during the period that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

The company has submitted to the New York Stock Exchange a certification that it is in compliance with the listing standards of the New York Stock Exchange.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as is defined in the Securities and Exchange Act of 1934 rules. Management, under our supervision, conducted an evaluation of the effectiveness of the company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in Internal Control — Integrated Framework, management concluded that the company's internal control over financial reporting was effective as of December 31, 2012. The effectiveness of the company's internal control over financial reporting as of December 31, 2012, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

/s/ DANIEL S. FULTON

Daniel S. Fulton

President and Chief Executive Officer

Dated: February 19, 2013

/s/ PATRICIA M. BEDIENT

Patricia M. Bedient

Executive Vice President and Chief Financial Officer

Dated: February 19, 2013



Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Weyerhaeuser Company:

We have audited Weyerhaeuser Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Weyerhaeuser Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Weyerhaeuser Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Weyerhaeuser Company and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, cash flows, and changes in equity for each of the years in the three-year period ended December 31, 2012, and our report dated February 19, 2013 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Seattle, Washington

February 19, 2013

Table of Contents

**DIRECTORS AND EXECUTIVE OFFICERS**

Information with respect to directors of the company included in the Notice of 2013 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held April 11, 2013 under the headings "Nominees for Election — Terms Expire in 2014" and "Board of Directors and Committee Information" is incorporated herein by reference. Information with regard to executive officers of the company contained in the Notice of 2013 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held April 11, 2013, under headings "Section 16(a) Beneficial Ownership Reporting Compliance," and "Potential Payment upon Termination or Change in Control — Change in Control," and " — Severance" is incorporated herein by reference.

**DIRECTORS**

Debra A. Cafaro, 55, a director of the Company since 2007, has been chairman and chief executive officer of Ventas, Inc. (health care real estate investment trust) since 2010. She served as its chairman, president and chief executive officer from 2003 to 2010; as its president and chief executive officer from 1999 when she joined the company until 2003, and has been a director of the company since 1999. She served as president and director of Ambassador Apartments, Inc. (real estate investment trust) from 1997 until 1998 when it merged with AIMCO. She was a director of GGP, Inc. (real estate investment trust) from March 2010 to November 2010. She is former chair of NAREIT (National Association of Real Estate Investment Trusts) and a director of the Real Estate Roundtable, World Business Chicago (not-for-profit economic development corporation) and a Trustee of the Ravinia Festival Association in Chicago. She has extensive REIT executive experience, with strong skills in real estate and corporate finance, strategic planning and public company executive compensation.

Mark A. Emmert, 60, a director of the Company since 2008, has been President of the National Collegiate Athletic Association since October 2010. He served as President of the University of Washington in Seattle, Washington, from 2004 to 2010; as Chancellor of Louisiana State University from 1999 to 2004; and Chancellor and Provost of the University of Connecticut from 1994 to 1999. Prior to 1994, he was Provost and Vice President for Academic Affairs at Montana State University and held faculty and administrative positions at the University of Colorado. He also is a director of Expeditors International of Washington, Inc. and Omnicare, Inc. He is a Life Member of the Council on Foreign Relations and is a Fellow of the National Academy of Public Administration. He has also been a Fullbright Fellow, a Fellow of the American Council on Education and served on many non-profit boards. He is an experienced leader of major organizations, with strong skills in government and international relations, and strategic planning.

Daniel S. Fulton, 64, was elected chief executive officer and a member of the Board of Directors in 2008. He has been president of Weyerhaeuser Company since 2008. From 2001 until 2008 he was president and chief executive officer of Weyerhaeuser Real Estate Company, a wholly owned subsidiary of Weyerhaeuser Company. In January 2004 he was named to Weyerhaeuser's senior management team. Mr. Fulton is the past chair of the Policy Advisory Board of the Joint Center for Housing Studies at Harvard University. He is on the Board of NAREIT (the National Association of Real Estate Investment Trusts). He is chair of the Washington Roundtable, a member of the Business Roundtable (BRT) and chair of the BRT Housing Subcommittee. He is a member of the Advisory Board for the Foster School of Business at the University of Washington. He has a strong executive background in real estate and corporate finance, with extensive experience managing capital intensive operations, international operations and strategic planning.

