

WEYERHAEUSER CO
Form 8-K
July 21, 2005

Table of Contents

**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

July 21, 2005

(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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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TABLE OF CONTENTS

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION
SIGNATURES

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C., 20549

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On July 21, 2005, Weyerhaeuser Company issued a press release stating the following:

Weyerhaeuser Reports Second Quarter Net Earnings of \$420 Million, or \$1.71 Per Diluted Share, on Net Sales of \$5.8 Billion

FEDERAL WAY, Wash. Weyerhaeuser Company (NYSE: WY) today reported second quarter net earnings of \$420 million, or \$1.71 per diluted share, on net sales of \$5.8 billion. This compares with \$369 million, or \$1.57 per diluted share, on net sales of \$5.7 billion for the second quarter of 2004.

Second quarter 2005 earnings include the following after-tax items:

A gain of \$110 million, or 45 cents per diluted share, related to the sale of the company's operations in coastal British Columbia.

A charge of \$44 million, or 18 cents per diluted share, related to a planned repatriation of \$1.1 billion of eligible Canadian earnings under the provisions of the American Jobs Creation Act of 2004.

A gain of \$37 million, or 15 cents per diluted share, related to the recognition of a deferred gain from previous timberlands sales.

A charge of \$12 million, or 5 cents per diluted share, related to litigation.

Second quarter 2004 earnings included the following after-tax items:

A charge of \$14 million, or 6 cents per diluted share, for early extinguishment of debt.

A charge of \$10 million, or 4 cents per diluted share, for an adverse judgment in a lawsuit.

This year's overall results are good, despite conditions that were more difficult than second quarter of last year, said Steven R. Rogel, chairman, president and chief executive officer. We're pleased with this short-term performance, but we also recognize that many of our businesses face significant long-term challenges. We remain focused on finding ways to enhance the earnings performance of our entire portfolio, regardless of market conditions.

SUMMARY OF SECOND QUARTER FINANCIAL HIGHLIGHTS

Millions (except per share data)	2Q 2005	2Q 2004	Change
Net earnings	\$ 420	\$ 369	\$ 51
Earnings per diluted share	\$ 1.71	\$ 1.57	\$ 0.14
Net sales	\$ 5,838	\$ 5,728	\$ 110

**SEGMENT RESULTS FOR SECOND QUARTER
(Contributions to Pre-Tax Earnings)**

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Millions	2Q 2005	2Q 2004	Change
Timberlands	\$ 210	\$ 201	\$ 9
Wood Products	\$ 204	\$ 448	\$ (244)
Cellulose Fiber and White Papers	\$ 16	\$ 14	\$ 2
Containerboard, Packaging and Recycling	\$ 99	\$ 62	\$ 37
Real Estate and Related Assets	\$ 156	\$ 118	\$ 38

Table of Contents**DISCUSSION AND OUTLOOK BY BUSINESS SEGMENT****TIMBERLANDS**

	2Q 2005	1Q 2005	Change
Contribution to earnings (millions)	\$210	\$200	\$10

Second quarter earnings increased slightly from the first quarter due primarily to higher domestic log prices. Export prices were flat quarter to quarter. Fee harvest was down slightly.

Third quarter earnings are expected to be slightly lower than the second quarter, due to reduced harvest and sales activity from normal seasonal shutdowns. Export prices are expected to be modestly higher, but not enough to offset anticipated declines in domestic log prices.

WOOD PRODUCTS

	2Q 2005	1Q 2005	Change
Contribution to earnings (millions)	\$204	\$131	\$73

Earnings increased significantly from first quarter due primarily to higher shipment volumes for all core product lines. The overall effect of price on earnings quarter to quarter was minor, with higher prices for engineered wood products offset by lower prices in oriented strand board and plywood. Average lumber prices realized were flat. Second quarter earnings included \$18 million in pre-tax charges related to litigation.

