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WEYERHAEUSER CO
Form 8-K
October 23, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

October 22, 2002

(Date of earliest event report)

WEYERHAEUSER COMPANY

(Exact name of registrant as specified in charter)

| | | |
|---|-----------------------------|--|
| Washington ----- | 1-4825 ----- | 91-0470860 ----- |
| (State or other jurisdiction of incorporation or organization) | (Commission File Number) | (IRS Employer Identification Number) |

Federal Way, Washington 98063-9777
(Address of principal executive offices)
(zip code)

Registrant's telephone number, including area code:
(253) 924-2345

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C., 20549

ITEM 9 - REGULATION FD DISCLOSURE

(a) Earnings Release.

On October 22, 2002, Weyerhaeuser Company a press release stating the following:

FEDERAL WAY, Wash. - Weyerhaeuser Company (NYSE: WY) today reported net earnings for the third quarter of \$13 million, or 6 cents per share, that includes

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unusual after-tax items of \$31 million, or 14 cents per share.

This compares with net earnings of \$91 million, or 41 cents per share, for the same period last year. Last year's net earnings included unusual after-tax items of \$9 million, or 4 cents per share, for the net effect of machine closure costs, integration costs and a reduction in the British Columbia corporate tax rate.

The unusual items for third quarter 2002 are:

- .. \$11 million after tax, or 5 cents per share, from costs associated with the acquisition and integration of Willamette Industries that were expected. Weyerhaeuser said it continues to make progress on capturing synergies following the Willamette acquisition. By the end of the third quarter, Weyerhaeuser has achieved an annualized run rate of \$128 million in pre-tax synergies. The company is confident it will achieve \$300 million in pre-tax annual savings within three years. In addition, Weyerhaeuser expects to capture additional savings through reductions in selling, general and administrative expenses that will result from the ongoing efforts to streamline the delivery of support services.
- .. \$20 million after tax, or 9 cents per share, for business disruption costs following a recovery boiler explosion at the Plymouth, N.C., paper facility in the second quarter. The boiler has been repaired and the facility has resumed normal operation. The company fully expects to recover this loss through insurance proceeds in the fourth quarter.

In addition to these items, Weyerhaeuser attributed most of the decrease in the 2002 third quarter earnings to a sharp decline in prices for wood products and the challenging environment created by the countervailing and anti-dumping duties on Canadian softwood lumber the company imports into the United States.

During the quarter, Weyerhaeuser incurred approximately \$31 million in countervailing and anti-dumping duties, and related costs. The company expects to incur \$65 to \$70 million in countervailing and anti-dumping duties, and related costs this year.

"Our earnings reflect the challenging market conditions during the quarter," said Steven R. Rogel, chairman, president and chief executive officer. "The wood product markets continue to be a concern and we are taking steps to address the situation.

"As we look to the fourth quarter, we see some modest improvement in the paper and containerboard businesses, and our real estate business is maintaining a strong backlog of sold, but undelivered, houses." Rogel said. "We are making excellent progress in capturing the synergies from the Willamette acquisition and taking other actions to accelerate reductions in overhead costs."

Summary of financial highlights:

| Millions (except per share data) | 3Q 2002 | 3Q 2001 | Change |
|--------------------------------------|----------|----------|----------|
| Net earnings | \$13 | \$91 | (\$78) |
| Earnings per share (EPS) | \$0.06 | \$0.41 | (\$0.35) |
| Net earnings excluding unusual items | \$44 | \$100 | (\$56) |
| EPS excluding unusual items | \$0.20 | \$0.45 | (\$0.25) |
| Net earnings for first nine months | \$115 | \$369 | (\$254) |
| Net EPS for first nine months | \$0.52 | \$1.68 | (\$1.16) |
| Net sales for third quarter | \$4,912 | \$3,752 | \$1,160 |
| Net sales for first nine months | \$13,869 | \$11,147 | \$2,722 |

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SEGMENT RESULTS FOR THIRD QUARTER 2002 (Contributions to Pre-Tax Earnings)

| Millions | 3Q 2002 | 3Q 2001 | Change |
|--------------------------------------|---------|---------|--------|
| Timberlands | \$138 | \$107 | \$31 |
| Wood Products | (\$18) | \$47 | (\$65) |
| Pulp and Paper | \$10 | (\$28) | \$38 |
| Containerboard, Packaging, Recycling | \$88 | \$69 | \$19 |
| Real estate and related assets | \$85 | \$75 | \$10 |

| Timberlands | | | |
|-------------------------------------|---------|---------|--------|
| | 3Q 2002 | 2Q 2002 | Change |
| Contribution to earnings (millions) | \$138 | \$175 | (\$37) |

Compared with the second quarter, export log prices improved during the third quarter of 2002 while domestic log prices remained flat. Overall company sales volumes remained relatively stable. Harvest levels were down significantly from the second quarter due to seasonal fire danger. This resulted in increased costs due to higher outside log purchases.