Table of Contents

John I. Kieckhefer, 68, a director of the Company since 1990, has been president of Kieckhefer Associates, Inc. (investment and trust management) since 1989, and was senior vice president prior to that time. He has been engaged in commercial cattle operations since 1967 and is a trustee of J.W. Kieckhefer Foundation, an Arizona charitable trust. He has a strong background in business and finance, with extensive experience in public company executive compensation.

Wayne W. Murdy, 68, a director of the Company since 2009, held various management positions with Newmont Mining Corporation (international mining) from 1992 until his retirement in 2007, including Chairman of the Board from 2002 to December 2007 and Chief Executive Officer from 2001 to June 2007. Before joining Newmont Mining, Mr. Murdy spent 15 years serving in senior financial positions in the oil and gas industry, including positions with Apache Corporation and Getty Oil Company. He also is a director of BHP Billiton Limited and BHP Billiton Plc. He is a trustee of the Denver Art Museum and The Papal Foundation, a member of the Advisory Councils for the College of Engineering at the University of Notre Dame and the Daniels Business School at the University of Denver. He has extensive executive experience in leading natural resources companies and managing capital-intensive industry operations, with strong skills in corporate finance and accounting, international operations, strategic planning and public company executive compensation.

Nicole W. Piasecki, 50, a director of the Company since 2003, is executive vice president Business Development and Strategic Integration for Boeing Commercial Airlines. Previously, she served as president of Boeing Japan from 2006 to 2010, executive vice president of Business Strategy & Marketing for Boeing Commercial Airplanes, The Boeing Company, from 2003 to 2006; was vice president of Commercial Airplanes Sales, Leasing Companies from 2000 until January 2003; and served in various positions in engineering, sales, marketing, and business strategy for the Commercial Aircraft Group from 1991. She is a Director on the Seattle Branch Board of Directors for the Federal Reserve Bank; a Trustee of Seattle University in Seattle, Washington; and a former member of the Board of Governors, Tokyo, of the American Chamber of Commerce of Japan and the Federal Aviation's Management Advisory Council. She has extensive executive experience in capital intensive industries, sales and marketing, strategic planning and international operations and relations.

Doyle R. Simons, 49, was appointed a director of the Company in June 2012. He served as chairman and chief executive officer of Temple-Inland, Inc. (forest products) from 2008 until February 2012 when it was acquired by International Paper Company. Previously, he held various management positions with Temple-Inland, including executive vice president from 2005 through 2007 and chief administrative officer from 2003 to 2005. Prior to joining the company in 1992, he practiced real estate and banking law with Hutcheson and Grundy, L.L.P. He also serves on the Board of Fiserv, Inc.; and is a member of the Board of Visitors for the University of Texas M. D. Anderson Cancer Center, and the Baylor University Hankamer School of Business Advisory Board; and serves on the Advisory Councils of the College of Natural Sciences and the Texas Memorial Museum at The University of Texas at Austin. He has extensive experience in managing forest products companies and capital intensive industries, with strong skills in real estate development, corporate finance, executive compensation, and strategic planning.

Table of Contents

Richard H. Sinkfield, 70, a director of the Company since 1993, is a senior partner in the law firm of Rogers & Hardin in Atlanta, Georgia, and has been a partner in the firm since 1976. He is a Trustee of Vanderbilt University and a member of the Advisory Board of the Georgia Applesseed Center for Law and Justice. He was a director of United Auto Group, Inc. (automobile retailer) from 1993 to 1999 and its executive vice president and chief administrative officer from 1997 to 1999. He was a director of Central Parking Corporation from 2000 to February 2005. He is a former director of the Metropolitan Atlanta Community Foundation, Inc. and the Atlanta College of Art, a former member of the Executive Board of the Atlanta Area Council of the Boy Scouts of America; and was a member of the Board of Directors of the State Bar of Georgia from 1990 to 1998. He has extensive experience in corporate and securities laws and corporate governance matters.

