

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

| | <u>Six Months Ended</u> | |
|---|---|-------------------------|
| | June 30, <u>2008</u> | June 30, <u>2007</u> |
| | (In Millions, Except Per Share Amounts) | |
| Revenues: | | |
| Timber | \$ 393 | \$ 399 |
| Real Estate | 109 | 110 |
| Manufacturing | 226 | 244 |
| Other | 11 | 11 |
| Total Revenues | <u>739</u> | <u>764</u> |
| Costs and Expenses: | | |
| Cost of Goods Sold: | | |
| Timber | 276 | 258 |
| Real Estate | 36 | 38 |
| Manufacturing | 240 | 236 |
| Other | 1 | 1 |
| Total Cost of Goods Sold | <u>553</u> | <u>533</u> |
| Selling, General and Administrative | 63 | 61 |
| Total Costs and Expenses | <u>616</u> | <u>594</u> |
| Other Operating Income (Expense), net | <u>3</u> | <u>1</u> |
| Operating Income | 126 | 171 |
| Interest Expense, net | <u>70</u> | <u>71</u> |
| Income before Income Taxes | 56 | 100 |
| Benefit for Income Taxes | <u>(13)</u> | <u>(3)</u> |
| Income From Continuing Operations | 69 | 103 |
| Gain on Sale of Properties, net of tax | <u>-</u> | <u>2</u> |
| Net Income | <u>\$ 69</u> | <u>\$ 105</u> |
| Per Share Amounts: | | |
| Income From Continuing Operations per Share | | |
| - Basic | \$ 0.40 | \$ 0.58 |
| - Diluted | \$ 0.40 | \$ 0.58 |
| Net Income per Share | | |
| - Basic | \$ 0.40 | \$ 0.59 |
| - Diluted | \$ 0.40 | \$ 0.59 |
| Weighted Average Number of Shares Outstanding | | |
| - Basic | 171.4 | 176.4 |
| - Diluted | 171.8 | 176.8 |

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

Quarter Ended
June 30, June 30,
2008 2007

(In Millions, Except Per Share Amounts)

Revenues:

| | | |
|----------------|--------|--------|
| Timber | \$ 192 | \$ 190 |
| Real Estate | 57 | 71 |
| Manufacturing | 121 | 129 |
| Other | 6 | 5 |
| Total Revenues | 376 | 395 |

Costs and Expenses:

| | | |
|-------------------------------------|-----|-----|
| Cost of Goods Sold: | | |
| Timber | 137 | 124 |
| Real Estate | 20 | 22 |
| Manufacturing | 128 | 123 |
| Other | 1 | - |
| Total Cost of Goods Sold | 286 | 269 |
| Selling, General and Administrative | 33 | 31 |
| Total Costs and Expenses | 319 | 300 |

| | | |
|---------------------------------------|---|-----|
| Other Operating Income (Expense), net | - | (1) |
|---------------------------------------|---|-----|

| | | |
|-----------------------|----|----|
| Operating Income | 57 | 94 |
| Interest Expense, net | 34 | 35 |

| | | |
|--------------------------------------|-----|----|
| Income before Income Taxes | 23 | 59 |
| Provision (Benefit) for Income Taxes | (8) | 1 |

| | | |
|-----------------------------------|----|----|
| Income from Continuing Operations | 31 | 58 |
|-----------------------------------|----|----|

| | | |
|--|---|---|
| Gain on Sale of Properties, net of tax | - | 2 |
|--|---|---|

| | | |
|------------|-------|-------|
| Net Income | \$ 31 | \$ 60 |
|------------|-------|-------|

Per Share Amounts:

| | | | |
|---|----|------|---------|
| Income from Continuing Operations per Share | | | |
| Net Income per Share - Basic | \$ | 0.18 | \$ 0.33 |
| Net Income per Share - Diluted | \$ | 0.18 | \$ 0.33 |

| | | | |
|----------------------|----|------|---------|
| Net Income per Share | | | |
| - Basic | \$ | 0.18 | \$ 0.34 |
| - Diluted | \$ | 0.18 | \$ 0.34 |

| | | | |
|---|--|-------|-------|
| Weighted Average Number of Shares Outstanding | | | |
| - Basic | | 171.1 | 175.7 |
| - Diluted | | 171.6 | 176.1 |

