

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

	Quarter Ended June 30,	
	2001	2000
	(In Thousands, Except Per Share)	
Revenues .....	\$ <u>157,677</u>	\$ <u>53,149</u>
Costs and Expenses:		
Cost of Goods Sold .....	109,088	16,455
Selling, General and Administrative .....	10,894	3,401
Merger Expenses .....	4,524	-
Total Costs and Expenses .....	<u>124,506</u>	<u>19,856</u>
Operating Income .....	33,171	33,293
Interest Expense .....	(15,766)	(11,782)
Interest Income .....	2,332	1,496
Gain (Loss) on Disposition of Assets - Net .....	<u>18</u>	<u>251</u>
Income before Income Taxes, Equity in Earnings of Unconsolidated Subsidiaries and Preferred Stock Dividends .....	19,755	23,258
Provision for Income Taxes .....	(2,733)	-
Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends .....	<u>-</u>	<u>(2,255)</u>
Net Income.....	<u>\$ 17,022</u>	<u>\$ 21,003</u>
Net Income per Share - Basic & Diluted.....	<u>\$ 0.25</u>	<u>\$ 0.30</u>
Weighted average number of Shares outstanding - Basic	<u>69,187</u>	<u>69,192</u>
Weighted average number of Shares outstanding - Diluted	<u>69,268</u>	<u>69,209</u>

See Notes to Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2001	2000
	(In Thousands, Except Per Share)	
Revenues .....	\$ <u>318,972</u>	\$ <u>112,100</u>
Costs and Expenses:		
Cost of Goods Sold .....	218,423	32,958
Selling, General and Administrative .....	21,323	6,850
Merger Expenses .....	5,027	-
Total Costs and Expenses .....	<u>244,773</u>	<u>39,808</u>
Operating Income .....	74,199	72,292
Interest Expense .....	(31,422)	(23,698)
Interest Income .....	3,781	3,003
Gain on Disposition of Assets - Net .....	<u>24,678</u>	<u>50,072</u>
Income before Income Taxes, Equity in Earnings of Unconsolidated Subsidiaries and Preferred Stock Dividends.....	71,236	101,669
Provision for Income Taxes .....	(3,163)	-
Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends .....	<u>-</u>	<u>(87)</u>
Net Income .....	<u>\$ 68,073</u>	<u>\$ 101,582</u>
Net Income per Share - Basic & Diluted .....	<u>\$ 0.98</u>	<u>\$ 1.47</u>
Weighted average number of Shares outstanding - Basic	<u>69,187</u>	<u>69,199</u>
Weighted average number of Shares outstanding - Diluted	<u>69,252</u>	<u>69,208</u>

See Notes to Consolidated Financial Statements

PLUM CREEK TIMBER COMPANY, INC.  
CONSOLIDATED BALANCE SHEET

	June 30, <u>2001</u>	December 31, <u>2000</u>
	(UNAUDITED)	
	(In Thousands, except share data)	
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents .....	\$ 152,155	\$ 143,958
Restricted Cash .....	23,646	37,490
Accounts Receivable .....	33,466	-
Inventories .....	36,248	-
Investments in Grantor Trusts .....	11,350	12,301
Other Current Assets .....	9,068	886
	265,933	194,635
Timber and Timberlands - Net .....	947,580	975,921
Property, Plant and Equipment - Net .....	111,727	1,074
Investment in Unconsolidated Subsidiaries .....	-	74,261
Deferred Tax Asset .....	57,147	-
Other Assets .....	6,154	4,177
Total Assets .....	\$ 1,388,541	\$ 1,250,068
<b>LIABILITIES</b>		
Current Liabilities:		
Current Portion of Long-Term Debt .....	\$ 27,441	\$ 6,153
Line of Credit .....	123,000	96,000
Accounts Payable .....	21,971	1,295
Related Party Payables .....	-	37,340
Interest Payable .....	10,759	9,714
Wages Payable .....	8,990	-
Taxes Payable .....	4,308	1,680
Liabilities Associated with Grantor Trust .....	11,097	12,106
Deferred Income .....	-	10,890
Other Current Liabilities .....	12,859	4,527
	220,425	179,705
Long-Term Debt .....	660,177	559,798
Deferred Income .....	-	2,806
Workers' Compensation Liabilities .....	5,738	225
Other Liabilities .....	6,162	866
Total Liabilities .....	892,502	743,400
Commitments and Contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred Stock, \$0.01 par value, authorized shares - 75 million, outstanding - none .....	-	-
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 .....	495,117	505,939
Retained Earnings .....	0	0
Other Equity .....	230	37
Total Stockholders' Equity .....	496,039	506,668
Total Liabilities and Stockholders' Equity .....	\$ 1,388,541	\$ 1,250,068

