

PLUM CREEK TIMBER COMPANY, INC.  
CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

	Quarter Ended September 30,	
	2000 (REIT)	1999 (REIT)
	(In Thousands, Except Per Share)	
Revenues .....	\$ 41,539	\$ 51,999
Costs and Expenses:		
Cost of Goods Sold .....	16,367	15,339
Selling, General and Administrative .....	2,283	2,945
Merger Expenses .....	2,178	0
Total Costs and Expenses .....	20,828	18,284
Operating Income .....	20,711	33,715
Interest Expense .....	(11,548)	(13,665)
Interest Income .....	893	500
Gain (Loss) on Disposition of Assets - Net .....	(187)	0
Other (Expense) Income - Net .....	5	(391)
Income before Income Taxes, Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends .....	9,874	20,159
(Provision) Benefit for Income Taxes .....	0	14,030
Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends .....	(366)	11,904
Net Income .....	\$ 9,508	\$ 46,093
Net Income per Share - Basic & Diluted.....	\$ 0.14	\$ 0.73
Weighted average number of Shares/Units outstanding - Basic	69,181	63,457
Weighted average number of Shares/Units outstanding - Diluted	69,228	63,457

PLUM CREEK TIMBER COMPANY, INC.  
CONSOLIDATED / COMBINED STATEMENT OF INCOME  
(UNAUDITED)

	Nine Months Ended September 30,	
	2000 (REIT)	1999 (REIT/MLP)
	(In Thousands, Except Per Share / Unit)	
Revenues .....	\$ 153,639	\$ 414,569
Costs and Expenses:		
Cost of Goods Sold .....	49,325	272,031
Selling, General and Administrative .....	9,133	24,492
Merger Expenses .....	2,178	0
Total Costs and Expenses .....	60,636	296,523
Operating Income .....	93,003	118,046
Interest Expense .....	(35,246)	(50,714)
Interest Income .....	3,896	1,110
Gain (Loss) on Disposition of Assets - Net .....	49,723	0
Reorganization Costs .....	0	(5,053)
Other (Expense) Income - Net .....	167	(633)
Income before Income Taxes, Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends and Cumulative Effect of Accounting Change .....	111,543	62,756
(Provision) Benefit for Income Taxes .....	0	13,045
Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends .....	(453)	11,904
Net Income before Cumulative Effect of Accounting Change .....	\$ 111,090	\$ 87,705
Cumulative Effect of Accounting Change .....	0	12,169
Net Income .....	\$ 111,090	\$ 99,874
General Partner Interest .....	0	17,162
Net Income Allocable to Common Shareholders / Unitholders .....	\$ 111,090	\$ 82,712
Income Allocable to Common Shareholders/Unitholders per Share before Cumulative Effect of Accounting Change .....	\$ 1.61	\$ 1.36
Cumulative Effect of Accounting Change per Share/Unit .....	\$ -	\$ 0.23
Net Income per Share / Unit - Basic & Diluted.....	\$ 1.61	\$ 1.59
Weighted average number of Shares/Units outstanding - Basic	69,193	52,034
Weighted average number of Shares/Units outstanding - Diluted	69,214	52,034

PLUM CREEK TIMBER COMPANY, INC.  
CONSOLIDATED BALANCE SHEET

	September 30, 2000 (REIT) (UNAUDITED)	December 31, 1999 (REIT)
(In Thousands, except share data)		
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents .....	\$ 116,801	\$ 115,389
Accounts Receivable .....	0	828
Related Party Receivables .....	19,952	0
Investments in Grantor Trusts .....	13,431	13,721
Other Current Assets .....	2,190	3,378
	152,374	133,316
Timber and Timberlands - Net .....	982,002	1,010,524
Property, Plant and Equipment - Net .....	1,106	1,203
Investment in Unconsolidated Subsidiaries .....	78,903	100,202
Other Assets .....	3,402	5,511
Total Assets .....	\$ 1,217,787	\$ 1,250,756
<b>LIABILITIES</b>		
Current Liabilities:		
Current Portion of Long-Term Debt .....	\$ 6,147	\$ 6,127
Accounts Payable .....	876	1,674
Related Party Payables .....	0	26,522
Interest Payable .....	11,356	9,623
Taxes Payable .....	3,253	2,034
Liabilities Associated with Grantor Trust .....	12,992	13,411
Deferred Income .....	3,828	8,556
Other Current Liabilities .....	6,972	6,257
	45,424	74,204
Long-Term Debt .....	559,914	565,950
Line of Credit .....	86,000	77,000
Workers' Compensation Liabilities .....	225	225
Other Liabilities .....	719	330
Total Liabilities .....	692,282	717,709
Commitments and Contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock, \$0.01 par value, authorized shares - 75 million, outstanding - none .....	0	0
Common Stock, \$0.01 par value, authorized shares - 300 million, outstanding - 68,572,009 .....	686	686
Special Voting Stock, \$0.01 par value, convertible to common stock, authorized and outstanding - 634,566 .....	6	6
Additional Paid-In Capital .....	522,244	522,244
Retained Earnings .....	2,332	9,586
Other Equity .....	237	525
Total Stockholders' Equity .....	525,505	533,047
Total Liabilities and Stockholders' Equity .....	\$ 1,217,787	\$ 1,250,756

