



## News Release

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### **Plum Creek Reports Results for Fourth Quarter and Full Year 2014**

**SEATTLE** - Plum Creek Timber Company, Inc. (NYSE: PCL) today announced fourth quarter earnings of \$68 million, or \$0.39 per share, on revenues of \$428 million. Fourth quarter earnings include \$2 million after-tax, or \$0.01 per diluted share of insurance recoveries related to the fire at the medium density fiberboard (MDF) plant in Montana earlier in the year.

Earnings for the fourth quarter of 2013 were \$40 million, or \$0.24 per share, on revenues of \$331 million. Results for the fourth quarter of 2013 included \$12 million of expenses directly related to the completion of the company's acquisition of timberland, real estate, and subsurface resources from MeadWestvaco Corporation (NYSE: MWV). Excluding these expenses, adjusted fourth quarter earnings for 2013 were \$52 million, or \$0.31 per share. A reconciliation of adjusted earnings to GAAP net income for 2013 is provided as an attachment to this release.

Earnings for the full year of 2014 were \$214 million, or \$1.21 per diluted share, on revenues of \$1.48 billion. The results for 2014 include \$4 million, or \$0.02 per share, after-tax gains related to the MDF fire. 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 a \$4 million forest fire loss recorded in the third quarter of 2013, adjusted earnings for 2013 were \$230 million, or \$1.39 per share.

Adjusted EBITDA, a non-GAAP measure of operating performance, for 2014 grew to \$605 million, a \$103 million increase over 2013. Each of the company's business segments contributed to EBITDA growth during the year. A reconciliation of adjusted EBITDA to net income and cash flow from operations is provided as an attachment to this release.

"A strong finish to 2014 capped off another good year for Plum Creek," said Rick Holley, chief executive officer. The successful integration of the assets we purchased at the end of 2013 played an important role in our cash flow growth this year. The results from these productive, well stocked timberlands came in slightly better than our initial expectations, generating \$35 million of operating income and adding \$96 million of adjusted EBITDA in 2014. The acquisition was cash accretive on a per share basis by about 7 percent.

"During 2014, we sold \$65 million of core timberlands at attractive valuations and repurchased \$50 million of stock at a compelling discount to our net asset value. We will continue to consider additional repurchases to capture compelling arbitrage opportunities. Plum Creek's ability to perform well in this slowly recovering

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market highlights the benefit of our geographic diversity and our disciplined operating approach,” continued Holley.

## **Summary of 2014 Results**

The company reported \$322 million of operating income for 2014, \$27 million higher than 2013’s \$295 million operating income. Higher earnings from the company’s timber business segments were partially offset by a decrease in reported Real Estate income.

The company’s timber resource segments generated operating income of \$181 million, a \$41 million increase compared to \$140 million for 2013. Harvest volumes of 19.6 million tons were 13 percent higher than 2013 as 2014 included harvest from the MeadWestvaco lands acquired in late 2013. Timber prices improved in most markets during 2014, ending the year 3 percent to 12 percent higher than the end of 2013 depending on the product and region.

In the Real Estate segment, the company reported revenue of \$289 million in 2014, similar to the \$286 million in 2013. Segment operating income was \$133 million, \$36 million lower than 2013’s \$169 million. The decline in operating margin resulted primarily from the fourth quarter sale of \$46 million of conservation lands in Washington State. While capturing an attractive value for this particular property, the lands were carried on the company’s balance sheet at higher book values. As a result, the transaction reduced the segment’s reported operating margins in 2014.

The company’s Manufacturing segment produced another year of strong earnings and cash flow. After adjusting for the impact of the MDF fire, the segment reported \$42 million of operating income, similar to the \$43 million reported in 2013.

## **Review of Quarterly Operations**

The Northern Resources segment reported operating profit of \$10 million for the fourth quarter, compared to the \$8 million profit reported in the fourth quarter of 2013. Fourth quarter 2014 harvest volume of 976,000 tons was similar to the prior year’s level. Northern sawlog prices were \$5 per ton, or 6 percent higher than the fourth quarter of 2013 on continued strong sawlog demand from domestic customers. Pulpwood prices also increased \$2 per ton, or 5 percent, compared to the same period of 2013 due to robust demand from the company’s pulp and paper customers in the Northeast and Lake States.

