WEYERHAEUSER CO
Form 10-K
February 26, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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. [X] 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 [X] No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. [X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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). [X] 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. [X]

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 [X] 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 [X] No

As of June 30, 2009, the aggregate market value of the registrant s common stock held by non-affiliates of the registrant was $6,289,093,380 based on the closing sale price as reported on the New York Stock Exchange Composite Price Transactions.

As of February 4, 2010, 211,358,955 shares of the registrant s common stock ($1.25 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the *Notice of 2010 Annual Meeting of Shareholders and Proxy Statement* for the company s Annual Meeting of Shareholders to be held April 15, 2010, are incorporated by reference into Part II and III.

Table of Contents

TABLE OF CONTENTS

PART I		
ITEM 1.	**OUR BUSINESS**	1
	WE CAN TELL YOU MORE	1
	WHO WE ARE	1
	OUR BUSINESS SEGMENTS	1
	CURRENT MARKET CONDITIONS	1
	COMPETITION IN OUR MARKETS	1
	SALES OUTSIDE THE U.S.	2
	OUR EMPLOYEES	2
	COMPARABILITY OF DATA	2
	WHAT WE DO	2
	TIMBERLANDS	2
	WOOD PRODUCTS	9
	CELLULOSE FIBERS	12
	REAL ESTATE	14
	CORPORATE AND OTHER	16
	NATURAL RESOURCE AND ENVIRONMENTAL MATTERS	17
	ENDANGERED SPECIES PROTECTIONS	17
	REGULATIONS AFFECTING FORESTRY PRACTICES	17
	FOREST CERTIFICATION STANDARDS	17
	WHAT THESE REGULATIONS AND CERTIFICATION PROGRAMS MEAN TO US	17
	CANADIAN ABORIGINAL RIGHTS	18
	POLLUTION-CONTROL REGULATIONS	18
	ENVIRONMENTAL CLEANUP	18
	REGULATION OF AIR EMISSIONS IN THE U.S.	18
	REGULATION OF AIR EMISSIONS IN CANADA	19
	POTENTIAL CHANGES IN POLLUTION REGULATION	19
	FORWARD-LOOKING STATEMENTS	20
ITEM 1A.	**RISK FACTORS**	21
	RISKS RELATED TO OUR INDUSTRIES AND BUSINESS	21
	MACROECONOMIC CONDITIONS	21
	COMMODITY PRODUCTS	21
	INDUSTRY SUPPLY OF LOGS, WOOD PRODUCTS AND PULP	21
	HOMEBUILDING MARKET AND ECONOMIC RISKS	22
	CAPITAL MARKETS	22
	CHANGES IN CREDIT RATINGS	22
	SUBSTITUTION	22
	CHANGES IN PRODUCT MIX OR PRICING	23
	INTENSE COMPETITION	23
	MATERIAL DISRUPTION OF MANUFACTURING	23
	CAPITAL REQUIREMENTS	23
	LAWS AND REGULATIONS	23
	CURRENCY EXCHANGE RATES	24
	AVAILABILITY OF RAW MATERIALS AND ENERGY	24
	TRANSPORTATION	24
	LEGAL PROCEEDINGS	25
	EXPORT TAXES	25
	ELECTION OF REIT STATUS	25
	NATURAL DISASTERS	25
	RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK	26
	STOCK-PRICE VOLATILITY	26
ITEM 1B.	**UNRESOLVED STAFF COMMENTS**	26
ITEM 2.	**PROPERTIES**	26
ITEM 3.	**LEGAL PROCEEDINGS**	26
ITEM 4.	**SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**	26
PART II		
ITEM 5.	**MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**	27
ITEM 6.	**SELECTED FINANCIAL DATA**	29

ITEM 7.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	30
	WHAT YOU WILL FIND IN THIS MD&A	30
	ECONOMIC AND MARKET CONDITIONS AFFECTING OUR OPERATIONS	30
	FINANCIAL PERFORMANCE SUMMARY	31
	RESULTS OF OPERATIONS	32
	CONSOLIDATED RESULTS	32
	TIMBERLANDS	34
	WOOD PRODUCTS	36
	CELLULOSE FIBERS	38
	REAL ESTATE	40
	CORPORATE AND OTHER	42
	FINE PAPER	43
	CONTAINERBOARD, PACKAGING AND RECYCLING	43
	INTEREST EXPENSE	43
	INCOME TAXES	44
	LIQUIDITY AND CAPITAL RESOURCES	44
	CASH FROM OPERATIONS	44
	INVESTING IN OUR BUSINESS	45
	FINANCING	46
	OFF-BALANCE SHEET ARRANGEMENTS	48
	ENVIRONMENTAL MATTERS, LEGAL PROCEEDINGS AND OTHER CONTINGENCIES	48
	ACCOUNTING MATTERS	48
	CRITICAL ACCOUNTING POLICIES	48
	PROSPECTIVE ACCOUNTING PRONOUNCEMENTS	52
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	53
	LONG-TERM DEBT OBLIGATIONS	53
	OUR USE OF DERIVATIVES	53
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	54
	REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	54
	CONSOLIDATED STATEMENT OF OPERATIONS	55
	CONSOLIDATED BALANCE SHEET	56
	CONSOLIDATED STATEMENT OF CASH FLOWS	58
	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME	59
	INDEX FOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	60
	NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	61
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	106
ITEM 9A.	CONTROLS AND PROCEDURES	106
	EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES	106
	CHANGES IN INTERNAL CONTROL	106
	MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	106
	REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	107
ITEM 9B.	OTHER INFORMATION NOT APPLICABLE	
PART III		
ITEM 10.	DIRECTORS AND EXECUTIVE OFFICERS	108
ITEM 11.	EXECUTIVE AND DIRECTOR COMPENSATION	112
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	112
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	112
ITEM 14.	PRINCIPAL ACCOUNTING FEES AND SERVICES	112
PART IV		
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	113
	EXHIBITS	113
	SIGNATURES	115
	REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	116
	FINANCIAL STATEMENT SCHEDULE	117
	CERTIFICATIONS	118
	COMPANY OFFICERS	122

Table of Contents

OUR BUSINESS

We are a forest products company that grows and harvests trees, builds homes and makes a range of forest products essential to everyday lives. Our goal is to do this safely, profitably and responsibly. We are committed to operate as a sustainable company in the 21st Century. 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.

We have offices or operations in 10 countries and have customers worldwide. We manage 22 million acres of forests, and in 2009, we generated $5.5 billion in net sales from our continuing operations.

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, 2009.

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 results and 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 construction 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;
- 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.

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.

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;
- Real Estate;
- Corporate and Other;
- Fine Paper (divested in 2007); and
- Containerboard, Packaging and Recycling (sold in 2008).

Detailed financial information about our business segments and our geographic locations is in *Note* 2*: Business Segments* and *Note* 22*: 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*.

CURRENT MARKET CONDITIONS

For the last few years we experienced the most severe recession since the 1930 s. The U.S. housing market experienced a significant downturn in this recession. 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, and demand for domestic logs is strongly correlated with the production of wood-based building products. Cellulose Fibers is primarily affected by global demand for absorbent pulp products and the value of the U.S. dollar.

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

Table of Contents

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 for each acre we own or manage.
- Wood Products Deliver high-quality lumber, engineered wood products and integrated solutions to the residential construction and industrial markets.
- Cellulose Fibers Concentrate on value-added pulp products.
- Real Estate Deliver unique value propositions in target markets.

SALES OUTSIDE THE U.S.

In 2009, $1.6 billion 28 percent of our total consolidated sales and revenues, including sales from discontinued operations, were to customers outside the U.S. The table below shows sales outside the U.S. for the last three years.

SALES OUTSIDE THE U.S. IN MILLIONS OF DOLLARS	2009	2008	2007
Exports from the U.S.	$ 1,247	$ 1,666	$ 2,020
Canadian export and domestic sales	73	240	583
Other foreign sales	247	563	513
Total	**$ 1,567**	**$ 2,469**	**$ 3,116**
Percent of total sales	**28%**	**22%**	**18%**

OUR EMPLOYEES

We have approximately 14,900 employees. This number includes:

- 13,450 employed by our corporate operations and forest products-based business segments in North America,
- 750 employed by our Real Estate segment and
- 700 employed by our operations outside of North America.

Of these employees, approximately 4,000 are members of unions covered by multi-year collective-bargaining agreements.

COMPARABILITY OF DATA

Over the last five years, we have made an acquisition to complement our key operations and have exited businesses that did not fit our long-term strategic direction. As you review our results for the past five years, it may be helpful to keep in mind the following acquisition and divestitures and the segments affected.

Summary of Recent Divestitures and Acquisition

YEAR	TRANSACTION	SEGMENTS AFFECTED
2009	Trus Joist ®Commercial division sold	Wood Products segment
2008	Containerboard, Packaging and Recycling segment sold	Containerboard, Packaging and Recycling segment

2008	Australian operations sold	Corporate and Other segment
2008	Uruguay operations partition completed	Timberland and Corporate and Other segments
2007	Fine Paper and related assets divested	Fine Paper, Timberlands and Wood Products segments
2007	New Zealand operations sold	Corporate and Other segment
2007	Canadian wood products distribution centers sold	Wood Products segment
2006	North American and Irish composite panel operations sold	Wood Products and Corporate and Other segments
2006	Maracay Homes acquired	Real Estate segment
2005	Coastal British Columbia operations and timberlands (B.C Coastal) sold	Wood Products and Timberlands segments
2005	French composite panel operations sold	Corporate and Other segment

Additional information related to our discontinued operations can be found in *Note 3: Discontinued Operations* in the *Notes to Consolidated Financial Statements.* Information pertaining to segment comparability can be found in *Note 2: Business Segments* 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 6.6 million acres of private commercial forestland worldwide. We own 5.8 million of those acres and lease the other 760,000 acres. In addition, we have renewable, long-term licenses on 15.2 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 2009.

Table of Contents

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.

International operations in this segment consist principally of forest plantations, forest licenses and converting assets in South America. We serve as managing partner in these operations which are either wholly-owned subsidiaries or joint ventures. In China, we are the managing partner in a joint venture established in 2007. We own 51 percent of this joint venture and Fujian Yong An Forestry Company owns the remaining 49 percent. As of December 31, 2009, the joint venture managed 45,000 acres of timberlands with 486,000 seedlings planted in 2009.

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 certifies that we meet the SFI standard. In Canada, we certify our forests to the Canadian Standards Association (CSA) standard. Our forestlands in Uruguay are the model for the developing Uruguayan national forest certification standard, and we have designed them to meet the Program for the Endorsement of Forest Certification (PEFC).

Canadian Forestry Operations

In Canada, we have licenses to operate forestlands that provide the volume for our manufacturing units in various provinces. When we harvest trees, we pay the provinces at stumpage rates set by the government and generally based on prevailing market prices. 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 are generally 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 may be sold to third parties or converted into chips and other raw materials to be made into pulp and paper products
Minerals, oil and gas	Sold into construction and energy markets
Other products	Includes seed and seedlings, poles, as well as plywood and hardwood lumber produced by our international operations, primarily in South America

Table of Contents

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 it does not include taper or recovery of nonlumber residual products;
- 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 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:

- 4.1 million acres in the southern U.S. (Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Oklahoma and Texas); and
- 2.1 million acres in the Pacific Northwest (Oregon and Washington).

Our international operations are located primarily in Uruguay and China where, as of December 31, 2009, we own a total of 315,000 acres and have long-term leases on another 71,000 acres.

In addition, we have renewable, long-term licenses on 15.2 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 306 million cubic meters. The timber inventory on licensed lands in Canada is approximately 383 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.

DISCUSSION OF OPERATIONS BY GEOGRAPHY

Summary of 2009 Timber Inventory and Timberland Locations

United States

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS	THOUSANDS OF ACRES AT DECEMBER 31, 2009		
	TOTAL INVENTORY	FEE OWNERSHIP	LONG-TERM LEASES	TOTAL ACRES
U.S.				
West	160	2,063		2,063
South	140	3,424	690	4,114
Total U.S.	**300**	**5,487**	**690**	**6,177**

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 hemlock 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 western hemlock but to a lesser degree than our fir stands. 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.

The average age of timber harvested in 2009 was 50 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

Table of Contents

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.

The average age of timber harvested in 2009 was 31 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.

International

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS	THOUSANDS OF ACRES AT DECEMBER 31, 2009		
	TOTAL INVENTORY	FEE OWNERSHIP	LONG-TERM LEASES	TOTAL ACRES
Uruguay	6	315	26	341
China[(1)]			45	45
Total International	**6**	**315**	**71**	**386**

(1) Includes Weyerhaeuser percentage ownership of timberlands owned and managed through joint ventures

Our forestlands in Uruguay are approximately 50 percent loblolly pine and 50 percent eucalyptus. 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 80 percent of the area to be planted has been afforested to date. The afforestation program is planned to be completed within the next four years.

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 140,000 cubic meters and a production volume of 80,000 cubic meters reached in 2009. Construction to more than double this capacity is under way and is expected to be completed in 2010.

In Brazil, Weyerhaeuser is a managing partner in a joint venture. We own 67 percent and Fibria Cellulose SA owns 33 percent. A hardwood sawmill with 72,000 cubic meters of capacity produces high-value eucalyptus (Lyptus®) lumber and related appearance wood products. The mill s production in 2009 was 60,000 cubic meters.

Our investment in China is a joint venture with a public company that is controlled by the state and local governments. Weyerhaeuser is the managing partner in a joint venture started in 2007. Ownership is 51 percent Weyerhaeuser and 49 percent Fujian Yong An Forestry Company. The joint venture currently manages 45,000 acres of timberlands with 486,000 seedlings planted in 2009.

In China, the target rotation age is seven years, since we are managing the forests of loblolly pine and eucalyptus for fiber.

Canada Licensed Timberlands

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS	THOUSANDS OF ACRES AT DECEMBER 31, 2009	
	TOTAL INVENTORY LICENSED STANDING VOLUME	LICENSE ARRANGEMENTS	TOTAL ACRES
Canada			
Alberta	246	5,357	5,357
British Columbia	24	2,255	2,255
Ontario	33	2,598	2,598
Saskatchewan	80	4,968	4,968
Total Canada	**383**	**15,178**	**15,178**

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	2009	2008	2007	2006	2005
Fee depletion cubic meters:					
West	6,359	10,626	10,403	10,666	10,630
South	8,996	12,363	12,645	13,246	13,219
Canada					856
International(1)	503				
Total	**15,858**	**22,989**	**23,048**	**23,912**	**24,705**

(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 2009 reflects the company s decision to defer harvest and preserve the long-term value of the assets.

HOW MUCH WE SELL

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

- $714 million in 2009 down 21 percent from 2008; and
- $899 million in 2008.

Our intersegment sales over the last two years were:

- $537 million in 2009 down 48 percent from 2008; and
- $1.0 billion in 2008.

Five-Year Summary of Net Sales for Timberlands

NET SALES IN MILLIONS OF DOLLARS	2009	2008	2007	2006	2005
To unaffiliated customers:					
Logs:					
West	$ 329	$ 547	$ 565	$ 667	$ 625
South	144	97	56	57	67
Canada(1)	13	20	38	58	69
Total	486	664	659	782	761
Pay as cut timber sales	31	32	25	32	33
Timberlands sales and exchanges(2)	66	73	128	96	145
Higher and better use land sales(2)	11	11	33	35	39
Minerals, oil and gas	62	61	40	48	47
Products from international operations(3)	44	40	12	6	3
Other products	14	18	25	24	22
Subtotal sales to unaffiliated customers	714	899	922	1,023	1,050
Intersegment sales:					

United States	392	817	983	1,093	1,110
Other	145	217	363	593	691
Subtotal intersegment sales	537	1,034	1,346	1,686	1,801
Total	**$ 1,251**	**$ 1,933**	**$ 2,268**	**$ 2,709**	**$ 2,851**

(1) Reflects the divestiture of our B.C. Coastal operations in May 2005 and the Domtar Transaction in March 2007.

(2) Higher and better use timberland and other non-strategic timberland are sold through Forest Products subsidiaries.

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

Five-Year Trend for Total Net Sales in Timberlands

Table of Contents

Percentage of 2009 Sales to Unaffiliated Customers

Log Sales Volumes

Logs sold to unaffiliated customers in 2009 decreased approximately 1.4 million cubic meters 14 percent from 2008.