The fourth quarter outlook for Timberlands earnings from operations is expected to be unchanged from the third quarter with modestly weaker prices offset by higher harvest volumes. In addition, during the fourth quarter, Weyerhaeuser expects to close on the \$211 million sale of approximately 115,000 acres of timberlands announced this morning. The company will apply the net proceeds from this sale to paying down its debt.

| Wood Products | | | |
|-------------------------------------|---------|---------|--------|
| | 3Q 2002 | 2Q 2002 | Change |
| Contribution to earnings (millions) | (\$18) | \$64 | (\$82) |

Changes in earnings between the second and third quarter of 2002 were due primarily to the effects of the countervailing and anti-dumping duties. Excluding countervailing and anti-dumping duties, third quarter earnings were \$13 million compared with \$29 million for the second quarter. A drop in lumber prices caused by an oversupplied market also contributed to the change. Lumber inventories were built up in the second quarter in anticipation of the imposition of countervailing duties and anti-dumping penalties.

During the quarter, the company also announced the permanent closure of an engineered lumber product plant in Winston, Ore., and a particleboard mill in Lillie, La.

The fourth quarter earnings outlook for Wood Products remains very uncertain due to continued oversupply in the market.

| Pulp and Paper | | | |
|-------------------------------------|---------|---------|--------|
| | 3Q 2002 | 2Q 2002 | Change |
| Contribution to earnings (millions) | \$10 | (\$15) | \$25 |

Changes in earnings between the second and third quarter of 2002 were due primarily to the improvement in pulp prices and the increased demand for uncoated freesheet.

During the quarter, Weyerhaeuser announced the permanent closure of paper machines in Johnsonburg, Pa., and Kingsport, Tenn., which eliminated approximately 215,000 tons of production.

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Earnings for the business in the fourth quarter are expected to be higher than third quarter due to improving demand and the implementation of Weyerhaeuser's recently announced price increases.

| Containerboard, Packaging and Recycling | | | |
|---|---------|---------|--------|
| | 3Q 2002 | 2Q 2002 | Change |
| Contribution to earnings (millions) | \$88 | \$75 | \$13 |

Changes in earnings between the second and third quarter of 2002 were due primarily to higher OCC costs, which were partially recovered by price increases for linerboard and corrugating medium. Second quarter earnings also include \$28 million in pre-tax costs associated with previously announced closures.

As part of the company's focus on rationalizing its containerboard production, Weyerhaeuser announced the permanent closure of the Hawesville, Ky., containerboard mill during the third quarter to eliminate approximately 200,000 tons of production.

Fourth quarter Containerboard, Packaging and Recycling earnings should be higher as box price increases become effective and OCC prices decline from the peak levels of the early summer.

| Real estate and related assets | | | |
|-------------------------------------|---------|---------|--------|
| | 3Q 2002 | 2Q 2002 | Change |
| Contribution to earnings (millions) | \$85 | \$79 | \$6 |

Changes in earnings between the second and third quarter of 2002 were due primarily to:

- .. A \$14 million gain from the sale of two apartment complexes, which were originally expected to close in the fourth quarter of 2002 and early 2003.
- .. Continued strong housing market conditions. The business reported higher traffic throughout the quarter and closings were higher than the same period last year. Backlog of homes sold, but not delivered, remained steady at approximately six and a half months.

Fourth quarter earnings should be slightly lower as the business does not anticipate any apartment complex sales.

Overall fourth quarter outlook

Weyerhaeuser expects overall earnings to improve in the fourth quarter compared with third quarter. Unusual items that likely will affect the fourth quarter 2002 results include:

- .. Willamette integration after-tax costs which are expected to be approximately \$11 million.
- .. Approximately \$7 million for an after-tax charge associated with the closure of the Sturgeon Falls, Ontario, containerboard facility.
- .. A \$25 million after-tax charge associated with the termination of the former MacMillan Bloedel pension plan for U.S. employees.
- .. The previously discussed insurance proceeds of approximately \$25 million after-tax for the boiler explosion at the Plymouth, N.C., paper facility.
- .. An after-tax gain on the sale of timberlands in Washington state announced earlier today. This after-tax gain is approximately \$80 to \$85 million net of the charges associated with the closure of the related Wood Products facilities.

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Weyerhaeuser also announced that it would provide more information on its pension funds through an expanded disclosure in its third quarter 10Q. The company will hold a live conference call at 8 a.m. PDT (11 a.m. EDT) on Oct. 22 to discuss the third quarter results.

To access the conference call, listeners calling from within North America should dial (877) 888-3855 at least 15 minutes prior to the start of the conference call. Those wishing to access the call from outside North America should dial (416) 695-5259. Replays of the call will be available for 48 hours following completion of the live call and can be accessed at (888) 509-0081 within North America and at (416) 695-9728 from outside North America.

The call may also be accessed through Weyerhaeuser's Internet site at www.weyerhaeuser.com by clicking on the "Listen to our conference call" link.

Weyerhaeuser Company, one of the world's largest integrated forest products companies, was incorporated in 1900. In 2001, sales were \$14.5 billion. It has offices or operations in 18 countries, with customers worldwide. Weyerhaeuser is principally engaged in the growing and harvesting of timber; the manufacture, distribution and sale of forest products; and real estate construction, development and related activities. Additional information about Weyerhaeuser's businesses, products and practices is available at www.weyerhaeuser.com.

