

WEYERHAEUSER CO
Form 10-Q
August 08, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 29, 2008

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

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Washington
(State or other jurisdiction of
incorporation or organization)

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

33663 Weyerhaeuser Way South

Federal Way, Washington
(Address of principal executive offices)

98063-9777
(Zip Code)

(253) 924-2345

(Registrant's telephone number, including area code)

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).

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 Exchange Act). Yes No

As of August 1, 2008, 211,283,155 shares of the registrant's common stock (\$1.25 par value) were outstanding.

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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 30, 2007. 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 13 and 26-week periods ended June 29, 2008, should not be regarded as necessarily indicative of the results that may be expected for the full year.

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.

WEYERHAEUSER COMPANY

Date: August 7, 2008

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

Table of Contents**PART I. FINANCIAL INFORMATION****CONSOLIDATED STATEMENT OF EARNINGS****(DOLLAR AMOUNTS IN MILLIONS EXCEPT PER-SHARE FIGURES)****(UNAUDITED)****FOR THE THIRTEEN AND TWENTY-SIX WEEK PERIODS ENDED****JUNE 29, 2008 AND JULY 1, 2007**

	THIRTEEN WEEKS ENDED		TWENTY-SIX WEEKS ENDED	
	JUNE 29, 2008	JULY 1, 2007	JUNE 29, 2008	JULY 1, 2007 (REVISED SEE NOTE 1)
Net sales and revenues:				
Weyerhaeuser	\$ 1,820	\$ 2,400	\$ 3,491	\$ 4,536
Real Estate	354	559	725	1,046
Total net sales and revenues	2,174	2,959	4,216	5,582
Costs and expenses:				
Weyerhaeuser:				
Costs of products sold	1,518	1,978	2,917	3,735
Depreciation, depletion and amortization	146	148	291	302
Selling expenses	57	69	116	139
General and administrative expenses	125	157	273	321
Research and development expenses	18	18	35	34
Charges for restructuring (Note 6)	39	1	40	4
Charges for closure of facilities (Note 7)	30	16	83	19
Impairment of goodwill (Note 11)	2		5	22
Other operating costs (income), net (Note 15)	(16)	33	30	59
	1,919	2,420	3,790	4,635
Real Estate:				
Costs and operating expenses	321	415	648	794
Depreciation and amortization	5	5	9	11
Selling expenses	37	45	73	86
General and administrative expenses	27	27	56	55
Charge for impairment of long-lived assets (Note 9)	246	12	279	12
Other operating costs, net	2	4		
	638	508	1,065	958
Total costs and expenses	2,557	2,928	4,855	5,593
Operating income (loss)	(383)	31	(639)	(11)
Interest expense and other:				
Weyerhaeuser:				
Interest expense incurred	(126)	(178)	(258)	(309)
Less: interest capitalized	21	29	45	59

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Interest income and other (Note 8)	117	25	130	45
Equity in income (loss) of affiliates	3		(2)	(1)
Real Estate:				
Interest expense incurred	(14)	(17)	(26)	(29)
Less: interest capitalized	14	17	26	29
Interest income and other	(4)	1	(3)	4
Equity in income of unconsolidated entities	8	13	8	32
Charge for impairments of investments (Note 9)	(57)	(1)	(76)	(2)
Loss from continuing operations before income taxes	(421)	(80)	(795)	(183)
Income taxes	214	31	353	69
Loss from continuing operations	(207)	(49)	(442)	(114)
Discontinued operations, net of income taxes (Note 3)	111	81	198	866
Net earnings (loss)	\$ (96)	\$ 32	\$ (244)	\$ 752
Basic earnings (loss) per share (Note 4):				
Continuing operations	\$ (0.98)	\$ (0.22)	\$ (2.10)	\$ (0.50)
Discontinued operations	0.53	0.37	0.94	3.84
Net earnings (loss)	\$ (0.45)	\$ 0.15	\$ (1.16)	\$ 3.34
Diluted earnings (loss) per share (Note 4):				
Continuing operations	\$ (0.98)	\$ (0.22)	\$ (2.10)	\$ (0.50)
Discontinued operations	0.53	0.37	0.94	3.84
Net earnings (loss)	\$ (0.45)	\$ 0.15	\$ (1.16)	\$ 3.34
Dividends paid per share	\$ 0.60	\$ 0.60	\$ 1.20	\$ 1.20

