

WEYERHAEUSER CO
Form 10-K
February 17, 2016
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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, 2015

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.)

33663 WEYERHAEUSER WAY SOUTH, FEDERAL WAY, WASHINGTON 98063-9777 TELEPHONE

(253) 924-2345

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED:
Common Shares (\$1.25 par value)	Chicago Stock Exchange New York Stock Exchange
6.375% Mandatory Convertible Preference Shares, Series A (\$1.00 par value)	New York Stock Exchange

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

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

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

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

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

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

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

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

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As of June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was \$16.0 billion based on the closing sale price as reported on the New York Stock Exchange Composite Price Transactions.

As of January 29, 2016, 510,492,965 shares of the registrant's common stock (\$1.25 par value) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Notice of 2016 Annual Meeting of Shareholders and Proxy Statement for the company's Annual Meeting of Shareholders to be held May 20, 2016, are incorporated by reference into Part II and III.

WEYERHAEUSER COMPANY > 2015 ANNUAL REPORT AND FORM 10-K

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OUR BUSINESS

We are one of the world's largest private owners of timberlands. We own or control nearly 7 million acres of timberlands, primarily in the U.S., and manage additional timberlands under long-term licenses in Canada. We manage these timberlands on a sustainable basis in compliance with internationally recognized forestry standards. We are also one of the largest manufacturers of wood and specialty cellulose fibers products. Our company is a real estate investment trust (REIT).

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

In 2015, we generated \$7.1 billion in net sales and employed approximately 12,600 people who serve customers worldwide.

This portion of our Annual Report and Form 10-K provides detailed information about who we are, what we do and where we are headed. Unless otherwise specified, current information reported in this Form 10-K is as of the fiscal year ended December 31, 2015.

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 — www.weyerhaeuser.com.

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

WHO WE ARE

We started out as Weyerhaeuser Timber Company, incorporated in the state of Washington in January 1900, when Frederick Weyerhaeuser and 15 partners bought 900,000 acres of timberland. Today, we are working to grow a truly great company for our shareholders, customers and employees. We grow and harvest trees and manufacture and sell products made from trees.

REAL ESTATE INVESTMENT TRUST (REIT) ELECTION

Starting with our 2010 fiscal year, we elected to be taxed as a REIT. We expect to derive most of our REIT income from investments in timberlands, including the sale of standing timber through pay-as-cut sales contracts and lump sum timber deeds. REIT income can be distributed to shareholders without first paying corporate level tax, substantially eliminating the double taxation on income. A significant portion of our timberland segment earnings receives this favorable tax treatment. We continue to be required to pay federal corporate income taxes on earnings of our Taxable REIT Subsidiary (TRS), which includes our manufacturing businesses and the portion of our Timberlands segment income included in the TRS.

PENDING MERGER WITH PLUM CREEK

On November 6, 2015 Weyerhaeuser Company and Plum Creek Timber Company, Inc. (“Plum Creek”) entered into an Agreement and Plan of Merger (“Merger Agreement”) pursuant to which Plum Creek will merge with and into

Weyerhaeuser Company with Weyerhaeuser continuing as the surviving corporation. Under the terms of the Merger Agreement, Plum Creek shareholders will receive 1.60 shares of Weyerhaeuser common shares for each share of Plum Creek common stock at the closing date. Plum Creek is a REIT that owns and manages more than 6 million acres of timberland in the United States. In addition Plum Creek produces wood products, develops opportunities for mineral and other natural resource extraction, and develops and sells real estate properties. See Note 4: Acquisitions in the Notes to Consolidated Financial Statements for further information about the pending merger.

OUR BUSINESS SEGMENTS

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

- Timberlands,
- Wood Products and
- Cellulose Fibers.

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

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On November 8, 2015 Weyerhaeuser announced that the board authorized the exploration of strategic alternatives for its Cellulose Fibers business. At this time there can be no assurance that the board's evaluation process will result in any transaction or that any transaction, if pursued, will be consummated.

