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Deltic Announces Preliminary Third Quarter 2008 Results

EL DORADO, AR – President and Chief Executive Officer, Ray C. Dillon, of Deltic Timber Corporation (NYSE:DEL) announced today that net income for the third quarter of 2008 totaled \$2.5 million, \$.21 a share, compared to \$.2 million, \$.02 a share, a year ago. The increase was due primarily to improvements in the financial results of the Mills segment and to a benefit from the Company's income taxes. Net cash provided by operating activities was \$10.1 million for the third quarter of 2008, which compares to \$6.7 million a year ago.

Commenting on the results, Mr. Dillon stated, "The continued depressed environment in the lumber and residential real estate markets, which has been exacerbated by tightened credit markets, have exerted downward pressure on the financial performance of forest products companies, including Deltic. However, the Company's positive financial results for the third quarter and the improvement in these results from a year ago reflect the benefit of the quality and diversity of Deltic's assets. Our size has enabled us to closely monitor all areas of our operations and react quickly, where needed.

"The higher-than-normal availability of privately owned pine sawtimber combined with reduced demand for pine sawtimber in the operating area of our Waldo Mill due to the closure of several mills in close proximity to the facility has lowered sawtimber stumpage prices. This has greatly benefited our lumber manufacturing operations, in the form of reduced log cost, and helped the Mills segment return to profitability. We continue to believe that owning and operating efficient sawmills is necessary to protect the value of our timberlands by providing a ready outlet for the fiber from our forests.

"In our Real Estate segment, we continue to see interest in our commercially zoned acreage, but tightened credit has adversely impacted the timing of some potential sales transactions. At Del-Tin Fiber, our joint-venture medium density fiberboard facility, we experienced solid financial results through the first three

quarters; however, the reduction in housing starts has now caused the medium density fiberboard market to begin to soften.”

The Woodlands segment earned \$5.1 million in the third quarter, an increase of \$.2 million when compared to \$4.9 million for the same period of 2007. The Company’s pine sawtimber harvest level in the current period was 147,436 tons, a 43,371 ton increase when compared to the 104,065 tons harvested in 2007’s third quarter. The third quarter 2007 Company fee timber harvest was lower than normal because the Waldo Mill was shut down for two months during the period for fire related repairs. Deltic plans for the 2008 annual harvest volume to be approximately the same as 2007 and intends to consume the annual harvest in the Company’s sawmills. The average pine sawtimber price was \$29 per ton for the third quarter of 2008 versus \$39 per ton a year ago, as area stumpage prices have decreased more than usual during the current downward cycle in the lumber market. Deltic harvested 84,138 tons of pine pulpwood at an average price of \$13 per ton in 2008’s third quarter compared to 105,999 tons at an average price of \$13 per ton in the prior-year quarter. Oil and gas lease rental and royalty income totaled \$1 million during the third quarter of 2008 compared to \$.4 million in the third quarter of 2007. The Company sold approximately 185 acres of non-strategic recreational hardwood bottomland at an average sales price of \$1,500 per acre for the current quarter of 2008 versus 360 acres sold at an average sales price of \$2,000 per acre for the same period of 2007.

Deltic’s Mills segment reported operating income of \$1.8 million in the third quarter of 2008 compared to a loss of \$.8 million in the corresponding quarter of 2007. The improvement was primarily due to a combination of slightly improved sales prices for lumber due to sales mix, increased hourly productivity rates at both sawmills resulting from previous capital improvement projects, and reduced raw-material log cost due to the reduction in area pine sawtimber prices. The average finished lumber sales price increased \$3 to \$307 per thousand board feet in 2008’s third quarter versus \$304 per thousand board feet a year ago. Lumber sales volume of 69.5 million board feet increased 52 percent when compared to 2007’s third quarter sales of 45.6 million board feet mainly due to the two-month suspension of production at the Waldo Mill during the prior-year quarter combined with the benefit of improved hourly productivity rates.

The Company’s Real Estate segment lost \$.5 million in the third quarter of 2008, which compares to breakeven results for the same period of 2007. Residential lot sales totaled 11 lots, a decrease of 13 lots

when compared to the same quarter of 2007. Due to sales mix, the average lot sales price decreased by \$10,000 to \$74,300 per lot in the third quarter of 2008. There were no commercial acreage sales in the third quarter of either year.

Corporate operating expense was \$4.4 million for 2008's third quarter, which compares to \$2.9 million for the corresponding quarter of 2007. The variance was primarily due to increased acquisition-related cost included in general and administrative expenses for the current quarter. Deltic's equity in earnings of Del-Tin Fiber was income of \$.7 million for the current-year quarter compared to \$.3 million for the third quarter of 2007. Income taxes in the current year period were a benefit of \$.5 million compared to income tax expense of \$.2 million in the third quarter of 2007.

