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

		ed		
	Sept	tember 30,		otember 30,
		<u>2006</u>		<u>2005</u>
	(In M	lillions, Excep	ot Per Sha	re Amounts)
Revenues:				
Timber	\$	603	\$	572
Real Estate		242		220
Manufacturing		388		383
Other		15		10
Total Revenues		1,248		1,185
Costs and Expenses:				
Cost of Goods Sold:				
Timber		361		308
Real Estate		96		105
Manufacturing		353		349
Other		2		2
Total Cost of Goods Sold		812		764
Selling, General and Administrative		76		68
Total Costs and Expenses		888		832
Operating Income		360		353
Interest Expense, net		98		80
Income before Income Taxes		262		273
Provision for Income Taxes		16		6
Income from Continuing Operations		246		267
Gain on Sale of Properties, net of tax				20
Net Income Before Cumulative Effect of Accounting Change		246		287
Cumulative Effect of Accounting Change, net of tax		2		-
Net Income	\$	248	\$	287
Income from Continuing Operations per Share				
- Basic	\$	1.35	\$	1.45
- Diluted	\$	1.35	\$	1.45
Net Income per Share				
- Basic	\$	1.36	\$	1.56
- Diluted	\$	1.36	\$	1.56
Weighted Average Number of Shares Outstanding				
- Basic		181.7		183.9
- Diluted		182.1		184.6

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

	Sej	nded September 30, <u>2005</u>		
	(In M	lillions, Excep	ot Per	Share Amounts)
Revenues:				
Timber	\$	196	\$	180
Real Estate		129		116
Manufacturing		124		126
Other		5		5
Total Revenues		454		427
Costs and Expenses:				
Cost of Goods Sold:				
Timber		127		107
Real Estate		55		65
Manufacturing		113		114
Other		1	_	1
Total Cost of Goods Sold		296		287
Selling, General and Administrative		24		23
Total Costs and Expenses		320	_	310
Operating Income		134		117
Interest Expense, net		33	_	26
Income before Income Taxes		101		91
Provision (Benefit) for Income Taxes		9	_	(5)
Net Income	\$	92	\$	96
Net Income per Share				
- Basic	\$	0.51	\$	0.52
- Diluted	\$	0.51	\$	0.52
	Ψ	0.01	4	0.52
Weighted Average Number of Shares Outstanding				
- Basic		178.5		184.0
- Diluted		178.9		184.6

## PLUM CREEK TIMBER COMPANY, INC. CONSOLIDATED BALANCE SHEETS (UNAUDITED)

September 30, December 31, <u>2006</u>

<u>2005</u>

	(In Millions, Except Per Share Amounts)				
ASSETS					
Current Assets:	¢	200	¢	2.00	
Cash and Cash Equivalents	\$	389	\$	369	
Restricted Advance from Customer		15		23	
Accounts Receivable		42		44	
Like-Kind Exchange Funds Held in Escrow		40		30	
Inventories		75		75	
Deferred Tax Asset		8		17	
Real Estate Development Properties		4		26	
Assets Held for Sale		77		43	
Other Current Assets		18		16	
		668		643	
Timber and Timberlands - Net		3,809		3,887	
Property, Plant and Equipment - Net		220		234	
Investment in Grantor Trusts		26		26	
Other Assets		32		22	
Total Assets	\$	4,755	\$	4,812	
LIABILITIES					
Current Liabilities:					
Current Portion of Long-Term Debt	\$	255	\$	161	
Short-Term Debt	Ψ	-	Ψ	50	
Accounts Payable		35		45	
Interest Payable		35 45		43 30	
Wages Payable		43 20		25	
Taxes Payable		28		18	
Deferred Revenue		34		35	
Other Current Liabilities		12		11	
		429		375	
Long-Term Debt		1,617		1,524	
Lines of Credit		518		495	
Deferred Tax Liability		38		39	
Other Liabilities		51		54	
Total Liabilities		2,653		2,487	
Commitments and Contingencies					
STOCKHOLDERS' EQUITY					
Preferred Stock, \$0.01 par value, authorized shares - 75.0,					
outstanding - none		-		-	
Common Stock, \$0.01 par value, authorized shares - 300.6,					
outstanding - 177.0 at September 30, 2006,					
and 184.2 at December 31, 2005		2		2	
Additional Paid-In Capital		2,188		2,179	
Retained Earnings		215		186	
Treasury Stock, at cost, Common Shares - 9.5 at September 30, 2006,		(306)		(44)	
and 2.0 at December 31, 2005		(500)		()	
Other Equity		3		2	
Total Stockholders' Equity		2,102		2,325	
Total Liabilities and Stockholders' Equity	\$	4,755	\$	4,812	
Tom Enomines and Stockholders Equity	Ψ	т,755	Ψ	4,012	