EFFECT OF MARKET CONDITIONS

The health of the U.S. housing market strongly affects our Wood Products and Timberlands 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. Cellulose Fibers is primarily affected by global demand and the relative strength of the U.S. dollar.

COMPETITION IN OUR MARKETS

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

Our business segments' competitive strategies are as follows:

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

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

• Cellulose Fibers — Concentrate on value-added pulp products and low cost manufacturing assets.

SALES OUTSIDE THE U.S.

In 2015, \$2.3 billion — 32 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.

SALES OUTSIDE THE U.S. IN MILLIONS OF DOLLARS

	2015	2014	2013	
Exports from the U.S.	\$1,719	\$1,892	\$1,891	
Canadian export and domestic sales	400	472	488	
Other foreign sales	144	150	114	
Total	\$2,263	\$2,514	\$2,493	
Percent of total sales	32	% 34	% 29	%

OUR EMPLOYEES

We have approximately 12,600 employees. This number includes:

• 11,700 employed in North America and

• 900 employed by our operations outside of North America.

Of these employees, approximately 3,500 are members of unions covered by multi-year collective-bargaining agreements. More information about these agreements is in Note 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
- and

• manufacture and sell products made from them.

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

TIMBERLANDS

Our Timberlands segment manages 6.9 million acres of private commercial timberlands worldwide. We own 6.3 million of those acres and have long-term leases on the other 0.6 million acres. In addition, we have renewable, long-term licenses on Canadian timberlands. The tables presented in this section include data from this segment's business units as of the end of 2015.

WHAT WE DO

Forestry Management

Our Timberlands segment:

- grows and harvests trees to be converted into lumber, other wood and building products and pulp and paper;
- exports logs to other countries where they are made into products;
- plants seedlings to reforest harvested areas using the most effective regeneration method for the site and species (in parts of Canada natural regeneration is employed);
- monitors and cares for the planted trees as they grow to maturity; and
- strives to sustain and maximize the timber supply from our timberlands while keeping the health of our environment a key priority.

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

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Sustainable Forestry Practices

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

Canadian Forestry Operations

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

Other Values From Our Timberlands

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

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

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

Timberlands Products

PRODUCTS	HOW THEY'RE USED
Logs	Logs are made into lumber, other wood and building products, and pulp and paper products.
Timberlands	Timberland tracts are sold or exchanged to maximize value or improve our timberland portfolio.
Timber	Standing timber is sold to third parties.
Minerals, oil and gas	Minerals, oil and gas are sold into construction and energy markets.
Other products	Seed and seedlings grown in the U.S. and plywood produced at our mill in Uruguay are sold to third parties. U.S. timberlands are leased to the public for recreational purposes.

HOW WE MEASURE OUR PRODUCT

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

We also 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. This measure does not include taper or recovery of non-lumber residual products.

Hundred cubic feet (CCF) — used in the West to measure the volume of a log. The measure does not include any calculation for expected lumber recovery.

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.

WHERE WE DO IT

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

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

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

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

Our international operations are located in Uruguay, where we own 298,000 acres and have long-term leases on 25,000 acres. 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.

Our total timber inventory — including timber on owned and leased land— is approximately 350 million cubic meters. The amount of timber inventory does not translate into an amount of lumber or panel products because the quantity of end products:

varies according to the species, size and quality of the timber; and

will change through time as the mix of these variables adjust.

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

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

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

United States

Summary of 2015 United States Standing Timber Inventory

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS AT DECEMBER 31, 2015 TOTAL INVENTORY ⁽¹⁾
West:	
Douglas fir/Cedar	153
Whitewood	31
Hardwood	12
	196
South:	
Southern yellow pine	113
Hardwood	29
	142
Total U.S.	338

(1) Inventory includes all conservation and set aside areas.

Summary of 2015 United States Timberland Locations

GEOGRAPHIC AREA	THOUSANDS OF ACRES AT DECEMBER 31, 2015		
	FEE OWNERSHIP	LONG- TERM LEASES	TOTAL ACRES ⁽¹⁾
U.S.:			
West	2,594	—	2,594
South	3,403	630	4,033
Total U.S.	5,997	630	6,627

(1) Acres include all conservation and set aside areas.