The Southern Resources segment reported fourth quarter operating profit of \$38 million, compared to \$34 million from the fourth quarter of 2013. Total harvest volumes grew 11% compared to the fourth quarter of 2013. Southern sawlog prices continue to slowly recover, increasing \$1 per ton, or 5 percent, over the fourth quarter of 2013. Pulpwood prices increased over \$1 per ton compared to the prior year. Pulpwood demand was strong as pulp and paper mills in certain regions of the South replenished their log inventories.

Real Estate segment sales for the fourth quarter of 2014 of \$120 million were \$61 million higher than the \$59 million reported in the same period of 2013. During the fourth quarter of 2014 the company completed the first phase of a significant conservation transaction with The Nature Conservancy, selling 47,800 acres in Washington for approximately \$46 million.

The company also completed two large dispositions during the quarter, selling 15,185 acres of timberlands in Alabama for \$2,380 per acre and 7,735 acres of land in Oregon for \$3,750 per acre.

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The balance of the quarter's Real Estate segment results included the sale of 3,185 acres of recreation lands for \$2,545 per acre and 545 acres of small, non-strategic timberlands at an average price of \$1,300 per acre.

The Manufacturing segment reported operating profit of \$14 million for the fourth quarter of 2014, up \$6 million compared to the fourth quarter of 2013. These results include a \$4 million gain from insurance recoveries related to the MDF fire. After adjusting for these proceeds, fourth quarter results improved approximately \$2 million compared to the same period of 2013, primarily due to strong industrial panel prices.

## **Outlook**

The company expects U.S. residential construction activity to grow at a measured pace during 2015, resulting in approximately 1.1 million housing starts.

“Strategic portfolio management and disciplined capital allocation will be key components of our strategy for shareholder value creation in 2015,” said Holley. “Operationally, we will continue to closely monitor our timber markets and will respond appropriately when local market dynamics support stronger pricing. Although timber prices improved in each of our operating regions during 2014, we continue to believe the improvements in the U.S. South represent only the early stages of recovery in the region. Pricing is expected to strengthen as housing starts move above the 1.2 million starts level.”

Harvest volumes and harvest mix are expected to be similar to 2014 as the company plans to harvest between 19 and 20 million tons of timber in the upcoming year.

During 2015, the company expects Real Estate segment sales to be between \$250 and \$300 million. This represents ongoing Real Estate transactions as well as approximately \$100 million of larger timberland dispositions. The company intends to allocate the capital generated from these timberland dispositions to the best long-term value outcome for shareholders.

First quarter Real Estate segment sales are expected to be between \$100 and \$110 million, including the closing of the Montana portion of The Nature Conservancy transaction. As was the case with the first phase of this transaction, the lands included in the second phase are carried on the company's balance sheet at full value. As a result, land basis, the non-cash book value of the properties sold, is expected to be about 74 percent of segment revenue for the first quarter, and about 50 percent for the full year.

Lumber, specialty plywood and MDF markets are expected to remain strong in 2015. Excluding any impacts from the 2014 MDF fire, Manufacturing segment earnings are expected to be similar to 2014's results.

Third-party interest expense in 2015 is expected to be approximately \$106 million, similar to 2014's expense.

“We expect 2015 will be much like 2014 for Plum Creek,” continued Holley. “The company's harvest plan for the coming year is largely unchanged from last year. Cash flow from operations should also be comparable to 2014. However, our 2015 earnings may be lower as land basis is expected to be about 5 percent higher in 2015. This increase in non-cash expense reduces our earnings per share by about 8 cents on comparable real estate revenues.”

Reflecting all of these factors, the company expects 2015 net income to be between \$1.05 and \$1.30 per share. The company expects to report first quarter net income between \$0.20 and \$0.25 per share.

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"Our diversified and productive timberland portfolio has the company uniquely positioned to benefit as the housing and timber markets continue to recover. Disciplined capital allocation and focused asset management continue to be key elements of our value creation strategy," concluded Holley.

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

Plum Creek will hold a conference call today, Jan. 26, 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 50823601.

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 6.6 million acres of timberlands in 19 states. We also operate wood products mills in the Northwest. We manage our working forests using sustainable practices to benefit Plum Creek's many stakeholders. Our 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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