D. Michael Steuert, 64, a director of the Company since October 2004, was senior vice president and chief financial officer for Fluor Corporation (engineering and construction) from 2001 until his retirement in 2012. He served as senior vice president and chief financial officer at Litton Industries Inc. (defense electronics, ship construction and electronic technologies) from 1999 to 2001 and as a senior officer and chief financial officer of GenCorp Inc. (aerospace, propulsion systems, vehicle sealing systems, chemicals and real estate) from 1990 to 1999. He also serves as Trustee of Prologis, is a director of Kurion, Inc., and was formerly a member of the National Financial Executives Institute and the Carnegie Mellon Council on finance. He has extensive executive experience in corporate finance and accounting, managing capital intensive industry operations, natural resources development and strategic planning.

Kim Williams, 57, a director of the Company since 2006, was senior vice president and associate director of global industry research for Wellington Management Company LLP (investment management) from 2001 to 2005, was elected a partner effective January 1995 and held various management positions with Wellington from 1986 to 2001. Prior to joining Wellington, she served as vice president, industry analyst for Loomis, Sayles & Co., Inc (investment management) from 1982 to 1986. She is also a director of E.W. Scripps Company, MicroVest and Xcel Energy Inc. She is a member of the Overseer Committee of Brigham and Women's Hospital in Boston, Massachusetts and a Trustee of Concord Academy, Concord, Massachusetts. She has extensive experience in corporate finance, strategic planning and international operations.

Charles R. Williamson, 64, a director of the company since 2004 and chairman of the Board since 2009, was the executive vice president of Chevron Corporation (international oil company) from August 2005 until his retirement December 1, 2005. He was chairman and chief executive officer of Unocal Corporation (oil and natural gas) until its acquisition by Chevron Corporation in 2005. He served as Unocal Corporation's executive vice president, International Energy Operations from 1999 to 2000; group vice president, Asia Operations from 1998 to 1999; group vice president, International Operations from 1996 to 1997; and held numerous management jobs including positions in the United Kingdom, Thailand and the Netherlands after joining Unocal in 1977. He was a director of Unocal Corporation and former Chairman of the US-ASEAN Business Council. He is also a director and chairman of the board of Talisman Energy Inc. and a director of PACCAR Inc. He has extensive experience in corporate finance, management of capital intensive operations, development of natural resources, technology, international operations, strategic planning and public company executive compensation.

Table of Contents

EXECUTIVE OFFICERS

Patricia M. Bedient, 59, has been executive vice president and chief financial officer since 2007. She was senior vice president, Finance and Strategic Planning, from February 2006 to 2007. She served as vice president, Strategic Planning, from 2003, when she joined the company, to 2006. Prior to joining the company, she was a partner with Arthur Andersen LLP (Independent Accountant) from 1987 to 2002 and served as the managing partner for the Seattle office and as the partner in charge of the firm's forest products practice from 1999 to 2002. She is on the Board of Directors for Alaska Air Group and also serves as a Board member of Overlake Hospital Medical Center. She is a CPA and member of the American Institute of CPAs.

Lawrence B. Burrows, 60, has been senior vice president, Wood Products, since October 1, 2010. Prior to becoming senior vice president Wood Products, Mr. Burrows served as president of Weyerhaeuser Real Estate Company, a subsidiary of the company, from 2008 to 2010. He was president of Winchester Homes Inc., a subsidiary of the company, from 2003 to 2008; its executive vice president from 1998 to 2003; and held various leadership positions at Winchester Homes from 1989, when he joined the company, until 1998. Prior to joining the company, he held numerous positions with real estate consulting and development companies.

Srinivasan Chandrasekaran, 63, has been senior vice president, Cellulose Fibers, since 2006. He was vice president, Manufacturing, Cellulose Fibers, from 2005 to 2006; vice president and mill manager at the Kamloops, British Columbia, cellulose fiber mill from 2003 to 2005; and vice president and mill manager at the Kingsport, Tennessee, paper mill from 2002 to 2003. He joined Weyerhaeuser in 2002 with the company's acquisition of Willamette Industries Inc., where he served in a number of leadership positions.

