



2005 **PLUM CREEK**  
ANNUAL REPORT / 10-K

8.2 MILLION ACRES. 18 STATES. 

## HOW WE DO BUSINESS.

Our job is to maximize the value of the assets we own. The scope and scale of our ownership provides us with a unique perspective on timber and timberland markets that is unmatched. This gives us superior insight into value creation opportunities across the nation and leads to superior investment decisions.

We view each acre comprehensively – evaluating timber productivity, the potential from alternative land uses, and non-timber natural resources. Through this comprehensive effort, we gain an intimate understanding of what makes every acre uniquely valuable, and we are executing strategies to capture and deliver those values to our shareholders.

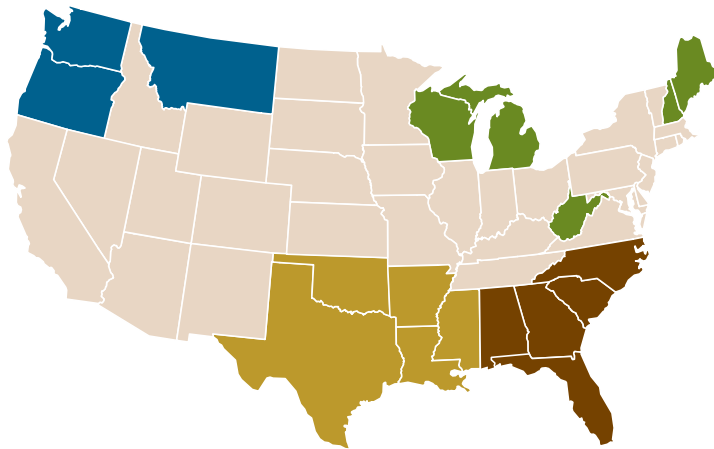
The timber and land assets we own are a tremendous store of value. Their value increases as our forests grow and our lands appreciate in value. Because of this, we are unwilling to sacrifice exceptional performance in the future for modest performance in the present. Operationally, that means we harvest trees or sell land only when they have achieved optimal economic value.

As Plum Creek has grown, our disciplined approach to capital allocation has remained constant. Investment decisions are based on the value created by their long-term cash flows. Engaging in acquisitions that add to our cash flow, divesting of non-strategic assets through execution of market-timed land sales, and opportunistically repurchasing our stock are proven strategies designed to grow the long-term value of our shareholders' investment.

The successful execution of our strategies for value growth drives our cash flow, from which we pay our dividend. We believe paying a reliable and attractive dividend is the most direct and transparent way to deliver shareholder value. As we increase long-term sustainable cash flow, we expect to grow our dividend as well.

PLUM CREEK

PLUM CREEK IS THE LARGEST AND MOST GEOGRAPHICALLY DIVERSE LANDOWNER IN THE NATION.




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DISTRIBUTION OF ACREAGE IN THE UNITED STATES

<b>NORTHWEST /</b> 1,709,000 ACRES <i>p. 4</i>	<b>GULF SOUTH /</b> 2,437,000 ACRES <i>p. 8</i>	<b>ATLANTIC SOUTH /</b> 1,859,000 ACRES <i>p. 12</i>	<b>NORTHEAST /</b> 2,228,000 ACRES <i>p. 16</i>
<b>Montana</b> 1,282,000	<b>Arkansas</b> 905,000	<b>Alabama</b> 103,000	<b>Maine</b> 929,000
<b>Oregon</b> 285,000	<b>Louisiana</b> 503,000	<b>Florida</b> 598,000	<b>Michigan</b> 651,000
<b>Washington</b> 142,000	<b>Mississippi</b> 852,000	<b>Georgia</b> 876,000	<b>New Hampshire</b> 33,000
	<b>Oklahoma</b> 128,000	<b>North Carolina</b> 75,000	<b>West Virginia</b> 114,000
	<b>Texas</b> 49,000	<b>South Carolina</b> 207,000	<b>Wisconsin</b> 501,000



**Rick R. Holley**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

## DEAR FELLOW SHAREHOLDERS:

When I reflect back on what Plum Creek accomplished in 2005 and, perhaps more importantly, what we have achieved over the past several years, one theme is constant—a consistent and steadfast determination to create value for shareholders.

Toward this end, we remain extremely well positioned, as Plum Creek's assets are unmatched, in their scope, scale, and diversity—8.2 million acres in 18 states. Plum Creek has two distinct assets: the renewable tree resource and the land, a non-depreciating hard asset. Both have historically delivered attractive value growth.

Utilizing this asset base, our key strategies for value growth continue to be:

- Growing the value of our timber business by practicing sustainable timber management and environmental forestry; improving the quality and productivity of our lands; and growing our timber inventory, future harvest levels, and cash flow.
- Identifying, evaluating, and capturing the value of lands that have values in excess of timber value or are non-strategic. Create value through the entitlement process and capture that value through responsible development of our highest-value properties.
- Increasing future cash flow and growing net asset value by being disciplined, effective allocators of capital.

During 2005, we made significant progress related to each of these key strategies. We increased profits from our timberlands by 5%. We grew our timber inventory and future harvests. We acquired approximately 754,000 acres of highly productive timberlands in attractive markets. And we grew the contribution and future value potential of our real estate segment. As a direct result of our strategic execution, we increased our dividend approximately 6% in 2005 and approximately 5% in February 2006.

We generate value by managing our lands in a superior manner. We apply our land management expertise in two areas, timber and real estate. Each has its own characteristics, requirements, markets, and partners. Understanding the differences between these two uses of the land—these two components of value—is critical to understanding the value of Plum Creek. I want to elaborate on the real estate side—because I believe it will become increasingly important to the value of your investment over time.

Applying our expertise begins with a comprehensive assessment of our lands. We determine the highest long-term value for each property we own—be it for the growing and harvesting of timber or for an alternative higher-value land use. We perform this ongoing analysis on our entire land portfolio.

The graphic on the left, which appeared in our last two annual reports, clearly illustrates how we manage our assets at Plum Creek. We've classified our lands into three distinct categories: core timberlands, highly productive timberlands in attractive long-term markets; non-strategic timberlands, lands that do not meet our core timberland criteria; and timberlands with higher values, lands that greatly exceed their timberland value for an alternative use.