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**CONSOLIDATED BALANCE SHEET****(DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER-SHARE FIGURES)****(UNAUDITED)**

	JUNE 29, 2008	DECEMBER 30, 2007
ASSETS		
Weyerhaeuser:		
Current assets:		
Cash and cash equivalents	\$ 73	\$ 79
Receivables, less allowances of \$3 and \$3	762	659
Inventories (Note 10)	732	805
Prepaid expenses	133	164
Deferred tax assets	150	132
Current assets of discontinued operations (Note 3)	1,243	1,175
Total current assets	3,093	3,014
Property and equipment, less accumulated depreciation of \$6,431 and \$6,344	4,052	4,155
Construction in progress	239	289
Timber and timberlands at cost, less depletion charged to disposals	4,021	3,769
Investments in and advances to equity affiliates (Note 8)	192	285
Goodwill (Note 11)	931	947
Deferred pension and other assets (Note 12)	2,538	2,446
Restricted assets held by special purpose entities	916	916
Noncurrent assets of discontinued operations (Note 3)	4,206	4,205
	20,188	20,026
Real Estate:		
Cash and cash equivalents	8	21
Receivables, less discounts and allowances of \$3 and \$2	77	63
Real estate in process of development and for sale	993	1,270
Land being processed for development	1,600	1,622
Investments in unconsolidated entities	46	58
Other assets	581	473
Consolidated assets not owned	218	273
	3,523	3,780
Total assets	\$ 23,711	\$ 23,806

See accompanying Notes to Consolidated Financial Statements.

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(CONTINUED)

	JUNE 29, 2008	DECEMBER 30, 2007
LIABILITIES AND SHAREHOLDERS INTEREST		
Weyerhaeuser		
Current liabilities:		
Notes payable and commercial paper	\$ 164	\$ 54
Current maturities of long-term debt	870	507
Accounts payable	509	590
Accrued liabilities	939	959
Current liabilities of discontinued operations (Note 3)	505	497
Total current liabilities	2,987	2,607
Long-term debt	5,996	6,059
Deferred income taxes	2,666	2,554
Deferred pension, other postretirement benefits and other liabilities (Note 12)	1,265	1,657
Liabilities (nonrecourse to Weyerhaeuser) held by special purpose entities	764	765
Noncurrent liabilities of discontinued operations (Note 3)	769	748
Commitments and contingencies (Note 14)		
	14,447	14,390
Real Estate		
Long-term debt	1,096	775
Other liabilities	343	432
Consolidated liabilities not owned	132	228
Commitments and contingencies (Note 14)		
	1,571	1,435
Total liabilities	16,018	15,825
Shareholders interest:		
Common shares: \$1.25 par value; authorized 400,000,000 shares; issued and outstanding: 211,279,420 and 209,546,474 shares	264	262
Exchangeable shares: no par value; unlimited shares authorized; issued and held by nonaffiliates: 0 and 1,600,110 shares (Note 4)		109
Other capital (Note 4)	1,753	1,609
Retained earnings	4,516	5,014
Cumulative other comprehensive income (Note 13)	1,160	987
Total shareholders interest	7,693	7,981
Total liabilities and shareholders interest	\$ 23,711	\$ 23,806

See accompanying Notes to Consolidated Financial Statements.

