

WEYERHAEUSER CO

Form 10-K

February 16, 2018

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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.)

220 OCCIDENTAL AVENUE SOUTH, SEATTLE, WASHINGTON 98104-7800 TELEPHONE (206) 539-3000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS NAME OF EACH EXCHANGE ON WHICH REGISTERED:

Common Shares (\$1.25 par value) New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

☒

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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As of June 30, 2017, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$25.0 billion based on the closing sale price as reported on the New York Stock Exchange Composite Price Transactions.

As of February 5, 2018, 756,097,841 shares of the registrant's common stock (\$1.25 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Notice of 2018 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 18, 2018, are incorporated by reference into Part II and III.

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OUR BUSINESS

We are one of the world's largest private owners of timberlands. We own or control 12.4 million acres of timberlands, primarily in the U.S., and manage an additional 14.0 million acres of timberlands under long-term licenses in Canada. We manage these timberlands on a sustainable basis in compliance with internationally recognized forestry standards. Our objective is to maximize the long-term value of timberlands we own. We analyze each timberland acre comprehensively to understand its highest-value use. We realize this value in many ways, particularly through harvesting the trees, but also by selling properties when we can create incremental value. In addition, we focus on opportunities to realize value for oil and natural gas production, construction aggregates and mineral extraction, wind power, communication tower leases and transportation rights of way that exist in our ownership.

We are also one of the largest manufacturers of wood products in North America. We provide high-quality wood products, including softwood lumber, engineered wood products, structural panels, medium density fiberboard and other specialty products. These products are primarily supplied to the residential, multi-family, industrial, light commercial and repair and remodel markets. Our manufacturing operations are located in the United States and Canada and span across 35 facility locations.

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

We are committed to operate as a sustainable company and are listed on the North American and Dow Jones World Sustainability Indices. In our operations, we focus on increasing energy and resource efficiency, reducing greenhouse gas emissions, reducing water consumption, conserving natural resources, and offering products that meet our customers' 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 communicate transparently.

In 2017, we generated \$7.2 billion in net sales from continuing operations and employed approximately 9,300 people who serve customers worldwide.

This portion of our Annual Report on Form 10-K provides detailed information about who we are, what we do and where we are headed. Unless otherwise specified, current information reported in this Form 10-K is as of or for the fiscal year ended December 31, 2017.

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

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

WE CAN TELL YOU MORE

AVAILABLE INFORMATION

We meet the information-reporting requirements of the Securities Exchange Act of 1934 by filing periodic reports, 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 website — www.sec.gov;

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

• our website (without charge) — www.weyerhaeuser.com.

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

WHO WE ARE

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

REAL ESTATE INVESTMENT TRUST (REIT) ELECTION

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. We expect to derive most of our REIT income from investments in timberlands, including the sale of standing timber through pay-as-cut

sales contracts and lump sum timber deeds. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which includes our Wood Products segment and a portion of our Timberlands and Real Estate, Energy and Natural Resources (Real Estate & ENR) segments.

MERGER WITH PLUM CREEK

On February 19, 2016, pursuant to the Agreement and Plan of Merger dated November 6, 2015, Plum Creek Timber Company, Inc. (Plum Creek) merged with and into Weyerhaeuser. Plum Creek was a REIT that primarily owned and managed timberlands in the United States. Plum Creek also produced wood products, developed opportunities for mineral and other natural resource extraction, and sold real estate properties. The merger combined two industry leaders. The breadth and diversity of our combined timberlands, real estate, energy and natural resources assets, and wood products operations position Weyerhaeuser to capitalize on the improving housing market and to continue to capture value across the combined portfolio. See Note 4: Merger with Plum Creek in the Notes to Consolidated Financial Statements for further information about the merger.

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OUR BUSINESS SEGMENTS

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

• Timberlands;

• Real Estate, Energy and Natural Resources (Real Estate & ENR); and

• Wood Products.

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

EFFECT OF MARKET CONDITIONS

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

COMPETITION IN OUR MARKETS

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

Our business segments' competitive strategies are as follows:

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

• Real Estate & ENR — Deliver premiums to timber value by identifying and monetizing higher and better use lands and capturing the full value of surface and subsurface assets.

• Wood Products — Manufacture high-quality lumber, structural panels and engineered wood products, as well as deliver complementary building products for residential, multi-family, industrial and light commercial applications at competitive costs.

SALES OUTSIDE THE U.S.

In 2017, \$1,028 million — 14 percent — of our total consolidated sales from continuing operations were to customers outside the U.S. Our sales outside the U.S. are generally denominated in U.S. dollars. The table below shows sales outside the U.S. for the last three years.

DOLLAR AMOUNTS IN MILLIONS

	2017	2016 ⁽¹⁾	2015 ⁽¹⁾	
Exports from the U.S.	\$545	\$ 515	\$ 497	
Canadian export and domestic sales	443	342	317	
Other foreign sales	40	58	69	
Total	\$1,028	\$ 915	\$ 883	
Percent of total sales	14	% 14	% 17	%

(1)

Excludes sales from Discontinued Operations. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information.

OUR EMPLOYEES

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

WHAT WE DO

This section provides information about how we:

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

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

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TIMBERLANDS

Our Timberlands segment manages 12.4 million acres of private commercial timberlands in the U.S. We own 11.5 million of those acres and have long-term leases on the remaining acres. In addition, we have renewable, long-term licenses on 14.0 million acres of Canadian timberlands. The tables presented in this section include data from this segment's business units as of the end of 2017.

WHAT WE DO

Forestry Management

Our Timberlands segment:

- plants seedlings to reforest harvested areas using the most effective regeneration method for the site and species (natural regeneration is employed and managed in parts of Canada and the northern U.S.);
- manages our timberlands as the planted trees grow to maturity;
- harvests trees to be converted into lumber, wood products, pellets, pulp and paper;
- strives to sustain and maximize the timber supply from our timberlands while keeping the health of our environment a key priority; and
- offers recreational access to the public.

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

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

Sustainable Forestry Practices

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

Canadian Forestry Operations

In Canada, we manage timberlands under long-term licenses that provide the primary source of the raw material for our manufacturing facilities in various provinces. When we harvest trees, we pay the provinces at stumpage rates set by the government. We transfer logs to our manufacturing facilities at cost, and do not generate any significant profit in the Timberlands segment from the harvest of timber from the licensed acres in Canada.

Timberlands Products

PRODUCTS HOW THEY'RE USED

Delivered logs:	Grade logs are made into lumber, plywood, veneer and other products used in residential homes, commercial structures, furniture, industrial and decorative applications. Fiber logs are sold to pulp, paper, and oriented strand board mills to make products used for printing, writing, packaging, homebuilding and consumer products, as well as into renewable energy and pellet manufacturing.
• Grade logs	
• Fiber logs	
Timber	Standing timber is sold to third parties.
Recreational leases	Timberlands are leased to the public for recreational purposes.
Other products	Seed and seedlings grown in the U.S. and plywood produced at our mill in Uruguay ⁽¹⁾ .

(1)

Our Uruguayan operations were divested on September 1, 2017. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

HOW WE MEASURE OUR PRODUCT

We use multiple units of measure when transacting business including:

• Thousand board feet (MBF) — used in the West to measure the expected lumber recovery from a tree or log.

• Green tons (GT) — used in the South to measure weight; factors used for conversion to product volume can vary by species, size, location and season.

We report Timberland volumes in ton equivalents. Prior to 2016, we reported Timberlands volumes information in cubic meters. Volumes for periods prior to 2016 have been converted from cubic meters to tons using conversion factors as follows:

• West: $1.056 \text{ m}^3 = 1 \text{ ton}$

• South: $0.818 \text{ m}^3 = 1 \text{ ton}$

• Uruguay: $0.907 \text{ m}^3 = 1 \text{ ton}$

• Canada: $1.244 \text{ m}^3 = 1 \text{ ton}$

WHERE WE DO IT

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

• 2.93 million acres in the western U.S. (Oregon and Washington);

• 6.95 million acres in the southern U.S. (Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and Virginia); and

• 2.48 million acres in the northern U.S. (Maine, Michigan, Montana, New Hampshire, Vermont, West Virginia and Wisconsin).

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

Our total timber inventory — including timber on owned and leased land— is approximately 635 million tons. The amount of timber inventory does not translate into an amount of lumber or panel products because the quantity of end products varies according to the species, size and quality of the timber; and will change through time as these variables adjust.

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

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

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

Summary of 2017 Standing Timber Inventory

GEOGRAPHIC AREA	MILLIONS OF TONS AT DECEMBER 31, 2017 TOTAL INVENTORY(1)
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U.S.:

West

Douglas fir/Cedar	164
Whitewood	34
Hardwood	15
Total West	213

South

Southern yellow pine	263
Hardwood	83
Total South	346

North

Conifer	35
Hardwood	41
Total North	76
Total Company	635

(1) Inventory encompasses all conservation and non-harvest areas.

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Summary of 2017 Timberland Locations

GEOGRAPHIC AREA	THOUSANDS OF ACRES AT DECEMBER 31, 2017		TOTAL ACRES ⁽¹⁾
	FEE OWNERSHIP	LONG-TERM LEASES	
U.S.:			
West			
Oregon	1,593	—	1,593
Washington	1,333	—	1,333
Total West	2,926	—	2,926
South			
Alabama	390	232	622
Arkansas	1,214	18	1,232
Florida	227	84	311
Georgia	623	55	678
Louisiana	1,027	351	1,378
Mississippi	1,154	76	1,230
North Carolina	564	1	565
Oklahoma	495	—	495
South Carolina	281	—	281
Texas	30	2	32
Virginia	124	—	124
Total South	6,129	819	6,948
North			
Maine	839	—	839
Michigan	558	—	558
Montana	713	—	713
New Hampshire	24	—	24
Vermont	86	—	86
West Virginia	258	—	258
Wisconsin	4	—	4
Total North	2,482	—	2,482
Total Company	11,537	819	12,356

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

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

Western United States

Our Western timberlands are well situated to serve the wood product and pulp markets in Oregon and Washington. Additionally, our location on the West Coast provides access to higher-value export markets for Douglas fir and whitewood logs to Japan, China and Korea. Our largest export market is Japan where Douglas fir is the preferred species for higher-valued post and beam homebuilding. The size and quality of our Western Timberlands, coupled with their proximity to several deep-water port facilities, competitively positions us to meet the needs of Pacific Rim log markets.

Our holdings are composed primarily of Douglas fir, a species highly valued for its structural strength, stiffness and visual appearance. Most of our lands are located on the west side of the Cascade Mountain Range with soil and rainfall conditions considered favorable for growing this species. Approximately 80 percent of our lands are in established Douglas fir plantations. Our remaining holdings include a mix of whitewood and hardwood.

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

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2017 Western U.S. Inventory by Species

2017 Western U.S. Inventory by Age / Species

The average age of timber harvested from our Western timberlands in 2017 was 50 years. In accordance with our sustainable forestry practices, we harvest approximately 2 percent of our Western acreage each year.

Southern United States

Our Southern acres, covering 11 states, are well situated to serve domestic wood products and pulp markets, including our own mills. Additionally, our coastal locations position us to serve a developing Asian log export market. Our holdings are comprised of 76 percent Southern yellow pine and 24 percent hardwoods.

We intensively manage our timber plantations using:

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

Operationally, we focus on efficiently harvesting and hauling logs from our ownership and capitalizing on our scale and supply chain expertise to consistently and reliably serve customers through seasonal events.

We lease more than 95 percent of our owned Southern acreage for recreational purposes.

2017 Southern U.S. Inventory by Species

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2017 Southern U.S. Inventory by Age / Species

The average age of timber harvested from our Southern timberlands in 2017 was 30 years. In accordance with our sustainable forestry practices, we harvest approximately 3 percent of our acreage each year in the South.

Northern United States

We are one of the largest private owners of northern hardwood timberlands. Our Northern acres contain a diverse mix of temperate broadleaf hardwoods and mixed conifer species across timberlands located in seven states. Species include American beech, balsam fir, birch, cedar, cherry, Douglas fir, hemlock, maple, oak, poplar, red pine, spruce, Western larch and white pine. We grow over 50 species and market over 600 product grades to a diverse mix of customers.

Our large-diameter cherry saw logs and veneer logs serve domestic and export furniture markets. Our hard maple and other appearance woods support furniture and high-value decorative applications. In addition to high value hardwood saw logs, our mix includes hardwood fiber logs for pulp and OSB applications. Hardwood pulpwood is a significant market in the Northern region and we have long term supply agreements, primarily at market rates, for nearly 86 percent of our production.

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

Regeneration is predominantly natural, augmented by planting where appropriate.

2017 Northern U.S. Inventory by Species

2017 Northern U.S. Inventory by Age / Species

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The average age of timber harvested from our Northern timberlands in 2017 was 66 years. Timber harvested in the North is sold predominantly as delivered logs to domestic mills, including our manufacturing facilities located in Montana and West Virginia. In accordance with our sustainable forestry practices, we harvest approximately 1 percent of our acreage each year in the North.

Canada — Licensed Timberlands

We manage timberlands in Canada under long-term licenses from the provincial governments to secure volume for our manufacturing facilities in various provinces. The provincial governments regulate the volume of timber that may be harvested each year through Annual Allowable Cuts (AAC), which are updated every 10 years. As of December 31, 2017, our AAC by province was:

Alberta — 3,107 thousand tons,
 British Columbia — 627 thousand tons,
 Ontario — 254 thousand tons and
 Saskatchewan — 632 thousand tons.

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

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

GEOGRAPHIC AREA THOUSANDS OF ACRES AT
 DECEMBER 31, 2017
 TOTAL ACRES UNDER LICENSE
 ARRANGEMENTS

Province:

Alberta	5,398
British Columbia	1,012
Ontario ⁽¹⁾	2,574
Saskatchewan ⁽¹⁾	4,987
Total Canada	13,971

(1) License is managed by partnership.

HOW MUCH WE HARVEST

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

Five-Year Summary of Timberlands Fee Harvest Volumes

FEE HARVEST VOLUMES IN THOUSANDS

	2017	2016	2015	2014	2013
Fee harvest volume – tons:					
West	10,083	11,083	10,563	10,580	8,435
South	27,149	26,343	14,113	14,276	14,177
North	2,205	2,044	—	—	—
Uruguay ⁽¹⁾	822	1,119	980	1,091	902
Other ⁽²⁾	1,384	701	—	—	—
Total	41,643	41,290	25,656	25,947	23,514

(1)

Our Uruguayan operations were divested on September 1, 2017. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

(2)

Other includes volumes managed for the Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see Note 8: Related Parties in Notes to Consolidated Financial Statements.

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PERCENTAGE OF GRADE AND FIBER

		2017	2016	2015	2014	2013
West	Grade	89	% 87	% 87	% 89	% 90
	Fiber	11	% 13	% 13	% 11	% 10
South	Grade	52	% 52	% 59	% 59	% 57
	Fiber	48	% 48	% 41	% 41	% 43
North	Grade	49	% 47	% —	—	—
	Fiber	51	% 53	% —	—	—
Uruguay ⁽¹⁾	Grade	69	% 66	% 65	% 63	% 60
	Fiber	31	% 34	% 35	% 37	% 40
Other ⁽²⁾	Grade	47	% 45	% —	—	—
	Fiber	53	% 55	% —	—	—
Total	Grade	63	% 64	% 73	% 73	% 69
	Fiber	37	% 36	% 27	% 27	% 31

(1)

Our Uruguayan operations were divested on September 1, 2017. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on this divestiture.

(2)

Other includes volumes managed for the Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see Note 8: Related Parties in Notes to Consolidated Financial Statements.

HOW MUCH WE SELL

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

\$1.9 billion in 2017 — up 8 percent from 2016; and

\$1.8 billion in 2016.

Effective December 31, 2017, we terminated the agreements under which we had managed the Twin Creeks timberlands. Refer to Note 8: Related Parties in Notes to Consolidated Financial Statements for further detail.

Our intersegment sales over the last two years were:

\$762 million in 2017 — a decrease of 9 percent from 2016; and

\$840 million in 2016.

The decrease in intersegment sales is primarily due to a decrease in chip and pulp log intersegment sales, which were previously sold to our Cellulose Fibers business segment. Refer to Note 3: Discontinued Operations and Other Divestitures in Notes to Consolidated Financial Statements for further detail regarding this divestiture.

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Five-Year Summary of Net Sales for Timberlands

NET SALES IN MILLIONS OF DOLLARS

	2017	2016	2015	2014	2013
To unaffiliated customers:					
Delivered Logs:					
West	\$915	\$865	\$830	\$972	\$828
South	616	566	241	257	256
North	95	91	—	—	—
Other ⁽¹⁾	59	38	24	22	19
Total	1,685	1,560	1,095	1,251	1,103
Stumpage and pay-as-cut timber	73	85	37	18	9
Uruguay operations ⁽²⁾	63	79	87	88	76
Recreational lease revenue	59	44	25	22	21
Other products ⁽³⁾	62	37	29	36	40
Subtotal sales to unaffiliated customers	1,942	1,805	1,273	1,415	1,249
Intersegment sales:					
United States	520	590	559	576	518
Canada	242	250	271	291	281
Subtotal intersegment sales	762	840	830	867	799
Total	\$2,704	\$2,645	\$2,103	\$2,282	\$2,048

(1) Other delivered logs include sales to unaffiliated customers in Canada and sales from timberlands managed for the Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see [Note 8: Related Parties](#) in [Notes to Consolidated Financial Statements](#).

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

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

Five-Year Trend for Total Net Sales in Timberlands

Percentage of 2017 Sales Dollars to Unaffiliated Customers

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Log Sales Volume

Logs sold to unaffiliated customers in 2017 increased 1.8 million tons — 7 percent — from 2016.

Sales volume in the South increased 1.9 million tons — 12 percent — primarily due to the addition of volumes harvested from acquired Plum Creek Timberlands.

Sales to "Other" unaffiliated customers increased 0.5 million tons — 55 percent — primarily due to increased chips sales in Canada, which we previously sold to our former Cellulose Fibers segment and were intersegment sales during 2016.

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

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

Our sales volume includes logs purchased in the open market and all our domestic and export logs that are sold to unaffiliated customers or transferred at market prices to our internal mills.

Five-Year Summary of Log Sales Volume to Unaffiliated Customers

SALES VOLUME IN THOUSANDS

	2017	2016	2015	2014	2013
Logs – tons:					
West	8,202	8,713	8,212	8,504	7,300
South	17,895	15,967	6,480	6,941	7,198
North	1,574	1,500	—	—	—
Uruguay ⁽¹⁾	291	470	714	667	394
Other ⁽²⁾	1,458	943	551	474	410
Total	29,420	27,593	15,957	16,586	15,302

(1) Our Uruguayan operations were divested on September 1, 2017. Refer to [Note 3:](#)

[Discontinued Operations and Other Divestitures](#) in the [Notes to Consolidated Financial Statements](#) for further information on this divestiture.

(2) Other includes our Canadian operations and managed Twin Creeks Venture. Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see [Note 8: Related Parties](#) in [Notes to Consolidated Financial Statements](#).

Log Prices

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

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

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

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

WHERE WE'RE HEADED

Our competitive strategies include:

- continuing to capitalize on our scale of operations, silviculture expertise and sustainability practices;
- optimizing cash flow through operational excellence initiatives including merchandising for value, harvest and transportation efficiencies, and flexing harvest to capture seasonal and short-term opportunities;
- sustaining our export and domestic market access, infrastructure and strong customer relationships;
- increasing our recreational lease revenue stream; and
- continuing to maximize the value of our timberlands portfolio by managing the acres with the ultimate best use in mind.

REAL ESTATE, ENERGY AND NATURAL RESOURCES

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

WHAT WE DO

Real Estate

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

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

Occasionally we sell a small amount of timberlands acreage in areas where we choose to reduce our market presence, or we can capture a price that exceeds the value derivable from holding and operating as commercial timberlands.

These transactions will vary based on factors including the locations and physical characteristics of the timberlands.

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

The AVO review of our legacy Weyerhaeuser Southern timberlands was completed in fourth quarter 2016. The AVO review of our legacy Weyerhaeuser Western timberlands was completed in second quarter 2017. We will continually revisit our AVO assessment of all of our U.S. timberland acres, including legacy Plum Creek acres for which AVO assessment was completed prior to the merger.

Energy and Natural Resources

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

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

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

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

Real Estate Development Joint Venture

Our share of equity earnings from WestRock-Charleston Land Partners, LLC (WR-CLP) is included in the net contribution to earnings of our Real Estate & ENR segment. WR-CLP develops and sells its acreage of high value rural lands and development-quality lands near Charleston, South Carolina. Refer to Note 8: Related Parties in Notes to Consolidated Financial Statements for further information.

Real Estate, Energy and Natural Resources Sources of Revenue

SOURCES	ACTIVITIES
	Select timberland tracts are sold for recreational, conservation, commercial or residential purposes.
Real Estate	
Energy and Natural Resources	<ul style="list-style-type: none"> • Rights are sold to explore and extract construction aggregates (rock, sand and gravel), coal, industrial materials and oil and natural gas for sale into energy markets. • Ground leases and easements are granted to wind and solar developers to generate renewable electricity from our timberlands. • Rights are granted to access and utilize timberland

acreage for
communications,
pipeline,
powerline and
transportation
rights of way.

WHERE WE DO IT

Our Real Estate business identifies opportunities to realize premium value for our U.S. timberland acreage.

Our significant Energy and Natural Resources revenue sources are located in Oregon, South Carolina and Georgia (construction material royalties); the Gulf South (oil and natural gas royalties); and West Virginia (coal reserves).

HOW MUCH WE SELL

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

\$280 million in 2017 — up 24 percent from 2016; and

\$226 million in 2016.

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

NET SALES IN MILLIONS OF DOLLARS

	2017	2016	2015	2014	2013
Net Sales:					
Real Estate	\$208	\$172	\$75	\$72	\$84
Energy and Natural Resources	72	54	26	32	31
Total	\$280	\$226	\$101	\$104	\$115

Five-Year Summary of Real Estate Sales Statistics

REAL ESTATE SALES STATISTICS

	2017	2016	2015	2014	2013
Acres sold	97,235	82,687	27,390	24,583	25,781
Average price per acre	\$2,079	\$2,072	\$2,490	\$2,428	\$2,462

WHERE WE'RE HEADED

Our competitive strategies include:

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

Table of Contents**WOOD PRODUCTS**

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

WHAT WE DO

Our wood products segment:

provides high-quality softwood lumber, engineered wood products, structural panels, medium density fiberboard (MDF) and other specialty products to the residential, multi-family, industrial, light commercial and repair and remodel markets;

distributes our products as well as complementary building products that we purchase from other manufacturers; and exports our softwood lumber, oriented strand board (OSB) and engineered wood products, primarily to Asia.

Wood Products

PRODUCTS	HOW THEY'RE USED
Structural lumber	Structural framing for new residential, repair and remodel, treated applications, industrial and commercial structures
Engineered wood products	Floor and roof joists, and headers and beams for residential, multi-family and commercial structures
• Solid section	
• I-joists	
Structural panels	Structural sheathing, subflooring and stair tread for residential, multi-family and commercial structures
• OSB	
• Softwood plywood	
Medium density fiberboard (MDF)	Furniture and cabinet components, architectural moldings, doors, store fixtures, core material for hardwood plywood, face material for softwood plywood, commercial wall paneling and substrate for laminate flooring
Other products	Wood chips and other byproducts
Complementary building products	Complementary building products such as cedar, decking, siding, insulation and rebar sold in our distribution facilities

WHERE WE DO IT

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

Summary of Wood Products Capacities and Principal Manufacturing Locations as of December 31, 2017

CAPACITIES IN MILLIONS

	PRODUCTION CAPACITY	NUMBER OF FACILITIES	LOCATION
Structural lumber – board feet	4,985	19	Alabama, Arkansas, Louisiana (2), Mississippi (3), Montana, North Carolina (3), Oklahoma, Oregon (2), Washington (2), Alberta (2), British Columbia
Engineered solid section – cubic feet ⁽¹⁾	43	6	Alabama, Louisiana, Oregon, West Virginia, British Columbia, Ontario
Oriented strand board – square feet (3/8")	3,035	6	Louisiana, Michigan, North Carolina, West Virginia, Alberta, Saskatchewan
Softwood plywood – square feet (3/8")	610	3	Arkansas, Louisiana, Montana
Medium density fiberboard – square feet (3/4") (1)	265	1	Montana

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This represents total press capacity. Three facilities also produce I-Joist to meet market demand. In 2017, approximately 26 percent of the total press production was converted into 213 lineal feet of I-Joist.

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

We also own or lease 18 distribution centers in the U.S. where our products and complementary building products are sold.

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Five-Year Summary of Wood Products Production

PRODUCTION IN MILLIONS

	2017	2016	2015	2014	2013
Structural lumber – board feet	4,509	4,516	4,252	4,152	4,084
Engineered solid section – cubic feet ⁽¹⁾	25.1	22.8	20.9	20.4	18.0
Engineered I-joists – lineal feet ⁽¹⁾	213	184	185	182	168
Oriented strand board – square feet (3/8")	2,995	2,910	2,847	2,749	2,723
Softwood plywood – square feet (3/8 ²)	370	396	248	252	241
Medium density fiberboard – square feet (3/4")	232	209	—	—	—

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

(2) All Weyerhaeuser plywood facilities also produce veneer.

HOW MUCH WE SELL

Revenues of our Wood Products segment come from sales to wood products dealers, do-it-yourself retailers, builders and industrial users. Wood Products net sales were \$5.0 billion in 2017 and \$4.3 billion in 2016.

Five-Year Summary of Net Sales for Wood Products

NET SALES IN MILLIONS OF DOLLARS

	2017	2016	2015	2014	2013
Structural lumber	\$2,058	\$1,839	\$1,741	\$1,901	\$1,873
Engineered solid section	500	450	428	402	353
Engineered I-joists	336	290	284	277	247
Oriented strand board	904	707	595	610	809
Softwood plywood	176	174	129	143	144
Medium density fiberboard	183	158	—	—	—
Other products produced ⁽¹⁾	276	201	189	176	171
Complementary building products	541	515	506	461	412
Total	\$4,974	\$4,334	\$3,872	\$3,970	\$4,009

(1) Includes wood chips and other byproducts.

Five-Year Trend for Total Net Sales in Wood Products

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Percentage of 2017 Net Sales Dollars in Wood Products

Wood Products Volume

Five-Year Summary of Sales Volume for Wood Products

SALES VOLUME⁽¹⁾ IN MILLIONS

	2017	2016	2015	2014	2013
Structural lumber – board feet	4,658	4,723	4,588	4,463	4,436
Engineered solid section – cubic feet	25.1	23.3	21.3	20.0	18.2
Engineered I-joists – lineal feet	220	195	188	184	177
Oriented strand board – square feet (3/8")	2,971	2,934	2,972	2,788	2,772
Softwood Plywood – square feet (3/8")	453	481	381	395	402
Medium density fiberboard – square feet (3/4")	222	206	—	—	—

(1)

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

Wood Products Prices

Prices for commodity wood products — Structural lumber, OSB and Plywood — increased in 2017 from 2016.

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

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

Demand for wood products continued to improve in 2017. The following graphs reflect product price trends for the past five years.

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

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

WHERE WE'RE HEADED

Our competitive strategies include:

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

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EXECUTIVE OFFICERS OF THE REGISTRANT

Adrian M. Blocker, 61, has been senior vice president, Wood Products since January 2015. Previously, he served as senior vice president, Lumber, from August 2013 to December 2014. He joined the company in May 2013 as vice president, Lumber. Prior to joining the company, he served as CEO of the Wood Products Council. He has held numerous leadership positions in the industry focused on forest management, fiber procurement, consumer packaging, strategic planning, business development and manufacturing, including at West Fraser, International Paper and Champion International.

Russell S. Hagen, 52, has been senior vice president and chief financial officer since February 2016. Previously, he served as senior vice president, Business Development, at Plum Creek from December 2011 to February 2016. Prior to this he was vice president, Real Estate Development, overseeing the development activities of the company's real estate, oil and gas, construction materials and bioenergy businesses. Mr. Hagen began his career in 1988 with Coopers and Lybrand, where he was a certified public accountant and led the audits of public clients in technology, banking and natural resource industries. He joined Plum Creek in 1993 as Manager of Internal Audit and held director-level positions in accounting, financial operations, risk management and information technology.

Kristy T. Harlan, 44, has been senior vice president, general counsel and corporate secretary since January 2017. She leads the company's Law department, with responsibility for global legal, compliance, real estate services and land title functions. Before joining the company, she was a partner at K&L Gates LLP since 2007. Previously, she worked as an attorney at Preston Gates & Ellis LLP and Akin Gump Strauss Hauer & Feld.

Devin W. Stockfish, 44, has been senior vice president, Timberlands, since January 2018. Previously, he has served as senior vice president, general counsel and corporate secretary, and vice president, Western Timberlands. He joined the company in March 2013 as corporate secretary and assistant general counsel. Before joining the company, he was vice president & associate general counsel at Univar Inc. where he focused on mergers and acquisitions, corporate governance and securities law. Previously, he was an attorney in the law department at Starbucks Corporation and practiced corporate law at K&L Gates LLP. Before he began practicing law, Mr. Stockfish was an engineer with the Boeing Company.

James A. Kilberg, 61, has been senior vice president, Real Estate, Energy and Natural Resources, since April 2016. In this position, he oversees the company's real estate development, land asset management, conservation, mitigation banking, recreational lease management, oil and gas, construction materials, heavy minerals, wind and water. Prior to joining the company, he served as Plum Creek's senior vice president, Real Estate, Energy and Natural Resources, from 2006 until February 2016, and as Plum Creek's vice president, Land Management, from 2001 until 2006. Prior to joining Plum Creek, Mr. Kilberg held several executive positions in real estate, asset management and development. He currently serves on the board of the Georgia Chamber of Commerce and the Alliance Theater, as well as the Corporate Council of the Land Trust Alliance.

Denise M. Merle, 54, has been senior vice president, Human Resources and Information Technology, since February 2016. Prior to her current role, she was senior vice president, Human Resources and Investor Relations, since August 2014; and senior vice president, Human Resources, since February 2014. She was director, Finance and Human Resources, for the Lumber business since 2013. Prior to that, she was director, Compliance & Enterprise Planning, from 2009 to 2013, and director, Internal Audit, from 2004 to 2009. She has also held various roles in the company's paper and packaging businesses, including finance, capital planning and analysis, and business development. She is a licensed CPA in the state of Washington. She serves on the Board of Advisors of the Seattle University business school.

Doyle R. Simons, 54, has been president and chief executive officer since August 2013 and a director of the company since June 2012. He was appointed chief executive officer-elect and an executive officer of the company in June 2013. Prior to joining the company, he served as chairman and chief executive officer of Temple-Inland, Inc., from 2008 until February 2012 when it was acquired by International Paper Company. He held various management positions with Temple-Inland, including executive vice president from 2005 through 2007 and chief administrative officer from 2003 to 2005. Prior to joining Temple-Inland in 1992, he practiced real estate and banking law with Hutcheson and Grundy, L.L.P. He also serves on the Board of Fiserv, Inc.

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NATURAL RESOURCE AND ENVIRONMENTAL MATTERS

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

REGULATIONS AFFECTING FORESTRY PRACTICES

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

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

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

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

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

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

ENDANGERED SPECIES PROTECTIONS

In the United States, a number of fish and wildlife species that inhabit geographic areas near or within our timberlands have been listed as threatened or endangered under the federal Endangered Species Act (ESA) or similar state laws, such as:

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

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

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

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

Such actions could increase our operating costs and affect timber supply and prices in general. To date, we do not believe that these measures have had, and we do not believe that in 2018 they will have, a significant effect on our harvesting operations. We anticipate that likely future actions will not disproportionately affect Weyerhaeuser as compared with comparable operations of U.S. competitors.

In Canada:

The federal Species at Risk Act (SARA) requires protective measures for species identified as being at risk and for critical habitat, pursuant to SARA, Environment Canada continues to identify and assess species deemed to be at risk and their critical habitat.

In October 2012, the Canadian Minister of the Environment released a strategy for the recovery of the boreal population of woodland caribou under the SARA. The population and distribution objectives for boreal caribou across Canada are to (1) maintain the current status of existing, self-sustaining local caribou populations and (2) stabilize and achieve self-sustaining status for non-self-sustaining local caribou populations. Critical habitat for boreal caribou is identified for all boreal caribou ranges, except for northern Saskatchewan's Boreal Shield range (SK1) where additional information is required for that population. Species assessment and recovery plans are developed in consultation with aboriginal communities and stakeholders.

In 2017, the Provinces were required to update the federal government on any progress associated with their draft caribou range plans. These draft plans will be further evaluated in 2018, and any additional information on potential impacts to forest harvest operations will be released.

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The identification and protection of habitat and the implementation of range plans and land use action plans may, over time, result in additional restrictions on timber harvests and other forest management practices that could increase operating costs for operators of timberlands in Canada. To date, we do not believe that these Canadian measures have had, and we do not believe that in 2018 they will have, a significant effect on our harvesting operations. We anticipate that likely future measures will not disproportionately affect Weyerhaeuser as compared with similar operations of Canadian competitors.

FOREST CERTIFICATION STANDARDS

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

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

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

WHAT THESE REGULATIONS AND CERTIFICATION PROGRAMS MEAN TO US

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

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

We believe that these kinds of programs have not had, and in 2018 will not have, a significant effect on our total harvest of timber in the United States or Canada. However, these kinds of programs may have such an effect in the future. We expect we will not be disproportionately affected by these programs as compared with typical owners of comparable timberlands. We also expect that these programs will not significantly disrupt our planned operations over large areas or for extended periods.

CANADIAN ABORIGINAL RIGHTS

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

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

- additional restrictions on the sale or harvest of timber,

potential increase in operating costs and
impact to 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 2018, although they may have such an effect in the future. In 2008, FPAC, of which we are a member, signed a Memorandum of Understanding with the Assembly of First Nations, under which the parties agree to work together to strengthen Canada's forest sector through economic-development initiatives and business investments, strong environmental stewardship and the creation of skill-development opportunities particularly targeted to aboriginal youth.

POLLUTION-CONTROL REGULATIONS

Our operations are subject to various laws and regulations, including:

federal,

state,

provincial and

local pollution controls.

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

air, water and land;

solid and hazardous waste management;

waste disposal;

remediation of contaminated sites; and

the chemical content of some of our products.

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

Our capital projects typically are designed to:

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

ENVIRONMENTAL CLEANUP

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

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

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

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

We spent approximately \$15 million in 2017 and expect to spend approximately \$14 million in 2018 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 \$48 million. Based on currently available information and analysis, remediation costs for all identified sites may exceed our existing reserves by up to \$150 million. This estimate of the upper end of the range of reasonably possible additional costs is much less certain than the estimates we currently are using to determine how much to accrue. The estimate of the upper range also uses assumptions less favorable to us among the range of reasonably possible outcomes.

REGULATION OF AIR EMISSIONS IN THE U.S.

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

- wood products facilities and
- industrial boilers.

These regulations cover:

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

Between 2011 and 2015, the EPA issued three related portions of new MACT standards for industrial boilers and process heaters. In July 2016, a court decision was issued that remains unsettled at this time, but which will cause certain of the emissions standards to be re-issued. Some of these re-issued emissions standards will be applicable to a small number of our wood products mills. Because the court decision remains unsettled and because we do not know how or when the EPA will implement the final court decision, we cannot predict whether or when the emission standard revisions may have a material impact on regulatory compliance costs at our mills. We do not expect any

material expenditures in 2017 to comply with MACT standards.

The EPA must still promulgate supplemental MACT standards for plywood, lumber and composite wood products facilities. The EPA is expected to collect information for these future rulemakings in 2017.

