



## News Release

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### Plum Creek Timber Company, Inc. Reports Higher Third Quarter Earnings

**SEATTLE, Wash.** – Plum Creek Timber Company, Inc. (NYSE: PCL) today announced third quarter earnings of \$96 million, or \$0.52 per diluted share, on revenues of \$427 million. Earnings for the third quarter of 2004 were \$77 million, or \$0.42 per diluted share, on revenues of \$363 million.

During the third quarter, the company recorded a \$2 million expense, or \$0.01 per diluted share, related to timber destroyed by Hurricane Katrina. In addition, the third quarter 2005 earnings include a reduction in the company's deferred tax liability resulting in a tax-benefit of approximately \$5 million, or \$0.03 per diluted share. The tax benefit is the result of the company's ability to reduce its estimated built-in gains tax liabilities by reinvesting proceeds from land sales into attractive timberlands.

Earnings for the first nine months of 2005 were \$287 million, or \$1.56 per diluted share, on revenues of \$1.2 billion. Results for the first nine months of 2005 include a \$20 million after-tax gain on the first quarter sale of the company's remaining coal assets. As a result, income from continuing operations for the first nine months of 2005 was \$267 million, or \$1.45 per fully diluted share. Earnings for the first nine months of 2004 were \$289 million, or \$1.57 per diluted share, on revenues of \$1.2 billion. Results for the first nine months of 2004 included \$69 million of operating income from the sale of \$133 million of large, non-strategic timberlands and a pre-tax gain of \$5 million (\$3 million after-tax gain, or \$0.02 per diluted share) from the sale of a working interest in a coalbed methane project.

Cash provided by operating activities in the third quarter of 2005 totaled \$199 million, up 59 percent from the \$125 million provided from operating activities for the same period of 2004. Cash provided by operating activities in the first nine months of 2005 totaled \$427 million. This compares to \$516 million provided during the first nine months of 2004, which included approximately \$129 million from the sale of large, non-strategic timberlands. The company ended the third quarter of 2005 with \$409 million in cash and cash equivalents.

“We are pleased with the results for the quarter, especially given that our harvest volumes were lower than we originally anticipated,” said Rick Holley, president and chief executive officer. “Timber markets remained firm throughout the country and interest in recreation

and other higher and better use properties remained excellent. Thankfully, all our employees and contractors in the path of Hurricane Katrina are safe. Damage to our timberlands in the region was limited, highlighting one benefit of our geographic diversity.”

### **Review of Operations**

The Northern Resources segment reported third quarter operating profit of \$26 million, similar to the \$27 million reported for the same period of 2004. Harvest volumes in the Northern segment exceeded 1.35 million tons, up nearly six percent from the same period of 2004, but were approximately 150,000 tons lower than planned due to harvesting restrictions during peak fire danger in the West. Log demand from lumber and plywood manufacturers across the Northern segment has remained strong. As a result, sawlog prices were similar to the prices experienced during the third quarter of 2004. Pulpwood prices in the Northeast continued to move up, the result of tight contractor availability in the region. However, higher fuel prices led to an increase in logging costs, resulting in flat operating profits when compared to the same period of 2004.

Operating profit in the Southern Resources segment was \$45 million for the third quarter, down from \$52 million for the same period of 2004. Hurricane Katrina damaged a small portion of the company’s timberlands in Mississippi. As a result, the company recorded a \$2 million charge in the segment for the timber destroyed. Prices for both sawlogs and pulpwood were virtually unchanged when compared to the third quarter of 2004. The third quarter 2005 harvest was approximately seven percent, or 260,000 tons, lower than the same period of 2004. Some pay-as-cut customers chose to buy lower-priced spot market logs from third parties and defer their harvest on higher-priced pay-as-cut contracts.

The Real Estate segment reported third quarter revenue of \$116 million compared to \$42 million in the third quarter of 2004. The difference reflects the transaction-driven nature of this segment. The segment operating profit was \$51 million for the third quarter of 2005 and \$26 million for the same period of 2004. The sale of small, non-strategic timberlands accounted for more than 80 percent of the land sold during the quarter, with conservation and recreation lands accounting for the balance.

The Manufacturing segment reported operating profit of \$9 million for the third quarter of 2005, down from the near-record quarterly profit of \$23 million reported for the third quarter of 2004. Although demand for these products remains very good, increases in lumber and structural panel supply over the past twelve months pushed lumber and plywood prices lower when compared to the third quarter of last year. Average lumber prices were down 17 percent, while average plywood prices were down approximately 13 percent from the same period of 2004. The company’s medium density fiberboard (MDF) price realizations during the third quarter of 2005 were similar to those experienced during the same period of 2004.

### **Timberland Acquisitions**

On October 3, the company announced that it had signed a definitive agreement to purchase approximately 650,000 acres of timberland in the Upper Peninsula of Michigan for approximately \$345 million. The lands consist of well-stocked, professionally managed mixed hardwood and conifer forests in attractive, long-term timber markets. The transaction is subject to customary closing conditions and is expected to close in the fourth

quarter of 2005. This cash accretive acquisition is expected to be funded with a combination of 1031 like-kind exchange funds and debt.

### **Outlook**

Sawlog demand in most regions of the country should remain strong, as mills continue to meet the demand from home construction, industrial, and repair and remodel markets. Sawmills have comfortable log inventories and, as a result, the company expects sawlog prices in most regions to be steady.

Pulpwood consuming mills have comfortable log inventories in most regions and, as a result, the company expects pulpwood prices to hold at current levels.

Harvest volumes are expected to be between 4.6 and 4.8 million tons of timber during the fourth quarter, resulting in an estimated 2005 harvest between 18.9 and 19.1 million tons.

The company expects Real Estate segment revenues for the fourth quarter to be between \$30 and \$40 million, resulting in full-year revenues of \$250 to \$260 million. Real Estate segment results could be higher depending on the extent of large, non-strategic timberlands sold during the remainder of the year.

Profitability in the company's manufacturing segment is expected to decline moderately from the third quarter levels as the result of typical seasonal reductions in sales volumes and modestly lower lumber and MDF prices.

Fourth quarter income from continuing operations is expected to be between \$0.32 and \$0.37 per share. These estimates do not include the effect of any large, non-strategic timberlands sales that the company may conclude during the quarter.

"Plum Creek continues to execute its strategies designed to grow our long-term cash flow while growing the value of our asset base," continued Holley. "Our pending acquisition of 650,000 acres of Michigan timberland is an excellent example of the execution of our strategy to create long-term shareholder value. We expect these high quality timberlands to add to our future harvests and cash flow. 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."

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

Plum Creek will hold a conference call today, October 24, at 5:00 p.m. EDT (2:00 p.m. PDT). 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, referencing Plum Creek's earnings. Those wishing to access the call from outside the United States/Canada should dial 1-706-645-9676, also referencing Plum Creek's earnings. Replay of the call will be available for 48 hours after completion of the live call and can be accessed at 1-800-642-1687 or 1-706-645-9291 (international calls), using the code 3521774.

Supplemental financial information for Plum Creek operations, including statistical data, 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 private timberland owners in the nation, with approximately 8 million acres of timberlands in major timber producing regions of the United States and 10 wood products manufacturing facilities in the Northwest.

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 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.