

WEYERHAEUSER CO  
Form 10-Q  
August 03, 2006  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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**x** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended June 25, 2006

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

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**WEYERHAEUSER COMPANY**

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**Washington**  
(State or other jurisdiction of  
incorporation or organization)  
**33663 Weyerhaeuser Way South**  
**Federal Way, Washington**  
(Address of principal executive offices)

**(253) 924-2345**

(Registrant's telephone number, including area code)

**91-0470860**  
(I.R.S. Employer  
Identification Number)

**98063-9777**  
(Zip Code)

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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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

The number of shares outstanding of the registrant's class of common stock, as of July 28, 2006, was 246,250,831 common shares (\$1.25 par value).

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The financial information included in this report has been prepared in conformity with accounting practices and methods reflected in the financial statements included in the annual report (Form 10-K) filed with the Securities and Exchange Commission for the year ended December 25, 2005. Though not audited by an independent registered public accounting firm, the financial information reflects, in the opinion of management, all adjustments necessary to present a fair statement of results for the interim periods indicated. The results of operations for the thirteen and twenty-six week periods ended June 25, 2006, should not be regarded as necessarily indicative of the results that may be expected for the full year.

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**Signature**

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 thereto duly authorized.

Date: August 3, 2006

**WEYERHAEUSER COMPANY**

By /s/ Jeanne M. Hillman  
Jeanne M. Hillman  
Vice President and Principal Accounting Officer

**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WEYERHAEUSER COMPANY AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF EARNINGS**

For the thirteen and twenty-six week periods ended June 25, 2006 and June 26, 2005

(Dollar amounts in millions except per share data)

(Unaudited)

	Thirteen weeks		Twenty-six weeks	
	ended		ended	
	June 25, 2006	June 26, 2005	June 25, 2006	June 26, 2005
Net sales and revenues:				
Weyerhaeuser	\$ 4,941	\$ 5,042	\$ 9,537	\$ 9,648
Real Estate and Related Assets	746	648	1,436	1,303
Total net sales and revenues	5,687	5,690	10,973	10,951
Costs and expenses:				
Weyerhaeuser:				
Costs of products sold	3,838	3,846	7,476	7,373
Depreciation, depletion and amortization	307	321	615	639
Selling expenses	126	117	236	233
General and administrative expenses	224	217	480	438
Research and development expenses	15	12	31	26
Taxes other than payroll and income taxes	46	48	90	94
Charges for restructuring (Note 7)	18	4	18	9
Charges for closure of facilities (Note 8)	17	3	18	8
Impairment of goodwill (Note 9)	3		749	
Other operating (income) costs, net (Note 10)	(23)	(40)	7	(31)
	4,571	4,528	9,720	8,789
Real Estate and Related Assets:				
Costs and operating expenses	555	441	1,036	867
Depreciation and amortization	4	4	7	7
Selling expenses	43	36	80	69
General and administrative expenses	34	25	64	49
Taxes other than payroll and income taxes	2		3	1
Other operating (income) costs, net	3	(2)		(2)
	641	504	1,190	991
Total costs and expenses	5,212	5,032	10,910	9,780

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Operating income	475	658	63	1,171
Interest expense and other:				
Weyerhaeuser:				
Interest expense incurred	(152)	(179)	(304)	(375)
Less: interest capitalized	20	2	36	2
Interest income and other	15	20	34	47
Equity in income of affiliates	6	4	9	4
Real Estate and Related Assets:				
Interest expense incurred	(14)	(14)	(28)	(28)
Less: interest capitalized	14	14	28	28
Interest income and other	3	(2)	13	3
Equity in income of unconsolidated entities	15	13	36	23
Earnings (loss) from continuing operations before income taxes	382	516	(113)	875
Income taxes (Note 11)	(82)	(225)	(169)	(350)
Earnings (loss) from continuing operations	300	291	(282)	525
Discontinued operations (Note 15):				
Earnings from discontinued operations	21	91	24	100
Income tax benefit (expense)	(7)	38	(8)	34
Earnings from discontinued operations	14	129	16	134
Net earnings (loss)	\$ 314	\$ 420	\$ (266)	\$ 659
Basic net earnings (loss) per share (Note 4):				
Continuing operations	\$ 1.21	\$ 1.20	\$ (1.15)	\$ 2.15
Discontinued operations	0.06	0.52	0.07	0.55
Net earnings (loss) per share	\$ 1.27	\$ 1.72	\$ (1.08)	\$ 2.70
Diluted net earnings (loss) per share (Note 4):				
Continuing operations	\$ 1.20	\$ 1.19	\$ (1.15)	\$ 2.15
Discontinued operations	0.06	0.52	0.07	0.54
Net earnings (loss) per share	\$ 1.26	\$ 1.71	\$ (1.08)	\$ 2.69
Dividends paid per share	\$ 0.50	\$ 0.50	\$ 1.00	\$ 0.90

