



## News Release

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### **Plum Creek Timber Company, Inc. Reports Results for Second Quarter 2006**

**SEATTLE, Wash.** – Plum Creek Timber Company, Inc. (NYSE: PCL) today announced second quarter earnings of \$62 million, or \$0.34 per diluted share, on revenues of \$380 million. Earnings for the second quarter of 2005 were \$69 million, or \$0.37 per diluted share, on revenues of \$358 million.

Earnings for the first six months of 2006 were \$156 million, or \$0.85 per diluted share, on revenues of \$794 million. 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 2006 included a \$2 million after-tax cumulative effect of accounting changes. As a result, income from continuing operations for the first six months of 2006 was \$154 million, or \$0.84 per fully diluted share. Results for the first six months of 2005 included a \$20 million after-tax gain on the sale of 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.

During the quarter, the company completed a previously announced \$200 million share repurchase program. In early June, the company's board of directors authorized a new \$200 million share repurchase program. During the quarter the company repurchased approximately 5.1 million shares of common stock at an average price of \$35.73 per share. The shares repurchased during the quarter represent a 2.8 percent reduction in outstanding shares.

Cash provided by operating activities in the second quarter of 2006 totaled \$112 million. During the quarter the company paid \$73 million in dividends and repurchased approximately \$184 million of common stock. The company ended the second quarter with \$396 million in cash and cash equivalents.

“Timber markets experienced good demand and steady prices during the quarter,” said Rick Holley, president and chief executive officer. “In most regions of the country, timber prices were similar to prices experienced during the first quarter of this year and the second quarter of last year. Even in the oversupplied log markets in the western regions of the South, timber prices generally held at levels we experienced during the first quarter of 2006.

“Revenue and cash flow from our real estate segment remains on track for the year as the result of strong interest in rural lands. We continue to realize higher prices for recreation and higher and better use properties throughout the nation and are positioning additional properties to capture the most value. The company has identified over 1.7 million acres of timberlands with higher values. We expect to sell these properties over time for conservation, recreation or development purposes.

“In addition, growth in demand from industrial markets for plywood and medium density fiberboard has contributed to improved profitability in our manufacturing segment.”

### **Review of Operations**

The Northern Resources segment reported operating profit of \$21 million compared to \$19 million during the same period of 2005. The segment’s second quarter harvest was 27 percent higher than the same period of 2005 due in large part to harvests from Michigan timberlands acquired during the fourth quarter of 2005. The harvest from these recently acquired lands was primarily responsible for the year-over-year increase in operating profit. Average log prices were largely unchanged when compared to the same period of 2005.

Operating profit in the Southern Resources segment was \$48 million compared to \$62 million during the same period of 2005. Harvest levels, log prices and profitability in eastern regions of the South were similar to the second quarter of 2005. The \$14 million decline in segment operating profit was confined to western portions of the South. In this region, log markets remained oversupplied as a result of hurricane salvage logging and dry weather that resulted in increased harvesting activity by many timberland owners. As a result of this temporary oversupply, log prices in the most severely affected markets were down as much as 8 percent for sawlogs and 25 percent for pulpwood when compared to the same period of 2005. As planned, Plum Creek reduced harvests in the region and will resume harvesting when log prices return to more attractive levels.

As a result of the oversupply in western regions of the South and stable markets in eastern regions of the South, average sawlog prices for the Southern Resources segment were down approximately 4 percent and average pulpwood prices were down approximately 11 percent when compared to the second quarter of 2005. The company’s Southern Resources segment harvest volumes were 10 percent lower than the same period of 2005, the result of the harvest deferrals in western portions of the South.