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	FOR THE TWENTY-SIX WEEK PERIODS ENDED					
	JUNE 29, 2008 AND JULY 1, 2007					
	CONSOLIDATED		WEYERHAEUSER		REAL ESTATE	
	JUNE 29, 2008	JULY 1, 2007	JUNE 29, 2008	JULY 1, 2007	JUNE 29, 2008	JULY 1, 2007
Cash flows from operations:						
Net earnings (loss)	\$ (244)	\$ 752	\$ 17	\$ 675	\$ (261)	\$ 77
Noncash charges (credits) to income:						
Depreciation, depletion and amortization	364	517	355	506	9	11
Deferred income taxes, net	(135)	(106)	(23)	(115)	(112)	9
Pension and other postretirement benefits (Note 12)	(74)	57	(75)	54	1	3
Share-based compensation expense	33	32	31	29	2	3
Reclass of excess tax benefits from share-based payment arrangements to financing		(48)		(45)		(3)
Equity in income of affiliates and unconsolidated entities	(10)	(32)	(2)		(8)	(32)
Charges for impairment of goodwill (Note 11)	5	22	5	22		
Charges for impairment of assets (Note 7, 9 and 15)	432	70	77	56	355	14
Net gains on disposition of assets and operations (Notes 3 and 15)	(15)	(657)	(15)	(657)		
Loss on early extinguishment of debt		42		42		
Gain on restructuring Uruguay joint ventures (Note 8)	(101)		(101)			
Increase to environmental liability reserves (Note 14)	17		17			
Foreign exchange transaction (gains) losses (Note 15)	8	(36)	8	(36)		
Decrease (increase) in working capital, net of acquisitions and divestitures:						
Receivables	(206)	(260)	(192)	(329)	(14)	69
Inventories, real estate and land	84	(91)	38	76	46	(167)
Prepaid expenses	39	(1)	43		(4)	(1)
Accounts payable and accrued liabilities	(108)	(273)	(68)	(220)	(40)	(53)
Deposits on land positions	(43)	(19)			(43)	(19)
Intercompany advances ⁽¹⁾					(181)	(291)
Other	(112)	(88)	(118)	(74)	6	(14)
Cash from operations	(66)	(119)	(3)	(16)	(244)	(394)
Cash flows from investing activities:						
Property and equipment	(215)	(265)	(205)	(254)	(10)	(11)
Timberlands reforestation	(27)	(24)	(27)	(24)		
Acquisition of timberlands	(107)	(70)	(107)	(70)		
Acquisition of a business and facilities net of cash acquired		(39)				(39)
(Investments in and advances to) on distributions from equity affiliates	(93)	20	(16)	3	(77)	17
Restructuring Uruguay joint ventures, net (Note 8)	(23)		(23)			
Proceeds from sale of assets	37	49	37	49		
Proceeds from sale of operations (Note 3)	62	100	62	100		
Proceeds from Domtar Transaction (Note 3)		1,350		1,350		
Intercompany advances ⁽¹⁾			133	308		
Other	4		4			
Cash from investing activities	(362)	1,121	(142)	1,462	(87)	(33)
Cash flows from financing activities:						
Issuances of debt		(1)				(1)
Notes, commercial paper borrowings and revolving credit facilities, net	791	367	387	(62)	404	429
Cash dividends	(253)	(274)	(253)	(274)		
Payments on debt	(107)	(1,556)	(1)	(1,556)	(106)	
Exercises of stock options	3	316	3	316		

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Excess tax benefits from share-based payment arrangements	48		45		3	
Repurchase of common stock	(22)		(22)			
Intercompany advances ⁽¹⁾				48	(17)	
Other	(31)	(2)	(3)	(2)	(28)	
Cash from financing activities	403	(1,124)	133	(1,555)	318	414
Net change in cash and cash equivalents	(25)	(122)	(12)	(109)	(13)	(13)
Cash and cash equivalents at beginning of period ⁽²⁾	114	243	93	223	21	20
Cash and cash equivalents at end of period ⁽²⁾	\$ 89	\$ 121	\$ 81	\$ 114	\$ 8	\$ 7
Cash paid (received) during the year for:						
Interest, net of amount capitalized	\$ 216	\$ 259	\$ 216	\$ 259	\$	\$
Income taxes	\$ 28	\$ 96	\$ 6	\$ (214)	\$ 22	\$ 310

See accompanying Notes to Consolidated Financial Statements.

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(1) Intercompany loans and advances represent payments and receipts between Weyerhaeuser and Real Estate and are classified as operating, investing or financing based on the perspective of each entity and the characteristics of the underlying cash flows. Intercompany loans and advances are eliminated and do not appear in the consolidated cash flows above.

(2) Includes cash and cash equivalents of discontinued operations.

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