PLUM CREEK TIMBER COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | <u>Six Months Ended</u> | |
|---|-------------------------|-------------------------|
| | June 30, <u>2008</u> | June 30, <u>2007</u> |
| | (In Millions) | |
| Cash Flows From Operating Activities: | | |
| Net Income | \$ 69 | \$ 105 |
| Adjustments to Reconcile Net Income to | | |
| Net Cash Provided By Operating Activities: | | |
| Depreciation, Depletion and Amortization (includes \$10 Lumber Impairment Loss in 2008) | 76 | 65 |
| Basis of Real Estate Sold | 22 | 23 |
| Expenditures for Real Estate Development | (5) | (6) |
| Deferred Income Taxes | (8) | (5) |
| Gain on Sales of Properties and Other Assets | (3) | (2) |
| Deferred Revenue from Long-Term Gas Leases (Net of Amortization) | 18 | - |
| Working Capital Changes Impacting Cash Flow: | | |
| Like-Kind Exchange Funds | (61) | (58) |
| Other Working Capital Changes | (17) | (14) |
| Other | 3 | 3 |
| Net Cash Provided By Operating Activities | <u>94</u> | <u>111</u> |
| Cash Flows From Investing Activities: | | |
| Capital Expenditures (Excluding Timberland Acquisitions) | (29) | (33) |
| Timberlands Acquired | (1) | (9) |
| Other | - | 4 |
| Net Cash Used In Investing Activities | <u>(30)</u> | <u>(38)</u> |
| Cash Flows From Financing Activities: | | |
| Dividends | (144) | (149) |
| Borrowings on Line of Credit | 755 | 1,596 |
| Repayments on Line of Credit | (942) | (1,832) |
| Proceeds from Issuance of Long-Term Debt | 250 | 350 |
| Principal Payments and Retirement of Long-Term Debt | (47) | (99) |
| Proceeds from Stock Option Exercises | 1 | 6 |
| Acquisition of Treasury Stock | (51) | (111) |
| Other | (1) | - |
| Net Cash Used In Financing Activities | <u>(179)</u> | <u>(239)</u> |
| Decrease In Cash and Cash Equivalents | (115) | (166) |
| Cash and Cash Equivalents: | | |
| Beginning of Period | <u>240</u> | <u>273</u> |
| End of Period | <u>\$ 125</u> | <u>\$ 107</u> |

PLUM CREEK TIMBER COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

| | <u>Quarter Ended</u> | |
|---|-------------------------|-------------------------|
| | June 30, <u>2008</u> | June 30, <u>2007</u> |
| | (In Millions) | |
| Cash Flows From Operating Activities: | | |
| Net Income | \$ 31 | \$ 60 |
| Adjustments to Reconcile Net Income to | | |
| Net Cash Provided By Operating Activities: | | |
| Depreciation, Depletion and Amortization (includes \$10 Lumber Impairment Loss in 2008) | 43 | 32 |
| Basis of Real Estate Sold | 12 | 14 |
| Expenditures for Real Estate Development | (2) | (4) |
| Deferred Income Taxes | (6) | (2) |
| Gain on Sale of Properties and Other Assets | - | (2) |
| Deferred Revenue from Long-Term Gas Leases (Net of Amortization) | 18 | - |
| Working Capital Changes Impacting Cash Flow: | | |
| Like-Kind Exchange Funds | (30) | (48) |
| Other Working Capital Changes | 22 | 17 |
| Other | 7 | 6 |
| Net Cash Provided By Operating Activities | <u>95</u> | <u>73</u> |
| Cash Flows From Investing Activities: | | |
| Capital Expenditures (Excluding Timberland Acquisitions) | (16) | (22) |
| Timberlands Acquired | - | (9) |
| Proceeds from Sales of Properties and Other Assets | - | 2 |
| Net Cash Used In Investing Activities | <u>(16)</u> | <u>(29)</u> |
| Cash Flows From Financing Activities: | | |
| Dividends | (72) | (74) |
| Borrowings on Line of Credit | 278 | 947 |
| Repayments on Line of Credit | (278) | (1,255) |
| Proceeds from Issuance of Long-Term Debt | - | 350 |
| Principal Payments and Retirement of Long-Term Debt | - | (27) |
| Proceeds from Stock Option Exercises | 1 | 1 |
| Acquisition of Treasury Stock | - | (89) |
| Other | (1) | - |
| Net Cash Used In Financing Activities | <u>(72)</u> | <u>(147)</u> |
| Increase (Decrease) In Cash and Cash Equivalents | 7 | (103) |
| Cash and Cash Equivalents: | | |
| Beginning of Period | <u>118</u> | <u>210</u> |
| End of Period | <u>\$ 125</u> | <u>\$ 107</u> |