- Sales volumes in the West decreased 2.5 million cubic meters 36 percent due to weaker domestic and export markets. Our Western sales to unaffiliated customers are generally 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 1.2 million cubic meters 51 percent primarily due to sales of fiber logs to International Paper for use at locations that previously were owned by Weyerhaeuser and higher grade log sales to domestic customers. Our southern sales volumes to unaffiliated customers are generally lower-grade fiber logs sold to pulp or containerboard mills. We use most of our high-grade logs in our own conversion facilities.
- Sales volumes from Canada decreased 120,000 cubic meters 23 percent in 2009. This reduction in volume was primarily due to having fewer manufacturing operations and production curtailments.
- Sales volumes from our international operations decreased 24,000 cubic meters 7 percent in 2009. This reduction in volume was due to weaker global markets.

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 level of housing starts in Japan, where most of our North American export logs are sold.

All our domestic and export logs 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	2009	2008	2007	2006	2005
Logs cubic meters:					
West	4,479	6,967	6,212	6,602	6,380
South	3,536	2,347	1,581	1,698	1,925
Canada	409	529	925	1,425	1,745
International	305	329		55	31
Total	**8,729**	**10,172**	**8,718**	**9,780**	**10,081**

Reflectsthe divestiture of our B.C. Coastal operations in May 2005 and the Domtar Transaction in March 2007.

Log Prices

The majority of our log sales to unaffiliated customers involves sales to the export market and to other domestic sawmills in the Pacific Northwest. Following is a five-year summary of selected export log prices.

Five-Year Summary of Selected 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.

Average 2009 log realizations in the West and South decreased from 2008 primarily due to lower domestic log prices caused by the steep decline in lumber prices during the year. Western

Table of Contents

export prices also declined due to the weak Japanese economy. Export prices were also influenced by the lower domestic prices.

Minerals and Energy Products

Mineral revenue increased in 2009. Decreased royalties from oil and gas and mining was offset by increases in oil and gas leasing revenues and revenues from the sale of selected oil and gas producing properties. Royalty revenue decreased as a result of weaker energy prices and reduced demand for construction aggregates. New drilling activity in the Haynesville Shale area in North Louisiana increased dramatically in late 2009, but due to the timing of initial production the effect on revenue was small. The company continued to explore geothermal opportunities in Washington and Oregon and entered into a lease for wind power development in Washington.

Catchlight Energy

Catchlight Energy is Weyerhaeuser s joint venture with Chevron, which is focused on the commercialization of liquid transportation fuels produced from conversion of forest-based material. During 2009, Catchlight was engaged in research and development work in the areas of sustainability, feedstock sourcing and scalability, and conversion technologies. Catchlight Energy also spent time developing relationships with selected technology partners. Results of Catchlight Energy are reported in the Corporate and Other segment.

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;
- 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.

Table of Contents

WOOD PRODUCTS

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

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 structural frame market;
- delivers innovative homebuilding solutions to help our customers quickly and efficiently meet their customers needs;
- sells our products and services primarily through our own sales organizations and distribution facilities and supplements our product offerings with 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;
- exports our engineered building materials and industrial hardwood products to Europe and Asia; and
- makes and sells hardwood lumber to manufacturers of furniture and cabinetry in more than 40 countries.

Wood Products

PRODUCTS	HOW THEY RE USED
Softwood lumber	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 and commercial structures
Structural panels Oriented strand board (OSB) Plywood	Structural sheathing, subflooring and stair tread for residential and commercial structures
Veneer	Intermediate raw material for plywood and engineered lumber manufacturing
Hardwood lumber	Furniture, pallets, ties, moldings, panels, cabinets, architectural millwork, components and retail boards
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, 2009, by major product group were:

Softwood 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, Minnesota, Oregon and West Virginia
Canada British Columbia and Ontario
Oriented strand board
U.S. Louisiana, Michigan, North Carolina and West Virginia
Canada Alberta, Ontario and Saskatchewan
Plywood and veneer
U.S. Alabama, Arkansas, Louisiana and Oregon
Hardwood lumber
U.S. Michigan, Oregon, Washington and Wisconsin

In December 2009, we announced the sale of one lumber mill in Warrenton, Oregon and the closure of one distribution center located in Sacramento, California expected to be completed in first quarter 2010.

Summary of 2009 Wood Products Capacities

CAPACITIES IN MILLIONS	PRODUCTION CAPACITY	NUMBER OF FACILITIES
Softwood lumber board feet	5,210	23
Engineered solid section cubic feet	47	9
Engineered I-joists lineal feet	320	3
Oriented strand board square feet (3/8")	3,485	7
Plywood square feet (3/8")	460	2
Veneer square feet (3/8")	1,145	5
Hardwood lumber board feet	300	7

Capacities include:

- one lumber facility sold in early 2010; and
- one lumber facility, four engineered solid section facilities, one engineered I-joist facility, two oriented strand board mills and two veneer mills that were indefinitely closed.

Table of Contents

Five-Year Summary of Wood Products Production

PRODUCTION IN MILLIONS	2009	2008	2007	2006	2005
Softwood lumber board feet[1]	3,098	4,451	5,490	6,355	6,986
Engineered solid section cubic feet[2]	11	22	28	41	41
Engineered I-joists lineal feet[2]	109	218	339	473	483
Oriented strand board square feet (3/8")	1,448	2,468	3,428	4,166	4,078
Plywood square feet (3/8")[3]	150	333	423	900	1,155
Veneer square feet (3/8")[3][4]	349	872	1,150	1,739	1,979
Composite panels square feet (3/4")[1]				666	1,080
Hardwood lumber board feet	201	253	294	324	364

(1) Reflects the divestitures of our B.C. Coastal operations in May 2005, North American composite panel operations in July 2006 and the Domtar Transaction in March 2007.

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

(3) All Weyerhaeuser plywood facilities also produce veneer.

(4) Veneer production represents lathe production and includes volumes that are used to produce plywood and engineered lumber products by our mills.

HOW MUCH WE SELL

Revenues of our Wood Products business segment come from sales to wood products dealers, do-it-yourself retailers, builders and industrial users. We provide products and services to the residential construction market under the iLevel® brand. In 2009, our net sales were $2.2 billion compared with $3.8 billion in 2008.

Five-Year Summary of Net Sales for Wood Products

NET SALES IN MILLIONS OF DOLLARS	2009	2008	2007	2006	2005
Softwood lumber[1]	$ 885	$ 1,443	$ 2,241	$ 2,997	$ 3,624
Engineered solid section	238	414	608	794	833
Engineered I-joists	162	284	467	670	704
Oriented strand board	234	416	589	939	1,164
Plywood	92	202	366	529	735
Hardwood lumber	206	291	355	398	390
Other products produced[1]	146	225	226	214	277
Other products purchased for resale	271	493	847	1,361	1,551
Total	**$ 2,234**	**$ 3,768**	**$ 5,699**	**$ 7,902**	**$ 9,278**

(1) Reflects the divestitures of our B.C. Coastal operations in May 2005, North American composite panel operations in July 2006 and the Domtar Transaction in March 2007.

Five-Year Trend for Total Net Sales in Wood Products

Percentage of 2009 Net Sales in Wood Products

Wood Products Volume

The volume of wood products sold in 2009 decreased from 2008 primarily due to a significant decline in market demand, resulting from the downturn of the homebuilding and repair and remodel markets. In response to these market conditions in 2008 and 2009, we sold or closed a number of facilities and curtailed production at several other mills. The sales and closures include:

Sales:
- 2009 TJ® Commercial business, Albany Trucking and one veneer mill; and
- 2008 seven U.S. distribution centers.

Permanent closures:
- 2009 four lumber mills, two engineered lumber mills and six distribution centers; and
- 2008 three lumber mills, four U.S. distribution centers and two Canadian OSB mills that were indefinitely curtailed in 2007.

Indefinite closures:
- 2009 one lumber mill, three engineered lumber mills and two veneer mills; and
- 2008 one Canadian OSB mill and one engineered lumber mill.

Table of Contents

Five-Year Summary of Sales Volume for Wood Products

SALES VOLUMES IN MILLIONS	2009	2008	2007	2006	2005
Softwood lumber[1] board feet	3,353	4,722	6,538	7,871	8,650
Engineered solid section cubic feet	13	23	30	36	38
Engineered I-joists lineal feet	139	227	338	456	484
Oriented strand board square feet (3/8")	1,432	2,438	3,466	4,096	3,948
Plywood square feet (3/8")	298	565	1,049	1,663	2,180
Hardwood lumber board feet	252	324	363	412	427

(1) Reflects the divestiture of our B.C. Coastal operations in May 2005 and the Domtar Transaction in March 2007.

Wood Products Prices

Prices for wood products in 2009 declined from 2008.

In general, the following factors influence prices for wood products:

- Demand for structural wood products used in new residential construction and the repair and remodel of existing homes affects prices. Residential construction is affected by the rate of household formation and other demographic factors, mortgage interest rates, the need for replacement of existing housing stock and the demand for secondary or vacation homes. 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 lumber and plywood affects prices. A number of factors can affect supply, including new capacity, weather, raw material quality and availability and rail and truck transportation availability.

Demand for home construction fell dramatically from 2006 through 2009, with a corresponding drop in demand for the products that we produce and sell. This has put significant and prolonged downward pressure on prices and is evident in the following graphs.

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

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

Five-Year Summary of Selected Published Plywood Prices (1/2 CDX) $/MSF

Table of Contents

WHERE WE RE HEADED

Our competitive strategies include:

- responding to difficult market conditions by actively managing our network of production facilities to balance supply with market demand;
- taking advantage of our size, scale, expertise and breadth of products that make us unique in serving the residential structural-frame marketplace;
- developing and delivering innovative homebuilding solutions, such as residential structural frame construction, to meet customers needs;
- continuing to meet the needs of home-improvement repair and remodel customers;
- achieving operating excellence through the delivery chain;
- differentiating our products and services from other manufacturers to create demand for them in the marketplace, which could generate higher prices;
- meeting international demands for hardwood products by aligning and improving our global supply; and
- conducting our activities in an environmentally sustainable manner and developing and marketing the environmental attributes of our products and solutions.

CELLULOSE FIBERS

Our cellulose fibers segment is one of the world s largest producers of absorbent fluff 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
- generates energy, of which 86 percent is from black liquor produced at the mills and biomass.

Cellulose Fibers Products

PRODUCTS	HOW THEY RE USED
Pulp	
Fluff pulp (Southern softwood kraft fiber)	Used in sanitary disposable products that require bulk, softness and absorbency
Papergrade pulp (Southern and Northern softwood kraft fiber)	Used in products that include printing and writing papers and tissue

Specialty chemical cellulose pulp	Used in textiles, absorbent products, specialty packaging, specialty applications and proprietary high-bulking fibers
Liquid packaging board	Converted into containers to hold liquid materials such as milk, juice and tea
Other products	Used in the manufacture of paper products
Slush pulp	
Wet lap pulp	

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	
U.S.	Georgia (2), Mississippi and North Carolina
Canada	Alberta
Liquid packaging board	
U.S.	Washington

Table of Contents

Summary of 2009 Cellulose Fibers Capacities

CAPACITIES IN THOUSANDS	PRODUCTION CAPACITY	NUMBER OF FACILITIES
Pulp air-dry metric tons	1,835	5
Liquid packaging board tons	300	1

Five-Year Summary of Cellulose Fibers Production

PRODUCTION IN THOUSANDS	2009	2008	2007	2006	2005
Pulp air-dry metric tons[1]	1,629	1,760	1,851	2,588	2,502
Liquid packaging board tons	282	297	283	282	264

(1) Reflects Domtar Transaction in March 2007.

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 decreased to $1.5 billion in 2009, or 14 percent, compared with $1.8 billion in 2008.

Five-Year Summary of Net Sales for Cellulose Fibers

NET SALES IN MILLIONS OF DOLLARS	2009	2008	2007	2006	2005
Pulp[1]	$ 1,148	$ 1,357	$ 1,478	$ 1,657	$ 1,482
Liquid packaging board	290	290	247	229	203
Other products	73	118	107	70	51
Total	**$ 1,511**	**$ 1,765**	**$ 1,832**	**$ 1,956**	**$ 1,736**

(1) Reflects Domtar Transaction in March 2007.

Five-Year Trend for Total Net Sales in Cellulose Fibers

Percentage of 2009 Net Sales in Cellulose Fibers

Pulp Volumes

Our sales volume of cellulose fiber products were 1.7 million tons in 2009 and 2008.

Factors that affect sales volumes for cellulose fiber products include:

- growth of the world gross domestic product and
- demand for paper production and diapers.

Five-Year Summary of Sales Volume for Cellulose Fibers

SALES VOLUMES IN THOUSANDS	2009	2008	2007	2006	2005
Pulp air-dry metric tons[1]	1,697	1,704	2,070	2,621	2,502
Liquid packaging board tons	288	302	286	275	258

(1) Reflects the Domtar Transaction in March 2007.

Pulp Prices

Our average pulp prices in 2009 decreased compared with 2008 due to the:

- relative strength of the U.S. dollar,
- level of demand and
- world economic environment.

Table of Contents

Five-Year Summary of Selected Published Pulp Prices $/TON

WHERE WE RE HEADED

Our competitive strategies include:

- improving our cost-competitiveness through operational excellence and noncapital solutions;
- focusing capital investments on new and improved product capabilities, cost-reduction, and green energy opportunities;
- collaborating with third parties to develop new value-added products; and
- focusing research and development resources on new ways to expand and improve the range of applications for cellulose fibers and new product opportunities.

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.

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 decreased to $904 million in 2009 36 percent compared with $1.4 billion in 2008, primarily due to a 32 percent decline in single-family closings and lower average sales prices. The decline in home closings was affected by weak consumer confidence, high unemployment and increasing foreclosures. Increased inventory of homes available for sale due to foreclosures also continued to put downward pressure on pricing.

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

- Variances in market prices of the homes that we build.
- The product and geographic mix of sales, which may vary based on the following:
  - The markets where we build vary by geography.
  - The types of homes we build which range in price points to meet our target customers needs from entry-level products in Washington state to move-up, custom homes in Southern California and the Washington, D.C., metro area.
  - The mix of price points since we build traditional, single-family, detached homes and attached products such as townhomes and condominiums.

14

Table of Contents

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 15 percent of total Real Estate revenues annually.

From time to time, we sell apartment buildings we have built and commercial properties in which we have an ownership interest.

Five-Year Summary of Net Sales for Real Estate

REVENUE IN MILLIONS OF DOLLARS	2009	2008	2007	2006	2005
Single-family housing	$ 832	$ 1,294	$ 2,079	$ 2,951	$ 2,686
Land	68	99	213	310	202
Other	4	15	67	74	27
Total	**$ 904**	**$ 1,408**	**$ 2,359**	**$ 3,335**	**$ 2,915**

Five-Year Trend for Total Net Sales in Real Estate

Percentage Breakdown of 2009 Net Sales in Real Estate

Five-Year Summary of Single-Family Unit Statistics

SINGLE-FAMILY UNIT STATISTICS	2009	2008	2007	2006	2005
Homes sold	2.269	2,522	4,152	4,541	5,685
Homes closed	2.177	3,188	4,427	5,836	5,647
Homes sold but not closed (backlog)	650	558	1,224	1,499	2,410
Cancellation rate	23%	32%	26%	29%	16%
Buyer traffic	65,781	112,817	181,896	231,993	306,978
Average price of homes closed	$ 382,000	$ 406,000	$ 470,000	$ 506,000	$ 476,000
Single-family gross margin excluding impairments (%)[1]	17.5%	15.1%	21.5%	28.0%	32.9%

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

WHERE WE RE HEADED

Our competitive strategies include:

- offering distinct value propositions to specific market niches in each of our targeted geographies;
- delivering quality homes to satisfied customers a principle we measure through willingness to refer rates from independent surveys of homebuyers;
- replicating best practices developed in each geographic area; and
- optimizing value from our land portfolio.

Table of Contents

CORPORATE AND OTHER

WHAT WE DO

Our Corporate and Other segment includes:

- governance-related corporate support activities and company-wide initiatives such as major system and infrastructure deployments;
- transportation operations including Westwood Shipping Lines and five short-line railroads which provide services to our manufacturing operations and to third parties; and
- results of activities related to discontinued operations.

We also record certain gains or charges in the Corporate and Other segment related to dispositions or events that generally are not related to an individual operating segment.

WHERE WE DO IT

Our transportation operations include our marine operations, which provide shipping between North America and Asia, and our railroad operations, which are located in the western and southern United States.