See Accompanying Notes to Consolidated Financial Statements

**Table of Contents****WEYERHAEUSER COMPANY AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEET**

June 25, 2006 and December 25, 2005

(Dollar amounts in millions)

	June 25, 2006 (unaudited)	December 25, 2005
<b>Assets</b>		
<b>Weyerhaeuser</b>		
Current assets:		
Cash and cash equivalents	\$ 113	\$ 818
Receivables, less allowances	1,942	1,727
Inventories (Note 13)	1,911	1,899
Prepaid expenses	427	414
Assets of discontinued operations (Note 15)	134	136
<b>Total current assets</b>	<b>4,527</b>	<b>4,994</b>
Property and equipment, net	10,158	10,397
Construction in progress	607	528
Timber and timberlands at cost, less depletion charged to disposals	3,696	3,705
Investments in and advances to equity affiliates	479	486
Goodwill (Note 9)	2,243	2,982
Deferred pension and other assets	1,303	1,314
Restricted assets held by special purpose entities (Note 12)	916	916
	23,929	25,322
<b>Real Estate and Related Assets</b>		
Cash and cash equivalents	36	286
Receivables, less discounts and allowances	141	42
Real estate in process of development and for sale	1,590	1,055
Land being processed for development	1,282	1,037
Investments in unconsolidated entities	66	61
Other assets	420	296
Consolidated assets not owned (Note 12)	154	130
	3,689	2,907
<b>Total assets</b>	<b>\$ 27,618</b>	<b>\$ 28,229</b>
<b>Liabilities and Shareholders Interest</b>		
<b>Weyerhaeuser</b>		
Current liabilities:		
Notes payable and commercial paper	\$ 2	\$ 3
Current maturities of long-term debt	553	389
Accounts payable	1,222	1,241
Accrued liabilities	1,327	1,622

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Total current liabilities	3,104	3,255
Long-term debt	7,075	7,404
Deferred income taxes	3,913	4,035
Deferred pension, other postretirement benefits and other liabilities	1,674	1,591
Liabilities (nonrecourse to Weyerhaeuser) held by special purpose entities (Note 12)	765	764
Commitments and contingencies (Note 14)		
	16,531	17,049
<b>Real Estate and Related Assets</b>		
Notes payable and commercial paper	125	3
Long-term debt	628	851
Other liabilities	707	417
Consolidated liabilities not owned (Note 12)	127	109
Commitments and contingencies (Note 14)		
	1,587	1,380
Total liabilities	18,118	18,429
<b>Shareholders' Interest</b>		
Common shares: \$1.25 par value; authorized 400,000,000 shares; issued and outstanding: 246,233,480 and 243,138,423 shares, respectively	308	304
Exchangeable shares: no par value; unlimited shares authorized; issued and held by nonaffiliates: 2,035,231 and 2,045,315 shares, respectively	138	139
Other capital	4,428	4,227
Retained earnings	4,328	4,840
Accumulated other comprehensive income	298	290
Total shareholders' interest	9,500	9,800
Total liabilities and shareholders' interest	\$ 27,618	\$ 28,229