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

(UNAUDITED)			
		Nine Month	ns Ended
	Sept	ember 30,	September 30,
		2006	2005
		(In Mill	ions)
Cash Flows From Operating Activities:			
Net Income	\$	248 \$	287
Adjustments to Reconcile Net Income to			
Net Cash Provided By Operating Activities:			
Depreciation, Depletion and Amortization		94	85
Basis of Real Estate Sold		66	82
Deferred Income Taxes		8	(5)
Gain on Sales of Properties and Other Assets		-	(22)
Working Capital Changes Impacting Cash Flow:			
Like-Kind Exchange Funds		(10)	(68)
Other Working Capital Changes		18	2
Other		(4)	1
Net Cash Provided By Operating Activities		420	362
Cash Flows From Investing Activities:			
Capital Expenditures (Excluding Timberland Acquisitions)		(60)	(53)
Timberlands Acquired		(22)	(118)
Proceeds from Sales of Properties and Other Assets		1	27
Other		(4)	(1)
Net Cash Used In Investing Activities		(85)	(145)
Cash Flows From Financing Activities:			
Dividends		(219)	(209)
Borrowings on Line of Credit		2,167	1,806
Repayments on Line of Credit		(2,144)	(1,753)
Proceeds from Issuance of Short-Term Debt		-	50
Repayment of Short-Term Debt		(50)	-
Proceeds from Issuance of Long-Term Debt		216	-
Principal Payments and Retirement of Long-Term Debt		(29)	(51)
Proceeds from Stock Option Exercises		6	4
Acquisition of Treasury Stock		(262)	(1)
Other		-	(1)
Net Cash Used In Financing Activities		(315)	(155)
Increase In Cash and Cash Equivalents		20	62
Cash and Cash Equivalents:			
Beginning of Period		369	347
End of Period	\$	389 \$	409

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

	Quarter Ended				
	Sep	Se	September 30, <u>2005</u>		
		(In Mi	llions)		
Cash Flows From Operating Activities:					
Net Income	\$	92	\$	96	
Adjustments to Reconcile Net Income to					
Net Cash Provided By Operating Activities:					
Depreciation, Depletion and Amortization		34		30	
Basis of Real Estate Sold		43		54	
Deferred Income Taxes		8		(4)	
Gain on Sale of Properties		-		(1)	
Working Capital Changes Impacting Cash Flow:					
Like-Kind Exchange Funds		(30)		(22)	
Other Working Capital Changes		24		10	
Other		(3)		1	
Net Cash Provided By Operating Activities		168		164	
Cash Flows From Investing Activities:					
Capital Expenditures (Excluding Timberland Acquisitions)		(24)		(25)	
Timberlands Acquired		(5)		(68)	
Proceeds from Sales of Properties and Other Assets		-		22	
Other		(1)		(1)	
Net Cash Used In Investing Activities		(30)		(72)	
Cash Flows From Financing Activities:					
Dividends		(72)		(69)	
Borrowings on Line of Credit		693		666	
Repayments on Line of Credit		(691)		(660)	
Principal Payments and Retirement of Long-Term Debt		-		(2)	
Proceeds from Stock Option Exercises		3		-	
Acquisition of Treasury Stock		(78)		(1)	
Other		-		(1)	
Net Cash Used In Financing Activities		(145)		(67)	
Increase (Decrease) In Cash and Cash Equivalents Cash and Cash Equivalents:		(7)		25	
Beginning of Period		396		384	
End of Period	\$	389	\$	409	

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

	]	Nine Months 2006 (In M	fillion	Nine Months 2005 s)
Revenues:				
Northern Resources	\$	308	\$	249
Southern Resources		358		382
Real Estate		242		220
Manufacturing		388		383
Other		15		10
Eliminations		(63)		(59)
Total Revenues	\$	1,248	\$	1,185
Operating Costs and Expenses:				
Northern Resources	\$	227	\$	176
Southern Resources		222		213
Real Estate		99		108
Manufacturing		364		358
Other		2		2
Other Costs and Eliminations		(26)		(25)
Total Costs and Expenses	\$	888	\$	832
Operating Income (Loss)				
Northern Resources	\$	81	\$	73
Southern Resources		136		169
Real Estate		143		112
Manufacturing		24		25
Other		13		8
Other Costs and Eliminations		(37)		(34)
Total Operating Income	\$	360	\$	353

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

		Third Quarter 2006 (In N	/illions)	Third Quarter 2005
Revenues:				
Northern Resources	\$	106	\$	90
Southern Resources		115		116
Real Estate		129		116
Manufacturing		124		126
Other		5		5
Eliminations		(25)		(26)
Total Revenues	\$	454	\$	427
Operating Costs and Expenses:				
Northern Resources	\$	81	\$	65
Southern Resources		77		72
Real Estate		57		66
Manufacturing		118		117
Other		1		1
Other Costs and Eliminations		(14)		(11)
Total Costs and Expenses	\$	320	\$	310
Operating Income (Loss)				
Northern Resources	\$	25	\$	25
Southern Resources		38		44
Real Estate		72		50
Manufacturing		6		9
Other		4		4
Other Costs and Eliminations	_	(11)	_	(15)
Total Operating Income	\$	134	\$	117

### Selected Operating Statistics

(Unaudited)