As part of our strategic restructuring of our international holdings, we:

- sold our French composite panels operation December 2005;
- sold our Irish composite panels operation November 2006;
- restructured our investment in our Uruguay joint ventures in preparation for a partitioning of the assets with the joint venture owners June 2007;
- sold our investment in our New Zealand joint venture, Nelson Forests October 2007;
- completed the partitioning of assets related to our Uruguay joint ventures April 2008; and
- sold our investment in our Australian operations July 2008.

See *Note 7: Equity Affiliates* in the *Notes to Consolidated Financial Statements* for more information related to our joint ventures.

HOW MUCH WE SELL

Sales and revenues for our Corporate and Other segment are primarily related to our marine transportation and discontinued international operations. In 2009, our net sales were $165 million compared with $392 million in 2008. The decline in revenues is primarily due to the sale of our Australian operations in July 2008 and decreased revenue in our transportation business during 2009.

Factors that affect revenues in our transportation operations include:

- international trade levels between North America and its trading partners in Asia,
- the profile of our competition within our shipping lanes and
- overall demand for forest products.

Five-Year Summary of Net Sales for Corporate and Other

NET SALES IN MILLIONS OF DOLLARS	2009	2008	2007	2006	2005
Transportation	$ 165	$ 259	$ 223	$ 198	$ 203
International wood products[(1)]		133	209	277	386
Other				2	9
Total	**$ 165**	**$ 392**	**$ 432**	**$ 477**	**$ 598**

(1) Reflects the divestitures of our French composite panels operations in December 2005, our Irish composite panels operation in November 2006 and our Australian Operations in July 2008.

Five-Year Trend for Total Net Sales in Corporate and Other

16

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 and market values of timber-based raw materials.

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. Some of these listed species include the northern spotted owl, the marbled murrelet, a number of salmon species, bull trout and steelhead trout in the Pacific Northwest and the red-cockaded woodpecker, gopher tortoise and American burying beetle in the 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.

Federal and state requirements to protect habitat for threatened and endangered species have resulted in restrictions on timber harvest on some timberlands, including some of our timberlands. Additional listings of fish and wildlife species as endangered, threatened or sensitive under the ESA or similar state laws as well as regulatory actions taken by federal or state agencies to protect habitat for these species may, in the future, result in additional restrictions on our timber harvests and other forest management practices. They also could increase our operating costs and affect timber supply and prices in general.

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 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 2010 will not have, a significant effect on our harvesting operations. We anticipate that future measures will not disproportionally affect Weyerhaeuser as compared with comparable operations.

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 increasingly affect present or future harvest and forest management activities. For example, in some states, these acts limit the size of clearcuts, require some timber to be left unharvested to protect water quality and fish and wildlife habitat, regulate construction and maintenance of forest roads, require reforestation following timber harvest and contain procedures for state agencies to review and approve proposed forest practice activities. Some states and local governments regulate certain forest practices through various 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.

Our forest operations in Canada are carried out on public forestlands under forest licenses. All forest operations are subject to forest practices and environmental regulations, and operations under licenses also are subject to contractual requirements between us and the relevant province designed to protect environmental and other social values.

FOREST CERTIFICATION STANDARDS

We operate in the United States under the Sustainable Forestry Initiative®. This is a certification standard designed to supplement government regulatory programs with voluntary landowner initiatives to further protect certain public resources and values. The Sustainable Forestry Initiative® is an independent standard, overseen by a governing board consisting of conservation organizations, academia, the forest industry and large and small forest landowners. Compliance with the Sustainable Forestry Initiative® may result in some increases in our operating costs and curtailment of our timber harvests in some areas. In Canada, we participate in the Sustainable Forestry Initiative® and the Canadian Standards Association Sustainable Forest Management System standard, a voluntary certification system that further protects certain public resources and values. Compliance with these standards will result in some increases in our operating costs and curtailment of our timber harvests in some areas in Canada.

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, and contributed to increases in the prices paid for wood products and wood chips during periods of high demand. These kinds of programs also can make it more difficult for us to respond to rapid changes in markets, extreme weather or other unexpected circumstances. One additional effect may be 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 2010 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 and may increase operating costs and affect 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 2010, although they may have such an effect in the future. In 2008, the Forest Products Association of Canada (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 federal, state, provincial and local pollution controls with regard to air, water and land; solid and hazardous waste management; and disposal and remediation laws and regulations in all areas in which we have operations. We also are subject to market demands with respect to 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, or increase the economic value of assets or products, as well as to comply with regulatory standards. We estimate that our capital expenditures made primarily for environmental compliance were approximately $1 million in 2009 (approximately 1 percent of total capital expenditures, excluding acquisitions and Real Estate). Based on our understanding of current regulatory requirements in the U.S. and Canada, we expect that capital expenditures for environmental compliance will be approximately $1 million in 2010 (approximately 1 percent of expected total capital expenditures, excluding acquisitions and Real Estate).

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 or may share that obligation with one or more parties. In some instances, several parties have joint and several obligations to remediate. Some sites are Superfund sites where we have been named as a potentially responsible party. 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 depends on the number and economic viability of the other responsible parties.

We spent approximately $5 million in 2009 and expect to spend approximately $8 million in 2010 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 $31 million. The excess amounts required may be insignificant or could range, in the aggregate, up to approximately $30 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) has 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 and haze. 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. The EPA must promulgate supplemental MACT standards for plywood and composite products and new MACT standards for boilers. Pending final action by the EPA, some states may implement MACT requirements for boilers on a case-by-case basis. We anticipate that we might spend as much as $30 million to $100 million over the next few years to comply with the MACT standards after they have been determined by the EPA and the states. 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.

We closely monitor legislative, regulatory and scientific developments pertaining to climate change. In 2006, as part of the Company s sustainability program, we adopted a goal of reducing greenhouse gas emissions by 40 percent by 2020 compared with our emissions in 2000, assuming a comparable portfolio and regulations. We intend to achieve this goal by increasing energy efficiency and using more greenhouse gas-neutral, biomass fuels instead of fossil fuels. 2008 data indicates that we have reduced greenhouse gas emissions by approximately 10 percent considering changes in the asset portfolio.

In 2007, the U.S. Supreme Court ruled that greenhouse gases are pollutants that can be subject to regulation under the Clean Air Act. In 2009, the EPA proposed regulations for reporting and controlling greenhouse gas emissions that are applicable to our manufacturing operations. Some state governments also have released policy proposals that indicate they may regulate greenhouse gas emissions in the future. In addition, Congress is considering and may adopt legislation regulating greenhouse gas emissions within the next few years. It is not yet known when and to what extent these federal and state policy activities may come into force or how any future federal and state greenhouse gas regulatory programs may relate to each other. A multistate and federal greenhouse gas emissions reduction trading system may be put in place in the future with potentially significant implications for all U.S. businesses. We believe these measures have not had, and in 2010 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

We participate in negotiations between the FPAC and Natural Resources Canada to define industry obligations for complying with Canada s national plan for reducing greenhouse gas emissions over the next several years. FPAC continues to work with international, national and regional policy makers in their efforts to develop technically sound and economically viable policies, practices and procedures for measuring, reporting and managing greenhouse gas emissions.

In 2007, the Canadian federal government proposed a regulatory framework for air emissions that adopted some aspects of the Kyoto Protocol. The federal framework called for mandatory reductions in greenhouse gas emissions for heavy industrial emissions producers, among other measures, to be put in place by 2010. The proposed Canadian framework is currently being redesigned to conform to anticipated international cap and trade programs. In addition, Environment Canada has reduced the greenhouse gas emission reporting threshold for carbon dioxide equivalents.

Canadian provincial governments also are working on emissions-reduction strategies. Several provinces have adopted rules requiring reporting of greenhouse gas emissions by large emitters and some provinces require reductions by large emitters. New provincial requirements for reductions in emissions are anticipated in 2010. The Canadian federal government and most provinces also are considering implementing new or revised emission standards for particulate matter, volatile organic compounds, nitrogen oxides and sulfur oxides.

We believe these measures have not had, and in 2010 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.

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.

Table of Contents

Various levels of government in Canada 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. As part of our membership in the U.S. Business Roundtable S.E.E. Change (society, environment and economy) initiative, 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 10 percent water use reduction in 2008 compared to our 2007 baseline.

FORWARD-LOOKING STATEMENTS

This report contains statements concerning our future results and performance that are forward-looking statements according to the Private Securities Litigation Reform Act of 1995. These statements:

- use forward-looking terminology,
- 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. 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 a variation of those terms.

STATEMENTS

We make forward-looking statements of our expectations regarding first quarter 2010, including:

- our markets,
- earnings and performance of our business segments,
- demand and pricing for our products,
- reduced fee harvest volumes,
- decreased closing of homes,
- lower losses from operations in Wood Products as a result of improved sales realizations for most products and
- increased pulp price realizations in Cellulose Fibers businesses and increased maintenance costs.

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

- the economy;
- foreign exchange rates, primarily the Canadian dollar and the Euro;
- adverse litigation outcomes and the adequacy of reserves;
- regulations;
- changes in accounting principles;
- contributions to pension plans;
- projected benefit payments;
- projected tax rates;
- loss of tax credits; and
- other related matters.

RISKS, UNCERTAINTIES AND ASSUMPTIONS

Major risks and uncertainties and assumptions that we make that affect our business include, but are not limited to:

- general economic conditions, including the level of interest rates, strength of the U.S. dollar and housing starts;
- market demand for our products, which is related to the strength of the various U.S. business segments;
- successful execution of our internal performance plans and cost-reduction initiatives;
- performance of our manufacturing operations including maintenance requirements and operating efficiencies;
- energy prices;
- transportation costs;
- raw material prices;
- chemical prices;
- level of competition from domestic and foreign producers;
- forestry, land use, environmental and other governmental regulations;
- weather;
- loss from fires, floods, windstorms, pest infestations and other natural disasters;
- legal proceedings;
- performance of pension fund investments;
- changes in accounting principles;
- the effect of retirement eligibility and changes in the market price of our common stock on charges for share-based compensation; 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
- restrictions on international trade or tariffs imposed on imports.

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 and consequently our sales and profitability reflect fluctuations in levels of end-user demand, which depend 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 and the global economic downturn, combined with the decreased availability of credit and high foreclosure rates, has resulted in a continued weakness in the homebuilding industry (including the company s Real Estate business), increased inventories of available new homes, significant declines in home prices, loss of home-equity values and loss of consumer confidence and demand. Our Wood Products segment is highly dependent on the strength of the homebuilding industry and the weakness in that industry has resulted in depressed prices of and demand for wood products and building materials. This has been further reflected in declining 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. Consumer demand could continue to decline as a result of the current economic conditions, further adversely affecting our businesses.

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 declined significantly in recent quarters, while many of our raw material or energy costs have increased. This has adversely affected both our sales and profitability.

INDUSTRY SUPPLY OF LOGS, WOOD PRODUCTS AND PULP

Excess supply of products may adversely affect prices and margins.

Industry supply of logs, wood products and pulp is subject to changing macroeconomic and industry conditions that may cause producers to idle or permanently close individual machines or entire mills or to decrease harvest levels. To avoid substantial cash costs in connection with idling or closing a mill, some producers choose to continue to operate at a loss, which could prolong weak prices due to oversupply. 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 and mitigated the levels of imports, the recent strengthening of the U.S. dollar and decreases in demand for consumer products in emerging markets may result in increased imports of pulp from overseas, resulting in lower prices. Continuation of these factors could materially and adversely affect sales volumes and margins of our operations.

Table of Contents

HOMEBUILDING MARKET AND ECONOMIC RISKS

Continuing high foreclosure rates, 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 2009, 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. Demand for new homes also has been adversely affected by factors such as continued high unemployment, accelerating foreclosure rates and distress sales of houses, significant declines in home values and a collapse of consumer confidence. Our cancellation rates have fallen, but homebuyers sometimes find it more advantageous to forfeit a deposit than to complete the purchase of the home because of the fear of further price declines. These factors have resulted in reduced margins and prices and a higher level of sales incentives in many of our markets.

The company has traditionally carried a larger supply of land for development than many of our competitors. Some of the land was purchased during the last few years. Land prices have fallen in these markets and may continue to fall. As new housing demand in our markets has fallen significantly, we have elected to sell some of our land and lots at a loss or declined to exercise options, even though that required us to forfeit deposits and write off preacquisition costs. We also have changed our competitive strategies in some markets and elected to discontinue or postpone development in other markets in response to the downturn. As a result, we have been required to take substantial write-downs of the carrying value of our land inventory.

CAPITAL MARKETS

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

Financial and credit markets have been experiencing a period of turmoil that has included the failure or sale of various financial institutions and an unprecedented level of intervention from the United States government. While it is difficult to predict the ultimate results of these events, they 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 price increases as well as future price increases. Delays in acceptance of price increases 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 are also 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.

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;
- an 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 and/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.

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;
- silvicultural activities;
- the storage, management and disposal of hazardous substances and wastes;
- the cleanup of contaminated sites;
- landfill operation and closure obligations;

- forestry operations and endangered species habitat; and
- health and safety matters.

In particular, the pulp and paper industry in the United States is subject to Cluster Rules and Boiler Maximum Achievable Control Technology Rules that further regulate effluent and air emissions. These laws and regulations 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.

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. 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. 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.

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 and/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.

Table of Contents

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 applications. For example, in 2001, a group of companies filed petitions with the U.S. Department of Commerce and the International Trade Commission claiming that production of softwood lumber in Canada was being subsidized by Canada and that imports into the U.S. from Canada were being sold in U.S. markets at less than their fair value. We have softwood lumber facilities in Canada that export lumber into the U.S. We paid a total of $370 million in deposits for countervailing duty and anti-dumping tariffs from 2002 through 2006 related to those lumber exports. The U.S. and Canadian governments reached a settlement of the dispute in 2006. As a result of the settlement, we received a refund of $344 million in the fourth quarter of 2006. However, our Canadian softwood lumber facilities will have 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. Similar types of actions have been initiated from time to time against us and other U.S. producers of products such as paper or lumber by countries such as China and Korea. It is possible that countervailing duty and antidumping tariffs, or similar types of 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.

ELECTION OF REIT STATUS

If we elect to be treated as a REIT, it will have tax and liquidity implications.

As previously announced, our Board of Directors has determined that an election to be treated as a real estate investment trust (REIT) for tax purposes would best support our strategic direction, although the timing of the conversion to a REIT is uncertain.

As a REIT, we generally would not be subject to federal or state corporate income taxes on that portion of our capital gain or ordinary income from our REIT operations that is distributed to our shareholders. Our manufacturing operations, including our wood products, cellulose fibers and real estate businesses, would continue to be subject to federal and state corporate income taxes.

Election of REIT status would require that we make a one-time distribution to our shareholders of our accumulated earnings and profits (as calculated for U.S. federal income tax purposes) in the form of a special, taxable dividend, either in cash or a combination of cash and shares of our capital stock or other property. We estimate that the aggregate value of the special dividend, if declared in 2010, would be approximately $6 billion. We would expect to limit the total amount of cash payable in the special dividend to a maximum of 10 percent to 20 percent of the total value of the special dividend, or approximately $600 million to $1.2 billion. The balance of the special dividend, or approximately $4.8 to $5.4 billion, would be paid in the form of shares of our capital stock. This would require us to issue a significant number of additional shares which will require shareholder approval. The actual amount of the special dividend is dependent, in part, on the results of the Company s operations, and may be adjusted by any amount that the Board of Directors may determine is appropriate to protect the Company s ability to remain qualified as a REIT.

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

Table of Contents

timberlands, in the event of material damage to our timberlands, our operations could be disrupted or our production costs could be increased.

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; and
- changes in accounting principles.

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*.
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 year-end 2009.

LEGAL PROCEEDINGS

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

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 2009.

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, 2009, there were approximately 10,577 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 2009 and 2008 are included in *Note 23: Selected Quarterly Financial Information (unaudited)* of *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 (A)	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B)	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN COLUMN (A)) (C)
Equity compensation plans approved by security holders(1)(2)	13,441,421	$ 60.78	5,476,793
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	**13,441,421**	**$ 60.78**	**5,476,793**

(1) Includes 214,492 performance share units at the maximum award level. Because there is no exercise price associated with performance share units, such share units are not included in the weighted average price calculation.

(2) Includes 636,806 restricted stock units. Because there is no exercise price associated with restricted stock units, such stock units are not included in the weighted average price calculation.