The segment incurred \$27 million in countervailing and anti-dumping duties and related costs on Canadian softwood lumber the company sold into the United States in the second quarter, compared with \$22 million in the first quarter.

Prices for commodity building products are expected to drop seasonally in the third quarter. Shipment volumes are expected to be flat. As a result, third quarter earnings are expected to decline to a level closer to the first quarter.

Table of Contents**CELLULOSE FIBER AND WHITE PAPERS (Formerly Pulp and Paper)**

	2Q 2005	1Q 2005	Change
Contribution to earnings (millions)	\$ 16	\$ 19	(\$3)

Segment earnings declined slightly from first quarter, due primarily to scheduled maintenance downtime and higher chip, chemical and freight costs.

Fluff pulp pricing improved during the quarter. Oversupply and weak demand in Europe resulted in lower papergrade pulp prices and shipment volumes. Fine paper prices improved in all major product lines and sales volume increased modestly.

Price declines are expected for papergrade pulp and fine paper product lines in the coming months. However, the company expects that minimal scheduled maintenance downtime will result in lower costs and higher third quarter earnings.

CONTAINERBOARD, PACKAGING AND RECYCLING

	2Q 2005	1Q 2005	Change
Contribution to earnings (millions)	\$99	\$48	\$51

Earnings increased over first quarter levels primarily due to a seasonal increase in box shipments and lower manufacturing costs at the containerboard mills. Lower manufacturing costs were due primarily to increased production in the second quarter when compared to first quarter. The first quarter included a pre-tax charge of \$12 million associated with the settlement of a linerboard antitrust lawsuit and \$4 million for costs associated with the closure of a packaging facility in Bowling Green, Ky.

The company expects third quarter earnings to decrease as both containerboard and box prices are currently under pressure.

REAL ESTATE AND RELATED ASSETS

	2Q 2005	1Q 2005	Change
Contribution to earnings (millions)	\$ 156	\$ 183	(\$27)

Earnings declined as expected from the prior quarter as contributions from land sales declined \$36 million. Single-family home closings and average prices increased. The backlog of homes sold, but not closed, represents approximately six months sales.

The company's key real estate markets continue to be strong and Weyerhaeuser expects single-family closings to remain steady in the third quarter.

OTHER

The company will hold a live conference call at 7 a.m. PDT (10 a.m. EDT) on July 21 to discuss the second quarter results.

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To access the conference call, listeners calling from within North America should dial 1-888-221-5699 at least 15 minutes prior to the start of the conference call. Those wishing to access the call from outside North America should dial 1-706-643-3795. Replays of the call will be available for 48 hours following completion of the live call and can be accessed at 1-800-642-1687 (access code: 7576930) within North America and at 1-706-645-9291 (access code: 7576930) from outside North America.

The call may also be accessed through Weyerhaeuser's Internet site at <http://investor.weyerhaeuser.com>.

Table of Contents

Weyerhaeuser Company, one of the world's largest integrated forest products companies, was incorporated in 1900. In 2004, sales were \$22.7 billion. It has offices or operations in 19 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: <http://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. Some of these forward-looking statements can be identified by the use of forward-looking terminology such as expects, may, will, believes, should, approximately, anticipates, estimates, and plans, and the negative or other variations of those or comparable terminology or by discussions of strategy, plans or intentions. In particular, some of these forward-looking statements deal with expectations regarding the company's markets in the third quarter; expected earnings and performance of the company's business segments during the third quarter, demand and pricing for the company's products in the third quarter, supply, raw material and freight costs, reduced timber harvest in the third quarter, maintenance downtime, and land and new home sales. 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; energy prices; performance of the company's manufacturing operations; the successful execution of internal performance plans; the level of competition from domestic and foreign producers; the effect of forestry, land use, environmental and other governmental regulations; fires, floods and other natural disasters; disruption of transportation and legal proceedings. 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 Canadian dollar; 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.