You've long heard me discuss our timber asset. I believe we are one of the best managers of timber in the nation. We own an exceptional asset—more than 290 million tons of timber in excellent markets serving world-class customers. Over the last few years, we've increased both the acreage and productivity of our core timberlands, now at 6.4 million acres, resulting in an increase in our sustainable harvest over time. Our focused and dedicated foresters maximize the value of every tree we harvest. They know when to harvest to capture the best price and which customers value our products and service the most. We have the

### HOLD & GROW VALUE



flexibility to harvest less in weak markets, letting the timber continue to grow, and harvest more in strong markets to capture increased value.

For land, we undertake the same value maximization approach. Over the past few years, we've increased our assessment of the value of our 1.3 million acres of higher-value lands. We've tripled real estate revenues over the past four years, largely through the sale of some of our least productive lands. We've expanded the expertise of our real estate team and deepened our understanding of the extraordinary value of these select properties.

In addition, we've developed strategies to realize these higher values that rely on the application of our team's intellectual capital without committing significant financial capital.

Of the 1.3 million higher-value acres, we plan to sell 500,000 acres for conservation and 550,000 acres for residential or recreation purposes. For 225,000 acres, our "gems," we plan to entitle, improve and sell, or carefully develop through joint ventures.

As I mentioned before, our assessment of the underlying value of these lands has substantially increased from our original assessment done just two years ago.

For example, in late 2003, we had identified approximately 600,000 acres of recreation, higher and better use, and development lands, with an estimated premium to timberland value of \$790 million. Today, we have 775,000 acres of these types of land, with an estimated premium of almost \$2 billion. And over that same two-year period, we sold 42,000 acres of these lands—at an average of \$2,750 per acre—and generated significant value for the company.

Our very special properties, 225,000 acres, are uniquely positioned to reap the greatest value opportunities. We'll pursue entitlements for low-density, rural residential communities for about half of these properties. And, for the balance that are in the path of urban development or in exceptional recreation locations, we will identify a reputable and successful land development partner. Here, Plum Creek will contribute and/or sell the land in return for a minority participation in the revenues of the resulting development. These activities will be conducted by our taxable REIT subsidiaries.

During 2006, we will begin to realize income from the sale of entitled properties on a small portion of these lands. Over the next several years, we expect to grow revenues, income, and cash flow, further capturing exceptional values from these special properties.

At Plum Creek, capital allocation is "Job 1!" Effective capital allocation is about knowledge: understanding our assets, knowing our business, knowing our markets, understanding our customers, being disciplined in the daily management of this asset-rich business, and being patient when making acquisitions. It's also about focus—focusing each day on maximizing the value of every acre we own and every tree we harvest. And it's ultimately about delivering the best long-term value to shareholders, whether it's reinvesting to grow the company, purchasing Plum Creek stock, or growing the dividend.

Business conditions remain good as we enter 2006. The economy continues to grow, long-term demographics support healthy housing activity, and interest rates remain at historically low levels. Although markets remain strong, there continues to be some uncertainty around the lumber trade dispute between the U.S. and Canada.

Our 2005 net income of \$1.92 per share approached our 2004 level of \$1.97 per share, one of the best years in Plum Creek's history. Cash provided by operations for 2005 totaled \$516 million, and we ended the year with \$369 million in cash and cash equivalents. Plum Creek is financially sound and well positioned to have another good year in 2006.

Although the company performed very well in all areas in 2005, our ultimate report card is the value we return to shareholders. We are proud of our consistent track record of delivering attractive long-term returns on your investment. Our annualized total returns over the last 10 years were 11.7%, exceeding the 9.1% of the S&P 500. However, we are disappointed with our total shareholder returns for 2005, a negative 2.3%. We will continue to focus on shareholder value in everything we do. This is a long-term business, and we manage it that way. These are long-term appreciating assets that will continue to deliver superior value over time.

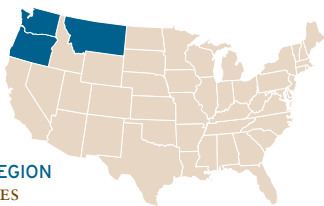
I want to thank all the people at Plum Creek for their hard work and dedication—they're the ones who make it happen each and every day.

On behalf of our management, employees, and shareholders, I want to thank David Leland for his service to Plum Creek as its chief executive officer and most recently as the chairman of the Board. Dave retired from the Board in 2005 after 22 years of service to the company.

And, on behalf of all of us at Plum Creek, I thank you for your continued support.



**RICK HOLLEY**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



**NORTHWEST REGION**  
1,709,000 ACRES

- OVER THE PAST 15 YEARS, WE HAVE PERMANENTLY PRESERVED NEARLY 300,000 ACRES OF FORESTS IN THE REGION.
- OUR 10 WOOD-PRODUCT-MANUFACTURING FACILITIES ARE LOCATED IN MONTANA AND IDAHO.
- WE ARE THE LARGEST PRIVATE LANDOWNER IN THE STATE OF MONTANA.

**PLUM CREEK GOT ITS START AS A PUBLICLY TRADED COMPANY IN 1989** with 1.4 million acres of timberland in this region. Our forests in the region produce valuable softwood sawlogs and have high scenic, recreation, and conservation values.

**NATURAL RESOURCES**

Construction Materials  
Decorative Rock

**MANUFACTURED PRODUCTS**

Lumber  
Plywood  
Medium Density Fiberboard

**PRINCIPAL TREE SPECIES**

**Softwoods /** **Hardwoods /**

**Douglas-fir** **Red alder**  
*Pseudotsuga menziesii* *Alnus rubra*

**Western hemlock**  
*Tsuga heterophylla*

**Western larch**  
*Larix occidentalis*

**Lodgepole pine**  
*Pinus contorta*

NORTHWEST REGION

**HIGHLY PRODUCTIVE TIMBERLANDS.  
NO CAFFEINE REQUIRED.**

MONTANA  
OREGON  
WASHINGTON

THE DEFINING CHARACTERISTIC of our lands throughout Montana, Oregon, and Washington is the presence of large softwood trees. Our Oregon and Washington timberlands are primarily located in the highly productive regions west of the Cascade mountain range where Douglas-fir is the dominant species.

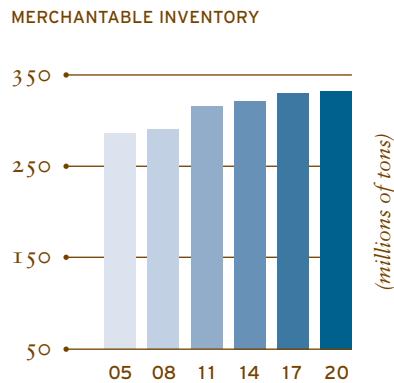
Our lands in Montana produce a variety of high-quality softwoods with tight grains that supply our lumber- and panel-manufacturing operations in the region.