INFORMATION ABOUT COMMON STOCK REPURCHASES DURING 2009[(1)]

	TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED (A)	AVERAGE PRICE PAID PER SHARE (OR UNIT) (B)	TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS (C)	MAXIMUM NUMBER (OR APPROXIMATE DOLLAR VALUE) OF SHARES (OR UNITS) THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS (D)
Common Stock Repurchases During First Quarter:				
January	66,691	$ 27.85	66,691	$ 248,142,704
February		N/A	66,691	$ 248,142,704
March		N/A	66,691	$ 248,142,704
Total repurchases during first quarter	**66,691**	**$ 27.85**	**66,691**	**$ 248,142,704**
Total common stock repurchases during 2009	**66,691**	**$ 27.85**	**66,691**	**$ 248,142,704**

(1) On December 19, 2008, we announced a stock repurchase program under which we are authorized by the Board of Directors to repurchase up to $250 million of our common stock. All common stock purchases under the program were made in open market transactions.

Table of Contents

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN

Weyerhaeuser Company, S&P 500 and Performance Peer Group

PERFORMANCE GRAPH ASSUMPTIONS

- Assumes $100 invested on December 31, 2004 in Weyerhaeuser common stock, the S&P 500, and Weyerhaeuser s current performance peer group described below.
- Total return assumes dividends are reinvested quarterly.
- Measurement dates are the last trading day of the calendar year shown.

In 2006, we adopted a peer group for performance comparisons. Recent consolidation in the forest products industry has decreased the number of our direct peers in the sector, and shareholders measure our performance against a broader set of peers. The compensation committee of the board of directors selected a broader-sized range of basic materials companies that typically have been used by shareholders as benchmarks for our performance. The performance peer group used for this analysis includes: Dow Chemical, Alcoa, Du Pont, International Paper, United States Steel, Nucor, PPG Industries, Air Products & Chemicals, Huntsman, Praxair, Rohm and Haas, Monsanto, Owens-Illinois, Ball, Smurfit-Stone Container, MeadWestvaco, Eastman Chemical, Celanese, Domtar, and Louisiana-Pacific.

Table of Contents

SELECTED FINANCIAL DATA

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

PER SHARE		2009	2008	2007	2006	2005
Basic earnings (loss) from continuing operations attributable to Weyerhaeuser common shareholders	$	(2.58)	(8.72)	(1.13)	3.48	3.70
Basic earnings (loss) from discontinued operations attributable to Weyerhaeuser common shareholders[1]			3.15	4.73	(1.63)	(0.70)
Basic net earnings (loss) attributable to Weyerhaeuser common shareholders	$	(2.58)	(5.57)	3.60	1.85	3.00
Diluted earnings (loss) from continuing operations attributable to Weyerhaeuser common shareholders	$	(2.58)	(8.72)	(1.13)	3.47	3.68
Diluted earnings (loss) from discontinued operations attributable to Weyerhaeuser common shareholders[1]			3.15	4.73	(1.63)	(0.70)
Diluted net earnings (loss) attributable to Weyerhaeuser common shareholders	$	(2.58)	(5.57)	3.60	1.84	2.98
Dividends paid	$	0.60	2.40	2.40	2.20	1.90
Weyerhaeuser shareholders interest (end of year)	$	19.13	22.78	37.80	38.17	39.97
FINANCIAL POSITION		**2009**	**2008**	**2007**	**2006**	**2005**
Total assets:						
Forest Products	$	13,248	14,080	20,026	23,238	25,322
Real Estate		2,002	2,615	3,736	3,570	2,854
Total	$	15,250	16,695	23,762	26,808	28,176
Long-term debt (net of current portion):						
Forest Products:						
Long-term debt	$	5,281	5,153	6,059	7,069	7,404
Capital lease obligations				2	44	64
Total	$	5,281	5,153	6,061	7,113	7,468
Real Estate (net of current portion):						
Long-term debt	$	362	404	461	605	601
Weyerhaeuser shareholders interest	$	4,044	4,814	7,981	9,085	9,800
Percent earned on average Weyerhaeuser shareholders interest		(12.3)%	(18.4)%	9.3%	4.8%	7.7%
OPERATING RESULTS		**2009**	**2008**	**2007**	**2006**	**2005**
Net sales and revenues:						
Forest Products	$	4,624	6,692	8,574	10,264	11,059
Real Estate		904	1,408	2,359	3,335	2,915
Total	$	5,528	8,100	10,933	13,599	13,974
Earnings (loss) from continuing operations						
Forest Products	$	(364)	(996)	(375)	401	444
Real Estate		(204)	(913)	76	438	467
Subtotal		(568)	(1,909)	(299)	839	911
Discontinued operations, net of income taxes[1]			667	1,038	(399)	(171)
Net earnings (loss)		(568)	(1,242)	739	440	740
Less: Net loss (earnings) attributable to noncontrolling interest		23	66	51	13	(7)
Net earnings (loss) attributable to Weyerhaeuser common shareholders	$	(545)	(1,176)	790	453	733
STATISTICS (UNAUDITED)		**2009**	**2008**	**2007**	**2006**	**2005**
Number of employees		14,888	19,843	37,857	46,737	49,887
Number of shareholder accounts at year-end:						
Common		10,577	11,088	10,489	11,471	12,151
Exchangeable				1,037	1,169	1,227
Number of shares outstanding at year-end (thousands):						
Common		211,359	211,289	209,546	236,020	243,138
Exchangeable				1,600	1,988	2,045
Weighted average shares outstanding basic (thousands)		211,342	211,258	219,305	244,931	244,447

(1) A summary of our discontinued operations is presented in *Note 3: Discontinued Operations* in the *Notes to Consolidated Financial Statements*.

Table of Contents

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

WHAT YOU WILL FIND IN THIS MD&A

Our MD&A includes the following major sections:

- economic and market conditions affecting our operations;
- financial performance summary;
- 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

For the last two years we have experienced the effects of the most severe recession since the 1930 s. The U.S. housing market experienced a significant downturn in this recession and remains very weak. 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 driven by the production of wood-based building products. Cellulose Fibers is primarily affected by global demand and the value of the U.S. dollar.

HOUSING MARKET

We track certain indicators such as housing starts, home sales, employment, consumer confidence, foreclosures, home prices, mortgage interest rates and access to mortgages, and the number of homes for sale to assess housing market conditions.

Nationally, employment declined in every month of 2009. In December 2009, the unemployment rate rose to 10 percent from 7.4 percent in December 2008. Unemployment in two states where our Real Estate segment has operations was higher than the December 2009 national average. The December unemployment rate in Nevada was 13 percent and in California was 12.4 percent according to Bureau of Labor reports.

The sustained drop in employment contributed to the consumer confidence index plunging to a record low in the spring of 2009. The consumer confidence index was initiated in 1967.

Foreclosure filings during 2009 increased 21 percent compared to 2008. Specific markets in which our home builders operate had higher than average foreclosure rates Nevada, Arizona and California had three of the top four foreclosure rates in the country at 10 percent, 6 percent and 4.75 percent, respectively. California s foreclosure activity in total was the highest of the fifty states in 2009 and increased 21 percent from 2008. The national homeowner vacancy rate edged lower to 2.6 percent, yet remained well above the historical average of 1.6 percent.

New home sales in the U.S. totaled 374,000 units in 2009. This was a record low and down 71 percent from the record high of 2005.

U.S. single-family housing starts bottomed at an annual rate of 360,000 units in first quarter 2009. During the second half, the rate of housing starts was 485,000 units annually. For the year, single-family starts totaled 443,000 units. This resulted in an inventory of new homes for sale at the lowest level since 1971.

The housing market conditions described above contributed to a 32 percent decrease in the number of single-family homes closed and a 6 percent drop in the average price for homes closed in our Real Estate operations during 2009.

The depressed level of new home construction and an estimated 15 to 20 percent decrease in repair and remodeling spending resulted in decreased demand for wood products by 40 to 50 percent from the peak of 2006. Industry operating rates for lumber and oriented strand board (OSB) averaged between 50 and 60 percent of capacity. As a result, lumber and OSB prices were at or below estimated cash costs during 2009. The price of Douglas fir green 2x4s, the preferred building product in southern California, dropped to 1980-85 levels in nominal dollar terms. Demand decreased for both domestic Douglas fir logs grown in our western timberlands and lumber produced in our western system.

The price of logs supplied for lumber production fell throughout the first three quarters of 2009 due to lower demand.

U.S. DOLLAR/GLOBAL DEMAND

Following the onset of the financial crisis in September 2008, the U.S. dollar strengthened by 15 to 20 percent relative to the Canadian dollar and Euro. The U.S. dollar stayed at these levels through first quarter 2009. Since then, the dollar has weakened to trading levels that existed prior to the beginning of the financial crisis 0.94US$/C$ and 1.47US$/Euro.

Table of Contents

The Cellulose Fibers business benefitted from the decline in the value of the U.S. dollar as our pulp mills became more competitive compared to European and Canadian producers. Demand for bleached market pulp is estimated to have fallen 0.9 percent in 2009. While demand decreased in the developed countries, demand in China increased 33 percent.

The combination of the weaker dollar, steady global demand and decreased capacity resulted in a 35 percent increase in the key indicator pulp price in 2009. This followed a 35 percent drop in the price of market pulp from second quarter 2008 to first quarter 2009.

The weaker dollar against the Yen contributed to more stable export log prices despite the sharp decline in wooden housing starts in Japan in 2009. The export log market was also helped by higher demand from China in fourth quarter 2009.

WHERE WE ARE HEADED

The U.S. economy has improved during first quarter 2010, but this improvement appears unlikely to generate meaningful job growth in the quarter. Existing home sales could decline as there appears to be lower demand for the extended first-time buyer tax credit. The tax credit for current owners is expected to generate few additional home sales as many owners do not have the equity to buy larger homes. Single-family starts are expected to be higher in the quarter given the record low inventory of new homes for sale. Wood products demand is projected to increase slightly, partially as a result of the rebuilding of inventories by dealers and wholesalers. The weakness of the U.S. dollar is expected to be favorable for U.S. market pulp producers, which is expected to lead to higher pulp prices in U.S. dollar terms.

FINANCIAL PERFORMANCE SUMMARY

Net Sales and Revenues by Segment

Contribution (Charge) to Pretax Earnings by Segment

Table of Contents

RESULTS OF OPERATIONS

In December 2008, the board of directors approved an amendment to our bylaws to adopt a December 31 fiscal year-end, effective for fiscal year-end 2008. Prior to 2008, our fiscal year ended on the last Sunday of the calendar year. As a result, the number of days in our fiscal year varied. For the last three years:

- Fiscal year 2009 had 365 days.
- Fiscal year 2008 had 367 days.
- Fiscal year 2007 had 364 days.

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 s shareholders before interest expense not capitalized and income taxes.

CONSOLIDATED RESULTS

Net sales and revenue and operating income numbers reported in our consolidated results do not include the activity of our discontinued operations:

- Containerboard, Packaging and Recycling operations (sold in August 2008);
- Australian operations (sold in July 2008); and
- Fine Paper operations (divested in March 2007).

We report these activities and results as discontinued operations in our Consolidated Statement of Earnings. However, we include the results of these operations in the segment discussions that follow. See *Note 3: Discontinued Operations* in the *Notes to Consolidated Financial Statements* for more information about our discontinued operations.

HOW WE DID IN 2009

Summary of Financial Results

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES				AMOUNT OF CHANGE	
	2009	2008	2007	2009 vs. 2008	2008 vs. 2007
Net sales and revenues	$ 5,528	$ 8,100	$ 10,933	$ (2,572)	$ (2,833)
Operating loss	$ (447)	$ (2,601)	$ (93)	$ 2,154	$ (2,508)
	$	$ 667	$ 1,038	$ (667)	$ (371)

Earnings (loss) from discontinued operations, net of tax					
Net earnings (loss) attributable to Weyerhaeuser common shareholders	$ (545)	$ (1,176)	$ 790	$ 631	$ (1,966)
Net earnings (loss) attributable to Weyerhaeuser common shareholders per share, basic and diluted	$ (2.58)	$ (5.57)	$ 3.60	$ 2.99	$ (9.17)

COMPARING 2009 WITH 2008

In 2009:

- Net sales and revenues decreased $2.6 billion 32 percent.
- Net loss attributable to Weyerhaeuser common shareholders decreased $631 million 54 percent.

Net Sales and Revenues

Net sales and revenues decreased primarily due to the continued market challenges for the U.S. homebuilding industry and weak pulp markets, reflected in the following:

- significantly lower demand and prices for residential building products along with the closure and curtailment of a number of facilities refer to the Wood Products segment discussion;
- declines in the number of single-family homes closed and average selling prices refer to the Real Estate segment discussion;
- lower pulp sales realizations refer to the Cellulose Fibers segment discussion; and
- decreased western log sales due to weaker export and domestic markets refer to the Timberlands segment discussion.

Table of Contents

Net Earnings (Loss) Attributable to Weyerhaeuser Common Shareholders

Net loss attributable to Weyerhaeuser common shareholders decreased $631 million primarily due to the factors listed below.

Reductions to pretax net loss included:

- $1.7 billion decrease in asset impairment charges primarily related to our Real Estate, Wood Products, Cellulose Fibers and Corporate and Other segments;
- $344 million recognition of alternative fuel mixture credits in 2009 in our Cellulose Fibers segment;
- $296 million decrease in selling and general and administrative costs as a result of the implementation of company cost-saving initiatives, a reduction in the number of employees and lower sales volumes across all of our segments;
- $163 million pretax gain on third quarter 2009 sale of 140,000 acres of non-strategic timberland in northwestern Oregon;
- $137 million decrease in raw materials costs in our Wood Products segment;
- $95 million decrease in manufacturing, warehousing and delivery costs and other cost of sales in our Wood Products segment;
- $89 million increase in earnings from foreign exchange gains, primarily resulting from changes in exchange rates between the U.S. dollar and the Canadian dollar; and
- $80 million decrease in freight, fiber and energy costs primarily in our Cellulose Fibers segment.

These reductions to net loss during 2009 were partially offset by the following:

- $1.6 billion of pretax gains recognized on dispositions and investment restructuring during 2008 that did not recur in 2009. This included:
  - $1.2 billion from the sale of our Containerboard, Packaging and Recycling business;
  - $218 million from the sale of our Australian operations; and
  - $250 million gain from the restructuring of our joint venture in Uruguay;

- $259 million due to reduced harvest volumes and lower domestic and export prices in our Timberlands segment;
- $206 million due to lower sales price realizations in our Wood Products segment;
- $204 million loss of earnings due to the sale of our Containerboard, Packaging and Recycling business;
- $203 million due to lower pulp prices and lower pulp sales volumes in our Cellulose Fibers segment;
- $110 million increase in restructuring and closure charges primarily related to our Corporate and Other and Wood Products segments;
- $55 million decrease in pretax earnings from Westwood Shipping operations as well as loss of pretax earnings from international operations that were disposed of in 2008; and
- $52 million pretax gain recognized in 2008 that did not recur in 2009 from changes in our U.S. postretirement plans for salaried employees in the U.S.

In addition, income tax expense decreased $424 million primarily due to taxes related to the gains from our discontinued operation transactions in 2008 that did not recur in 2009.

COMPARING 2008 WITH 2007

In 2008:

- Asset impairments and related charges increased $1.8 billion.
- Net sales and revenues decreased $2.8 billion 26 percent.
- Net earnings (loss) attributable to Weyerhaeuser common shareholders decreased $2 billion.

Asset Impairments and Related Charges

We continually monitor our assets for potential impairment, particularly in light of market conditions. The upheaval in financial markets during fourth quarter 2008 was accompanied by accelerated deterioration of housing markets and a continued decline in demand and pricing for most of our wood products. In addition, declining demand in emerging Asian markets, primarily China, adversely affected our Cellulose Fibers operations. We recognized significant asset impairments in our Real Estate segment during the first three quarters of 2008 and the accelerated deterioration of market conditions triggered additional impairments in fourth quarter. The continued deterioration of market conditions also led to a fair-value analysis that indicated the carrying value of the goodwill in our Wood Products and Cellulose Fibers segments was impaired in fourth quarter 2008.

Our asset impairments and related charges attributable to Weyerhaeuser shareholders increased $1.8 billion from approximately $330 million in 2007 to approximately $2.1 billion in 2008. The increase included:

- $808 million in impairments of goodwill in our Wood Products and Cellulose Fibers segments and
- $984 million in asset impairment and related charges in our Real Estate and Corporate and Other segments.

Partially offsetting these increased charges is a $24 million decrease in impairments recorded in connection with closures, curtailments or sales of operations.