Capital expenditures were \$6 million for the third quarter of 2008 and \$16.7 million for the nine months ended September 30, 2008. For the corresponding periods of 2007, capital expenditures totaled \$6.3 million and \$15.6 million, respectively.

For the first nine months of 2008, net income totaled \$4.6 million, \$.37 a share. Financial results for the nine months ended September 30, 2007, were net income of \$9.4 million, \$.76 a share. Net cash provided by operating activities was \$18.8 million for the 2008 period compared to \$24.7 million a year ago.

Pine sawtimber harvest level for the nine months ended September 30, 2008 was 471,001 tons compared to 437,321 tons during the same period of 2007. Average pine sawtimber price of \$34 per ton decreased seven dollars per ton from the prior-year period. Finished lumber average sales price decreased \$20, or seven percent, from \$300 per thousand board feet in 2007 to \$280 per thousand board feet in 2008. Lumber sales volume increased 31.1 million board feet from 171 million board feet in 2007 to 202.1 million board feet in 2008. Residential lot sales for the first nine months of 2008 totaled 25 lots at an average price of \$72,000, compared to 58 lots sold at \$89,200 per lot for the corresponding period of 2007. No commercial real estate acreage was sold during the first nine months of 2008, while approximately 26 acres were sold at an average sales price of \$240,600 per acre for the same period of 2007. There were no sales of undeveloped real estate acreage for the first nine months of 2008, while 680 acres of undeveloped real estate sold at \$12,000 per acre during the same period of 2007.

In regard to the outlook for the fourth quarter and year of 2008, Mr. Dillon stated, "We currently anticipate the pine sawtimber harvest to be 80,000 to 100,000 tons and 550,000 to 575,000 tons,

respectively. Finished lumber sales are estimated at 50 to 70 million board feet for the fourth quarter and 250 to 270 million feet for the year, depending upon market conditions. Residential lot sales are projected at 35 to 40 for the year of 2008.”

Statements included herein that are not historical in nature are intended to be, and are hereby identified as, “forward-looking statements” within the meaning of the Federal Securities Laws. Such statements reflect the Company’s current expectations and involve certain risks and uncertainties. Actual results could differ materially from those included in such forward-looking statements. Factors that could cause such differences include, but are not limited to, the cyclical nature of the industry, changes in interest rates and general economic conditions, adverse weather, cost and availability of materials used to manufacture the Company’s products, and the other risk factors described from time to time in the reports and disclosure documents filed by the Company with the Securities and Exchange Commission.

Deltic will hold a conference call on Thursday, October 30, 2008 at 10:00 a.m. Central Time to discuss third quarter 2008 earnings. Interested parties may participate in the call by dialing 1-888-713-4214 and referencing participant passcode identification number 82480392. The call will also be broadcast live over the Internet and can be accessed through the Investor Relations section of the Deltic website, at **www.deltic.com**. Online replays of the call will be available through the Deltic website, and a recording of the call will be available until 11:59 p.m. Central Time on Thursday, November 6, by dialing 1-888-286-8010 and referencing replay passcode identification number 82844531.

Summary financial data and operating statistics for the third quarter of 2008 and nine months ended September 30, 2008 with comparisons to 2007 are contained in the following tables.

Deltic Timber Corporation
SEGMENT INFORMATION (Unaudited)
(Millions of dollars)

| | <u>Three Months Ended</u> <u>September 30, 2008</u> | | <u>Three Months Ended</u> <u>September 30, 2007</u> | |
|----------------------------------|--|---|--|---|
| | <u>Net</u> <u>Sales</u> | <u>Operating</u> <u>Income/</u> <u>(Loss)</u> | <u>Net</u> <u>Sales</u> | <u>Operating</u> <u>Income/</u> <u>(Loss)</u> |
| Woodlands | \$ 8.9 | 5.1 | 8.6 | 4.9 |
| Mills | 27.3 | 1.8 | 16.8 | (0.8) |
| Real Estate | 3.0 | (0.5) | 4.1 | 0.0 |
| Corporate | 0.0 | (4.4) | 0.0 | (2.9) |
| Eliminations | <u>(4.3)</u> | <u>0.3</u> | <u>(4.0)</u> | <u>(0.4)</u> |
| Total net sales/operating income | <u>\$ 34.9</u> | <u>2.3</u> | <u>25.5</u> | <u>0.8</u> |