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

| | <u>Six Months 2008</u> | <u>Six Months 2007</u> |
|-----------------------------------|--------------------------------|--------------------------------|
| (In Millions) | | |
| Revenues: | | |
| Northern Resources | \$ 168 | \$ 178 |
| Southern Resources | 250 | 253 |
| Real Estate | 109 | 110 |
| Manufacturing | 226 | 244 |
| Other | 11 | 11 |
| Eliminations..... | <u>(25)</u> | <u>(32)</u> |
| Total Revenues | <u>\$ 739</u> | <u>\$ 764</u> |
| Operating Income (Loss) | | |
| Northern Resources | \$ 21 | \$ 33 |
| Southern Resources | 74 | 87 |
| Real Estate | 68 | 68 |
| Manufacturing | (20) | 1 |
| Other | 10 | 10 |
| Other Costs and Eliminations..... | <u>(27)</u> | <u>(28)</u> |
| Total Operating Income..... | <u>\$ 126</u> | <u>\$ 171</u> |

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

| | <u>Second Quarter 2008</u> | <u>Second Quarter 2007</u> |
|-----------------------------------|------------------------------------|------------------------------------|
| (In Millions) | | |
| Revenues: | | |
| Northern Resources | \$ 74 | \$ 79 |
| Southern Resources | 128 | 126 |
| Real Estate | 57 | 71 |
| Manufacturing | 121 | 129 |
| Other | 6 | 5 |
| Eliminations..... | <u>(10)</u> | <u>(15)</u> |
| Total Revenues | <u>\$ 376</u> | <u>\$ 395</u> |
| Operating Income (Loss) | | |
| Northern Resources | \$ 7 | \$ 14 |
| Southern Resources | 37 | 41 |
| Real Estate | 35 | 47 |
| Manufacturing | (11) | 2 |
| Other | 5 | 5 |
| Other Costs and Eliminations..... | <u>(16)</u> | <u>(15)</u> |
| Total Operating Income..... | <u>\$ 57</u> | <u>\$ 94</u> |

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

| | | 2008 | | | 2007 | | | | |
|---------------------------|------------------|--------------|---------|---------|---------|---------|---------|---------|---------|
| | | 1st Qtr | 2nd Qtr | YTD | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD |
| Sales Realization | | Units | | | | | | | |
| Southern Resources | | | | | | | | | |
| Sawlog | \$/Ton Stumpage | \$29 | \$26 | \$27 | \$32 | \$31 | \$31 | \$30 | \$31 |
| Pulpwood | \$/Ton Stumpage | \$10 | \$10 | \$10 | \$9 | \$9 | \$9 | \$9 | \$9 |
| Northern Resources | | | | | | | | | |
| Sawlog | \$/Ton Delivered | \$67 | \$68 | \$67 | \$71 | \$76 | \$76 | \$71 | \$73 |
| Pulpwood | \$/Ton Delivered | \$39 | \$43 | \$41 | \$37 | \$38 | \$36 | \$38 | \$37 |
| Lumber (1) | \$/MBF | \$366 | \$367 | \$367 | \$390 | \$400 | \$405 | \$410 | \$400 |
| Plywood (1) | \$/MSF | \$398 | \$404 | \$401 | \$398 | \$407 | \$416 | \$399 | \$405 |
| Fiberboard (1) | \$/MSF | \$591 | \$600 | \$596 | \$490 | \$529 | \$542 | \$538 | \$525 |
| Sales Volume | | | | | | | | | |
| Southern Resources | | | | | | | | | |
| Sawlog | 1,000 Tons | 1,459 | 1,666 | 3,125 | 1,681 | 1,691 | 1,639 | 1,401 | 6,412 |
| Pulpwood | 1,000 Tons | 1,976 | 2,221 | 4,197 | 1,954 | 1,901 | 1,841 | 2,020 | 7,716 |
| Total Harvest | | 3,435 | 3,887 | 7,322 | 3,635 | 3,592 | 3,480 | 3,421 | 14,128 |
| Northern Resources | | | | | | | | | |
| Sawlog | 1,000 Tons | 978 | 739 | 1,717 | 960 | 789 | 821 | 1,032 | 3,602 |
| Pulpwood | 1,000 Tons | 738 | 504 | 1,242 | 819 | 527 | 635 | 645 | 2,626 |
| Total Harvest | | 1,716 | 1,243 | 2,959 | 1,779 | 1,316 | 1,456 | 1,677 | 6,228 |
| Lumber | MBF | 69,596 | 83,477 | 153,073 | 95,265 | 95,701 | 82,217 | 77,248 | 350,431 |
| Plywood | MSF | 68,746 | 68,616 | 137,362 | 72,582 | 72,454 | 69,796 | 62,614 | 277,446 |
| Fiberboard | MSF | 58,784 | 63,205 | 121,989 | 64,872 | 65,938 | 64,039 | 59,179 | 254,028 |