PLUM CREEK TIMBER COMPANY, INC.  
CONSOLIDATED / COMBINED STATEMENT OF CASH FLOWS  
(UNAUDITED)

	Nine Months Ended September 30,	
	2000 (REIT)	1999 (REIT/MLP)
	(In Thousands)	
Cash Flows From Operating Activities:		
Net Income .....	\$ 111,090	\$ 99,874
Adjustments to Reconcile Net Income to		
Net Cash Provided By Operating Activities:		
Depreciation, Depletion and Amortization .....	28,684	49,030
Deferred Income Taxes .....	0	(14,030)
Cumulative Effect of Accounting Change .....	0	(12,169)
(Gain) Loss on Asset Dispositions - Net .....	(49,723)	(120)
Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends.....	453	(11,904)
Common and Preferred Stock Dividends .....	16,556	3,919
Working Capital Changes:		
Accounts Receivable .....	828	(12,369)
Inventories .....	0	9,987
Timber Contract Deposits and Other Current Assets.....	1,479	(1,896)
Accounts Payable .....	(798)	(3,323)
Deferred Income .....	(4,728)	5,641
Other Accrued Liabilities.....	2,413	(6,115)
Other .....	4,264	658
Net Cash Provided By Operating Activities .....	110,518	107,183
Cash Flows From Investing Activities:		
Additions to Properties .....	(14,602)	(20,330)
Proceeds from Asset Dispositions .....	63,397	833
Investment in Unconsolidated Subsidiaries .....	0	(24,821)
Advances/Distributions with Unconsolidated Subsidiaries .....	(42,186)	59,019
Other .....	0	(1,372)
Net Cash Provided By (Used In) Investing Activities .....	6,609	13,329
Cash Flows From Financing Activities:		
Cash Distributions .....	(118,343)	(107,086)
Retirement of Long-Term Debt .....	(6,022)	(18,705)
Borrowings on Line of Credit .....	231,000	464,400
Repayments on Line of Credit .....	(222,000)	(445,900)
Other .....	(350)	0
Net Cash Used In Financing Activities .....	(115,715)	(107,291)
Increase (Decrease) In Cash and Cash Equivalents .....	1,412	13,221
Cash and Cash Equivalents:		
Beginning of Period .....	115,389	113,793
End of Period .....	\$ 116,801	\$ 127,014

Supplementary Cash Flow Information

Noncash activities:

Distribution of common stock from deferred incentive compensation plan for payment of liability .....	\$ 1,303	
Assets contributed to Unconsolidated Subsidiaries .....	\$	291,513
Liabilities contributed to Unconsolidated Subsidiaries .....	\$	221,755
Assets received related to the PCMC Merger .....	\$	13,726
Liabilities received related to the PCMC Merger .....	\$	12,134
Purchase accounting related basis step-up of assets .....	\$	3,939
Timber and timberlands received in an exchange .....	\$	3,330

Plum Creek Timber Company, Inc.  
Segment Data  
(Unaudited)

(In Thousands)	Third Quarter <u>2000</u>	Third Quarter <u>1999*</u>
<b>Revenues:</b>		
Northern Resources .....	\$ 63,653	\$ 90,072
Southern Resources .....	21,270	28,144
Lumber .....	68,045	89,592
Panel .....	35,504	47,262
Land Sales .....	3,187	8,023
Eliminations.....	<u>(36,435)</u>	<u>(62,338)</u>
Total Revenues.....	<u>\$ 155,224</u>	<u>\$ 200,755</u>
<b>Operating Costs and Expenses: **</b>		
Northern Resources .....	\$ 43,510	\$ 62,945
Southern Resources .....	12,858	16,595
Lumber .....	75,190	79,780
Panel .....	33,009	36,790
Land Sales .....	503	1,068
Other Costs and Eliminations.....	(32,803)	(51,094)
Merger Expenses.....	<u>2,178</u>	<u>0</u>
Total Costs and Expenses.....	<u>\$ 134,445</u>	<u>\$ 146,084</u>
<b>Operating Income (Expenses):</b>		
Northern Resources .....	\$ 20,143	\$ 27,127
Southern Resources .....	8,412	11,549
Lumber .....	(7,145)	9,812
Panel .....	2,495	10,472
Land Sales .....	2,684	6,955
Other Costs and Eliminations.....	(3,632)	(11,244)
Merger Expenses.....	<u>(2,178)</u>	<u>0</u>
Combined Segment Operating Income.....	<u>\$ 20,779</u>	<u>\$ 54,671</u>
<b>Less Operating Income Recognized by Unconsolidated Subsidiaries:</b>		
Lumber .....	\$ 7,145	\$ (9,812)
Panel .....	(2,495)	(10,472)
Land Sales .....	(2,305)	(1,032)
Harvesting Activity .....	(2,825)	(2,957)
Other Costs and Eliminations.....	<u>412</u>	<u>3,317</u>
REIT Operating Income .....	<u>\$ 20,711</u>	<u>\$ 33,715</u>