Miles P. Drake, 63, has been senior vice president, Research and Development, and chief technology officer since 2006 when he joined the company. He was vice president, research and development and chief technology officer of Air Products and Chemicals Inc. (Industrial Gases) from 2001 until October 2006 and held numerous other leadership positions with Air Products and Chemicals Inc. from 1986 until 2001.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 104

---

Table of Contents

Daniel S. Fulton, 64, was elected chief executive officer and a member of the board of directors in 2008. He has been president of Weyerhaeuser Company since 2008. From 2001 until 2008 he was president and chief executive officer of Weyerhaeuser Real Estate Company, a wholly owned subsidiary of Weyerhaeuser Company. In January 2004 he was named to Weyerhaeuser's senior management team. Mr. Fulton is the past chair of the Policy Advisory Board of the Joint Center for Housing Studies at Harvard University. He is on the board of NAREIT (the National Association of Real Estate Investment Trusts). He is chair of the Washington Roundtable, a member of the Business Roundtable (BRT) and chair of the BRT Housing Subcommittee. He is a member of the Advisory Board for the Foster School of Business at the University of Washington. He has a strong executive background in real estate and corporate finance, with extensive experience managing capital intensive operations, international operations and strategic planning.

Thomas F. Gideon, 61, has been executive vice president Timberlands, since October 1, 2010. Prior to becoming executive vice president Timberlands, Mr. Gideon served as executive vice president, Forest Products, from 2008 to 2010; and as senior vice president, Containerboard, Packaging and Recycling, from 2007 until its disposition in 2008. He was senior vice president, Timberlands, from 2005 to 2007; vice president, Western Timberlands, from 2003 to 2005; and director of Sales and Marketing for Western Timberlands from 1998 to 2003. He joined Weyerhaeuser in 1978 and held numerous human resources and sales management positions in Wood Products before moving into Western Timberlands in 1996.

John A. Hooper, 58, has been senior vice president, Human Resources, since July 2008. He was vice president, Human Resources Operations, from 2006 to 2008; Human Resources director from 2003 to 2006; and strategic projects consultant from 2001, when he joined the company, until 2003. Prior to joining the company, he was a management consultant specializing in leadership effectiveness, human resources strategy and change management from 1986 to 2001. From 1979 to 1986, he held leadership positions in Eaton Corp. (diversified power management) and Tektronix (testing and measurement equipment).

Sandy D. McDade, 61, has been senior vice president and general counsel since September 2006. He was senior vice president, Industrial Wood Products and International, from 2005 to 2006; senior vice president, Canada, from 2003 to 2005; vice president, Strategic Planning, from 2000 to 2003; and corporate secretary from 1993 to 2000. He joined Weyerhaeuser in 1980 and worked as a corporate and transaction lawyer until 2000.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 105

---



## Table of Contents

Peter M. Orser, 56, has been president, Weyerhaeuser Real Estate Company, a subsidiary of the company, since October 1, 2010. Prior to becoming president, Weyerhaeuser Real Estate Company, Mr. Orser was president, Quadrant Corporation, a subsidiary of the company, from 2003 to 2010. He was executive vice president, Quadrant Corporation, from 2001 to 2003; residential senior vice president, Quadrant Corporation, from 1996 to 2001; vice president, Community Development, from 1992 to 1995; and held various leadership positions with Quadrant Corporation from 1987, when he joined the company, to 1992.

### AUDIT COMMITTEE FINANCIAL EXPERT

As of December 31, 2012, the audit committee of the board of directors consisted of Mark A. Emmert, John I. Kieckhefer, D. Michael Steuert and Kim Williams. Each member is independent as defined under the New York Stock Exchange rules. The board of directors has determined that each audit committee member has sufficient knowledge in financial and accounting matters to serve on the committee and that Mr. Steuert is an “audit committee financial expert” as defined by SEC rules.

### CORPORATE GOVERNANCE MATTERS

#### CODE OF ETHICS

The company has adopted a code of ethics that applies to all employees, including the principal executive officer, principal financial officer and principal accounting officer. A copy is incorporated in the exhibits to this 10-K by reference and is available on the company’s website at [www.weyerhaeuser.com](http://www.weyerhaeuser.com). A copy of the code of ethics is available free of charge upon written request to Claire S. Grace, Corporate Secretary, Weyerhaeuser Company, P.O. Box 9777, Federal Way, WA 98063-9777, or by e-mail at [CorporateSecretary@Weyerhaeuser.com](mailto:CorporateSecretary@Weyerhaeuser.com).

