



News Release

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Plum Creek Reports Results for Fourth Quarter and Full Year 2009

SEATTLE – Plum Creek Timber Company, Inc. (NYSE: PCL) today announced fourth quarter earnings of \$28 million, or \$0.17 per diluted share, on revenues of \$258 million. Earnings for the fourth quarter of 2008 were \$95 million, or \$0.57 per diluted share, on revenues of \$461 million.

Earnings for the fourth quarter of 2009 include a \$3 million, \$0.02 per diluted share, loss on the early extinguishment of debt. Earnings for the fourth quarter of 2008 included an \$11 million, \$0.07 per diluted share, gain from the early retirement of debt and \$3 million after-tax, \$0.02 per diluted share, of severance costs primarily associated with the company's downsizing of its lumber business.

Earnings for the full year of 2009 were \$236 million, or \$1.44 per diluted share, on revenues of \$1.29 billion. Earnings for the full year of 2008 were \$233 million, or \$1.37 per diluted share, on revenues of \$1.61 billion.

Results for the full year of 2009 include \$2 million of losses on early debt retirement and approximately \$13 million of after-tax (\$22 million pre-tax) charges primarily associated with the downsizing of the company's manufacturing operations. These items were offset somewhat by one-time tax benefits of approximately \$8 million recorded in the first quarter of 2009. Combined, these items reduced net income by \$7 million, or approximately \$0.04 per diluted share.

Results for the full year of 2008 included the gain from the early retirement of debt and the severance costs mentioned above as well as the effect of a \$6 million after-tax (\$10 million pre-tax) impairment charge related to the company's lumber manufacturing business recognized during the second quarter of 2008. Combined, these items increased net income \$2 million, or \$0.01 per share.

“Our fourth quarter results came in much as we anticipated with stable to improving timber prices and seasonally better land sales activity,” said Rick Holley, president and chief executive officer.

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“During the past year, our financial and balance sheet strength enabled us to exercise operational flexibility. We chose to reduce our sawlog harvest and elected to focus our harvest activity in attractive pulpwood markets. These actions allowed us to make the most of market conditions while protecting long-term asset values. Similarly, we increased our sales of lower-value recreation lands in receptive geographic markets such as the Gulf South region.

“While the economic conditions of 2009 were the most difficult the company has ever faced, Plum Creek generated \$540 million of cash flow from operations, well in excess of the cash needed to pay our dividend. We continued our disciplined use of capital. During 2009 we replanted more than 60 million trees and invested in advanced forestry practices that enhance the productivity of our existing forests. We reduced debt by more than \$180 million, and repurchased \$87 million of stock, or 2 percent of the outstanding shares.

“We also continued to develop our emerging business opportunities, particularly those focused on serving new markets that address the effects of climate change. In 2010 we expect to grow as a supplier to power producers who seek the benefits of environmentally friendly, wood-based renewable resources. In addition, we will begin to realize lease income from companies generating clean, wind-based electricity on our lands.”

Summary of 2009 Results

For the year, the company reported net income of \$236 million, an increase of \$3 million compared to 2008. Year-over-year earnings improved due to lower third party interest expense which declined \$45 million from 2008, the result of debt reductions and a lower average cost of debt. This offset a \$29 million decline in operating income as the effects of the recession impacted the operating results of nearly every segment. The 2008 results also included a one-time \$11 million gain on the early retirement of debt.

Record low residential construction activity reduced sawlog prices across the nation by 16 to 21 percent year-over-year. The effect of the recession on pulpwood markets was more muted, and pulpwood prices were down 4 to 8 percent from strong 2008 levels. To take advantage of attractive pulpwood prices, the company focused its harvesting activities on thinning young stands of trees which produce a high proportion of pulpwood. At the same time, the company maintained a low sawlog harvest level, deferring the harvest of 1.6 million tons of sawlogs, rather than sell the trees at low prices. This decision reduced current income by approximately \$30 million. As a result of the lower overall harvest level, the mix shift toward pulpwood, and lower log prices, operating income in the timber resource segments declined a combined \$91 million.

In the Real Estate segment, the company reported income of \$278 million during 2009 compared with \$245 million during 2008. Both the 2008 and 2009 results include income from the three-phase Montana conservation sale of approximately 310,000 acres of timberlands to The Nature Conservancy and The Trust for Public Land. The first two phases contributed \$74 million and \$162 million to the segment’s 2008 and 2009 results, respectively. The 2009 results also include \$23 million of income related to the strategic

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disposition of 59,000 acres of Wisconsin timberlands. The balance of the 2009 income was generated from the sale of approximately 50,000 acres of recreation properties, 54,000 acres of conservation lands and 20,000 acres of lower-productivity, non-strategic timberlands.

Results for the company's manufacturing segment improved by \$21 million from the \$44 million loss reported during 2008. During 2009, the company downsized its lumber operations and reduced production in its plywood and medium density fiberboard lines to match current demand. The reported operating loss for 2009 includes asset impairments, severance charges and pension settlement charges totaling \$20 million related to the segment's downsizing. The 2008 losses include \$12 million of asset impairments and severance costs as well as \$16 million of write-downs on purchased log commitments and finished goods inventories.