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This news release contains statements concerning the company's future results and performance that are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those projected, including, but not limited to, the effect of general economic conditions, including the level of interest rates and housing starts; market demand for the company's products, which may be tied to the relative strength of various U.S. business segments; performance of the company's manufacturing operations; the successful execution of internal performance plans; the level of competition from foreign producers; the effect of forestry, land use, environmental and other governmental regulations; fires, floods and other natural disasters; regulatory approvals of pending timberland sales; the company's ability to successfully integrate and manage acquired businesses and to realize anticipated cost savings and synergies from these acquisition; the ability of acquired businesses to perform in accordance with the company's expectations; legal proceedings; and uncertainties affecting insurance recoveries. The company is also a large exporter and is affected by changes in economic activity in Europe and Asia, particularly Japan, and by changes in currency exchange rates, particularly the relative value of the U.S. dollar to the Euro and the Yen; and restrictions on international trade or tariffs imposed on imports, including the countervailing and dumping duties imposed on the company's softwood lumber shipments from Canada to the United States. These and other factors that could cause or contribute to actual results differing materially from such forward looking statements are discussed in greater detail in the company's Securities and Exchange Commission filings.

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WEYERHAEUSER COMPANY
STATISTICAL INFORMATION (unaudited)

CONSOLIDATED EARNINGS (1)

Q1 Q2 Q3 Year-to-date

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| (in millions) | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Net sales and revenues: | | | | | | | | |
| Weyerhaeuser (2) | \$3,612 | \$3,219 | \$4,528 | \$3,471 | \$4,444 | \$3,360 | \$12,584 | \$10,050 |
| Real estate and related assets | 396 | 334 | 421 | 371 | 468 | 392 | 1,285 | 1,097 |
| Total net sales and revenues | 4,008 | 3,553 | 4,949 | 3,842 | 4,912 | 3,752 | 13,869 | 11,147 |
| Costs and expenses: | | | | | | | | |
| Weyerhaeuser: | | | | | | | | |
| Costs of products sold | 2,848 | 2,492 | 3,546 | 2,644 | 3,598 | 2,659 | 9,992 | 7,795 |
| Depreciation, amortization and fee stumpage (3) | 264 | 211 | 311 | 214 | 304 | 223 | 879 | 648 |
| Selling expenses | 103 | 91 | 116 | 100 | 116 | 95 | 335 | 286 |
| General and administrative expenses | 186 | 171 | 231 | 182 | 201 | 148 | 618 | 501 |
| Research and development expenses | 12 | 13 | 13 | 14 | 11 | 11 | 36 | 38 |
| Taxes other than payroll and income taxes | 38 | 37 | 53 | 38 | 48 | 38 | 139 | 113 |
| Other operating costs, net (4) (5) (6) | 4 | 32 | (27) | 21 | 19 | 24 | (4) | 77 |
| Charges for integration of facilities | 2 | 9 | 23 | 10 | 17 | 4 | 42 | 23 |
| Charges for closure of facilities (7) (8) 27 | - | - | 28 | - | - | 32 | 55 | 32 |
| | 3,484 | 3,056 | 4,294 | 3,223 | 4,314 | 3,234 | 12,092 | 9,513 |
| Real estate and related assets: | | | | | | | | |
| Costs and operating expenses | 291 | 243 | 317 | 280 | 359 | 301 | 967 | 824 |
| Depreciation and amortization | 2 | 1 | 1 | 2 | 1 | 2 | 4 | 5 |
| Selling expenses | 21 | 19 | 24 | 19 | 23 | 23 | 68 | 61 |
| General and administrative expenses | 10 | 13 | 11 | 13 | 14 | 4 | 35 | 30 |
| Taxes other than payroll and income taxes | 1 | 2 | 1 | 1 | 1 | 1 | 3 | 4 |
| Other operating costs, net | (8) | (1) | 2 | (1) | 6 | (2) | - | (4) |
| | 317 | 277 | 356 | 314 | 404 | 329 | 1,077 | 920 |
| Total costs and expenses | 3,801 | 3,333 | 4,650 | 3,537 | 4,718 | 3,563 | 13,169 | 10,433 |
| Operating income | 207 | 220 | 299 | 305 | 194 | 189 | 700 | 714 |

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Interest expense and other:

Weyerhaeuser:

| | | | | | | | | |
|---------------------------------------|-------|------|-------|------|-------|------|-------|-------|
| Interest expense incurred | (143) | (88) | (222) | (87) | (214) | (93) | (579) | (268) |
| Less interest Capitalized | 4 | 4 | 16 | 6 | 16 | 6 | 36 | 16 |
| Equity in income (loss) of affiliates | (4) | 15 | (2) | 15 | (6) | 5 | (12) | 35 |
| Interest income and other | 5 | 6 | 6 | 4 | 9 | 4 | 20 | 14 |