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

In 2010, the EPA issued a final greenhouse gas rule limiting the growth of emissions from new projects meeting certain thresholds. On June 23, 2014, the US Supreme Court issued a decision that removed potential applicability of the underlying 2010 regulations based solely on greenhouse gas emissions and limited application of the rule's technology requirements to larger emission sources as a result of new emissions from non-greenhouse gas pollutants. As a result of this Supreme Court ruling, EPA is expected to issue new regulations to set thresholds for when the greenhouse gas technology requirements apply if the non-greenhouse gas emissions trigger the rule in the first instance. The impact of the Supreme Court ruling is to end the potential applicability of the technology requirements for our smaller manufacturing operations and limit the applicability for our other operations.

In 2015, the EPA issued an extensive regulatory program for new and existing electric utility generating units to scale back emissions of greenhouse gas carbon dioxide (CO₂) arising from fossil fuel use to generate electricity. EPA also proposed additional regulations related to how states and federal agencies may implement the requirements finalized in 2015. This regulatory program potentially will have indirect impacts on our operations, such as from rising purchased electricity prices or from mandated energy demand reductions that could apply to our mills and other facilities that we operate. We are evaluating the regulations and additional proposals but are not able to predict whether the regulations, when complete and implemented, will have a material impact on our operations.

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

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

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

- closely monitor legislative, regulatory and scientific developments pertaining to climate change;
- adopted in 2006, as part of the company's sustainability program, a goal of reducing greenhouse gas emissions by 40 percent by 2020 compared with our emissions in 2000, assuming a comparable portfolio and regulations;
- determined to achieve this goal by increasing energy efficiency and using more greenhouse gas-neutral, biomass fuels instead of fossil fuels; and
- reduced greenhouse gas emissions by approximately 25 percent considering changes in the asset portfolio according to 2014 data, compared to our 2000 baseline.

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

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

We believe these developments have not had, and in 2018 will not have, a significant effect on our operations.

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

REGULATION OF AIR EMISSIONS IN CANADA

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

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

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

All Canadian provincial governments:

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

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

We believe these measures have not had, and in 2018 will not have, a significant effect on our operations. Although these measures could have a material adverse effect on our operations in the future, we expect that we will not be disproportionately affected by these measures as compared with owners of comparable operations. We also expect that these measures will not significantly disrupt our planned operations.

REGULATION OF WATER

In the U.S., as a result of litigation under the federal Clean Water Act, additional federal or state permits are now required in some states for the application of pesticides, including herbicides, on timberlands. Those permits have entailed payment of additional costs. In 2015, federal regulatory agencies adopted rules that potentially expand the definition of waters subject to federal Clean Water Act jurisdiction, which could increase the scope and number of permits required for forestry-related activities and entail additional costs for Weyerhaeuser and other forest landowners in the U.S. Those rules were challenged in various federal courts by numerous parties and states, and a nationwide injunction was issued against the rule by the Sixth Circuit Court of Appeals. The U.S. Supreme Court recently ruled that the circuit court does not have jurisdiction over the case, so the nationwide injunction will be dissolved in the immediate future, but one other injunction still blocks the rule in several states. On January 31, 2018, federal agencies took regulatory action to further delay the 2015 rules from going into effect until February 2020. That action will likely be challenged in litigation. If any such challenge is successful, other injunctive efforts will likely be pursued by the parties to one or more of the other pending cases challenging the 2015 rules, whose jurisdiction has now been confirmed by the Supreme Court. Meanwhile, the federal agencies will likely continue to pursue the repeal of the 2015 rules entirely and replacement of them with the pre-2015 rules. We are not able to predict the ultimate resolution of these pending legal and regulatory actions.

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

In 2016, the EPA finalized new and revised federal Clean Water Act water quality standards and human health criteria that would apply to waters under the state of Maine's jurisdiction.

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

We believe the above developments have not had, and in 2018 will not have, a significant effect on our operations. Although these measures could have a material adverse effect on our operations in the future, we expect that we will not be disproportionately affected by these measures as compared with owners of comparable operations. We also expect that these measures will not significantly disrupt our planned operations.

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POTENTIAL CHANGES IN POLLUTION REGULATION

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

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

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

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

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FORWARD-LOOKING STATEMENTS

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

- are based on various assumptions we make and

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

These statements reflect our current views with respect to future events. Factors listed in this section, factors discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report, and other factors not included, may cause our actual results to differ significantly from our forward-looking statements. There is no guarantee that any of the events anticipated by our forward-looking statements will occur. Or if any of the events occur, there is no guarantee what effect it will have on our operations, cash flows, or financial condition.

We undertake no obligation to update our forward-looking statements after the date of this report.

FORWARD-LOOKING TERMINOLOGY

Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often use words such as expects, may, should, will, believes, anticipates, estimates, projects, intends, plans, targets or approximately, or similar words. They may use the positive, negative or another variation of those and similar words.

STATEMENTS

In this report we make forward-looking statements concerning our plans, strategies, intentions and expectations, including with respect to our strategic corporate initiatives; operational excellence initiatives, including costs and product development and production; estimated taxes and tax rates; future debt payments; future dividends; future restructuring charges; expected results of litigation and other legal proceedings and the sufficiency of litigation and other contingent liability reserves; expected uses of cash, including share repurchases; expected capital expenditures; expected economic conditions, including markets, pricing and demand for our products; laws and regulations relevant to our businesses; and our expectations relating to pension contributions and benefit payments.

RISKS, UNCERTAINTIES AND ASSUMPTIONS

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

- the effect of general economic conditions, including employment rates, interest rate levels, housing starts, general availability of financing for home mortgages and the relative strength of the U.S. dollar;

- market demand for the company's products, including market demand for our timberland properties with higher and better uses, which is related to, among other factors, the strength of the various U.S. business segments and U.S. and international economic conditions;

- changes in currency exchange rates, particularly the relative value of the U.S. dollar to the yen and the Canadian dollar, and the relative value of the euro to the yen;

- restrictions on international trade, tariffs imposed on imports and the availability and cost of shipping and transportation; economic activity in Asia, especially Japan and China;

- performance of our manufacturing operations, including maintenance and capital requirements;

- potential disruptions in our manufacturing operations;

- the level of competition from domestic and foreign producers;

- the successful execution of our internal plans and strategic initiatives, including restructuring and cost reduction initiatives;

- the successful and timely execution and integration of our strategic acquisitions, including our ability to realize expected benefits and synergies, and the successful and timely execution of our strategic divestitures, each of which is subject to a number of risks and conditions beyond our control including, but not limited to, timing and required regulatory approvals;

- raw material availability and prices;

- the effect of weather;

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

- energy prices;
- transportation and labor availability and costs;
- federal tax policies;
- the effect of forestry, land use, environmental and other governmental regulations;
- legal proceedings;
- performance of pension fund investments and related derivatives;
- the effect of timing of employee retirements and changes in the market price of our common stock on charges for share-based compensation;
- the accuracy of our estimates of costs and expenses related to contingent liabilities;
- changes in accounting principles; and
- other factors described in this report under Risk Factors.

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RISK FACTORS

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

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

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

RISKS RELATED TO OUR INDUSTRY

MACROECONOMIC CONDITIONS

The industries in which we operate are sensitive to macroeconomic conditions and consequently are highly cyclical. The overall levels of demand for the products we manufacture and distribute reflect fluctuations in levels of end-user demand, which consequently impact our sales and profitability. End-user demand depends in large part on general macroeconomic conditions, both in the U.S. and globally, as well as on local economic conditions. Current economic conditions in the United States reflect growth at or below historical trends. Global economic conditions reflect issues such as inflation and volatile and sporadic growth in emerging countries. The length and magnitude of industry cycles vary over time, both by market and by product, but generally reflect changes in macroeconomic conditions and levels of industry capacity. Any decline or stagnation in macroeconomic conditions could cause us to experience lower sales volume and reduced margins.

COMMODITY PRODUCTS

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

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

INDUSTRY SUPPLY OF LOGS AND WOOD PRODUCTS

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

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

HOMEBUILDING MARKET AND ECONOMIC RISKS

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

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

Homebuyers' ability to qualify for and obtain affordable mortgages could be affected by changes in interest rates, changes in home loan underwriting standards and government sponsored entities and private mortgage insurance companies supporting the mortgage market.

Access to affordable mortgage financing is critical to the health of the U.S. housing market. Generally, increases in interest rates make it more difficult for home buyers to obtain mortgage financing, which could negatively affect demand for housing and, in turn, negatively affect demand for our wood products. After an extended period during which the U.S. Federal Reserve kept its benchmark interest rate at historically low levels, it began raising rates again in 2016 and 2017. The number and extent of further rate increases is uncertain.

Credit requirements were severely tightened, and the number of mortgage loans available for financing home purchases were severely reduced, during the most recent recession and ensuing credit crisis. Although the availability of credit has improved since that time, the demand for new homes could be limited or adversely affected if credit requirements were to again tighten or become more restrictive for any reason.

The liquidity provided to the mortgage industry by Fannie Mae and Freddie Mac, both of which purchase home mortgages and mortgage-backed securities originated by mortgage lenders, has been critical to the housing market. Any political or other developments that would have the effect of limiting or restricting the availability of financing by these government sponsored entities could also adversely affect interest rates and the availability of mortgage financing. Whether resulting from direct increases in borrowing rates, tightened underwriting standards on mortgage loans or reduced federal support of the mortgage lending industry, a challenging mortgage financing environment could reduce demand for housing and, therefore, adversely affect demand for our products.

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

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

TRANSPORTATION

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

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

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

RISKS RELATED TO OUR BUSINESS

MANAGING COMMERCIAL TIMBERLANDS RISKS

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

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

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

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

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

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

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

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

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

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

Timberlands make up a significant portion of our business portfolio.

Our real property holdings are primarily timberlands and we may make additional timberlands acquisitions in the future. As the owner and manager of approximately 12.4 million acres of timberlands, we are subject to the risks that are inherent in concentrated real estate investments. A downturn in the real estate industry generally, or the timber or forest products industries specifically, could reduce the value of our properties and adversely affect our results of operations. Such a downturn could also adversely affect our customers and reduce the demand for our products, as well as our ability to realize upon our strategy of selling nonstrategic timberlands and timberland properties that have higher and better uses at attractive prices. These risks may be more pronounced than if we diversified our investments outside of real property holdings.

MANUFACTURING AND SELLING WOOD PRODUCTS RISKS

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

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

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

Any such downtime or facility damage could prevent us from meeting customer demand for our products or require us to make unplanned capital expenditures. If one of our facilities or machines 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. Although some risks are not insurable and some coverage is limited, we purchase insurance protecting our manufacturing facilities from fires, floods, windstorms, earthquakes, equipment failures and boiler explosions.

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

Our products may compete with non-fiber based alternatives or with alternative products in certain market segments. For example, plastic, wood/plastic or composite materials may be used by builders as alternatives to 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. If use of these alternative products grows, demand for and pricing of our products could be adversely affected.

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

Our results may be materially adversely affected by a change in our product mix or pricing. If we are not successful in implementing previously announced or future price increases, or in our plans to increase sales of higher-priced, higher-value products, or if there are delays in acceptance of price increases or if customers do not accept higher-priced products, our results of operations and financial condition could be materially and adversely affected. Price discounting, if required to maintain our competitive position in one or more markets, could result in lower than anticipated price realizations and margins.

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

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

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Another emerging form of competition is between brands of sustainably produced products; customer demand for certain brands could reduce competition among buyers for our products or cause other adverse effects.

In North America, our forests are third party-certified to the Sustainable Forestry Initiative (SFI®) standard. Some of our customers have expressed a preference in certain of our product lines for products made from raw materials sourced from forests certified to different standards, including standards of the Forest Stewardship Council (FSC). If and to the extent that preference for a standard other than SFI® becomes a customer requirement, there may be reduced demand and lower prices for our products relative to competitors who can supply products sourced from forests certified to competing certification standards. If we seek to comply with such other standards, we could incur materially increased costs for our operations or be required to modify our operations, such as reducing harvest levels. FSC, in particular, employs standards that are geographically variable and could cause a material reduction in the harvest levels of some of our timberlands, most notably in the Pacific Northwest.

Our business and operations could be materially adversely affected by changes in the cost or availability of raw materials and energy.

We rely heavily on certain raw materials (principally wood fiber and chemicals) and energy sources (principally natural gas, electricity and fuel oil) in our manufacturing processes. Our ability to increase earnings has been, and will continue to be, affected by changes in the costs and availability of such raw materials and energy sources. We may not be able to fully offset the effects of higher raw material or energy costs through price increases, productivity improvements, cost-reduction programs or hedging arrangements.

RISKS RELATED TO CAPITAL MARKETS

CAPITAL MARKETS

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

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

CREDIT RATINGS

Changes in credit ratings issued by nationally recognized rating organizations could adversely affect our cost of financing and have an adverse effect on the market price of our securities.

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

CAPITAL REQUIREMENTS AND ACCESS TO CAPITAL

Our operations require substantial capital.

Our businesses require substantial capital for expansion and for repair or replacement of existing facilities or equipment. Although we maintain our production equipment with regular scheduled maintenance, key pieces of equipment may need to be repaired or replaced periodically. The costs of repairing or replacing such equipment and the associated downtime of the affected production line could have a significant impact on our financial condition, results of operations and cash flows.

While we believe our capital resources will be adequate to meet our current projected operating needs, capital expenditures and other cash requirements, if for any reason we are unable to provide for our operating needs, capital expenditures and other cash requirements on acceptable economic terms, we could experience a material adverse

effect on our business, financial condition, results of operations and cash flows.

FOREIGN CURRENCY

We will be affected by changes in currency exchange rates.

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

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RISKS RELATED TO LEGAL, REGULATORY AND TAX

ENVIRONMENTAL LAWS AND REGULATIONS

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

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

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

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

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

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

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

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

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

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

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

LEGAL MATTERS

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

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

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The outcome, costs and other effects of current legal matters in which we are involved, and any related insurance recoveries, cannot be determined with certainty. Although the disclosures in Note 14: Legal Proceedings, Commitments and Contingencies and Note 20: Income Taxes of Notes to Consolidated Financial Statements contain management's current views of the effect such legal matters could have on our financial results, there can be no assurance that the outcome of such legal matters will be as currently expected. It is possible that there could be adverse judgments against us in some or all major litigation matters against us, and that we could be required to take a charge and make cash payments for all or a portion of any related awards of damages. Any one or more of such charges or cash payment could materially and adversely affect our results of operations or cash flows for the quarter or year in which we record or pay it.

REIT STATUS AND TAX IMPLICATIONS

If we fail to remain qualified as a REIT, our taxable income would be subject to tax at corporate rates and we would not be able to deduct dividends to shareholders.

In any taxable year in which we fail to qualify as a REIT, unless we are entitled to relief under the Internal Revenue Code:

- We would not be allowed to deduct dividends to shareholders in computing our taxable income.

- We would be subject to federal and state income tax on our taxable income at applicable corporate rates.

- We also would be disqualified from treatment as a REIT for the four taxable years following the year during which we lost qualification.

Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code to our operations and the determination of various factual matters and circumstances not entirely within our control. There are only limited judicial or administrative interpretations of these provisions. Although we operate in a manner consistent with the REIT qualification rules, we cannot assure you that we are or will remain so qualified. Certain of our business activities are subject to corporate-level income tax and potentially subject to prohibited transactions tax.

Under the Internal Revenue Code, REITs generally must engage in the ownership and management of income producing real estate. For the company, this generally includes owning and managing a timberland portfolio for the production and sale of standing timber. Accordingly, the harvesting and sale of logs, the development or sale of certain timberlands and other real estate, and the manufacture and sale of wood products are conducted through one or more of our wholly-owned taxable REIT subsidiaries (TRSs) because such activities could generate non-qualifying REIT income and could constitute "prohibited transactions." Prohibited transactions are defined by the Internal Revenue Code generally to be sales or other dispositions of property to customers in the ordinary course of a trade or business. By conducting our business in this manner, we believe that we satisfy the REIT requirements of the Internal Revenue Code and are not subject to the 100 percent tax that could be imposed if a REIT were to conduct a prohibited transaction. The net income of our TRSs is subject to corporate-level income tax.

The extent of our use of our TRSs may affect the price of our common shares relative to the share price of other REITs.

We conduct a significant portion of our business activities through one or more TRSs. The use of our TRSs enables us to engage in non-REIT qualifying business activities such as the sale of logs, production and sale of wood products, and the development and sale of certain higher and better use (HBU) property. Our TRSs are subject to corporate-level income tax. Under the Code, no more than 20 percent of the value of the gross assets of a REIT may be represented by securities of one or more TRSs. This limitation may affect our ability to increase the size of our TRSs' operations. Furthermore, our use of TRSs may cause the market to value our common shares differently than the shares of other REITs, which may not use TRSs as extensively as we use them.

We may be limited in our ability to fund distributions using cash generated through our TRSs.

The ability of the REIT to receive dividends from our TRSs is limited by the rules with which we must comply to maintain our status as a REIT. In particular, at least 75 percent of gross income for each taxable year as a REIT must be derived from real estate sources including sales of our standing timber and other types of qualifying real estate

income and no more than 25 percent of our gross income may consist of dividends from our TRSs and other non-real estate income.

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

Our cash dividends are not guaranteed and may fluctuate.

Generally, REITs are required to distribute 90 percent of their ordinary taxable income and 95 percent of their net capital gains income. Capital gains may be retained by the REIT but would be subject to corporate income taxes. If capital gains are retained rather than distributed, our shareholders would be notified, and they would be deemed to have received a taxable distribution, with a refundable credit for any federal income tax paid by the REIT.

Accordingly, we believe that we are not required to distribute material amounts of cash since substantially all of our taxable income is treated as capital gains income. Our board of directors, in its sole discretion, determines the amount of quarterly dividends to be provided to our shareholders based on consideration of a number of factors. These factors include, but are not limited to, our results of operations, cash flow and capital requirements, economic conditions, tax considerations, borrowing capacity and other factors, including debt covenant restrictions that may impose limitations on cash payments, future acquisitions and divestitures, harvest levels, changes in the price and demand for our products and general market demand for timberlands including those timberland properties that have higher and better uses. Consequently, our dividend levels may fluctuate.

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

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

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IMPORT/EXPORT TAXES AND DUTIES

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

We export logs and finished wood products to foreign markets, and our ability to do so profitably is affected by U.S. and foreign trade policy. International trade disputes occur frequently and can be taken to an International Trade Court for resolution of unfair trade practices between countries. For example, there have been many disputes and subsequent trade agreements regarding sales of softwood lumber between Canada, historically a significant source of lumber for the U.S. market, and the United States. The Softwood Lumber Agreement (SLA) between Canada and the U.S., originally signed in October 2006, expired in October 2015, and a new agreement has not been reached. The prior agreement imposed a sliding scale export tax on Canadian lumber exported to the U.S. when the price of lumber was at or below a threshold price. In November 2016, a coalition of U.S. lumber producers filed petitions seeking countervailing and anti-dumping duties on Canadian lumber. On the basis of the U.S. International Trade Commission's affirmative finding of injury to U.S. lumber producers, the U.S. Department of Commerce recently imposed final anti-dumping and countervailing duties at a combined rate of 20.23% on most Canadian softwood lumber exporters.

For more information regarding the status of the softwood lumber agreement and any U.S. government regulatory action regarding imposition of countervailing and anti-dumping duties or other actions, and the effect of any such actions on our business, see the discussion in the Management's Discussion and Analysis - Softwood Lumber Agreement section of this report.

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

DISTRIBUTION OF WRECO SHARES

We could incur substantial U.S. federal tax liability if the WRECO transaction were found not to qualify as a tax-free "reorganization" or the distribution of WRECO shares to Weyerhaeuser shareholders were found not to qualify as a tax-free distribution.

In 2014, we closed the divestiture of our home building business, Weyerhaeuser Real Estate Company (WRECO), via a "Reverse Morris Trust" transaction pursuant to which a wholly-owned subsidiary of TRI Pointe Homes, Inc. (TRI Pointe) merged with and into WRECO, with WRECO surviving the merger and becoming a wholly-owned subsidiary of TRI Pointe. The Reverse Morris Trust transaction was structured to qualify as a tax-free reorganization and the associated distribution of WRECO shares to Weyerhaeuser shareholders as a tax-free distribution. If the transaction were determined not to qualify as a tax-free reorganization, or if the distribution does not qualify as a tax-free distribution, then Weyerhaeuser or its subsidiaries or Weyerhaeuser shareholders may be required to pay substantial U.S. federal income taxes.

If the transaction were determined not to qualify as a tax-free reorganization or the distribution not to qualify as a tax-free distribution, or if Weyerhaeuser were required to indemnify TRI Pointe and WRECO, such taxes and indemnification obligations could be substantial and could materially and adversely affect the company's cash flows, financial condition and results of operations.

OUR MERGER WITH PLUM CREEK TIMBER COMPANY, INC.

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

On February 19, 2016, Plum Creek Timber Company, Inc. merged with and into Weyerhaeuser Company, with Weyerhaeuser continuing as the surviving company. Both companies have operated in a manner intended to qualify them as "REITs" for U.S. federal income tax purposes under the Internal Revenue Code. See "REIT Status and Tax

Implications” above for a description of the consequences of our failure to maintain REIT status. However, even if we have operated in a manner that allows us to retain our REIT status, if Plum Creek were deemed to have lost its REIT status for a taxable year before the merger or the taxable year in which the merger occurred, we could face serious tax consequences that could substantially reduce cash available for distribution to our shareholders and significantly impair our ability to expand our business and raise capital. In addition, if the merger were determined not to qualify as a tax-free merger, we could incur substantial federal tax liability that could materially and adversely affect the company's cash flows, financial condition and results of operations.

OTHER RISKS

CYBERSECURITY

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

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

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PENSION PLAN LIABILITY

We have a significant pension liability.

A portion of our current and former employees have accrued benefits under our defined benefit pension plans. Although the plans are not open to employees hired on or after January 1, 2014, current employees hired before that time continue to accrue benefits. Requirements for funding our pension plan liabilities are based on a number of actuarial assumptions, including the expected rate of return on our plan assets and the discount rate applied to our pension plan obligations. Fluctuations in equity market returns and changes in long-term interest rates could increase our costs under our plans and may significantly impact future contribution requirements. It is unknown what the actual investment return on our pension assets will be in future years and what interest rates may be at any given point in time. We cannot therefore provide any assurance of what our actual pension plan costs will be in the future, or whether we will be required under applicable law to make future material plan contributions. See Note 9: Pension and Other Postretirement Benefit Plans of Notes to Consolidated Financial Statements for additional information about these plans, including funding status.

STRATEGIC INITIATIVES

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

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

We may be unsuccessful in carrying out our acquisition strategy.

We intend to strategically pursue acquisitions of timberland properties when market conditions warrant. As with any investment, our acquisitions may not perform in accordance with our expectations. In addition, we anticipate financing such acquisitions through cash from operations, borrowings under our unsecured credit facilities, proceeds from equity or debt offerings or proceeds from asset dispositions, or any combination thereof. Our inability to finance future acquisitions on favorable terms could adversely affect our results of operations.

PEOPLE

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

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

STOCK-PRICE VOLATILITY

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

- actual or anticipated fluctuations in our operating results or our competitors' operating results;
- announcements by us or our competitors of new products, capacity changes, significant contracts, acquisitions or strategic investments;
- our growth rate and our competitors' growth rates;
- general economic conditions;
- conditions in the financial markets;
- 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;
sales or repurchases of substantial amounts of common stock;
changes in accounting principles; and
changes in tax laws and regulations.

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

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UNRESOLVED STAFF COMMENTS

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

PROPERTIES

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

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

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

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

LEGAL PROCEEDINGS

See Note 14: Legal Proceedings, Commitments and Contingencies and Note 20: Income Taxes in the Notes to Consolidated Financial Statements for a summary of legal proceedings.

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

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

New York Stock Exchange

As of December 31, 2017, there were 15,138 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 2017 and 2016 are included in Note 22: Selected Quarterly Financial Information (unaudited) in the Notes to Consolidated Financial Statements.

INFORMATION ABOUT SECURITIES AUTHORIZED FOR ISSUANCE UNDER OUR EQUITY COMPENSATION PLAN

	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES TO BE ISSUED UPON EXERCISE)
Equity compensation plans approved by security holders ⁽¹⁾	11,232,881	\$ 21.21	21,092,207
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	11,232,881	\$ 21.21	21,092,207

(1)

Includes 1,509,474 restricted stock units and 965,347 performance share units. Because there is no exercise price associated with restricted stock units and performance share units, excluding these stock units the weighted average exercise price calculation would be \$26.38.

INFORMATION ABOUT COMMON STOCK REPURCHASES DURING 2017

The 2016 Share Repurchase Authorization was approved in November 2015 by our Board of Directors and authorized management to repurchase up to \$2.5 billion of outstanding shares subsequent to the closing of our merger with Plum Creek. Transaction fees incurred for repurchases are not counted as use of funds authorized for repurchase under the 2016 Share Repurchase Authorization. All common stock purchases under the stock repurchase program are to be

made in open-market transactions. We did not enter into any common stock repurchases during 2017.

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COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN

Weyerhaeuser Company, S&P 500 and S&P Global Timber & Forestry Index

PERFORMANCE GRAPH ASSUMPTIONS

Assumes \$100 invested on December 31, 2012, in Weyerhaeuser common stock, the S&P 500 Index and the S&P Global Timber & Forestry Index.

• Total return assumes dividends received are reinvested at month end.

• Measurement dates are the last trading day of the calendar year shown.

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SELECTED FINANCIAL DATA

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

PER COMMON SHARE

	2017	2016	2015	2014	2013
Diluted earnings from continuing operations attributable to Weyerhaeuser common shareholders	\$0.77	\$0.55	\$0.71	\$1.02	\$0.54
Diluted earnings from discontinued operations attributable to Weyerhaeuser common shareholders	\$—	\$0.84	\$0.18	\$2.16	\$0.41
Diluted net earnings attributable to Weyerhaeuser common shareholders	\$0.77	\$1.39	\$0.89	\$3.18	\$0.95
Dividends paid	\$1.25	\$1.24	\$1.20	\$1.02	\$0.81
Weyerhaeuser shareholders' interest (end of year)	\$11.78	\$12.26	\$9.54	\$10.11	\$11.64
FINANCIAL POSITION ⁽¹⁾					
	2017	2016	2015	2014	2013
Total assets	\$18,059	\$19,243	\$12,470	\$13,247	\$14,352
Total long-term debt, including current portion ⁽²⁾	\$5,992	\$6,610	\$4,787	\$4,873	\$4,871
Weyerhaeuser shareholders' interest	\$8,899	\$9,180	\$4,869	\$5,304	\$6,795
Percent earned on average year-end Weyerhaeuser shareholders' interest	6.4	% 14.3	% 9.1	% 29.5	% 9.9
OPERATING RESULTS					
	2017	2016	2015	2014	2013
Net sales	\$7,196	6,365	5,246	5,489	5,373
Earnings from continuing operations	582	415	411	616	330
Discontinued operations, net of income taxes	—	612	95	1,210	233
Net earnings	582	1,027	506	1,826	563
Dividends on preference shares	—	(22)	(44)	(44)	(23)
Net earnings attributable to Weyerhaeuser common shareholders	\$582	\$1,005	\$462	\$1,782	\$540
CASH FLOWS ⁽¹⁾					
	2017	2016	2015	2014	2013
Net cash from operations	\$1,201	\$735	\$1,075	\$1,109	\$1,023
Net cash from investing activities	367	2,559	(487)	361	(1,848)
Net cash from financing activities	(1,420)	(3,630)	(1,156)	(725)	762
Net change in cash and cash equivalents	\$148	\$(336)	\$(568)	\$745	\$(63)
STATISTICS (UNAUDITED)					
	2017	2016	2015	2014	2013
Number of employees	9,300	10,400	12,600	12,800	13,700
Number of common shareholder accounts at year-end	15,138	15,504	7,700	8,248	8,859
Number of common shares outstanding at year-end (thousands)	755,223	748,528	510,483	524,474	583,548
Weighted average common shares outstanding – diluted (thousands)	756,666	722,401	519,618	560,899	571,239

(1) Amounts are not updated for the Cellulose Fibers divestitures. See Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements.

(2) Does not include nonrecourse debt held by our Variable Interest Entities (VIEs). See Note 8: Related Parties in the Notes to Consolidated Financial Statements for further information on our VIEs and the related nonrecourse debt.

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

WHAT YOU WILL FIND IN THIS MD&A

Our MD&A includes the following major sections:

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

ECONOMIC AND MARKET CONDITIONS AFFECTING OUR OPERATIONS

The demand for logs within our Timberlands segment is directly affected by production levels of domestic wood-based building products. This segment, specifically the Western region, is also affected by export demand. Japanese housing starts are a key driver of export log demand in Japan. The strength of the U.S. housing market strongly affects demand in our Wood Products segment, as does repair and remodeling activity.

According to the U.S. Census Bureau, housing starts in 2017 totaled 1.2 million units. Single family units accounted for 0.8 million of total housing starts year to date, increasing the share of single family units to 71 percent of total housing starts compared with 67 percent in 2016. While total housing start growth slowed in 2017, rising by a modest 2.4 percent overall, there has been a shift in construction away from multifamily units, which are down 10 percent year over year, to single family units, which have increased 9 percent over the same period. This shift to the more wood intensive single family construction has been positive for wood products demand. We continue to expect improving U.S. housing starts and anticipate a 4 percent to 10 percent increase in total starts in 2018. Consensus forecasts place expected total housing starts between 1.25 and 1.31 million units for 2018 (sources include National Association of Home Builders (NAHB), Fannie Mae, Mortgage Bankers Association, The Engineered Wood Association (APA), and Forest Economic Advisors, LLC (FEA)). Demand for homes remains strong relative to inventories. U.S. Census reported new homes sales of 608 thousand units in 2017, an increase of 8.4 percent over 2016. This sales level was characterized by consistently low inventories as measured by months of supply, which averaged 5.4 months through 2017. Existing home sales continued to rise in 2017, with total sales of 5.51 million units, a gain of 1.1 percent over 2016 and the highest sales level since 2006 according to the National Association of Realtors. Existing home inventories were also tight with supplies averaging 3.9 months for the year, down from 4.3 months in 2016. We attribute this continued improvement primarily to employment growth, improving consumer confidence and favorable mortgage rates.

According to the Joint Center for Housing Studies at Harvard University, the Leading Indicator of Remodeling Activity (LIRA) increased by 6.4 percent in 2017 and is expected to increase by 7.5 percent year over year for 2018. U.S. wood product markets advanced in 2017, consistent with growth in homebuilding and remodeling segments, as described above. According to FEA, North American lumber consumption grew at a 7.2 percent rate in 2017. The Random Lengths framing lumber composite price increased 19.4 percent in 2017 versus 2016 while oriented strand board (OSB) increased 31 percent in 2017 versus 2016 as measured by Random Lengths North Central Price. We expect similar to slightly higher wood product prices in 2018 as demand continues to increase with growth in housing starts and remodeling.

Consistent with this, demand for logs increased with wood products production within our Western region. This coupled with higher market prices year over year drove higher realizations within this region. Douglas fir sawlog prices as reported by Loglines increased 10 percent from 2016 for the domestic market and 5.7 percent for Japan

export logs. In the South, log supplies increased consistent with increased demand, leaving prices flat to slightly down year-over-year. According to TimberMart - South, prices for delivered sawtimber and stumpage were down 2.6 percent and 4.6 percent respectively.

Log inventories in Chinese ports have been stable through 2017, ranging from 1.0 million to 1.5 million cubic meters (M³) per month as reported by International Wood Markets China Bulletin. Log and lumber demand in China remain strong, primarily due to the strength of construction activity. Total imports of logs and lumber increased 13 percent and 20 percent, respectively, for the first 11 months of 2017 compared on a year ago basis. In Japan, post and beam housing starts (the primary source of log demand) for January through November 2017 are up 1.0 percent from the same period last year while total housing starts are down 0.1 percent on a year ago basis.

We expect demand from China and Japan in 2018 to be similar to modestly improved from demand experienced in 2017.

Our Real Estate, Energy and Natural Resources segment is affected by the health of the U.S. economy and especially the U.S. housing sector of the economy. According to the Realtors Land Institute of the National Association of Realtors, the dollar volume of rural properties, including timber, sold in 2017 grew 4 percent over 2016 sales while per acre prices were up 3 percent on average.

Energy markets recovered steadily in 2017. For the year, Brent crude oil averaged \$54 per barrel in 2017, an increase of \$10 per barrel from 2016 levels. Prices increased fairly steadily through the second half of the year, with year-end prices higher than the annual average. Natural gas prices were also higher in 2017 averaging \$2.99 per million British thermal units (MMBtu) a 19 percent increase over 2016. Expectations are for energy prices to be stable to gradually increasing in 2018.

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FINANCIAL PERFORMANCE SUMMARY

Net Sales by Segment

Contribution to Earnings by Segment

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SOFTWOOD LUMBER AGREEMENT

We operate a total of 19 softwood lumber mills with a total capacity of 4.9 billion board feet. Three of these mills, located in Canada, produce approximately 900 million board feet annually, and sell products in Canada, Asia, and the U.S.

On April 24, 2017, the U.S. Department of Commerce announced a preliminary determination that it would implement countervailing duties on Canadian softwood lumber shipments to the U.S. The rate applicable to Weyerhaeuser was 19.88 percent and became effective as of April 28, 2017. The U.S. Department of Commerce also announced that retroactive deposits at the 19.88 percent rate would be collected from certain Canadian lumber producers, including Weyerhaeuser, for softwood lumber shipments from Canada to the U.S. during the 90-day period prior to April 28, 2017.

The preliminary countervailing duties were suspended on August 26, 2017, at which time we effectively stopped accruing for the expense. The suspension of the countervailing duties was set to last until the US International Trade Commission reaches its final determination of injury, which was issued December 28, 2017.

On June 26, 2017, the U.S. Department of Commerce announced a preliminary determination that it would implement anti-dumping duties on Canadian softwood lumber shipments to the U.S. The rate applicable to Weyerhaeuser was 6.87 percent and became effective as of June 30, 2017. The U.S. Department of Commerce also announced that retroactive deposits at the 6.87 percent rate would be collected from certain Canadian lumber producers, including Weyerhaeuser, for softwood lumber shipments from Canada to the U.S. during the 90-day period prior to June 30, 2017.

Based on affirmative final determinations by the Department of Commerce (DOC) and the US International Trade Commission (USITC) on December 28, 2017, the DOC issued countervailing duty (CVD) and anti-dumping (AD) duty orders on certain softwood lumber products from Canada.

The CVD rate applicable to Weyerhaeuser is 14.19 percent and will be assessed on entries of softwood lumber from Canada for consumption on or after April 28, 2017, the date of publication of the preliminary determination. It will not include entries occurring after the expiration of the provisional measures period and before publication of the ITC's final injury determination (CVD suspension date was August 26, 2017 - December 27, 2017).

The AD rate applicable to Weyerhaeuser is 6.04 percent and will be assessed on entries of softwood lumber from Canada for consumption on or after June 30, 2017, the date of publication of the preliminary determination. It will not include entries occurring after the expiration of the provisional measures period, until and through the day preceding the day of publication of the USITC's final injury determinations in the Federal Register (AD suspension date was December 26, 2017 - January 2, 2018).

For retroactive imposition of CVD and AD duties to apply 90 days prior to the dates of publication of the preliminary determinations, both the USITC and DOC must make a positive determination. The USITC made a negative determination regarding critical circumstances on December 7, 2017. As a result, we reversed the accrual for the retroactive duties for both CVD and AD, which totaled \$9 million. Additionally, we reduced our accrual by \$2 million related to reduced rate applicable to prospective period duties. As of December 31, 2017, we have expensed CVD and AD duties at the final published rates totaling \$7 million.

