



## News Release

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### **Plum Creek Reports Results for Fourth Quarter and Full Year 2013**

**SEATTLE** - Plum Creek Timber Company, Inc. (NYSE: PCL) today announced fourth quarter earnings of \$40 million, or \$0.24 per share, on revenues of \$331 million. Earnings for the fourth quarter of 2012 were \$79 million, or \$0.49 per share, on revenues of \$354 million.

Results for the fourth quarter include \$12 million of expenses directly related to the completion of the company's December acquisition of timberland, real estate, and subsurface resources from MeadWestvaco Corporation (NYSE: MWV). Excluding these expenses, adjusted fourth quarter earnings were \$52 million, or \$0.31 per share. A reconciliation of adjusted earnings to GAAP net income is provided as an attachment to this release.

Earnings for the full year of 2013 were \$214 million, or \$1.30 per share, on revenues of \$1.34 billion. Excluding the expenses associated with the acquisition mentioned above and the \$4 million fire loss recorded in the third quarter, adjusted earnings for 2013 were \$230 million, or \$1.39 per share. Earnings for the full year of 2012 were \$203 million, or \$1.25 per diluted share, on revenues of \$1.34 billion.

Adjusted EBITDA, a non-GAAP measure of operating performance, for 2013 was \$502 million and was \$530 million for 2012. As planned, lower real estate activity accounted for the decline in adjusted EBITDA. A reconciliation of adjusted EBITDA to net income and cash flow from operations is provided as an attachment to this release.

“Over the course of the past year, results have improved significantly in our timber resources, manufacturing and non-timber resource businesses,” said Rick Holley, chief executive officer. “Importantly, we achieved our goal of growing the adjusted EBITDA from these three business segments by approximately \$50 million. We completed a very good fourth quarter, with earnings coming in at the high-end of our initial expectations after taking into consideration the expenses related to closing the acquisition. Momentum is building and we are well positioned to grow the company's overall cash flow in 2014.

“During 2013, Western log prices recovered to pre-recession levels and Southern log prices ended the year approximately 12 percent higher than they were at the end of 2012. We believe the improvements in the South represent the early stages of recovery in the region.

“Our December acquisition of assets from MeadWestvaco added 501,000 acres of productive, well-stocked timberlands to our Southeast portfolio and grows our presence in these attractive, long-term

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markets. We integrated these assets into our operations in December and expect them to be accretive to the company's cash flow on a per share basis in 2014. We expect their contribution to expand in 2015 and beyond."

### **Summary of 2013 Results**

The company reported \$295 million in operating income for 2013, \$14 million higher than 2012's \$281 million operating income. Improving results from the company's timber business segments grew operating income by \$30 million while operating income from the manufacturing business grew \$14 million. This growth was partially offset by a planned reduction in land sale activities and higher corporate expenses during 2013.

The company's timber resource segments generated operating income of \$140 million compared to 2012's \$110 million operating income. Timber prices increased over the course of the year as the result of strengthening domestic demand for lumber and other wood products and strong demand from export log markets on the West Coast. Average Northern sawlog prices were up 15 percent for the year and average Southern sawlog prices were up 9 percent. Pulpwood prices in both regions grew as well. Average Northern pulpwood prices were up 2 percent for the year and average Southern pulpwood prices were up 13 percent.

In the Real Estate segment, the company reported revenue of \$286 million in 2013, a planned reduction from \$352 million in 2012. Segment operating income was \$169 million during 2013 compared with \$187 million during 2012. Per acre values of the various land types sold were consistent with those realized for the past five years.

Operating income from the company's Manufacturing segment was \$43 million, up \$14 million from the \$29 million reported in 2012. Continued improvement in demand and higher pricing for the company's lumber and panel products drove the year-over-year improvement in profitability.

### **Review of Quarterly Operations**

The Northern Resources segment reported operating profit of \$8 million for the fourth quarter, compared to a \$5 million profit reported in the fourth quarter of 2012. Profits improved as stronger sawlog prices more than offset modestly lower harvest volumes. Northern sawlog prices increased nearly 20 percent over the past year on strong customer competition for both softwood and hardwood logs. Northern pulpwood markets remained resilient with prices improving slightly. As planned, harvest volumes were approximately 4 percent lower when compared to the fourth quarter of 2012.

The Southern Resources segment reported fourth quarter operating profit of \$34 million, an increase of \$10 million from the fourth quarter of 2012. Both sawlog and pulpwood prices in the South have improved as customer demand in the region has grown. Sawlog prices have increased approximately 12 percent while pulpwood prices have increased approximately 10 percent over the past twelve months. As planned, the fourth quarter sawlog harvest was 30 percent higher than the harvest levels of the fourth quarter of 2012. The pulpwood harvest was approximately 3 percent higher when compared to the same period.

As expected, sales activity in the Real Estate segment was lower than the same period of 2012. The Real Estate segment reported revenue of \$59 million and operating profit of \$31 million in the fourth quarter of 2013. The segment reported \$109 million of revenue and \$74 million of operating profit for the fourth quarter of 2012. Properties sold consisted of 20,100 acres of rural recreation lands that captured

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approximately \$2,100 per acre, 6,125 acres of conservation lands sold for more than \$1,000 per acre, and nearly 4,000 acres of lower productivity, non-strategic properties were priced at \$1,290 per acre.

The Manufacturing segment reported operating profit of \$8 million for the fourth quarter of 2013, up \$1 million from the same period of 2012. Profits from the sale of lumber products drove the improved results. Fourth quarter lumber sales volume was approximately 40 percent higher than the same period of 2012 reflecting the restart of the company's stud lumber mill earlier in 2013.