We provide a constant year round flow of logs to internal and third-party customers. We sell grade logs to mills that manufacture a diverse range of products including lumber, plywood and veneer. We also sell chips and fiber logs to pulp, paper and oriented strand board mills. We also sell standing timber to third parties. Our timberlands are well located to take advantage of road, logging and transportation systems for efficient delivery of logs to these customers.

Western United States

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

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

On July 23, 2013, we purchased 100 percent of the equity interests in Longview Timber LLC (Longview Timber) for \$1.58 billion cash and assumed debt of \$1.07 billion, for an aggregate purchase price of \$2.65 billion. Longview Timber was a privately-held Delaware limited liability company engaged in the ownership and management of approximately 645,000 acres of timberlands in Oregon and Washington. More information on this transaction can be found in Note 4: Acquisitions in the Notes to Consolidated Financial Statements.

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2015 Western U.S. Inventory by Species

2015 Western U.S. Inventory by Age / Species

The average age of timber harvested in 2015 was 52 years. Most of our U.S. timberland is intensively managed for timber production, but some areas are conserved for environmental, historical, recreational or cultural reasons. Some of our older trees are protected in acreage set aside for conservation, and some are not yet logged due to harvest rate regulations. While over the long term our average harvest age will decrease in accordance with our sustainable forestry practices, we harvest generally 2 percent of our Western acreage each year.

Southern United States

Our Southern acres predominantly contain southern yellow pine and encompass timberlands in seven states.

We intensively manage our timber plantations using forestry research and planning systems to optimize grade log production. We also actively manage our land to capture revenues from our oil, gas and hard minerals resources. We do this while providing quality habitat for a range of animals and birds. We lease more than 94 percent of our acres to the public and state wildlife agencies for recreational purposes.

2015 Southern U.S. Inventory by Species

WEYERHAEUSER COMPANY > 2015 ANNUAL REPORT AND FORM 10-K 5

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2015 Southern U.S. Inventory by Age / Species

The average age of timber harvested in 2015 was 31 years for southern yellow pine. In accordance with our sustainable forestry practices, we harvest generally 3 percent of our acreage each year in the South.

International

Summary of 2015 International Standing Timber Inventory

GEOGRAPHIC AREA	MILLIONS OF CUBIC METERS AT DECEMBER 31, 2015 TOTAL INVENTORY
Uruguay:	
Pine	8
Eucalyptus	4
Total International	12

Summary of 2015 International Timberland Locations

GEOGRAPHIC AREA	THOUSANDS OF ACRES AT DECEMBER 31, 2015		
	FEE OWNERSHIP	LONG-TERM LEASES	TOTAL ACRES
Uruguay	298	25	323

Our timberland acres in Uruguay are split approximately 49 percent loblolly pine and 51 percent eucalyptus. Loblolly pine comprises more of our timber inventory due to its older age. On average, the timber in Uruguay is in the second third of its rotation age. It is entering into that part of the growth rotation when we will see increased volume accretion. About 97 percent of the area to be planted has been afforested to date.

2015 International Inventory by Species (Uruguay)

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

We also operate a plywood mill in Uruguay with a production capacity of 250,000 cubic meters. Production volume reached 218,000 cubic meters in 2015.

In Brazil, we were a managing partner in a joint venture that operated a hardwood sawmill. We sold our interest in this joint venture during 2014.

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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, 2015, our AAC by province was:

- ▲ Alberta — 3,906 thousand cubic meters,
- ♣ British Columbia — 804 thousand cubic meters,
- Ontario — 146 thousand cubic meters and
- ♠ Saskatchewan — 788 thousand cubic meters.

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

GEOGRAPHIC AREA

THOUSANDS OF
ACRES AT
DECEMBER 31,
2015
TOTAL
LICENSE
ARRANGEMENTS

Canada: