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**PLUM CREEK TIMBER COMPANY, INC. REPORTS  
RESULTS FOR THIRD QUARTER AND NINE MONTHS 2002;**

**REDUCES QUARTERLY DIVIDEND FROM \$0.57 TO \$0.35;**

**AUTHORIZES \$200 MILLION SHARE REPURCHASE PROGRAM**

SEATTLE, WASHINGTON – October 17, 2002 -- Plum Creek Timber Company, Inc. (NYSE: PCL) today announced third quarter earnings of \$70 million, or \$0.38 per diluted share, on revenues of \$310 million. Results for the first nine months of 2002 were \$179 million, or \$0.97 per diluted share, on revenues of \$856 million.

The Company declared a quarterly cash dividend of \$0.35 per share, a 39% reduction from the prior quarterly dividend. The cash dividend is payable on November 27, 2002, to shareholders of record as of November 13, 2002. The taxable portion of Plum Creek's dividend consists mainly of long-term capital gain income because the income generated by the sale of timber is considered long-term capital gains.

The Company also announced that its Board of Directors authorized a \$200 million share repurchase program. The program authorizes the Company, at its own discretion, to buy back shares of its outstanding common stock from time to time with open-market purchases as market conditions warrant. Plum Creek has approximately 185 million shares outstanding.

Rick Holley, President and CEO, said, "Since becoming a publicly traded company in 1989, Plum Creek has managed its valuable timberland assets to deliver an attractive, competitive total return for its shareholders. This remains management's number one priority. However, despite our ability to enhance the value of the Company's assets and execute our key strategies, persistent price weakness in timber markets has not enabled the Company to generate cash flow adequate to meet its dividend for the past several quarters. Although our financial performance in the third quarter exceeded our expectations, we did not see any notable improvement in markets or pricing this quarter and we do not forecast meaningful improvement in the foreseeable future.

“Given our overriding goal of delivering a competitive total return to our shareholders through capital appreciation and dividend income, the Board and management concluded that a dividend that more appropriately matches our sustainable cash flow is the right decision for the Company and its shareholders. This step will enable us to continue to invest in our core businesses and grow the value of the Company.

“After carefully considering our cash flow, cash on hand, market conditions, and capital expenditures – all in the context of the Company’s overarching commitment to shareholder value – we are adopting a dividend level of \$1.40 per year. This is a sound and sustainable dividend level. Even if market conditions remain soft, we expect our cash flow to be sufficient to pay the dividend at this new rate, fund maintenance capital expenditures and provide cash for investment in attractive, high-return opportunities, including – as our Board has authorized – share repurchases if market conditions warrant.”

Plum Creek completed its merger with The Timber Company on October 6, 2001. For accounting purposes, The Timber Company is considered the surviving entity because of the structure of the merger. Therefore, reported financial results for periods prior to the merger reflect the financial results of The Timber Company. Results for 2002 reflect the performance of the combined companies and are not comparable to the results reported for 2001.

Funds from operations were \$106 million for the third quarter of 2002 and \$281 million for the first nine months of the year. Funds from operations is defined as net income plus depreciation, depletion, amortization and basis in higher and better use lands sold. The Company ended the quarter with \$270 million in cash and cash equivalents.

### **Review of Operations**

Operating profit in the Northern Resources segment was \$23 million in the third quarter compared to \$11 million for the previous quarter. Harvesting activity typically reaches its peak during the third quarter due to favorable logging conditions and seasonally good demand during the summer months. Harvest levels in the segment were 51% higher than in the second quarter, a typical seasonal improvement. Northern segment sawlog prices were up nearly 4% due primarily to a temporary mix shift to higher value logs. Localized market improvements in the Northeast drove a price increase of approximately 3% for Northern pulpwood.

Third quarter operating profit in the Southern Resources segment was \$57 million, compared to the \$64 million reported in the second quarter. Prices for both sawlogs and pulpwood were unchanged versus the second quarter. The pulpwood harvest increased nearly 7% compared to the second quarter while the sawlog harvest declined a similar amount resulting in a flat total harvest. The decline in operating profits is due primarily to the reduction in the sawlog harvest.