### **Acquisition Financing**

During the fourth quarter, Plum Creek completed the \$1.1 billion acquisition of timberland, real estate, and related sub-surface resources from MeadWestvaco. The company financed the transaction through a combination of equity and debt designed to maintain the capital profile of the company.

The company issued 13.9 million shares of common stock, generating \$607 million of net proceeds, and increased debt by approximately \$480 million. Changes to the company's individual debt obligations are detailed in an attached schedule.

At the end of the year, the company's weighted average cost of third-party debt was approximately 4 percent with a mix of 76 percent fixed and 24 percent floating rate debt.

### **Outlook**

The company expects continued demand growth from its lumber, plywood, and oriented strandboard (OSB) customers as residential construction activity is expected to grow to 1.1 million starts in 2014. As sawlog customers increase production to meet this demand, the company expects sawlog prices to improve, particularly in the lower-cost U.S. South. Pulpwood demand from pulp and paper mills throughout the nation remains good. Recovering demand from OSB producers and emerging demand from wood pellet producers are expected to keep pulpwood prices strong in both Southern and Northeastern markets.

The acquisition of 501,000 acres of productive Southern timberland from MeadWestvaco in December will add about 3 million tons to the company's annual harvest in 2014. As a result, 2014's total harvest volume is expected to be between 20 and 21 million tons.

Continued interest in rural land investments and improving consumer confidence is expected to provide a solid foundation for rural real estate activity in 2014. Real Estate segment sales for the year are expected to be between \$240 million and \$280 million. The company anticipates that segment sales will follow a typical seasonal pattern with activity weighted toward the second half of the year. The company expects to gradually reduce annual sales in this segment closer to \$200 million over time. First quarter Real Estate segment sales are expected to be between \$20 and \$25 million. Land basis for 2014, the book value of the properties sold, is expected to be between 30 and 35 percent of sales, comparable to 2013's 32 percent of sales.

Lumber, specialty plywood and medium density fiberboard markets are expected to remain strong. Manufacturing segment results are expected to grow modestly in 2014.

Earnings and cash flow from the company's non-timber resources business are expected to grow with the addition of new royalty streams from coal, wind, and aggregate assets acquired during 2013.

Third-party interest expense in 2014 is expected to be approximately \$110 million.

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The company expects to report a small tax expense of less than \$4 million as income from the Manufacturing segment grows in 2014.

“We expect our cash flow from operations to grow in 2014 as business conditions continue to improve and the newly acquired assets add to our ongoing cash flow. As we initially expected, the acquired assets should be modestly cash flow accretive on a per share basis, but EPS dilutive in 2014,” continued Holley. “Overall, we expect operating income growth from our timber resources, manufacturing and non-timber resource businesses to more than offset the impact of our planned reduction in land sales.”

Reflecting all of these factors, the company expects 2014 net income to be between \$1.30 and \$1.50 per share. The company expects to report first quarter net income between \$0.12 and \$0.17 per share, a disproportionately lower share of the full-year outlook due to the timing of real estate sales.

“We are experiencing fundamental improvement in our businesses and continue to manage the company to maximize the value of each and every acre we own. We will continue our disciplined approach to capital allocation with the goal of increasing the long-term value of each shareholder’s investment in Plum Creek,” concluded Holley.

### **Earnings Conference Call and Supplemental Information**

Plum Creek will hold a conference call today, Jan. 27, at 5:00 p.m. ET (2:00 p.m. PT). A live webcast of the conference call may be accessed through Plum Creek’s Internet site at [www.plumcreek.com](http://www.plumcreek.com) by clicking on the “Investors” link.

Investors without Internet access should dial 1-800-572-9852 at least 10 minutes prior to the start of the call, referencing Plum Creek’s earnings conference call. Those wishing to access the call from outside the United States and Canada should dial 1-706-645-9676, also referencing Plum Creek’s earnings conference call. Replay of the call will be available for 48 hours after completion of the live call and can be accessed at 1-855-859-2056 or 1-404-537-3406 (international calls), using the code 27967689.

Supplemental financial information for Plum Creek operations, including statistical data and reconciliations to non-GAAP measures is available in the Investors section of Plum Creek’s website at [www.plumcreek.com](http://www.plumcreek.com).

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Plum Creek is one of the largest landowners in the nation and the most geographically diverse, with approximately 6.8 million acres of timberlands in major timber producing regions of the United States and wood products manufacturing facilities in the Northwest. For more information, visit [www.plumcreek.com](http://www.plumcreek.com).

### **Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of the Private Litigation Reform Act of 1995 as amended. Some of these forward-looking statements can be identified by the use of forward-looking words such as "believes," "expects," "may," "will," "should," "seek," "approximately," "intends," "plans," "estimates," or "anticipates," or the negative of those words or other comparable terminology. The accuracy of such statements is subject to a number of risks, uncertainties and assumptions including, but not limited to, the cyclical nature of the forest products industry, our ability to harvest our timber, our ability to execute our acquisition strategy, the market for and our ability to sell or exchange non-strategic timberlands and timberland properties that have higher and better uses, and various regulatory constraints. These and other risks, uncertainties and assumptions are detailed from time to time in our filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended. It is likely that if one or more of the risks materializes, or if one or more assumptions prove to be incorrect, the current expectations of Plum Creek and

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its management will not be realized. Forward-looking statements are not guarantees of performance, and speak only as of the date made, and neither Plum Creek nor its management undertakes any obligation to update or revise any forward-looking statements.

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