RESULTS OF OPERATIONS

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

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

• Net contribution to earnings refers to earnings (loss) attributable to Weyerhaeuser shareholders before interest expense and income taxes.

Our merger with Plum Creek during first quarter 2016 significantly affected the comparability of our consolidated operating results between 2016 and prior periods. As a result of progress made to integrate financial processes and systems since the merger date, the results beginning on February 19, 2016, from acquired Plum Creek operations and the respective impacts of these results on our current period results are impracticable to disclose in the year-to-date period ended December 31, 2016. Our prior period results do not include pre-merger results of Plum Creek operations.

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CONSOLIDATED RESULTS

HOW WE DID IN 2017

Summary of Financial Results

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

	AMOUNT OF CHANGE				
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Net sales	\$7,196	\$6,365	\$5,246	\$ 831	\$ 1,119
Costs of products sold	\$5,298	\$4,980	\$4,153	\$ 318	\$ 827
Operating income	\$1,131	\$822	\$644	\$ 309	\$ 178
Earnings from discontinued operations, net of tax	\$—	\$612	\$95	\$ (612)	) \$ 517
Net earnings attributable to Weyerhaeuser common shareholders	\$582	\$1,005	\$462	\$ (423)	) \$ 543
Basic earnings per share attributable to Weyerhaeuser common shareholders	\$0.77	\$1.40	\$0.89	\$ (0.63)	) \$ 0.51
Diluted earnings per share attributable to Weyerhaeuser common shareholders	\$0.77	\$1.39	\$0.89	\$ (0.62)	) \$ 0.50

COMPARING 2017 WITH 2016

Net Sales

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

Wood Products segment Net sales to unaffiliated customers increased \$640 million, primarily attributable to increased sales realizations across all product lines, as well as increased sales volumes within our oriented strand board, engineered I-joists, medium density fiberboard, and our engineered solid section product lines. Additionally, upon completion of the sales of our former Cellulose Fibers businesses, chips previously sold to Cellulose Fibers are now sales to unaffiliated customers. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further details regarding these divestitures.

Timberlands segment Net sales to unaffiliated customers increased \$137 million, which is primarily attributable to increased Southern and Other (includes our Canadian operations and timberlands included in the Twin Creeks Venture) delivered log sales volumes, as well as, an increase in Western log sales prices.

Real Estate & ENR segment Net sales to unaffiliated customers increased \$54 million attributable to an increase in timberlands acres sold in Real Estate and an increase in royalties.

Costs of Products Sold

Costs of products sold increased \$318 million — 6 percent — primarily due to:

Wood Products segment Costs of products sold increased \$192 million primarily attributable to an overall increase in sales volumes, as discussed above. This increase was offset by the mix of products sold during 2017 compared to 2016.

Intercompany eliminations decreased \$144 million, therefore increasing our consolidated Cost of products sold. This reduction in intercompany costs of products sold is primarily due to the completion of the divestitures of our former Cellulose Fibers businesses. Prior to the completion of these divestitures the sales and related cost of products sold for chips and logs sold to our Cellulose Fibers businesses were considered intercompany and therefore were not included in our consolidated results. However, subsequent to the divestitures these sales and the related cost of products sold are considered sales to unaffiliated customers and therefore included in our consolidated results.

These increases were partially offset by a decrease in Real Estate and ENR costs of \$24 million, primarily attributable to the mix in properties sold in 2017 compared to 2016.

Operating Income

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

an increase in consolidated gross margin of \$513 million, as described above;

an increase in "Other operating income, net" of \$75 million, which is primarily attributable to:

a \$99 million gain recorded in fourth quarter 2017 as a result of the sale of land in our Southern timberlands region to Twin Creeks (refer to Note 8: Related Parties in the Notes to Consolidated Financial Statements for further details);
a \$42 million benefit related to environmental remediation insurance recoveries received in 2017; and
a \$44 million decrease in gains on disposition of nonstrategic assets, primarily attributable to a \$36 million pretax gain recognized in the first quarter of 2016 on the sale of our Federal Way, Washington headquarters campus (refer to Note 19: Other Operating Costs (Income) in the Notes to Consolidated Financial Statements for further information).

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These increases were partially offset by the following:

the addition of \$290 million in "Charges for product remediation" in 2017, as there were no similar charges during 2016. Refer to Note 18: Charges for Product Remediation in the Notes to Consolidated Financial Statements for further information.

a \$24 million increase in "Charges for integration and restructuring, closures and asset impairments," which is primarily attributable to a \$147 million noncash impairment charge recognized during second quarter 2017 in relation to the divestiture of our Uruguayan operations. This was partially offset by a \$112 million decrease in charges related to our merger with Plum Creek. Refer to Note 17: Charges for integration and restructurings, closures, and asset impairments in the Notes to Consolidated Financial Statements for further details regarding the impairment as well as the Plum Creek merger related costs.

Net Earnings Attributable to Weyerhaeuser Common Shareholders

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

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

COMPARING 2016 WITH 2015

Net Sales

Net sales increased \$1,119 million — 21 percent — primarily due to the following developments:

Timberlands segment sales increased \$532 million primarily due to sales from acquired Plum Creek operations. This increase was partially offset by lower average sales realizations. The decrease in average sales realizations is primarily attributable to the increase in sales volume for the South, which has lower average sales realizations compared to the West. The South comprised 31 percent of Timberlands' sales to unaffiliated customers in 2016 compared to 19 percent in 2015.

Real Estate & ENR segment sales increased \$125 million attributable to increased volume of timberland acres sold and increased ENR sales volume attributable to the operations acquired in our merger with Plum Creek. These increases were partially offset by a decrease in average price realized per acre due to geographic mix of properties sold.

Wood Products segment sales increased \$462 million due to increased medium density fiberboard and plywood sales generated from our operations acquired from our merger with Plum Creek and increased oriented strand board and lumber average sales realizations.

Costs of Products Sold

Costs of products sold increased \$827 million — 20 percent — primarily attributable to the following developments: Timberlands costs of products sold increased \$488 million due to increased sales volume as explained above and to higher depletion rates in the South and West for acquired Plum Creek timberlands, which were measured at fair value as of the merger date.

Real Estate & ENR costs of products sold increased \$114 million attributable to increased real estate and ENR sales volume and higher basis of real estate sold, which is a result of measuring acquired Plum Creek properties at fair value as of the February 19, 2016 merger date.

Wood Products costs of products sold increased \$201 million primarily attributable to increased sales volume as explained above. This increase was partially offset by lower log costs and lower manufacturing costs per unit.

Operating Income

Operating income increased \$178 million — 28 percent — primarily due to:

- an increase to company-wide gross margin of \$292 million as described above;
- a favorable shift in gain on foreign currency remeasurement — \$52 million; and
- a gain on the sale of our Federal Way headquarters campus — \$36 million.

These increases were partially offset by:

- a \$131 million increase in charges for integration and restructuring, closures and asset impairments, primarily attributable to incurring \$146 million of costs related to our merger with Plum Creek in 2016 compared to \$14 million in 2015; and

- a \$76 million increase in selling, general and administrative expenses primarily attributable to merging legacy Weyerhaeuser and Plum Creek operations.

Net Earnings Attributable to Weyerhaeuser Common Shareholders

Our net earnings attributable to Weyerhaeuser common shareholders increased \$543 million — 118 percent — compared to 2015. Earnings from continuing operations before income taxes increased \$151 million — 43 percent — due to variances in net sales, costs of products sold and operating income explained above. The increase was offset by a \$147 million increase to income taxes from continuing operations resulting from increased taxable earnings generated by our TRSs.

Earnings from discontinued operations, net of tax, increased \$517 million — 544 percent — primarily due to:

- the after-tax gains recognized from divesting our Cellulose Fibers business in 2016 — \$546 million;
- a decrease in the equity loss from our printing papers joint venture — \$101 million — primarily attributable to an \$84 million noncash asset impairment recorded in fourth quarter 2015; and
- lower costs of products sold, primarily due to lower sales volumes and the cessation of depreciation when Cellulose Fibers manufacturing assets were classified as held-for-sale in second quarter 2016.

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These increases were partially offset by:

- lower average sales realizations for pulp and liquid packaging board;
- lower sales volume for pulp and liquid packaging board attributable to a partial year of operations in 2016 compared to a full year in 2015; and
- increased charges for restructuring, closures and asset impairments and transaction-related costs related to our strategic evaluation and divestiture of the Cellulose Fibers businesses.

TIMBERLANDS

HOW WE DID IN 2017

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

Net Sales and Net Contribution to Earnings for Timberlands

DOLLAR AMOUNTS IN MILLIONS

				AMOUNT OF CHANGE	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Net sales to unaffiliated customers:					
Delivered logs ⁽¹⁾ :					
West	\$915	\$865	\$830	\$ 50	\$ 35
South	616	566	241	50	325
North	95	91	—	4	91
Other	59	38	24	21	14
Total	1,685	1,560	1,095	125	465
Stumpage and pay-as-cut timber	73	85	37	(12	) 48
Uruguay operations ⁽²⁾	63	79	87	(16	) (8
Recreational and other lease revenue	59	44	25	15	19
Other products ⁽³⁾	62	37	29	25	8
Subtotal sales to unaffiliated customers	1,942	1,805	1,273	137	532
Intersegment sales:					
United States	520	590	559	(70	) 31
Other	242	250	271	(8	) (21
Subtotal intersegment sales	762	840	830	(78	) 10
Total	\$2,704	\$2,645	\$2,103	\$ 59	\$ 542
Costs of products sold	\$2,043	\$2,054	\$1,566	\$ (11	) \$ 488
Operating income and Net contribution to earnings	\$532	\$499	\$470	\$ 33	\$ 29

(1)

The Western region includes Oregon and Washington. The Southern region includes Alabama, Arkansas, Georgia, Florida, Louisiana, Mississippi, North Carolina, Oklahoma, South Carolina, Texas and Virginia. The Northern region includes Maine, Michigan, Montana, New Hampshire, Vermont, West Virginia and Wisconsin. Other includes our Canadian operations and the timberlands of the Twin Creeks Venture that we managed. (Our management agreement for the Twin Creeks Venture began in April 2016 and terminated in December 2017. For additional information see Note 8: Related Parties in Notes to Consolidated Financial Statements.)

(2)

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

(3)

Other products sales include sales of seeds and seedlings from our nursery operations and chips.

COMPARING 2017 WITH 2016

Net Sales — Unaffiliated Customers

Net sales to unaffiliated customers increased \$137 million — 8 percent — primarily due to:

- a \$50 million increase in Southern log sales attributable to 12 percent increase in delivered logs sales volumes, partially offset by a 3 percent decrease in Southern log prices;
- a \$50 million increase in Western log sales attributable to a 12 percent increase in Western log prices, partially offset by a 6 percent decrease in delivered logs sales volumes;
- a \$25 million increase in Other products, primarily attributable to increased chips sales to unaffiliated customers (prior to our 2016 divestitures of our Cellulose Fibers businesses, chips sales were primarily intersegment sales); and
- a \$21 million increase in Other delivered logs, primarily due to a 55 percent increase in delivered logs sales volumes.

These increases were partially offset by a \$16 million decrease in our Uruguayan operations, primarily attributable to the divestiture that occurred during third quarter 2017. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements.

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Intersegment Sales

Intersegment sales decreased \$78 million — 9 percent — due to a decrease in chip and log intersegment sales, which were previously sold to our former Cellulose Fibers business segment. The businesses within this segment were divested during the second half of 2016. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further information on these divestitures.

Costs of Products Sold

Costs of products sold decreased \$11 million — 1 percent — primarily due to:

- a \$23 million decrease due to the divestiture of our Uruguayan operations in third quarter 2017. Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further details.
- a \$16 million decrease in the West, attributable to a decrease in delivered logs sales volumes.

These decreases were partially offset by a \$19 million increase in Canada primarily attributable to an increase in delivered logs sales volumes.

Operating Income and Net Contribution to Earnings

Net contribution to earnings increased \$33 million — 7 percent — primarily due to:

- a \$99 million gain recorded in fourth quarter 2017 as a result of the sale of land in our Southern timberlands region to Twin Creeks (refer to Note 8: Related Parties in the Notes to Consolidated Financial Statements for further details), and
- a \$70 million increase in gross margin, as explained above.

These increases were partially offset by a \$147 million noncash impairment charge recognized in relation to the divestiture of our Uruguayan operations. Refer to Note 17: Charges for integration and restructuring, closures, and asset impairments in the Notes to Consolidated Financial Statements for further details of this impairment.

COMPARING 2016 WITH 2015

Compared to 2015, the changes to the results of operations for our Timberlands segment during 2016 are primarily attributable to the addition of approximately 6.3 million acres of Plum Creek timberlands, which produced over 18 million tons of harvest volume in 2015. The merger resulted in the expansion of our Southern timberlands from 4.0 million acres to 7.4 million acres — an 85 percent increase — and our Western timberlands from 2.6 to 3.0 million acres — a 15 percent increase. The merger also added 2.5 million acres across Maine, Michigan, Montana, New Hampshire, Vermont, West Virginia and Wisconsin, which we refer to collectively as our Northern timberlands. Increases to sales volume are primarily attributable to the significant increases in the overall size of and harvests from our timberlands holdings by region, particularly in the South and North regions.

The composition of our sales volume by region was also altered by the merger, as the South and North regions, which historically had lower average sales realizations compared to the West, comprise a greater portion of our overall sales subsequent to the merger. Additionally, within the South the acquired timberlands altered the overall sales mix, as lower realization pulpwood sales increased and higher realization grade logs decreased as a percentage of total sales volume, resulting in lower average sales realizations overall for the region in 2016 compared with 2015.

As a result of applying acquisition accounting to our Timber and timberland assets acquired as described in Note 4: Merger with Plum Creek in Notes to Consolidated Financial Statements, depletion rates increased significantly in 2016 compared to 2015. When combined with increased sales volume, these higher depletion rates drove significant increases in our costs of products sold in 2016 compared to 2015.

Net Sales — Unaffiliated Customers

Net sales to unaffiliated customers increased \$532 million — 42 percent — primarily due to:

- a \$325 million increase in Southern log sales as a result of a 146 percent increase in delivered logs sales volume primarily attributable to adding acquired Plum Creek operations, partially offset by a 5 percent decrease in average sales realizations of delivered logs due to mix of sawlogs and pulp logs;
- a \$91 million increase in Northern log sales attributable entirely to operations acquired upon our merger with Plum Creek; and
- a \$35 million increase in Western log sales as a result of a 6 percent increase in delivered logs sales volume attributable to adding acquired Plum Creek operations, partially offset by a 2 percent decrease in average sales realizations for delivered logs;

a \$48 million increase in stumpage and pay-as-cut timber, which is primarily attributable to adding stumpage sales from acquired Plum Creek timberlands in the South; and

a \$19 million increase in recreational and other lease revenue due entirely to the acquired Plum Creek leases.

Intersegment Sales

Intersegment sales increased \$10 million — 1 percent — due to a \$31 million increase in intersegment sales in the United States. This increase is attributable to adding intersegment log sales volume for the Montana operations acquired from Plum Creek. This increase was partially offset by a decrease in average intersegment sales realizations.

The increase in the United States intersegment sales was partially offset by a \$21 million decrease in intersegment sales in Canada. This decrease is attributable to lower log and chip sales volume to our former Cellulose Fibers segment as a result of divesting from our pulp mill in Grande Prairie, Alberta. There was also a slight decrease in average intersegment sales realizations compared to 2015.

Costs of Products Sold

Costs of products sold increased \$488 million — 31 percent — primarily due to a 78 percent increase in sales volume attributable to the operations acquired in our merger with Plum Creek. Additionally, per unit costs increased due to higher depletion rates in the South and West attributable to acquired Plum Creek timberlands, which were measured at fair value as of the merger date.

Operating Income and Net Contribution to Earnings

Net contribution to earnings increased \$29 million — 6 percent — primarily attributable to the changes in net sales and costs of products sold as explained above.

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REAL ESTATE, ENERGY AND NATURAL RESOURCES

HOW WE DID IN 2017

We report acres sold and average price per acre for our Real Estate, Energy and Natural Resources segment in Our Business/What We Do/Real Estate, Energy and Natural Resources.

Net Sales and Net Contribution to Earnings for Real Estate, Energy and Natural Resources

DOLLAR AMOUNTS IN MILLIONS

	AMOUNT OF CHANGE				
	2017		2016		
	2017	2016	2015	vs. 2016	vs. 2015
Net sales to unaffiliated buyers:					
Real estate	\$208	\$172	\$75	\$ 36	\$ 97
Energy and natural resources	72	54	26	18	28
Subtotal sales to unaffiliated buyers	280	226	101	54	125
Intersegment sales	1	1	—	—	1
Total	\$281	\$227	\$101	\$ 54	\$ 126
Cost of products sold	\$110	\$134	\$20	\$ (24	) \$ 114
Operating income	\$145	\$53	\$79	\$ 92	\$ (26)
Equity earnings (loss) from joint venture	1	2	—	(1	) 2
Net contribution to earnings	\$146	\$55	\$79	\$ 91	\$ (24)

The timing of real estate sales is a function of many factors, including:

- the general state of the economy,
- demand in local real estate markets,
- the ability to obtain entitlements,
- the ability of buyers to obtain financing,
- the number of competing properties listed for sale,
- the seasonal nature of sales (particularly in the northern states),
- the plans of adjacent landowners,
- our expectations of future price appreciation,
- the timing of harvesting activities, and
- the availability of government and not-for-profit funding (especially for conservation sales).

In any period, the average sales price per acre will vary based on the location and physical characteristics of parcels sold.

COMPARING 2017 WITH 2016

Net Sales — Unaffiliated Buyers

Net sales to unaffiliated buyers increased \$54 million — 24 percent — primarily due to:

• a \$36 million increase in Net real estate sales primarily attributable to an 18 percent increase in volume of timberlands acres sold.

• an \$18 million increase in Net energy and natural resources sales primarily attributable to the increased operations acquired during our merger with Plum Creek. Our 2017 operations include a full twelve months of combined operations as compared to ten months of combined operations in 2016. The increase is further attributable to increases in royalties.

Costs of Products Sold

Costs of products sold decreased \$24 million — 18 percent — primarily due to the mix of properties sold in 2017 compared to 2016.

Net Contribution to Earnings

Net contribution to earnings increased \$91 million — 165 percent — primarily due to increased gross margin discussed above. Additionally, our 2016 results include a \$15 million asset impairment charge recorded for development projects. No comparable impairment charges were recorded within this segment during 2017.

COMPARING 2016 WITH 2015

Land acquired as a result of our merger with Plum Creek generally carried a higher per acre cost basis compared to our other acreage as a result of measuring acquired land at fair value via acquisition accounting as of the February 19, 2016, merger date. As a result, our costs of timberlands varied period-to-period based on the sales mix between acquired Plum Creek acreage and acreage owned by Weyerhaeuser prior to the merger.

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Net Sales — Unaffiliated Buyers

Net sales to unaffiliated buyers increased \$125 million — 124 percent — attributable to the following developments:

• Net real estate sales increased \$97 million attributable to increases in volume of timberlands acres sold. This increase was partially offset by a decrease in average price realized per acre due to mix of properties sold.

• Net energy and natural resources sales increased \$28 million due primarily to increased sales volumes attributable to the operations acquired with our merger with Plum Creek.

Costs of Products Sold

Costs of products sold increased \$114 million — 570 percent — due primarily to:

• increased real estate and ENR sales volume, as explained above;

• higher basis of real estate sold resulting from measuring acquired Plum Creek properties at fair value as of the February 19, 2016, merger date; and

• an \$11 million increase in commissions and closing costs that corresponds with the increased volume of transactions.

Net Contribution to Earnings

Net contribution to earnings decreased \$24 million — 30 percent — primarily attributable to increased general and administrative expenses of \$20 million. The increase in general and administrative expenses is the result of creating a standalone business segment separate from Timberlands and dedicating more staff to the expanded land and natural resource footprint.

WOOD PRODUCTS

HOW WE DID IN 2017

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

Net Sales and Net Contribution to Earnings for Wood Products

DOLLAR AMOUNTS IN MILLIONS

				AMOUNT OF CHANGE	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Net sales:					
Structural lumber	\$2,058	\$1,839	\$1,741	\$ 219	\$ 98
Engineered solid section	500	450	428	50	22
Engineered I-joists	336	290	284	46	6
Oriented strand board	904	707	595	197	112
Softwood plywood	176	174	129	2	45
Medium density fiberboard	183	158	—	25	158
Other products produced ⁽¹⁾	276	201	189	75	12
Complementary building products	541	515	506	26	9
Total	\$4,974	\$4,334	\$3,872	\$ 640	\$ 462
Costs of products sold	\$3,880	\$3,688	\$3,487	\$ 192	\$ 201
Operating income and Net contribution to earnings	\$569	\$512	\$258	\$ 57	\$ 254

(1) Includes wood chips and other byproducts.

COMPARING 2017 WITH 2016

Net Sales

Net sales increased \$640 million — 15 percent — primarily due to:

• a \$219 million increase in structural lumber sales, attributable to a 13 percent increase in average sales realizations, partially offset by a 1 percent decrease in sales volumes;

• a \$197 million increase in oriented strand board sales, attributable to a 26 percent increase in average sales realizations as well as a 1 percent increase in sales volumes;

•

a \$75 million increase in other products produced, primarily attributable to increased chip sales. Chips were previously sold to our former Cellulose Fibers segment and were therefore considered intersegment sales until the sale of our Cellulose Fibers businesses which occurred in the second half of 2016. Upon completion of these divestitures, chips sold to those businesses were considered sales to unaffiliated customers. (Refer to Note 3: Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further details regarding these divestitures.);

- a \$50 million increase in engineered solid section, primarily attributable to an 8 percent increase in sales volumes as well as a 3 percent increase in average sales realizations; and

- a \$46 million increase in engineered I-joists, primarily attributable to a 13 percent increase in sales volume as well as a 3 percent increase in average sales realizations.

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Costs of Products Sold

Costs of products sold increased \$192 million — 5 percent — primarily attributable to an overall increase in sales volumes, as discussed above. This increase was offset by the mix of products sold during 2017 compared to 2016.

Operating Income and Net Contribution to Earnings

Operating income and Net contribution to earnings increased \$57 million — 11 percent — primarily due to increased gross margin, as discussed above. This was partially offset by:

The \$290 million addition of "Charges for product remediation" in 2017, as there were no similar charges during 2016 (refer to Note 18: Charges for Product Remediation in the Notes to Consolidated Financial Statements for further information);

A \$68 million decrease in intersegment sales in 2017 compared to 2016, which is primarily attributable to decreased intersegment chip sales. Prior to our divestitures of our former Cellulose Fibers business, which occurred in the second half of 2016, chips sold to these businesses were considered intersegment sales. Upon completion of these divestitures, chips sold to our former Cellulose Fibers businesses were considered sales to unaffiliated customers.

A \$7 million increase in "Other operating costs, net," related to countervailing and anti-dumping duties. Refer to Softwood Lumber Agreement for further information regarding these regulations.

A \$6 million impairment on nonstrategic assets recognized during third quarter 2017. Refer to Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments in the Notes to Consolidated Financial Statements for further detail.

COMPARING 2016 WITH 2015

Upon our merger with Plum Creek, we acquired five manufacturing facilities in Montana. The sales and net contribution to earnings of these facilities as of the merger date are included in the results of our Wood Products segment. The results of the plywood facilities are reported in softwood plywood and the lumber facilities are reported in structural lumber.

The Medium Density Fiberboard (MDF) facility supplies high-quality MDF to a wide range of customers throughout North America. Some of the more common uses for our MDF include furniture and cabinet components, architectural moldings, doors, store fixtures, core material for hardwood plywood, face material for softwood plywood, commercial wall paneling and substrate for laminate flooring.

We permanently closed two of the five acquired Plum Creek mills, the lumber facility and softwood plywood facility in Columbia Falls, Montana, during third quarter 2016. The closure of these facilities allows us to align the available log supply with our manufacturing capacity, including adding shifts at our Kalispell, Montana facilities, to position our Montana operations for long-term success.

Refer to Note 4: Merger with Plum Creek in Notes to Consolidated Financial Statements for further information regarding our merger with Plum Creek.

Net Sales

Net sales increased \$462 million — 12 percent — primarily due to:

- a \$158 million increase in medium density fiberboard sales generated from operations acquired in our merger with Plum Creek;

- a \$112 million increase in oriented strand board sales, attributable primarily to a 21 percent increase in average sales realizations;

- a \$98 million increase in lumber sales, attributable to a 3 percent increase in average sales realizations and a 3 percent increase in sales volume; and

- a \$45 million increase in plywood sales, attributable to a 9 percent increase in average sales realizations and a 26 percent increase in sales volume, with the volume increase due in part to acquired Plum Creek operations.

Costs of Products Sold

Costs of products sold increased \$201 million — 6 percent — primarily due to increased sales volume across most product lines and from added volumes produced and sold by the manufacturing operations acquired from our merger with Plum Creek. This increase is partially offset by lower log costs and lower manufacturing costs per unit.

Operating Income and Net Contribution to Earnings

Net contribution to earnings increased \$254 million — 98 percent — primarily attributable to the changes in net sales and costs of products sold, as explained above.

UNALLOCATED ITEMS

Unallocated Items are gains or charges from continuing operations not related to or allocated to an individual operating segment. They include a portion of items such as: share-based compensation, pension and postretirement costs, foreign exchange transaction gains and losses associated with financing, and the elimination of intersegment profit in inventory, equity earnings from our Timberland Venture and the LIFO reserve. As a result of reclassifying our former Cellulose Fibers segment as discontinued operations, Unallocated Items also includes retained indirect corporate overhead costs previously allocated to the former segment.

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Net Contribution to Earnings for Unallocated Items

DOLLAR AMOUNTS IN MILLIONS

	AMOUNT OF CHANGE				
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Unallocated corporate function expenses	\$(73)	\$(87)	\$(64)	\$ 14	\$ (23)
Unallocated share-based compensation	(9)	(3)	6	(6)	(9)
Unallocated pension service costs	(4)	(5)	(3)	1	(2)
Foreign exchange gains (losses)	1	6	(46)	(5)	52
Elimination of intersegment profit in inventory and LIFO	(20)	(18)	8	(2)	(26)
Gain (loss) from sales of nonstrategic assets	9	50	6	(41)	44
Charges for integration and restructuring, closures and asset impairments:					
Plum Creek merger-and integration-related costs	(34)	(146)	(14)	112	(132)
Other restructuring, closures, and asset impairments	—	(2)	(15)	2	13
Other	15	(37)	(41)	52	4
Operating income (loss)	\$(115)	\$(242)	\$(163)	\$ 127	\$ (79)
Equity earnings from joint venture ⁽¹⁾	—	20	—	(20)	20
Non-operating pension and other postretirement benefit (costs) credits	(62)	48	14	(110)	34
Interest income and other	39	43	36	(4)	7
Net contribution to earnings	\$(138)	\$(131)	\$(113)	\$ (7)	\$ (18)

(1)

2016 includes equity earnings from our Timberland Venture, which effective August 31, 2016, is consolidated as a wholly-owned subsidiary.

Unallocated Items in 2017 include:

an increase in expense related to "Non-operating pension and other postretirement benefits (costs) credits" due to a decrease in the expected return on our plan assets as well as an increase in the amortization of actuarial losses — \$110 million;

a benefit in Other primarily related to environmental remediation insurance recoveries received in 2017 — \$42 million; and

decreased charges recognized in 2017 related to our merger with Plum Creek (refer to Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments in Notes to Consolidated Financial Statements) — \$112 million.

Unallocated Items in 2016 include:

charges recognized in 2016 related to our merger with Plum Creek (refer to Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments in Notes to Consolidated Financial Statements) — \$146 million;

an increase in unallocated corporate function expenses primarily as a result of retaining costs allocated to our former Cellulose Fibers segment — \$23 million; and

a gain related to the sale of our Federal Way, Washington headquarters campus, which is recorded in "Other operating costs (income), net" in our Consolidated Statement of Operations — \$36 million.

Unallocated Items in 2015 include:

\$13 million noncash impairment charge recognized in first quarter 2015 related to a nonstrategic asset that was sold in second quarter 2015 which is recorded in "Charges for integration and restructuring, closures and asset impairments" in our Consolidated Statement of Operations. See Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments in the Notes to Consolidated Financial Statements for more information.

\$14 million Plum Creek merger-related costs which are recorded in "Charges for integration and restructuring, closures and asset impairments" in our Consolidated Statement of Operations.

INTEREST EXPENSE

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

\$393 million in 2017,
\$431 million in 2016 and
\$341 million in 2015.

The primary factor driving the \$38 million decrease in interest expense in 2017 as compared to 2016 is the decrease in our average indebtedness throughout the year.

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INCOME TAXES

As a REIT, we generally are not subject to federal corporate level income taxes on REIT taxable income that is distributed to shareholders. Historical distributions to shareholders, including amounts and tax characteristics, for the years ended December 31 are summarized in the table below.

AMOUNTS PER SHARE

	2017	2016	2015
Preference - capital gain distribution	\$—	\$1.59	\$3.19
Common - capital gain distribution	\$1.25	\$1.24	\$1.20

The table below summarizes the items of tax preference for alternative minimum tax (AMT) purposes which have been apportioned to shareholders for the years ended December 31.

AMOUNTS PER SHARE

	2017	2016	2015
Preference - AMT	\$—	\$0.0120	\$—
Common - AMT	\$0.0097	\$0.0094	\$—

We are required to pay corporate income taxes on earnings of our TRSs, which includes our Wood Products segment and portions of our Timberlands and Real Estate & ENR segments' earnings. Our provision for income taxes is primarily driven by earnings generated by our TRSs. Overall performance results for our business segments can be found in Results of Operations/Timberlands, Results of Operations/Real Estate, Energy and Natural Resources, and Results of Operations/Wood Products.

On December 22, 2017, H.R. 1, commonly known as the Tax Cuts and Jobs Act (the "Tax Act"), was enacted. The Tax Act contains significant changes to corporate taxation, including the reduction of the corporate tax rate from 35 percent to 21 percent, increased deductions for capital spending and limitations on interest expense deductions. The Tax Act does not affect our REIT status or the provisions that allow us to pay capital gain dividends to our shareholders.

As a result of the reduction in the corporate tax rate, we have revalued our deferred tax assets and liabilities and have recorded a tax expense of \$74 million during 2017, which reduced our net deferred tax asset.

For 2018, we expect our effective tax rate will be between 11 percent and 13 percent. The estimated range is based on current assumptions with respect to our earnings and the Tax Act. Our actual effective tax rate in 2018 may differ. The reduced effective tax rate is expected to result in overall lower tax expense beginning in 2018.

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

\$134 million in 2017,
 \$89 million in 2016 and
 \$(58) million in 2015.

During 2017, we recorded a \$22 million tax benefit related to the repatriation of Canadian earnings.

During 2016, we recorded a \$24 million tax charge related to the repatriation of Canadian earnings.

During 2015, we recorded a \$13 million tax benefit for the expiration of the company's built-in-gains tax period due to a change in tax law in the fourth quarter 2015.

See also Note 20: Income Taxes in Notes to Consolidated Financial Statements, which outlines the major components related to our income tax provision.

LIQUIDITY AND CAPITAL RESOURCES

We are committed to maintaining an appropriate capital structure that enables us to:

• protect the interests of our shareholders and lenders and
 • have access to major financial markets.

CASH FROM OPERATIONS

Consolidated net cash provided by our operations was:

\$1,201 million in 2017,
 \$735 million in 2016 (includes continuing and discontinued operations) and

\$1,075 million in 2015 (includes continuing and discontinued operations).

COMPARING 2017 WITH 2016

Net cash provided by our operations increased \$466 million, primarily due to:

- increased cash flows from business segments of \$499 million;
- a decrease in cash paid for income taxes of \$316 million, which is primarily attributable to taxes paid in connection with our divestitures of our former Cellulose Fibers businesses during 2016; and
- a decrease in cash paid for interest of \$65 million corresponding with our decreased average indebtedness during 2017 compared to 2016.

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These items were partially offset by:

- decreased operating cash flows from discontinued operations of \$196 million; and
- an increase of \$192 million in cash used for product remediation efforts (refer to Note 18: Charges for Product Remediation in the Notes to Consolidated Financial Statements).

Also see Performance Measures for our Adjusted EBITDA by segment.

COMPARING 2016 WITH 2015

Net cash provided by our continuing and discontinued operations decreased \$340 million, primarily due to:

- an increase in cash paid for income taxes of \$471 million largely due to taxes paid in connection with our Cellulose Fibers businesses;

- decreased operating cash flows from discontinued operations of \$233 million;
- an increase in cash paid for interest of \$99 million corresponding with our increased average indebtedness; and
- cash payments made in 2016 related to the Plum Creek merger of \$154 million, comprised of:
 - termination benefits — \$33 million;
 - investment banking and other professional services fees — \$52 million;
 - settlement of Value Management Awards — \$6 million;
 - pension and postretirement benefits — \$38 million; and
 - other merger-related costs — \$14 million.

Pension Contributions and Benefit Payments Made and Expected

During 2017, we:

- contributed \$25 million for our Canadian registered plan in accordance with minimum funding rules and respective provincial regulations;

- contributed to or made benefit payments for our Canadian nonregistered pension plans of \$2 million;

- made benefit payments of \$31 million for our U.S. nonqualified pension plans; and

- made benefit payments of \$20 million for our U.S. and Canadian other postretirement plans.

There was no minimum required contribution for our U.S. qualified plan for 2017, nor were any contributions made to this plan in 2017.

During 2018, based on estimated year-end assets and projections of plan liabilities, we expect to:

- be required to contribute approximately \$23 million for our Canadian registered plan;

- be required to contribute or make benefit payments for our Canadian nonregistered plans of \$4 million;

- make benefit payments of \$19 million for our U.S. nonqualified pension plans; and

- make benefit payments of \$19 million for our U.S. and Canadian other postretirement plans.

We do not anticipate being required to make a contribution to our U.S. qualified pension plan for 2018.

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.

Consolidated net cash provided by (used in) investing activities was:

\$367 million in 2017,

\$2,559 million in 2016 (includes continuing and discontinued operations) and

\$(487) million in 2015 (includes continuing and discontinued operations).

COMPARING 2017 WITH 2016

Net cash from investing activities decreased \$2.2 billion primarily due to:

- a \$2.1 billion decrease in net proceeds from the disposition of discontinued and other operations, primarily attributable to the proceeds received from the divestitures of our Cellulose Fibers businesses in 2016 — \$2.5 billion — compared to the proceeds received for the divestiture of our Uruguayan operations — \$403 million (refer to Note 3:

Discontinued Operations and Other Divestitures in the Notes to Consolidated Financial Statements for further details); a decrease of \$440 million in proceeds received for our contribution of timberlands to Twin Creeks Venture in 2016 (refer to Note 8: Related Parties in the Notes to Consolidated Financial Statements for further details); and a decrease of \$78 million in proceeds from sales of nonstrategic assets.

This activity was partially offset by:

\$311 million in combined proceeds from the sale of land in our Southern timberlands region to Twin Creeks as well as the redemption of our ownership interest in Twin Creeks, both of which occurred during fourth quarter 2017 (refer to Note 8: Related Parties in the Notes to Consolidated Financial Statements for further details);

a \$91 million decrease in capital expenditures primarily attributable to the divestiture of our Cellulose Fibers business in 2016.