See Notes to Consolidated Financial Statements

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

	Six Months Ended June 30,	
	2001	2000
	(In Thousands)	
Cash Flows From Operating Activities:		
Net Income .....	\$ 68,073	\$ 101,582
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:		
Depreciation, Depletion and Amortization .....	24,841	19,144
Deferred Income Taxes .....	3,163	-
Gain on Asset Dispositions - Net .....	(24,733)	(49,910)
Equity in Earnings (Loss) of Unconsolidated Subsidiaries and Preferred Stock Dividends.....	-	87
Common and Preferred Stock Dividends .....	-	12,638
Working Capital Changes, net of effect of business acquisition:		
Accounts Receivable .....	(3,850)	828
Inventories .....	9,336	-
Accounts Payable .....	4,225	52
Deferred Income .....	-	(7,064)
Wages Payable .....	(2,916)	(949)
Other Current Assets and Liabilities.....	2,616	1,718
Other .....	3,948	2,483
Net Cash Provided By Operating Activities .....	84,703	80,609
Cash Flows From Investing Activities:		
Additions to Properties .....	(49,250)	(9,524)
Proceeds from Asset Dispositions .....	45,554	63,176
Restricted Cash Change .....	13,844	-
Advances/Distributions with Unconsolidated Subsidiaries .....	-	(29,317)
Acquisition of Controlling Interest.....	(7,571)	-
Net Cash Provided By Investing Activities .....	2,577	24,335
Cash Flows From Financing Activities:		
Cash Distributions .....	(78,895)	(78,895)
Retirement of Long-Term Debt .....	(27,188)	(5,910)
Borrowings on Line of Credit .....	219,000	145,000
Repayments on Line of Credit .....	(192,000)	(154,000)
Other .....	-	(350)
Net Cash Used In Financing Activities .....	(79,083)	(94,155)
Increase In Cash and Cash Equivalents .....	8,197	10,789
Cash and Cash Equivalents:		
Beginning of Period .....	143,958	115,389
End of Period .....	\$ 152,155	\$ 126,178

Supplementary Cash Flow Information

Noncash activities:

Distribution of common stock from deferred incentive compensation plan for payment of liability .....	\$ 1,174	1,303
--	----------	-------