Net Sales and Revenues

Net sales and revenues decreased significantly, primarily due to continued deterioration of the U.S. housing market. Declines in residential homebuilding throughout the nation have resulted in lower demand for residential building products such as

Table of Contents

softwood lumber, oriented strand board (OSB) and engineered lumber. Sales of products within our Wood Products segment, excluding those of discontinued operations, were $1.9 billion 34 percent lower than 2007. These difficult market conditions also affected our Real Estate segment, where net sales and revenues decreased $951 million 40 percent from 2007.

Net Earnings (Loss) Attributable to Weyerhaeuser Common Shareholders

Net earnings (loss) attributable to Weyerhaeuser common shareholders decreased $2 billion primarily due to the factors listed below.

Reductions to pretax net earnings included:

- $1.8 billion increase in pretax asset impairments and related charges discussed above;
- $93 million increase in foreign exchange losses primarily due to an 18 percent decline in the U.S. dollar to Canadian dollar average exchange rate in 2008;
- $270 million decrease in pretax earnings due to lower price realizations for softwood lumber, engineered products and hardwood lumber in our Wood Products segment;
- $334 million increase in losses on land sales;
- $253 million decrease in pretax earnings resulting from lower sales prices and higher land, construction and development costs of single-family homes in our Real Estate segment; and
- $118 million decrease in pretax earnings from lower price realizations and a change in mix of log sales in our Timberlands segment.

Partially offsetting these reductions to pretax net earnings were:

- $953 million increase in pretax gains on dispositions and investment restructuring.

  Pretax gains of $1.6 billion recognized during 2008 included:

  - $1.2 billion from the sale of our Containerboard, Packaging and Recycling business;
  - $218 million from the sale of our Australian operations; and
  - $250 million gain from the restructuring of our joint venture in Uruguay.

  Pretax gains of $690 million recognized in 2007 included:

  - $606 million from the Domtar Transaction and
  - $84 million from the disposition of property operating facilities and our New Zealand investments.

- $173 million increase in sales realizations in our Cellulose Fibers segment.
- $52 million gain from changes in our postretirement plans for current salaried employees in the U.S. in 2008.

In addition, income tax expense increased $211 million. Taxes related to gains from discontinued operation transactions increased approximately $1 billion primarily related to the sale of our Containerboard, Packaging and Recycling business in 2008. This change was largely offset by tax benefits related to our increased loss from continuing operations as compared with 2007 and a $57 million benefit we recognized related to timber provisions in the Food, Conservation and Energy Act (Tree Act) of 2008.

TIMBERLANDS

HOW WE DID IN 2009

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	
	2009	2008	2007	2009 vs. 2008	2008 vs. 2007
Net sales and revenues to unaffiliated customers:					
Logs					
West	$ 329	$ 547	$ 565	$ (218)	$ (18)
South	144	97	56	47	41
Canada	13	20	38	(7)	(18)
Total	486	664	659	(178)	5
Pay as cut timber sales	31	32	25	(1)	7
Timberlands exchanges[1]	66	73	128	(7)	(55)
Higher and better-use land sales[1]	11	11	33		(22)
Minerals, oil and gas	62	61	40	1	21
Products from international operations[2]	44	40	12	4	28
Other products	14	18	25	(4)	(7)
Subtotal sales to unaffiliated customers	714	899	922	(185)	(23)
Intersegment sales					
United States	392	817	983	(425)	(166)
Other	145	217	363	(72)	(146)
Subtotal intersegment sales	537	1,034	1,346	(497)	(312)
Total	**$ 1,251**	**$ 1,933**	**$ 2,268**	**$ (682)**	**$ (335)**
Net contribution to earnings	**$ 338**	**$ 384**	**$ 627**	**$ (46)**	**$ (243)**

(1) Higher and better use timberland and other non-strategic timberland are sold through Forest Products subsidiaries.

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

Table of Contents

COMPARING 2009 WITH 2008

In 2009:

- Net log sales and revenues to unaffiliated customers decreased $178 million 27 percent.
- Sales of other products to unaffiliated customers decreased $7 million 3 percent.
- Intersegment sales decreased $497 million 48 percent.
- Net contribution to earnings decreased $46 million 12 percent.

Net Sales and Revenues Unaffiliated Customers

The $185 million decrease in net sales and revenues to unaffiliated customers resulted from:

- $218 million decrease 40 percent in log sales in the West as sales volumes decreased 36 percent and price realizations decreased 6 percent due to weaker domestic and export markets;
- $7 million decrease 35 percent in log sales in Canada as sales volume in Canada decreased 23 percent and price realizations decreased 15 percent primarily due to weaker demand; and
- $7 million decrease 3 percent in other sales and revenues from unaffiliated customers primarily due to lower timberlands exchange revenues.

These decreases were partially offset by $47 million 48 percent increase in log sales in the South as sales volumes increased 51 percent, primarily due to sales of fiber logs to International Paper for use at locations that previously were owned by Weyerhaeuser and higher grade log sales to domestic customers.

Intersegment Sales

The $497 million decrease in intersegment sales primarily resulted from:

- fewer Weyerhaeuser mills in operation as a result of closures and curtailments of Wood Products operations in the United States; and
- sales to Containerboard, Packaging and Recycling operations became third-party sales after we sold the business to International Paper in August 2008.

Net contribution to earnings

The $46 million decrease in net contribution to earnings primarily resulted from:

- $146 million due to a 40 percent reduction in harvest in the West and 27 percent reduction in harvest in the South;
- $113 million due to lower domestic and export prices in the West and South; and
- $15 million due to asset impairments attributable to Weyerhaeuser shareholders.

These decreases were partially offset by the following:

- $163 million pretax gain on a sale of 140,000 acres of non-strategic timberland in northwestern Oregon in third quarter 2009;
- $44 million reduction of operating costs, including lower salvage logging costs, lower fuel costs and reduced spending on silviculture; and
- $23 million reduction in selling, general and administrative costs as a result of cost cutting measures.

COMPARING 2008 WITH 2007

In 2008:

- Net log sales and revenues to unaffiliated customers increased $5 million 1 percent.
- Other sales and revenues to unaffiliated customers decreased $28 million 11 percent.
- Intersegment sales decreased $312 million 23 percent.
- Net contribution to earnings declined $243 million 39 percent.

Net Sales and Revenues Unaffiliated Customers

The $23 million decrease in net sales and revenues to unaffiliated customers resulted from:

- $18 million decrease 3 percent in log sales in the West primarily due to:
  - Average price realizations dropped 14 percent with the slowing domestic market and the declining U.S. housing market.
  - Partially offset by increased sales volume, both export and domestic, of 12 percent due to more available whitewood volume created by the December 2007 storm salvage logging.
- $18 million decrease 47 percent in log sales in Canada primarily due to:
  - Sales volume in Canada dropped 43 percent as a result of having fewer operations in Canada.
  - Average price realizations decreased 9 percent.
- $49 million decrease 22 percent in other sales and revenues from unaffiliated customers primarily due to lower timberlands exchange revenues.

These decreases were partially offset by:

- $41 million increase 73 percent in log sales in the South as a result of increases in both volume and price.
  - We sold our containerboard mills to International Paper in August 2008. Log sales to those mills were previously reported as intersegment sales. Sales to the mills are now reported as sales to unaffiliated customers.

Table of Contents

Fiber prices in the South increased due to lower available residual chip volumes as sawmills took market downtime.

$21 million increase 53 percent in minerals, oil and gas revenue.

Intersegment Sales

The $312 million decrease in intersegment sales primarily resulted from:

- $125 million decrease due to a 35 percent decrease in the volume of logs sold to our Canadian mills as a result of fewer facilities and increased market downtime;
- $58 million decrease due to a 7 percent decline in the volume of logs sold to our U.S. mills as a result of the slower housing market;
- $58 million decrease due to a 20 percent decline in average log price realizations in the West; and
- $57 million decrease as sales to Containerboard, Packaging and Recycling operations became third-party sales after we sold our Containerboard, Packaging and Recycling business to International Paper in August 2008.

Net contribution to earnings

The $243 million decrease in net contribution to earnings primarily resulted from:

- $118 million decrease due to lower price realizations and a change in the mix of log sales to more whitewood and less Douglas fir;
- $68 million decrease from fewer sales or exchanges of nonstrategic timberlands;
- $67 million decrease due to higher operating costs driven by higher diesel prices for logging, trucking, handling and silviculture activities and by salvage logging costs resulting from the December 2007 West Coast windstorm; and
- $27 million decrease as 2007 included a pretax gain on the sale of a Western export facility that did not recur in 2008.

These decreases were partially offset by the following:

- $30 million increase in oil, gas and land management lease revenues; and
- $10 million increase, as 2007 included a casualty loss from the December 2007 West Coast windstorm that did not recur in 2008.

OUR OUTLOOK

Excluding the effect of sales of non-strategic land, we expect first quarter operating earnings from the segment to be comparable to fourth quarter, primarily due to improved log sales realizations, offset by higher costs.

WOOD PRODUCTS

HOW WE DID IN 2009

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

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 Wood Products

DOLLAR AMOUNTS IN MILLIONS	2009	2008	2007	AMOUNT OF CHANGE 2009 vs. 2008	2008 vs. 2007
Net sales and revenues:					
Softwood lumber	$ 885	$ 1,443	$ 2,241	$ (558)	$ (798)
Engineered solid section	238	414	608	(176)	(194)
Engineered I-joists	162	284	467	(122)	(183)
Oriented strand board	234	416	589	(182)	(173)
Plywood	92	202	366	(110)	(164)
Hardwood lumber	206	291	355	(85)	(64)
Other products produced	146	225	226	(79)	(1)
Other products purchased for resale	271	493	847	(222)	(354)
Total	**$ 2,234**	**$ 3,768**	**$ 5,699**	**$ (1,534)**	**$ (1,931)**
Net contribution to earnings	**$ (733)**	**$ (1,547)**	**$ (734)**	**$ 814**	**$ (813)**

COMPARING 2009 WITH 2008

In 2009:

- Net sales and revenues decreased $1.5 billion 41 percent.
- Net contribution to earnings increased $814 million.

Net Sales and Revenues

Net sales and revenues decreased $1.5 billion 41 percent primarily due to the following:

- Softwood lumber average price realizations decreased $42 per thousand board feet (MBF) 14 percent.

Table of Contents

- Engineered solid section average price realizations decreased $56 per hundred cubic feet 3 percent.
- Engineered I-joists average price realizations decreased $89 per thousand lineal feet 7 percent.
- Oriented strand board (OSB) average price realizations decreased $7 per thousand square feet 3/8" 4 percent.
- Plywood average price realizations decreased $50 per thousand square feet 3/8" 14 percent.
- Hardwood lumber average price realizations decreased $83 per MBF 9 percent.
- Sales of other products purchased for resale decreased 45 percent as a result of the sale of Canadian and selected U.S. distribution centers and overall decline in demand for building products.
- Shipment volumes decreased across all product lines as follows:
  - Softwood lumber decreased 1.4 billion board feet 29 percent.
  - Engineered solid section decreased 10 million cubic feet 41 percent.
  - Engineered I-joists decreased 88 million lineal feet 39 percent.
  - OSB decreased 1 billion square feet 3/8" 41 percent.
  - Pywood decreased 267 million square feet 3/8" 47 percent.
  - Hardwood lumber decreased 72 million board feet 22 percent.

Net Contribution to Earnings

Net contribution to earnings improved $814 million primarily due to the following:

- $730 million decrease in impairments of goodwill and other assets;
- $137 million decrease in raw materials, mainly due to decreased log costs;
- $110 million decrease in selling and administrative charges resulting from staff reductions and continued focus on reducing costs;
- $57 million decrease in manufacturing and other cost of sales due to mill optimizations and production efficiencies; and
- $38 million decrease in warehousing and delivery costs as a result of lower shipment volumes and closures of distribution center facilities.

These improvements were partially offset by the following:

- $206 million decrease due to lower sales price realizations and
- $25 million decrease in contributions from other products purchased for resale as a result of reduced market demand and closed distribution facilities.

COMPARING 2008 WITH 2007

In 2008:

- Impairments of long-lived assets increased $691 million.
- Net sales and revenues decreased $1.9 billion 34 percent.
- Net contribution to earnings decreased $813 million.

Asset Impairments

The accelerated deterioration of market conditions in fourth quarter 2008 adversely affected the results of our Wood Products operations and led to a fair-value analysis that indicated the carrying value of the goodwill in our iLevel reporting unit was impaired.

The fair-value analysis took into account:

- the industry s reduced market multiples,
- recent and expected operating performance and
- an expectation that weak macroeconomic trends would likely continue.

Based on the results of the fair-value analysis, we recognized a goodwill impairment of $733 million in the Wood Products segment in the fourth quarter of 2008. Total goodwill impairments in 2008 for the segment were $744 million.

During 2008, we also recognized $98 million of other asset-impairment charges in the Wood Products segment in connection with the expected closure, curtailment or sale of operations. This compares with total Wood Products asset-impairment charges of $119 million in 2007.

Net Sales and Revenues

Net sales and revenues decreased $1.9 billion 34 percent primarily due to the following:

- Softwood lumber average price realizations decreased $37 per thousand board feet (MBF) 11 percent following the market trend.
- Engineered I-joists average price realizations decreased $134 per thousand lineal feet 10 percent and engineered solid section decreased $169 per hundred cubic feet 8 percent in response to competitive market conditions.
- Hardwood lumber average price realizations decreased $78 per MBF 8 percent.
- Sales of other products purchased for resale decreased 42 percent as a result of the sale of Canadian and selected U.S. distribution centers, a reduction in the product lines purchased for resale and overall decline in demand for building products.

Table of Contents

Shipment volumes decreased across all product lines as follows:

- Lumber decreased 1.8 billion board feet 28 percent.
- OSB decreased 1 billion square feet 3/8" 30 percent.
- Shipment volumes of engineered I-joists decreased 111 million lineal feet 33 percent.
- Engineered solid section decreased 8 million cubic feet 26 percent.

Net Contribution to Earnings

Net contribution to earnings decreased $813 million primarily due to the following:

- $744 million of charges in 2008 for the impairment of goodwill compared with $30 million in 2007; and
- $270 million decrease resulting from lower price realizations for softwood lumber, engineered products and hardwood lumber.

These decreases were partially offset by the following:

- $78 million reduction in selling and administrative expense;
- $171 million in charges for facility closures, other asset impairments, restructuring costs and litigation compared to $212 million in 2007; and
- $13 million benefit recognized in connection with a reduction in the reserve for hardboard siding claims.

In addition, net contribution to earnings increased due to reductions in raw material, warehousing and delivery costs. However, these reductions were offset by increased manufacturing costs resulting from reduced operating postures and ongoing costs at curtailed facilities.

OUR OUTLOOK

We expect a lower operating loss in first quarter due to improved operating rates and anticipated sales realization improvements for lumber and OSB.

CELLULOSE FIBERS

HOW WE DID IN 2009

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					
				AMOUNT OF CHANGE	
	2009	2008	2007	2009 vs. 2008	2008 vs. 2007
Net sales and revenues:					
Pulp	$ 1,148	$ 1,357	$ 1,478	$ (209)	$ (121)

Liquid packaging board	290	290	247		43
Other products	73	118	107	(45)	11
Total	**$ 1,511**	**$ 1,765**	**$ 1,832**	**$ (254)**	**$ (67)**
Net contribution to earnings	**$ 444**	**$ 147**	**$ 229**	**$ 297**	**$ (82)**

COMPARING 2009 WITH 2008

In 2009:

- Net sales and revenues decreased $254 million 14 percent.
- Net contribution to earnings increased $297 million 202 percent.

Net Sales and Revenues

The effects of the global economic recession weaker pulp demand and a stronger U.S. dollar resulted in decreased sales realizations from fourth quarter 2008 through first half 2009. Pulp prices improved in the second half as the U.S. dollar weakened and demand strengthened. The $254 million decrease in net sales and revenues for the full year 2009 compared with 2008 was primarily due to the following:

- Pulp price realizations decreased $120 per ton 15 percent;
- Sales volume of pulp decreased approximately 7,000 tons;
- Sales volume of liquid packaging board decreased approximately 14,000 tons 5 percent; and
- Sales price of liquid packaging increased $46 per ton 5 percent.

38

Table of Contents

Net Contribution to Earnings

Net contribution to earnings increased $297 million primarily due to the following:

- $344 million increase due to alternative fuel mixture credits, see Liquidity and Capital Resources for more information related to alternative fuel mixture credits;
- $94 million goodwill impairment charge in fourth quarter 2008, which did not recur in 2009;
- $80 million decrease in fiber, freight and energy costs, primarily related to lower prices for chips and fuel;
- $46 million decrease in other operating and maintenance costs, primarily as a result of cost reduction initiatives and the effect of the strengthening of the U.S. exchange rate on Canadian operating costs year over year;
- $13 million increase in liquid packaging board price realizations; and
- $12 million decrease in administrative costs as a result of cost reduction activities.