The Real Estate segment reported revenue of \$52 million and operating income of \$27 million. Second quarter 2005 Real Estate segment revenue was \$36 million and resulted in operating income of \$19 million. During the second quarter the company sold approximately 21,800 acres of land. The company sold approximately 12,000 acres of small, non-strategic timberlands at average prices approaching \$1,300 per acre. These lands are generally small tracts of lower productivity timberlands. The sale of 2,200 acres of conservation properties captured approximately \$1,500 per acre while 7,200 acres of recreation property were sold at an average price of \$4,100 per acre. The sale of 645 acres of development properties captured approximately \$5,300 per acre, or over \$3 million.

The Manufacturing segment reported operating profit of \$10 million compared to \$8 million for the second quarter of 2005. The company's medium density fiberboard (MDF) business accounted for most of the \$2 million increase in profitability compared to the second quarter of 2005. MDF prices and production volumes were up 5 percent and 14 percent respectively. Lumber prices were similar to the second quarter of 2005, while the company's industrial plywood prices increased approximately 8 percent compared to the second quarter of 2005.

## **Outlook**

The company expects to report income from continuing operations between \$1.65 and \$1.75 per share for the year. Third quarter earnings are expected to be between \$0.46 and \$0.51 per share.

“We expect timber demand to remain good despite the price declines in lumber during the second quarter,” continued Holley. “Underlying demand for building materials remains strong by historic standards and industrial demand for solid wood products is healthy. However, lumber customers are taking a more conservative approach to log procurement given the 9 percent decline in framing lumber prices between the end of March and the end of June. Improving pulp and paper markets and demand from new Southern oriented strand board mills are translating into increased pulpwood demand.

“In our Real Estate segment, we continue to experience strong demand for rural land. This has translated into a trend of increasing per-acre prices from the sale of higher and better use lands. We signed two additional joint venture agreements during the quarter and now have five development joint ventures that we believe will make an important contribution to our long-term cash flow in coming years.”

Across all regions, log customers have been able to maintain full log inventories. While overall log demand remains good, lumber manufacturers are generally buying just to satisfy their immediate needs. The company expects full log inventories at sawmills and lower lumber prices to keep sawlog customers cautious during the third quarter. As a result, sawlog prices in most markets are expected to hold at current levels while some markets may experience modest price erosion in response to lower lumber production in some regions.

The Northern Resources segment harvest is expected to increase during the third quarter from the seasonally low second quarter levels. In the Southern Resources segment, the company expects to increase pulpwood harvests during the second half of the year in response to increasing demand from pulpwood customers in the region. During the first half of the year, the company reduced harvests in western regions of the South due to the abundant supply of hurricane salvage wood in these markets.

The company continues to expect Real Estate segment revenues for the year to be between \$280 million and \$300 million. Of this amount, the sale of development properties is expected to be between \$60 million and \$65 million. Third quarter revenues are expected

to be the highest of the year, between \$100 million and \$110 million, with development property sales accounting for up to \$45 million of the third quarter revenue.

Plum Creek's real estate entitlement and development activities are conducted through a taxable REIT subsidiary. As income grows from the development business, the company expects tax expense to grow as well. Tax expense is expected to increase during the second half of the year due to the growth of this business. As a result, overall corporate tax expense is expected to be between \$9 million and \$11 million during the third quarter.

The Manufacturing segment is expected to continue to report good results. Strong MDF demand should benefit the segment during the second half of the year while slower lumber and plywood markets are expected to offset the improved MDF performance.

"Plum Creek has very valuable timber and land assets and we are executing long-term strategies designed to maximize the value of these assets for our shareholders. Just as we are confident in the assets we manage, we are also confident in the attractive long-term demographic trends that will drive the increasing value for our land and timber assets. We also recognize that effective capital allocation is a crucial component of long-term shareholder value delivery. Our recent share repurchases represent an important method to deliver value to our shareholders," concluded Holley.

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

Plum Creek will hold a conference call today, July 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 3473683.

Supplemental financial information for Plum Creek operations, including statistical data, is available in the "Investors" information section of Plum Creek's website at [www.plumcreek.com](http://www.plumcreek.com).

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Plum Creek is the largest and most geographically diverse private landowner in the nation with more than 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.