(1) Represents prices at mill level.

Plum Creek Timber Company, Inc.
Land Sale Statistics
(Unaudited)

| | 2008 | | | 2007 | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | 1st Qtr | 2nd Qtr | YTD | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | YTD |
| Acres Sold | | | | | | | | |
| Small Non-strategic | 17,145 | 13,215 | 30,360 | 8,645 | 21,255 | 30,735 | 16,895 | 77,530 |
| Large Non-strategic | - | - | - | - | - | - | 99,325 | 99,325 |
| Conservation | 1,015 | 595 | 1,610 | 4,210 | 480 | 2,650 | 24,505 | 31,845 |
| HBU/Recreation | 10,635 | 11,785 | 22,420 | 3,750 | 8,695 | 10,400 | 14,220 | 37,065 |
| Development Properties | 65 | 700 | 765 | 45 | 595 | 890 | 3,760 | 5,290 |
| Conservation Easements | n/a | n/a |
| | <u>28,860</u> | <u>26,295</u> | <u>55,155</u> | <u>16,650</u> | <u>31,025</u> | <u>44,675</u> | <u>158,705</u> | <u>251,055</u> |
| Price per Acre | | | | | | | | |
| Small Non-strategic | \$1,180 | \$1,285 | \$1,225 | \$1,445 | \$1,295 | \$1,400 | \$1,510 | \$1,400 |
| Large Non-strategic | - | - | - | - | - | - | \$705 | \$705 |
| Conservation | \$395 | \$1,555 | \$820 | \$1,740 | \$6,660 | \$2,150 | \$1,080 | \$1,340 |
| HBU/Recreation | \$2,875 | \$2,740 | \$2,805 | \$4,300 | \$3,150 | \$3,675 | \$3,315 | \$3,475 |
| Development Properties | \$5,825 | \$9,630 | \$9,300 | \$22,045 | \$21,260 | \$8,410 | \$7,640 | \$9,440 |
| Conservation Easements | - | - | - | - | - | - | - | - |
| Revenue, (\$ millions) | | | | | | | | |
| Small Non-strategic | \$20 | \$17 | \$37 | \$13 | \$28 | \$43 | \$26 | \$110 |
| Large Non-strategic | - | - | - | - | - | - | \$70 | \$70 |
| Conservation | - | \$1 | \$1 | \$7 | \$3 | \$6 | \$26 | \$42 |
| HBU/Recreation | \$31 | \$32 | \$63 | \$16 | \$27 | \$38 | \$47 | \$128 |
| Development Properties | - | \$7 | \$7 | \$1 | \$13 | \$7 | \$29 | \$50 |
| Conservation Easements | - | - | - | - | - | - | - | - |
| | <u>\$52</u> | <u>\$57</u> | <u>\$109</u> | <u>\$37</u> | <u>\$71</u> | <u>\$94</u> | <u>\$198</u> | <u>\$400</u> |
| Proceeds from Joint Ventures⁽¹⁾ | - | - | - | \$2 | - | - | - | \$2 |
| Basis of Real Estate Sold⁽²⁾ (\$ millions) | \$10 | \$13 | \$23 | \$9 | \$14 | \$22 | \$63 | \$108 |

(1) Not reflected in the Land Sale Statistics (Acres Sold, Price per Acre and Revenue)

(2) Includes \$26 million in the fourth quarter 2007 for a large, non-strategic sale