Real Estate sales during the third quarter were \$38 million, \$20 million more than sales recorded in the second quarter. Sales during the quarter were a mix of conservation easements and the sale of conservation, recreation, and development properties.

The Company's Manufacturing segment reported a \$3 million operating profit, up \$2 million from the prior quarter. Demand in lumber markets remained strong during the quarter with good construction demand and home center activity. This allowed price increases in board products. Dimension lumber markets were oversupplied and price weakness in that market largely offset the increases experienced in board markets. Plywood experienced modest price declines due to continued soft demand for specialty and industrial panels. The medium density fiberboard (MDF) product line reported improved results as compared to the second quarter. MDF sales volumes increased 8% from the second quarter due to increased production on the Company's new thin MDF line. The Company's MDF price realizations rose 6% due to an improved mix of higher value products.

### **Outlook**

Log prices have not shown any material improvement over the past several months. The Company has, however, experienced some pricing strength due to demand improvement in certain regional markets. The Company does not anticipate any significant improvement in timber prices over the next six to twelve months as the seasonally slower winter months approach, uncertain economic growth keeps log buyers cautious, and low lumber prices prevent material price increases. The positive influence of a weaker U.S. dollar has not translated into significant improvements in wood or paper markets, largely due to anemic worldwide economic growth. At the same time, lumber markets have been oversupplied and will likely remain so as the onset of winter reduces new construction and repair and remodel activity.

The Company continues to receive strong interest in its real estate properties from conservation buyers and developers. We continue to execute our strategy of evaluating our real estate holdings to determine which properties should be positioned for sale or exchange rather than for continued use as timberlands. Anticipated real estate revenue for the year is expected to be between \$85 and \$95 million.

The Company expects lumber and plywood prices to decline in the fourth quarter from third quarter levels due to sufficient supply of both products and seasonal demand slowdown as housing activity slows during the winter months. MDF sales volume should continue to increase as the new MDF line adds production, and MDF prices should hold at current levels.

The Company expects fourth quarter earnings to be between \$0.24 and \$0.29 per share.

"Today's actions bring certainty for our investors in an uncertain equity market and will allow us to continue delivering the value generated by our portfolio of lands, over time, through price appreciation and sustainable dividend income," concluded Holley.

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

Plum Creek's conference call is scheduled today at 2:00 PM Pacific time. Executive management will discuss today's actions, current business conditions, and the outlook for the fourth quarter of 2002.

Live access to today's conference call is available on Plum Creek's website. Go to Plum Creek's Internet site, [www.plumcreek.com](http://www.plumcreek.com), and click on the "Investor" link.

To access the call via telephone, dial 1.877.679.9051 or 1.952.556.2804 (outside North America) prior to the scheduled start time and reference the Plum Creek earnings call. A recorded replay of the call will be available for 48 hours after the call by dialing 1.800.615.3210 or 1.703.326.3020 (outside North America) and entering the conference code 5761547.

Supplemental financial information for Plum Creek operations is available attached to the earnings release in the investor information section of Plum Creek's website at [www.plumcreek.com](http://www.plumcreek.com).

Plum Creek is one of the largest landowners in the nation, with over 7.8 million acres of timberlands in every region of the United States and ten wood product 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. A number of important factors could cause actual results to differ materially from those described in the forward-looking statements. Some of these factors include, but are not limited to, changes in governmental, legislative and environmental restrictions; catastrophic losses from fires, floods, windstorms, earthquakes, volcanic eruptions, insect infestations or diseases; changes in economic conditions and competition in our domestic and export markets; our failure to qualify as a REIT or our failure to achieve the expected competitive advantages of operating as a REIT; an unanticipated reduction in the demand for timber products and/or an unanticipated increase in the supply of timber products; our failure to make strategic acquisitions or to integrate any such acquisitions effectively or, conversely, our failure to make strategic divestitures; the failure to meet our expectations with respect to our likely future performance; and other factors described in our filings with the Securities and Exchange Commission, which are available at the web site maintained by the Securities and Exchange Commission at "http://www.sec.gov." It is likely that if one or more of the risks materializes, or if one or more assumptions proves to be incorrect, the current expectations of Plum Creek and its management will not be realized. Forward-looking statements 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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