#### CORPORATE GOVERNANCE GUIDELINES

The company has adopted corporate governance guidelines. The company’s corporate governance guidelines are available on the company’s website at [www.weyerhaeuser.com](http://www.weyerhaeuser.com). Paper copies may be obtained by written request to Claire S. Grace, Corporate Secretary, Weyerhaeuser Company, P.O. Box 9777, Federal Way, WA 98063-9777, or by e-mail at [CorporateSecretary@Weyerhaeuser.com](mailto:CorporateSecretary@Weyerhaeuser.com).

#### EXECUTIVE AND DIRECTOR COMPENSATION

Information with respect to executive and director compensation contained in the Notice of 2013 Annual Meeting of Shareholders and Proxy Statement for the company’s Annual Meeting of Shareholders to be held April 11, 2013, under the headings “Board of Directors and Committee Information — Directors’ Compensation,” “Compensation Discussion and Analysis,” “Compensation Committee Report,” “Compensation Committee Interlocks and Insider Participation,” “Summary Compensation Table,” “Grants of Plan-Based Awards,” “Outstanding Equity Awards at Fiscal Year Year-End,” “Options Exercise in Fiscal 2012,” “Pension Benefits,” “Nonqualified Deferred Compensation,” and “Potential Payments Upon Termination or Change of Control” is incorporated herein by reference.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management contained in the Notice of 2013 Annual Meeting of Shareholders and Proxy Statement for the company’s Annual Meeting of Shareholders to be held April 11, 2013, under the heading “Beneficial Ownership of Common Shares” is incorporated herein by reference.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information with regard to certain relationships and related transactions contained in the Notice of 2013 Annual Meeting of Shareholders and Proxy Statement for the company’s Annual Meeting of Shareholders to be held April 11, 2013, under the headings “Review, Approval or Ratification of Transactions with Related Persons” and “Board of Directors and Committee Information” is incorporated herein by reference.

PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to principal accounting fees and services in the Notice of 2013 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held April 11, 2013, under the heading "Relationships with Independent Registered Public Accounting Firm" is incorporated herein by reference.

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 106

---

Table of Contents

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

All financial statement schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements, or the notes thereto, in Financial Statements and Supplementary Data above.

EXHIBITS

- 3 — (i) Articles of Incorporation (incorporated by reference to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission May 6, 2011 — Commission File Number 1-4825)
- (ii) Bylaws (incorporated by reference to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission May 6, 2011 — Commission File Number 1-4825)
- 10 — Material Contracts
  - (a) Form of Executive Change of Control Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission January 4, 2012 — Commission File Number 1-4825)
  - (b) Form of Executive Severance Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission January 4, 2012 — Commission File Number 1-4825)
  - (c) Weyerhaeuser Company 2013 Long-Term Incentive Plan (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission February 19, 2013 — Commission File Number 1-4825)
  - (d) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Stock Option Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission February 11, 2013 — Commission File Number 1-4825)
  - (e) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Performance Plan Award Agreement (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission February 11, 2013 — Commission File Number 1-4825)
  - (f) Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Restricted Stock Award Terms and Conditions (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission February 11, 2013 — Commission File Number 1-4825)
  - (g) Description of Weyerhaeuser Company Director Compensation Program (incorporated by reference to Current Report on Form 8-K filed with the Securities and Exchange Commission February 12, 2013 - Commission File Number 1-4825)
  - (h) Weyerhaeuser Company Annual Incentive Plan for Salaried Employees (incorporated by reference to 2010 Form 10-K filed with the Securities and Exchange Commission February 25, 2010 — Commission File Number 1-4825)
  - (i) Weyerhaeuser Company Deferred Compensation Plan (incorporated by reference to Form 8-K filed with the Securities and Exchange Commission December 29, 2010 — Commission File Number 1-4825)
  - (j) Weyerhaeuser Company Salaried Employees Supplemental Retirement Plan (incorporated by reference to 2004 Form 10-K filed with the Securities and Exchange Commission January 27, 2009 — Commission File Number 1-4825)
  - (k) Amended and Restated 2011 Fee Deferral Plan for Directors of Weyerhaeuser Company (incorporated by reference to Current Report on Form 8-K filed with the Securities and Exchange Commission January 4, 2012 — Commission File Number 1-4825)
  - (l) Amendment to Fee Deferral Plan for Directors of Weyerhaeuser Company (Amended and Restated Effective December 31, 2010) (incorporated by reference to Current Report on Form 8-K filed with the Securities and Exchange Commission January 4, 2012 — Commission File Number 1-4825)
  - (m) Fee Deferral Plan for Directors of Weyerhaeuser Company (Amended and Restated Effective December 31, 2010)(incorporated by reference to Current Report on Form 8-K filed with the