See Accompanying Notes to Consolidated Financial Statements



**Table of Contents****WEYERHAEUSER COMPANY AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the twenty-six week periods ended June 25, 2006 and June 26, 2005

(Dollar amounts in millions)

(Unaudited)

	Consolidated		Weyerhaeuser		Real Estate and Related Assets	
	June 25, 2006	June 26, 2005	June 25, 2006	June 26, 2005	June 25, 2006	June 26, 2005
Cash flows from operations:						
Net earnings (loss)	\$ (266)	\$ 659	\$ (454)	\$ 449	\$ 188	\$ 210
Noncash charges (credits):						
Depreciation, depletion and amortization	628	666	621	659	7	7
Deferred income taxes, net	(99)	(209)	(93)	(197)	(6)	(12)
Pension and other postretirement benefits expense (Note 5)	65	88	63	85	2	3
Share-based compensation expense (Note 3)	17	(4)	15	(4)	2	
Equity in income of affiliates and unconsolidated entities	(45)	(27)	(9)	(4)	(36)	(23)
Charges for litigation (Note 14)	2	30	2	30		
Charge for impairment of goodwill (Note 9)	749		749			
Charge for impairment of assets (Notes 7 & 8)	18		15		3	
Gain on sale of British Columbia Coastal Group (B.C. Coastal) operations (Note 15)		(64)		(64)		
Gain on previous timberland sales (Note 12)		(57)		(57)		
Loss on disposition of assets		1		1		
Foreign exchange losses (Note 10)	5		5			
Decrease (increase) in working capital, net of acquisitions:						
Receivables	(310)	(464)	(211)	(448)	(99)	(16)
Inventories, real estate and land	(334)	(265)	(9)	(111)	(325)	(154)
Prepaid expenses	(24)	(36)	(19)	(43)	(5)	7
Accounts payable and accrued liabilities	(117)	168	(285)	221	168	(53)
Purchase option deposits	(80)	(45)			(80)	(45)
Other	(42)	(2)	(34)	3	(8)	(5)
<b>Net cash from operations</b>	<b>167</b>	<b>439</b>	<b>356</b>	<b>520</b>	<b>(189)</b>	<b>(81)</b>
Cash flows from investing activities:						
Payments for property and equipment	(381)	(320)	(366)	(313)	(15)	(7)
Timberlands reforestation	(21)	(18)	(21)	(18)		
Acquisition of timberlands	(31)	(22)	(31)	(22)		
Acquisition of a business, net of cash acquired	(213)				(213)	
Net distributions from equity affiliates	13	19	1		12	19
Proceeds from sales of property, equipment and other assets	12	18	12	18		
Proceeds from sale of B.C. Coastal operations (Note 15)		1,107		1,107		
Intercompany advances			(387)	35	387	(35)
Other	4	(9)	4	(9)		
<b>Net cash from investing activities</b>	<b>(617)</b>	<b>775</b>	<b>(788)</b>	<b>798</b>	<b>171</b>	<b>(23)</b>

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Cash flows from financing activities:						
Issuances of debt		1		1		
Notes, commercial paper borrowings and revolving credit facility, net	76	19	(49)	42	125	(23)
Cash dividends	(246)	(220)	(246)	(220)		
Payments on debt	(525)	(625)	(168)	(610)	(357)	(15)
Exercise of stock options	171	136	171	136		
Excess tax benefits from share-based payment arrangements (Note 3)	17		17			
Other	2	(7)	2	(7)		
Net cash from financing activities	(505)	(696)	(273)	(658)	(232)	(38)
Net change in cash and cash equivalents	(955)	518	(705)	660	(250)	(142)
Cash and cash equivalents at beginning of period	1,104	1,197	818	1,044	286	153
Cash and cash equivalents at end of period	\$ 149	\$ 1,715	\$ 113	\$ 1,704	\$ 36	\$ 11
Cash paid during the period for:						
Interest, net of amount capitalized	\$ 272	\$ 386	\$ 272	\$ 386	\$	\$
Income taxes	\$ 269	\$ 276	\$ 269	\$ 104	\$	\$ 172