\* 1999 results reflect the change in accounting policy for silviculture costs. This change provided a favorable impact on operating income of \$0.4 million for the third quarter.

\*\* Amounts reflect the partial reversal of first and second quarters incentive compensation expense due to below budget performance. The reversal of approximately \$3.9 million dollars has been reflected in the appropriate segments.

Plum Creek Timber Company, Inc.  
Segment Data  
(Unaudited)

(In Thousands)	<u>Nine Months 2000</u>	<u>Nine Months 1999*</u>
Revenues:		
Northern Resources .....	\$ 189,013	\$ 218,284
Southern Resources .....	58,825	74,632
Lumber .....	229,931	257,638
Panel .....	115,321	131,905
Land Sales .....	26,296	15,103
Eliminations.....	<u>(108,092)</u>	<u>(134,237)</u>
Total Revenues.....	<u>\$ 511,294</u>	<u>\$ 563,325</u>
Operating Costs and Expenses:		
Northern Resources .....	\$ 127,051	\$ 150,560
Southern Resources .....	37,054	47,238
Lumber .....	236,470	237,545
Panel .....	106,898	108,415
Land Sales .....	2,872	1,989
Other Costs and Eliminations.....	(98,639)	(121,421)
Merger Expenses.....	2,178	
Total Costs and Expenses.....	<u>\$ 413,884</u>	<u>\$ 424,326</u>
Operating Income (Expenses):		
Northern Resources .....	\$ 61,962	\$ 67,724
Southern Resources .....	21,771	27,394
Lumber .....	(6,539)	20,093
Panel .....	8,423	23,490
Land Sales .....	23,424	13,114
Other Costs and Eliminations.....	(9,453)	(12,816)
Merger Expenses.....	<u>(2,178)</u>	<u>0</u>
Combined Segment Operating Income.....	<u>\$ 97,410</u>	<u>\$ 138,999</u>
Less Operating Income Recognized by Unconsolidated Subsidiaries:		
Lumber .....	\$ 6,539	\$ (9,812)
Panel .....	(8,423)	(10,472)
Land Sales .....	(2,732)	(1,032)
Harvesting Activity .....	(7,513)	(2,957)
Other Costs and Eliminations.....	<u>7,722</u>	<u>3,320</u>
REIT Operating Income .....	<u>\$ 93,003</u>	<u>\$ 118,046</u>

\* 1999 results reflect the change in accounting policy for silviculture costs. This change provided a favorable impact on operating income of \$1.7 million for the nine months ending.