| | <u>Nine Months Ended</u> <u>September 30, 2008</u> | | <u>Nine Months Ended</u> <u>September 30, 2007</u> | |
|----------------------------------|---|---|---|---|
| | <u>Net</u> <u>Sales</u> | <u>Operating</u> <u>Income/</u> <u>(Loss)</u> | <u>Net</u> <u>Sales</u> | <u>Operating</u> <u>Income/</u> <u>(Loss)</u> |
| Woodlands | \$ 33.0 | 20.9 | 29.9 | 18.9 |
| Mills | 73.2 | (3.2) | 63.2 | (3.5) |
| Real Estate | 8.2 | (1.4) | 26.1 | 12.6 |
| Corporate | 0.0 | (10.9) | 0.0 | (10.6) |
| Eliminations | <u>(16.1)</u> | <u>0.1</u> | <u>(15.4)</u> | <u>(0.6)</u> |
| Total net sales/operating income | <u>\$ 98.3</u> | <u>5.5</u> | <u>103.8</u> | <u>16.8</u> |

Deltic Timber Corporation
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(Thousands of dollars, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------|------------------------------------|---------------|
| | <u>2008</u> | <u>2007</u> | <u>2008</u> | <u>2007</u> |
| Net sales | \$ 34,964 | 25,528 | 98,337 | 103,810 |
| Costs and expenses | | | | |
| Cost of sales | 24,636 | 18,223 | 70,714 | 64,986 |
| Depreciation, amortization, and cost of fee timber harvested | 3,327 | 3,370 | 10,488 | 10,624 |
| General and administrative expenses | 4,641 | 3,169 | 11,607 | 11,436 |
| Total costs and expenses | <u>32,604</u> | <u>24,762</u> | <u>92,809</u> | <u>87,046</u> |
| Operating income | 2,360 | 766 | 5,528 | 16,764 |
| Equity in earnings of Del-Tin Fiber | 679 | 344 | 2,071 | 1,316 |
| Interest income | 74 | 301 | 249 | 690 |
| Interest and other debt expense | (1,230) | (1,262) | (3,805) | (3,855) |
| Interest capitalized | 116 | 192 | 376 | 497 |
| Other income/(expense) | 32 | 85 | 79 | 290 |
| Income before income taxes | 2,031 | 426 | 4,498 | 15,702 |
| Income taxes | 552 | (181) | 141 | (6,270) |
| Net income | <u>\$ 2,583</u> | <u>245</u> | <u>4,639</u> | <u>9,432</u> |
| Earnings per common share | | | | |
| Basic | \$ 0.21 | 0.02 | 0.37 | 0.76 |
| Assuming dilution | \$ 0.21 | 0.02 | 0.37 | 0.74 |
| Dividends per common share paid | \$ 0.0750 | 0.0750 | 0.2250 | 0.2250 |
| Average common shares outstanding (thousands) | 12,482 | 12,488 | 12,449 | 12,477 |

Deltic Timber Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Thousands of dollars)

| | Nine Months Ended September 30, | |
|--|------------------------------------|-----------------|
| | <u>2008</u> | <u>2007</u> |
| Operating activities | | |
| Net income | \$ 4,639 | 9,432 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization, and cost of fee timber harvested | 10,488 | 10,624 |
| Deferred income taxes | 370 | 1,071 |
| Real estate costs recovered upon sale | 1,064 | 4,785 |
| Timberland costs recovered upon sale | 707 | 151 |
| Equity in earnings of Del-Tin Fiber | (2,071) | (1,316) |
| Stock-based compensation expense | 1,233 | 1,825 |
| Net increase in liabilities for pension and other postretirement benefits | 119 | 173 |
| Net decrease in deferred compensation for stock-based liabilities | (65) | (223) |
| (Increase)/decrease in operating working capital other than cash and cash equivalents | 1,757 | 3,507 |
| Other - net | 598 | (5,349) |
| Net cash provided by operating activities | <u>18,839</u> | <u>24,680</u> |
| Investing activities | | |
| Capital expenditures | (16,408) | (15,643) |
| Net change in purchased stumpage inventory | 83 | (1,628) |
| Advances to Del-Tin Fiber | (4,406) | (2,580) |
| Distributions from Del-Tin Fiber | 5,017 | 2,470 |
| Net change in funds held by trustee | (1,426) | (591) |
| Other - net | 955 | 1,472 |
| Net cash provided/(required) by investing activities | <u>(16,185)</u> | <u>(16,500)</u> |
| Financing activities | | |
| Proceeds from borrowings | 2,500 | 1,000 |
| Treasury stock purchases | (11) | - |
| Common stock dividends paid | (2,803) | (2,808) |
| Proceeds from stock option exercises | 3,388 | 997 |
| Tax effect of stock-based compensation expense | 521 | 305 |
| Other - net | (418) | - |
| Net cash required by financing activities | <u>3,177</u> | <u>(506)</u> |
| Net increase in cash and cash equivalents | 5,831 | 7,674 |
| Cash and cash equivalents at January 1 | <u>10,673</u> | <u>11,359</u> |
| Cash and cash equivalents at September 30 | <u>\$ 16,504</u> | <u>19,033</u> |