The company undertook a number of cost containment initiatives during 2009 and, as a result, reduced selling, general and administrative costs by approximately \$22 million.

Review of Quarterly Operations

The Northern Resources segment reported a \$1 million loss for the fourth quarter, compared with operating profit of \$8 million reported in the fourth quarter of 2008. Timber prices and volumes were lower than the same period of 2008. Sawlog prices held stable during the fourth quarter and were, on average, 18 percent lower than the prices during the fourth quarter of 2008. The company continued to defer its sawlog harvest in response to weak prices. The quarter's sawlog harvest was 211,000 tons, or 26 percent, lower than the same period of 2008. Pulpwood prices were stable during the fourth quarter and were 13 percent lower than the same period of 2008. Pulpwood harvest volumes were 82,000 tons, or 13 percent, lower than the same period of 2008.

The Southern Resources segment reported fourth quarter operating profit of \$17 million, compared with a \$25 million operating profit reported during the fourth quarter of 2008. The decline in operating profit was driven by a 20 percent decline in sawlog prices and a 15 percent decline in pulpwood prices compared with the same period of 2008. The Southern sawlog harvest was 27,000 tons, or 3 percent, lower than the same period of 2008 and remained near its lowest recorded level as the company deferred the harvest of its most valuable timber. The Southern pulpwood harvest was 92,000 tons, or 5 percent, below the fourth-quarter 2008 level.

The Real Estate segment reported revenue of \$67 million and operating profit of \$44 million in the fourth quarter of 2009. The segment reported \$215 million of revenue and \$104 million of operating profit for the fourth quarter of 2008. The 2008 results include \$150 million of revenue and \$74 million of operating income from the first phase of the Montana conservation sale.

During the fourth quarter, the company sold approximately 34,000 acres of land. Of this, 26,700 acres consisted of rural recreation lands that captured \$2,200 per acre. Approximately

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4,900 acres of conservation lands sold for nearly \$1,300 per acre and 2,600 acres of low-productivity, non-strategic properties captured \$855 per acre.

The Manufacturing segment reported breakeven results for the fourth quarter of 2009, compared with a \$20 million loss during the same period of 2008. The 2008 results include approximately \$8 million of write-down for certain purchased log commitments and inventories, as well as approximately \$2 million of severance costs related to the downsizing of the manufacturing segment. The downsizing and cost management efforts within the segment drove improved results in each product line despite significantly lower lumber sales volume and lower prices for both plywood and medium density fiberboard.

Outlook

“Business conditions stabilized in the second half of 2009, and we’ve seen some modest recovery from the extreme lows set earlier in 2009,” continued Holley. “While we believe recovery in our core businesses will continue in 2010, we believe the recovery will be slow by historic standards.

“We are approaching 2010 conservatively with an eye toward protecting shareholder value and positioning ourselves for the long-term. We plan to keep the harvest of our most valuable sawlogs low. In our real estate segment, we will concentrate on capturing attractive prices for lower-value properties, holding our most valuable lands for the future.”

The company plans to harvest between 15 and 16 million tons of timber this year, comparable to 2009 levels. The company expects its Northern harvest volume to be similar to 2009’s level, continuing to defer a significant portion of its sawlog harvest for future years. In the South, the company expects its overall harvest to be similar to 2009’s 11.4 million tons, but will shift its harvest emphasis from first thinnings that produce exclusively pulpwood to second thinnings that produce a mix of pulpwood and small-diameter sawlogs. As a result, the company expects its Southern pulpwood volumes to decline as much as a million tons from 2009 levels with a corresponding increase in small-diameter sawlog volumes.

Real Estate segment sales for the year are expected to be between \$350 million and \$370 million. First quarter sales are expected to be between \$85 million and \$95 million. The company expects to close on the \$89 million final phase of its three-phase conservation sale in Montana during the fourth quarter of 2010.

The Manufacturing segment is expected to return to profitability in 2010.

Reflecting all of these factors, the company expects 2010 income to be between \$1.25 and \$1.45 per share. The company anticipates first quarter income from continuing operations to be between \$0.34 and \$0.39 per share.

“Like 2009, our approach in 2010 will be to continue to exercise operational flexibility. We have a strong balance sheet and will adjust our activities to respond to market conditions and protect long-term value. We will remain disciplined in our operational and capital allocation

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decisions. Our asset diversification, financial capability and strategic focus have Plum Creek well positioned to benefit from the opportunities that lie ahead,” concluded Holley.

Earnings Conference Call and Supplemental Information

Plum Creek will hold a conference call today, Feb. 1, at 5:00 p.m. EST (2:00 p.m. PST). 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 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 1-800-642-1687 or 1-706-645-9291 (international calls), using the code 39777503.

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 the largest and most geographically diverse private landowner in the nation with approximately 7 million acres of timberlands in major timber producing regions of the United States and wood products manufacturing facilities in the Northwest. For more information, visit www.plumcreek.com.

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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