In a typical year, softwood sawlogs account for more than 80% of our annual harvest in this region. These large logs are among the most valuable softwoods in the industry, particularly to customers who produce construction lumber and structural panels.

Each year, more and more people are drawn to the Northwest’s natural beauty and outdoor lifestyle. Subsequently, certain properties in the region present opportunities to capture higher values due to their proximity to expanding metropolitan areas, such as Seattle, or their unique value for recreation or conservation.

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PLUM CREEK’S GROWING TIMBER INVENTORY: 2005-2020



AS OUR TIMBER INVENTORY GROWS AND MATURES, OUR SUSTAINABLE TIMBER HARVEST WILL GROW AS WELL. OVER THE NEXT 15 YEARS, OUR HARVEST IS EXPECTED TO INCREASE BY NEARLY 25%. OUR GOAL IS TO FURTHER IMPROVE OUR HARVEST PROFILE THROUGH ATTRACTIVE ACQUISITIONS.



NORTHWEST /  
**MONTANA**

With a name like *Ursus arctos horribilis*, how could you not love it? As the largest private landowner of grizzly bear habitat, we have been a leader in developing conservation strategies for this threatened species. Thanks in part to these efforts, grizzly bears in Montana are well along the road to recovery.



NORTHWEST /  
**OREGON**

Imagine a 20-story building that keeps growing. Our lands in Oregon are well stocked with Douglas-fir—the second-tallest tree in the world. Our stands reach economic maturity in as few as 40 years. The Douglas-fir's fast growth and structural quality make it a desirable species for Oregon's sawmills.



NORTHWEST /  
**WASHINGTON**

It's a long walk but worth every mile. Plum Creek worked with the U.S. Forest Service and conservation groups to protect nearly 10,000 acres in Washington surrounding the Pacific Crest Trail. This collaboration permanently set aside lands along this American treasure, helping preserve the trail for future generations.







GULF SOUTH /  
**ARKANSAS**



Big trees and lots of them. Plum Creek owns and manages nearly a million acres in Arkansas—some of the region’s most productive timberlands. Excellent demand for timber from customers producing a variety of wood and paper products helps us capture the most value for each tree we harvest.



GULF SOUTH /  
**LOUISIANA**



Our fast-growing Louisiana timberlands provide a vibrant example of the increased yields we gain through investments in advanced forestry practices. Plum Creek invests as much as \$80 million each year in reforestation and forest productivity, ultimately leading to higher sustainable harvest levels.



GULF SOUTH /  
**MISSISSIPPI**



It’s the biggest daycare anywhere. Plum Creek’s Pearl River Nursery is the largest loblolly pine nursery in the southern U.S. Our six nurseries across the nation produce over 130 million seedlings each year, which are carefully selected for disease-resistance, ensuring a healthy start to our forests.

## GULF SOUTH REGION

# DEEP MARKETS. SERVED BY THE FASTEST-GROWING BASE OUTSIDE NASCAR.

ARKANSAS  
LOUISIANA  
MISSISSIPPI  
OKLAHOMA  
TEXAS

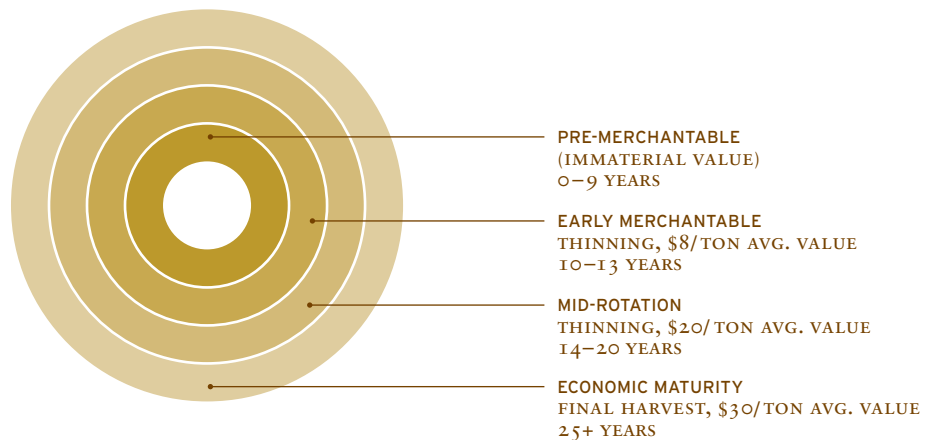
PLUM CREEK'S 2.4 MILLION ACRES of timberlands in the Gulf South region are highly productive and feature vast expanses of southern yellow pine. The favorable climate of the U.S. South makes it one of the fastest growing regions in the world for high-quality softwood timber. A wide array of forest products manufacturers is located throughout the region to take advantage of the fast growth of southern yellow pine forests. This makes selling trees big business in this part of the country.

Careful management, such as thinning and fertilizing select lands, further increases the productivity and yield of our forests in this region and boosts the financial return we receive from these assets.

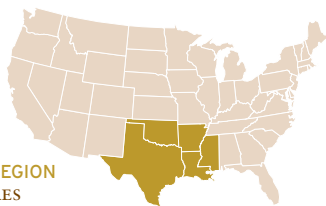
To understand the full value of our assets, sometimes you have to do a little digging. The careful exploration and extraction of mineral deposits, natural gas, and other non-timber resources provides additional sources of value across our ownership.

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### SOUTHERN YELLOW PINE DEVELOPMENT: 0-25+ YEARS



LOBLOLLY PINE IS THE DOMINANT SOUTHERN YELLOW PINE SPECIES IN PLUM CREEK'S SOUTHERN FORESTS. WELL-MANAGED LOBLOLLY PINE STANDS ARE TYPICALLY THINNED TWICE (TO ENHANCE THE GROWTH OF THE REMAINING TREES) DURING THEIR GROWTH TOWARD ECONOMIC MATURITY AND FINAL HARVEST. THE VALUE OF EACH HARVEST INCREASES AS THE TREES INCREASE IN DIAMETER AND CAN BE USED IN HIGHER-VALUE APPLICATIONS.



