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Deltic Timber Corporation (NYSE-DEL) held its 2001 annual shareholders' meeting today in El Dorado, AR. Robert C. Nolan, Chairman of the Board of Directors, called the meeting to order and after conducting the required shareholder business, introduced the theme of this year's meeting — "Strengthening Our Timberlands". Mr. Nolan reminded the shareholders that when Deltic became a publicly owned company in 1997, its Board and management team pledged to use their expertise and the resources of the Company to grow Deltic by staying focused on the goal of strengthening its timberland base by (1) using cash flow from operations, (2) leveraging its existing assets, (3) redeploying assets within its operations, and, most importantly, by (4) accomplishing all three while increasing its existing sawtimber inventory and operating on a sustainable-yield basis. Mr. Nolan proudly communicated to the shareholders in attendance that this pledge had been honored.

"It all begins with the land," stated Mr. Nolan. "We at Deltic believe that good things happen to those who own land. We will continue to strengthen our timberlands, utilizing our expertise which is firmly rooted in a 98-year tradition of Southern Pine ownership and operation, to reach the goal, because of our belief in the attendant opportunities that this ownership presents to a focused management team and Board of Directors. We are in the sawmill business because it protects our flanks, and precludes us from being held hostage at the conversion point where wood fiber is transformed into a useful product. We were invited to enter the medium density fiberboard business, as a partner with a leader in the panelboard industry because we control the raw material which comes from our lands. We are in the real estate business because it makes sense to us to buy land by the acre and sell it by the square foot. We have a profitable Managed Forest Lands Department because of our recognized expertise in this field. We have a growing profit center in hunting lease management, and we have significant exposure to potential mineral development under our fee land base. But — it all begins with the land."

Mr. Nolan reported that Deltic currently owns 433,000 acres of timberland in Arkansas and north Louisiana, including 248,000 acres of all-aged pine forests and 148,000 acres of pine plantations which represent an advantageous mix of age classifications that ensure the future growth of the Company and guarantee a consistent revenue stream from these lands. Its all-aged pine forests represent Deltic's core timberland asset and produce high-grade, woods-grown logs that have the required size and desirability to bring the highest dollar from purchasers. "The timber on these lands are a mix of pre-merchantable trees, pulpwood, young sawlogs, and mature trees ready to harvest, thus ensuring, absent natural catastrophes, something close to a perpetual stand of timber. The true value of the pine plantations, of which almost 70 percent are 11-20 years in age, is the future production of pine sawtimber. These plantations are realizing impressive growth rates and are forecasted by Deltic foresters to be stocked with eight million tons of pine sawtimber by the year 2021, or 80 percent of the Company's current sawtimber volume," stated Mr. Nolan.

In regard to the priority of Deltic operating its timberlands on a sustainable-harvest basis, Mr. Nolan said, "We saw the necessity, at the time we became a public company, of a steady income stream from our Woodlands segment as a source of funding our future growth and as a buffer against the unpredictable price gyrations of the downstream, or conversion, end of our business. I have often stated that Deltic does not intend to 'hit a brick wall' by overcutting our lands. We are growing significantly more fiber than we are harvesting. The discipline we are following here is not so rigid as to allow for some acceleration in the future as a partial funding source for a new investment or acquisition, but I assure you that new investment must be good, or better yet, can't miss. The result of this is that, for the fourth consecutive year, we can report to you a rising pine sawtimber inventory for Deltic, an inventory that now totals over 10 million tons."

An important component of Deltic's ability to strengthen its timberlands and grow as a company has been its expansion through acquisition. The Company recently passed the 100,000 acre level of acquired woodlands. In accomplishing this, Deltic's management team has used a steady, disciplined approach, closely adhering to value parameters designed to not only add value but to protect value in a down market. In addition, it is important to note that Deltic's acquisitions have been made in existing forestry districts, thus increasing economies of scale. In concluding his report on Deltic's efforts to

strengthen its timberlands, Mr. Nolan noted, "All of this attention to, and focus on, woodlands would be problematic if it weren't translating into a financial return for this Company. This return is evidenced by the rising revenue stream created from our timberlands. Also, note that our Woodlands segment continues to report impressive margins, as a large percentage of revenue is captured and retained in the form of operating income for this segment."