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COMPARING 2016 WITH 2015

Net cash from investing activities changed \$3.0 billion to an inflow in 2016 as compared with an outflow in 2015, primarily due to:

- net proceeds from the divestitures of our Cellulose Fibers businesses in 2016 — \$2.5 billion;
- proceeds received for our contribution of timberlands to the Twin Creeks Venture in 2016 — \$440 million;
- proceeds from sales of nonstrategic assets — \$104 million; and
- distributions received from joint ventures during 2016 — \$46 million.

Three-Year Summary of Capital Spending by Business Segment

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Timberlands	\$115	\$116	\$75
Real Estate & ENR	2	1	—
Wood Products	299	297	287
Unallocated Items	3	11	3
Discontinued operations	—	85	118
Total	\$419	\$510	\$483

We expect our net capital expenditures for 2018 to be \$420 million, which is comparable to 2017 capital spend. The amount we spend on capital expenditures could change due to:

- future economic conditions,
- environmental regulations,
- changes in the composition of our business,
- weather and
- timing of equipment purchases.

FINANCING

Cash from financing activities includes:

- issuances and payments of debt,
- borrowings and payments under revolving lines of credit,
- proceeds from stock offerings and option exercises and
- payments for cash dividends and repurchasing stock.

Consolidated net cash used in financing activities was:

- \$1,420 million in 2017,
- \$3,630 million in 2016 (includes continuing and discontinued operations) and
- \$1,156 million in 2015 (includes continuing and discontinued operations).

COMPARING 2017 WITH 2016

Net cash used in financing activities decreased \$2,210 million in 2017, primarily due to the following:

- a decrease of \$2,003 million related to cash used to repurchase common shares during 2016; and
- a decrease of \$1,592 million in cash used for payments on long-term debt.

This activity was partially offset by a \$1,473 million decrease in cash received from the issuance of new long-term debt.

COMPARING 2016 WITH 2015

Net cash used in financing activities increased \$2,474 million in 2016, primarily due to:

- a \$1,485 million increase in repurchase shares;
- payment of \$720 million of the debt assumed in our merger with Plum Creek on the merger date; and
- a \$313 million increase in dividends paid to common shareholders.

LONG-TERM DEBT

Our consolidated long-term debt (including current portion) was:

- \$6.0 billion as of December 31, 2017,
- \$6.6 billion as of December 31, 2016, and

\$4.8 billion as of December 31, 2015.

The decrease in our long-term debt during 2017 is attributable to the following activity:

We prepaid a \$550 million variable-rate term loan during July 2017, which was originally set to mature in 2020 (2020 term loan). The 2020 term loan was prepaid using available cash of \$325 million as well as borrowing proceeds from a new \$225 million variable-rate term loan set to mature in 2026.

We paid our \$281 million 6.95 percent debenture during August 2017.

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The increase in our long-term debt during 2016 is attributable to the following activity:

We assumed \$3.4 billion of long-term debt during our merger with Plum Creek. Immediately following the merger, we paid \$720 million of the debt assumed. (Refer to Note 4: Merger with Plum Creek in Notes to Consolidated Financial Statements for further information about our merger).

As part of our Cellulose Fibers Pulp business divestiture, \$88 million of long-term debt was assumed by International Paper. (Refer to Note 3: Discontinued Operations and Other Divestitures in Notes to Consolidated Financial Statements for further information about our Cellulose Fibers divestitures).

We have \$62 million of long-term debt scheduled to mature during first quarter 2018.

See Note 12: Long-Term Debt in the Notes to Consolidated Financial Statements for more information about the long-term debt discussed above.

Refer to Note 8: Related Parties in the Notes to Consolidated Financial Statements for information regarding the nonrecourse debt held by our Variable Interest Entities (VIEs).

2016 TERM LOAN PAYMENT AND EXTINGUISHMENT

During February 2016, and subsequent to completion of the Plum Creek merger, we entered into a \$600 million 18-month senior unsecured term loan maturing in August 2017. Borrowings were at LIBOR plus 1.05 percent. The \$600 million outstanding under this facility was repaid in full and terminated during fourth quarter 2016.

During March 2016, we entered into a \$1.9 billion 18-month senior unsecured term loan maturing in September 2017. Borrowings were at LIBOR plus 1.05 percent. The remaining \$1.1 billion outstanding under this facility was repaid in full and terminated during fourth quarter 2016.

REVOLVING CREDIT FACILITIES

During March 2017, we entered into a new \$1.5 billion five-year senior unsecured revolving credit facility that expires in March 2022. This replaced a \$1 billion senior unsecured revolving credit facility that was set to expire September 2018. The entire amount is available to Weyerhaeuser Company. Borrowings are at LIBOR plus a spread or at other interest rates mutually agreed upon between the borrower and the lending banks. As of December 31, 2017 and December 31, 2016, there were no borrowings outstanding under the facility and we were in compliance with the credit facility covenants.

Debt covenants:

As of December 31, 2017, Weyerhaeuser Company:

- had no borrowings outstanding under our credit facility and
- was in compliance with the credit facility covenants.

Weyerhaeuser Company Covenants:

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

- a minimum total adjusted shareholders' equity of \$3.0 billion; and
- a defined funded debt ratio of 65 percent or less.

Weyerhaeuser Company's total adjusted shareholders' equity is comprised of:

- total Weyerhaeuser shareholders' equity,
- excluding accumulated comprehensive income (loss),
- minus Weyerhaeuser Company's investment in our unrestricted subsidiaries.

Total Weyerhaeuser Company capitalization is comprised of:

- total Weyerhaeuser Company debt
- plus total adjusted shareholders' equity.

As of December 31, 2017, Weyerhaeuser Company had:

- a defined total adjusted shareholders' equity of \$10.4 billion and
- a defined debt-to-total-capital ratio of 36.65 percent.

Debt agreements that were assumed by Weyerhaeuser in the merger with Plum Creek were amended to materially conform key covenants with the covenants described above.

When calculating compliance in accordance with financial debt covenants as of December 31, 2016, we excluded the impact of our pension and other postretirement plans recorded within cumulative other comprehensive income from adjusted shareholders' interest (equity). The excluded amount at December 31, 2016, was \$1,698 million, which is equal to the cumulative actuarial losses and prior service costs for our pension and postretirement plans. When calculating compliance in accordance with financial debt covenants as of December 31, 2017, we excluded the full amount of cumulative other comprehensive loss of \$1,562 million. See Note 15: Shareholders' Interest in the Notes to Consolidated Financial Statements.

There are no other significant financial debt covenants related to our third-party debt. See Note 11: Lines of Credit in the Notes to Consolidated Financial Statements for more information.

CREDIT RATINGS

Upon completion of our merger with Plum Creek on February 19, 2016, S&P changed our long-term issuer credit ratings from BBB to BBB-. However, on May 9, 2017, S&P upgraded our long-term issuer credit ratings from BBB- back to BBB.

On April 14, 2015, Moody's Investors Service upgraded our long-term issuer credit ratings from Baa3 to Baa2. There was no change to our Moody's rating as a result of completing the merger with Plum Creek.

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OPTION EXERCISES

Our cash proceeds from the exercise of stock options were:

\$128 million in 2017,

\$61 million in 2016 and

\$34 million in 2015.

Our average stock price was \$33.61, \$30.01 and \$31.67 in 2017, 2016 and 2015, respectively.

DIVIDENDS

We paid cash dividends on common shares of:

\$941 million in 2017,

\$932 million in 2016 and

\$619 million in 2015.

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

an increase in our quarterly dividend from 31 cents per share to 32 cents per share in November 2017;

an increase in our quarterly dividend from 29 cents per share to 31 cents per share in August 2015; and

an increase in the number of common shares outstanding during 2016, which was primarily attributable to the 278,886,704 shares issued as consideration in our merger with Plum Creek on February 19, 2016, offset by our subsequent repurchase of 67,816,810 shares between March 2016 and July 2016.

We paid cash dividends on preference shares of \$22 million in 2016 and \$44 million in 2015. As all preference shares were converted to common shares on July 1, 2016, we did not pay any cash dividends on preference shares during 2017. See Note 15: Shareholders' Interest in the Notes to Consolidated Financial Statements for more information.

Our dividends declared on preference shares were 79.69 cents per share in:

February and May 2016; and

February, May, August and October 2015.

On February 9, 2018, our board of directors declared a dividend of 32 cents per share, payable on March 23, 2018, to shareholders of record at the close of business March 2, 2018.

STOCK REPURCHASES

On August 13, 2014, our board of directors approved a stock repurchase program under which we were authorized to repurchase up to \$700 million of outstanding shares (the 2014 Repurchase Program). The 2014 Repurchase Program replaced the prior 2011 stock repurchase program. During 2014, we repurchased 6,062,993 shares of common stock for \$203 million under the 2014 Repurchase Program. During 2015 we completed the 2014 Repurchase Program by repurchasing 15,471,962 shares of common stock for \$497 million. All common stock purchases under the stock repurchase program were made in open-market transactions.

On August 27, 2015, our board of directors approved a new share repurchase program of up to \$500 million of outstanding shares (the 2015 Repurchase Program), commencing upon completion of the 2014 Repurchase Program. During 2015, we repurchased 717,464 shares of common stock for \$22 million under the 2015 Repurchase Program. As of December 31, 2015, we had remaining authorization of \$478 million for future stock repurchases. All common stock purchases under the stock repurchase program were made in open-market transactions.

The 2016 Share Repurchase Authorization was approved in November 2015 by our Board of Directors and authorized management to repurchase up to \$2.5 billion of outstanding shares subsequent to the closing of our merger with Plum Creek (the 2016 Repurchase Program). This new authorization replaced the August 2015 share repurchase authorization. During 2016, we repurchased 67,816,810 shares of common stock for \$2 billion under the 2016 Repurchase Program. We did not repurchase any shares of common stock during 2017. As of December 31, 2017, we had remaining authorization of \$500 million for future stock repurchases. All common stock purchases under the stock repurchase program were made in open-market transactions. We had 755,223 thousand shares of common stock outstanding as of December 31, 2017.

OUR CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

More details about our contractual obligations and commercial commitments are in Note 9: Pension and Other Postretirement Benefit Plans, Note 12: Long-Term Debt, Note 14: Legal Proceedings, Commitments and Contingencies and Note 20: Income Taxes in the Notes to Consolidated Financial Statements.

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Significant Contractual Obligations as of December 31, 2017

DOLLAR AMOUNTS IN MILLIONS

	TOTAL	PAYMENTS DUE BY PERIOD			
		LESS	1-3	3-5	MORE
		THAN 1 YEAR	YEARS	YEARS	THAN 5 YEARS
Long-term debt obligations, including current portion ⁽¹⁾ <u>(Note 12)</u>	\$ 5,956	\$ 62	\$500	\$ 719	\$ 4,675
Interest ⁽²⁾	3,023	362	678	586	1,397
Operating lease obligations	324	40	67	56	161
Purchase obligations ⁽³⁾	53	50	3	—	—
Employee-related obligations ⁽⁴⁾	416	140	50	32	89
Liabilities related to unrecognized tax benefits <u>(Note 20)</u> ⁽⁵⁾	4	—	—	—	—
Total	\$ 9,776	\$ 654	\$ 1,298	\$ 1,393	\$ 6,322

(1) Does not include nonrecourse debt held by our Variable Interest Entities (VIEs). See Note 8: Related Parties in the Notes to Consolidated Financial Statements for further information on our VIEs and the related nonrecourse debt.

(2) Amounts presented for interest payments assume that all long-term debt obligations outstanding as of December 31, 2017, will remain outstanding until maturity, and interest rates on variable-rate debt in effect as of December 31, 2017, 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. These payments can include workers' compensation, deferred compensation and banked vacation, among other obligations. 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 2018. Estimated payments of contractually obligated postretirement benefits are not included due to the uncertainty of payment timing.

(5) We have recognized total liabilities related to unrecognized tax benefits of \$4 million as of December 31, 2017. 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 8: Related Parties and Note 11: Lines of Credit in the Notes to Consolidated Financial Statements contain our disclosures of:

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

ENVIRONMENTAL MATTERS, LEGAL PROCEEDINGS AND OTHER CONTINGENCIES

See Note 14: Legal Proceedings, Commitments and Contingencies in the Notes to Consolidated Financial Statements.

ACCOUNTING MATTERS**CRITICAL ACCOUNTING POLICIES**

In the preparation of our financial statements we follow established accounting policies and make estimates that affect both the amounts and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. Accounting policies whose application may have a significant effect on the reported results of operations and financial position are considered critical accounting policies.

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;

• timber depletion; and

• business combinations.

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.

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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:

- expected long-term rate of return on plan assets and
- discount rates.

At the end of every year, we review our assumptions with external advisers and make adjustments as appropriate. We use these assumptions to calculate liability information as of yearend and pension and post retirement expense for the following year. 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 and amendments,
- portfolio changes and restructuring,
- anticipated trends in health care costs,
- assumed increases in salaries and
- mortality rates.

This section provides more information about our:

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

Expected Long-Term Rate of Return on Plan Assets

Plan assets are assets of the pension plan trusts that fund the benefits provided under the pension plans. The expected long-term rate of return is our estimate of the long-term rate of return that our plan assets will earn. Our expected long-term rate of return is important in determining the net periodic benefit or cost we recognize for our plans. Over the 33 years it has been in place, our U.S. pension trust investment strategy has achieved a 13.7 percent net compound annual return rate.

After considering available information at the end of 2016, we determined that it was appropriate to reduce our assumption of long-term rate of return on plan assets used in determining net periodic benefit cost from 9.0 percent for the year ended December 31, 2016, to 8.0 percent for the year ended December 31, 2017. Based on the information available at the end of 2017, we determined that it is appropriate to continue to use the 8.0 percent return on plan assets assumption during 2018.

Factors we considered include:

- the net compounded annual return of over 8 percent achieved by our U.S. pension trust investment strategy the past 5 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 periodic benefit or cost we recognize for our plans. Every 50 basis point decrease in our expected long-term rate of return would increase expense or reduce a credit by approximately:

- \$22 million for our U.S. qualified pension plans and
- \$5 million for our Canadian registered pension plans.

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 Rates

Our discount rates as of December 31, 2017, are:

- 3.7 percent for our U.S. pension plans — compared with 4.3 percent at December 31, 2016;
- 3.5 percent for our U.S. postretirement plans — compared with 3.7 percent at December 31, 2016;
- 3.5 percent for our Canadian pension plans — compared with 3.7 percent at December 31, 2016; and

3.4 percent for our Canadian postretirement plans — compared with 3.6 percent at December 31, 2016.

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 2018 will be based on the 3.7 percent and 3.5 percent assumed discount rates for U.S. plans and 3.5 percent and 3.4 percent assumed discount rates for the Canadian plans.

Our discount rates are important in determining the cost of our plans. A 50 basis point decrease in our discount rate would increase expense or reduce a credit by approximately:

\$34 million for our U.S. qualified pension plans and

\$4 million for our Canadian registered pension plans.

LONG-LIVED ASSETS

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

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

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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.

CONTINGENT LIABILITIES

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

We record contingent liabilities when:

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

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

- historical experience,
- evaluations of relevant legal and environmental regulations,
- judgments about the potential actions of third party claimants and courts, and
- consideration of potential environmental remediation methods.

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

While we do our best in developing our projections, recorded contingent liabilities are based on the best information available and actual losses in any future period are inherently uncertain. If estimated probable future losses or actual losses exceed our recorded liability for such claims, we would record additional charges. These exposures and proceedings can be significant and the ultimate negative outcomes could be material to our operating results or cash flow in any given quarter or year. See Note 14: Legal Proceedings, Commitments and Contingencies in the Notes to Consolidated Financial Statements for more information.

TIMBER DEPLETION

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

To calculate our depletion rates, which are updated annually, we:

- take the total carrying cost of the timber 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 consideration of the following factors:

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

In addition, the duration 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.

A 5 percent decrease in our estimate of future harvest volumes would have:

increased depletion expense by \$12 million for 2017 and

increased depletion expense by \$13 million for 2016.

BUSINESS COMBINATIONS

We recognize identifiable assets acquired and liabilities assumed at their acquisition date fair value. Goodwill, if any, as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions for the purchase price allocation process to value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to any goodwill previously recorded (or to earnings in the event that no goodwill was previously recorded) to the extent that we identify adjustments to the preliminary purchase price allocation. Beginning January 1, 2016, we adopted ASU 2015-16, which eliminates the requirements to retrospectively apply measurement period adjustments to the preliminary purchase price allocation and revise comparative information on the income statement and balance sheet for any prior periods affected. We will recognize measurement period adjustments and any resulting effect on earnings during the period in which the adjustment is identified. Upon the conclusion of the measurement period or final

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determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statement of operations.

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.

PERFORMANCE MEASURES

We use Adjusted Earnings before Interest, Taxes, Depreciation, Depletion and Amortization (Adjusted EBITDA) as a key performance measure to evaluate the performance of the consolidated company and our business segments. This measure should not be considered in isolation from and is not intended to represent an alternative to our results reported in accordance with U.S. generally accepted accounting principles (U.S. GAAP). However, we believe Adjusted EBITDA provides meaningful supplemental information for our investors about our operating performance, better facilitates period to period comparisons, and is widely used by analysts, lenders, rating agencies and other interested parties. Our definition of Adjusted EBITDA may be different from similarly titled measures reported by other companies. Adjusted EBITDA, as we define it, is operating income from continuing operations adjusted for depreciation, depletion, amortization, basis of real estate sold, pension and postretirement costs not allocated to business segments (primarily interest cost, expected return on plan assets, amortization of actuarial loss and amortization of prior service cost/credit), and special items. Adjusted EBITDA excludes results from joint ventures.

Adjusted EBITDA by Segment

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Timberlands	\$936	\$865	\$678
Real Estate & ENR	241	189	98
Wood Products	1,017	641	372
	2,194	1,695	1,148
Unallocated Items	(114)	(112)	(123)
Total	\$2,080	\$1,583	\$1,025

We reconcile Adjusted EBITDA to net earnings for the consolidated company and to operating income for the business segments, as those are the most directly comparable U.S. GAAP measures for each.

The table below reconciles Adjusted EBITDA by segment to net earnings during the year ended 2017:

DOLLAR AMOUNTS IN MILLIONS

	TIMBERLANDS	REAL ESTATE & ENR	WOOD PRODUCTS	UNALLOCATED ITEMS	TOTAL
Net earnings					\$ 582
Earnings from discontinued operations, net of taxes					—
Interest expense, net of capitalized interest					393
Income taxes					134
Net contribution to earnings	\$ 532	\$ 146	\$ 569	\$ (138)	)\$ 1,109
Equity earnings from joint ventures	—	(1)	—	—	(1)
Non-operating pension and other postretirement benefit costs (credits)	—	—	—	62	62
Interest income and other	—	—	—	(39)	)(39)
Operating income	532	145	569	(115))1,131
Depreciation, depletion and amortization	356	15	145	5	521

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Basis of real estate sold	—	81	—	—	81
Unallocated pension service costs	—	—	—	4	4
Special items ⁽¹⁾⁽²⁾⁽³⁾	48	—	303	(8)343
Adjusted EBITDA	\$ 936	\$ 241	\$ 1,017	\$ (114	)\$2,080

(1) Pretax special items included in Timberlands consists of: a \$147 million noncash impairment charge of the Uruguayan operations a \$99 million gain on sale of land in our Southern timberlands region.

(2) Pretax special items included in Wood Products consists of: \$290 million charge for product remediation, \$7 million for countervailing and antidumping duties on Canadian softwood lumber that the Company sold in the United States, and a \$6 million impairment charge on a nonstrategic asset.

(3) Pretax special items included in Unallocated Items consist of: \$42 million for environmental remediation insurance recoveries and \$34 million for Plum Creek merger-related costs.

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The table below reconciles Adjusted EBITDA by segment to net earnings during the year ended 2016:

DOLLAR AMOUNTS IN MILLIONS

	TIMBERLAND	REAL ESTATE & ENR	WOOD PRODUCTS	UNALLOCATED ITEMS	TOTAL
Net earnings					\$ 1,027
Earnings from discontinued operations, net of taxes					(612)
Interest expense, net of capitalized interest					431
Income taxes					89
Net contribution to earnings	\$ 499	\$ 55	\$ 512	\$ (131)	)\$ 935
Equity earnings from joint ventures	—	(2	)—	(20	)(22)
Non-operating pension and other postretirement benefit costs (credits)	—	—	—	(48	)(48)
Interest income and other	—	—	—	(43	)(43)
Operating income	499	53	512	(242	)822
Depreciation, depletion and amortization	366	13	129	4	512
Basis of real estate sold	—	109	—	—	109
Unallocated pension service costs	—	—	—	5	5
Special items ⁽¹⁾⁽²⁾	—	14	—	121	135
Adjusted EBITDA	\$ 865	\$ 189	\$ 641	\$ (112	)\$ 1,583

(1) Special items included in Real Estate & ENR relate to an asset impairment charge recorded for development projects.

(2) Special items included in Unallocated Items consist of: \$146 million Plum Creek merger-related costs, \$36 million gain on sale of nonstrategic assets and \$11 million of legal expense.

The table below reconciles Adjusted EBITDA by segment to net earnings during the year ended 2015:

DOLLAR AMOUNTS IN MILLIONS

	TIMBERLAND	REAL ESTATE & ENR	WOOD PRODUCTS	UNALLOCATED ITEMS	TOTAL
Net earnings					\$ 506
Earnings from discontinued operations, net of taxes					(95)
Interest expense, net of capitalized interest					341
Income taxes					(58)
Net contribution to earnings	\$ 470	\$ 79	\$ 258	\$ (113)	)\$ 694
Equity earnings from joint ventures	—	—	—	—	—
Non-operating pension and other postretirement benefit costs (credits)	—	—	—	(14	)(14)
Interest income and other	—	—	—	(36	)(36)
Operating income	470	79	258	(163	)644
Depreciation, depletion and amortization	208	1	106	10	325
Basis of real estate sold	—	18	—	—	18
Unallocated pension service costs	—	—	—	3	3
Special items ⁽¹⁾⁽²⁾	—	—	8	27	35
Adjusted EBITDA	\$ 678	\$ 98	\$ 372	\$ (123	)\$ 1,025

(1) Special items included in Wood Products are pretax restructuring charges related to the closure of four distribution centers.

(2) Special items included in Unallocated Items consist of a \$13 million noncash impairment charge related to a nonstrategic asset that was sold in the second quarter and \$14 million of Plum Creek merger-related costs.

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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, 2017

DOLLAR AMOUNTS IN MILLIONS

	2018	2019	2020	2021	2022	THEREAFTER	TOTAL ⁽¹⁾⁽²⁾	FAIR VALUE
Fixed-rate debt	\$ 62	\$500	\$ —	\$719		\$ 4,450	\$ 5,731	\$ 6,823
Average interest rate	7.00 %	7.38 %	%—	%5.56	%—	%6.38	%6.37	%N/A
Variable-rate debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 225	\$ 225	\$ 225
Average interest rate	— %	— %	%—	%—	%—	%3.15	%3.15	%N/A

(1) Excludes \$36 million of unamortized discounts, capitalized debt expense and fair value adjustments (related to Plum Creek merger).

(2) Does not include nonrecourse debt held by our Variable Interest Entities (VIEs). See Note 8: Related Parties in the Notes to Consolidated Financial Statements for further information on our VIEs and the related nonrecourse debt.

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FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors

Weyerhaeuser Company:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Weyerhaeuser Company and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 16, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Seattle, Washington

February 16, 2018

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CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2017

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

	2017	2016	2015
Net sales	\$7,196	\$6,365	\$5,246
Costs of products sold	5,298	4,980	4,153
Gross margin	1,898	1,385	1,093
Selling expenses	87	89	99
General and administrative expenses	310	338	252
Research and development expenses	14	19	18
Charges for integration and restructuring, closures and asset impairments <u>(Note 17)</u>	194	170	39
Charges for product remediation <u>(Note 18)</u>	290	—	—
Other operating costs (income), net <u>(Note 19)</u>	(128)	(53)	41
Operating income	1,131	822	644
Equity earnings from joint ventures <u>(Note 8)</u>	1	22	—
Non-operating pension and other postretirement benefit (costs) credits	(62)	48	14
Interest income and other	39	43	36
Interest expense, net of capitalized interest	(393)	(431)	(341)
Earnings from continuing operations before income taxes	716	504	353
Income taxes <u>(Note 20)</u>	(134)	(89)	58
Earnings from continuing operations	582	415	411
Earnings from discontinued operations, net of income taxes <u>(Note 3)</u>	—	612	95
Net earnings	582	1,027	506
Dividends on preference shares	—	(22)	(44)
Net earnings attributable to Weyerhaeuser common shareholders	\$582	\$1,005	\$462
Basic earnings per share attributable to Weyerhaeuser common shareholders <u>(Note 5)</u> :			
Continuing operations	\$0.77	\$0.55	\$0.71
Discontinued operations	—	0.85	0.18
Net earnings per share	\$0.77	\$1.40	\$0.89
Diluted earnings per share attributable to Weyerhaeuser common shareholders <u>(Note 5)</u> :			
Continuing operations	\$0.77	\$0.55	\$0.71
Discontinued operations	—	0.84	0.18
Net earnings per share	\$0.77	\$1.39	\$0.89
Dividends paid per common share	\$1.25	\$1.24	\$1.20
Weighted average shares outstanding (in thousands) <u>(Note 5)</u> :			
Basic	753,085	718,560	516,371
Diluted	756,666	722,401	519,618
See accompanying <u>Notes to Consolidated Financial Statements</u> .			

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2017
 DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Comprehensive income:			
Net earnings	\$582	\$1,027	\$506
Other comprehensive income (loss):			
Foreign currency translation adjustments	32	25	(97)
Changes in unamortized net pension and other postretirement benefit gain (loss), net of tax expense (benefit) of (\$2) in 2017, (\$151) in 2016, and \$131 in 2015	(132)	(269)	282
Changes in unamortized prior service cost, net of tax benefit of \$2 in 2017, \$0 in 2016 and \$1 in 2015	(5)	(4)	(4)
Unrealized gains on available-for-sale securities	2	1	—
Total comprehensive income	\$479	\$780	\$687
See accompanying <u>Notes to Consolidated Financial Statements</u> .			

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CONSOLIDATED BALANCE SHEET
DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 824	\$ 676
Receivables, less discounts and allowances of \$1 and \$1	396	390
Receivables for taxes	14	84
Inventories <u>(Note 6)</u>	383	358
Prepaid expenses and other current assets	98	114
Total current assets	1,715	1,622
Property and equipment, less accumulated depreciation of \$3,338 and \$3,306 <u>(Note 7)</u>	1,618	1,562
Construction in progress	225	213
Timber and timberlands at cost, less depletion	12,954	14,299
Minerals and mineral rights, less depletion	308	319
Investments in and advances to joint ventures <u>(Note 8)</u>	31	56
Goodwill	40	40
Deferred tax assets <u>(Note 20)</u>	268	293
Other assets	285	224
Restricted financial investments held by variable interest entities <u>(Note 8)</u>	615	615
Total assets	\$ 18,059	\$ 19,243
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt <u>(Notes 12 and 13)</u>	\$ 62	\$ 281
Current debt (nonrecourse to the company) held by variable interest entities <u>(Note 8)</u>	209	—
Accounts payable	249	233
Accrued liabilities <u>(Note 10)</u>	645	692
Total current liabilities	1,165	1,206
Long-term debt <u>(Notes 12 and 13)</u>	5,930	6,329
Long-term debt (nonrecourse to the company) held by variable interest entities <u>(Note 8)</u>	302	511
Deferred pension and other postretirement benefits <u>(Note 9)</u>	1,487	1,322
Deposit received from contribution of timberlands to related party <u>(Note 8)</u>	—	426
Other liabilities	276	269
Commitments and contingencies <u>(Note 14)</u>		
Total liabilities	9,160	10,063
Equity:		
Weyerhaeuser shareholders' interest <u>(Notes 15 and 16)</u> :		
Common shares: \$1.25 par value; authorized 1,360,000,000 shares; issued and outstanding: 755,222,727 and 748,528,131 shares,	944	936
Other capital	8,439	8,282
Retained earnings	1,078	1,421
Cumulative other comprehensive loss	(1,562)	(1,459)
Total equity	8,899	9,180
Total liabilities and equity	\$ 18,059	\$ 19,243
See accompanying <u>Notes to Consolidated Financial Statements</u> .		

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CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2017
 DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Cash flows from operations:			
Net earnings	\$ 582	\$ 1,027	\$ 506
Noncash charges (credits) to income:			
Depreciation, depletion and amortization	521	565	479
Basis of real estate sold	81	109	18
Deferred income taxes, net	44	(159)	—
Pension and other postretirement benefits	97	5	42
Share-based compensation expense (Note 16)	40	60	31
Charges for impairment of assets	154	37	15
Equity (earnings) loss from joint ventures (Note 8)	(1)	(18)	105
Net gains on disposition of discontinued and other operations (Note 3)	(1)	(789)	—
Net gains on sale of nonstrategic assets	(16)	(73)	(38)
Net gains on sale of southern timberlands (Note 8)	(99)	—	—
Foreign exchange transaction (gains) losses (Note 19)	(1)	(5)	47
Change in, net of acquisition:			
Receivables less allowances	(35)	(54)	17
Receivable / payable for taxes	(50)	106	(5)
Inventories	(39)	61	10
Prepaid expenses	(12)	5	3
	106	11	(35)

Accounts payable and accrued liabilities				
Pension and postretirement contributions / benefit payments	(78)	)	(99)	) (83)
Distributions of earnings received from joint ventures	1		14	15
<u>(Note 8)</u>				
Other	(93)	)	(68)	) (52)
Net cash from operations	1,201		735	1,075
Cash flows from investing activities:				
Capital expenditures for property and equipment	(358)	)	(451)	) (443)
Capital expenditures for timberlands reforestation	(61)	)	(59)	) (40)
Acquisition of timberlands	—		(10)	) (36)
Proceeds from disposition of discontinued and other operations	403		2,486	—
<u>(Note 3)</u>				
Proceeds from sale of nonstrategic assets	26		104	19
Proceeds from sale of southern timberlands	203		—	—
<u>(Note 8)</u>				
Proceeds from redemption of ownership in related party	108		—	—
<u>(Note 8)</u>				
Proceeds from contribution of timberlands to related party	—		440	—
<u>(Note 8)</u>				
Distributions of investment received from joint ventures	25		46	—
<u>(Note 8)</u>				
Other	21		3	13
Net cash from investing activities	367		2,559	(487)
Cash flows from financing activities:				

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Cash dividends on common shares	(941))	(932))	(619))
Cash dividends on preference shares	—		(22))	(44))
Proceeds from issuance of long-term debt (Note 12)	225		1,698		—	
Payments on long-term debt (Note 12)	(831)	)	(2,423))	—	
Proceeds from borrowings on line of credit (Note 11)	100		—		—	
Payments on line of credit (Note 11)	(100))	—		—	
Proceeds from exercise of stock options	128		61		34	
Repurchase of common stock	—		(2,003)	)	(518))
Other	(1)	)	(9)	)	(9))
Net cash from financing activities	(1,420)	)	(3,630)	)	(1,156))
Net change in cash and cash equivalents	\$ 148		\$ (336)	)	\$ (568))
Cash and cash equivalents from continuing operations at beginning of year	\$ 676		\$ 1,011		\$ 1,577	
Cash and cash equivalents from discontinued operations at beginning of year	—		1		3	
Cash and cash equivalents at beginning of year	\$ 676		\$ 1,012		\$ 1,580	
Cash and cash equivalents from continuing operations at end of year	\$ 824		\$ 676		\$ 1,011	
Cash and cash equivalents from discontinued operations at end of year	—		—		1	
Cash and cash equivalents at end of year	\$ 824		\$ 676		\$ 1,012	
Cash paid (received) during the year for:						

Interest, net of amounts capitalized of \$9 in 2017, \$8 in 2016 and \$7 in 2015	\$	381	\$	446	\$	347
Income taxes	\$	169	\$	485	\$	14

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE THREE-YEAR PERIOD ENDED DECEMBER 31, 2017
 DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Mandatory convertible preference shares, series A:			
Balance at beginning of year	\$—	\$14	\$14
Conversion to common shares <u>(Note 15)</u>	—	(14))—
Balance at end of year	\$—	\$—	\$14
Common shares:			
Balance at beginning of year	\$936	\$638	\$656
Preference shares converted to common shares <u>(Note 15)</u>	—	29	—
Issued for exercise of stock options	7	3	2
Repurchases of common shares <u>(Note 15)</u>	—	(85)	)(20)
Release of vested restricted stock units	1	2	—
Plum Creek acquisition	—	349	—
Balance at end of year	\$944	\$936	\$638
Other capital:			
Balance at beginning of year	\$8,282	\$4,080	\$4,519
Issued for exercise of stock options	128	61	32
Repurchase of common shares <u>(Note 15)</u>	—	(1,918)	)(498)
Share-based compensation	35	35	32
Plum Creek acquisition	—	6,046	—
Other transactions, net	(6	)(22	)(5)
Balance at end of year	\$8,439	\$8,282	\$4,080
Retained earnings:			
Balance at beginning of year	\$1,421	\$1,349	\$1,508
Net earnings	582	1,027	506
Dividends on common shares	(944	)(933	)(621)
Adjustments related to new accounting pronouncements <u>(Note 1)</u>	19	—	—
Cash dividends on preference shares	—	(22	)(44)
Balance at end of year	\$1,078	\$1,421	\$1,349
Cumulative other comprehensive loss:			
Balance at beginning of year	\$(1,459)	\$(1,212)	\$(1,393)
Annual changes – net of tax:			
Foreign currency translation adjustments	32	25	(97)
Changes in unamortized net pension and other postretirement benefit gain (loss) <u>(Note 9)</u>	(132	)(269	)282
Changes in unamortized prior service credit (cost) <u>(Note 9)</u>	(5	)(4	)(4)
Unrealized gains on available-for-sale securities	2	1	—
Balance at end of year	\$(1,562)	\$(1,459)	\$(1,212)
Total equity:			
Balance at end of year	\$8,899	\$9,180	\$4,869
See accompanying <u>Notes to Consolidated Financial Statements</u> .			

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies describe:

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

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

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. We expect to derive most of our REIT income from investments in timberlands, including the sale of standing timber through pay-as-cut sales contracts and lump sum timber deeds.

We were no longer subject to the REIT built-in gains tax as of December 31, 2014. Our built-in gains tax period expired in 2015 due to a change in U.S. tax law that statutorily shortened the built-in gains tax period to 5 years from 10 years. This means we are no longer subject to federal corporate level income taxes on sales of REIT property that had a fair market value in excess of tax basis when we converted to a REIT on January 1, 2010. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which includes our Wood Products segment and portions of our Timberlands and Real Estate, Energy and Natural Resources (Real Estate & ENR) segments.

HOW WE REPORT OUR RESULTS

Our report includes:

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

Consolidated Financial Statements

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

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

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

We account for investments in and advances to unconsolidated equity affiliates using the equity method. We record our share of equity in net earnings of equity affiliates within "Equity earnings from joint ventures" in our Consolidated Statement of Operations in the period in which the earnings are recorded by our equity affiliates.

Throughout these Notes to Consolidated Financial Statements, unless specified otherwise, references to "Weyerhaeuser," "the company," "we" and "our" refer to the consolidated company.

Our Business Segments

Reportable business segments are determined based on the company's "management approach," as defined by Financial Accounting Standards Board (FASB) ASC 280, "Segment Reporting." The management approach is based on the way the chief operating decision maker organizes the segments within a company for making decisions about resources to be allocated and assessing their performance.

During fiscal year 2016, the company's chief operating decision maker changed the information regularly reviewed when making decisions to allocate resources and assess performance. Since this change, the company reports its financial performance based on three business segments: Timberlands, Real Estate & ENR, and Wood Products. Prior to revising our segment structure, activities related to the Real Estate & ENR business segment were reported as part of the Timberlands business segment.