**GULF SOUTH REGION**  
2,437,000 ACRES

- WE SERVE OVER 125 CUSTOMERS THROUGHOUT THE REGION.
- WE PLANT OVER 80 MILLION TREES A YEAR IN THIS REGION AND THE NEIGHBORING ATLANTIC SOUTH REGION.
- WE ARE THE LARGEST PRIVATE LANDOWNER IN ARKANSAS AND MISSISSIPPI.
- OUR LANDSCAPE HABITAT PLANS INCLUDE 9,000 ACRES OF MATURE PINE FOREST DEDICATED TO SUPPORTING 80 DISTINCT GROUPS OF THE ENDANGERED RED-COCKADED WOODPECKER.

**FOREST PRODUCTS MANUFACTURING IS AMONG THE TOP INDUSTRIES IN THIS REGION**, translating into attractive long-term timber markets. The scale and productivity of our timberlands in this region make it an important contributor to our long-term harvest growth.

**NATURAL RESOURCES**  
Natural Gas  
Oil  
Construction Materials

**PRINCIPAL TREE SPECIES**

Softwoods /	Hardwoods /
Loblolly pine <i>Pinus taeda</i>	Red oak <i>Quercus falcata</i>
Shortleaf pine <i>Pinus echinata</i>	White oak <i>Quercus alba</i>
	Cypress <i>Taxodium</i>



GULF SOUTH /

## OKLAHOMA

It can be called *Pinus taeda* or loblolly pine—either way, it's the fastest-growing softwood in the world. Loblolly pine is the most prevalent tree species grown on our southern timberlands. Oklahoma represents the western edge of this vital tree's range, which stretches east to the Atlantic seaboard.



GULF SOUTH /

## TEXAS

Future generations will hear the call of the wild. Hunting, fishing, and other outdoor activities are a rich tradition of the American sportsman. Recreational leases on our lands in Texas are prized among outdoor enthusiasts, who continue to pass on the tradition to new generations.



ATLANTIC SOUTH /

## ALABAMA

Forest products is the No. 1 manufacturing industry in Alabama for good reason—timberlands cover about two-thirds of the state. In every region, Plum Creek has the scale of ownership that allows us to deliver a reliable and consistent log supply, a service that our customers value.





ATLANTIC SOUTH /  
**FLORIDA**

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Big-time growth requires big-time responsibility. Our commitment to thoughtful land use planning is evident in Florida—a state being transformed by growth. Our contributions to conservation and our new developments in Volusia County have earned praise from conservationists as well as state and local officials.



ATLANTIC SOUTH /  
**GEORGIA**

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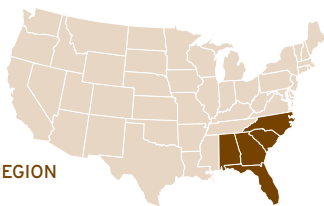
Granite from Plum Creek land in Georgia is used extensively in the World War II memorial in Washington, D.C. This is a highly visible example of our expanding efforts to capture value from non-timber natural resources throughout our ownership.



ATLANTIC SOUTH /  
**NORTH CAROLINA**

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What's green and spans 70,000 acres? Plum Creek's most productive lands in the southern U.S. are located in southeastern North Carolina. Thanks to the area's rich soils, long growing season, and mild climate, many of our timberlands here produce sawlogs faster than any other place in the nation.



**ATLANTIC SOUTH REGION**  
1,859,000 ACRES

- WE BELIEVE 540,000 ACRES IN THE REGION HAVE HIGHER VALUES FOR CONSERVATION, RECREATION, OR DEVELOPMENT PURPOSES.
- WE HAVE PERMANENTLY CONSERVED 96,000 ACRES OF TIMBERLANDS IN THIS REGION OVER THE PAST FOUR YEARS.
- WE SERVE OVER 260 CUSTOMERS THROUGHOUT THE REGION.
- WE ARE THE LARGEST PRIVATE LANDOWNER IN GEORGIA AND THE SECOND-LARGEST IN FLORIDA.

**THIS REGION BENEFITS** from the same climate and productivity as the neighboring Gulf South region, leading to similar financial returns from long-term timber investments. Additionally, regional population growth has led to increased demand for well-located land, providing opportunities to capture additional value.

**NATURAL RESOURCES**

Construction Materials  
Industrial Minerals

**PRINCIPAL TREE SPECIES**

**Softwoods /**  
Loblolly pine  
*Pinus taeda*

**Slash pine**  
*Pinus elliottii*

**Hardwoods /**

**White oak**  
*Quercus alba*

**Red oak**  
*Quercus falcata*

**Cypress**  
*Taxodium*

ATLANTIC SOUTH REGION

## GROWING POPULATIONS. NOW GEESE AREN'T THE ONLY ONES FLYING SOUTH.

ALABAMA  
FLORIDA  
GEORGIA  
NORTH CAROLINA  
SOUTH CAROLINA

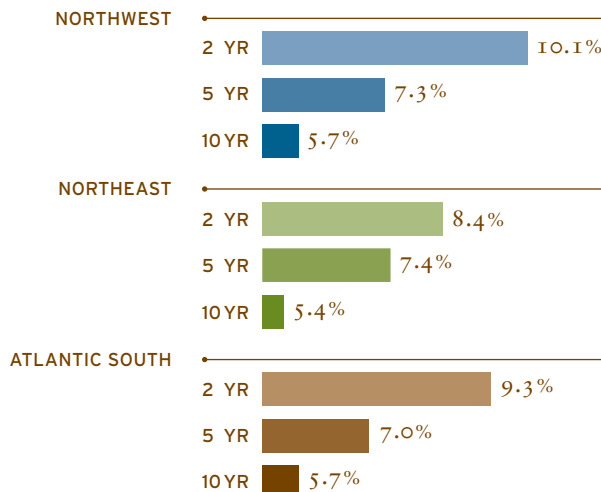
PLUM CREEK'S 1.8 MILLION ACRES of assets in the Atlantic South region illustrate our ability to integrate modern forest management practices with long-term conservation as well as responsible real estate development.

Spurred by the growth of cities such as Atlanta, Georgia; Charlotte, North Carolina; and Jacksonville, Florida, the region is increasingly driven by emerging demographics—especially young workers and retirees moving into these states. So, in addition to benefiting from strong demand for building materials, many of our assets here have grown in value dramatically. As real estate values rise, some of our lands become more valuable than they could ever be as industrial timberlands.