(Chuudheu)		2006				2005				
		1st Qtr	2nd Qtr	3rd Qtr	YTD	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD
Sales Realization Southern Resources	Units									
Sawlog	\$/Ton Stumpage	\$35	\$36	\$33	\$35	\$38	\$38	\$36	\$37	\$37
Pulpwood	\$/Ton Stumpage	\$8	\$8	\$7	\$8	\$9	\$9	\$8	\$7	\$8
Northern Resources										
Sawlog	\$/Ton Delivered	\$77	\$78	\$81	\$79	\$76	\$77	\$79	\$77	\$77
Pulpwood	\$/Ton Delivered	\$37	\$37	\$38	\$37	\$37	\$37	\$39	\$38	\$38
Lumber (1)	\$/MBF	\$467	\$456	\$410	\$445	\$483	\$459	\$440	\$435	\$454
Plywood (1)	\$/MSF	\$452	\$455	\$431	\$446	\$419	\$422	\$418	\$444	\$425
Fiberboard (1)	\$/MSF	\$445	\$480	\$518	\$481	\$449	\$458	\$441	\$434	\$446
Sales Volume										
Southern Resources	1 000 5	1 5 40	1 605	1 5 10	1.000	1 000	1 000	1.552	1 (2)	6075
Sawlog	1,000 Tons	1,749	1,685	1,548	4,982	1,899	1,899	1,553	1,624	6,975
Pulpwood Total Harvest	1,000 Tons	1,642 3,391	<u>1,651</u> 3,336	<u>1,917</u> 3,465	5,210	<u>1,592</u> 3,491	1,825	1,690 3,243	1,696 3,320	<u>6,803</u> 13,778
		,	,	,	*	,	,	,	*	,
Northern Resources	1 000 5		077	054	2 0 0 2	006		000	1.011	2 500
Sawlog	1,000 Tons	1,151	877	954	2,982	906	774	898	1,011	3,589
Pulpwood	1,000 Tons	766	517	734	2,017	499	319	467	529	1,814
Total Harvest		1,917	1,394	1,688	4,999	1,405	1,093	1,365	1,540	5,403
Lumber	MBF	99,367	97,059	93,925	290,351	102,857	105,028	103,099	96,003	406,987
Plywood	MSF	75,769	71,269	70,109	217,147	75,483	75,235	76,692	71,115	298,525
Fiberboard	MSF	69,076	70,411	63,698	203,185	61,806	61,843	62,231	62,407	248,287

(1) Represents prices at mill level.

# Plum Creek Timber Company, Inc.

### Land Sale Statistics

(Unaudited)

(Unautiteu)		2006	i		2005							
	1st Qtr	2nd Qtr	3rd Qtr	YTD	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	YTD			
Acres Sold												
Small Non-strategic	15,050	11,765	19,040	45,855	18,525	13,315	85,610	30,750	148,200			
Large Non-strategic	-	-	-	-	-	625 *	-	39,375	40,000			
Conservation	1,815	2,185	4,600	8,600	8,650	450	11,600	1,900	22,600			
HBU/Recreation	3,860	7,225	7,875	18,960	9,100	4,510	5,620	1,770	21,000			
<b>Development Properties</b>	1,075	645	1,970	3,690	20	140	20	20	200			
<b>Conservation Easements</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
	21,800	21,820	33,485	77,105	36,295	19,040	102,850	73,815	232,000			
Price per Acre												
Small Non-strategic	\$1,465	\$1,270	\$1,765	\$1,540	\$1,225	\$1,425	\$1,050	\$905	\$1,075			
Large Non-strategic	-	-	-	-	-	\$1,820	-	\$763	\$780			
Conservation	\$1,475	\$1,500	\$3,865	\$2,760	\$1,550	\$3,225	\$760	\$1,225	\$1,151			
HBU/Recreation	\$4,960	\$4,140	\$3,775	\$4,155	\$2,600	\$2,550	\$3,030	\$3,905	\$2,814			
<b>Development Properties</b>	\$8,595	\$5,295	\$21,950	\$15,148	\$23,500	\$13,785	\$14,300	\$10,700	\$14,500			
Conservation Easements	\$1,300	-	\$605	\$885	\$427	-	-	\$490	\$450			
Revenue, (\$ millions)												
Small Non-strategic	\$22	\$15	\$33	\$70	\$23	\$19	\$90	\$28	\$160			
Large Non-strategic	-	-	-	-	-	\$1	-	\$30	\$31			
Conservation	\$3	\$3	\$18	\$24	\$13	\$2	\$9	\$2	\$26			
HBU/Recreation	\$19	\$30	\$30	\$79	\$24	\$11	\$17	\$7	\$59			
<b>Development Properties</b>	\$9	\$4	\$43	\$56	-	\$3	-	-	\$3			
<b>Conservation Easements</b>	\$8	-	\$5	\$13	\$8			\$5	\$13			
	\$61	\$52	\$129	\$242	\$68	\$36	\$116	\$72	\$292			
<b>Basis of Real Estate Sold</b> (\$ millions)	\$10	\$13	\$43	\$66	\$18	\$10	\$54	\$42	\$124			

\* Represents the completion of the sale of our Pennsylvania properties. Initial sale was in 2004.