Edgar Filing: WEYERHAEUSER CO - Form 10-K

Securities and Exchange Commission December 29, 1010 — Commission File Number 1-4825)  
Weyerhaeuser Real Estate Company Management Short-Term Incentive Plan (incorporated by

(n) reference to Form 8-K filed with the Securities and Exchange Commission February 9, 2010 —  
Commission File Number 1-4825)

Weyerhaeuser Real Estate Company Management Long-Term Incentive Plan (incorporated by  
(o) reference to Form 8-K filed with the Securities and Exchange Commission February 9, 2010 —  
Commission File Number 1-4825)

Revolving Credit Facility Agreement, dated as of June 2, 2011, among Weyerhaeuser Company,  
Weyerhaeuser Real Estate Company, the Lenders, Swing-Line Banks and Initial Fronting Banks  
(p) named therein, JPMorgan Chase Bank, N.A. as administrative agent, Citibank, N.A., as syndication  
agent, PNC Bank, N.A., Wells Fargo Bank, N.A., and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as  
documentation agents, and Co Bank ABC, as co-documentation agent.

12 — Statements regarding computation of ratios

14 — Code of Business Conduct and Ethics (incorporated by reference to Form 8-K filed with the Securities  
and Exchange Commission April 20, 2010 — Commission File Number 1-4825)

21 — Subsidiaries of the Registrant

23 — Consent of Independent Registered Public Accounting Firm

31 — Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended

32 — Certification pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and  
Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)

101.INS — XBRL Instance Document

101.SCH — XBRL Taxonomy Extension Schema Document

101.CAL — XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF — XBRL Taxonomy Extension Definition Linkbase Document

101.LAB — XBRL Taxonomy Extension Label Linkbase Document

101.PRE — XBRL Taxonomy Extension Presentation Linkbase Document

WEYERHAEUSER COMPANY > 2012 ANNUAL REPORT AND FORM 10-K 107

---

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized February 19, 2013.

WEYERHAEUSER COMPANY

/s/ DANIEL S. FULTON

Daniel S. Fulton

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated February 19, 2013.

/s/ DANIEL S. FULTON

Daniel S. Fulton

Principal Executive Officer  
and Director

/s/ NICOLE W. PIASECKI

Nicole W. Piasecki

Director

/s/ PATRICIA M. BEDIENT

Patricia M. Bedient

Principal Financial Officer

/s/ DOYLE R. SIMONS

Doyle R. Simons

Director

/s/ JERALD W. RICHARDS

Jerald W. Richards

Principal Accounting Officer

/s/ RICHARD H. SINKFIELD

Richard H. Sinkfield

Director

/s/ DEBRA A. CAFARO

Debra A. Cafaro

Director

/s/ D. MICHAEL STEUERT

D. Michael Steuert

Director

/s/ MARK A. EMMERT

Mark A. Emmert

Director

/s/ KIM WILLIAMS

Kim Williams

Director

/s/ JOHN I. KIECKHEFER

John I. Kieckhefer

Director

/s/ CHARLES R. WILLIAMSON

Charles R. Williamson

Chairman of the Board and Director

/s/ WAYNE W. MURDY

Wayne W. Murdy

Director