While the majority of our holdings in the region will remain highly productive timberlands throughout our lifetime, we evaluate our lands—in this and every other region—to understand all our value creation opportunities. With these opportunities comes responsibility. So we work to harmonize smart development, sustainably managed timberlands, and responsible stewardship with the interests of our neighbors, communities, and shareholders.

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HISTORIC RESIDENTIAL PROPERTY APPRECIATION RATES IN PLUM CREEK REGIONS



RURAL RESIDENTIAL PROPERTIES HAVE A LONG-TERM RECORD OF PRICE APPRECIATION. THE GRAPH ABOVE DEPICTS THE WEIGHTED AVERAGE COMPOUND ANNUAL GROWTH RATES OF RESIDENTIAL PROPERTY VALUES IN AREAS CONTAINING PLUM CREEK PROPERTIES WITH DEVELOPMENT POTENTIAL.


Source: Office of Federal Housing Enterprise Oversight, Plum Creek estimates



ATLANTIC SOUTH /

## **SOUTH CAROLINA**


Log quality and diameter are key criteria for matching the right log with the right customer. Plum Creek's foresters focus their efforts on sorting, marketing, and delivering logs according to each customer's specifications, helping us maximize the value of each tree.



NORTHEAST /

## **MAINE**


The forest products industry is the largest manufacturing industry in this state by a factor of three to one. Plum Creek's Maine timberlands support a variety of local industries that produce a multitude of products—everything from baseball bats to fine handcrafted furniture.



NORTHEAST /

## **MICHIGAN**

We're an accomplished match-maker. Plum Creek assets in Michigan are well stocked with a variety of hardwoods. Pairing the right tree with the right customer is as much an art as a science, and our foresters match these valuable hardwood trees with customers from a diverse set of industries.







NORTHEAST /  
**NEW HAMPSHIRE**

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The mixed hardwood forests of New Hampshire—featuring maple, spruce, fir, and a variety of northern hardwoods—are typical of our lands in the Northeast. Our forests here help us meet demand from customers in northern New Hampshire and western Maine.

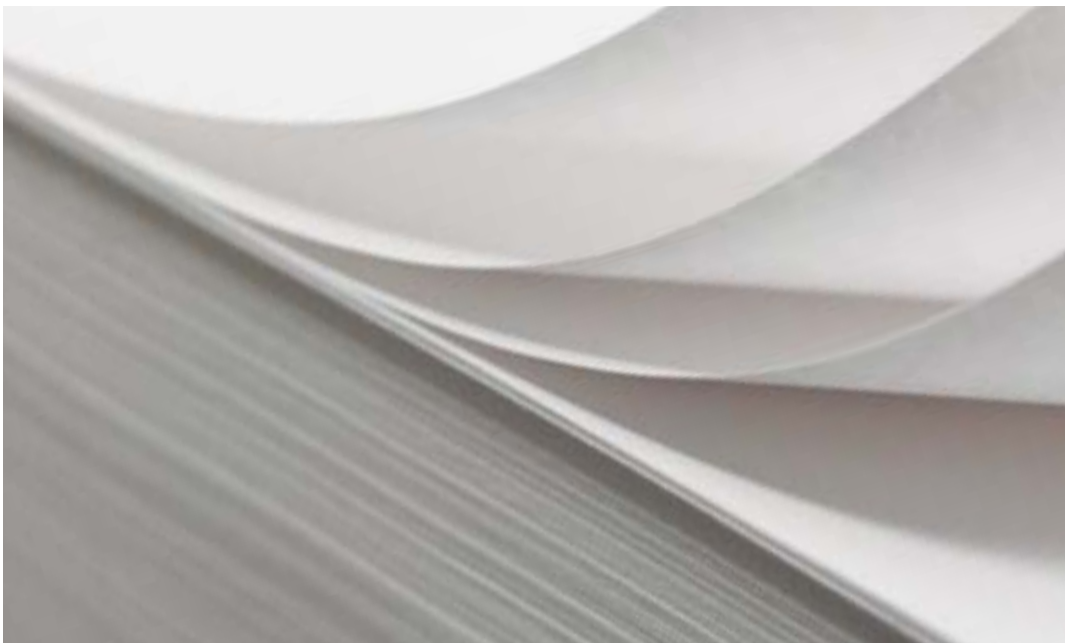


NORTHEAST /  
**WEST VIRGINIA**

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With high-value hardwoods, from black cherry to sugar maple, our lands in West Virginia produce logs that are used to create some of the finest hardwood veneers and furniture-grade lumber. Plum Creek's local managers work to identify and market high-quality hardwood logs to customers around the world.



NORTHEAST /  
**WISCONSIN**

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Never mind the cheese—it's the paper. Wisconsin is the largest paper-producing state in the nation. Plum Creek manages over half a million acres here, serving the state's strong forest products industry. In fact, this annual report is printed on paper produced by one of our customers in Wisconsin.

NORTHEAST REGION

## OUR MIXED FORESTS. CREATING THE MOST BEAUTIFUL FALLS OUTSIDE NIAGARA.

MAINE  
MICHIGAN  
NEW HAMPSHIRE  
WEST VIRGINIA  
WISCONSIN

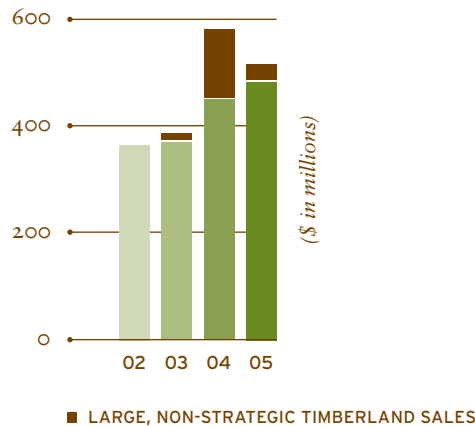
OUR 2.2 MILLION ACRES of timberlands in the Northeast region feature a tremendous diversity of tree species and serve a healthy and broad customer base. The hardwoods that define our timberlands in this region—including maple, oak, and cherry—create the stunning mosaic of colors that make Northeastern autumns famous. These hardwoods also have far different applications from the softwoods that dominate our ownership in other regions of the country. This enhances the diversity of our customer base and the ultimate end-use markets for our timber. From the pulpwood needed by world-class paper producers to the hardwoods coveted by furniture manufacturers worldwide, our Northeast region benefits from healthy demand from a wide range of industries.