See Notes to Consolidated Financial Statements

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

	<u>1st Qtr 2001</u>	<u>2nd Qtr 2001</u>	<u>YTD 2001</u>	<u>1st Qtr 2000</u>	<u>2nd Qtr 2000</u>	<u>3rd Qtr 2000</u>	<u>4th Qtr 2000</u>	<u>2000</u>
<b>Sales Realization</b>								
Northwest Lumber (1) (\$/MBF)	385	410	399	467	430	381	397	420
Southern Lumber (2) (\$/MBF)	0	0	0	367	334	309	277	325
Northwest Plywood (1) (\$/MSF)	302	306	304	307	310	296	305	305
Fiberboard (1) (\$/MSF)	326	346	336	346	349	346	331	343
Export Logs (\$/MBF)	647	683	665	784	749	689	721	733
Domestic Logs								
Cascades (\$/MBF)	458	446	452	578	521	442	470	502
Rockies (\$/Cunit)	210	215	212	250	244	244	231	241
Southern (\$/Cunit)	144	130	136	186	184	188	186	186
Northeast (\$/Ton)	70	69	69	66	71	70	69	69
Southern Pulp Logs (\$/Cunit)	81	82	82	89	85	81	79	83
Northeast Pulp Logs (\$/Ton)	28	30	29	29	31	30	30	30
<b>Sales Volume</b>								
Northwest Lumber (MBF)	90,708	103,893	194,601	108,070	106,936	100,050	91,971	407,027
Southern Lumber (2) (MBF)	0	0	0	69,633	67,976	70,193	51,249	259,051
Northwest Plywood (MSF)	70,435	71,167	141,601	81,450	80,507	72,200	68,642	302,799
Fiberboard (MSF)	33,234	32,908	66,143	37,241	33,369	34,126	32,958	137,694
Export Saw Logs (MBF)	5,632	5,421	11,053	3,690	5,723	4,520	6,151	20,084
Domestic Saw Logs:								
Cascades (MBF)	16,567	16,979	33,546	16,353	16,972	21,427	8,719	63,471
Rockies (Cunits):								
Internal Fee	88,318	86,974	175,292	125,146	79,671	98,022	155,669	458,508
External Fee	31,650	18,983	50,634	31,729	26,200	33,405	70,504	161,838
Total Rockies	119,968	105,957	225,925	156,875	105,871	131,427	226,173	620,346
Southern (Cunits)	48,018	62,149	110,167	64,673	55,738	74,953	52,279	247,643
Northeast (Tons)	147,495	58,499	205,995	181,515	91,650	144,539	133,060	550,764
Southern Pulp Logs (Cunits)	67,659	83,115	150,775	77,655	79,918	80,204	72,898	310,675
Northeast Pulp Logs (Tons)	159,530	94,620	254,150	181,785	100,213	150,065	128,964	561,027
<b>Land Sales Income (in thousands)</b>	\$24,419	\$21,108	\$45,527	10,505	10,235	2,684	18,830	42,254

(1) Represents prices at mill level.

(2) Represents sales through December 15, 2000. Our southern lumber facilities were sold on December 15, 2000.

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

(In Thousands)	Second Quarter 2001	Second Quarter 2000
<b>Revenues:</b>		
Northern Resources .....	\$ 44,145	\$ 51,369
Southern Resources .....	15,734	17,734
Lumber .....	52,004	82,371
Panel .....	39,248	43,073
Land Sales .....	25,214	11,380
Eliminations.....	<u>(18,668)</u>	<u>(29,957)</u>
Total Revenues *.....	<u>\$ 157,677</u>	<u>\$ 175,970</u>
<b>Operating Costs and Expenses:</b>		
Northern Resources .....	\$ 34,851	\$ 36,317
Southern Resources .....	12,386	11,833
Lumber .....	48,730	84,208
Panel .....	36,522	40,187
Land Sales .....	4,106	1,145
Other Costs and Eliminations.....	(16,613)	(29,909)
Merger Expenses.....	<u>4,524</u>	<u>0</u>
Total Costs and Expenses.....	<u>\$ 124,506</u>	<u>\$ 143,781</u>
<b>Operating Income (Expenses):</b>		
Northern Resources .....	\$ 9,294	\$ 15,052
Southern Resources .....	3,348	5,901
Lumber .....	3,274	(1,837)
Panel .....	2,726	2,886
Land Sales .....	21,108	10,235
Other Costs and Eliminations.....	(2,055)	(48)
Merger Expenses.....	<u>(4,524)</u>	<u>0</u>
Combined Segment Operating Income.....	<u>\$ 33,171</u>	<u>\$ 32,189</u>
<b>Less Operating Income Recognized by Unconsolidated Subsidiaries:</b>		
Lumber .....		1,837
Panel .....		(2,886)
Land Sales .....		214
Harvesting Activity .....		(2,082)
Other Costs and Eliminations.....		<u>4,021</u>
REIT Operating Income .....		<u>\$ 33,293</u>

\* Prior year revenues have been restated in the amount of \$9.5 million to reflect the reclass of shipping costs from revenues to cost of goods sold in accordance with EITF 00-10.