Deltic Timber Corporation
CONSOLIDATED BALANCE SHEETS
(Thousands of dollars)

| | (Unaudited) | |
|---|-------------------|-----------------|
| | <u>Sep. 30</u> | <u>Dec. 31,</u> |
| | <u>2008</u> | <u>2007</u> |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 16,504 | 10,673 |
| Trade accounts receivable | 5,596 | 3,941 |
| Other receivables | 190 | 161 |
| Inventories | 4,804 | 6,156 |
| Prepaid expenses and other current assets | 3,091 | 2,302 |
| Total current assets | <u>30,185</u> | <u>23,233</u> |
| Investment in real estate held for development and sale | 48,245 | 46,048 |
| Investment in Del-Tin Fiber | 7,960 | 7,017 |
| Other investments and noncurrent receivables | 3,755 | 2,445 |
| Timber and timberlands - net | 208,922 | 208,428 |
| Property, plant, and equipment - net | 40,001 | 39,214 |
| Deferred charges and other assets | 1,081 | 2,359 |
| Total assets | <u>\$ 340,149</u> | <u>328,744</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Trade accounts payable | \$ 4,367 | 2,660 |
| Current maturities of long-term debt | 6,667 | 3,333 |
| Accrued taxes other than income taxes | 1,800 | 1,650 |
| Income taxes payable | 41 | 1,371 |
| Deferred revenues and other accrued liabilities | 9,685 | 6,934 |
| Total current liabilities | <u>22,560</u> | <u>15,948</u> |
| Long-term debt | 65,833 | 66,667 |
| Deferred tax liabilities | 7,030 | 6,800 |
| Guarantee of indebtedness of Del-Tin Fiber | 690 | 1,207 |
| Other noncurrent liabilities | 20,098 | 20,036 |
| Stockholders' equity | | |
| Common stock, 12,813,879 shares issued | 128 | 128 |
| Capital in excess of par value | 77,690 | 76,637 |
| Retained earnings | 155,968 | 155,299 |
| Treasury stock, 282,317 and 323,633 shares held, respectively | (8,225) | (12,385) |
| Accumulated other comprehensive loss | (1,623) | (1,593) |
| Total stockholders' equity | <u>223,938</u> | <u>218,086</u> |
| Total liabilities and stockholders' equity | <u>\$ 340,149</u> | <u>328,744</u> |

Deltic Timber Corporation
OTHER DATA (Unaudited)

| (Thousands of dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------|------------------------------------|---------|
| | 2008 | 2007 | 2008 | 2007 |
| Capital expenditures - thousands of dollars | | | | |
| Woodlands | \$ 1,258 | 841 | 5,956 | 4,013 |
| Mills | 2,029 | 1,405 | 6,149 | 2,882 |
| Real Estate | 2,634 | 4,053 | 4,450 | 8,682 |
| Corporate | 8 | 25 | 102 | 66 |
| Total | \$ 5,929 | 6,324 | 16,657 | 15,643 |
| Woodlands | | | | |
| Pine sawtimber harvested from fee lands - tons | 147,436 | 104,065 | 471,001 | 437,321 |
| Pine sawtimber price - per ton | \$ 29 | 39 | 34 | 41 |
| Timberland sales - acres | 185 | 360 | 1,830 | 424 |
| Timberland sales price - per acre | \$ 1,500 | 2,000 | 2,200 | 1,900 |
| Mills | | | | |
| Finished lumber sales - thousands of board feet | 69,452 | 45,605 | 202,087 | 170,990 |
| Finished lumber price - per thousand board feet | \$ 307 | 304 | 280 | 300 |
| Real Estate | | | | |
| Residential | | | | |
| Lots sold | 11 | 24 | 25 | 58 |
| Average sales price - per lot | \$ 74,300 | 83,900 | 72,000 | 89,200 |
| Commercial | | | | |
| Acres sold | - | - | - | 26 |
| Average sales price - per acre | \$ - | - | - | 240,600 |
| Undeveloped | | | | |
| Acres sold | - | - | - | 680 |
| Average sales price - per acre | \$ - | - | - | 12,000 |