These increases were partially offset by the following decreases:

- $203 million due to lower pulp prices and lower pulp sales volumes, as global market demand decreased from the prior year;
- $40 million as a result of lower production, primarily due to maintenance downtime and market downtime in the first half of the year;
- $26 million due to lower other product realizations; and
- $23 million in other non operating income and earnings from our interest in our newsprint joint venture due to lower newsprint market prices.

COMPARING 2008 WITH 2007

In 2008:

- Asset impairments increased $92 million.
- Net sales and revenues decreased $67 million 4 percent.
- Net contribution to earnings decreased $82 million 36 percent.

Asset Impairments

The accelerated deterioration of market conditions in fourth quarter 2008 was accompanied by a sudden and dramatic decline in demand for pulp from developing Asian markets and a severe downturn in the global pulp market, which resulted in a significant decline in pulp prices. These developments led to a fair-value analysis that indicated the carrying value of the goodwill in our Cellulose Fibers reporting unit was impaired.

The fair-value analysis takes into account:

- the industry s reduced market multiples,
- recent and expected operating performance and
- an expectation that weak macroeconomic trends will likely continue.

Based on the results of the fair-value analysis, we recognized a goodwill impairment of $94 million in the Cellulose Fibers segment in fourth quarter 2008.

Net Sales and Revenues

Net sales and revenues decreased 4 percent for the year primarily due to a decrease in pulp sales volume, which was partially offset by an increase in average price realizations for pulp and liquid packaging board.

For the full year 2008 compared with 2007:

- Average price realizations for pulp and liquid packaging improved primarily due to a weaker U.S. dollar and strong demand.
  - Pulp price realizations improved $82 per ton 11 percent.
  - Liquid packaging board price realizations improved $94 per ton 11 percent.

- Sales volume of pulp declined approximately 366,000 tons 18 percent. The volume decrease was primarily due to the divestiture of the Kamloops, British Columbia, pulp mill and other white paper mills in the Domtar Transaction in first quarter 2007.
- Sales volume of liquid packaging increased approximately 16,000 tons 6 percent.

Net Contribution to Earnings

Net contribution to earnings decreased $82 million primarily due to the following:

- $94 million goodwill impairment charge in fourth quarter as discussed above;
- $50 million reduction in earnings from lower pulp sales volumes;
- $41 million increase in chemical costs primarily due to higher prices;
- $38 million increase in freight costs primarily related to higher fuel prices and ocean freight;
- $37 million increase in operating costs, including maintenance, depreciation and the effect of the strengthening of the Canadian exchange rate on Canadian operating costs; and
- $33 million increase in fiber and energy costs primarily related to higher prices paid for chips and fuel.

These decreases were partially offset by the following:

- $173 million from increased price realizations as a result of improved market conditions $140 million from pulp and $33 million from liquid packaging board;
- $20 million increase in earnings from our interest in our newsprint joint venture primarily due to higher newsprint market prices; and

Table of Contents

$18 million in reduced expenses primarily from productivity improvements, cost reductions and increased cost recovery from slush pulp sales.

OUR OUTLOOK

Excluding the effect of alternative fuel mixture credits, which ended in 2009, we expect earnings from operations for first quarter to be comparable to fourth quarter. Annual maintenance and fiber costs are expected to increase. These costs are expected to offset improved pulp price realizations.

REAL ESTATE

HOW WE DID IN 2009

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				AMOUNT OF CHANGE	
	2009	2008	2007	2009 vs. 2008	2008 vs. 2007
Net sales and revenues:					
Single-family housing	$ 832	$ 1,294	$ 2,079	$ (462)	$ (785)
Land	68	99	213	(31)	(114)
Other	4	15	67	(11)	(52)
Total	**$ 904**	**$ 1,408**	**$ 2,359**	**$ (504)**	**$ (951)**
Net contribution to earnings	**$ (299)**	**$ (1,357)**	**$ 204**	**$ 1,058**	**$ (1,561)**

COMPARING 2009 WITH 2008

In 2009:

- Net sales and revenues decreased $504 million 36 percent.
- Net contribution to earnings increased $1.1 billion 78 percent.

Net Sales and Revenues

The $504 million decrease in net sales and revenues resulted from:

- Single-family revenues decreased $462 million 36 percent. This included:

- $410 million due to a 32 percent decrease in single-family home closings and
- $52 million due to a 6 percent decrease in the average sales price of homes closed.

- Land and lot sales decreased $31 million 31 percent.
- Other revenue decreased $11 million.

Net Contribution to Earnings

The $1.1 billion increase in net contribution to earnings resulted from:

- $815 million decrease in impairments and write-offs of preacquisition and abandoned community costs attributable to Weyerhaeuser shareholders;
- $233 million increase in contribution from land and lot sales;

Table of Contents

- $82 million benefit from lower selling, general and administrative costs, primarily due to lower sales volumes, a reduction in the number of open communities, and general cost cutting measures, including a reduction in headcount.

Offsetting the increase was:

- $56 million decrease in single-family gross margin, primarily the result of fewer closings at lower prices; and
- $17 million increase in restructuring charges, primarily related to vacated office space and headcount reductions.

COMPARING 2008 WITH 2007

In 2008:

- Impairments and other related charges attributable to Weyerhaeuser shareholders increased $906 million.
- Net sales and revenues decreased $951 million 40 percent.
- Net contribution to earnings decreased $1.56 billion.

Impairments and Other Related Charges Attributable to Weyerhaeuser Shareholders

We continually monitor our assets for potential impairment, particularly in light of the current market conditions. Additionally, we control some land through deposits with land sellers that defer the payment of the full acquisition price until certain entitlements are obtained. We also control some land through structured options offered by land sellers.

In 2008, we recorded $874 million in impairments and other related charges attributable to Weyerhaeuser shareholders for real estate projects, joint ventures and intangible assets. This compares with $128 million in impairments and other related charges for real estate projects recorded in 2007. There was a significant increase in impairments from the previous year due to the eroding market conditions for selling new homes and the inability for many home buyers to secure financing due to the changing mortgage market and tighter credit standards. In addition, during the fourth quarter of 2008, the already-depressed housing market was further affected by increased financial turmoil. Job losses, both actual and announced, and a loss of consumer confidence reduced the number of potential home buyers. Increasing foreclosures added inventory to the marketplace causing lower appraisal values and home sale prices.

In light of these deteriorating market conditions and increased uncertainty regarding the timing of recovery, the company reviewed its homebuilding projects and land portfolio to determine whether the assets would continue to be held for development or sold. During fourth quarter 2008, management decided to sell some of its land portfolio, which required the company to write the land assets down to current fair value, resulting in impairments. Impairments also were recorded on projects and land held for development.

In addition, we recorded $128 million in investment impairments and other related charges attributable to Weyerhaeuser shareholders for our real estate investments in 2008 compared with $36 million in 2007.

In 2008, we also wrote off $74 million in costs associated with option deposits and other preacquisition costs related to land parcels that we decided not to acquire. In 2007, we wrote off $6 million of option deposits and preacquisition costs.

Net Sales and Revenues

The $951 million decrease in net sales and revenues resulted from:

- Single-family revenues decreased $785 million 38 percent. This included:
  - $581 million due to a 28 percent decrease in single-family home closings and

$204 million due to a 14 percent decrease in the average sales price of homes closed.

Land and lot sales decreased $114 million 54 percent.

Other revenue decreased $52 million as 2007 included revenue of $49 million from an apartment building sale with no comparable sale in 2008.

Net Contribution to Earnings

The $1.56 billion decrease in net contribution to earnings resulted from:

Impairments and preacquisition cost write-offs attributable to Weyerhaeuser shareholders caused a decrease of $906 million.

Single-family activities caused a decrease of $253 million 55 percent due to lower sales prices and higher land, construction and development costs. Single-family activity includes net sales less cost of goods sold.

Land sales resulted in a decrease of $334 million. In 2008 we recorded losses of $219 million in land sales compared with earnings of $115 million in 2007.

$42 million decrease resulted from earnings of $42 million for an apartment building sale in 2007 with no comparable sale in 2008.

Offsetting the decrease was:

$33 million benefit from lower selling, general and administrative costs primarily due to lower sales commissions, marketing costs and incentive compensation.

OUR OUTLOOK

Excluding asset impairments, restructuring and related charges, we expect the segment to be profitable in first quarter. A loss is expected from single-family homebuilding operations due to seasonally lower closings; however, two commercial partnership interests were sold in January 2010 and will contribute $33 million in earnings.

Table of Contents

CORPORATE AND OTHER

We report what our Corporate and Other segment includes in *Our Business/What We Do/Corporate and Other*.

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 Contributions to Earnings for Corporate and Other

DOLLAR AMOUNTS IN MILLIONS				AMOUNT OF CHANGE	
	2009	2008	2007	2009 vs. 2008	2008 vs. 2007
Net sales and revenues	$ 165	$ 392	$ 432	$ (227)	$ (40)
Net contributions to earnings	$ (107)	$ 1,558	$ 475	$ (1,665)	$ 1,083

HOW WE DID IN 2009

- We restructured our corporate support functions. This included reductions in staff and consolidation of office space.
- We announced changes to our employee and postretirement benefits plans for 2010. These include:
  - modifications to the U.S. pension plan for active employees;
  - reduction of certain company-sponsored retiree life insurance benefits for qualifying U.S. employees;
  - changes in available medical plans for U.S. employees and retirees not eligible for Medicare; and
  - freeze on contributions towards the cost of Canadian non-union retiree benefits.

The segment s results are affected by changes in foreign exchange rates primarily related to our Canadian operations, changes in our stock price, pension and postretirement credits (costs), and strategic initiatives outside the operating segments. Results for the Corporate and Other segment also include the net gain on divestitures that affect multiple

business segments and the disposition of entire business segments.

COMPARING 2009 WITH 2008

In 2009:

- Net sales and revenues decreased $227 million 58 percent.
- Net contribution to earnings decreased $1.7 billion.

Net Sales and Revenues

Net sales and revenues decreased, primarily due to the sale of our Australian operations in July 2008 and decreased revenue in our transportation business during 2009.

Net Contribution to Earnings

The $1.7 billion decrease in net contribution to earnings resulted from:

- $1.2 billion pretax gain recognized in 2008 from the sale of our Containerboard, Packaging and Recycling business;
- $250 million pretax non-cash gain recognized in 2008 from restructuring our joint ventures in Uruguay in 2008;
- $218 million pretax gain recognized in 2008 from the sale of our Australian operations;
- $64 million reduction in net pension and postretirement credits primarily related to the remeasurement of plan assets and liabilities partially offset by changes in plan participation;
- $58 million increase in charges for asset impairments and restructuring activities, primarily related to 2009 pension settlements and curtailments;
- $55 million decrease in earnings from Westwood Shipping operations, as well as international operations that were disposed of in 2008; and
- $52 million pretax gain recognized in 2008 from changes in our U.S. postretirement plans for salaried employees in the U.S.

These decreases were partially offset by the following:

- $82 million change in net foreign exchange gains and losses $39 million gain in 2009 compared to $43 million loss in 2008 primarily resulting from changes in exchange rates between the U.S. dollar and the Canadian dollar;
- $59 million decrease in general and administrative costs as a result of implementing company cost saving initiatives; and
- $51 million decrease in Weyerhaeuser s expense related to previously capitalized interest on excess qualifying assets of Weyerhaeuser Real Estate Company, primarily due to lower home and land sales in 2009.

COMPARING 2008 WITH 2007

In 2008:

- Net sales and revenues decreased $40 million 9 percent.
- Net contribution to earnings increased $1.1 billion.

Net Sales and Revenues

Net sales and revenues decreased primarily due to the sale of our Australian operations in July 2008, partially offset by increased revenue earned in our transportation business

during 2008.

Table of Contents

Net Contribution to Earnings

The $1.1 billion increase in net contribution to earnings resulted from:

- $777 million increase in pretax gains on dispositions $1.4 billion in 2008 compared with $616 million in 2007. The gains include:
  - $1.2 billion in 2008 from the sale of our Containerboard, Packaging and Recycling business;
  - $218 million in 2008 from the sale of our Australian operations;
  - $606 million in 2007 from the Domtar Transaction; and
  - $10 million in 2007 from the sale of our New Zealand investment.
- $250 million non-cash gain for the restructuring of our joint ventures in Uruguay in 2008;
- $197 million increase in net pension and postretirement income resulted from the effect of the change to retain most recurring pension and postretirement credits (costs) in Corporate and Other; and
- $52 million pretax gain in 2008 from changes in our postretirement plans for current salaried employees in the U.S.

These increases were partially offset by the following:

- $92 million change in net foreign exchange gains and losses $43 million loss in 2008 compared with $49 million gain in 2007 primarily a result of changes in exchange rates between the U.S. dollar and the Canadian dollar;
- $69 million increase in charges related to the write-off of capitalized interest on impaired Real Estate homebuilding assets during 2008;
- $55 million increased charges for corporate restructuring activities; and
- $43 million pretax gain from a legal settlement in 2007 with no comparable gain in 2008.

FINE PAPER

On March 7, 2007, our Fine Paper operations and related assets were divested in the Domtar Transaction. As a result, the year ended December 30, 2007, includes nine weeks of Fine Paper operations. Subsequent to first quarter 2007, we no longer have results of operations for the Fine Paper segment.

Here are net sales and revenues and net contribution to earnings for 2007:

Net Sales and Revenues and Net contribution to earnings for Fine Paper

DOLLAR AMOUNTS IN MILLIONS	2007
Net sales and revenues:	
Paper	$ 432
Coated groundwood	26
Other products	1
Total	**$ 459**
Net contribution to earnings	**$ 20**

CONTAINERBOARD, PACKAGING AND RECYCLING

On August 4, 2008, our Containerboard, Packaging and Recycling business was sold to International Paper As a result, the year ended December 31, 2008, includes 31 weeks of operations. Subsequent to third quarter 2008, we no longer have results of operations for the Containerboard, Packaging and Recycling segment.

Here are net sales and revenues and net contribution to earnings for 2008 and 2007:

Net Sales and Revenues and Net contribution to earnings for Containerboard, Packaging and Recycling

DOLLAR AMOUNTS IN MILLIONS	2008	2007
Net sales and revenues:		
Containerboard	$ 301	$ 457
Packaging	2,449	4,019
Recycling	275	413
Kraft bags and sacks	56	96
Other products	88	183
Total	**$ 3,169**	**$ 5,168**
Net contribution to earnings	**$ 204**	**$ 382**

INTEREST EXPENSE

Including Real Estate and interest expense reported in discontinued operations, our interest expense incurred for the last three years was:

- $466 million in 2009,
- $550 million in 2008 and
- $604 million in 2007.

Table of Contents

The decrease in our interest expense incurred is primarily due to reductions in our amount of outstanding debt of approximately:

- $327 million in 2009,
- $1.4 billion in 2008 and
- $846 million in 2007.

In connection with the repayments, we recognized the following pretax (gains) losses on early extinguishment of debt:

- $28 million in 2009,
- $(32) million in 2008 and
- $45 million in 2007.

INCOME TAXES

Our benefit for income taxes for our continuing operations over the last three years were:

- $274 million in 2009,
- $900 million in 2008 and
- $179 million in 2007.

During 2009, we did not record any one-time tax benefits or charges:

During 2008, we recorded the following tax benefit:

- Timber provisions in the Food, Conservation and Energy Act (TREE Act) of 2008 enacted May 22, 2008, resulted in a tax benefit of $57 million. The provision was effective for one year and reduced the capital gains tax rate on qualified timber sales from 35 percent to 15 percent.

During 2007, we recorded these one-time tax benefits and charges:

- $22 million deferred tax benefit related to a reduction in the Canadian federal income tax rate and
- $9 million charge to deferred taxes related to the Flat Rate Business Tax Reform in Mexico.

In addition, income tax expense (benefit) recorded in connection with divestitures are included in discontinued operations and include the following:

- tax expense on dispositions of $887 million related to the gain on sale of our Containerboard, Packaging and Recycling business and $58 million related to the gain on sale of our Australian operations in 2008; and
- a tax benefit of $89 million from the sale of our Fine Paper business and related assets resulting from a rollout of temporary differences on the assets sold in Canada in 2007.

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.