Real estate and related assets:

| | | | | | | | | |
|---|------|------|------|------|------|------|------|------|
| Interest expense incurred | (13) | (19) | (13) | (18) | (12) | (17) | (38) | (54) |
| Less interest Capitalized | 13 | 16 | 13 | 17 | 12 | 16 | 38 | 49 |
| Equity in income of unconsolidated entities | 6 | 14 | 6 | 3 | 10 | 4 | 22 | 21 |
| Interest income and other | 6 | 2 | 8 | 3 | 11 | 8 | 25 | 13 |

| | | | | | | | | |
|---|------|------|------|------|-----|------|------|-------|
| Earnings before income taxes and extraordinary item | 81 | 170 | 111 | 248 | 20 | 122 | 212 | 540 |
| Income taxes (9) | (28) | (63) | (39) | (77) | (7) | (31) | (74) | (171) |

| | | | | | | | | |
|------------------------------------|------|-----|----|-----|----|----|------|-----|
| Earnings before extraordinary item | 53 | 107 | 72 | 171 | 13 | 91 | 138 | 369 |
| Extraordinary item (10) | (23) | - | - | - | - | - | (23) | - |

| | | | | | | | | |
|--------------|------|-------|------|-------|------|------|-------|-------|
| Net earnings | \$30 | \$107 | \$72 | \$171 | \$13 | \$91 | \$115 | \$369 |
|--------------|------|-------|------|-------|------|------|-------|-------|

Per share:

| | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Basic net earnings before extraordinary item | \$0.24 | \$0.49 | \$0.32 | \$0.78 | \$0.06 | \$0.41 | \$0.62 | \$1.68 |
| Extraordinary item | (0.10) | - | - | - | - | - | (0.10) | - |

| | | | | | | | | |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Basic net earnings | \$0.14 | \$0.49 | \$0.32 | \$0.78 | \$0.06 | \$0.41 | \$0.52 | \$1.68 |
|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|

| | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Diluted net earnings before extraordinary item | \$0.24 | \$0.49 | \$0.32 | \$0.78 | \$0.06 | \$0.41 | \$0.6 | \$1.68 |
| Extraordinary item | (0.10) | - | - | - | - | - | (0.10) | - |

| | | | | | | | | |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Diluted net earnings | \$0.14 | \$0.49 | \$0.32 | \$0.78 | \$0.06 | \$0.41 | \$0.52 | \$1.68 |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|

| | | | | | | | | |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Dividends paid | \$0.40 | \$0.40 | \$0.40 | \$0.40 | \$0.40 | \$0.40 | \$1.20 | \$1.20 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|

- (1) Certain reclassifications have been made to conform prior periods' data with the current presentation.
- (2) 2002 first quarter includes \$13 million of charges for countervailing and anti-dumping duties and related costs and a credit of \$18 million for the reversal of countervailing and anti-dumping duties accrued in 2001.

The 2002 second quarter includes \$7 million of charges for countervailing and anti-dumping duties and related costs, a credit of \$29 million for the reversal of charges accrued in 2001 and a credit of \$13 million for charges accrued in the first quarter of 2002. The 2002 third quarter includes charges of \$31 million for countervailing and anti-dumping duties and related costs. The year-to-date impact from countervailing and anti-dumping duties and related costs is a net credit of \$9 million. 2001 includes \$30 million of third quarter charges for countervailing and

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anti-dumping duties and related costs. No costs were recognized prior to the third quarter.

- (3) 2001 includes \$27 million of goodwill amortization through September. Goodwill amortization ceased as of the beginning of 2002.
- (4) 2002 year-to-date includes \$19 million in net foreign exchange gains. Gains of \$8 million and \$27 million are included in the first and second quarters, respectively. A loss of \$16 million is included in the third quarter. Net foreign exchange losses through the third quarter of 2001 were \$6 million.
- (5) 2001 year-to-date costs include \$10 million for costs associated with Westwood Shipping Line's transition to a new charter fleet.
- (6) 2001 year-to-date includes one-time costs of \$41 million associated with information systems outsourcing.
- (7) 2002 includes \$27 million for first quarter costs associated with the closure of three facilities and \$28 million for second quarter costs associated with the closure, or impending closure, of four additional facilities.
- (8) 2001 year-to-date also includes \$32 million for third quarter costs associated with machine closures at Springfield, Ore., and Longview, Wash.
- (9) 2001 year-to-date includes \$29 million in benefits reflecting one-time reductions in deferred taxes. This includes a \$14 million benefit due to a lower British Columbia provincial corporate tax rate that was enacted during the third quarter and a \$15 million benefit due to a lower Canadian corporate tax rate that was enacted during the second quarter.
- (10) 2002 includes \$35 million extraordinary loss on the refinancing of debt in connection with the acquisition of Willamette Industries, less a \$12 million tax benefit.