Table of Contents**WEYERHAEUSER COMPANY
FINANCIAL INFORMATION (unaudited)****CONDENSED EARNINGS**

	Q1		Q2		Year-to-date		Q3	Q4
	March 27, 2005	March 28, 2004	June 26, 2005	June 27, 2004	June 26, 2005	June 27, 2004	Sept. 26, 2004	Dec. 26, 2004
and revenues:								
user (1)	\$ 4,749	\$ 4,442	\$ 5,190	\$ 5,204	\$ 9,939	\$ 9,646	\$ 5,088	\$ 4,804
and Related Assets	655	469	648	524	1,303	993	591	911
sales and revenues	5,404	4,911	5,838	5,728	11,242	10,639	5,679	5,715
expenses:								
user:								
products sold	3,652	3,432	3,974	3,790	7,626	7,222	3,758	3,735
on, amortization and fee stumpage	325	317	326	318	651	635	316	320
expenses	118	120	119	122	237	242	123	119
and administrative expenses	223	239	218	233	441	472	226	247
and development expenses	14	12	12	13	26	25	13	17
er than payroll and income taxes	46	48	48	47	94	95	51	48
or integration and restructuring	5	15	4	13	9	28	8	3
or closure of facilities	5	4	3		8	4	13	0
rating costs, net ^{(2) (3)}	9	17	(40)	43	(31)	60	(300)	36
	4,397	4,204	4,664	4,579	9,061	8,783	4,208	4,525
and Related Assets:								
operating expenses	426	321	441	381	867	702	414	647
on and amortization	3	2	4	4	7	6	3	5
expenses	33	27	36	30	69	57	31	37
and administrative expenses	24	17	25	19	49	36	19	26
er than payroll and income taxes	1	1			1	1	1	0
rating costs, net		1	(2)	1	(2)	2	(19)	0
	487	369	504	435	991	804	449	715
s and expenses	4,884	4,573	5,168	5,014	10,052	9,587	4,657	5,240
income	520	338	670	714	1,190	1,052	1,022	475
expense and other:								
user:								
expense incurred ⁽⁴⁾	(196)	(195)	(179)	(218)	(375)	(413)	(184)	(241)
est capitalized		3	2	1	2	4	0	5
income (loss) of affiliates			4	7	4	7	4	3
come and other	27	3	20	5	47	8	7	9
and Related Assets:								
expense incurred	(14)	(15)	(14)	(14)	(28)	(29)	(14)	(14)

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Investment income	14	15	14	14	28	29	14	14
Income of unconsolidated entities	10	9	13	20	23	29	12	11
Income and other	5	11	(2)	9	3	20	1	10
Income before income taxes	366	169	528	538	894	707	862	272
Provision for income taxes ⁽⁵⁾	(128)	(57)	(229)	(183)	(357)	(240)	(293)	(94)
Income from continuing operations	238	112	299	355	537	467	569	178
Income from discontinued operations, net of income taxes	1	9	121	14	122	23	25	21
Income before taxes	\$ 239	\$ 121	\$ 420	\$ 369	\$ 659	\$ 490	\$ 594	\$ 199
Income tax expense	\$ 15	\$ 10	\$ 121	\$ 155	\$ 122	\$ 127	\$ 130	\$ 79
Net income	\$ 224	\$ 111	\$ 299	\$ 354	\$ 537	\$ 363	\$ 464	\$ 120
Net earnings per share:								
Continuing operations	\$ 0.98	\$ 0.50	\$ 1.23	\$ 1.51	\$ 2.20	\$ 2.04	\$ 2.36	\$ 0.73
Discontinued operations		0.04	0.49	0.06	0.50	0.10	0.10	0.09
Weighted average shares	\$ 0.98	\$ 0.54	\$ 1.72	\$ 1.57	\$ 2.70	\$ 2.14	\$ 2.46	\$ 0.82
Net earnings per share:								
Continuing operations	\$ 0.98	\$ 0.50	\$ 1.22	\$ 1.51	\$ 2.19	\$ 2.03	\$ 2.35	\$ 0.73
Discontinued operations		0.04	0.49	0.06	0.50	0.10	0.10	0.09
Weighted average shares	\$ 0.98	\$ 0.54	\$ 1.71	\$ 1.57	\$ 2.69	\$ 2.13	\$ 2.45	\$ 0.82
Dividends paid per share	\$ 0.40	\$ 0.40	\$ 0.50	\$ 0.40	\$ 0.90	\$ 0.80	\$ 0.40	\$ 0.40
Weighted average shares outstanding (in thousands)	242,863	223,728	244,702	234,494	243,782	229,111	241,621	242,114
	244,185	225,072	245,881	235,475	244,959	230,242	242,649	243,472