Year-round recreation opportunities abound in many of these areas, with good access from population centers such as Chicago, Milwaukee, Minneapolis, and New England. As one of the largest property owners in the region, significant conservation and select development opportunities are part of our value creation opportunity.

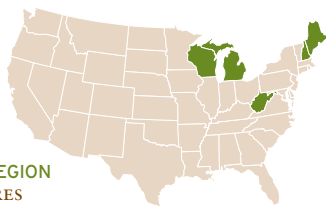
This year, Plum Creek added to its substantial asset base in the Northeast by acquiring 650,000 acres of well-managed timberlands in the Upper Peninsula of Michigan.

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PLUM CREEK'S CASH FLOW FROM OPERATING ACTIVITIES



PLUM CREEK HAS GROWN CASH FLOW SIGNIFICANTLY OVER THE PAST FOUR YEARS. DURING 2005, CASH FLOW FROM OPERATING ACTIVITIES WAS \$516 MILLION, INCLUDING \$31 MILLION (PICTURED IN BROWN) FROM THE SALE OF LARGE, NON-STRATEGIC TIMBERLANDS.



**NORTHEAST REGION**  
2,228,000 ACRES

- NEARLY 70% OF OUR ANNUAL HARVEST IN THIS REGION CONSISTS OF HARDWOOD SPECIES.
- WE HAVE PERMANENTLY CONSERVED 47,000 ACRES OF TIMBERLANDS AND OVER 30 MILES OF SHORELINE IN THIS REGION.
- WE ARE THE LARGEST PRIVATE LANDOWNER IN THE STATES OF WISCONSIN AND MICHIGAN.
- WE SERVE OVER 215 CUSTOMERS THROUGHOUT THIS REGION.
- WE MANAGE OUR WISCONSIN LANDS UNDER A SUCCESSFUL HABITAT CONSERVATION PLAN THAT HELPS PROTECT THE THREATENED KARNER BLUE BUTTERFLY.

**IN THIS REGION, WE MANAGE MIXED HARDWOOD FORESTS**

that provide products which serve a wide range of industries. These forests generate attractive financial returns and provide significant geographic, species, and end-market diversity to our timber portfolio.

**NATURAL RESOURCES**

Coalbed Methane  
Natural Gas  
Construction Materials

**PRINCIPAL TREE SPECIES**

**Softwoods /**

**Black spruce**  
*Picea mariana*

**Red spruce**  
*Picea rubens*

**Balsam fir**  
*Abies balsamea*

**Northern white cedar**  
*Thuja occidentalis*

**Red pine**  
*Pinus resinosa*

**Hardwoods /**

**Sugar maple**  
*Acer saccharum*

**Quaking aspen**  
*Populus tremuloides*

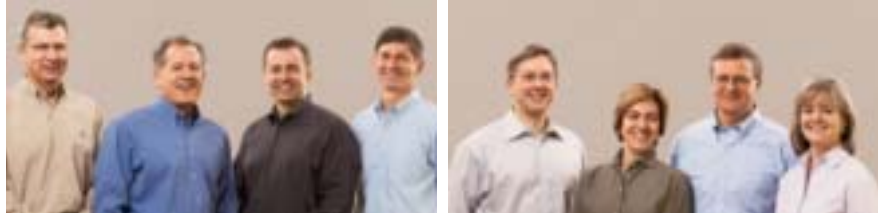
**Black cherry**  
*Prunus serotina*

**Northern red oak**  
*Quercus rubra*

**White birch**  
*Betula papyrifera*

**Yellow birch**  
*Betula alleghaniensis*  
**Yellow poplar**  
*Liriodendron tulipifera*

## QUESTION + ANSWER



### Executive Committee

FROM LEFT TO RIGHT /

#### Larry D. Neilson

SENIOR VICE PRESIDENT, PLANNING  
AND BUSINESS DEVELOPMENT

#### Rick R. Holley

PRESIDENT AND CHIEF EXECUTIVE  
OFFICER

#### Thomas M. Lindquist

EXECUTIVE VICE PRESIDENT

#### William R. Brown

EXECUTIVE VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER

#### James A. Kraft

SENIOR VICE PRESIDENT, GENERAL  
COUNSEL AND SECRETARY

#### Barbara L. Crowe

VICE PRESIDENT, HUMAN RESOURCES

#### Henry K. Ricklefs

VICE PRESIDENT, MANUFACTURED  
PRODUCTS

#### Joan K. Fitzmaurice

VICE PRESIDENT, AUDIT AND  
FINANCIAL SERVICES

Q /

### WHAT IS PLUM CREEK'S COMMITMENT TO THE ENVIRONMENT?

A /

Plum Creek has long understood that being excellent stewards of our lands goes hand in hand with being excellent stewards of our shareholders' investment.

Our sustainable forestry practices—on all 8.2 million acres—confirm this commitment. Sustainable Forestry Initiative® (SFI) principles and objectives guide our approach to forest management and to the procurement of wood for our manufacturing operations. This approach to practicing sustainable forestry incorporates the perpetual growing and harvesting of trees with the protection of wildlife, plants, soil, and water quality. All of Plum Creek's lands are independently certified to be in full compliance with the SFI® Standard and undergo rigorous periodic reviews that confirm our long-term commitment.

Our commitment doesn't stop there. Nearly 2 million acres of our lands are carefully managed under four habitat conservation plans and cooperative agreements with the federal government designed to protect and enhance habitat for threatened and endangered species.

Additionally, Plum Creek has permanently conserved nearly 500,000 acres of sensitive lands, preserving their unique natural values for future generations. We have a long history of partnering with conservation organizations and government agencies to permanently conserve sensitive ecosystems, important wildlife habitat, and special places.

Q /

### HOW DOES PLUM CREEK MANAGE DIVIDEND GROWTH?

A /

Paying a reliable and attractive dividend to our shareholders is one of the most direct and transparent means we have of delivering shareholder value. The dividend and capital appreciation have produced very attractive annualized total shareholder returns of 13.4% over the past five years and 11.7% over the past 10 years. The values of our timber and land assets have grown considerably through long-term capital appreciation and active portfolio management. And our sustainable timber management practices produce a predictable and recurring harvest that generates much of our annual cash flow.

Plum Creek's board of directors, in its sole discretion, determines the amount and timing of the dividends we pay to our shareholders. Over the past two years, the board of directors has increased the quarterly dividend by approximately 14%. This reflects the company's successful execution of strategies designed to capture and create long-term shareholder value.