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Amounts for all periods presented have been reclassified throughout the consolidated financial statements and disclosures to conform to the new segment structure.

We are principally engaged in:

- growing and harvesting timber;
- manufacturing, distributing and selling products made from trees;
- maximizing the value of every acre we own through the sale of higher and better use (HBU) properties; and
- monetizing reserves of minerals, oil, gas, coal, and other natural resources on our timberlands.

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

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Our Business Segments and Products

SEGMENT PRODUCTS AND SERVICES

Timberlands	Logs, timber, and leased recreational access
Real Estate & ENR	Sales of timberlands; rights to explore for and extract hard minerals, construction materials, oil and gas production, wind and coal; and equity interests in our Real Estate Development Ventures
Wood Products	Softwood lumber, engineered wood products, structural panels, medium density fiberboard and building materials distribution

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

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

Gains or charges not related to or allocated to an individual operating segment are held in Unallocated Items. This includes a portion of items such as: share-based compensation; pension and postretirement costs; foreign exchange transaction gains and losses associated with financing; the elimination of intersegment profit in inventory and the LIFO reserve.

Foreign Currency Translation

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

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

Estimates

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

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

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

Fair Value Measurements

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

- long-lived assets (asset groups) measured at fair value for an impairment assessment;
- reporting units measured at fair value in the first step of a goodwill impairment test;
- nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment assessment;
- assets acquired and liabilities assumed in a business acquisition; and
- asset retirement obligations initially measured at fair value.

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

The fair value hierarchy consists of the following three levels:

- Level 1 — Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 — Inputs are:
 - quoted prices for similar assets or liabilities in an active market;
 - quoted prices for identical or similar assets or liabilities in markets that are not active; or
 - inputs other than quoted prices that are observable and market-corroborated inputs, which are derived principally from or corroborated by observable market data.

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

CHANGES IN HOW WE REPORT OUR RESULTS

Changes in how we report our results come from:

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

Reclassifications

We have reclassified certain balances and results from the prior year to be consistent with our 2017 reporting. This makes year-to-year comparisons easier. Our reclassifications had no effect on consolidated net earnings or equity. Our reclassifications present the adoption of new accounting pronouncements on our Consolidated Statement of Operations and in the related footnotes. Refer to discussion of new accounting pronouncements below.

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New Accounting Pronouncements

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, which deferred the effective date for an additional year. In March 2016, FASB issued ASU 2016-08, which does not change the core principle of the guidance; however, it does clarify the implementation guidance on principal versus agent considerations. In April 2016, FASB issued ASU 2016-10, which clarifies two aspects of ASU 2014-09: identifying performance obligations and the licensing implementation guidance. In May 2016, FASB issued ASU 2016-12, which amends ASU 2014-09 to provide improvements and practical expedients to the new revenue recognition model. In December 2016, the FASB issued ASU 2016-20, which amends ASU 2014-09 for technical corrections and to correct for unintended application of the guidance. In February 2017, FASB issued ASU 2017-05, which clarifies the scope of ASC 610-20 and impacts accounting for partial sales of nonfinancial assets.

We have adopted and implemented the new revenue recognition guidance effective January 1, 2018. The new standard is required to be applied retrospectively to each prior reporting period presented (full retrospective transition method) or retrospectively with the cumulative effect of initially applying it recognized at the date of initial application (cumulative effect method). We have adopted using the cumulative effect method. The adoption of the new revenue recognition guidance will not materially impact our Consolidated Statement of Operations, Consolidated Balance Sheet, or Consolidated Statement of Cash Flows. We plan to add expanded disclosures, beginning in first quarter 2018.

Inventory Valuation Methods

In July 2015, FASB issued ASU 2015-11, which simplifies the measurement of inventories valued under most methods, including our inventories valued under FIFO – the first-in, first-out – and moving average cost methods. Inventories valued under LIFO – the last-in, first-out method – are excluded. Under this new guidance, inventories valued under these methods would be valued at the lower of cost or net realizable value, with net realizable value defined as the estimated selling price less reasonable costs to sell the inventory. The new guidance is effective prospectively for fiscal periods starting after December 15, 2016, and early adoption is permitted. We adopted on January 1, 2017, and determined this pronouncement does not have a material impact on our consolidated financial statements and related disclosures.

Lease Recognition

In February 2016, FASB issued ASU 2016-02, which requires lessees to recognize assets and liabilities for the rights and obligations created by those leases and requires both capital and operating leases to be recognized on the balance sheet. The new guidance is effective for fiscal years beginning after December 15, 2018, and early adoption is permitted. We expect to adopt on January 1, 2019. We are still evaluating certain aspects of the revised guidance and subsequent revisions either made or being contemplated by the FASB, including application of the available practical expedients. We expect adoption to result in the recognition of the present value of the future commitments on operating leases disclosed in Note 14: Legal Proceedings, Commitments and Contingencies on our Consolidated Balance Sheet.

Intra-Entity Transfers (other than inventory)

In October 2016, FASB issued ASU 2016-16, which requires immediate recognition of the income tax consequences upon intra-entity transfers of assets other than inventory. The new guidance is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. We adopted this accounting standard update on January 1, 2017. As a result of this adoption, our opening balance sheet was adjusted through "Retained Earnings" by \$19 million for prior period intra-entity transfers. Adoption of this standard did not have a material impact on our Consolidated Statement of Cash Flows or Consolidated Statement of Operations.

Pension and Other Post Retirement Benefit (Costs)/Credits

In March 2017, FASB issued ASU 2017-07, which requires that an employer report the service cost component of pension and other postretirement benefit costs in the Consolidated Statement of Operations in the same line item or

items as other compensation costs arising from services rendered by the pertinent employees. This requirement is consistent with how we have historically presented our pension service costs. The other requirement of ASU 2017-07 is to present the remaining components of pension and other postretirement benefit costs (i.e., interest, expected return on plan assets, amortization of actuarial gains or losses, and amortization of prior service credits or costs) in the Consolidated Statement of Operations separately from the service cost component and outside a subtotal of income from operations. The new guidance is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. We adopted this accounting standard as of January 1, 2017. As a result, we reclassified amounts related to other components of pension and other postretirement benefit costs from their prior financial statements captions ("Costs of products sold," "General and administrative expenses," and "Other operating costs (income), net") into a new financial statement caption titled "Non-operating pension and other postretirement benefit (costs) credits" in our Consolidated Statement of Operations. The adoption of ASU 2017-07 did not impact "Net earnings," nor did it impact our Consolidated Balance Sheet.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, FASB issued ASU 2018-02, which allows for the reclassification of certain income tax effects related to the Tax Cuts and Jobs Act between "Accumulated other comprehensive income" and "Retained earnings." This ASU relates to the requirement that adjustments to deferred tax liabilities and assets related to a change in tax laws or rates to be included in "Income from continuing operations", even in situations where the related items were originally recognized in "Other comprehensive income" (rather than in "Income from continuing operations"). The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. Adoption of this ASU is to be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the tax laws or rates were recognized. We are still evaluating certain aspects of this ASU as well as the related impacts it may have on our financial statements.

HOW WE ACCOUNT FOR VARIOUS ITEMS

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

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

ITEMS RELATED TO CAPITAL INVESTMENTS

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

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Property and Equipment

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

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

• Maintenance, repairs and minor replacements are expensed.

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

• We capitalize costs associated with logging roads that we intend to utilize for a period longer than one year. These roads are then amortized over an estimated service life.

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

Timber and Timberlands

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

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

• reforestation,

• depletion and

• forest management in Canada.

Reforestation. Generally, we capitalize initial site preparation and planting costs as reforestation. Generally, we expense costs after the first planting as they are incurred or over the period of expected benefit. These costs include:

• fertilization,

• vegetation and insect control,

• pruning and precommercial thinning,

• property taxes, and

• interest.

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

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

• regulatory and environmental constraints,

• our management strategies,

• inventory data improvements,

• growth rate revisions and recalibrations and

• known dispositions and inoperable acres.

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

Forest Management in Canada. We manage timberlands under long-term licenses in various Canadian provinces that are:

• granted by the provincial governments;

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

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

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

• varies from province to province,

• is tied to product market pricing and

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

Impairment of Long-Lived Assets

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

• appraisals,

• market pricing of comparable assets,

•discounted value of estimated cash flows from the asset and
•replacement values of comparable assets.

Goodwill

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

•using a fair-value-based approach and
•at least annually — at the beginning of the fourth quarter.

In 2017, the fair value of the reporting unit with goodwill substantially exceeded its carrying value.

ITEMS RELATED TO FINANCING OUR BUSINESS

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

Financial Instruments

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

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Cash Equivalents

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

Accounts Payable

Our banking system replenishes our major bank accounts daily as checks we have issued are presented for payment. As a result, we may have negative book cash balances due to outstanding checks that have not yet been paid by the bank. These negative balances would be included in "Accounts payable" on our Consolidated Balance Sheet. Changes in these negative cash balances would be reported as financing activities in our Consolidated Statement of Cash Flows. We had no negative book cash balances as of December 31, 2017, and December 31, 2016.

Concentration of Risk

We disclose customers that represent a concentration of risk. As of December 31, 2017, and December 31, 2016, no customer accounted for 10 percent or more of our net sales.

ITEMS RELATED TO OPERATIONS

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

Revenue Recognition

Operations recognizes revenue when title and the risk of loss transfers to the customer, in general this is upon shipment to customers. For certain export sales, revenue is recognized when title transfers at the foreign port. For timberland sales, we recognize revenue when title and possession have been transferred to the buyer and all other criteria for sale and profit recognition have been satisfied.

Inventories

We state inventories at the lower of cost or net realizable value. Cost includes labor, materials and production overhead. LIFO — the last-in, first-out method — applies to major inventory products held at our U.S. domestic locations. We began to use the LIFO method for domestic products in the 1940s as required to conform with the tax method elected. Subsequent acquisitions of entities added new products under the FIFO — the first-in, first-out method — or moving average cost methods that have continued under those methods. The FIFO or moving average cost methods applies to the balance of our domestic raw material and product inventories as well as for all material and supply inventories and all foreign inventories.

Shipping and Handling Costs

We classify shipping and handling costs in "Costs of products sold" on our Consolidated Statement of Operations.

Income Taxes

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

We recognize deferred tax assets and liabilities to reflect:

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

- operating loss and tax credit carryforwards.

To measure deferred tax assets and liabilities, we:

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

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

Share-Based Compensation

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

Note 16: Share-Based Compensation provides more information about our share-based compensation.

Pension and Other Postretirement Benefit Plans

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

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

- cost of benefits provided in exchange for employees' services rendered during the year;

- interest cost of the obligations;

- expected long-term return on plan assets;

- gains or losses on plan settlements and curtailments;

- amortization of prior service costs and plan amendments over the average remaining service period of the active

- employee group covered by the plans or the average remaining life expectancy in situations where the plan

- participants affected by the plan amendment are inactive; and

- amortization of cumulative unrecognized net actuarial gains and losses — generally in excess of 10 percent of the

- greater of the benefit obligation or market-related value of plan assets at the beginning of the year — over the average

- remaining service period of the active employee group covered by the plans or the average remaining life expectancy

- in situations where the plan participants are inactive.

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

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

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

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

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

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

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

Postretirement benefits other than pensions. We provide certain postretirement health care and life insurance benefits for some retired employees. In some cases, we pay a portion of the cost of the benefit. Note 9: Pension and Other Postretirement Benefit Plans provides additional information about changes made in our postretirement benefit plans during 2017 and 2016.

Environmental Remediation

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

NOTE 2: BUSINESS SEGMENTS

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

KEY FINANCIAL DATA BY BUSINESS SEGMENT

Sales and Contribution (Charge) to Earnings

DOLLAR AMOUNTS IN MILLIONS

	TIMBERLANDS	REAL ESTATE & ENR ⁽¹⁾	WOOD PRODUCTS	UNALLOCATED ITEMS ⁽²⁾ AND INTERSEGMENT ELIMINATIONS	CONSOLIDATED
Sales to unaffiliated customers					
2017\$	1,942	\$ 280	\$ 4,974	\$ —	\$ 7,196
2016\$	1,805	\$ 226	\$ 4,334	\$ —	\$ 6,365
2015\$	1,273	\$ 101	\$ 3,872	\$ —	\$ 5,246
Intersegment sales					
2017\$	762	\$ 1	\$ —	\$ (763))\$ —
2016\$	840	\$ 1	\$ 68	\$ (909))\$ —
2015\$	830	\$ —	\$ 82	\$ (912))\$ —
Contribution (charge) to earnings from continuing operations					
2017\$	532	\$ 146	\$ 569	\$ (138)	)\$ 1,109
2016\$	499	\$ 55	\$ 512	\$ (131)	)\$ 935
2015\$	470	\$ 79	\$ 258	\$ (113)	)\$ 694

(1) The Real Estate & ENR segment includes the equity earnings from, investments in and advances to our Real Estate Development Ventures (as defined and described in Note 8: Related Parties), which are accounted for under the equity method.

(2) Unallocated items are gains or charges not related to or allocated to an individual operating segment. They include a portion of items such as: share-based compensation, pension and postretirement costs, foreign exchange transaction gains and losses

associated with financing, equity earnings from our Timberland Venture (as defined and described in Note 8: Related Parties), the elimination of intersegment profit in inventory and the LIFO reserve. As a result of reclassifying our former Cellulose Fibers segment as discontinued operations, Unallocated items also includes retained indirect corporate overhead costs previously allocated to the former segment.

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Management evaluates segment performance based on the contributions to earnings of the respective segments. An analysis and reconciliation of our business segment information to the consolidated financial statements follows:

Reconciliation of Contribution to Earnings to Net Earnings

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Net contribution to earnings from continuing operations	\$1,109	\$935	\$694
Net contribution to earnings from discontinued operations	—	957	156
Total contribution to earnings	1,109	1,892	850
Interest expense, net of capitalized interest ⁽¹⁾	(393)	(436)	(347)
Income before income taxes ⁽¹⁾	716	1,456	503
Income taxes ⁽¹⁾	(134)	(429)	3
Net earnings	\$582	\$1,027	\$506

(1) Results shown for 2016 and 2015 include amounts for both continuing and discontinued operations. Refer to Note 3: Discontinued Operations and Other Divestitures for further information.

Additional Financial Information

DOLLAR AMOUNTS IN MILLIONS

	TIMBERLANDS	REAL ESTATE & ENR	WOOD PRODUCTS	UNALLOCATED ITEMS	CONSOLIDATED
Depreciation, depletion and amortization					
2017\$	356	\$ 15	\$ 145	\$ 5	\$ 521
2016\$	366	\$ 13	\$ 129	\$ 4	\$ 512
2015\$	208	\$ 1	\$ 106	\$ 10	\$ 325
Net pension and postretirement cost (credit) ⁽¹⁾					
2017\$	7	\$ 1	\$ 23	\$ 66	\$ 97
2016\$	8	\$ —	\$ 22	\$ (43)	\$ (13)
2015\$	9	\$ —	\$ 27	\$ (11)	\$ 25
Charges for integration and restructuring, closures and asset impairments ⁽²⁾					
2017\$	147	\$ —	\$ 13	\$ 34	\$ 194
2016\$	—	\$ 15	\$ 7	\$ 148	\$ 170
2015\$	—	\$ —	\$ 10	\$ 29	\$ 39
Equity earnings (loss) from joint ventures					
2017\$	—	\$ 1	\$ —	\$ —	\$ 1
2016\$	—	\$ 2	\$ —	\$ 20	\$ 22
2015\$	—	\$ —	\$ —	\$ —	\$ —
Capital expenditures					
2017\$	115	\$ 2	\$ 299	\$ 3	\$ 419
2016\$	116	\$ 1	\$ 297	\$ 11	\$ 425
2015\$	75	\$ —	\$ 287	\$ 3	\$ 365
Investments in and advances to joint ventures					
2017\$	—	\$ 31	\$ —	\$ —	\$ 31
2016\$	—	\$ 56	\$ —	\$ —	\$ 56
2015\$	—	\$ —	\$ —	\$ —	\$ —

(1) Net pension and postretirement cost (credit) excludes special items, as well as the recognition of curtailments, settlements and special termination benefits due to closures, restructuring or divestitures. See Note 9: Pension and Other Postretirement Benefit Plans for more information.

(2) See Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments for more information.

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Total Assets

DOLLAR AMOUNTS IN MILLIONS

	TIMBERLANDS and REAL ESTATE & ENR	WOOD PRODUCTS	UNALLOCATED ITEMS	CONSOLIDATED
Total assets ⁽¹⁾⁽²⁾				
2017	\$ 14,122	\$ 2,145	\$ 1,792	\$ 18,059
2016	\$ 15,608	\$ 1,910	\$ 1,725	\$ 19,243
2015	\$ 7,260	\$ 1,541	\$ 3,919	\$ 12,720

(1) Assets attributable to the Real Estate & ENR business segment are combined with total assets for the Timberlands segment because we do not produce separate balance sheets internally.

(2) Unallocated Items total assets includes assets of discontinued operations.

DISCONTINUED OPERATIONS

During 2016, we disposed of our former Cellulose Fibers segment, which is excluded from the segment results above unless otherwise noted. See Note 3: Discontinued Operations and Other Divestitures for information regarding our discontinued operations and the segments affected.

NOTE 3: DISCONTINUED OPERATIONS AND OTHER DIVESTITURES

OPERATIONS DIVESTED

On October 12, 2016, we announced the exploration of strategic alternatives for our Uruguay timberlands and manufacturing operations, which was part of our Timberlands business segment. On June 2, 2017, the Weyerhaeuser Board of Directors approved an equity purchase agreement with a consortium led by BTG Pactual's Timberland Investment Group (TIG), including other long-term investors, pursuant to which the Company agreed to sell, in exchange for \$403 million in cash, all of its equity interest in the subsidiaries that collectively owned and operated its Uruguayan timberlands and manufacturing operations.

On September 1, 2017, we completed the sale of our Uruguay timberlands and manufacturing operations for \$403 million of cash proceeds. Due to the impairment of our Uruguayan operations recorded during second quarter 2017 (refer to Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments), no material gain or loss was recorded as a result of this sale. As of December 31, 2017, no assets or liabilities related to Uruguayan operations remain on the Consolidated Balance Sheet.

The sale of our Uruguayan operations was not considered a strategic shift that had or will have a major effect on our operations or financial results and therefore did not meet the requirements for presentation as discontinued operations.

DISCONTINUED OPERATIONS

During 2016, we entered into three separate transactions to sell our Cellulose Fibers business. As a result of these transactions, the company recognized a pretax gain on disposition of \$789 million and total cash proceeds of \$2.5 billion in the second half of 2016. These transactions consisted of:

- sale of our Cellulose Fibers liquid packaging board business to Nippon Paper Industries Co., Ltd for \$285 million in cash proceeds, which closed on August 31, 2016;
- sale of our Cellulose Fibers printing papers joint venture to One Rock Capital Partners, LLC for \$42 million in cash proceeds, which closed on November 1, 2016; and

sale of our Cellulose Fibers pulp business to International Paper for \$2.2 billion in cash proceeds, which closed on December 1, 2016.

The results of operations for our pulp and liquid packaging board businesses, along with our interest in our printing papers joint venture, were reclassified to discontinued operations during our 2016 reporting year. These results have been summarized in "Earnings from discontinued operations, net of income taxes" on our Consolidated Statement of Operations for each period presented. We did not reclassify our Consolidated Statement of Cash Flows to reflect discontinued operations. Cellulose Fibers was previously disclosed as a separate reportable business segment. Retained indirect corporate overhead costs previously allocated to Cellulose Fibers are now reported as part of Unallocated Items.

We used \$1.7 billion of the after-tax proceeds from the sale of our Cellulose Fibers business segment for repayment of debt during 2016.

The following table presents the components of the net gain on the divestiture of Cellulose Fibers:

DOLLAR AMOUNTS IN MILLIONS

	2016
Proceeds, net of cash and cash equivalents disposed of	\$2,486
Less:	
Net book value of assets and liabilities disposed of	(1,678)
Transaction costs, net of reimbursement	(19)
	(1,697)
Pretax gain on Cellulose Fibers divestitures	789
Income taxes	(243)
Net gain on Cellulose Fibers divestitures	\$546

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NET EARNINGS FROM DISCONTINUED OPERATIONS

Sales and Net Earnings from Discontinued Operations

DOLLAR AMOUNTS IN MILLIONS

	2016 ⁽¹⁾	2015 ⁽²⁾
Total net sales	\$1,537	\$1,860
Costs of products sold	1,283	1,573
Gross margin	254	287
Selling expenses	12	14
General and administrative expenses	29	30
Research and development expenses	5	6
Charges for integration and restructuring, closures and asset impairments ⁽³⁾	63	2
Other operating income, net	(27)	(26)
Operating income	172	261
Equity loss from joint venture	(4)	(105)
Interest expense, net of capitalized interest	(5)	(6)
Earnings from discontinued operations before income taxes	163	150
Income taxes	(97)	(55)
Net earnings from operations	66	95
Net gain on divestiture of Cellulose Fibers	546	—
Net earnings from discontinued operations	\$612	\$95

(1) Discontinued operations in 2016 includes 335 days of the pulp business, 305 days of our printing papers joint venture operations, and 244 days of the liquid packaging board business.

(2) Discontinued operations in 2015 includes a full year of the Cellulose Fibers business segment operations.

(3) Charges for integration and restructuring, closures and asset impairments consist of costs related to our strategic evaluation of the Cellulose Fibers businesses and transaction-related costs.

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

CARRYING VALUE OF ASSETS AND LIABILITIES OF DISCONTINUED OPERATIONS

As all discontinued operations were sold during 2016, no assets or liabilities remain as of December 31, 2017, or December 31, 2016.

CASH FLOWS FROM DISCONTINUED OPERATIONS

Cash Flows from Discontinued Operations

DOLLAR AMOUNTS IN MILLIONS

	2016 ⁽¹⁾	2015 ⁽²⁾
Net cash provided by (used in) operating activities	\$196	\$429
Net cash provided by (used in) investing activities	\$2,356	\$(118)

(1) Discontinued operations in 2016 includes 335 days of the pulp business, 305 days of our printing papers joint venture operations, and 244 days of the liquid packaging board business, and the cash flows associated with the CF divestitures.

(2) Discontinued operations in 2015 includes a full year of the Cellulose Fibers business segment operations.

RELATED PARTY TRANSACTIONS WITH PRINTING PAPERS JOINT VENTURE

Prior to November 1, 2016, we held a 50 percent ownership interest in North Pacific Paper Corporation (NORPAC), our printing papers joint venture, which we considered a related party. We provided goods and services to NORPAC, including raw materials and support services. The amount paid to Weyerhaeuser by this joint venture for goods and

services were:

\$126 million in 2016 and

\$197 million in 2015.

NOTE 4: MERGER WITH PLUM CREEK

On February 19, 2016, we merged with Plum Creek Timber Company, Inc. (Plum Creek). Plum Creek was a REIT that primarily owned and managed timberlands in the United States. Plum Creek also produced wood products, developed opportunities for mineral and other natural resource extraction, and sold real estate properties.

The acquisition of total assets of \$10.0 billion was a noncash investing and financing activity comprised of \$6.4 billion in equity consideration transferred and \$3.6 billion of liabilities assumed.

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Summarized Unaudited Pro Forma Information that Presents Combined Amounts as if this Merger Occurred at the Beginning of 2015

DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES

	2016	2015
Net sales	\$6,525	\$6,664
Net earnings from continuing operations attributable to Weyerhaeuser common shareholders	\$519	\$487
Net earnings from continuing operations per share attributable to Weyerhaeuser common shareholders, basic	\$0.69	\$0.61
Net earnings from continuing operations per share attributable to Weyerhaeuser common shareholders, diluted	\$0.68	\$0.61

Pro forma net earnings attributable to Weyerhaeuser common shareholders exclude \$155 million and \$22 million of non-recurring merger-related costs (net of tax) incurred in the years ended December 31, 2016 and December 31, 2015, respectively. Pro forma data may not be indicative of the results that would have been obtained had these events occurred at the beginning of the periods presented, nor is it intended to be a projection of future results.

Initial and Final Estimated Fair Value of Identifiable Assets Acquired and Liabilities Assumed as of the Merger Date
DOLLAR AMOUNTS IN MILLIONS

	PRELIMINARY ALLOCATION	MEASUREMENT PERIOD ADJUSTMENTS	FINAL ALLOCATION
Current assets	\$ 128	\$ 10	\$ 138
Timber and timberlands	8,124	2	8,126
Minerals and mineral rights	312	6	318
Property and equipment	272	5	277
Equity investment in Timberland Venture	876	(29)	)847
Equity investment in Real Estate Development Ventures	88	(3)	)85
Other assets	163	4	167
Total assets acquired	9,963	(5)	)9,958
Current liabilities	610	—	610
Long-term debt	2,056	—	2,056
Note payable to Timberland Venture	837	1	838
Other liabilities	77	(6)	)71
Total liabilities assumed	3,580	(5)	)3,575
Net assets acquired	\$ 6,383	\$ —	\$ 6,383

The initial allocation of purchase price was recorded using preliminary estimated fair value of assets acquired and liabilities assumed based upon the best information available to management at the time. The purchase price allocation was finalized as of December 31, 2016. The measurement period adjustments reflect additional information obtained to record the fair value of certain assets acquired and liabilities assumed based on facts and circumstances existing as of the acquisition date. Measurement period adjustments reflected above did not have a material impact to earnings or cash flows for the year ended December 31, 2016.

NOTE 5: NET EARNINGS PER SHARE

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

\$0.77 in 2017,
\$1.40 in 2016 and
\$0.89 in 2015.

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

\$0.77 in 2017,
\$1.39 in 2016 and

\$0.89 in 2015.

HOW WE CALCULATE BASIC AND DILUTED NET EARNINGS PER SHARE

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

"Diluted earnings" per share is net earnings available to common shareholders divided by the sum of the:

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

Dilutive potential common shares may include:

- outstanding stock options,
- restricted stock units,
- performance share units and
- preference shares.

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SHARES IN THOUSANDS

	2017	2016	2015
Weighted average number of outstanding shares - basic	753,085	718,560	516,371
Dilutive potential common shares:			
Stock options	2,571	2,672	2,342
Restricted stock units	582	756	381
Performance share units	428	413	524
Total effect of outstanding dilutive potential common shares	3,581	3,841	3,247
Weighted average number of outstanding common shares - dilutive	756,666	722,401	519,618

We use the treasury stock method to calculate the dilutive effect of our outstanding stock options, restricted stock units and performance share units. Share-based payment awards that are contingently issuable upon the achievement of specified performance or market conditions are included in our diluted earnings per share calculation in the period in which the conditions are satisfied.

SHARES EXCLUDED FROM DILUTIVE EFFECT

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

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

SHARES IN THOUSANDS

	2017	2016	2015
Stock options	1,351	1,462	5,016
Performance share units	799	384	155
Preference shares ⁽¹⁾	—	—	25,307

(1) See [Note 15: Shareholders' Interest](#) for more information.

NOTE 6: INVENTORIES

Inventories include raw materials, work-in-process, finished goods as well as materials and supplies.

Inventories as of the End of Our Last Two Years

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016
LIFO inventories:		
Logs	\$ 17	\$ 18
Lumber, plywood, panels, and fiberboard	66	61
Other products	10	10
FIFO or moving average cost inventories:		
Logs	38	21
Lumber, plywood, panels, fiberboard and engineered wood products	91	73
Other products	77	90
Materials and supplies	84	85
Total	\$ 383	\$ 358

LIFO — the last-in, first-out method — applies to major inventory products held at our U.S. domestic locations. The FIFO — the first-in, first-out method — or moving average cost methods apply to the balance of our domestic raw material and product inventories as well as for all material and supply inventories and all foreign inventories. If we used FIFO for all LIFO inventories, our stated inventories would have been higher by \$70 million as of December 31, 2017, and \$71 million as of December 31, 2016, respectively.

HOW WE ACCOUNT FOR OUR INVENTORIES

The Inventories section of [Note 1: Summary of Significant Accounting Policies](#) provides details about how we account for our inventories.

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Property and equipment includes land, buildings and improvements, machinery and equipment, roads and other items. Carrying Value of Property and Equipment and Estimated Service Lives

DOLLAR AMOUNTS IN MILLIONS

	RANGE OF LIVES	DECEMBER 31, 2017	DECEMBER 31, 2016
Property and equipment, at cost:			
Land	N/A	\$ 88	\$ 90
Buildings and improvements	15-35	867	789
Machinery and equipment	5-25	3,037	3,022
Roads	10-35	782	773
Other	3-10	182	194
Total cost		4,956	4,868
Accumulated depreciation and amortization		(3,338)	(3,306)
Property and equipment, net		\$ 1,618	\$ 1,562

SERVICE LIVES AND DEPRECIATION

In general, additions are classified into components, each with its own estimated useful life as determined at the time of purchase. Buildings and improvements for property and equipment have estimated lives that are generally at either the high end or low end of the range from 15 years to 35 years, depending on the type and performance of construction.

Depreciation expense, excluding discontinued operations, was:

\$206 million in 2017,

\$198 million in 2016 and

\$160 million in 2015.

NOTE 8: RELATED PARTIES

This note provides details about and our transactions with related parties. Our related parties consist of:

joint ventures accounted for using equity method;

our Twin Creeks Venture; and

special-purpose entities (SPEs).

JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

We have investments in an unconsolidated joint venture over which we have significant influence that we account for using the equity method. We record our share of net earnings within "Equity Earnings from joint ventures" in our Consolidated Statement of Operations in the period in which earnings are recorded by the affiliates.

Real Estate Development Ventures

WestRock-Charleston Land Partners, LLC (WR-CLP) is a limited liability company which holds residential and commercial real estate development properties, currently under development (Class A Properties) and higher-value timber and development lands (Class B Properties) (referred to collectively as the Real Estate Development Ventures). We have a 3 percent interest in Class A Properties and a 50 percent interest in Class B Properties. WestRock Company is the other member of WR-CLP and owns 97 percent of the Class A Properties and 50 percent of the Class B Properties. The company uses the equity method for both its Class A and Class B interests. Our share of the equity earnings is included in the net contribution to earnings of our Real Estate & ENR segment.

WR-CLP is a variable interest entity and is financed by regular capital calls from the manager of WR-CLP in proportion to a member's ownership interest. If a member does not make a capital contribution, the member's ownership interest is diluted. We are not committed to make any material capital contributions during the remaining term of the venture, which expires in 2020. We do not intend to provide any additional sources of financing for

WR-CLP.

We are not the primary beneficiary of WR-CLP. We consider the activities that most significantly impact the economic performance of WR-CLP to be the day-to-day operating decisions along with the oversight responsibilities for the real estate development projects and properties. WestRock Company (the other equity member) has the power to direct the activities of WR-CLP that most significantly impact its economic performance through its ability to manage the day-to-day operations of WR-CLP. WestRock Company also has the ability to control all management decisions associated with all Class A and Class B Properties through its majority representation on the board of directors for the Class A Properties and due to its equal representation on the board of directors for the Class B Properties.

The carrying amount of our investment in WR-CLP is \$31 million and \$56 million at December 31, 2017, and December 31, 2016, respectively. The change in our investment in WR-CLP during 2017 is due to a \$25 million cash return of investment received during 2017. Additionally, we had \$1 million of equity earnings from the joint ventures during 2017. We record our share of net earnings within "Equity earnings from joint ventures" in our Consolidated Statement of Operations in the period which earnings are recorded by the affiliates.

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Other Joint Ventures

Timberland Venture

Since August 31, 2016, we hold all of the equity interests in the Timberland Venture and consolidate it as a wholly-owned subsidiary and eliminated our equity method investment in the Timberland Venture.

Beginning on the date of our merger with Plum Creek until August 31, 2016, we held preferred and common interests in Southern Diversified Timber, LLC, a timberland joint venture (Timberland Venture), which included 100 percent of the preferred interests and 9 percent of the common interests. The Timberland Venture's other member, an affiliate of Campbell Global LLC (TCG Member), held 91 percent of the Timberland Venture's common interests. Our investment in and share of the equity earnings of the Timberland Venture was not attributed to one of our business segments, and was reported in Unallocated Items. On August 31, 2016, the Timberland Venture redeemed TCG Member's interest. In conjunction with the redemption of TCG Member, we remeasured our previously held equity interest to fair value at August 31, 2016, resulting in recognition of a gain of \$6 million in "Interest income and other" on our Consolidated Statement of Operations during third quarter 2016.

North Pacific Paper Company (NORPAC)

During 2016, we sold our interest in North Pacific Paper Corporation (NORPAC). See Note 3: Discontinued Operations and other divestitures for additional information.

TWIN CREEKS VENTURE

Ownership Redemption, Agreement Termination and Sale Recognition

During October 2017, we redeemed our 21 percent ownership interest in the Twin Creeks Venture for \$108 million in cash. We did not recognize a material gain or loss on the redemption of our ownership interest. The cash received was classified as a cash flow from investing activities in our Consolidated Statement of Cash Flows.

Effective December 31, 2017, we terminated the agreements under which we had managed the Twin Creeks timberlands. Following termination of these agreements, Weyerhaeuser has no further responsibilities or obligations related to the Twin Creeks Venture and our continuing involvement in the contributed timberlands ceased. Due to the events during the quarter, we have recognized the sale of the original contribution of timberlands that occurred April 2016.

Changes in our deposit from contribution of timberlands to related party balance during 2016 and 2017 were as follows:

DOLLAR AMOUNTS IN MILLIONS

Balance at December 31, 2015	\$—
Initial cash receipt upon contribution of timberlands to Twin Creeks Venture	440
Lease payments to Twin Creeks Venture	(17)
Distributions from Twin Creeks Venture	3
Balance at December 31, 2016	\$426
Lease payments to Twin Creeks Venture	(8)
Distributions from Twin Creeks Venture	2
Recognition of contributed timberlands	(420)
Balance at December 31, 2017	\$—

Formation and Operations

On April 1, 2016, we contributed approximately 260,000 acres of our southern timberlands with an agreed-upon value of approximately \$560 million to Twin Creeks Timber, LLC (Twin Creeks Venture), in exchange for cash of approximately \$440 million and a 21 percent ownership interest. The other members contributed cash of approximately \$440 million for a combined 79 percent ownership interest.

In conjunction with contributing to the venture, we entered into a separate agreement to manage the timberlands owned by the Twin Creeks Venture, including harvesting activities, marketing and log sales activities, and replanting and silviculture activities. This management agreement guaranteed the Twin Creeks Venture an annual return equal to 3 percent of the contributed value of the managed timberlands in the form of minimum quarterly payments from Weyerhaeuser. This agreement also required us to annually distribute 75 percent of any profits earned by us in excess

of the minimum quarterly payments. The management agreement was cancellable at any time by Twin Creeks Timber, LLC, and otherwise would expire on April 1, 2019.

The guaranteed return that the management agreement required Weyerhaeuser to provide to the Twin Creeks Venture constituted continuing involvement in the timberlands that we contributed to the venture. This continuing involvement prohibited the recognition of the contribution as a sale and required application of the deposit method to account for the cash payment received. By applying the deposit method to the contribution of timberlands to the venture:

• Our receipt of \$440 million proceeds from the contribution of timberlands to the venture was recorded as a noncurrent liability - "Deposit from contribution of timberlands to related party" - on our Consolidated Balance Sheet.

• The contributed timberlands continued to be reported within the "Timber and timberlands at cost, less depletion charged to disposals" on our Consolidated Balance Sheet.

• No gain or loss was recognized in our Consolidated Statement of Operations.

• Our balance sheet did not reflect our 21 percent ownership interest in the Twin Creeks Venture.

