

## Weyerhaeuser 1°Q2006: stronger market for fine paper and cellulose

Weyerhaeuser Company today reported a net loss of \$580 million for first quarter 2006, or \$2.36 per diluted share, on net sales of \$5.4 billion. This includes an impairment of goodwill associated with the company's [fine paper](#) business.

**Excluding the goodwill impairment of \$746 million, the company earned \$166 million, or 67 cents per diluted share.** This compares with net earnings of \$239 million, or 98 cents per diluted share, on net sales of \$5.4 billion for the same period last year. The company also announced today that, as a part of its previously announced strategic review, it is considering alternatives for its fine paper business.

The alternatives range from continuing to hold and operate the assets to a possible sale or other disposition. The company said it is in active discussions with several parties, but there is no assurance that these discussions will lead to an agreement or result in a transaction. "This announcement marks an important milestone in our ongoing strategic review," said Steven R. Rogel, chairman, president and chief executive officer. "We remain committed to seeking the best alternatives to create value for shareholders." First quarter 2006 earnings include the following after-tax items:

- A charge of \$746 million, or \$3.03 per diluted share, for the estimated amount of a write-off of goodwill associated with the fine paper business. This estimate represents the full amount of goodwill associated with that business. This estimate is undergoing further evaluation and will be adjusted, if necessary, prior to the filing of the company's 10-Q.

- Income of \$12 million in the Real Estate business, or 5 cents per diluted share, associated with insurance recoveries and recognition of deferred income in connection with partnership restructurings.

- A charge of \$17 million, or 7 cents per diluted share, for foreign exchange losses.

- A charge of \$14 million, or 6 cents per diluted share for stock-based compensation. The company adopted the provisions of FASB Statement 123R, the stock-based compensation accounting standard, in the first quarter.

### First quarter 2005 earnings include the following after-tax items:

- A charge of \$8 million, or 3 cents per diluted share, associated with the settlement of a linerboard antitrust lawsuit.

- A charge of \$5 million, or 2 cents per diluted share associated with the closure of facilities. "During the quarter we began to see some improvement in market conditions for our [cellulose fiber](#), fine paper, containerboard and [packaging](#) businesses which resulted in price improvement in the first quarter," said Steven R. Rogel, chairman, president and chief executive officer. "We believe this trend will continue and have a positive effect upon our second quarter earnings."

### Summary of first quarter financial highlights

Millions (except per share data)	1Q 2006	1Q 2005	Change
Net earnings (loss)	(\$580)	\$239	(\$819)
Earnings (loss) per diluted share	(\$2.36)	\$0.98	(\$3.34)
Net sales	\$5,376	\$5,371	\$5

### Segment results for first quarter

(Contributions to Pre-Tax Earnings)

Millions	1Q 2006	1Q 2005	Change
Timberlands	\$198	\$200	(\$2)
Wood Products	\$117	\$131	(\$14)
Cellulose Fiber and White Papers	(\$763)	\$19	(\$782)
Containerboard, Packaging and Recycling	\$22	\$48	(\$26)
Real Estate and Related Assets	\$172	\$183	(\$11)

### Timberlands

Millions	1Q 2006	4Q 2005	Change
Contribution to pre-tax earnings (millions)	\$198	\$183	\$15

First quarter earnings increased slightly from the fourth quarter 2005 due to increasing Western log prices and lower first quarter operating costs in the West and South. Fourth quarter 2005 included a \$6

million pre-tax charge due to the effects of Hurricane Katrina. Weyerhaeuser expects second quarter market conditions and earnings to be similar to first quarter.

#### Wood products

Millions	1Q 2006	4Q 2005	Change
Contribution to pre-tax earnings (millions)	\$117	\$26	\$91

Earnings in the first quarter of 2006 were comparable to fourth quarter 2005 after excluding \$91 million of pre-tax charges associated with facility closures taken in the fourth quarter of 2005. Construction activity remained healthy during the first quarter and prices were mixed. Prices for oriented strand board were slightly lower than fourth quarter 2005 and shipment volumes were comparable. [Lumber](#) prices trended up during the quarter. However, shipment volume decreased 7 percent.

Prices and shipment volumes for engineered lumber products were comparable to the prior quarter. Manufacturing costs for lumber products remained constant quarter to quarter, and manufacturing costs for engineered products declined slightly primarily due to higher productivity. The company incurred \$11 million in countervailing and anti-dumping duties and related costs on Canadian softwood lumber the company sold into the United States in the first quarter of 2006, compared with \$16 million in the fourth quarter of 2005. [Weyerhaeuser](#) expects higher second quarter earnings compared with first quarter due to seasonal increase in building activity and stable raw materials and manufacturing costs.

#### Cellulose fiber and white papers

Millions	1Q 2006	4Q 2005	Change
Contribution (charge) to pre-tax earnings (millions)	(\$763)	(\$477)	(\$286)

First quarter includes a goodwill impairment charge of \$746 million. Fourth quarter 2005 includes closure related costs of \$427 million for the Cosmopolis, Wash. pulp ( [glossary](#) ) operations; Prince Albert, Saskatchewan pulp and paper operations; and a paper machine at Dryden, Ontario. Excluding the charges, first quarter performance improved from fourth quarter 2005.

Fine paper and cellulose fiber products both experienced stronger market conditions, with [prices](#) increasing on a quarter-to-quarter basis. Fine paper sales volumes declined modestly with the January closure of Prince Albert paper operations while cellulose fiber volume improved slightly. Improved productivity and lower freight costs were offset by increases in raw materials and chemicals. Energy costs remained stable at their high level. Weyerhaeuser expects the segment to show improved earnings in second quarter despite a seasonal increase in annual scheduled maintenance.

#### Containerboard, packaging and recycling

	1Q 2006	4Q 2005	Change
Contribution (charge) to pre-tax earnings (millions)	\$22	(\$188)	\$210

Earnings improved from the fourth quarter due to containerboard and [packaging](#) price increases. Packaging shipments declined from the strong fourth quarter levels, but were higher compared with the first quarter of last year. Fourth quarter 2005 results included pre-tax charges of \$130 million for facility closures and \$38 million for a settlement of containerboard antitrust lawsuits. The company expects continued improvement in earnings from this segment in the second quarter.

#### Real estate and related assets

	1Q 2006	4Q 2005	Change
Contribution to pre-tax earnings (millions)	\$172	\$250	(\$78)

Earnings decreased from fourth quarter due to decreased margins and seasonally lower single-family home closings. The number of single-family homes closed in first quarter declined 40 percent as compared to fourth quarter. First quarter results included land sales earnings of approximately \$33 million and \$17 million from insurance recoveries and partnership restructurings. Fourth quarter results included a \$33 million pre-tax impairment charge related to unimproved land in Northern California. The backlog of homes sold, but not closed, at the end of the first quarter represents more than five months' sales. This level is similar to the backlog at the end of the fourth quarter.

Weyerhaeuser expects increased single-family closing activity in the second quarter. Total real estate and related earnings, however, are expected to decline slightly from the first quarter due to lower land sales. The company will hold a live conference call at 7 a.m. Pacific (10 a.m. Eastern) on April 26 to

discuss the first quarter results. To access the conference call from within North America, dial 1-888-221-5699 at least 15 minutes before the call. Those calling from outside North America should dial 1-706-643-3795. Replays will be available for one week at 1-800-642-1687 (access code - 7766499) from within North America and at 1-706- 645-9291 (access code - 7766499) from outside North America.