Our policy governing capital has two important elements:

- viewing the capital structure of Forest Products separately from that of Real Estate because of the very different nature of their assets and business activity and
- minimizing liquidity risk by managing a combination of maturing short-term and long-term debt.

The amount of debt and equity for Forest Products and Real Estate will reflect the following:

- basic earnings capacity and
- liquidity characteristics of their respective assets.

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.

Consolidated net cash (used in) provided by our operations was:

- $(162) million in 2009,
- $(1.3) billion in 2008 and
- $635 million in 2007.

COMPARING 2009 WITH 2008

Net cash used in operations decreased $1.1 billion in 2009 as compared with 2008 due to the following:

- Consolidated cash paid for income taxes decreased by $1.1 billion primarily due to taxes paid on the sale of our Containerboard, Packaging and Recycling business in 2008.
- Cash we received from customers in our Forest Products operations excluding Real Estate increased $560 million net of cash paid to employees, suppliers and others. This increase was primarily due to:
  - Cash from operations declined as a result of significantly lower demand for building materials due to the continued deterioration of the U.S. housing market.
  - 2008 cash from operations includes 31 weeks of Containerboard, Packaging and Recycling and approximately 30 weeks of Australian operations prior to their sales.

Table of Contents

- Cash we received from customers in our Real Estate segment, net of cash paid to employees, suppliers and others decreased $1 million primarily due to fewer closings of single-family home sales and the continued deterioration of the U.S. housing market.
- We received $213 million from alternative fuel mixture credits in 2009.

Alternative Fuel Mixture Credits

The U.S. Internal Revenue Code allowed a $0.50 per gallon tax credit for the alternative fuel component of alternative fuel mixtures produced and used as a fuel in a taxpayer s trade or business in 2009. Our application for registration as a blender based on our use of black liquor as an alternative fuel was approved in May 2009. We began blending black liquor (a by-product of our wood pulping process) and diesel fuel during the first week of April 2009 and have blended and used 688 million gallons of the alternative fuel mixture through December 31, 2009. The alternative fuel mixture credit expired on December 31, 2009. We recognized credits of $344 million in 2009 of which we have received $213 million of cash and have recorded a receivable of $131 million for black liquor blended through December 31, 2009.

COMPARING 2008 WITH 2007

Net cash from operations decreased $1.9 billion in 2008 as compared with 2007 due to the following:

- Consolidated cash paid for income taxes increased by $981 million primarily due to taxes paid on the sale of our Containerboard, Packaging and Recycling business in 2008.
- Cash we received from customers in our forest products operations decreased $987 million, which excludes Real Estate, net of cash paid to employees, suppliers and others. This decrease was primarily due to:
  - Cash from operations declined as a result of significantly lower demand for building materials due to the continued deterioration of the U.S. housing market.
  - 2007 cash from operations includes nine weeks of activity related to the operations that were divested in the Domtar Transaction. There were no cash flows from these operations in 2008.
  - 2008 cash from operations includes 31 weeks of Containerboard, Packaging and Recycling and approximately 30 weeks of Australian operations prior to their sales. 2007 includes 52 weeks of cash flows from these operations.
- Cash we received from customers in our Real Estate segment, net of cash paid to employees, suppliers and others decreased $119 million primarily due to fewer closings of single-family home sales and the continued deterioration of the U.S. housing market.

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.

Three-Year Summary of Capital Spending by Business Segment Excluding Real Estate

DOLLAR AMOUNTS IN MILLIONS	2009	2008	2007
Timberlands	$ 83	$ 109	$ 71
Wood Products	57	101	244
Cellulose Fibers	61	54	104
Fine Paper			2
Containerboard, Packaging and Recycling		100	190
Corporate and Other	14	61	95

Total	**$ 215**	**$ 425**	**$ 706**

We anticipate that our net capital expenditures for 2010 excluding acquisitions and our Real Estate business segment will be approximately $200 million. However, that amount could change due to:

- future economic conditions,
- 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:

- $355 million in 2009 including:
  - $295 million from the sale of nonstrategic timberlands in Oregon and
  - $20 million from the sale of our closed Honolulu box plant.
- $6.5 billion in 2008 including:
  - $6.1 billion from the sale of our Containerboard, Packaging and Recycling business;
  - $342 million from the sale of our Australian operations;
  - $62 million from the sale of certain wood products distribution facilities; and
  - $54 million from the sale of property, equipment and other assets.
- $1.7 billion in 2007 including:
  - $1.35 billion from the Domtar Transaction;
  - $161 million from the sale of our interest in our New Zealand joint venture and management company;
  - $114 million from the sale of property, equipment and other assets; and
  - $107 million from the sale of certain wood products distribution facilities in the U.S. and Canada.

Table of Contents

Discontinued operations and assets held for sale are discussed in *Note 3: Discontinued Operations* in the *Notes to Consolidated Financial Statements.*

In 2008, $2.1 billion of the proceeds from the sale of our Containerboard, Packaging and Recycling business were used to pay down outstanding debt in the second half of the year.

FINANCING

Cash from financing activities includes:

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

LONG-TERM DEBT

Our consolidated long-term debt was:

- $5.7 billion as of December 31, 2009;
- $6.0 billion as of December 31, 2008; and
- $7.3 billion as of December 30, 2007.

Long-term debt we issued was:

- $491 million in 2009,
- $0 million in 2008 and
- $451 million in 2007.

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

- $459 million in 2009,
- $504 million in 2008 and
- $609 million in 2007.

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

- $367 million in 2009,
- $500 million in 2008 and
- $962 million in 2007.

The (gains) and losses recognized on early extinguishment of debt were:

- $28 million in 2009 and
- $(32) million in 2008 and
- $45 million in 2007.

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

Subsequent Event Debt Repurchase

In January 2010, our Real Estate segment retired $17 million of 6.12 percent notes with a maturity date of September 17, 2012.

REVOLVING CREDIT FACILITIES

As of December 31, 2009, Weyerhaeuser Company has two multi-year revolving credit facility agreements:

- $400 million revolving credit facility that expires in March 2010 (2010 Facility) and
- $1 billion five-year revolving credit facility that expires in December 2011 (2011 Facility).

Weyerhaeuser Real Estate Company (WRECO) is permitted to borrow under only the 2011 Facility.

On September 14, 2009, Weyerhaeuser Company amended its 2011 Facility by entering into a First Amendment to the $1,000,000,000 Competitive Advance and Revolving Credit Facility Agreement dated as of December 19, 2006. The amendment decreased the amount of minimum defined net worth that Weyerhaeuser Company is required to maintain under the facility from $3.75 billion to $3.0 billion. In addition, the amendment reduced the amount that WRECO is permitted to borrow under the facility to $200 million from $400 million and modified the fees and interest rates payable under the facility. No other changes in the facility were made and

$1.0 billion remains available under the facility until December 2011.

Also on September 14, 2009, Weyerhaeuser Company amended its 2010 Facility by entering into a First Amendment to the $1,200,000,000 Competitive Advance and Revolving Credit Facility Agreement dated as of December 19, 2006. The amendment decreased the amount of minimum defined net worth that Weyerhaeuser Company is required to maintain under the facility from $3.75 billion to $3.0 billion. In addition, the amendment reduced the size of the facility to $400 million from $1.2 billion, removed WRECO as a borrower under the facility and modified the fees and interest rates payable under the facility. No other changes in the facility were made and $400 million remains available under the facility until March 2010.

Neither Weyerhaeuser Company nor WRECO is a guarantor of the borrowing of the other under either of the credit facilities.

As of December 31, 2009, Weyerhaeuser Company and WRECO:

- had no borrowings outstanding under our credit facilities,
- had $33 million in letters of credit issued against the 2011 facility and
- were in compliance with the credit facility covenants.

We had no borrowings at any time under our available credit facilities during 2009. Our net borrowings (pay-downs) under our available credit facilities were:

- $(452) million during 2008 and
- $664 million during 2007.

Table of Contents

Weyerhaeuser Company Covenants:

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

- a minimum defined net worth of $3.0 billion and
- a defined debt-to-total-capital ratio of 65 percent or less.

Weyerhaeuser Company s defined net worth is comprised of:

- total Weyerhaeuser shareholders interest,
- plus or minus accumulated comprehensive loss balance related to deferred pension and postretirement income or expense,
- 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, 2009, Weyerhaeuser Company had:

- a defined net worth of $4.3 billion and
- a defined debt-to-total-capital ratio of 55.5 percent.

Weyerhaeuser Real Estate Company Covenants

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

- a minimum defined net worth 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, 2009, WRECO had:

- a defined net worth of $779 million and
- a defined debt-to-total-capital ratio of 61.3 percent.

There are no other significant financial debt covenants related to our third party debt for either Weyerhaeuser Company or WRECO.

See *Note 11: Short-term Borrowings and Lines of Credit* in the *Notes to Consolidated Financial Statements* for more information.

CREDIT RATINGS

On June 22, 2009, Dominion Bond Rating Service (DBRS) changed the trend on the ratings for our debt to Negative from Stable, including our Issuer Rating of BBB (high).

On September 3, 2009, Fitch Ratings downgraded ratings for our debt to BB+ from BBB-.

Following the December 15, 2009 announcement of the Company s intention to elect REIT status, Moody s Investor Services affirmed the rating of the company s long term debt at Ba1 but changed the outlook from Stable to Developing.

On December 16, 2009, Standard and Poor s affirmed the rating at BBB- but changed their outlook to Negative.

STOCK OPTION EXERCISES

Our cash proceeds from the exercise of stock options were:

- $0 million in 2009,
- $4 million in 2008 and
- $321 million in 2007.

We did not recognize any excess tax benefits from the exercise of stock options during 2009 or 2008. We recognized $51 million in 2007 due to the high volume of stock options exercised when the price of our common stock reached record highs during the first quarter of that year.

PAYING DIVIDENDS AND REPURCHASING STOCK

We paid dividends of:

- $127 million in 2009,
- $507 million in 2008 and
- $531 million in 2007.

Changes in the amount of dividends we paid were primarily due to the decrease in our quarterly dividend from 60 cents to 25 cents in December 2008 and to 5 cents in July 2009.

In December of 2008, the board of directors authorized the additional repurchase of up to $250 million of the company s outstanding shares. During 2009, we repurchased 66,691 shares of common stock at a cost of $2 million under the stock-repurchase program.

During 2007, we completed the stock-repurchase program that was announced in October 2005, which authorized the repurchase of up to 18 million shares of our common stock. Of the 18 million shares repurchased, 7 million shares were repurchased in 2007 at a net cost of $473 million.

During 2007, we also redeemed 25 million shares in connection with the Domtar Transaction.

In 2009 and 2008, we paid a dividend, but we had negative cash from operations. This resulted in a negative dividend-payout ratio. The dividend payout ratio for 2007 was 84 percent.

Table of Contents

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 21: Income Taxes* in the *Notes to Consolidated Financial Statements.*

Significant Contractual Obligations as of December 31, 2009

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	$ 5,291	$ 3	$ 1,077	$ 364	$ 3,847
Real Estate(1)	402	40	233	84	45
Interest:(2)					
Forest Products	5,019	385	713	582	3,339
Real Estate(1)	77	23	39	9	6
Operating lease obligations:					
Forest Products	321	67	139	43	72
Real Estate	126	16	25	15	70
Purchase obligations(3)	156	56	49	32	19
Employee-related obligations:(4)					
Forest Products	563	161	109	58	104
Real Estate	39	9	6	3	5
Liabilities related to unrecognized tax benefits(5)	193				
Total	**$ 12,187**	**$ 760**	**$ 2,390**	**$ 1,190**	**$ 7,507**

(1) On January 21, 2010, Weyerhaeuser Real Estate Company retired $17 million of 6.12 percent notes with a maturity date of September 17, 2012.

(2) Amounts presented for interest payments assume that all long-term debt obligations outstanding as of December 31, 2009 will remain outstanding until maturity, and interest rates on variable-rate debt in effect as of December 31, 2009 will remain in effect until maturity.

(3) 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.

(4) 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 2011. Estimated payments of contractually obligated postretirement benefits are not made beyond 2010.

(5) We have recognized total liabilities related to unrecognized tax benefits of $193 million as of December 31, 2009, including interest of $23 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*: *Consolidation of Variable Interest Entities*, *Note 10*: *Real Estate in Process of Development and for Sale* and *Note 11: Short-term Borrowings and Lines of Credit* in the *Notes to Consolidated Financial Statements* contain our disclosures of:

- surety bonds,
- letters of credit and guarantees,
- lot-purchase option contracts with unconsolidated variable interest entities,
- subordinated financing provided to unconsolidated variable interest entities and
- information regarding special-purpose entities that we have consolidated.

ENVIRONMENTAL MATTERS, LEGAL PROCEEDINGS AND OTHER CONTINGENCIES

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

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;
- legal, environmental and product liability reserves; and
- depletion accounting.

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*.

Table of Contents

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 rate,
- 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,
- discount rate and
- cash contributions.

Expected Long-Term Rate of Returns

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. After considering all available information at the end of 2009, we continue to assume an expected long-term rate of return of 9.5 percent. Factors we considered include:

- the 15.3 percent net compounded annual return achieved by our U.S. pension trust investment strategy over the past 25 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:

- $20 million for our U.S. qualified pension plans and
- $3 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.

Discount Rate

Our discount rate as of December 31, 2009, is:

- 5.9 percent for our U.S. pensions plans compared with 6.3 percent at December 31, 2008;
- 5.2 percent for our U.S. postretirement plans compared with 6.3 percent at December 31, 2008;
- 6.1 percent for our Canadian pension plans compared with 7.3 percent at December 31, 2008; and
- 6.0 percent for our Canadian postretirement plans compared with 7.3 percent at December 31, 2008.

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 2010 will be based on the 5.9 and 5.2 percent assumed discount rates for U.S. plans and the 6.1 percent and 6.0 percent assumed discount rates for the Canadian plans.

Our discount rate is 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:

- $15 million for our U.S. qualified pension plans and
- $3 million for our Canadian registered pension plans.

Contributions Made and Benefits Paid

During 2009:

- We were not required to and did not make any contributions to our U.S. qualified pension plans.
- We contributed approximately $27 million to our U.S. nonqualified pension plans.
- We contributed approximately $7 million to our Canadian registered and nonregistered pension plans in accordance with minimum funding rules in accordance with the respective provincial regulations. We also chose to make voluntary contributions of approximately $27 million to our largest registered plan during 2009.
- We made benefit payments of approximately $52 million to our U.S. and Canadian other postretirement plans.

Table of Contents

During 2010:

We intend to make a voluntary contribution of approximately $100 million to the U.S. qualified pension plans for the 2009 plan year. The contribution will be made prior to September 15, 2010. The contribution will decrease 2009 taxable income, thereby increasing the amount of the 2009 net operating loss refund. It would also decrease the earnings and profits required for a real estate investment trust conversion. This contribution is expected to eliminate the estimated $30 million minimum funding requirements for this plan for 2010 which would have been due by September 15, 2011.

In addition:

- We expect to be required to contribute $10 million to our Canadian registered and nonregistered pension plans. We voluntarily contributed $15 million subsequent to December 31, 2009 and may elect to make additional contributions to our largest registered plan in Canada.
- We expect to contribute $20 million to our U.S. nonqualified pension plans.
- We expect to make benefit payments of $60 million to our U.S. and Canadian other postretirement plans.

Receivable From Pension Trust

During 2009 and 2008, there was a high volume of lump-sum distributions from our U.S. qualified pension plans. Retirement-eligible employees whose employment with the company terminated in connection with the sale of our Containerboard, Packaging and Recycling business or corporate restructuring activities could elect to receive their pension benefit as a lump-sum distribution if permitted in accordance with the plans provisions. In addition, market events during the same period, adversely affected liquidity. For instance, many of the funds in which plan assets are invested changed their redemption terms which delayed some of the pension trusts cash receipts. To avoid liquidating assets at depressed prices and, as permitted by law, we elected to provide $285 million of short-term liquidity to the U.S. pension trust through short-term loans. These short-term loans were made in fourth quarter 2008 and first quarter 2009. Markets and liquidity improved in 2009 and the pension trust repaid $139 million in fourth quarter 2009. Full repayment of the remaining balance is anticipated in 2010.

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 books.

An impairment occurs when the carrying value of long-lived assets will not be recovered from future cash flows and is less than fair market value. Fair market value is the estimated amount we would get 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

Ordinarily, 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. We recorded long-lived homebuilding asset impairments and related charges attributable to Weyerhaeuser shareholders of $261 million in 2009, $1.1 billion in 2008 and $170 million in 2007.