The receipt of \$440 million was classified as a cash flow from investing activities in our Consolidated Statement of Cash Flows. The cash proceeds from our contribution of timberlands were used for share repurchases.

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Sale of Additional Timberlands to Twin Creeks

In conjunction with the redemption and termination discussed above, we also entered an agreement to sell 100,000 acres of Southern Timberlands to Twin Creeks for \$203 million. The sale, which included 80,000 acres of timberlands in Mississippi and 20,000 acres in Georgia, closed December 29, 2017. The sale resulted in a \$99 million gain recognized during fourth quarter 2017.

SPECIAL-PURPOSE ENTITIES

From 2002 through 2004, we sold certain nonstrategic timberlands in five separate transactions. We are the primary beneficiary and consolidate the assets and liabilities of certain monetization and buyer-sponsored SPEs involved in these transactions. We have an equity interest in the monetization SPEs, but no ownership interest in the buyer-sponsored SPEs. The following disclosures refer to assets of buyer-sponsored SPEs and liabilities of monetization SPEs. However, because these SPEs are distinct legal entities:

▲ Assets of the SPEs are not available to satisfy our liabilities or obligations.

▲ Liabilities of the SPEs are not our liabilities or obligations.

Our Consolidated Statement of Operations includes:

▲ Interest expense on SPE notes of:

- \$29 million in 2017,
- \$29 million in 2016 and
- \$29 million in 2015.

▲ Interest income on SPE investments of:

- \$34 million in 2017,
- \$34 million in 2016 and
- \$34 million in 2015.

Sales proceeds paid to buyer-sponsored SPEs were invested in restricted financial investments with a balance of \$615 million as of both December 31, 2017, and December 31, 2016. The weighted average interest rate was 5.5 percent during 2017 and 2016. Maturities of the financial investments at the end of 2017 were:

\$253 million in 2019 and

\$362 million in 2020.

The long-term notes of our monetization SPEs were \$511 million as of both December 31, 2017, and December 31, 2016. The weighted average interest rate was 5.6 percent during 2017 and 2016. Maturities of the notes at the end of 2017 were:

\$209 million in 2018 and

\$302 million in 2019.

Financial investments consist of bank guarantees backed by bank notes for three of the SPE transactions. Interest earned from each financial investment is used to pay interest accrued on the corresponding SPE's note. Any shortfall between interest earned and interest accrued reduces our equity in the monetization SPEs.

Upon dissolution of the SPEs and payment of all obligations of the entities, we would receive any net equity remaining in the monetization SPEs and would be required to report taxable gains on our income tax return. In the event that proceeds from the financial investments are insufficient to settle all of the liabilities of the SPEs, we are not obligated to contribute any funds to any of the SPEs. As of December 31, 2017, our net equity in the three SPEs was approximately \$105 million and the deferred tax liability was estimated to be approximately \$116 million.

NOTE 9: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

This note provides details about defined benefit and defined contribution plans we sponsor for our employees. The Pension and Other Postretirement Benefit Plans section of Note 1: Summary of Significant Accounting Policies provides information about employee eligibility for pension plans and postretirement health care and life insurance benefits, as well as how we account for the plans and benefits.

DEFINED BENEFIT PLANS WE SPONSOR

OVERVIEW OF PLANS

The defined benefit pension plans we sponsor in the U.S. and Canada differ according to each country's requirements. In the U.S., we have qualified plans that qualify under the Internal Revenue Code and nonqualified plans for select employees that provide additional benefits not qualified under the Internal Revenue Code. In Canada, we have registered plans that are registered under the Income Tax Act and applicable provincial pension acts and nonregistered plans for select employees that provide additional benefits that may not be registered under the Income Tax Act or provincial pension acts. We also offer other postretirement benefit plans in the U.S. and Canada, including retiree medical and life insurance plans.

Assumed Plans from Merger with Plum Creek

Upon our merger with Plum Creek, we assumed one qualified pension plan and two nonqualified pension plans. These plans were frozen as of February 19, 2016, and all plans were merged into existing Weyerhaeuser plans effective December 31, 2016.

The fair values of items assumed are included as plan acquisitions in the following tables. We also assumed assets of \$47 million related to the nonqualified plans held in a grantor trust. These assets are subject to the claims of creditors in the event of bankruptcy. As a result, these are not considered plan assets and are not netted against the nonqualified pension liability. These assets are included in "Other assets" in our Consolidated Balance Sheet. During 2016 and 2017, we redeemed \$42 million of these assets to make nonqualified pension benefit payments.

During first quarter 2016, we recognized \$5 million of pension benefit costs from change in control provisions for certain Plum Creek executives. These enhanced pension benefits were triggered by changes in control and retention decisions made after the completion of the merger (see Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments).

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Amendments of Pension and Other Postretirement Benefit Plans for Salaried Employees

There were no material pension plan, postretirement medical or life insurance plan amendments in 2017. Aside from the December 31, 2016, amendments to merge the Plum Creek plans into the Weyerhaeuser plans as described above, there were no material plan amendments in 2016. There were also no material plan amendments in 2015.

FUNDED STATUS OF PLANS

The funded status of the plans we sponsor is determined by comparing the projected benefit obligation with the fair value of plan assets at the end of the year. The following table demonstrates how our plans' funded status is reflected on the Consolidated Balance Sheet.

DOLLAR AMOUNTS IN MILLIONS

	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2017	2016	2017	2016
Funded status:				
Fair value of plan assets	\$5,514	\$5,351	\$ —	\$ —
Projected benefit obligations	(6,795)	(6,469)	(200)	(225)
Funded status	\$(1,281)	\$(1,118)	\$ (200)	\$ (225)
Presentation on our Consolidated Balance Sheet:				
Noncurrent assets	\$45	\$27	\$ —	\$ —
Current liabilities	(21)	(28)	(19)	(21)
Noncurrent liabilities	(1,305)	(1,117)	(181)	(204)
Funded status	\$(1,281)	\$(1,118)	\$ (200)	\$ (225)

Assets and liabilities on the Consolidated Balance Sheet are different from the cumulative income or expense that we have recorded associated with the plans. The differences are actuarial gains and losses and prior service costs and credits that are deferred and amortized into periodic benefit costs in future periods. Unamortized amounts are recorded in "Cumulative Other Comprehensive Loss", which is a component of total equity on our Consolidated Balance Sheet. The "Cumulative Other Comprehensive Income (Loss)" section of Note 15: Shareholder's Interest details changes in these amounts by component.

Changes in Fair Value of Plan Assets

DOLLAR AMOUNTS IN MILLIONS

	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2017	2016	2017	2016
Fair value of plan assets at beginning of year (estimated)	\$5,351	\$5,491	\$ —	\$ —
Adjustment for final fair value of plan assets	18	7	—	—
Actual return on plan assets	553	27	—	—
Foreign currency translation	59	29	—	—
Employer contributions and benefit payments	57	78	20	21
Plan participants' contributions	—	—	6	7
Plan transfers	3	1	—	—
Plan acquisitions	—	137	—	—
Benefits paid (includes lump sum settlements)	(527)	(419)	(26)	(28)
Fair value of plan assets at end of year (estimated)	\$5,514	\$5,351	\$ —	\$ —

We estimate the fair value of pension plan assets based upon the information available during the year-end reporting process. In some cases, primarily private equity funds, the available information consists of net asset values as of an interim date, plus cash flows and market events between the interim date and the end of the year. We update the year-end estimated fair value of pension plan assets during the first half of the next year to incorporate year-end net asset values received after we have filed our Annual Report on Form 10-K.

See additional details about the changes in the fair value of plan assets in the "Pension Assets" section below.

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DOLLAR AMOUNTS IN MILLIONS

	PENSION		OTHER POSTRETIREMENT BENEFITS	
	2017	2016	2017	2016
Reconciliation of projected benefit obligation:				
Projected benefit obligation beginning of year	\$6,469	\$6,211	\$ 225	\$ 240
Service cost	35	48	—	—
Interest cost	264	277	8	8
Plan participants' contributions	—	—	6	7
Actuarial (gains) losses	489	120	(18	) (5)
Foreign currency translation	59	27	5	3
Benefits paid (includes lump sum settlements)	(527	)(419	)(26	)(28)
Plan amendments and other	3	—	—	—
Plan transfers	3	1	—	—
Plan acquisitions	—	199	—	—
Change in control enhanced benefits	—	5	—	—
Projected benefit obligation at end of year	\$6,795	\$6,469	\$ 200	\$ 225

See additional details about the actuarial assumptions and changes in the projected benefit obligation in the "Actuarial Assumptions" section below.

Accumulated Benefit Obligations Greater Than Plan Assets

As of December 31, 2017, pension plans with accumulated benefit obligations greater than plan assets had:

\$5.9 billion in projected benefit obligations,

\$5.9 billion in accumulated benefit obligations and

assets with a fair value of \$4.6 billion.

As of December 31, 2016, pension plans with accumulated benefit obligations greater than plan assets had:

\$5.7 billion in projected benefit obligations,

\$5.6 billion in accumulated benefit obligations and

assets with a fair value of \$4.5 billion.

The accumulated benefit obligation for all of our defined benefit pension plans was:

\$6.7 billion at December 31, 2017, and

\$6.4 billion at December 31, 2016.

PENSION ASSETS

Our Investment Policies and Strategies

Our investment policies and strategies guide and direct how the funds are managed for the benefit plans we sponsor.

These funds include our:

U.S. Pension Trust — funds our U.S. qualified pension plans;

Canadian Pension Trust — funds our Canadian registered pension plans; and

Retirement Compensation Arrangements — fund a portion of our Canadian nonregistered pension plans.

U.S. and Canadian Pension Trusts

Investment managers of our pension plan asset portfolios use a diversified set of investment strategies. Our trusts invest both directly in a diversified mix of nontraditional investments, and indirectly through derivatives to promote effective use of capital, increase returns and manage associated risk. Our direct investments include cash and short-term investments, common and preferred stocks, hedge funds and related investments and private equity and related investments. Our indirect investments include equity and fixed income index derivatives, foreign currency derivatives and total return swaps.

Cash and short-term investments include highly liquid money market and government securities and are primarily held to fund benefit payments, capital calls, margin requirements or to meet regulatory requirements.

Common and preferred stocks are equity instruments that have been purchased directly or resulted from transactions related to private equity investment holdings.

Hedge fund and related investments are privately-offered managed pools primarily structured as limited liability entities. General members or partners of these limited liability entities serve as portfolio managers and are thus responsible for the fund's underlying investment decisions. Underlying investments within these funds may include long and short public and private equities, corporate, mortgage and sovereign debt, options, swaps, forwards and other derivative positions. These funds have varying degrees of leverage, liquidity, and redemption provisions.

Private equity and related investments are investments in private equity, mezzanine, distressed, co-investments and other structures. Private equity funds generally participate in buyouts and venture capital of limited liability entities through unlisted equity and debt instruments. These funds may also borrow at the underlying entity level. Mezzanine and distressed funds generally invest in the debt of public or private companies with additional participation through warrants or other equity options.

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Derivative instruments are comprised of swaps, futures, forwards or options. Equity and fixed income index derivatives are used to achieve target equity and bond exposure or to reduce exposure to certain market risks. Foreign currency derivatives reduce exposure to certain currency risks. Total return swaps enable exposure to return characteristics of specific financial strategies with limited exchange of principal.

While we do not target specific direct investment or derivative allocations, we have established guidelines on the percentage of pension trust assets that can be invested in certain categories to provide diversification by investment type fund and investment managers, as well as to manage overall liquidity. Allocation of trust assets at the end of the last two years is presented below.

Assets within our qualified and registered pension plans in our U.S. and Canadian pension trusts were invested as follows:

	DECEMBER 31, 2017	DECEMBER 31, 2016	
Cash and short-term investments	10.6	% 13.7	%
Common and preferred stock	—	0.1	
Hedge funds and related investments	58.8	56.6	
Private equity and related investments	22.2	22.7	
Derivative instruments, net	8.7	7.1	
Accrued liabilities	(0.3	) (0.2)
Total	100.0	% 100.0	%

Retirement Compensation Arrangements

Retirement compensation arrangements fund a portion of our Canadian nonregistered pension plans. As required by Canadian tax rules, approximately 50 percent of these assets are invested into a noninterest-bearing refundable tax account held by the Canada Revenue Agency. This portion of the portfolio does not earn returns. The remaining portion is invested in a portfolio of equities.

Managing Risk

Investments and contracts are subject to risks including market price, liquidity, currency, interest rate and credit risks. The following provides an overview of these risks and describes governance processes and actions we take to mitigate these risks on our pension plan asset portfolios.

Market price risk is the risk that market fluctuations will adversely affect the value of plan assets. The trusts mitigate market price risk by investing in a diversified portfolio whose returns exhibit low correlation to traditional asset classes and to each other. In addition, we and our investment advisers perform regular monitoring with ongoing qualitative assessments, quantitative assessments, and comprehensive investment and operational due diligence.

Liquidity risk is the risk that the trust will not be able to settle liabilities such as payments to participants, counterparties, and service providers. Plan investments in limited liability pools with no active secondary market may be illiquid. Private equity funds are subject to distribution and funding schedules set by fund managers and market activity. Hedge funds may also be subject to restrictions that delay redemptions. To mitigate liquidity risk, private equity portfolios have been diversified across different vintage years and strategies, and hedge fund portfolios have been diversified across investment fund managers, strategies and liquidity provisions. In addition, the investment committee regularly reviews cash flows of the pension trusts and sets appropriate guidelines to address liquidity needs.

Currency risk arises from holding plan assets denominated in a currency other than the currency in which its liabilities are settled. Currency risk is generally managed through notional contracts designed to hedge net exposure to non-functional currencies.

Interest rate risk is the risk that a change in interest rates will adversely affect the fair value of fixed income securities. Interest rate risk exposure is primarily indirect through investment in limited liability pools. Fund managers mitigate this risk with predefined investment mandates and investment decisions.

Credit risk is the risk that counterparties' failure to discharge their obligations could impact cash flows. The trusts' primary exposure is through settlement receivables from derivative contracts. Only the amount of unsettled net receivables is at risk for these types of investments, and no principal is at risk. We decrease credit risk exposure by only dealing with highly-rated financial counterparties; as of year-end, our counterparties each had a credit rating of at

least A from S&P. We further manage this risk through diversification of counterparties, predefined settlement and margining provisions and documented agreements.

We are also exposed to credit risk indirectly through counterparty relationships initiated by underlying managers of investments in limited liability pools. This risk is mitigated through initial due diligence and ongoing monitoring processes.

Valuation of Our Plan Assets

Pension assets are stated at fair value as of the reporting date. Fair value is based on the amount that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the reporting date. We do not consider forced or distressed sale scenarios. Instead, we consider both observable and unobservable inputs that reflect assumptions applied by market participants when setting the exit price of an asset or liability in an orderly transaction within the principal market for that asset or liability.

We value the pension plan assets based upon the observability of exit pricing inputs and classify pension plan assets based upon the lowest level input that is significant to the fair value measurement of the pension plan assets in their entirety. The fair value hierarchy is:

Level 1: Inputs are unadjusted quoted prices for identical assets and liabilities traded in an active market.

Level 2: Inputs are quoted prices in non-active markets for which pricing inputs are observable either directly or indirectly at the reporting date.

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

Investments for which fair value is measured using the net asset value per share as a practical expedient are not categorized within the fair value hierarchy.

Cash and short-term investments are valued at cost, which approximates market.

Common and preferred stocks are valued at exit prices quoted in public markets.

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Hedge funds, private equities, and related fund units are valued based on the net asset values of the funds. These values represent the per-unit price at which new investors are permitted to invest and existing investors are permitted to exit. When net asset values as of the end of the year have not been received, we estimate fair value by adjusting the most recently reported net asset values for market events and cash flows between the interim date and the end of the year.

Derivative instruments are valued based upon valuation statements received from each derivative's counterparty. These contracts are not publicly traded.

The net pension plan assets, when categorized in accordance with this fair value hierarchy, are as follows. Investments valued using net asset value (NAV) as a practical expedient are presented to reconcile with total plan assets.

DOLLAR AMOUNTS IN MILLIONS

2017	LEVEL 1	LEVEL 2	LEVEL 3	NAV	TOTAL
Pension trust investments:					
Cash and short-term investments	\$ 580	\$ 2	\$ —	—\$	—\$582
Common and preferred stock	1	—	—	—	1
Hedge fund and related investments	59	—	10	3,168	3,237
Private equity and related investments	—	—	102	1,120	1,222
Derivative instruments:					
Assets	—	31	445	—	476
Liabilities	—	—	—	—	—
Total pension trust investments	640	33	557	4,288	5,518
Accrued liabilities, net					(16)
Pension trust net assets					5,502
Canadian nonregistered plan assets:					
Cash and short-term investments	6	—	—	—	6
Common and preferred stock	6	—	—	—	6
Total Canadian nonregistered plan assets	12	—	—	—	12
Total plan assets					\$5,514

DOLLAR AMOUNTS IN MILLIONS

2016	LEVEL 1	LEVEL 2	LEVEL 3	NAV	TOTAL
Pension trust investments:					
Cash and short-term investments	\$ 715	\$ 16	\$ —	—\$	—\$731
Common and preferred stock	7	—	—	—	7
Hedge fund and related investments	62	—	4	2,957	3,023
Private equity and related investments	—	—	75	1,138	1,213
Derivative instruments:					
Assets	—	10	376	—	386
Liabilities	—	(8)	—	—	(8)
Total pension trust investments	784	18	455	4,095	5,352
Accrued liabilities, net					(11)
Pension trust net investments					5,341
Canadian nonregistered plan assets:					
Cash and short-term investments	5	—	—	—	5
Common and preferred stock	5	—	—	—	5
Total Canadian nonregistered plan assets	10	—	—	—	10
Total plan assets					\$5,351

Assets that do not have readily available quoted prices in an active market require more judgment to value and have increased risk. Approximately \$557 million, or 10.1 percent, of our pension plan assets were classified as Level 3 assets as of December 31, 2017.

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A reconciliation of the beginning and ending balances of the pension plan assets measured at fair value using significant unobservable inputs (Level 3) is presented below:

DOLLAR AMOUNTS IN MILLIONS

	INVESTMENTS			
	Hedge funds and related investments	Private equity and related investments	Derivative instruments, net	Total
Balance as of December 31, 2015	\$3	\$ 52	\$ 491	\$546
Net realized gains (losses)	(1)	(2 )	)134	131
Net change in unrealized gains (losses)	2	(3	)(121	)(122)
Purchases	—	21	—	21
Sales	—	(18	)—	(18)
Settlements	—	—	(128	)(128)
Transfers into Level 3	—	25	—	25
Transfers out of Level 3	—	—	—	—
Balance as of December 31, 2016	4	75	376	455
Net realized gains (losses)	(1)	(30	)15	(16)
Net change in unrealized gains (losses)	2	41	67	110
Purchases	—	14	—	14
Sales	(1)	—	—	(1)
Settlements	—	—	(13	)(13)
Transfers into Level 3	6	19	—	25
Transfers out of Level 3	—	(17	)—	(17)
Balance as of December 31, 2017	\$10	\$ 102	\$ 445	\$557

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. We evaluate the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits.

The table below shows the fair value and aggregate notional amount of the derivative instruments held by our pension trusts at the end of the last two years.

DOLLAR AMOUNTS IN MILLIONS

	FAIR VALUE		NOTIONAL	
	DECEMBER 31, 2017	DECEMBER 31, 2016	DECEMBER 31, 2017	DECEMBER 31, 2016
Equity and fixed income index derivatives, net	\$ 19	\$ 10	\$501	\$ 405
Foreign currency derivatives, net	12	(5	) 1,413	2,811
Total return swaps, net	445	373	1,443	1,515
Total	\$ 476	\$ 378	\$3,357	\$ 4,731

ACTUARIAL ASSUMPTIONS

We use actuarial assumptions to estimate our benefit obligations and our net periodic benefit costs. The following tables show the rates used to estimate our benefit obligations and periodic net benefit costs.

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Rates We Use in Estimating Our Benefit Obligations

	PENSION DECEMBER 31, 2017	DECEMBER 31, 2016	
Discount rates:			
United States	3.70	% 4.30	%
Canada	3.50	% 3.70	%
Lump sum distributions ⁽¹⁾⁽²⁾	PPA Table	PPA Table	
Rate of compensation increase:			
Salaried:			
United States	13.00% to 2.00% decreasing with participant age	13.00% to 2.00% decreasing with participant age	
Canada	3.25	% 3.50	%
Hourly:			
United States	13.00% to 2.30% decreasing with participant age	13.00% to 2.30% decreasing with participant age	
Canada	3.00	% 3.25	%
Lump sum or installment distributions election ⁽²⁾	60.00	% 60.00	%

(1) PPA Phased Table: Interest and mortality assumptions as mandated by Pension Protection Act of 2006 including the phase out of the prior interest rate basis in 2013.

(2) U.S. qualified salaried and nonqualified plans only

The discount rates used for our U.S. other postretirement benefit plans were 3.50 percent and 3.70 percent for the years ended December 31, 2017, and December 31, 2016, respectively. Additionally, the discount rates used for our Canadian other postretirement benefit plans were 3.40 percent and 3.60 percent for the years ended December 31, 2017, and December 31, 2016, respectively.

Estimating Our Net Periodic Benefit Costs

	PENSION 2017	2016	2015	
Discount rates:				
United States	4.30	% 4.50	% 4.10	%
Canada	3.70	% 4.00	% 3.90	%
Lump sum distributions ⁽¹⁾⁽²⁾	PPA Table	PPA Table	PPA Table	
Expected return on plan assets:				
Qualified/registered plans ⁽³⁾	8.00	% 9.00% for all plans except 7.00% for plans assumed from Plum Creek	9.00	%
Nonregistered plans	3.50	% 3.50	% 3.50	%
Rate of compensation increase:				
Salaried:				
United States	13.00% to 2.00% decreasing with participant age	13.00% to 2.00% decreasing with participant age	2.50% for 2015 and 3.50% thereafter	
Canada	3.50	% 3.50	% 2.50% for 2015 and 3.50% thereafter	
Hourly:				

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United States	13.00% to 2.30% decreasing with participant age	13.00% to 2.30% decreasing with participant age	3.00	%
Canada	3.25	% 3.25	% 3.25	%
Lump sum distributions election ⁽²⁾	60.00	% 60.00	% 60.00	%

(1) PPA Phased Table: Interest and mortality assumptions as mandated by Pension Protection Act of 2006 including the phase out of the prior interest rate basis in 2013.

(2) U.S. qualified salaried and nonqualified plans only

(3) Beginning in 2017 and continuing in 2018 we will use an assumed expected return on plan assets of 8.00 percent for qualified and registered pension plans.

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The discount rates used for our U.S. other postretirement benefit plans were 3.70 percent, 4.00 percent and 3.60 percent for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively. Additionally, the discount rates used for our Canadian other postretirement benefit plans were 3.60 percent, 3.90 percent and 3.80 percent for the years ended December 31, 2017, December 31, 2016, and December 31, 2015, respectively.

Expected Return on Plan Assets

We estimate the expected long-term return on assets for our qualified, registered and nonregistered pension plans.

Qualified and Registered Pension Plans

We have assumed a long-term rate of return on plan assets of 8 percent for the year ended December 31, 2017. As part of our 2016 annual evaluation of key assumptions, we reduced our assumption of long-term rate of return on plan assets to 8 percent for estimated 2017 net periodic benefit cost.

Determining our expected return requires a high degree of judgment. We consider actual pension fund performance over multiple years, and current and expected valuation levels in the global equity and credit markets. Historical fund returns are used as a base, and we place added weight on more recent pension plan asset performance. Over the 33 years it has been in place, our U.S. pension trust investment strategy has achieved a 13.7 percent net compound annual return rate. The past 5 years, our net compounded annual return was over 8 percent.

Nonregistered Plans

Canadian tax rules require that 50 percent of the assets for nonregistered plans go to a noninterest-bearing refundable tax account. As a result, the return we earn investing the other 50 percent is spread over 100 percent of the assets. Our expected long-term annual rate of return on the portion we are allowed to manage is 7 percent. This assumption is based on historical experience and future return expectations. The expected overall annual return on assets that fund our nonregistered plans is 3.5 percent.

Allocation of Actual Returns Between Assets Held by Our Pension Trusts

The percentage of actual return on assets held by our pension trusts in 2017 based on valuations as of year-end is as follows:

	2017	2016	2015
Direct investments	72 %	44 %	77 %
Derivative instruments	28 %	56 %	23 %
Total	100 %	100 %	100 %

Health Care Costs

Rising costs of health care affect the costs of our other postretirement plans. We use assumptions about health care cost trend rates to estimate the cost of benefits we provide. Our trend rate assumptions are based on historical market experience, current environment and future expectations. In 2017, the assumed weighted health care cost trend rate was:

8.9 percent for U.S. Pre-Medicare

4.5 percent for U.S. Health Reimbursement Account (HRA)

4.9 percent for Canada

This table shows the assumptions we use in estimating the annual cost increase for health care benefits we provide.

Assumptions We Use in Estimating Health Care Benefit Cost Trends

	2017 U.S.	CANADA	2016 U.S.	CANADA
Weighted health care cost trend rate assumed for next year	8.40% for Pre-Medicare and 4.50% for HRA	5.10	8.90% for Pre-Medicare and 4.50% for HRA	4.90 %
Rate that the cost trend rate gradually declines to	4.50	%4.30	%4.50	%4.30 %
Year the cost trend rate is reached	2037	2028	2037	2028

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The assumed health care cost trend rate can significantly influence projected postretirement benefit plan payments. The following table demonstrates the effect a one percent change in assumed health care cost trend rates would have with all other assumptions remaining constant.

Effect of a One Percent Change in Health Care Costs

AS OF DECEMBER 31, 2017 (DOLLAR AMOUNTS IN MILLIONS)

	1% INCREASE	1% DECREASE
Effect on total service and interest cost components	less than \$1	less than \$(1)
Effect on accumulated postretirement benefit obligation	\$ 7	\$ (7)

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ACTIVITY OF PLANS

Net Periodic Benefit Cost (Credit)

DOLLAR AMOUNTS IN MILLIONS

	PENSION			OTHER POSTRETIREMENT BENEFITS		
	2017	2016	2015	2017	2016	2015
Net periodic benefit cost (credit):						
Service cost ⁽¹⁾	\$35	\$48	\$57	\$ —	\$ —	\$ —
Interest cost	264	277	265	8	8	9
Expected return on plan assets	(409)	(495)	(476)	—	—	—
Amortization of actuarial loss	195	156	182	8	9	10
Amortization of prior service cost (credit)	4	4	4	(8)	(7)	(9)
Accelerated pension costs for Plum Creek merger-related change-in-control provisions	—	5	—	—	—	—
Net periodic benefit cost (credit)	\$89	\$(5)	\$32	\$ 8	\$ 10	\$ 10

(1) Service cost includes \$13 million in 2016 and \$17 million in 2015 for employees that were part of our Cellulose Fibers divestitures. These charges are included in our results of discontinued operations. Curtailment and special termination benefits are related to involuntary terminations due to restructuring activities.

Estimated Amortization from Cumulative Other Comprehensive Loss in 2018

DOLLAR AMOUNTS IN MILLIONS

	OTHER PENSIONPOSTRETIREMENT BENEFITS		TOTAL
Net actuarial loss	\$ 242	\$ 8	\$ 250
Prior service cost (credit)	3	(8)	(5)
Net effect cost	\$ 245	\$ —	\$ 245

Expected Pension Plan and Benefit Funding

Established funding standards govern the funding requirements for our qualified and registered pension plans. We fund the benefit payments of our nonqualified and nonregistered plans as benefit payments come due. There was no minimum required contribution for our U.S. qualified plan for 2017, nor were any contributions made to this plan in 2017. During 2017, we contributed \$25 million for our Canadian registered plans, we made contributions and benefit payments of \$2 million for our Canadian nonregistered pension plans and made benefit payments of \$31 million for our nonqualified pension plans, including \$1 million of enhanced pension benefit payments from change in control provisions.

During 2018, based on estimated year-end asset values and projections of plan liabilities, we expect to:

- be required to contribute approximately \$23 million for our Canadian registered plan;
- be required to contribute or make benefit payments for our Canadian nonregistered plans of \$4 million; and
- make benefit payments of approximately \$19 million for our U.S. nonqualified pension plans.

We do not anticipate a contribution being required for our U.S. qualified pension plan for 2018.

Expected Postretirement Benefit Funding

Benefits for these plans are paid from our general assets as they come due. We expect to make benefit payments of \$19 million for our U.S. and Canadian other postretirement benefit plans in 2018, including \$7 million expected to be required to cover benefit payments under collectively bargained contractual obligations.

Estimated Projected Benefit Payments for the Next 10 Years

DOLLAR AMOUNTS IN MILLIONS

	PENSION	OTHER POSTRETIREMENT
--	---------	-------------------------

		BENEFITS
2018	\$ 369	\$ 19
2019	371	18
2020	374	17
2021	374	16
2022	376	15
2023-2027	1,902	65

UNION-ADMINISTERED MULTIEMPLOYER BENEFIT PLANS

We contribute to multiemployer defined benefit plans under the terms of collective-bargaining agreements. These plans cover a small number of our employees and on an annual basis our contributions are immaterial.

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These plans have different risks than single-employer plans. Our contributions may be used to fund benefits for employees of other participating employers. If we choose to stop participating, we may be required to pay a withdrawal liability based on the underfunded status of the plan. If another participating employer stops contributing to the plan, we may become responsible for remaining plan unfunded obligations.

DEFINED CONTRIBUTION PLANS

We sponsor various defined contribution plans for our U.S. and Canadian salaried and hourly employees. Our contributions to these plans were:

\$21 million in 2017,

\$27 million in 2016 and

\$21 million in 2015.

Upon our merger with Plum Creek, we assumed one defined contribution plan, the Plum Creek Thrift and Profit Sharing Plan. Effective July 15, 2016, the assets of this plan were merged into the Weyerhaeuser 401(k) Plan.

NOTE 10: ACCRUED LIABILITIES

Accrued liabilities were comprised of the following:

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016
Wages, salaries and severance pay	\$ 150	\$ 178
Pension and other postretirement benefits	40	49
Vacation pay	33	33
Taxes – Social Security and real and personal property	24	20
Interest	111	120
Customer rebates and volume discounts	48	39
Deferred income	48	40
Accrued income taxes	19	139
Product remediation accrual <u>(Note 18)</u>	98	—
Other	74	74
Total	\$ 645	\$ 692

NOTE 11: LINES OF CREDIT**OUR LINES OF CREDIT**

During March 2017, we entered into a new \$1.5 billion five-year senior unsecured revolving credit facility that expires in March 2022. This replaced a \$1 billion senior unsecured revolving credit facility that was originally set to expire September 2018. The entire amount is available to Weyerhaeuser Company. Borrowings are at LIBOR plus a spread or at other interest rates mutually agreed upon between the borrower and the lending banks. As of December 31, 2017, there were no borrowings outstanding under the facility and we were in compliance with the credit facility covenants.

OTHER LETTERS OF CREDIT AND SURETY BONDS

The amounts of other letters of credit and surety bonds we have entered into as of the end of our last two years are included in the following table:

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016
Letters of credit	\$ 37	\$ 38
Surety bonds	\$ 134	\$ 125

Our compensating balance requirements for our letters of credit were \$5 million as of December 31, 2017.

NOTE 12: LONG-TERM DEBT

This note provides details about:

term loans issued and extinguished,
long-term debt assumed in the Plum Creek merger, and
long-term debt and long-term debt maturities.

Our long-term debt includes notes, debentures and other borrowings.

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TERM LOANS ISSUED AND EXTINGUISHED

During July 2017, we prepaid a \$550 million variable-rate term loan originally set to mature in 2020 (2020 term loan). The 2020 term loan was prepaid using available cash of \$325 million as well as borrowing proceeds from a new \$225 million variable-rate term loan set to mature in 2026 (2026 term loan). The 2020 term loan was eligible to received patronage refunds while outstanding. Similarly, we receive patronage refunds on the 2026 term loans, which will continue while the loan remains outstanding. Refer to the "Installment Note" section below for further details regarding patronage refunds.

During August 2017, we paid our \$281 million 6.95 percent debenture due in 2017.

During February 2016, and subsequent to completion of the Plum Creek merger, we entered into a \$600 million 18-month senior unsecured term loan set to mature in August 2017. The \$600 million outstanding under this facility was repaid in full and terminated during fourth quarter 2016.

During March 2016, we entered into a \$1.9 billion 18-month senior unsecured term loan set to mature in September 2017. The \$1.1 billion outstanding under this facility was repaid in full and terminated during fourth quarter 2016.

LONG-TERM DEBT ASSUMED IN THE PLUM CREEK MERGER

Through our merger with Plum Creek, we assumed long-term debt instruments consisting of:

- two issuances of publicly traded Senior Notes,

- an Installment Note (defined and described below) and

- the Note Payable to Timberland Venture (defined and described below).

Concurrent with the merger, we repaid in full the outstanding balances of Plum Creek's Revolving Line of Credit and Term Loan using \$720 million of cash on hand.

Senior Notes

The assumed Senior Notes are publicly traded and were issued by Plum Creek Timberlands, L.P. (PC Timberlands) and were fully and unconditionally guaranteed by Weyerhaeuser Company as of the acquisition date. During third quarter 2016, PC Timberlands was merged into Weyerhaeuser Company and Weyerhaeuser Company assumed the obligations. There were two separate Senior Notes: \$569 million (principal) of 4.70 percent notes which mature in 2021 and \$325 million (principal) of 3.25 percent notes which mature in 2023. The Senior Notes are redeemable prior to maturity; however, they are subject to a premium on redemption, which is based upon interest rates of U.S. Treasury securities having similar average maturities.

Through acquisition accounting the Senior Notes were recognized at estimated fair values of \$614 million for the 4.70 percent notes and \$324 million for the 3.25 percent notes as of the acquisition date. The differences between cash interest payments and the amounts recorded as interest expense at the effective market rates will adjust the carrying values of the notes to the principal amounts at maturity.

Installment Note

We assumed an installment note (Installment Note) payable to WestRock Land and Development, LLC (WR LD) that was issued in connection with Plum Creek's acquisition of certain timberland assets. The principal balance of the Installment Note is \$860 million. Following the issuance, WR LD pledged the installment note to certain banks. The annual interest rate on the Installment Note is fixed at 5.207 percent. Interest is paid semi-annually with the principal due upon maturity in December 2023. The term may be extended at the request of the holder if the company at the time of the request intends to refinance all or a portion of the Installment Note for a term of five years or more. The Installment Note is generally not redeemable prior to maturity except in certain limited circumstances and could be subject to a premium on redemption.

We receive patronage refunds under the Installment Note. Patronage refunds are distributions of profits from banks in the farm credit system, which are cooperatives that are required to distribute profits to their members. Patronage distributions, which are made in either cash or stock, are received in the year after they were earned and are recorded as offsets to interest expense.

Through acquisition accounting, the Installment Note was recognized at an estimated fair value of \$893 million as of the acquisition date. The difference between the cash interest payments and the amount being recorded as interest expense at the effective market rate will reduce the carrying value of the Installment Note to the principal amount at the maturity date.

Note Payable to Timberland Venture

We assumed the Note Payable to Timberland Venture, which had a principal balance of \$783 million. The annual interest rate on the Note Payable to Timberland Venture is fixed at 7.375 percent. Interest is paid quarterly with the principal due upon maturity. The note matures on October 1, 2018, but may be extended until October 1, 2020, at our election. The note is not redeemable prior to maturity.

Through acquisition accounting, the Note Payable to Timberland Venture was recognized at an estimated fair value of \$838 million as of the acquisition date. The difference between the cash interest payments and the amount being recorded as interest expense at the effective market rate will reduce the carrying value of the note to the principal amount at the maturity date.

