



News Release

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Plum Creek Timber Company, Inc. Reports Higher Second Quarter Earnings, Increases Guidance for 2005

SEATTLE, Wash. – Plum Creek Timber Company, Inc. (NYSE: PCL) today announced second quarter earnings of \$69 million, or \$0.37 per diluted share, on revenues of \$358 million. Earnings were up 21 percent compared to the same period of 2004. Earnings for the second quarter of 2004 were \$57 million, or \$0.31 per diluted share, on revenues of \$341 million. Results for the second quarter of 2004 included a pre-tax gain of \$5 million (\$3 million, or \$0.02 per diluted share, after-tax gain) from the sale of a working interest in a coalbed methane project and \$2 million of operating income from the sale of large, non-strategic timberlands.

Earnings for the first six months of 2005 were \$191 million, or \$1.03 per diluted share, on revenues of \$758 million. Results for the first six 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 six months of 2005 was \$171 million, or \$0.93 per fully diluted share. Earnings for the first six months of 2004 were \$212 million, or \$1.15 per diluted share, on revenues of \$838 million. Results for the first six months of 2004 included \$69 million of operating income from the \$133 million sale of large, non-strategic timberlands as well as the gain from the sale of the coalbed methane working interest mentioned above.

Cash provided by operating activities in the second quarter of 2005 totaled \$131 million. Cash provided by operating activities in the same period of 2004 was \$148 million including approximately \$15 million from the sale of large, non-strategic timberlands. Cash provided by operating activities in the first six months of 2005 totaled \$228 million. Cash provided by operating activities in the first six months of 2004 totaled \$391 million and included approximately \$129 million from the sale of large, non-strategic timberlands. The company ended the second quarter of 2005 with \$384 million in cash and cash equivalents.

“Our second quarter results exceeded our expectations as demand for timber remained strong throughout the country,” said Rick Holley, president and chief executive officer.

“In the first six months, operating profit from our timber segments increased 18 percent compared to the same period of 2004. At the same time, we continue to experience strong

interest in and capture excellent values for our non-core timberlands. This interest comes from a variety of buyers who value these lands for their recreation, conservation or other attributes. We're pleased with our performance so far this year and are confident that strong markets and our focused business approach position us for an excellent second half of 2005."

Review of Operations

The Northern Resources segment reported second quarter operating profit of \$20 million, up \$4 million, compared to the same period of 2004. Harvest volumes were 8 percent higher than the second quarter of 2004 as the company took advantage of attractive log pricing across the Northern segment. Sawmills throughout the Northern segment have increased lumber production in response to strong lumber demand and attractive prices. This has increased sawlog demand and has resulted in a 7 percent increase in sawlog prices over the past year. Pulpwood prices in the segment increased 11 percent compared to the second quarter of 2004. Low log inventories at many pulp and paper mills in the Northeast caused many mills to increase the price paid for pulpwood to ensure adequate supplies.

Operating profit in the Southern Resources segment was \$63 million for the second quarter of 2005, up \$18 million, compared to \$45 million for the same period of 2004. Harvest volumes were 24 percent higher during the second quarter of 2005 compared to the same period of 2004. Harvest activity during the second quarter of 2004 was unusually low, the result of extremely difficult logging conditions in the wet western sections of the South and harvest deferrals in the Southeast.

Southern lumber producers also enjoyed strong demand and profitability over the past year, which allowed them to increase production, but to a lesser extent than their counterparts in the Northwest. As a result, Southern sawlog prices, on average, increased approximately 3 percent compared to the second quarter of 2004. Southern pulpwood demand remained good during the past year. Customers in western regions of the South had difficulty maintaining adequate pulpwood inventories during a wet winter season causing them to bid up Southern pulpwood prices. This pushed Southern pulpwood prices up an average of 9 percent compared to the second quarter 2004.

The Real Estate segment reported second quarter revenue of \$36 million compared to \$50 million in the second quarter of 2004. The difference reflects the transaction-driven nature of this segment. Additionally, during 2004 the company completed a \$15 million sale of a large, non-strategic timberland parcel resulting in a \$2 million gain. The segment operating profit was \$20 million for the second quarter of 2005 and \$12 million for the same period of 2004. The sale of small, non-strategic timberlands accounted for nearly 80 percent of the land sold during the quarter, with recreation lands accounting for the balance.

The Manufacturing segment reported operating profit of \$9 million for the second quarter of 2005, down from the record quarterly profit of \$23 million reported for the second quarter of 2004. Although demand for these products remains very good, increases in lumber and structural panel supply pushed lumber and plywood prices lower when compared to the second quarter of last year. Lumber price realizations were down approximately 11 percent while plywood price realizations were down approximately 13 percent. Higher log costs, the result of increased competition for logs, also impacted

profitability of the lumber and plywood operations. Profits from the company's medium density fiberboard (MDF) business grew modestly as it continued to expand its production of high-performance, premium products.

Timberland Acquisitions

The company completed the acquisition of approximately 35,000 acres of highly productive northern Florida timberland for approximately \$50 million. The company funded the purchase with a short-term note. This transaction was the first phase of a 56,000-acre timberland purchase from Greif, Inc. valued at approximately \$90 million. Plum Creek expects to complete the acquisition of the remaining 21,000 acres over the next three quarters.

Earlier in July, the company acquired approximately 18,000 acres of high-quality plantation timberlands in southwest Arkansas for approximately \$25 million. This property complements our current ownership in an attractive timber market. This acquisition was funded with 1031 like-kind exchange funds.

Outlook

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

Pulpwood demand appears firm in most markets. Upward pressure on pulpwood prices in the Northeast is expected to continue as a contractor shortage continues to keep mill pulpwood inventories below targets. Pulpwood prices in the South are expected to decline modestly as availability increases during the dry summer months. The company expects to harvest between 19.0 and 19.5 million tons of timber during 2005.

As a result of continued strong interest in rural timberland properties, the company has increased its estimate for Real Estate segment revenues. The company now expects segment revenues to be between \$240 to \$255 million for the year. Segment revenues are expected to exceed \$120 million during the third quarter. Real estate segment results could be higher depending on the extent of large, non-strategic timberlands sold during the remainder of the year.

The company's manufacturing segment continues to perform well. Segment results for the third quarter are expected to be similar to those of the second quarter.

The company expects full-year income from continuing operations to be between \$1.65 and \$1.75 per share. Third quarter income from continuing operations is expected to be between \$0.49 and \$0.54 per share. These estimates do not include the effect of any large, non-strategic timberlands sales that the company may conclude during the year.

"We continue to execute our strategy aimed at delivering the most value possible from each tree and every acre we own," said Rick Holley. "Our land sales are capturing excellent values for non-core properties and providing significant capital to grow shareholder value.

We are maintaining our disciplined approach to capital allocation with the goal of growing the per share value of the company.”

Earnings Conference Call and Supplemental Information

Plum Creek will hold a conference call today, July 25, 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 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 3521773.

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.

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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.