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

(In Thousands)	Six Months <u>2001</u>	Six Months <u>2000</u>
<b>Revenues:</b>		
Northern Resources .....	\$ 100,325	\$ 125,359
Southern Resources .....	28,932	37,555
Lumber .....	95,586	172,948
Panel .....	77,724	87,888
Land Sales .....	54,128	23,109
Eliminations.....	<u>(37,723)</u>	<u>(71,657)</u>
Total Revenues *.....	<u>\$ 318,972</u>	<u>\$ 375,202</u>
<b>Operating Costs and Expenses:</b>		
Northern Resources .....	\$ 76,166	\$ 83,540
Southern Resources .....	22,256	24,196
Lumber .....	94,817	172,342
Panel .....	73,769	81,960
Land Sales .....	8,601	2,369
Other Costs and Eliminations.....	(35,863)	(65,836)
Merger Expenses.....	<u>5,027</u>	<u>0</u>
Total Costs and Expenses.....	<u>\$ 244,773</u>	<u>\$ 298,571</u>
<b>Operating Income (Expenses):</b>		
Northern Resources .....	\$ 24,159	\$ 41,819
Southern Resources .....	6,676	13,359
Lumber .....	769	606
Panel .....	3,955	5,928
Land Sales .....	45,527	20,740
Other Costs and Eliminations.....	(1,860)	(5,821)
Merger Expenses.....	<u>(5,027)</u>	<u>0</u>
Combined Segment Operating Income.....	<u>\$ 74,199</u>	<u>\$ 76,631</u>
<b>Less Operating Income Recognized by</b>		
<b>Unconsolidated Subsidiaries:</b>		
Lumber .....		(606)
Panel .....		(5,928)
Land Sales .....		(427)
Harvesting Activity .....		(4,688)
Other Costs and Eliminations.....		<u>7,310</u>
REIT Operating Income .....		<u>\$ 72,292</u>

\* Prior year revenues have been restated in the amount of \$19.1 million to reflect the reclass of shipping costs from revenues to cost of goods sold in accordance with EITF 00-10.

**Plum Creek Timber Company, Inc.**  
**2001 Selected Forecast Statistics**  
(Unaudited)

	<u>2001</u> <u>Forecast</u>	<u>2000</u> <u>Actual</u>	<u>1999</u> <u>Actual</u>
<b>Resources Volumes</b>			
Export Saw Logs (MBF)	20,000	20,084	24,326
Domestic Saw Logs:			
Cascades (MBF)	50,000	63,471	67,164
Rockies (Cunits):			
Internal Fee	480,000	458,508	520,573
External Fee	<u>155,000</u>	<u>161,838</u>	<u>203,643</u>
Total Rockies	635,000	620,346	724,216
Southern (Cunits)	270,000	247,643	314,318
Northeast (Tons)	530,000	550,764	541,558
Southern Pulp Logs (Cunits)	335,000	310,675	383,472
Northeast Pulp Logs (Tons)	575,000	561,027	589,283
<b>Manufacturing Sales Volume</b>			
Northwest Lumber (MBF)	395,000	407,026	431,133
Southern Lumber (MBF)	-----	259,051	266,918
Northwest Plywood (MSF)	290,000	302,800	332,143
Fiberboard (MSF)	160,000	137,694	135,120
<b>Capital Expenditures (in thousands)</b>			
Resources	(\$20,000)	(\$21,664)	(\$18,662)
Manufacturing (1)	<u>(\$55,000)</u>	<u>(\$33,924)</u>	<u>(\$11,389)</u>
Total Capital Expenditures	(\$75,000)	(\$55,588)	(\$30,051)

(1) Includes completion of MDF Thin Line - approximately \$52 million.