Ron Pearce, President and Chief Executive Officer, continued the presentation by highlighting some of Deltic's achievements during the past year and communicating how he thinks these achievements will benefit the Company in the future. Mr. Pearce opened his comments by remarking, "Last year at this time, I told you of our plan to exchange farmland for timberland as a way to unlock value and focus on our core business. To achieve this, Deltic decided to sell approximately 37,000 acres of farmland and 6,000 acres of non-strategic and higher and better use lands and use the proceeds to acquire 37,000 acres of Southern Pine timberland in our operating area here in Arkansas. To minimize tax liability, these transactions were handled as a Section 1031 type exchange. I am happy to report that we have successfully completed the transaction. This exchange was a large project for Deltic and one that can have a major influence on the future growth of the Company. Not only did we have to contract and successfully close the sale of 65 tracts of farmland during a specific time line, we also had to locate, negotiate for, and acquire the replacement acres of Southern Pine timberland at the same time. The excellent assortment of lands acquired fit well with Deltic's all-aged timber management plan. The mature, heavily stocked lands can be used to help offset the loss of farm income and the remainder of acquired lands fit well into our plan to continue increasing harvest levels as we grow the Company. All of these lands are strategically located in our current operating area and the sawtimber can be utilized by our existing mills or be available for outside, third party sales."

Mr. Pearce also communicated that Deltic is continuing to expand its program, started in 1999, to sell higher and better use land tracts where the sales price significantly exceeds the value as timberland, in addition to lands of lower quality or outlying tracts classified as non-strategic, to unlock shareholder value while providing capital for future investments. To reinforce the potential for this program, Pearce referred to a map of west Pulaski County showing the locations of Deltic timberland acquisitions dating from 1956 to 1999 totaling over 67,000 acres at an average cost of under \$350 per

acre and land sales in the same area with prices ranging from \$6,400 per acre for undeveloped land to \$85,000 per acre for land within the area of Deltic's Chenal Valley real estate development. He then unveiled a map showing the development plan for a second 18-hole golf course now under construction in Chenal Valley. "When completed, this project will open over 500 acres for development and eventually lead to 700 additional homesites, with the first lots being offered in late 2001 or early 2002," stated Pearce.

Mr. Pearce then reported that while Deltic's lumber manufacturing operations struggled with very difficult lumber market conditions when compared to 1999, capital improvements have been added during this time to increase both the efficiency and capacity at each mill which should allow Deltic to capitalize on the next strong lumber market. "The low lumber prices of last year brought our first decline in lumber production in many years. Production steadily increased from 147 million feet in 1997 to 160 million feet in 1998 and 186 million feet in 1999 before declining last year to 169 million feet. This downturn in production was due to an extremely depressed lumber market, two ice storms in December, and the completion of capital projects at each mill. Production curtailments have continued this year until mid-March when both mills resumed full-time production schedules. The forecast for lumber production this year is approximately 180 million board feet. It is estimated that the capacity of our mills will be 270 million board feet by the end of this year."

In regard to the current status of Del-Tin Fiber, the medium density fiberboard joint venture with Temple-Inland Forest Products, Pearce stated that the plant was burdened with low prices for MDF throughout last year due in part to extremely low prices for lumber. "The combination of weak markets and high natural gas prices for the plant's heat energy system led to a decision by the partners to temporarily shut down the plant at the end of January." (The heat energy system at Del-Tin is currently being modified to enable the system to operate more efficiently with wood waste as fuel and reduce its dependency on natural gas. It is anticipated that the modifications will be completed by mid-May and operations will resume in June.) "Since the plant has been down, the MDF market has strengthened and a number of producers have announced price increases," noted Mr. Pearce.

Pearce concluded his portion of the presentation by addressing the Board's decision to approve a third common stock repurchase program set at \$10 million, and remarked, "Because Deltic's Board of

Directors continues to believe the Deltic share price does not fully reflect the value of the underlying assets (The company's 10 million tons of pine sawtimber factoring in current market prices exceeds the current market capitalization for Deltic's common stock.), an additional \$10 million repurchase program was authorized last December. As of March 31, we have repurchased an additional 48,500 shares. We view these purchases as being accretive to cash flow and net asset value on a per share basis."

Mr. Nolan then concluded the presentation with the following remarks. "Finally, ladies and gentlemen, I would like to lift up for emphasis for you the historical economic benefits of owning Southern Pine timberland. Since 1968, an investment in this asset has produced a 12.4 percent annualized rate of return, and remarkably, has outpaced both the S&P 500 and Small Cap stock indices over this period of time. Forbes Magazine reported recently that an investment in standing timber has, since 1960, yielded an annual return of nine percent over and above the rate of inflation, which is, again, a percentage point ahead of the S&P 500 real rate of return. Deltic will continue to focus upon its goal of strengthening, and expanding, its timberland base."