- (1) The first and second quarters of 2005 include charges of \$22 million and \$27 million, respectively, for countervailing and anti-dumping duties and related costs. The first, second, third and fourth quarters of 2004 include charges of \$26 million, \$34 million, \$31 million and \$27 million, respectively, or \$118 million year-to-date, for countervailing and anti-dumping duties and related costs.
- (2) The first and second quarters of 2005 include net foreign exchange gains (losses) of \$13 million and (\$13) million, respectively, for a year-to-date net effect of zero. The first, second, third and fourth quarters of 2004 include net foreign exchange gains (losses) of (\$9) million, (\$7) million, \$16 million and \$27 million, respectively, for a total year-to-date net gain of \$27 million. These gains and losses result primarily from fluctuations in Canadian and New Zealand exchange rates.
- (3) The first quarter of 2005 includes a \$12 million charge for the settlement of a linerboard antitrust lawsuit. The second quarter of 2005 includes an \$18 million charge related to alder litigation and \$57 million of income related to the recognition of a deferred gain from previous timberlands sales. The first quarter of 2004 includes a \$49 million charge for the settlement of lawsuits involving the market for Pacific Northwest alder logs and a \$33 million gain on the sale of an oriented strand board mill in Slave Lake, Alberta. The second quarter of 2004 includes a \$16 million charge resulting from an adverse judgment in a lawsuit involving the market for Pacific Northwest alder logs. The third quarter of 2004 includes a \$271 million gain on the sale of timberlands in Georgia, a \$25 million gain from a tenure reallocation agreement with the British Columbia government, and a

\$20 million gain due to the reduction of the reserve for hardboard siding claims. The fourth quarter of 2004 includes a net gain of \$36 million on the sale of facilities, and charges of \$29 million for the impairment of assets in the company's European manufacturing operations, \$24 million recognized in connection with a change in the method of estimating workers' compensation liabilities and \$23 million for the net book value of technology donated to a university.

- (4) The second and fourth quarters of 2004 include charges of \$21 million and \$52 million, respectively, for the early extinguishment of debt.
- (5) The second quarter of 2005 includes a charge of \$44 million related to a planned repatriation of \$1.1 billion of eligible Canadian earnings under the provisions of the American Jobs Creation Act of 2004.
- (6) Includes the net operating results of the company's operations in coastal British Columbia. The second quarter of 2005 also includes a gain of \$110 million, including a tax benefit of \$46 million, related to the sale of these operations.

PRELIMINARY RESULTS SUBJECT TO AUDIT

Table of Contents**WEYERHAEUSER COMPANY
STATISTICAL INFORMATION (unaudited)**

Net sales and revenues (in millions):	Q1		Q2		Year-to-date		Q3	Q4	Year ended
	March 27, 2005	March 28, 2004	June 26, 2005	June 27, 2004	June 26, 2005	June 27, 2004	Sept. 26, 2004	Dec. 26, 2004	Dec. 26, 2004
Timberlands:									
Logs	\$ 182	\$ 193	\$ 195	\$ 211	\$ 377	\$ 404	\$ 197	\$ 221	\$ 822
Other products	82	58	63	66	145	124	51	105	