WEYERHAEUSER COMPANY STATISTICAL INFORMATION (unaudited)

Net sales and revenues (in millions):

| | Q1 | | Q2 | | Q3 | | Year-to-date | |
|---|-------|-------|-------|-------|-------|-------|--------------|-------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| Timberlands: | | | | | | | | |
| Raw materials (logs, timber and chips) | \$144 | \$175 | \$186 | \$155 | \$196 | \$140 | \$526 | \$470 |
| Other products | 44 | 37 | 49 | 39 | 138 | 44 | 231 | 120 |
| | 188 | 212 | 235 | 194 | 334 | 184 | 757 | 590 |
| Wood products: | | | | | | | | |
| Softwood lumber | 692 | 605 | 901 | 783 | 845 | 743 | 2,438 | 2,131 |
| Softwood plywood and veneer | 135 | 102 | 173 | 125 | 169 | 124 | 477 | 351 |
| Oriented strand board, composite and other panels | 240 | 159 | 320 | 195 | 217 | 210 | 777 | 564 |
| Hardwood lumber | 76 | 78 | 81 | 75 | 72 | 70 | 229 | 223 |
| Engineered lumber products | 253 | 218 | 315 | 309 | 324 | 299 | 892 | 826 |
| Raw materials (logs, timber and chips) | 106 | 112 | 129 | 118 | 120 | 107 | 355 | 337 |
| Other products | 199 | 165 | 228 | 205 | 210 | 198 | 637 | 568 |
| | 1,701 | 1,439 | 2,147 | 1,810 | 1,957 | 1,751 | 5,805 | 5,000 |

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Pulp and Paper:

| | | | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Pulp | 280 | 321 | 297 | 277 | 300 | 261 | 877 | 859 |
| Paper | 446 | 322 | 593 | 281 | 622 | 311 | 1,661 | 914 |
| Paperboard | 40 | 50 | 51 | 45 | 37 | 55 | 128 | 150 |
| Other products | 6 | 18 | 10 | 6 | 8 | 10 | 24 | 34 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | 772 | 711 | 951 | 609 | 967 | 637 | 2,690 | 1,957 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

Containerboard, Packaging and Recycling:

| | | | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Containerboard | 90 | 92 | 117 | 87 | 123 | 88 | 330 | 267 |
| Packaging | 731 | 618 | 899 | 634 | 877 | 588 | 2,507 | 1,840 |
| Recycling | 48 | 63 | 51 | 57 | 67 | 43 | 166 | 163 |
| Other products | 47 | 43 | 90 | 39 | 82 | 36 | 219 | 118 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | 916 | 816 | 1,157 | 817 | 1,149 | 755 | 3,222 | 2,388 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |

Real estate and related assets

| | | | | | | | | |
|--|-----|-----|-----|-----|-----|-----|-------|-------|
| | 396 | 334 | 421 | 371 | 468 | 392 | 1,285 | 1,097 |
|--|-----|-----|-----|-----|-----|-----|-------|-------|

Corporate and other

| | | | | | | | | |
|--|----|----|----|----|----|----|-----|-----|
| | 35 | 41 | 38 | 41 | 37 | 33 | 110 | 115 |
|--|----|----|----|----|----|----|-----|-----|

| | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|----------|----------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | \$4,008 | \$3,553 | \$4,949 | \$3,842 | \$4,912 | \$3,752 | \$13,869 | \$11,147 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

Earnings before interest expense, income taxes and extraordinary items (in millions) (1):

| | Q1 | | Q2 | | Q3 | | Year-to-date | |
|--|-------|-------|-------|-------|-------|-------|--------------|-------|
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Timberlands | \$119 | \$134 | \$175 | \$137 | \$138 | \$107 | \$432 | \$378 |
| Wood products (2) (3) | 9 | (26) | 64 | 102 | (18) | 47 | 55 | 123 |
| Pulp and Paper (4) (5) | 1 | 73 | (15) | 27 | 10 | (28) | (4) | 72 |
| Containerboard Packaging and Recycling (6) (7) | 58 | 94 | 75 | 68 | 88 | 69 | 221 | 231 |
| Real estate and related assets | 91 | 69 | 79 | 62 | 85 | 75 | 255 | 206 |
| Corporate and other (8) (9) | (58) | (90) | (61) | (67) | (85) | (61) | (204) | (218) |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| | \$220 | \$254 | \$317 | \$329 | \$218 | \$209 | \$755 | \$792 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

(1) Certain reclassifications have been made to conform prior periods' data with the current presentation.

(2) 2002 first quarter includes \$13 million of charges for countervailing and anti-dumping duties and related costs and a credit of \$18 million for the reversal of countervailing and anti-dumping duties accrued in 2001. The 2002 second quarter includes \$7 million of charges for countervailing and anti-dumping duties and related costs, a credit of \$29 million for the reversal of charges accrued in 2001 and a credit of \$13 million for charges accrued in the first quarter of 2002. The 2002 third quarter includes charges of \$31 million for countervailing and anti-dumping duties and related costs. The year-to-date impact from countervailing and

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anti-dumping duties and related costs is a net credit of \$9 million. 2001 includes \$30 million of third quarter charges for countervailing and anti-dumping duties and related costs. No costs were recognized prior to the third quarter.

- (3) 2002 includes \$17 million in first quarter costs associated with the permanent closure of an oriented strand board facility in Canada.
- (4) 2002 year-to-date includes \$52 million in business disruption costs associated with the recovery boiler explosion at the Plymouth, N.C., paper facility. Costs of \$22 million and \$30 million are included in the second and third quarters, respectively.
- (5) 2001 results include \$19 million of third quarter costs associated with a machine closure at Longview, Wash.
- (6) 2002 year-to-date results include \$38 million in costs associated with the closure, or impending closure of seven facilities, including \$10 million of first quarter costs and \$28 million of second quarter costs.
- (7) 2001 results include \$13 million of third quarter costs associated with a machine closure at Springfield, Ore.
- (8) 2001 year-to-date costs include one-time costs of \$41 million associated with information systems outsourcing and includes \$10 million incurred in the second quarter for costs associated with Westwood Shipping Line's transition to a new charter fleet.
- (9) 2002 results for corporate and other include net foreign exchange gains (losses) of \$20 million in the second quarter and (\$17 million) in the third quarter, for a year to date net gain of \$3 million. These gains and losses result primarily from fluctuations in Canadian exchange rates. 2001 results for corporate and other include net foreign exchange gains (losses) of (\$2 million) in the first quarter, \$7 million in the second quarter, and (\$11 million) in the third quarter, resulting primarily from fluctuations in Canadian exchange rates.

WEYERHAEUSER COMPANY
STATISTICAL INFORMATION (unaudited)

Third party sales volumes:

| | Q1 | | Q2 | | Q3 | | Year-to-date | |
|--|------|------|------|------|------|------|--------------|------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |

Timberlands (millions):

| | | | | | | | | |
|-----------------|----|----|----|----|-----|----|-----|-----|
| Raw materials - | | | | | | | | |
| cubic feet | 76 | 82 | 99 | 75 | 104 | 76 | 279 | 233 |

Wood products (millions):

| | | | | | | | | |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Softwood lumber - | | | | | | | | |
| board feet | 1,812 | 1,667 | 2,295 | 1,792 | 2,362 | 1,943 | 6,469 | 5,402 |
| Softwood plywood and veneer | | | | | | | | |
| - square feet (3/8") | 575 | 449 | 750 | 491 | 736 | 494 | 2,061 | 1,434 |
| Composite panels - square | | | | | | | | |
| feet (3/4") | 308 | 63 | 445 | 59 | 95 | 61 | 848 | 183 |
| Oriented strand board - square | | | | | | | | |
| feet (3/8") | 945 | 871 | 1,095 | 916 | 1,117 | 964 | 3,157 | 2,751 |
| Hardwood lumber - | | | | | | | | |
| board feet | 108 | 106 | 113 | 106 | 104 | 99 | 325 | 311 |
| Raw materials - | | | | | | | | |
| cubic feet | 143 | 163 | 164 | 150 | 207 | 154 | 514 | 467 |

Pulp and paper (thousands):

| | | | | | | | | |
|----------------|-----|-----|-----|-----|-----|-----|-------|-------|
| Pulp - air-dry | | | | | | | | |
| metric tons | 563 | 480 | 618 | 507 | 561 | 527 | 1,742 | 1,514 |

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| | | | | | | | | |
|-------------------|-----|-----|-----|-----|-----|-----|-------|-------|
| Paper - tons | 594 | 393 | 766 | 355 | 804 | 406 | 2,164 | 1,154 |
| Paperboard - tons | 53 | 60 | 61 | 56 | 47 | 66 | 161 | 182 |

Containerboard, packaging and recycling (thousands):

| | | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Containerboard - tons | 249 | 218 | 309 | 222 | 318 | 223 | 876 | 663 |
| Packaging - MSF | 14,540 | 12,690 | 18,446 | 11,856 | 17,902 | 13,319 | 50,888 | 37,865 |
| Recycling - tons | 604 | 826 | 552 | 817 | 539 | 548 | 1,695 | 2,191 |

Total production volumes:

| Q1 | | Q2 | | Q3 | | Year-to-date | |
|------|------|------|------|------|------|--------------|------|
| 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |

Timberlands (millions):

| | | | | | | | | |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Logs - cubic feet | 153 | 132 | 191 | 131 | 164 | 129 | 508 | 392 |
|-------------------|-----|-----|-----|-----|-----|-----|-----|-----|

Wood products (millions):

| | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|
| Softwood lumber - board feet | 1,530 | 1,406 | 1,702 | 1,422 | 1,728 | 1,315 | 4,960 | 4,143 |
| Softwood plywood and veneer - square feet (3/8") | 431 | 285 | 562 | 278 | 584 | 275 | 1,577 | 838 |
| Composite panels - square feet (3/4") | 218 | 29 | 128 | 25 | 200 | 21 | 546 | 75 |
| Oriented strand board - square feet (3/8") | 957 | 783 | 944 | 833 | 1,115 | 912 | 3,016 | 2,528 |
| Hardwood lumber - board feet | 96 | 111 | 99 | 109 | 107 | 99 | 302 | 319 |
| Logs - cubic feet | 185 | 174 | 187 | 137 | 204 | 166 | 576 | 477 |

Pulp and paper (thousands):

| | | | | | | | | |
|----------------------------|-----|-----|-----|-----|-----|-----|-------|-------|
| Pulp - air-dry metric tons | 607 | 549 | 492 | 448 | 630 | 553 | 1,729 | 1,550 |
| Paper - tons | 558 | 400 | 727 | 339 | 747 | 357 | 2,032 | 1,096 |
| Paperboard - tons | 63 | 52 | 67 | 61 | 31 | 69 | 161 | 182 |

Containerboard, packaging and recycling (thousands):

| | | | | | | | | |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Containerboard - tons | 1,250 | 875 | 1,600 | 776 | 1,621 | 1,065 | 4,471 | 2,716 |
| Packaging - MSF | 16,281 | 13,355 | 20,630 | 13,432 | 20,432 | 13,077 | 57,343 | 39,864 |
| Recycling - tons | 1,409 | 1,192 | 1,593 | 1,181 | 1,545 | 1,210 | 4,547 | 3,583 |

WEYERHAEUSER COMPANY
STATISTICAL INFORMATION

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)
(in millions)

| | March 31, 2002 | June 30, 2002 | Sept. 29, 2002 | Dec. 31, 2001 |
|--|-------------------|------------------|-------------------|------------------|
|--|-------------------|------------------|-------------------|------------------|

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Weyerhaeuser

Current assets:

| | | | | |
|---------------------------------|--------|-------|-------|-------|
| Cash and short-term investments | \$ 127 | \$141 | \$119 | \$202 |
| Receivables, less allowances | 1,599 | 1,649 | 1,604 | 1,024 |
| Inventories | 2,072 | 2,012 | 1,951 | 1,428 |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Prepaid expenses | 509 | 550 | 485 | 407 |
| | ----- | ----- | ----- | ----- |
| Total current assets | 4,307 | 4,352 | 4,159 | 3,061 |
| Property and equipment | 12,454 | 12,362 | 12,235 | 8,309 |
| Construction in progress | 1,169 | 1,360 | 1,338 | 428 |
| Timber and timberlands at cost, less fee stumpage charged to disposals | 4,457 | 4,472 | 4,436 | 1,789 |
| Investments in and advances to equity affiliates | 542 | 547 | 541 | 541 |
| Goodwill | 2,741 | 2,778 | 2,812 | 1,095 |
| Deferred pension and other assets | 1,170 | 1,239 | 1,239 | 1,053 |
| | ----- | ----- | ----- | ----- |
| | 26,840 | 27,110 | 26,760 | 16,276 |
| | ----- | ----- | ----- | ----- |
| Real estate and related assets | 2,078 | 2,100 | 2,035 | 2,017 |
| | ----- | ----- | ----- | ----- |
| Total assets | \$ 28,918 | \$ 29,210 | \$ 28,795 | \$ 18,293 |
| | ===== | ===== | ===== | ===== |
| Liabilities and Shareholders' Interest | | | | |
| ----- | | | | |
| Weyerhaeuser | | | | |
| Current liabilities: | | | | |
| Notes payable and commercial paper | \$ 260 | \$ 110 | \$ 231 | \$ 4 |
| Current maturities of long-term debt | 214 | 368 | 791 | 8 |
| Accounts payable | 1,072 | 1,125 | 1,059 | 809 |
| Accrued liabilities | 1,177 | 1,320 | 1,189 | 1,042 |
| | ----- | ----- | ----- | ----- |
| Total current liabilities | 2,723 | 2,923 | 3,270 | 1,863 |
| Long-term debt | 12,927 | 12,779 | 12,224 | 5,095 |
| Deferred income taxes, pension, other postretirement benefits and other liabilities | 5,274 | 5,326 | 5,307 | 3,254 |
| | ----- | ----- | ----- | ----- |
| | 20,924 | 21,028 | 20,801 | 10,212 |
| | ----- | ----- | ----- | ----- |
| Real estate and related assets | | | | |
| Notes payable and commercial paper | 262 | 357 | 80 | 358 |
| Long-term debt | 596 | 576 | 856 | 620 |
| Other liabilities | 451 | 467 | 432 | 408 |
| | ----- | ----- | ----- | ----- |
| | 1,309 | 1,400 | 1,368 | 1,386 |
| | ----- | ----- | ----- | ----- |
| Total liabilities | 22,233 | 22,428 | 22,169 | 11,598 |
| Shareholders' interest | 6,685 | 6,782 | 6,626 | 6,695 |
| | ----- | ----- | ----- | ----- |
| Total liabilities and shareholders' interest | \$ 28,918 | \$ 29,210 | \$ 28,795 | \$ 18,293 |
| | ----- | ----- | ----- | ----- |

(b) Remarks of Richard Taggart, Vice President of Finance.

On October 22, 2002 in a conference call to discuss Weyerhaeuser Company's earnings release, Vice President of Finance Richard Taggart

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delivered the following remarks:

"Today I want to provide you with additional information about our current pension fund situation, for both reported earnings, and cash funding. Pension fund accounting under GAAP is relatively complicated, and as you know, is influenced by a number of variables. The four key variables are: the actual rate of return earned by the fund, the assumed future rate of return on the fund, the discount rate used to discount the liabilities of the fund, and the assumed increase in salaries and wages. In addition, changes in plan benefits or the demographics of the plan participants can affect both accounting and funding. Weyerhaeuser is using a 10.5% assumed rate of return for pension fund accounting this year, and while we have reduced this assumption each of the last two years, it remains one of the highest among publicly reporting companies. Because of this, we have received a number of questions regarding how we arrived at this assumption, how will it likely change in the future, and what will be the impact of a change in the assumption on both reported earnings, and cash flow.

"As many of you know, Weyerhaeuser reviews its pension fund assumptions each year, at the end of the year, when actual returns, discount rates, and actuarial valuation changes are known. We will continue to follow that practice, and will provide guidance regarding our pension fund assumptions for next year in our fourth quarter report. In order to help analysts and investors to begin to better understand our pension fund and our assumptions, we plan to broaden our pension fund disclosure in our third quarter 10Q.

"Today, I want to discuss the information we will provide.

"In 1985, Weyerhaeuser began moving toward managing its U.S. pension funds using what at that time was a relatively new structure and strategy in managing investments. We utilized synthetic indexing to achieve a benchmark return of approximately 60% equities, 35% bonds, and 5% cash. We then invested the majority of the assets in the trust in a broadly diversified set of strategies and funds to add alpha (or returns above the benchmark). In 1988, we set our assumed rate of return from this strategy at 11.5%. This was arrived at that from the view that the benchmark return, which approximated the median pension fund return, would be approximately 8 to 8.5% and we would out perform the benchmark by 3 to 3.5%.

"Through the 17 year period ending in 2001, our compound rate of return was over 18% compared to the median large pension fund return of just over 11%. The 700 basis point difference resulted in our performance exceeding the median fund by over 60%, and to the best of our knowledge, we had the highest performing large pension fund in the U.S., whether measured on a 5 year, 10 year, or 15 year basis.

"Our U.S. fund, which makes up approximately 85% of our pension assets, was significantly overfunded at the end of 2001. In the last 3 years we increased our pension assets in Canada as a result of the acquisitions we made to approximately US\$500 million, while our U.S. fund was at \$3.1 billion at the end of 2001. In July of this year, we added approximately \$550 million in assets to our master trust in connection with the addition of the Willamette employees. The Willamette and the Canadian plans were overfunded also, but not to the same degree as the legacy Weyerhaeuser plans.

"Even though our actual rate of return has significantly exceeded our assumed rate of return since 1988, we did not change that assumption until last year. We lowered our assumption of future returns in 2001 to 11%. At the end of last year, we again lowered our assumed rate of return to 10.5%. This assumption was arrived at by assuming that the median pension fund long term return would drop to 7.5% and our alpha strategy would yield an incremental

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3% as opposed to its historical 7%. We will review these assumptions again at the end of this year.

"Our combined U.S. and Canadian funds are invested:

35% in Private market strategies, both equity and real estate, and
65% in Liquid strategies

"We are invested with over 125 managers.

"This is a highly diversified fund that includes some of the most experienced and successful alternative managers in the world.

"To assist you in developing your own forecasts of how changes in pension fund performance, and changes in key variable assumptions affect GAAP earnings, I will provide some sensitivities for the key variables that drive the GAAP accounting. I need to caution you that these variables are not linear and are somewhat inter related, but the sensitivities will provide an ability to develop approximate estimates as to what might happen to our pension credit in 2003. There are effects beyond 2003, but because of the interaction of the variables, I would caution using these sensitivities beyond one year.

"As many of you know, the P&L accounting for pensions is driven by GAAP, while funding is driven by a different set of calculations set by the IRS. These sensitivities are for GAAP only. We will not be required to make any contributions to our U.S. fund this year, and it appears at this point we will not be required to make any contribution next year. We may need to make a small contribution in Canada this year and next.

"Because of different funding status and pension regulations, the sensitivities are different in the U.S. and Canada. I will provide separate sensitivities for each country.

"These are the sensitivities to four key variables:

1. The first, and most important, is the actual rate of return. For each 1% that the actual rate of return is lower than the assumed rate of return, the pension credit will be reduced by \$1.8 million in the U.S. and \$800,000 in Canada. In other words, if we had a zero return in both pension funds this year, our credit to pre-tax income would be reduced by 10.5 times both factors, or \$27.3 million.
2. If we reduce the assumed rate of return by 1%, from 10.5% to 9.5%, it will reduce our pension credit by \$ 17.4 million in the U.S. and \$4.8 million in Canada.
3. If we reduce the discount rate by 0.5% it would reduce the credit by \$ 6.3 million in the U.S. and \$2.0 million in Canada.
4. If we change the assumed increase in salaries and wages by 0.5%, it would change the pension credit by \$ 10.6 million in the U.S. and \$4.8 million in Canada.

"Applying your outlook for financial markets will allow you to make reasonable estimates on the potential impacts on our GAAP earnings next year.

"As we noted in our earnings release, we have elected to terminate the U.S. salaried pension fund of MacMillan Bloedel, and pay out the benefits earned by employees and retirees that were earned under those plans. This will result in an after tax charge of approximately \$25 million, in the fourth quarter."

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WEYERHAEUSER COMPANY

By /s/ Steven J. Hillyard

Its: Vice President and
Chief Accounting Officer

Date: October 22, 2002