



## News Release

For immediate release  
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For more information contact:  
*Investors:* John Hobbs 1-800-858-5347  
*Media:* Kathy Budinick 1-888-467-3751

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### **Plum Creek Reports Results for Second Quarter 2014, Adjusts Outlook for 2014**

**SEATTLE** - Plum Creek Timber Company, Inc. (NYSE: PCL) today announced second quarter earnings of \$55 million, or \$0.31 per diluted share, on revenues of \$356 million. Earnings for the second quarter of 2013 were \$46 million, or \$0.28 per diluted share, on revenues of \$303 million.

Earnings for the first six months of 2014 were \$85 million, or \$0.47 per diluted share, on revenues of \$673 million. Earnings for the first six months of 2013 were \$102 million, or \$0.62 per diluted share, on revenues of \$643 million.

Adjusted EBITDA, a non-GAAP measure of operating performance, for the first six months of 2014 was \$233 million similar to the \$232 million in the same period of 2013. For the first six months of 2014, non-real estate adjusted EBITDA increased \$30 million year over year driven by growth in the timber resources segments and Energy and Natural Resources segment. A reconciliation of adjusted EBITDA to net income and cash flow from operations is provided as an attachment to this release.

“Our second quarter results were much as we anticipated despite lower-than-planned harvest volumes in the South,” said Rick Holley, Plum Creek’s chief executive officer. “So far this year, the operating income and cash flow from our timber resources segments are up nearly 30 percent due to improving log prices and the additional harvest from the lands we acquired in December. Our Real Estate segment continues to perform as expected and our Manufacturing segment is on track to deliver a strong performance in 2014. Our Energy and Natural Resources segment results have grown too, as the assets we acquired over the past year are providing attractive cash-on-cash returns for our shareholders.

“Cash flow from the MeadWestvaco assets acquired in December contributed more than \$20 million to operating cash flow in the first six months. We expect the contribution from these assets to grow in the second half of the year, as real estate opportunities that have been identified generate cash flow in the second half of the year. We’re on track for the acquisition to be cash flow accretive on a per share basis in 2014.”

## Outlook

The company has revised its earnings outlook for 2014 to reflect lower harvest volumes, expectations for slower log price growth, and the anticipated composition of real estate transactions in the second half of the year. The company now expects 2014 income to be between \$1.05 and \$1.25 per share, and third quarter income between \$0.27 and \$0.32 per share.

“We are still expecting meaningful growth this year, and the second half will be sequentially better than the first half,” said Holley. “The long-term trends in the timber industry give us confidence that timber markets will improve as lumber demand grows, although the recovery in 2014 has been more muted than we and other industry participants initially expected. Most of the adjustments to our outlook reflect non-cash items or deliberate choices related to harvest timing. Cash flow remains strong, and we now expect adjusted EBITDA for 2014 to grow in excess of \$60 million, or more than 12 percent, from our 2013 adjusted EBITDA of \$502 million.”

Entering 2014, the company expected residential construction activity for the year of approximately 1.1 million starts. Residential construction activity in the first half of the year has not increased as initially projected. As a result, Southern lumber production has increased only modestly and sawlog demand and prices have grown at a slower pace than originally anticipated. The company has since tempered its full-year expectations and now expects residential construction to approximate 1.03 million starts.

“Timber markets are local markets, and in this environment of gradual growth, we are seeing significant variability in the pace of demand improvement from one local market to the next. At the same time, we expect to realize improving market opportunities as demand grows and customers complete capital improvement projects in late 2014 and throughout 2015. We are using our market insight and exercising our operational flexibility to adjust our local harvest plans to maximize the value of our timber assets for our investors. In these markets, we are shifting some harvest volume to future periods when we expect prices to be better,” continued Holley.

Reflecting these views, the company has adjusted its harvest plans in certain local markets and now expects its 2014 timber harvest to come in at the low end of the 20 and 21 million ton range. The harvest deferral shifts approximately \$15 million of cash flow to the future, and reduces the earnings outlook by \$13 million, or 7 cents per share.

During the third quarter, harvest levels in the Northern Resources segment are expected to seasonally rebound from second quarter lows when spring weather conditions limit timberland access. Southern Resources harvest volumes should increase from second quarter levels as Southern lumber production grows.