Real Estate Held for Development

Real estate held 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;

Table of Contents

- 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 Held for Sale

Real estate held 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 held 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 held for sale is evaluated quarterly.

Market Approach

We use the market approach to determine fair value of real estate held for development and held for sale when information for comparable assets is available. This approach is commonly used for our active projects where we are selling product. 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. 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. Discount rates applied to the estimated future cash flows of our homebuilding assets in year-to-date 2009 ranged from 12 percent to 25 percent. The income approach relies on management judgment regarding the various inputs to the undiscounted cash flow forecasts.

LEGAL, ENVIRONMENTAL AND PRODUCT LIABILITY RESERVES

We record contingent liabilities when:

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

Legal Matters

Determining our liabilities for legal matters requires projections about the outcome of litigation and the amount of our financial responsibility. We base our projections on:

- historical experience and
- recommendations of legal counsel.

While we do our best in developing our projections, litigation is still inherently unpredictable. Details about our legal exposures and proceedings are discussed in *Note 15: Legal Proceedings, Commitments and Contingencies* in the *Notes to Consolidated Financial Statements*. These exposures and proceedings are significant. Ultimate negative outcomes could be material to our operating results or cash flow in any given quarter or year.

Environmental Matters

Determining our liabilities for environmental matters requires estimates of future remediation alternatives and costs. We base our estimates on:

- detailed evaluations of relevant environmental regulations;
- physical and risk assessments of our affected sites;
- assumptions of probable financial participation by other known potentially responsible parties; and
- amounts that we will receive from insurance carriers though the amounts are not recorded until we have a binding agreement.

Product Liability Matters

We record reserves for contingent product-liability matters when it becomes probable we will make financial payment. Determining the amount of reserves we record requires projections of future claim rates and amounts.

Table of Contents

DEPLETION

We record depletion the costs attributed to timber harvested as trees are harvested.

To calculate our depletion rate, which is updated annually, we:

- take the total cost of the timber, minus previously recorded depletion; and
- divide by the total timber volume estimated to be harvested during the harvest cycle.

Estimating the volume of timber available for harvest over the harvest cycle requires the consideration of the following factors:

- changes in weather patterns,
- effect of fertilizer and pesticide applications,
- changes in environmental regulations and restrictions,
- limits on harvesting certain timberlands,
- changes in harvest plans,
- scientific advancement in seedling and growing technology and
- changes in harvest cycles.

In addition, the length of the harvest cycle varies by geographic region and species of timber.

Depletion-rate calculations do not include estimates for:

- future silviculture or sustainable forest management costs associated with existing stands;
- future reforestation costs associated with a stand s final harvest; and
- future volume in connection with the replanting of a stand subsequent to its final harvest.

PROSPECTIVE ACCOUNTING PRONOUNCEMENTS

A summary of prospective accounting pronouncements is in *Note 1: Summary of Significant Accounting Policies* in the *Notes to Consolidated Financial Statements*.

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, 2009

DOLLAR AMOUNTS IN MILLIONS	2010	2011	2012	2013	2014	THEREAFTER	TOTAL	FAIR VALUE
Forest Products:								
Fixed-rate debt	$ 3		$ 1,077	$ 364		$ 3,847	$ 5,291	$ 5,256
Average interest rate	6.20%		6.75%	7.33%		7.44%	7.29%	N/A
Real Estate:								
Fixed-rate debt	$ 40	$ 30	$ 203	$ 69	$ 15	$ 20	$ 377	$ 373
Average interest rate	5.50%	7.63%	6.12%	6.14%	6.22%	6.47%	6.20%	N/A
Variable-rate debt						$ 25	$ 25	$ 25
Average interest rate						0.44%	0.44%	N/A

OUR USE OF DERIVATIVES

We occasionally use derivatives to:

- achieve the mix of variable-rate debt and fixed-rate debt that we want in our capital structure,
- hedge commitments in commodities that we produce or buy and

manage our exposure to foreign exchange rate fluctuations.

The fair value of our derivatives may vary due to the volatility of the underlying forward prices or index rates associated with them.

COMMODITY FUTURES, SWAPS AND COLLARS

As of December 31, 2009, we had no material commodity swap contracts outstanding.

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, 2009 and 2008, and the related consolidated statements of operations, cash flows, and changes in equity and comprehensive income for each of the years in the three-year period ended December 31, 2009. 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, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the consolidated financial statements, Weyerhaeuser Company and subsidiaries changed its presentation of noncontrolling interests in the consolidated financial statements as a result of the adoption of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (included in FASB Accounting Standards Codification Topic 810, *Consolidation*), which was adopted effective January 1, 2009.

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, 2009, 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 25, 2010 expressed an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ KPMG LLP

Seattle, Washington

February 25, 2010

Table of Contents

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2009

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES	2009	2008	2007
Net sales and revenues:			
Forest Products	$ 4,624	$ 6,692	$ 8,574
Real Estate	904	1,408	2,359
Total net sales and revenues	5,528	8,100	10,933
Costs and expenses:			
Forest Products:			
Costs of products sold	3,937	5,540	7,064
Alternative fuel mixture credits	(344)		
Depreciation, depletion and amortization	491	578	597
Selling expenses	147	227	273
General and administrative expenses	325	459	613
Research and development expenses	51	64	71
Charges for restructuring and closures (Note 18)	220	110	82
Impairment of goodwill and other assets (Note 18)	182	1,019	157
Other operating costs (income), net (Note 19)	(269)	11	(30)
	4,740	8,008	8,827
Real Estate:			
Costs and operating expenses	756	1,449	1,746
Depreciation and amortization	17	18	23
Selling expenses	83	139	179
General and administrative expenses	80	106	99
Other operating costs (income), net	30	2	(4)
Impairment of long-lived assets and other related charges (Note 20)	269	979	156
	1,235	2,693	2,199
Total costs and expenses	5,975	10,701	11,026
Operating loss	(447)	(2,601)	(93)
Interest expense and other:			
Forest Products:			
Interest expense incurred	(436)	(505)	(527)
Less: interest capitalized	6	59	118
Gain (loss) on early extinguishment of debt (Note 13)	(28)	32	(45)
Interest income and other	57	78	83
Gain on Uruguay restructuring (Note 7)		250	
Equity in income (loss) of affiliates (Note 7)	(5)	15	(5)
Real Estate:			
Interest expense incurred	(30)	(45)	(57)
Less: interest capitalized	26	45	57
Interest income and other	5	2	7
Equity in income of unconsolidated entities (Note 7)	17	21	50
Impairment of investments and other related charges (Note 20)	(7)	(160)	(66)
Loss from continuing operations before income taxes	(842)	(2,809)	(478)
Income tax benefit (Note 21)	274	900	179
Loss from continuing operations	(568)	(1,909)	(299)
Discontinued operations, net of income taxes (Note 3)		667	1,038
Net earnings (loss)	(568)	(1,242)	739
Less: net loss attributable to noncontrolling interests	23	66	51
Net earnings (loss) attributable to Weyerhaeuser common shareholders	$ (545)	$ (1,176)	$ 790

Basic and diluted earnings (loss) per share attributable to Weyerhaeuser common shareholders (Note 4):			
Continuing operations	$ (2.58)	$ (8.72)	$ (1.13)
Discontinued operations		3.15	4.73
Net earnings (loss) per share	$ (2.58)	$ (5.57)	$ 3.60
Dividends paid per share	$ 0.60	$ 2.40	$ 2.40
Weighted average shares outstanding (in thousands) (Note 4)			
Basic	211,342	211,258	219,305
Diluted	211,342	211,258	219,305

See accompanying *Notes to Consolidated Financial Statements.*

Table of Contents

CONSOLIDATED BALANCE SHEET

ASSETS

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES	DECEMBER 31, 2009	DECEMBER 31, 2008
Forest Products		
Current assets:		
Cash and cash equivalents	$ 1,862	$ 2,288
Short-term investments	49	138
Receivables, less allowances of $12 and $7	370	429
Receivables for taxes	602	73
Receivable from pension trust (Note 8)	146	200
Inventories (Note 5)	447	702
Prepaid expenses	82	101
Deferred tax assets (Note 21)	109	159
Total current assets	3,667	4,090
Property and equipment, less accumulated depreciation of $6,682 and $6,252 (Note 6)	3,611	3,869
Construction in progress	52	104
Timber and timberlands at cost, less depletion charged to disposals	4,010	4,205
Investments in and advances to equity affiliates (Note 7)	197	202
Goodwill (Note 18)	40	43
Deferred pension and other assets (Note 8)	756	651
Restricted assets held by special purpose entities (Note 9)	915	916
	13,248	14,080
Real Estate		
Cash and cash equivalents	7	6
Receivables, less discounts and allowances of $2 and $4	32	74
Real estate in process of development and for sale (Note 10)	598	920
Land being processed for development	917	940
Investments in unconsolidated entities (Note 7)	17	30
Deferred tax assets (Note 21)	299	438
Other assets	126	167
Consolidated assets not owned (Note 9)	6	40
	2,002	2,615
Total assets	$ 15,250	$ 16,695

See accompanying *Notes to Consolidated Financial Statements.*

56

Table of Contents

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

	DECEMBER 31, 2009	DECEMBER 31, 2008
Forest Products		
Current liabilities:		
Notes payable and commercial paper (Note 11)	$ 4	$ 1
Current maturities of long-term debt (Notes 13 and 14)	3	407
Accounts payable	317	381
Accrued liabilities (Note 12)	631	933
Total current liabilities	955	1,722
Long-term debt (Notes 13 and 14)	5,281	5,153
Deferred income taxes (Note 21)	1,538	1,805
Deferred pension, other postretirement benefits and other liabilities (Note 8)	2,000	1,618
Liabilities (nonrecourse to Weyerhaeuser) held by special-purpose entities (Note 9)	768	764
Commitments and contingencies (Note 15)		
	10,542	11,062
Real Estate		
Long-term debt (Notes 13 and 14)	402	456
Other liabilities	252	313
Consolidated liabilities not owned (Note 9)		17
Commitments and contingencies (Note 15)		
	654	786
Total liabilities	11,196	11,848
Equity:		
Weyerhaeuser shareholders interest (Notes 16 and 17):		
Common shares: $1.25 par value; authorized 400,000,000 shares; issued and outstanding: 211,358,955 and 211,289,320 shares	264	264
Other capital	1,786	1,767
Retained earnings	2,658	3,278
Cumulative other comprehensive loss	(664)	(495)
Total Weyerhaeuser shareholders interest	4,044	4,814
Noncontrolling interests	10	33
Total equity	4,054	4,847
Total liabilities and equity	$ 15,250	$ 16,695

Table of Contents

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2009

DOLLAR AMOUNTS IN MILLIONS		CONSOLIDATED			FOREST PRODUCTS			REAL ESTATE	
	2009	2008	2007	2009	2008	2007	2009	2008	2007
Cash flows from operations:									
Net earnings (loss)	$ (568)	$ (1,242)	$ 739	$ (364)	$ (330)	$ 663	$ (204)	$ (912)	$ 76
Noncash charges (credits) to income:									
Depreciation, depletion and amortization	508	659	974	491	641	951	17	18	23
Deferred income taxes, net (Note 21)	66	(1,005)	(237)	(73)	(733)	(185)	139	(272)	(52)
Pension and other postretirement benefits (Note 8)	(19)	(200)	18	(19)	(195)	14		(5)	4
Share-based compensation expense (Note 17)	26	47	41	23	43	37	3	4	4
Equity in income of affiliates and unconsolidated entities (Note 7)	(3)	(32)	(52)	5	(11)	(2)	(8)	(21)	(50)
Litigation charges		(13)			(13)				
Charges for impairment of other assets (Notes 18 and 20)	458	2,164	384	182	1,025	162	276	1,139	222
Net gains on dispositions of assets and operations (Note 19)	(197)	(1,422)	(698)	(187)	(1,422)	(698)	(10)		
(Gain) loss on early extinguishment of debt (Note 13)	28	(32)	45	28	(32)	45			
Gain on Uruguay restructuring (Note 7)		(250)			(250)				
Foreign exchange transaction (gains) losses (Note 19)	(41)	48	(45)	(41)	48	(45)			
Decrease (increase) in working capital:									
Receivables	(436)	48	(118)	(466)	80	(182)	30	(32)	64
Inventories, real estate and land	376	222	(53)	251	(10)	64	125	232	(117)
Prepaid expenses	23	65	10	21	70	1	2	(5)	9
Accounts payable and accrued liabilities	(349)	(258)	(261)	(292)	(269)	(126)	(57)	11	(135)
Deposits on land positions	13	(2)	(40)				13	(2)	(40)
Intercompany advances [(1)(3)]							(36)	(377)	(176)
Other	(47)	(96)	(72)	(49)	(88)	(19)	2	(8)	(53)
Net cash from operations	(162)	(1,299)	635	(490)	(1,446)	680	292	(230)	(221)
Cash flows from investing activities:									
Property and equipment	(187)	(390)	(680)	(179)	(372)	(662)	(8)	(18)	(18)
Timberlands reforestation	(36)	(53)	(44)	(36)	(53)	(44)			
Acquisition of timberlands	(16)	(165)	(156)	(16)	(165)	(156)			
Redemption of short-term investments	92	553		92	553				
Investments in and advances to equity affiliates	(4)	(44)	4		14		(4)	(58)	4
Proceeds from sale of assets and operations	355	6,484	1,743	344	6,484	1,743	11		
Uruguay restructuring (Note 7)		(23)			(23)				
Purchase of short-term investments		(701)			(701)				
Loan to pension trust (Note 8)	(85)	(200)		(85)	(200)				
Repayment of pension loan (Note 8)	139			139					
Intercompany dividends [(1)]				250					
Intercompany advances [(1)]				28	(306)	100			
Other	5	(2)	(51)	3	(2)	(12)	2		(39)
Cash from investing activities	263	5,459	816	540	5,229	969	1	(76)	(53)
Cash flows from financing activities:									
Issuance of debt	491		451	491		451			
		(373)	302		(203)	132		(170)	170

Notes, commercial paper borrowings and revolving credit facilities, net									
Cash dividends	(127)	(507)	(531)	(127)	(507)	(531)			
Change in book overdrafts	(30)	(79)	(89)	(34)	(53)	(110)	4	(26)	21
Payments on debt	(854)	(972)	(1,616)	(802)	(826)	(1,613)	(52)	(146)	(3)
Exercises of stock options		4	321		4	321			
Repurchases of common stock (Note 16)	(2)		(473)	(2)		(473)			
Intercompany dividends [1]							(250)		
Intercompany advances [1]							8	683	76
Other	(4)	(53)	55	(2)	(3)	44	(2)	(50)	11
Cash from financing activities	(526)	(1,980)	(1,580)	(476)	(1,588)	(1,779)	(292)	291	275
Net change in cash and cash equivalents	(425)	2,180	(129)	(426)	2,195	(130)	1	(15)	1
Cash and cash equivalents at beginning of year [2]	2,294	114	243	2,288	93	223	6	21	20
Cash and cash equivalents at end of year [2]	$ 1,869	$ 2,294	$ 114	$ 1,862	$ 2,288	$ 93	$ 7	$ 6	$ 21
Cash paid (received) during the year for:									
Interest, net of amount capitalized	$ 432	$ 457	$ 463	$ 429	$ 457	$ 463	$ 3	$	$
Income taxes [3]	$ 42	$ 1,174	$ 193	$ 268	$ 1,149	$ (232)	$ (226)	$ 25	$ 425

(1) Intercompany dividends, loans and advances represent payments and receipts between Forest Products and Real Estate and are classified as operating, investing or financing based on the perspective of each entity and the characteristics of the underlying cash flows. These amounts are eliminated and do not appear in the consolidated cash flows above.

(2) Includes cash and cash equivalents of discontinued operations.

(3) Income taxes paid or received by Forest Products and Real Estate include intercompany payments related to income taxes. These intercompany transactions flow through the intercompany advances lines in the statement of cash flows in either operating or investing as discussed in footnote (1) above, and may differ in timing from income tax payments to or receipts from the taxing authorities. Actual income taxes paid to (received from) the taxing authorities are reflected by consolidated cash paid (received) for taxes.

See accompanying *Notes to Consolidated Financial Statements.*

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND COMPREHENSIVE INCOME

FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2009

DOLLAR AMOUNTS IN MILLIONS	2009	2008	2007
Common shares:			
Balance at beginning of year	$ 264	$ 262	$ 295
Issued for exercise of stock options			7
Retraction or redemption of exchangeable shares		2	1
Shares tendered (Note 3)			