**Plum Creek Timber Company, Inc.**  
**Selected Operating Statistics**  
(Unaudited)

	<u>1st Qtr 2000</u>	<u>2nd Qtr 2000</u>	<u>3rd Qtr 2000</u>	<u>YTD 2000</u>	<u>1st Qtr 1999</u>	<u>2nd Qtr 1999</u>	<u>3rd Qtr 1999</u>	<u>4th Qtr 1999</u>	<u>YTD 1999</u>
<b>Sales Realization</b>									
Northwest Lumber (1) (\$/MBF)	467	430	381	427	444	461	478	463	462
Southern Lumber (\$/MBF)	367	334	309	337	387	392	396	367	385
Northwest Plywood (1) (\$/MSF)	307	310	296	305	322	347	372	308	338
Fiberboard (1) (\$/MSF)	346	349	346	347	314	321	334	330	325
Export Logs (\$/MBF)	784	749	689	739	680	737	669	721	698
Domestic Logs									
Cascades (\$/MBF)	578	521	442	507	522	571	520	503	532
Rockies (2) (\$/Cunit)	250	244	244	246	228	233	235	244	235
Southern (\$/Cunit)	186	184	188	186	173	187	191	194	187
Northeast (\$/Ton)	66	71	70	69	62	62	63	62	62
Southern Pulp Logs (\$/Cunit)	89	85	81	85	95	96	90	88	92
Northeast Pulp Logs (\$/Ton)	29	31	30	30	26	26	27	27	27
<b>Sales Volume</b>									
Northwest Lumber (MBF)	108,070	106,936	100,050	315,056	107,017	111,224	108,741	104,151	431,133
Southern Lumber (MBF)	69,633	67,976	70,193	207,802	56,413	69,129	67,927	73,449	266,918
Northwest Plywood (MSF)	81,450	80,507	72,200	234,158	80,249	83,451	84,371	84,072	332,143
Fiberboard (MSF)	37,241	33,369	34,126	104,736	34,154	34,751	33,562	32,653	135,120
Export Saw Logs (MBF)	3,690	5,723	4,520	13,933	8,126	7,044	6,738	2,418	24,326
Domestic Saw Logs:									
Cascades (MBF)	16,353	16,972	21,427	54,752	18,854	17,166	22,672	8,472	67,164
Rockies (2) (Cunits):									
Internal Fee	125,146	79,671	98,022	302,839	141,154	77,778	161,029	140,612	520,573
External Fee	31,729	26,200	33,405	91,334	53,000	28,592	62,610	59,441	203,643
Total Rockies	156,875	105,871	131,427	394,173	194,154	106,370	223,639	200,053	724,216
Southern (Cunits)	64,673	55,738	74,953	195,364	59,198	83,095	93,745	78,280	314,318
Northeast (Tons)	181,515	91,650	144,539	417,704	144,749	76,299	147,569	172,941	541,558
Southern Pulp Logs (Cunits)	77,655	79,918	80,204	237,777	92,562	100,549	95,111	95,250	383,472
Northeast Pulp Logs (Tons)	181,785	100,213	150,065	432,063	158,065	62,249	191,504	177,465	589,283
<b>Land Sales Income (in thousands)</b>	10,505	10,235	2,684	\$23,424	\$731	\$5,428	\$6,955	\$6,732	\$19,846

(1) Represents prices at mill level.

(2) Rockies statistics are now presented on a Cunit basis. Prior data has been restated. Conversion factor is approximately 2 Cunits per MBF.

**PLUM CREEK TIMBER COMPANY**  
**SUPPLEMENTAL DETAIL OF UNCONSOLIDATED SUBSIDIARIES**  
**2000 - THIRD QUARTER**

(In Thousands)	<u>REIT STAND ALONE FINANCIALS</u>	<u>UNCONSOLIDATED SUBSIDIARIES</u>	<u>COMBINED</u>
OPERATING INCOME	20,711	69	20,780
INTEREST EXPENSE	(11,548)	(4,155)	(15,703)
GAIN (LOSS) ON DISP. OF ASSETS	(187)	(28)	(215)
OTHER INCOME (EXPENSE)	898	1,354 *	2,252
TAX (PROVISION) BENEFIT	-	2,394	2,394
NET INCOME	<u>9,874</u>	<u>(366)</u>	<u>9,508</u>
DEPLETION, DEPREC. & AMORT.	<u>9,766</u>	<u>6,243</u>	<u>16,009</u>
CAPITAL EXPENDITURES	<u>5,078</u>	<u>8,675</u>	<u>13,753</u>

\* Includes \$1,188 of amortization income related to the basis difference associated with the REIT's investment in the unconsolidated subsidiaries. This amount offsets a portion of the unconsolidated subsidiaries' deferred tax expense included in the tax benefit of \$2,394.



**PLUM CREEK TIMBER COMPANY**  
**SUPPLEMENTAL DETAIL OF UNCONSOLIDATED SUBSIDIARIES**  
**2000 Nine Months Ending**

(In Thousands)	<u>REIT STAND ALONE FINANCIALS</u>	<u>UNCONSOLIDATED SUBSIDIARIES</u>	<u>COMBINED</u>
OPERATING INCOME	93,003	4,408	97,411
INTEREST EXPENSE	(35,246)	(13,510)	(48,756)
GAIN (LOSS) ON DISP. OF ASSETS	49,723	460	50,183
OTHER INCOME (EXPENSE)	4,063	2,776 *	6,839
TAX (PROVISION) BENEFIT	-	5,413	5,413
NET INCOME	<u>111,543</u>	<u>(453)</u>	<u>111,090</u>
DEPLETION, DEPREC. & AMORT.	<u>28,684</u>	<u>20,691</u>	<u>49,375</u>
CAPITAL EXPENDITURES	<u>14,602</u>	<u>25,064</u>	<u>39,666</u>

\* Includes \$2,375 of amortization income related to the basis difference associated with the REIT's investment in the unconsolidated subsidiaries. This amount offsets a portion of the unconsolidated subsidiaries' deferred tax expense included in the tax benefit of \$5,413.