Q /

**WHAT IS PLUM CREEK'S APPROACH TO REAL ESTATE DEVELOPMENT OPPORTUNITIES?**

A /

Through a careful and rigorous screening process, we have identified over 1.3 million acres that we believe have higher values than would be generated from perpetual timber production. This includes approximately 225,000 acres that we plan to entitle and sell for responsible development.

With these opportunities comes responsibility. Our regional land use plans are designed to reflect and preserve the unique character of a region, including working forest landscapes and support for conservation of sensitive areas. Plum Creek works with the communities where we work and live, local officials, and responsible conservation groups to establish long-term plans that provide certainty and predictability in future land use. Our goals are aimed at capturing significant economic value for our shareholders, enhancing economic opportunity for our neighboring towns and local businesses, and providing for long-term conservation.

Q /

**WHAT ROLE DOES THE MANUFACTURING SEGMENT PLAY AT PLUM CREEK?**

A /

We are the largest private landowner and the largest manufacturer in Montana. Our manufacturing operations there provide an important strategic complement to our Montana timberlands. Through our lumber, plywood, and medium density fiberboard businesses, we create additional value from our unique timber resources in this region. This high-quality timber has a tight grain that enables us to manufacture high-valued specialty and industrial products. We sell these products to industrial and home center customers who value their quality and special attributes. This approach limits our exposure to more volatile commodity markets. As a result, our manufacturing segment consistently generates free cash flow and captures additional value for our shareholders.

2001-2005

## SELECTED FIVE-YEAR FINANCIAL HIGHLIGHTS

<i>\$ in millions except per-share amounts</i>	2005 <sup>A</sup>	2004 <sup>B</sup>	2003 <sup>C</sup>	2002 <sup>D</sup>	2001 <sup>E</sup>
<b>INCOME STATEMENT ITEMS</b>					
Revenues	\$ 1,576	\$ 1,528	\$ 1,196	\$ 1,137	\$ 598
Operating Income	448	477	303	338	250
Net Interest Expense	109	111	117	103	54
Income before Income Taxes	339	366	186	235	196
Benefit (Provision) for Income Taxes	(8)	(27)	6	(2)	142
Income from Continuing Operations	331	339	192	233	338
Gain on Sale of Properties, Net of Tax	23	23	-	-	-
<b>Net Income</b>	<b>\$ 354</b>	<b>\$ 362</b>	<b>\$ 192</b>	<b>\$ 233</b>	<b>\$ 338</b>
<b>Diluted Earnings per Share<sup>F</sup></b>					
Income from Continuing Operations	\$ 1.79	\$ 1.84	\$ 1.04	\$ 1.26	\$ 2.58
Net Income	\$ 1.92	\$ 1.97	\$ 1.04	\$ 1.26	\$ 2.58
<b>NON-CASH ITEMS</b>					
Depreciation, Depletion, and Amortization	\$ 113	\$ 114	\$ 108	\$ 106	\$ 55
Basis in Real Estate Sold	124	134	66	28	18
<b>BALANCE SHEET ITEMS</b>					
Total Assets	\$ 4,812	\$ 4,378	\$ 4,411	\$ 4,299	\$ 4,129
Total Debt, Including Timber Obligations	2,241	1,897	2,076	1,884	1,701
Total Harvest Volume ( <i>million tons</i> )	19.2	18.6	19.0	19.3	13.9

PLUM CREEK MERGED WITH THE TIMBER COMPANY IN OCTOBER 2001. THE MERGER WAS ACCOUNTED FOR AS A REVERSE ACQUISITION, WITH THE TIMBER COMPANY TREATED AS THE ACQUIRER FOR FINANCIAL REPORTING PURPOSES. AS A RESULT, THE FINANCIAL HIGHLIGHTS ABOVE REFLECT THE RESULTS OF THE TIMBER COMPANY FOR PERIODS PRIOR TO THE MERGER. 2002 WAS THE FIRST FULL YEAR OF RESULTS FOR THE MERGED COMPANY.

- A** During 2005, the company acquired a total of approximately 754,000 acres of timberlands located primarily in Michigan, Florida, and Arkansas for \$501 million. Additionally, the company sold approximately 40,000 acres of large, non-strategic timberlands for approximately \$31 million. The company recorded a loss of \$2 million, representing the book basis of timber destroyed by Hurricane Katrina. The company sold coal and industrial mineral assets for \$24 million, resulting in a \$23 million gain, net of taxes.
- B** During 2004, the company acquired approximately 78,000 acres of timberlands in Arkansas and Maine for \$66 million. Additionally, the company sold approximately 255,000 acres of large, non-strategic timberlands for \$133 million. The company recorded asset impairments of \$21 million related to the sale or expected sale of non-strategic timberlands. The company recorded a \$9 million pre-tax (\$5 million after-tax) impairment of lumber mill assets. The company sold its coalbed methane operating interest for \$27 million, resulting in a \$5 million gain. The company also sold coal assets in Virginia for \$23 million, resulting in a \$23 million gain.
- C** During 2003, the company acquired 139,000 acres of timberlands in Arkansas, South Carolina, and New Hampshire for \$162 million. Additionally, approximately 29,000 acres of large, non-strategic timberlands were sold in 2003 for \$13 million. The company recorded a loss of \$4 million, representing the book basis of timber destroyed by fire on approximately 45,000 acres in Montana.
- D** During 2002, the company acquired 307,000 acres of timberlands primarily in Wisconsin for approximately \$141 million.
- E** During 2001, the company changed its accounting policy for reforestation costs. Additionally, as a consequence of The Timber Company merger, a tax benefit of \$216 million was recognized in 2001.
- F** On October 6, 2001, former shareholders of The Timber Company received Plum Creek common stock totaling 112.7 million shares (113.9 million diluted shares). Diluted earnings per share for 2001 were calculated using a weighted average 130.7 million diluted shares outstanding.