On August 31, 2016, the Timberland Venture redeemed TCG Member's interest and Weyerhaeuser obtained full ownership of the Timberland Venture's equity. As a result, we consolidated the Timberland Venture as a wholly-owned subsidiary and the Note Payable to Timberland Venture is therefore eliminated for financial reporting purposes upon consolidation as it is now intercompany indebtedness. The redemption transaction and consolidation are described in Note 8: Related Parties.

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LONG-TERM DEBT AND LONG-TERM DEBT MATURITIES

The following table lists our long-term debt by types and interest rates at the end of our last two years and includes the current portion.

Long-Term Debt by Types and Interest Rates (Includes Current Portion)

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016
6.95% debentures due 2017	\$ —	\$ 281
7.00% debentures due 2018	62	62
7.375% notes due 2019	500	500
Variable rate term loan credit facility matures 2020	—	550
9.00% debentures due 2021	150	150
4.70% debentures due 2021	597	606
7.125% debentures due 2023	191	191
5.207% debentures due 2023	885	889
4.625% notes due 2023	500	500
3.25% debentures due 2023	324	324
8.50% debentures due 2025	300	300
7.95% debentures due 2025	136	136
7.70% debentures due 2026	150	150
7.35% debentures due 2026	62	62
7.85% debentures due 2026	100	100
Variable rate term loan credit facility matures 2026	225	—
6.95% debentures due 2027	300	300
7.375% debentures due 2032	1,250	1,250
6.875% debentures due 2033	275	275
Other	1	2
	6,008	6,628
Less unamortized discounts	(5	)(5)
Less unamortized debt expense	(11	)(13)
Total	\$ 5,992	\$ 6,610
Portion due within one year	\$ 62	\$ 281

Amounts of Long-Term Debt Due Annually for the Next Five Years and the Total Amount Due After 2022

DOLLAR

AMOUNTS IN

MILLIONS ⁽¹⁾

2018 \$ 62

2019 500

2020 —

2021 719

2022 —

Thereafter 4,675

(1) Excludes

\$36 million of

unamortized

discounts,

capitalized debt

expense and fair

value

adjustments
(related to Plum
Creek merger).

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

FAIR VALUE OF DEBT

The estimated fair values and carrying values of our long-term debt consisted of the following:

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017		DECEMBER 31, 2016	
	FAIR CARRYING VALUE (LEVEL 2)		FAIR CARRYING VALUE (LEVEL 2)	
Long-term debt (including current maturities):				
Fixed rate	\$ 5,768	\$ 6,823	\$ 6,061	\$ 6,925
Variable rate	224	225	549	550
Total Debt	\$ 5,992	\$ 7,048	\$ 6,610	\$ 7,475

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To estimate the fair value of long-term debt, we used the following valuation approaches:

- market approach — based on quoted market prices we received for the same types and issues of our debt; or
- income approach — based on the discounted value of the future cash flows using market yields for the same type and comparable issues of debt.

We believe that our variable rate long-term debt instruments have net carrying values that approximate their fair values with only insignificant differences.

The inputs to these valuations are based on market data obtained from independent sources or information derived principally from observable market data. The difference between the fair value and the carrying value represents the theoretical net premium or discount we would pay or receive to retire all debt at the measurement date.

FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

We believe that our other financial instruments, including cash and cash equivalents, short-term investments, mutual fund investments held in grantor trusts, receivables, and payables, have net carrying values that approximate their fair values with only insignificant differences. This is primarily due to the short-term nature of these instruments and the allowance for doubtful accounts.

NOTE 14: LEGAL PROCEEDINGS, COMMITMENTS AND CONTINGENCIES

This note provides details about our:

- legal proceedings,
- environmental matters and
- commitments and other contingencies.

LEGAL PROCEEDINGS

We are party to various legal proceedings arising in the ordinary course of business. We are not currently a party to any legal proceeding that management believes could have a material adverse effect on our long-term consolidated financial position, results of operations or cash flows. See "Ongoing IRS Matter" in Note 20: Income Taxes for a discussion of a tax proceeding involving Plum Creek REIT's 2008 U.S. federal income tax return.

ENVIRONMENTAL MATTERS

Our environmental matters include:

- site remediation and
- asset retirement obligations.

Site Remediation

Under the Comprehensive Environmental Response, Compensation and Liability Act — commonly known as the Superfund — and similar state laws, we:

- are a party to various proceedings related to the cleanup of hazardous waste sites and
- have been notified that we may be a potentially responsible party related to the cleanup of other hazardous waste sites for which proceedings have not yet been initiated.

We have received notification from the Environmental Protection Agency (the EPA) and have acknowledged that we are a potentially responsible party in a portion of the Kalamazoo River Superfund site in southwest Michigan. Our involvement in the remediation site is based on our former ownership of the Plainwell, Michigan mill located within the remediation site. Several other companies also operated upstream pulp mills within the remediation site. We are currently cooperating with the other parties to jointly implement an administrative order issued by the EPA on April 14, 2016, with respect to a portion of the site comprising a stretch of the river approximately 1.7 miles long referred to as the Otsego Township Dam Area. We do not expect to incur material losses related to the implementation of this administrative order; however, we may incur additional costs, as yet not specified, in connection with remediation tasks resulting from other areas of the site. The company, along with others, was named as a defendant by Georgia Pacific Consumer Products LP, Fort James Corporation and Georgia-Pacific LLC in an action seeking contribution under CERCLA for remediation costs relating to the site. The trial has been concluded but a decision on cost contribution and allocation has not yet been rendered by the Court.

Our Established Reserves. We have established reserves for estimated remediation costs on the active Superfund sites and other sites for which we are a potentially responsible party. These reserves are recorded in "Accrued liabilities" and "Other liabilities" in our Consolidated Balance Sheet.

Changes in the Reserve for Environmental Remediation

DOLLAR AMOUNTS IN MILLIONS

Reserve balance as of December 31, 2016	\$34
Reserve charges and adjustments, net	29
Payments	(15)
Reserve balance as of December 31, 2017	\$48
Total active sites as of December 31, 2017	37

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We change our accrual to reflect:

- new information on any site concerning implementation of remediation alternatives,
- updates on prior cost estimates and new sites and
- costs incurred to remediate sites.

Estimates. We believe it is reasonably possible, based on currently available information and analysis, that remediation costs for all identified sites may exceed our existing reserves by up to \$150 million.

This estimate, in which those additional costs may be incurred over several years, is the upper end of the range of reasonably possible additional costs. The estimate:

- is much less certain than the estimates on which our accruals currently are based
- and
- uses assumptions that are less favorable to us among the range of reasonably possible outcomes.

In estimating our current accruals and the possible range of additional future costs, we:

- assumed we will not bear the entire cost of remediation of every site,
- took into account the ability of other potentially responsible parties to participate and
- considered each party's financial condition and probable contribution on a per-site basis.

We have not recorded any amounts for potential recoveries from insurance carriers.

Asset Retirement Obligations

We have obligations associated with the retirement of tangible long-lived assets consisting primarily of reforestation obligations related to forest management licenses in Canada and obligations to close and cap landfills. Some of our sites have asbestos containing materials. We have met our current legal obligation to identify and manage these materials. In situations where we cannot reasonably determine when asbestos containing materials might be removed from the sites, we have not recorded an accrual because the fair value of the obligation cannot be reasonably estimated. These obligations are recorded in "Accrued liabilities" and "Other liabilities" in our Consolidated Balance Sheet.

Changes in the Reserve for Asset Retirement Obligations

DOLLAR AMOUNTS IN MILLIONS

Reserve balance as of December 31, 2016 ⁽¹⁾	\$29
Reserve charges and adjustments, net	12
Payments	(11)
Other adjustments ⁽²⁾	2
Reserve balance as of December 31, 2017	\$32

(1) Reserve balance for continuing operations

(2) Primarily related to a foreign currency
remeasurement gain for our Canadian
reforestation obligation

COMMITMENTS AND OTHER CONTINGENCIES

Our commitments and contingencies include:

- guarantees of debt and performance,
- operating leases and
- product remediation contingency.

Guarantees

We have guaranteed the performance of the buyer/lessee of a timberlands lease we sold in 2005. Future payments on the lease, which expires in 2023, are \$12 million.

Operating Leases

Our rent expense for continuing operations was:

- \$39 million in 2017,
- \$37 million in 2016 and
- \$24 million in 2015.

We have operating leases for:

various equipment, including logging equipment, lift trucks, automobiles and office equipment;
timberland ground leases; and
office and wholesale space.

Future Commitments on Operating Leases

Our operating lease commitments as of December 31, 2017 were:

DOLLAR

AMOUNTS

IN

MILLIONS

2018 \$40

2019 35

2020 32

2021 29

2022 27

Thereafter 161

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Product Remediation Contingency

In July 2017, the company announced it was implementing a solution to address concerns regarding our TJI® Joists with Flak Jacket® Protection product. The company has determined that an odor in certain newly constructed homes is related to a recent formula change to the Flak Jacket coating that included a formaldehyde-based resin. This issue is isolated to Flak Jacket product manufactured after December 1, 2016, and does not affect any of the company's other products. We recorded a pretax charge of \$290 million in the period ended December 31, 2017, related to remediation costs. Refer to Note 18: Charges for Product Remediation for further information.

NOTE 15: SHAREHOLDERS' INTEREST

This note provides details about:

- preferred and preference shares,
- common shares,
- share-repurchase programs and
- cumulative other comprehensive income (loss).

PREFERRED AND PREFERENCE SHARES

We had no preferred shares outstanding at the end of 2017 or 2016. However, we have authorization to issue 7 million preferred shares with a par value of \$1.00 per share.

On June 24, 2013, we issued 13.8 million of our 6.375 percent Mandatory Convertible Preference Shares, Series A, par value \$1.00 and liquidation preference of \$50.00 per share, for net proceeds of \$669 million, which remained outstanding at December 31, 2015. Dividends were payable on a cumulative basis when, as and if declared by our board of directors, at an annual rate of 6.375 percent on the liquidation preference. We could pay declared dividends in cash or, subject to certain limitations, in common shares or by delivery of any combination of cash and common shares on January 1, April 1, July 1 and October 1 of each year, commencing on October 1, 2013, through and including, July 1, 2016. These shares automatically converted to common shares on July 1, 2016. At any time prior to that date, holders could elect to convert each share into common shares at the minimum conversion rate of 1.5283 common shares, subject to anti-dilution adjustments.

On July 1, 2016, all outstanding 6.375 percent Mandatory Convertible Preference Shares, Series A (Preference Shares) converted into Weyerhaeuser common shares at a rate of 1.6929 Weyerhaeuser common shares per Preference Share. The company issued a total of 23.2 million Weyerhaeuser common shares in conjunction with the conversion, based on 13.7 million Preference Shares outstanding as of the conversion date.

In accordance with the terms of the Preference Shares, the number of Weyerhaeuser common shares issuable on conversion was determined based on the average volume weighted average price of \$29.54 for Weyerhaeuser common shares over the 20-trading-day period beginning June 1, 2016, and ending on June 28, 2016.

We may issue preferred or preference shares at one time or through a series of offerings. The shares may have varying rights and preferences that can include:

- dividend rights and amounts,
- redemption rights,
- conversion terms,
- sinking-fund provisions,
- values in liquidation and
- voting rights.

When issued, outstanding preferred and preference shares rank senior to outstanding common shares. That means preferred and preference shares would receive dividends and assets available on liquidation before any payments are made to common shares.

COMMON SHARES

The number of common shares we have outstanding changes when:

- new shares are issued,

stock options are exercised,
restricted stock units or performance share units vest,
stock-equivalent units are paid out,
shares are tendered,
shares are repurchased or
shares are canceled.

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Reconciliation of Our Common Share Activity

SHARES IN THOUSANDS

	2017	2016	2015
Outstanding at beginning of year	748,528	510,483	524,474
Issuance from merger with Plum Creek <u>(Note 4)</u>	—	278,887	—
Stock options exercised	5,970	2,571	1,592
Issued for restricted stock units	605	840	365
Issued for performance shares	120	219	242
Preference shares converted to common	—	23,345	—
Repurchased	—	(67,817)	(16,190)
Outstanding at end of year	755,223	748,528	510,483

SHARE REPURCHASE PROGRAMS

On August 13, 2014, our board of directors approved a stock repurchase program under which we were authorized to repurchase up to \$700 million of outstanding shares (the 2014 Repurchase Program). The 2014 Repurchase Program replaced the prior 2011 stock repurchase program. During 2014, we repurchased 6,062,993 shares of common stock for \$203 million under the 2014 Repurchase Program. During 2015, we completed the 2014 Repurchase Program by repurchasing 15,471,962 shares of common stock for \$497 million.

On August 27, 2015, our board of directors approved a new share repurchase program of up to \$500 million on outstanding shares (the 2015 Repurchase Program), commencing upon completion of the 2014 Repurchase Program. During 2015, we repurchased 717,464 shares of common stock for \$22 million under the 2015 Repurchase Program. As of December 31, 2016, we had remaining authorization of \$478 million for future stock repurchases.

In November 2015, our board of directors approved a stock repurchase program under which we were authorized to repurchase up to \$2.5 billion of outstanding shares subsequent to the closing of our merger with Plum Creek (the 2016 Repurchase Program). This new authorization replaced the August 2015 share repurchase authorization. Transaction fees incurred for repurchases are not counted as use of funds authorized for repurchases under the 2016 Share Repurchase Authorization. During 2016, we repurchased 67,816,810 shares of common stock for \$2 billion under the 2016 Share Repurchase Authorization. We did not repurchase any shares of common stock during 2017. As of December 31, 2017, we had remaining authorization of \$500 million for future stock repurchases. We had 755,223 thousand shares of common stock outstanding as of December 31, 2017.

All common stock purchases under the 2016, 2015, and 2014 Repurchase Programs were made in open-market transactions.

We record share repurchases upon trade date as opposed to the settlement date when cash is disbursed. We record a liability to account for repurchases that have not been cash settled. There were no unsettled repurchases as of December 31, 2017, or December 31, 2016.

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CUMULATIVE OTHER COMPREHENSIVE INCOME (LOSS)

Changes in amounts included in our cumulative other comprehensive income (loss) by component are:

DOLLAR AMOUNTS IN MILLIONS

	PENSION			OTHER POSTRETIREMENT BENEFITS			
	Foreign currency translation adjustments	Actuarial losses	Prior service costs	Actuarial losses	Prior service credits	Unrealized gains on available-for-sale securities	Total
Beginning balance as of January 1, 2016	\$ 207	\$(1,372)	\$(11)	\$ (77)	\$ 35	\$ 6	\$(1,212)
Other comprehensive income (loss) before reclassifications	25	(590)	—	5	—	1	(559)
Income taxes	—	208	—	(1)	—	—	207
Net other comprehensive income (loss) before reclassifications	25	(382)	—	4	—	1	(352)
Amounts reclassified from cumulative other comprehensive income (loss) ⁽¹⁾	—	156	4	9	(7)	—	162
Income taxes	—	(53)	(2)	(3)	1	—	(57)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	103	2	6	(6)	—	105
Total other comprehensive income (loss)	25	(279)	2	10	(6)	1	(247)
Beginning balance as of January 1, 2017	\$ 232	\$(1,651)	\$(9)	\$ (67)	\$ 29	\$ 7	\$(1,459)
Other comprehensive income (loss) before reclassifications	32	(356)	(3)	19	—	2	(306)
Income taxes	—	76	1	(5)	—	—	72
Net other comprehensive income (loss) before reclassifications	32	(280)	(2)	14	—	2	(234)
Amounts reclassified from cumulative other comprehensive income (loss) ⁽¹⁾	—	195	4	8	(8)	—	199
Income taxes	—	(66)	(1)	(3)	2	—	(68)
Net amounts reclassified from cumulative other comprehensive income (loss)	—	129	3	5	(6)	—	131
Total other comprehensive income (loss)	32	(151)	1	19	(6)	2	(103)
Ending balance as of December 31, 2017	\$ 264	\$(1,802)	\$(8)	\$ (48)	\$ 23	\$ 9	\$(1,562)

(1) Actuarial losses and prior service credits (costs) are included in the computation of net periodic benefit costs (credits). See Note: 9 Pension and Other Postretirement Benefit Plans.

NOTE 16: SHARE-BASED COMPENSATION

This note provides details about:

- our Long-Term Incentive Compensation Plan (2013 Plan),
- share-based compensation resulting from our merger with Plum Creek,
- how we account for share-based awards,
- tax benefits of share-based awards,
- types of share-based compensation and
- unrecognized share-based compensation.

Share-based compensation expense was:

\$40 million in 2017,
\$60 million in 2016 and
\$31 million in 2015.

The 2016 and 2015 amounts above contain awards to employees of the divested Cellulose Fibers businesses and are included in our results of discontinued operations. These amounts are:

\$6 million in 2016 and
\$6 million in 2015.

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OUR LONG-TERM INCENTIVE COMPENSATION PLAN

Our long-term incentive plans provide for share-based awards that include:

- restricted stock,
- restricted stock units,
- performance shares
- performance share units,
- stock options and
- stock appreciation rights.

We may issue future grants of up to 21 million shares under the 2013 Plan (the Plan). We also have the right to reissue forfeited and expired grants.

For restricted stock, restricted stock units, performance shares, performance share units or other equity grants:

- An individual participant may receive a grant of up to 1 million shares annually.
- No participant may be granted awards that exceed \$10 million earned in a 12-month period.

For stock options and stock appreciation rights:

- An individual participant may receive a grant of up to 2 million shares in any one calendar year.
- The exercise price is required to be the market price on the date of the grant.

The Compensation Committee of our board of directors (the Committee) annually establishes an overall pool of stock awards available for grants based on performance.

For stock-settled awards, we:

- issue new stock into the marketplace and
- generally do not repurchase shares in connection with issuing new awards.

Our common shares would increase by approximately 32 million shares if all share-based awards were exercised or vested. These include:

• all options, restricted stock units, and performance share units outstanding at December 31, 2017, under the 2013 Plan and 2004 Plan; and

• all remaining options, restricted stock units, and performance share units that could be granted under the 2013 Plan.

SHARE-BASED COMPENSATION RESULTING FROM OUR MERGER WITH PLUM CREEK

Replacement awards were granted as a result of the merger with Plum Creek. Eligible outstanding Plum Creek stock options, restricted stock units and deferred stock unit awards were converted into equivalent equity awards with respect to Weyerhaeuser Common Shares, after giving effect to the appropriate adjustments to reflect the consummation of the merger. In total, we issued replacement awards consisting of 1,953,128 stock options and 1,248,006 RSUs. We also assumed 289,910 value management awards (VMAs) through the merger with Plum Creek.

Replacement Stock Option Awards

The replacement stock option awards issued as a result of the merger with Plum Creek have similar exercise provisions as the terms of our current awards. All replacement stock option awards were fully vested prior to the date of the merger, so no expense will be recorded. The value of the replacement stock option awards was \$5 million, which was included in the equity consideration issued in the merger as described in Note 4: Merger with Plum Creek.

Replacement Restricted Stock Unit Awards

The replacement RSUs issued as a result of the merger with Plum Creek have similar vesting provisions as the terms of existing Weyerhaeuser restricted stock unit awards. Expense for replacement RSUs will continue to be recognized over the remaining service period unless a qualifying termination occurs. A qualifying termination of an awardee will result in acceleration of vesting and expense recognition in the period that the qualifying termination occurs.

Qualifying terminations during 2016 resulted in accelerated vesting of 705,394 of the replacement RSUs and recognition of \$15 million of expense. The accelerated expense is included in the merger-related integration costs as described in Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments.

Value Management Awards

Following the merger, the VMAs assumed were valued at target. All outstanding VMAs, if earned, were set to vest December 31, 2017, and will be paid in the first quarter 2018. The VMAs were classified and accounted for as liabilities, as they are settled in cash upon vesting. The expense recognized over the performance period subsequent to

the merger was equal to the cash value of an award as of the last day of the performance period multiplied by the number of awards that were earned. Expense for VMAs was recognized over the remaining service period unless a qualifying termination occurs. A qualifying termination of an awardee resulted in the acceleration of vesting and expense recognition in the period that the qualifying termination occurred. Qualifying terminations during 2016 resulted in \$6 million of expense recognized. This accelerated expense is included in merger-related integration costs as described in Note 17: Charges for Integration and Restructuring, Closures and Asset Impairments.

HOW WE ACCOUNT FOR SHARE-BASED AWARDS

When accounting for share-based awards we:

- use a fair-value-based measurement for share-based awards and
- recognize the cost of share-based awards in our consolidated financial statements.

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We recognize the cost of share-based awards in our Consolidated Statement of Operations over the required service period — generally the period from the date of the grant to the date when it is vested. Special situations include:

- Awards that vest upon retirement — the required service period ends on the date an employee is eligible for retirement, including early retirement.

- Awards that continue to vest following job elimination or the sale of a business — the required service period ends on the date the employment from the company is terminated.

In these special situations, compensation expense from share-based awards is recognized over a period that is shorter than the stated vesting period.

TAX BENEFITS OF SHARE-BASED AWARDS

Our total income tax benefit from share-based awards — as recognized in our Consolidated Statement of Operations — for the last three years was:

\$6 million in 2017,

\$12 million in 2016 and

\$8 million in 2015.

The 2016 and 2015 amounts above contain income tax benefit from share-based awards to employees that were part of the Cellulose Fibers divestitures and are included in our results of discontinued operations. These amounts are:

\$2 million in 2016 and

\$2 million in 2015.

Tax benefits from share-based awards are accrued as stock compensation expense is recognized in the Consolidated Statement of Operations. Tax benefits from share-based awards are realized when:

- restricted shares and restricted share units vest,

- performance shares and performance share units vest,

- stock options are exercised and

- stock appreciation rights are exercised.

TYPES OF SHARE-BASED COMPENSATION

Our share-based compensation is in the form of:

- restricted stock units,

- performance share units,

- stock options,

- stock appreciation rights,

- deferred compensation stock equivalent units and

- value management awards assumed in merger with Plum Creek.

RESTRICTED STOCK UNITS

Through the Plan, we award restricted stock units — grants that entitle the holder to shares of our stock as the award vests.

The Details

Our restricted stock units granted in 2017, 2016 and 2015 generally:

- vest ratably over four years;

- immediately vest in the event of death while employed or disability;

- continue to vest upon retirement at an age of at least 62, but a portion of the grant is forfeited if retirement occurs before the one year anniversary of the grant;

- continue vesting for one year in the event of involuntary termination when the retirement has not been met; and

- will be forfeited upon termination of employment in all other situations including early retirement prior to age 62.

Our Accounting

The fair value of our restricted stock units is the market price of our stock on the grant-date of the awards.

We generally record share-based compensation expense for restricted stock units over the four-year vesting period.

Generally, for restricted stock units that continue to vest following the termination of employment, we record the share-based compensation expense over a required service period that is less than the stated vesting period.

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Activity

The following table shows our restricted stock unit activity for 2017.

	RESTRICTED STOCK UNITS (IN THOUSANDS)	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2016	1,583	\$ 26.49
Granted	739	32.83
Vested	(670)	27.23
Forfeited	(137)	27.43
Nonvested at December 31, 2017 ⁽¹⁾	1,515	\$ 29.12

(1) As of December 31, 2017, there were approximately 203 thousand restricted stock units that had met the requisite service period and will be released as identified in the grant terms.

The weighted average grant-date fair value for restricted stock units was:

\$32.83 in 2017,

\$30.25 in 2016 and

\$35.41 in 2015.

The total grant-date fair value of restricted stock units vested was:

\$18 million in 2017,

\$36 million in 2016 and

\$14 million in 2015.

Nonvested restricted stock units accrue dividends that are paid out when restricted stock units vest. Any restricted stock units forfeited will not receive dividends.

As restricted stock units vest, a portion of the shares awarded is withheld to cover employee taxes. As a result, the number of stock units vested and the number of common shares issued will differ.

PERFORMANCE SHARE UNITS

Through the Plan, we award performance share units — grants that entitle the holder to shares of our stock as the award vests.

The Details

The final number of shares awarded will range from 0 percent to 150 percent of each grant's target, depending upon actual company performance.

For shares granted in 2017, the ultimate number of performance share units earned is based on two measures:

- our relative total shareholder return (TSR) ranking measured against the S&P 500 over a three-year period and
- our relative TSR ranking measured against an industry peer group of companies over a three-year period.

For shares granted in 2016, the ultimate number of performance share units earned is based on three measures:

- our relative total shareholder return (TSR) ranking measured against the S&P 500 over a three-year period,
- our relative TSR ranking measured against an industry peer group of companies over a three-year period and
- achievement of Plum Creek merger cost synergy targets.

For shares granted in 2015, the ultimate number of performance share units earned is based on two measures:

- our relative total shareholder return (TSR) ranking measured against the S&P 500 over a three-year period and
- our relative TSR ranking measured against an industry peer group of companies over a three-year period.

The vesting provisions for performance share units granted in 2017, 2016 and 2015 were as follows:

- vest 100 percent on the third anniversary of the grant date as long as the individual remains employed by the company;

- fully vest in the event the participant dies or becomes disabled while employed;
- continue to vest upon retirement at an age of at least 62, but a portion of the grant is forfeited if retirement occurs before the one year anniversary of the grant;
- continue vesting for one year in the event of involuntary termination when the retirement criteria has not been met and the employee has met the second anniversary of the grant date; and
- will be forfeited upon termination of employment in all other situations including early retirement prior to age 62.

Our Accounting

Since the awards contain a market condition, the effect of the market condition is reflected in the grant-date fair value which is estimated using a Monte Carlo simulation model. This model estimates the TSR ranking of the company over the performance period. Compensation expense is based on the estimated probable number of earned awards and recognized over the vesting period on an accelerated basis. Generally, compensation expense would be reversed if the performance condition is not met unless the requisite service period has been achieved.

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Weighted Average Assumptions Used in Estimating the Value of Performance Share Units

	2017 GRANTS	2016 GRANTS	2015 GRANTS
Performance period	1/1/2017 – 12/31/2019	1/1/2016 – 12/31/2018	1/1/2015 – 12/31/2017
Expected dividends	3.74	%3.92% - 5.37%	3.26 %
Risk-free rate	0.68% - 1.55%	0.45% - 0.97%	0.05% - 1.07%
Volatility	22.71% - 24.07%	21.87% - 28.09%	16.33% - 20.89%
Weighted average grant-date fair value	\$ 37.93	\$ 22.58	\$ 34.75

Activity

The following table shows our performance share unit activity for 2017.

	GRANTS (IN THOUSANDS)	WEIGHTED AVERAGE GRANT-DATE FAIR VALUE
Nonvested at December 31, 2016	761	\$ 25.23
Granted at target	346	37.93
Vested	(130)	)29.98
Forfeited	(12)	)30.93
Nonvested at December 31, 2017 ⁽¹⁾	965	\$ 30.87

(1) As of December 31, 2017, there were approximately 41 thousand performance share units that had met the requisite service period and will be released as identified in the grant terms.

The total grant-date fair value of performance share units vested was:

\$4 million in 2017,

\$8 million in 2016 and

\$9 million in 2015.

As performance share units vest, a portion of the shares awarded is withheld to cover participant taxes. As a result, the number of stock units vested and the number of common shares issued will differ.

STOCK OPTIONS

Stock options entitle award recipients to purchase shares of our common stock at a fixed exercise price. During 2017, we did not grant any stock option awards. When granted in prior years, however, we granted stock options with an exercise price equal to the market price of our stock on the date of the grant.

The Details

Our stock options generally:

- vest over four years of continuous service and
- must be exercised within 10 years of the grant-date.

The vesting and post-termination vesting terms for stock options granted in 2016 and 2015 were as follows:

- vest ratably over four years;
- vest or continue to vest in the event of death while employed or disability;
- continue to vest upon retirement at an age of at least 62, but a portion of the grant is forfeited if retirement occurs before the one year anniversary of the grant;
- continue to vest for one year in the event of involuntary termination when the retirement criteria has not been met; and
- stop vesting for all other situations including early retirement prior to age 62.

Our Accounting

We use a Black-Scholes option valuation model to estimate the fair value of every stock option award on its grant-date.

In our estimates, we use:

- historical data — for option exercise time and employee terminations;
- a Monte-Carlo simulation — for how long we expect granted options to be outstanding; and

the U.S. Treasury yield curve — for the risk-free rate. We use a yield curve over a period matching the expected term of the grant.

The expected volatility in our valuation model is based on:

- implied volatilities from traded options on our stock,
- historical volatility of our stock and
- other factors.

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Weighted Average Assumptions Used in Estimating Value of Stock Options Granted

	2016	2015
	GRANTS	GRANTS
Expected volatility	25.43	% 25.92 %
Expected dividends	5.37	% 3.28 %
Expected term (in years)	4.95	4.77
Risk-free rate	1.28	% 1.54 %
Weighted average grant-date fair value	\$ 2.73	\$ 5.85

Share-based compensation expense for stock options is generally recognized over the vesting period. There are exceptions for stock options awarded to employees who:

- are eligible for retirement,
 - will become eligible for retirement during the vesting period or
 - whose employment is terminated during the vesting period due to job elimination or the sale of a business.
- In these cases, we record the share-based compensation expense over a required service period that is less than the stated vesting period.

Activity

The following table shows our option unit activity for 2017.

	OPTIONS (IN THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN MILLIONS)
Outstanding at December 31, 2016	14,712	\$ 24.96		
Granted	—	\$ —		
Exercised	(5,975)	\$ 22.71		
Forfeited or expired	(250)	\$ 27.75		
Outstanding at December 31, 2017 ⁽¹⁾	8,487	\$ 26.47	6.06	\$ 75
Exercisable at December 31, 2017	5,374	\$ 26.45	5.11	\$ 133

(1) As of December 31, 2017, there were approximately 727 thousand stock options that had met the requisite service period and will be released as identified in the grant terms.

The total intrinsic value of stock options exercised was:

- \$68 million in 2017,
- \$18 million in 2016 and
- \$13 million in 2015.

The total grant-date fair value of stock options vested was:

- \$5 million in 2017,
- \$14 million in 2016 and
- \$14 million in 2015.

STOCK APPRECIATION RIGHTS

During 2017, we did not grant any stock appreciation rights. When granted in prior years, however, we granted cash-settled stock appreciation rights as part of certain compensation awards.

The Details

Stock appreciation rights are similar to stock options. Employees benefit when the market price of our stock is higher on the exercise date than it was on the date the stock appreciation rights were granted. The differences are that the employee:

- receives the benefit as a cash award
- and
- does not purchase the underlying stock.

The vesting conditions and exceptions are the same as for 10-year stock options. Details are in the Stock Options section earlier in this note.

Stock appreciation rights are generally issued to employees outside of the U.S.

Our Accounting

We use a Black-Scholes option-valuation model to estimate the fair value of a stock appreciation right on its grant-date and every subsequent reporting date that the right is outstanding. Stock appreciation rights are liability-classified awards and the fair value is remeasured at every reporting date.

The process used to develop our valuation assumptions is the same as for the 10-year stock options we grant. Details are in the Stock Options section earlier in this note.

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Weighted Average Assumptions Used to Re-measure Value of Stock Appreciation Rights at Year-End

	2016	2015	
	GRANTS	GRANTS	
Expected volatility	24.12	% 22.10	%
Expected dividends	4.04	% 4.20	%
Expected term (in years)	2.20	1.94	
Risk-free rate	1.36	% 0.99	%
Weighted average fair value	\$ 7.84	\$ 6.96	

Activity
The following table shows our stock appreciation rights activity for 2017.

	RIGHTS (IN THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE	AVERAGE REMAINING CONTRACTUAL TERM (IN YEARS)	AGGREGATE INTRINSIC VALUE (IN MILLIONS)
Outstanding at December 31, 2016	386	\$ 23.82		
Granted	—	\$ —		
Exercised	(102)	) \$ 24.08		
Forfeited or expired	(12)	) \$ 30.39		
Outstanding at December 31, 2017	272	\$ 23.42	5.23	\$ 3
Exercisable at December 31, 2017	168	\$ 21.54	2.29	\$ 2

The total liabilities paid for stock appreciation rights was:

\$1 million in 2017,

\$1 million in 2016 and

\$1 million in 2015.

UNRECOGNIZED SHARE-BASED COMPENSATION

As of December 31, 2017, our unrecognized share-based compensation cost for all types of share-based awards included \$38 million related to non-vested equity-classified share-based compensation arrangements — expected to be recognized over a weighted average period of approximately 2.0 years.

DEFERRED COMPENSATION STOCK EQUIVALENT UNITS

Certain employees and our board of directors may defer compensation into stock-equivalent units.

The Details

The plan works differently for employees and directors.

Eligible employees:

- may choose to defer all or part of their bonus into stock-equivalent units;
- may choose to defer part of their salary, except for executive officers; and
- receive a 15 percent premium if the deferral is for at least five years.

Our directors:

- receive a portion of their annual retainer fee in the form of restricted stock units, which vest over one year and may be deferred into stock-equivalent units;
- may choose to defer some or all of the remainder of their annual retainer fee into stock-equivalent units; and
- do not receive a premium for their deferrals.

Employees and directors also choose when the deferrals will be paid out although no deferrals may be paid until after the separation from service of the employee or director.

Our Accounting

We settle all deferred compensation accounts in cash for our employees. Our directors receive shares of common stock as payment for stock-equivalent units. In addition, we credit all stock-equivalent accounts with dividend equivalents. The number of common shares to be issued in the future to directors is 616 thousand.

Stock-equivalent units are:

liability-classified awards and

re-measured to fair value at every reporting date.

The fair value of a stock-equivalent unit is equal to the market price of our stock.

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Activity

The number of stock-equivalent units outstanding in our deferred compensation accounts were:

804 thousand as of December 31, 2017,

1,004 thousand as of December 31, 2016 and

1,003 thousand as of December 31, 2015.

NOTE 17: CHARGES FOR INTEGRATION AND RESTRUCTURING, CLOSURES AND ASSET IMPAIRMENTS

Items Included in Our Charges for Integration and Restructuring, Closures and Asset Impairments

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Integration and restructuring charges related to our merger with Plum Creek:			
Termination benefits	\$ 11	\$ 54	\$ —
Acceleration of share-based compensation related to qualifying terminations <u>(Note 16)</u>	—	21	—
Acceleration of pension benefits related to qualifying terminations <u>(Note 9)</u>	—	5	—
Professional services	16	52	14
Other integration and restructuring costs	7	14	—
Total integration and restructuring charges related to our merger with Plum Creek	34	146	14
Charges related to closures and other restructuring activities:			
Termination benefits	3	4	4
Other closures and restructuring costs	3	4	6
Total charges related to closures and other restructuring activities	6	8	10
Impairment of long-lived assets	154	16	15
Total charges for integration and restructuring, closures and asset impairments	\$ 194	\$ 170	\$ 39

INTEGRATION, RESTRUCTURING AND CLOSURES

During 2017, we incurred and accrued for termination benefits (primarily severance) and non-recurring professional services costs directly attributable to our merger with Plum Creek.

During 2016, we incurred and accrued for termination benefits (primarily severance), accelerated share-based payment costs, and accelerated pension benefits based upon actual and expected qualifying terminations of certain employees as a result of restructuring decisions made subsequent to the merger. We also incurred non-recurring professional services costs for investment banking, legal and consulting, and certain other fees directly attributable to our merger with Plum Creek.

During 2015, we incurred non-recurring professional services costs for banking, legal and consulting fees directly attributable to our merger with Plum Creek. We also incurred restructuring and closure charges related to the closure of four distribution centers for our Wood Products business.

Other restructuring and closure costs include lease termination charges, dismantling and demolition of plant and equipment, gain or loss on disposition of assets, environmental cleanup costs and incremental costs to wind down operating facilities.