The company is maintaining its full-year Real Estate segment sales estimates of between \$240 million and \$280 million. However, the company expects the properties sold in the second half of the year to have higher book values than initially anticipated. These expectations have no impact on expected cash flow but are expected to reduce the reported operating income for the segment by approximately \$31 million, or 18 cents per share.

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The company expects Manufacturing segment earnings will improve from the second quarter of 2014 as full production resumed at the company's medium density fiberboard (MDF) facility in mid-July. The temporary financial impacts from the June 10 fire are expected to be offset by insurance proceeds during the second half of the year. The company continues to expect strong cash flow and earnings in its Manufacturing segment in 2014 as a result of good demand and strong product pricing for the company's industrial plywood, MDF and lumber products.

## **Review of Second Quarter Operations**

The Northern Resources segment reported operating income of \$5 million during the second quarter, compared to the \$8 million reported during the second quarter of 2013. As expected, overall harvest volumes decreased about 5 percent year over year and the product mix shifted to a higher component of pulpwood. Sawlog prices were up \$4 per ton, about 5 percent, over the prior year on good sawlog demand in the West. Average pulpwood prices declined about 1 percent as an extended spring breakup in the attractively-priced Northeast region reduced the pulpwood harvest relative to the second quarter of 2013.

Operating income in the Southern Resources segment was \$33 million, up \$10 million from the \$23 million reported for the second quarter of 2013. Southern timberlands acquired in December 2013 drove a 27 percent increase in harvest volumes over the prior year's quarter, and contributed approximately \$6 million of the \$10 million increase in operating income. Average sawlog prices have increased \$1 per ton, about 3 percent, over the past year. Pulpwood prices have also increased \$1 per ton, approximately 9 percent, compared to the second quarter of 2013.

The Real Estate segment reported revenue of \$77 million and operating income of \$45 million in the second quarter of 2014. Second quarter 2013 revenue was \$53 million and operating income was \$30 million. During the quarter, the company sold a total of 31,530 acres of recreation lands for \$1,485 per acre and 23,640 acres of small, non-strategic timberlands at an average price of \$790 per acre. The company also sold 11,875 acres of conservation lands at an average price of \$635 per acre and placed a conservation easement on approximately 12,000 additional acres in New Hampshire for \$4 million. This quarter's results include the sale of 49,400 acres in Wisconsin comprised of a blend of recreation, non-strategic, and conservation lands. Lower per-acre values in the Wisconsin transaction were realized because land values in the Lake States region are generally lower than other regions such as the Northwest or South. Net of the Wisconsin sale, recreation land prices were approximately \$2,000 per acre. Small, non-strategic lands were \$1,050 per acre, and conservation land prices were \$1,350 per acre.

The Manufacturing segment reported operating income of \$10 million, compared to the \$14 million of operating income reported for the second quarter of 2013. Segment results were negatively impacted by the June 10 fire at the company's MDF facility in Montana as production was suspended and shipments out of the Montana facility were temporarily halted. MDF production resumed July 10. The fire adversely impacted the segment's income by \$2 million in the quarter. The property damage and lost income is covered by insurance. As expected, plywood production and sales volumes were 22 percent lower than the second quarter of 2013 due to limited availability of plywood peeler logs in the region during the first half of 2014. MDF and plywood prices remained strong and were similar to the second quarter of 2013. Lumber prices increased 8 percent over the prior year due to stronger pine board pricing.

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

Plum Creek will hold a conference call today, July 28, 2014 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 website at [www.plumcreek.com](http://www.plumcreek.com) by clicking on the "Investors" section.

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 27972222.

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 among the largest and most geographically diverse private landowners in the nation with approximately 6.7 million acres of timberlands in forest ecosystems across the northern and southeastern United States. We also operate wood products mills in the Northwest. As the company celebrates its 25<sup>th</sup> anniversary as a publicly traded corporation, we continue to manage our working forests and lands using sustainable practices to benefit Plum Creek's many stakeholders. Our talented employees work together to create shareholder value, serve as stewards of the environment, make wood products for everyday use, and build strong communities. Please visit [www.plumcreek.com](http://www.plumcreek.com) for the latest information about Plum Creek.

### 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.

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