## CORPORATE OFFICERS

### Rick R. Holley

PRESIDENT AND CHIEF EXECUTIVE OFFICER

### William R. Brown

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

### Thomas M. Lindquist

EXECUTIVE VICE PRESIDENT

### James A. Kraft

SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY

### Larry D. Neilson

SENIOR VICE PRESIDENT, PLANNING AND BUSINESS DEVELOPMENT

### David A. Brown

VICE PRESIDENT AND CHIEF ACCOUNTING OFFICER

### Barbara L. Crowe

VICE PRESIDENT, HUMAN RESOURCES

### Joan K. Fitzmaurice

VICE PRESIDENT, AUDIT AND FINANCIAL SERVICES

### James A. Kilberg

VICE PRESIDENT, LAND MANAGEMENT

### David W. Lambert

VICE PRESIDENT, BUSINESS DEVELOPMENT

### Robert J. Olszewski

VICE PRESIDENT, ENVIRONMENTAL AFFAIRS

### Thomas M. Reed

VICE PRESIDENT AND GENERAL MANAGER, ATLANTIC SOUTH REGION

### Henry K. Ricklefs

VICE PRESIDENT, MANUFACTURED PRODUCTS

### Laura B. Smith

TREASURER

### Brent L. Stinnett

VICE PRESIDENT AND GENERAL MANAGER, GULF SOUTH REGION

## BOARD OF DIRECTORS

### Ian B. Davidson (A, N, F)

CHAIRMAN OF THE BOARD  
CHAIRMAN OF THE BOARD,  
DAVIDSON COMPANIES

### Rick R. Holley

PRESIDENT AND CHIEF EXECUTIVE OFFICER, PLUM CREEK

### Robin Josephs (A, C, F)

FOUNDER AND MANAGING DIRECTOR,  
ROPASADA, LLC

### John G. McDonald (A, N)

PROFESSOR OF FINANCE,  
STANFORD INVESTORS CHAIR  
GRADUATE SCHOOL OF BUSINESS,  
STANFORD UNIVERSITY

### Robert B. McLeod (C)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER, NEWLAND COMMUNITIES

### Hamid R. Moghadam (C, N)

CHAIRMAN AND CHIEF EXECUTIVE OFFICER,  
AMB PROPERTY CORPORATION

### John H. Scully (N)

MANAGING DIRECTOR,  
SPO PARTNERS & CO.

### Stephen C. Tobias (N)

VICE CHAIRMAN AND CHIEF OPERATING OFFICER, NORFOLK SOUTHERN CORPORATION

### Carl B. Webb (A, C)

INTERIM PRESIDENT AND CHIEF EXECUTIVE OFFICER,  
TRIAD FINANCIAL CORP.

## COMMITTEES OF THE BOARD OF DIRECTORS

### A Audit

### C Compensation

### N Corporate Governance and Nominating

### F Audit Committee Financial Expert

## PRINCIPAL HEADQUARTERS

### Plum Creek

999 Third Avenue, Suite 4300  
Seattle, WA 98104

### PHONE /

206-467-3600

### URL /

[www.plumcreek.com](http://www.plumcreek.com)

## INVESTOR RELATIONS

### John B. Hobbs

DIRECTOR OF INVESTOR RELATIONS

800-858-5347 or 206-467-3600

[ir@plumcreek.com](mailto:ir@plumcreek.com)

## ANNUAL MEETING

### DATE /

May 3, 2006

### TIME /

9:00 a.m.

### LOCATION /

Washington Athletic Club  
Lobby Level, Noble Room  
1325 6th Avenue  
Seattle, WA 98101

## FORM 10-K

Additional copies of this report and Plum Creek's report on Form 10-K are available without charge upon written request to:

Plum Creek

Investor Relations

999 Third Avenue, Suite 4300  
Seattle, WA 98104

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### Ernst & Young LLP

999 Third Avenue, Suite 3500  
Seattle, WA 98104-4086

## STOCK INFORMATION

### LISTED /

New York Stock Exchange  
Pacific Stock Exchange

### SYMBOL /

PCL

### CUSIP /

729 251 108

## STOCK TRANSFER AGENT AND REGISTRAR

### Computershare Trust

Company, N.A.

P.O. Box 43010

Providence, RI 02940-3010

### PHONE INQUIRIES /

800-254-4961

### OUTSIDE THE U.S. /

781-575-3120

### TDD, HEARING-IMPAIRED /

800-952-9245

### FACSIMILE /

781-828-8813

### URL /

[computershare.com/equiserve](http://computershare.com/equiserve)

## STATE PHOTOGRAPHY

### NORTHWEST

#### Montana

GRIZZLY BEAR, MT

#### Oregon

DOUGLAS-FIR TIMBERLANDS,  
COOS COUNTY, OR

#### Washington

PACIFIC CREST TRAIL,  
STAMPEDE PASS, WA

### GULF SOUTH

#### Arkansas

PINE SAWTIMBER STAND,  
UNION COUNTY, AR

#### Louisiana

PREMERCHANTABLE LOBLOLLY PINE,  
WINN PARISH, LA

#### Mississippi

PEARL RIVER NURSERY,  
HAZLEHURST, MS

#### Oklahoma

PINE TIMBERLANDS,  
PUSHMATAHA COUNTY, OK

#### Texas

WILD TURKEY, EASTERN SUBSPECIES

### ATLANTIC SOUTH

#### Alabama

PINE SAWLOGS NEAR DOTHAN, AL

#### Florida

HEART ISLAND, VOLUSIA COUNTY, FL

#### Georgia

"GREENE COUNTY WHITE" GRANITE,  
GREENE COUNTY, GA

#### North Carolina

PINE TIMBERLANDS, COLUMBUS  
COUNTY, NC

#### South Carolina

SAWTIMBER LOG SORT, MARKED FOR  
CUSTOMER, CLARENDON COUNTY, SC

### NORTHEAST

#### Maine

MOOSEHEAD MANUFACTURING,  
MONSON, ME

#### Michigan

HARDWOOD FOREST AND POND,  
IRON COUNTY, MI

#### New Hampshire

RED MAPLE, COOS COUNTY, NH

#### West Virginia

CHERRY HARDWOOD VENEER

#### Wisconsin

DOMTAR TITANIUM PRODUCED IN  
PORT EDWARDS, WI

## REGION PHOTOGRAPHY

### Cover

DOUGLAS-FIR TIMBERLANDS NEAR  
COOS BAY, OR

### Northwest Region

DETAIL OF DOUGLAS-FIR BARK

### Gulf South Region

DETAIL OF LOBLOLLY PINE NEEDLES

### Atlantic South Region

GRAND CLUB GOLF COURSE,  
PALM COAST, FL

### Northeast Region

DETAIL OF RED MAPLE LEAVES



**Plum Creek**

*Growing Value from Exceptional Resources*

Plum Creek  
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Suite 4300  
Seattle, Washington 98104