ACCRUED TERMINATION BENEFITS

Changes in accrued severance related to restructuring during 2017 were as follows:

DOLLAR AMOUNTS IN MILLIONS

Accrued severance as of December 31, 2016	\$ 26
Charges	14
Payments	(21)
Accrued severance as of December 31, 2017	\$ 19

ASSET IMPAIRMENTS

The Impairment of Long-Lived Assets and Goodwill sections of Note 1: Summary of Significant Accounting Policies provide details about how we account for these impairments. Additional information can also be found in our Critical

Accounting Policies.

Long-Lived Assets

Our long-lived asset impairments were primarily related to the following:

2017 — In second quarter 2017, we recognized an impairment charge to the timberlands and manufacturing assets of our Uruguayan operations. On June 2, 2017, our Board of Directors approved an agreement to sell all of the Company's equity in the Uruguayan operations to a consortium led by BTG Pactual's Timberland Investment Group (TIG). As a result of this agreement, the related assets met the criteria to be classified as held for sale at June 30, 2017. This designation required us to record the related assets at fair value, less an amount of estimated selling costs, and thus recognize a \$147 million noncash pretax impairment charge. This amount was recorded in the Timberlands segment. The fair value of the related assets was primarily based on the agreed upon cash purchase price of \$403 million. On September 1, 2017, we announced the completion of the sale. Refer to Note 3: Discontinued Operations and Other Divestitures for further details on the Uruguayan operations sale.

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Additionally, in September 2017, we recognized an impairment charge of \$6 million related to a nonstrategic asset in our Wood Products segment. The fair value of the asset was determined using the value indicated in a purchase sale agreement.

2016 — We reviewed all of our development projects during 2016. As a result, we ceased development and initiated plans to sell certain projects. We analyzed each of the projects we ceased development and initiated plans to sell and determined which had a book value greater than fair value. We recognized a \$15 million impairment charge in Real Estate & ENR which represents the fair value less direct selling costs of these projects. The fair values of the projects were determined using significant unobservable inputs (Level 3) based on broker opinion of value reports.

Our remaining projects did not have any indicators of impairment; however, we corroborated this evaluation with an assessment of the undiscounted cash flows for the legacy Weyerhaeuser projects or noted that projects acquired from Plum Creek were recorded at estimated fair value when acquired in 2016.

2015 — We recognized an impairment charge of \$13 million related to a nonstrategic asset held in Unallocated Items. The fair value of the asset was determined using significant unobservable inputs (Level 3) based on a discounted cash flow model. The asset was subsequently sold for no gain during 2015.

NOTE 18: CHARGES FOR PRODUCT REMEDIATION

In July 2017, we announced we were implementing a solution to address concerns regarding our TJI® Joists with Flak Jacket® Protection product. This issue is isolated to Flak Jacket product manufactured after December 1, 2016, and does not affect any of our other products. We estimate that approximately 2,400 homes were affected.

We recorded a liability of \$50 million in second quarter 2017 based on the preliminary information that was available at that time. As remediation work progressed, we obtained additional information and experience regarding the scope of the required remediation efforts and associated costs. Accordingly, we adjusted our liability to account for the higher than originally expected cost per home for remediation, a modest increase in the estimated number of homes affected, as well as additional homebuilder and homeowner reimbursements. We recorded pretax charges of \$190 million and \$50 million in the third and fourth quarters 2017, respectively, to accrue for expected costs associated with the remediation.

Our charges related to remediation efforts total \$290 million for the period ended December 31, 2017. The charges recorded are attributable to our Wood Products segment and were recorded in "Charges for product remediation," on the Consolidated Statement of Operations. As of December 31, 2017, \$192 million has been paid out in relation to our remediation efforts. The remaining accrual of \$98 million is recorded in "Accrued liabilities" on the Consolidated Balance Sheet. The company ultimately expects a significant portion of the total expense will be covered by insurance, however, as of the date of these financial statements no amounts related to potential recoveries have been recorded.

NOTE 19: OTHER OPERATING COSTS (INCOME), NET

Other operating costs (income), net:

includes both recurring and occasional income and expense items and can fluctuate from year to year.

Various Income and Expense Items Included in Other Operating Costs (Income), Net

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Gain on disposition of nonstrategic assets ⁽¹⁾	\$(16)	\$(60)	\$(12)
Foreign exchange losses (gains), net ⁽²⁾	(1)	(6)	47
Litigation expense, net	20	24	23
Gain on sale of timberlands ⁽³⁾	(99)	—	—
Environmental remediation insurance recoveries	(42)	—	—
Other, net	10	(11)	(17)

Total other operating costs (income), net \$(128)\$(53)\$41

(1) Gain on disposition of nonstrategic assets in 2016 included a \$36 million pretax gain recognized in first quarter 2016 on the sale of our Federal Way, Washington headquarters campus.

(2) Foreign exchange gains and losses result from changes in exchange rates primarily related to our U.S. dollar denominated debt that is held by our Canadian subsidiary.

(3) Gain on sale of 100,000 acres sold to Twin Creeks during Q4 2017. Refer to Note 8: Related Parties for further information.

NOTE 20: INCOME TAXES

This note provides details about our income taxes applicable to continuing operations:

earnings before income taxes,

provision for income taxes,

effective income tax rate,

deferred tax assets and liabilities,

unrecognized tax benefits and

our ongoing IRS tax matter.

Income taxes related to discontinued operations are discussed in Note 3: Discontinued Operations and Other Divestitures.

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The Income Taxes section of Note 1: Summary of Significant Accounting Policies provides details about how we account for our income taxes.

Tax Legislation

On December 22, 2017, H.R. 1, commonly known as the Tax Cuts and Jobs Act (the "Tax Act"), was enacted. The Tax Act contains significant changes to corporate taxation, including the reduction of the corporate tax rate from 35 percent to 21 percent. As a result of the reduction in the corporate tax rate, we have revalued our deferred tax assets and liabilities and have recorded a tax expense of \$74 million during 2017, which reduced our net deferred tax asset. The deemed repatriation on deferred foreign income provisions does not impact our operations due to the fact that we have no foreign undistributed earnings.

EARNINGS BEFORE INCOME TAXES

Domestic and Foreign Earnings from Continuing Operations Before Income Taxes

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Domestic earnings	\$643	\$353	\$326
Foreign earnings	73	151	27
Total earnings before income taxes	\$716	\$504	\$353

PROVISION FOR INCOME TAXES

Provision (Benefit) for Income Taxes from Continuing Operations

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Current:			
Federal	\$10	\$1	\$7
State	—	1	(2)
Foreign	82	11	(5)
Total current	92	13	—
Deferred:			
Federal	61	37	(69)
State	(18)	(3)	(3)
Foreign	(1)	42	14
Total deferred	42	76	(58)
Total income tax provision (benefit)	\$134	\$89	\$(58)

EFFECTIVE INCOME TAX RATE

Effective Income Tax Rate Applicable to Continuing Operations

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
U.S. federal statutory income tax	\$250	\$177	\$123
State income taxes, net of federal tax benefit	(2)	(3)	(5)
REIT income not subject to federal income tax	(198)	(99)	(158)
REIT benefit from change to tax law	—	—	(13)
Tax affect of U.S. corporate rate change	74	—	—
Foreign taxes	54	(4)	4
Provision for unrecognized tax benefits	(2)	—	(7)
Repatriation of Canadian earnings	(22)	24	—
Other, net	(20)	(6)	(2)
Total income tax provision (benefit)	\$134	\$89	\$(58)
Effective income tax rate	18.8 %	17.6 %	(16.4) %

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities reflect the future tax impact created by differences between the timing of when income or deductions are recognized for pretax financial book reporting purposes versus income tax purposes.

Deferred tax assets represent a future tax benefit (or reduction to income taxes in a future period), while deferred tax liabilities represent a future tax obligation (or increase to income taxes in a future period). Our deferred tax assets and liabilities have been revalued for the reduction in the U.S. corporate tax rate.

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Table of ContentsBalance Sheet Classification of Deferred Income Tax Assets (Liabilities) Related to Continuing Operations
DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016
Net noncurrent deferred tax asset	\$ 268	\$ 293
Net noncurrent deferred tax liability	—	—
Net deferred tax asset (liability)	\$ 268	\$ 293

Items Included in Our Deferred Income Tax Assets (Liabilities)
DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016
Postretirement benefits	\$ 50	\$ 76
Pension	306	395
State tax credits	56	46
Other reserves	38	14
Net operating loss carryforwards	18	25
Other	152	218
Gross deferred tax assets	620	774
Valuation allowance	(63)	(56)
Net deferred tax assets	557	718
Property, plant and equipment	(154)	(214)
Timber installment notes	(116)	(180)
Other	(19)	(31)
Deferred tax liabilities	(289)	(425)
Net deferred tax asset (liability)	\$ 268	\$ 293

Other Information About Our Deferred Income Tax Assets (Liabilities)

Other information about our deferred income tax assets (liabilities) include:

- net operating loss and credit carryforwards,
- valuation allowances and
- reinvestment of undistributed earnings.

Net Operating Loss and Credit Carryforwards

Our gross federal, state and foreign net operating loss carryforwards as of the end of 2017 totaled \$1.0 billion as follows:

- U.S. REIT - \$684 million, which expire from 2030 through 2036;
- State - \$349 million, which expire from 2018 through 2037; and
- Foreign - none.

Our gross state credit carryforwards at the end of 2017 totaled \$70 million, which includes \$22 million that expire from 2018 through 2031 and \$48 million that do not expire. Our U.S. TRS has \$6 million in foreign tax credit carryforwards that expire in 2027.

Valuation Allowances

With the exception of the valuation allowance discussed below, we believe it is more likely than not that we will have sufficient future taxable income to realize our deferred tax assets.

Our valuation allowance on our deferred tax assets was \$63 million at the end of 2017, related to state credits, state net operating losses and passive foreign tax credits.

Reinvestment of Undistributed Earnings

It is our practice and intention to reinvest the earnings of our foreign subsidiaries into those respective operations. As such, we have not made a provision for U.S. income taxes or additional foreign withholding taxes for potential distribution of future earnings of our foreign subsidiaries which are permanently reinvested. As of December 31,

2017, we had no foreign undistributed earnings.

UNRECOGNIZED TAX BENEFITS

Unrecognized tax benefits represent potential future obligations to taxing authorities if uncertain tax positions we have taken on previously filed tax returns are not sustained. The total gross amount of unrecognized tax benefits as of December 31, 2017, and 2016, is \$4 million and \$6 million, of which a net amount of \$2 million and \$5 million, respectively, would affect our tax rate if recognized.

The net liability recorded in our Consolidated Balance Sheet related to unrecognized tax benefits is \$2 million as of December 31, 2017, comprised of the \$4 million gross unrecognized tax benefit amount net of \$2 million in loss carryforwards available to offset the liability. The net liability as of December 31, 2016 was \$5 million, comprised of \$6 million gross unrecognized tax benefit amount net of \$2 million loss carryforwards available to offset the liability and includes \$1 million of interest.

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In accordance with our accounting policy, we accrue interest and penalties related to unrecognized tax benefits as a component of income tax expense. See Note 1: Summary of Significant Accounting Policies.

Reconciliation of the Beginning and Ending Amount of Unrecognized Tax Benefits

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, DECEMBER 31,	
	2017	2016
Balance at beginning of year	\$ 6	\$ 6
Lapse of statute	(2))—
Balance at end of year	\$ 4	\$ 6

As of December 31, 2017, none of our U.S. federal income tax returns are under examination, with years 2013 forward open to examination. We are undergoing examinations in state jurisdictions for tax years 2013 through 2016, with tax years 2009 forward open to examination. We are also undergoing examinations in foreign jurisdictions for tax years 2013 through 2014, with tax years 2010 forward open to examination. We do not expect that the outcome of any examination will have a material effect on our consolidated financial statements; however, audit outcomes and the timing of audit settlements are subject to significant uncertainty.

In the next 12 months, we estimate a decrease of \$1 million in unrecognized tax benefits due to the lapse of applicable statutes of limitation.

ONGOING IRS MATTER

In connection with the merger with Plum Creek, we acquired equity interests in Southern Diversified Timber, LLC, a timberland joint venture (Timberland Venture) with an affiliate of Campbell Global LLC (TCG Member). On August 31, 2016, the Timberland Venture redeemed TCG Member's interest and became a fully consolidated, wholly-owned subsidiary of Weyerhaeuser.

We received a Notice of Final Partnership Administrative Adjustment (FPAA), dated July 20, 2016, from the Internal Revenue Service (IRS) in regard to Plum Creek's 2008 U.S. federal income tax treatment of the transaction forming the Timberland Venture. The IRS is asserting that the transfer of the timberlands to the Timberland Venture was a taxable transaction to Plum Creek at the time of the transfer rather than a nontaxable capital contribution. We have filed a petition in the U.S. Tax Court and will vigorously contest this adjustment.

In the event that we are unsuccessful in this tax litigation, we could be required to recognize and distribute gain to shareholders of approximately \$600 million and pay built-in gains tax of approximately \$100 million. We would also be required to pay interest on both of those amounts, which would be substantial. As much as 80 percent of any such gain distribution could be made with our common stock, and shareholders would be subject to tax on the distribution at the applicable capital gains tax rate. Alternatively, we could elect to retain the gain and pay corporate-level tax to minimize interest costs to the company.

Although the outcome of this process cannot be predicted with certainty, we are confident in our position based on U.S. tax law and believe we will be successful in defending it. Accordingly, no reserve has been recorded related to this matter.

NOTE 21: GEOGRAPHIC AREAS

This note provides selected key financial data according to the geographical locations of our customers. The selected key financial data includes:

- sales to unaffiliated customers,
- export sales from the U.S. and
- long-lived assets.

SALES

Our sales to unaffiliated customers outside the U.S. are primarily to customers in Canada, China and Japan. Our export sales include:

- logs, lumber and wood chips to Japan and

logs and lumber to other Pacific Rim countries.

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Sales by Geographic Area

DOLLAR AMOUNTS IN MILLIONS

	2017	2016	2015
Sales to unaffiliated customers:			
U.S.	\$6,168	\$5,451	\$4,362
Canada	472	341	307
Japan	352	369	363
China	107	108	99
Other foreign countries	97	96	115
Total	\$7,196	\$6,365	\$5,246
Export sales from the U.S.:			
Japan	\$295	\$314	\$309
China	102	103	97
Other foreign countries	148	98	91
Total	\$545	\$515	\$497

LONG-LIVED ASSETS

Our long-lived assets — used in the generation of revenues in the different geographical areas — are nearly all in the U.S. and Canada. Our long-lived assets include:

• property and equipment, including construction in progress,
 • timber and timberlands,
 • minerals and mineral rights and
 • goodwill.

Long-Lived Assets by Geographic Area

DOLLAR AMOUNTS IN MILLIONS

	DECEMBER 31, 2017	DECEMBER 31, 2016 ⁽¹⁾	DECEMBER 31, 2015 ⁽¹⁾
U.S.	\$ 14,922	\$ 15,700	\$ 8,260
Canada	223	206	460
Other foreign countries —		527	654
Total	\$ 15,145	\$ 16,433	\$ 9,374

(1) Includes assets of discontinued operations.

NOTE 22: SELECTED QUARTERLY FINANCIAL INFORMATION (unaudited)

Quarterly financial data provides a review of our results and performance throughout the year. Our earnings per share for the full year do not always equal the sum of the four quarterly earnings-per share amounts because of common share activity during the year.

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Key Quarterly Financial Data for the Last Two Years

DOLLAR AMOUNTS IN MILLIONS EXCEPT PER-SHARE FIGURES

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	FULL YEAR
2017:					
Net sales	\$ 1,693	\$ 1,808	\$ 1,872	\$ 1,823	\$7,196
Operating income from continuing operations	293	157	205	476	1,131
Earnings from continuing operations before income taxes	181	58	103	374	716
Net earnings	157	24	130	271	582
Net earnings attributable to Weyerhaeuser common shareholders	157	24	130	271	582
Basic net earnings per share attributable to Weyerhaeuser common shareholders	0.21	0.03	0.17	0.36	0.77
Diluted net earnings per share attributable to Weyerhaeuser common shareholders	0.21	0.03	0.17	0.36	0.77
Dividends paid per share	0.31	0.31	0.31	0.32	1.25
Market prices - high/low	\$34.37 - \$29.88	\$35.50 - \$32.28	\$34.46 - \$30.95	\$36.92 - \$33.92	\$36.92 -\$29.88
2016:					
Net sales	\$ 1,405	\$ 1,655	\$ 1,709	\$ 1,596	\$6,365
Operating income from continuing operations	139	248	261	174	822
Earnings from continuing operations before income taxes	72	161	184	87	504
Net earnings	81	168	227	551	1,027
Net earnings attributable to Weyerhaeuser common shareholders	70	157	227	551	1,005
Basic net earnings per share attributable to Weyerhaeuser common shareholders	0.11	0.21	0.30	0.74	1.40
Diluted net earnings per share attributable to Weyerhaeuser common shareholders	0.11	0.21	0.30	0.73	1.39
Dividends paid per share	0.31	0.31	0.31	0.31	1.24
Market prices - high/low	\$31.38 - \$22.06	\$32.56 - \$26.55	\$33.17 - \$29.52	\$33.28 - \$28.58	\$33.28 -\$22.06

(1) Third and fourth quarter 2016 include a gain on our Cellulose Fibers divestitures. Refer to Note 3: Discontinued Operations and Other Divestitures for further information.

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CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The company's principal executive officer and principal financial officer have evaluated the effectiveness of the company's disclosure controls and procedures as of the end of the period covered by this annual report on Form 10-K. Disclosure controls are controls and other procedures that are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934, as amended (Act), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (SEC) rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

Based on their evaluation, the company's principal executive officer and principal financial officer have concluded that the company's disclosure controls and procedures are effective to ensure that information required to be disclosed complies with the SEC's rules and forms.

CHANGES IN INTERNAL CONTROL

During 2017, we integrated the acquired Plum Creek operations into our overall internal controls over financial reporting. No changes occurred in the company's internal control over financial reporting during the period that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as is defined in the Securities and Exchange Act of 1934 rules. Management, under our supervision, conducted an evaluation of the effectiveness of the company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in Internal Control — Integrated Framework (2013), management concluded that the company's internal control over financial reporting was effective as of December 31, 2017. The effectiveness of the company's internal control over financial reporting as of December 31, 2017, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors
Weyerhaeuser Company:

Opinion on Internal Control Over Financial Reporting

We have audited Weyerhaeuser Company and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements), and our report dated February 16, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Seattle, Washington
February 16, 2018

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DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

A list of our executive officers and biographical information are found in the Our Business — Executive Officers of the Registrant section of this report. Information with respect to directors of the company and certain other corporate governance matters, as required by this item to Form 10-K, is set forth in the Notice of the 2018 Annual Meeting and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 18, 2018 under the headings "Item 1. Election of Directors - Nominees for Election," "Item 1. Election of Directors - Committees of the Board," "Stock Information - Section 16(a) Beneficial Ownership Reporting Compliance," and "Corporate Governance at Weyerhaeuser - Code of Ethics," and in each case is incorporated herein by reference.

The Weyerhaeuser Code of Ethics applies to our chief executive officer, our chief financial officer and our chief accounting officer, as well as other officers, directors and employees of the company. The Weyerhaeuser Code of Ethics is posted on our website at www.weyerhaeuser.com, and currently is located under the tabs "Sustainability", then "Governance" and finally "Operating Ethically."

EXECUTIVE AND DIRECTOR COMPENSATION

Information with respect to executive and director compensation, as required by this item to Form 10-K, is set forth in the Notice of the 2018 Annual Meeting and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 18, 2018 under the headings "Item 1. Election of Directors - Directors' Compensation" and "Executive Compensation," and in each case, is incorporated herein by reference.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management and with respect to securities authorized for issuance under our equity compensation plans, as required by this item to Form 10-K, is set forth the Notice of the 2018 Annual Meeting and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 18, 2018 under the headings "Stock Information - Beneficial Ownership of Common Shares," and "Stock Information - Information about Securities Authorized for Issuance under our Equity Compensation Plans," and in each case, is incorporated herein by reference.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information about certain relationships and related transactions and director independence, as required by this item to Form 10-K, is set forth in the Notice of the 2018 Annual Meeting and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 18, 2018 under the headings "Corporate Governance at Weyerhaeuser - Related Party Transactions Review and Approval Policy," "Corporate Governance at Weyerhaeuser - Independent Board of Directors," and "Item 1. Election of Directors - Committees of the Board," and in each case, is incorporated herein by reference.

PRINCIPAL ACCOUNTING FEES AND SERVICES

Information with respect to principal accounting fees and services, as required by this item to Form 10-K, is set forth in the Notice of the 2018 Annual Meeting and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 18, 2018 under the heading "Item 3. Ratify Selection of Independent Registered Public Accounting Firm" and is incorporated herein by reference.

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EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

All financial statement schedules have been omitted because they are not applicable or the required information is included in the consolidated financial statements, or the notes thereto, in Financial Statements and Supplementary Data above.

The agreements included as exhibits to this annual report are included to provide information about their terms and not to provide any other factual or disclosure information about the company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that were made solely for the benefit of the other parties to the agreement and should not be treated as categorical statements of fact, but rather as a way of allocating the risk among the parties if those statements prove to be inaccurate. These representations and warranties may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement, may apply standards of materiality in a way that is different from what may be viewed as material to investors, were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement, and are subject to more recent developments. Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

EXHIBITS

2-Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession

Transaction Agreement, dated as of November 3, 2013, among Weyerhaeuser Company, Weyerhaeuser Real

(a) Estate Company, TRI Pointe Homes, Inc. and Topaz Acquisition, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on November 4, 2013 - Commission File Number 1-4825)

Agreement and Plan of Merger, dated as of November 6, 2015, between Weyerhaeuser Company and Plum

(b) Creek Timber Company, Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on November 9, 2015 - Commission File Number 1-4825)

Asset Purchase Agreement, dated as of May 1, 2016, by and between Weyerhaeuser NR Company and

(c) International Paper Company (incorporated by reference to Exhibit 2.2 to the Quarterly Report on Form 10-Q filed on August 5, 2016 - Commission File Number 1-4825)

3-Articles of Incorporation

Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q filed

(a) on May 6, 2011 - Commission File Number 1-4825, and to Exhibit 3.1 to the Current Report on Form 8-K filed on June 20, 2013 - Commission File Number 1-4825)

(b) Bylaws (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q filed on May 6, 2011 - Commission File Number 1-4825)

4-Instruments Defining the Rights of Security Holders, Including Indentures

Indenture dated as of April 1, 1986 between Weyerhaeuser Company and The Bank of New York Mellon Trust

(a) Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank and Chemical Bank), a national banking association, as Trustee (incorporated by reference from the Registration Statement on Form S-3, Registration No. 333-36753)

First Supplemental Indenture dated as of February 15, 1991 between Weyerhaeuser Company and The Bank of

(b) New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank and Chemical Bank), a national banking association, as Trustee (incorporated by reference from the Registration Statement on Form S-3, Registration No. 333-52982)**

Second Supplemental Indenture dated as of February 1, 1993 between Weyerhaeuser Company and The Bank of

(c) New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank and Chemical Bank), a national banking association, as Trustee (incorporated by reference from the Registration Statement on Form S-3, Registration No. 333-59974)**

(d)

Third Supplemental Indenture dated as of October 22, 2001 between Weyerhaeuser Company and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank and Chemical Bank), a national banking association, as Trustee (incorporated by reference to Exhibit 4(d) to the Registration Statement on Form S-3, Registration No. 333-72356)

(e) Fourth Supplemental Indenture dated as of March 12, 2002 between Weyerhaeuser Company and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank and Chemical Bank), a national banking association, as Trustee (incorporated by reference to Exhibit 4.8 from the Registration Statement on Form S-4/A, Registration No. 333-82376)

(f) Indenture dated as of March 15, 1983 between Weyerhaeuser Company (as successor to Willamette Industries, Inc.) and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank), as Trustee

(g) Indenture dated as of January 30, 1993 between Weyerhaeuser Company (as successor to Willamette Industries, Inc.) and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank), as Trustee

(h) First Supplemental Trust Indenture dated as of March 12, 2002 between Weyerhaeuser Company (as successor to Willamette Industries, Inc.) and The Bank of New York Mellon Trust Company, N.A. (as successor to JPMorgan Chase Bank, formerly known as The Chase Manhattan Bank), as Trustee

(i) Indenture dated as of January 15, 1996 between Weyerhaeuser Company Limited (as successor to MacMillan Bloedel Limited) and The Bank of New York Mellon Trust Company, N.A. (as successor to Harris Trust Company of New York, formerly known as Bank of Montreal Trust Company), as Trustee

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- First Supplemental Indenture dated as of November 1, 1999 between Weyerhaeuser Company Limited and The
- (j) Bank of New York Mellon Trust Company, N.A. (as successor to Harris Trust Company of New York, formerly Bank of Montreal Trust Company), as Trustee
Note Indenture dated November 14, 2005 by and among Plum Creek Timberlands, L.P., as Issuer, Weyerhaeuser Company, as successor to Plum Creek Timber Company, Inc., as Guarantor, and U.S. Bank
 - (k) National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on February 19, 2016 - Commission File Number 1-4825)
Supplemental Indenture No. 1 dated as of February 19, 2016 by and among Plum Creek Timberlands, L.P., as Issuer, Weyerhaeuser Company, as Guarantor, and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on February 19, 2016 - Commission File Number 1-4825)
 - (l) Supplemental Indenture No. 2 dated September 28, 2016 by and between Weyerhaeuser Company, as successor Issuer, and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on September 30, 2016 - Commission File Number 1-4825)
Officer's Certificate dated November 15, 2010 executed by Plum Creek Timberlands, L.P., as Issuer
 - (n) (incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K filed on February 19, 2016 - Commission File Number 1-4825)
Officer's Certificate dated November 26, 2012 executed by Plum Creek Timberlands, L.P., as Issuer
 - (o) (incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K filed on February 19, 2016 - Commission File Number 1-4825)
Assumption and Amendment Agreement and Installment Note dated as of April 28, 2016 by and among Plum Creek Timberlands, L.P., Weyerhaeuser Company and MeadWestvaco Timber Note Holding Company II, L.L.C. (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on May 4, 2016 - Commission File Number 1-4825)

~~10-Material Contracts~~

- Form of Weyerhaeuser Executive Change of Control Agreement (incorporated by reference to Exhibit 10(a) to
- (a) the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*
 - (b) Form of Executive Severance Agreement (incorporated by reference to Exhibit 10(b) to the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*
Form of Plum Creek Executive Change in Control Agreement (incorporated by reference to Exhibit 10(c) to
 - (c) the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*
Executive Employment Agreement with Doyle Simons dated February 17, 2016 (incorporated by reference to
 - (d) Exhibit 10(v) to the Annual Report on Form 10-K for the annual period ended December 31, 2015 - Commission File Number 1-4825)*
Weyerhaeuser Company 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the
 - (e) Current Report on Form 8-K filed with the Securities and Exchange Commission on February 19, 2013 - Commission File Number 1-4825)*
Form of Weyerhaeuser Company 2013 Long-Term Incentive Plan Stock Option Award Terms and Conditions
 - (f) (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed on April 16, 2013 - Commission File Number 1-4825)*
Form of Weyerhaeuser Company 2013 Long Term Incentive Plan Performance Share Unit Award Terms and
 - (g) Conditions for Plan Year 2016 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on January 22, 2016 - Commission File Number 1-4825)*
Form of Weyerhaeuser Company 2013 Long Term Incentive Plan Performance Share Unit Award Terms and
 - (h) Conditions for Plan Years 2017 and 2018 (incorporated by reference to Exhibit 10.1 the Current Report on Form 8-K filed on January 26, 2017 - Commission File Number 1-4825)*
 - (i)

Form of Weyerhaeuser Company 2013 Long-Term Incentive Plan Restricted Stock Unit Award Terms and Conditions *

Form of Weyerhaeuser Company 2004 Long-Term Incentive Plan Stock Option Award Terms and Conditions

- (j) (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on February 11, 2013 - Commission File Number 1-4825)*

Weyerhaeuser Company 2004 Long-Term Incentive Compensation Plan, as Amended and Restated

- (k) (incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K filed on December 29, 2010 - Commission File Number 1-4825)*

Form of Plum Creek Executive Stock Option, Restricted Stock Unit and Value Management Award

- (l) Agreement For Plan Year 2009 (incorporated by reference to Exhibit 10(u) to the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*

Form of Plum Creek Executive Stock Option, Restricted Stock Unit and Value Management Award

- (m) Agreement For Plan Year 2010 (incorporated by reference to Exhibit 10(v) to the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*

Form of Plum Creek Executive Stock Option, Restricted Stock Unit and Value Management Award

- (n) Agreement For Plan Year 2011 (incorporated by reference to Exhibit 10(w) to the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*

Form of Plum Creek Executive Restricted Stock Unit and Value Management Award Agreement for Plan Year

- (o) 2015 (incorporated by reference to Exhibit 10(z) to the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*

Form of Plum Creek Executive Restricted Stock Unit Agreement for Plan Year 2016 (incorporated by

- (p) reference to Exhibit 10(aa) to the Annual Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*

- (q) 2012 Plum Creek Timber Company, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 99.1 from the Registration Statement on Form S-8, Registration No. 333-209617)*

- (r) Amended and Restated Plum Creek Timber Company, Inc. Stock Incentive Plan (incorporated by reference to Exhibit 99.2 from the Registration Statement on Form S-8, Registration No. 333-209617)*

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	Plum Creek Supplemental Pension Plan (incorporated by reference to <u>Exhibit 10(dd)</u> to the Annual
(s)	Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*
(t)	Plum Creek Pension Plan (incorporated by reference to <u>Exhibit 10(ee)</u> to the Annual Report on Form 10-K for the period ended December 31, 2016 - Commission File Number 1-4825)*
	Plum Creek Supplemental Benefits Plan (incorporated by reference to <u>Exhibit 10(ff)</u> to the Annual
(u)	Report on Form 10-K for the annual period ended December 31, 2016 - Commission File Number 1-4825)*
	Weyerhaeuser Company Amended and Restated Annual Incentive Plan for Salaried Employees (as
(v)	Amended Effective May 19, 2016) (incorporated by reference to <u>Exhibit 10.1</u> to the Current Report on Form 8-K filed on May 25, 2016 - Commission File Number 1-4825)*
	Weyerhaeuser Company 2015 Deferred Compensation Plan (incorporated by reference to <u>Exhibit</u>
(w)	<u>10.3</u> to the Current Report on Form 8-K filed on December 22, 2014 - Commission File Number 1-4825)*
	Weyerhaeuser Company Salaried Employees Supplemental Retirement Plan (incorporated by reference
(x)	to <u>Exhibit 10(p)</u> to the Annual Report on Form 10-K for the annual period ended December 31, 2004 - Commission File Number 1-4825)*
	2011 Fee Deferral Plan for Directors of Weyerhaeuser Company (Amended and Restated Effective
(y)	January 1, 2016) (incorporated by reference to <u>Exhibit 10.1</u> to the Quarterly Report on Form 10-Q filed on May 6, 2016 - Commission File Number 1-4825)*
(z)	<u>Form of Weyerhaeuser Company 2013 Long-Term Incentive Plan Director Restricted Stock Unit Award Terms and Conditions</u> *
	Revolving Credit Facility Agreement dated as of March 6, 2017, among Weyerhaeuser Company, as
	Borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as Co-Administrative Agent, and
(aa)	Wells Fargo Bank, National Association, as Co-Administrative Agent and Paying Agent. (incorporated by reference to <u>Exhibit 10.1</u> to the Current Report on Form 8-K filed on March 10, 2017 - Commission File Number 1-4825)
	Term Loan Agreement dated July 24, 2017, by and among Weyerhaeuser Company, Northwest Farm
(bb)	Credit Services, PCA, as administrative agent, and the lender party thereto (incorporated by reference to <u>Exhibit 10</u> to the Quarterly Report on Form 10-Q filed on July 28, 2017- Commission File Number 1-4825)
	Form of Tax Sharing Agreement to be entered into by and among Weyerhaeuser Company,
(cc)	Weyerhaeuser Real Estate Company and TRI Pointe Homes, Inc. (incorporated by reference to <u>Exhibit 10.5</u> to the Current Report on Form 8-K filed on November 4, 2013 - Commission File Number 1-4825)
	First Amendment to Tax Sharing Agreement dated as of July 7, 2015 by and among Weyerhaeuser
(dd)	Company, TRI Pointe Holdings, Inc. (f/k/a Weyerhaeuser Real Estate Company) and TRI Pointe Homes, Inc. (incorporated by reference to <u>Exhibit 10</u> to the Quarterly Report on Form 10-Q filed on July 31, 2015 - Commission File Number 1-4825)
	Redemption Agreement dated as of August 30, 2016 by and among Southern Diversified Timber, LLC,
	Weyerhaeuser NR Company, TCG Member, LLC, Plum Creek Timber Operations I, L.L.C.,
(ee)	TCG/Southern Diversified Manager, LLC, Southern Diversified, LLC, Campbell Opportunity Fund VI, L.P., and Campbell Opportunity Fund VI-A, L.P. (incorporated by reference to <u>Exhibit 10.1</u> to the Quarterly Report on Form 10-Q filed on October 28, 2016 - Commission File Number 1-4825)
12	<u>Statements regarding computation of ratios</u>
14	Code of Business Conduct and Ethics (incorporated by reference to <u>Exhibit 14.1</u> to the Current Report on Form 8-K filed on August 22, 2016 - Commission File Number 1-4825)
21	<u>Subsidiaries of the Registrant</u>

- 23 ~~Consent of Independent Registered Public Accounting Firm~~
- 31 ~~Certification pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended~~
- 32 ~~Certification pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended, and~~
~~Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350)~~
- 101.INS ~~XBRL Instance Document~~
- 101.SCH ~~XBRL Taxonomy Extension Schema Document~~
- 101.CAL ~~XBRL Taxonomy Extension Calculation Linkbase Document~~
- 101.DEF ~~XBRL Taxonomy Extension Definition Linkbase Document~~
- 101.LAB ~~XBRL Taxonomy Extension Label Linkbase Document~~
- 101.PRE ~~XBRL Taxonomy Extension Presentation Linkbase Document~~

* Denotes a management contract or compensatory plan or arrangement.

** Filed in paper - hyperlink not required pursuant to Rule 105 of Regulation S-T

FORM 10-K SUMMARY

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized February 16, 2018.

WEYERHAEUSER COMPANY

/s/ DOYLE R. SIMONS

Doyle R. Simons

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated February 16, 2018.

/s/ DOYLE R. SIMONS

Doyle R. Simons

Principal Executive Officer and Director

/s/ RICK R. HOLLEY

Rick R. Holley

Chairman of the Board and Director

/s/ RUSSELL S. HAGEN

Russell S. Hagen

Principal Financial Officer

/s/ KIM WILLIAMS

Kim Williams

Director

/s/ JEANNE M. HILLMAN

Jeanne M. Hillman

Principal Accounting Officer

/s/ JOHN F. MORGAN SR.

John F. Morgan Sr.

Director

/s/ LAWRENCE A. SELZER

Lawrence A. Selzer

Director

/s/ NICOLE W. PIASECKI

Nicole W. Piasecki

Director

/s/ MARK A. EMMERT

Mark A. Emmert

Director

/s/ MARC F. RACICOT

Marc F. Racicot

Director

/s/ SARA GROOTWASSINK LEWIS

Sara Grootwassink Lewis

Director

/s/ CHARLES R. WILLIAMSON

Charles R. Williamson

Director

/s/ D. MICHAEL STEUERT

D. Michael Steuert

Director