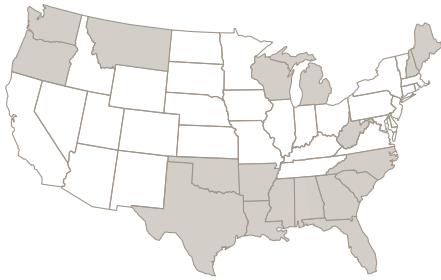


An aerial photograph of a vast forested valley. In the foreground, a dense forest of evergreen trees stretches across the frame, with some trees showing a yellowish-green hue. In the middle ground, a large, calm lake reflects the sky, surrounded by rolling hills and more forest. The background features more distant mountains under a sky filled with soft, white clouds. The overall scene is serene and natural.

LAND + TIMBER

PLUM CREEK
2006 ANNUAL REPORT + 10-K

--- DISTRIBUTION OF ACREAGE
(TOTALING 8.2 MILLION ACRES)



ALABAMA ---	102,000	NEW HAMPSHIRE ---	33,000
ARKANSAS ---	905,000	NORTH CAROLINA ---	73,000
FLORIDA ---	602,000	OKLAHOMA ---	126,000
GEORGIA ---	850,000	OREGON ---	372,000
LOUISIANA ---	499,000	SOUTH CAROLINA ---	203,000
MAINE ---	928,000	TEXAS ---	48,000
MICHIGAN ---	650,000	WASHINGTON ---	128,000
MISSISSIPPI ---	843,000	WEST VIRGINIA ---	114,000
MONTANA ---	1,256,000	WISCONSIN ---	485,000

How we do business: The timber and land assets Plum Creek owns are a tremendous store of value. We think of our forests as the principal of an investment—one that grows biologically each year. As these trees grow in volume, they also grow in value as larger trees become better suited for more valuable end uses. Sustainably managed and third-party-certified under the Sustainable Forestry Initiative®, these growing forests provide a tremendous store of value and are capable of generating long-term cash flows for generations.

Just as our timber assets represent a unique and growing store of value, so do our underlying land assets. As the population of the nation has expanded, so has the demand for well-located land—for housing, for recreation, and to preserve for future generations. So our land assets have a long-term history of price appreciation as well.

Our job is to maximize the value of these remarkably valuable assets—and deliver that value to our shareholders. Through the

scope and scale of our ownership, we have a perspective on timber and rural land markets that is unmatched. It provides superior insight into value-creating opportunities across the nation—which leads to superior investment decisions.

Our view of these assets is as intimate as it is comprehensive. Our professional foresters, real estate professionals, and experts in other non-timber natural resources evaluate every acre we manage to understand its highest-valued use. And we manage each acre as productive forest with its ultimate potential in mind.

As Plum Creek has grown, our disciplined approach to capital allocation has remained constant. We base investment decisions on the value created by their long-term cash flows. Our strategies are designed and proven to grow the long-term value of our shareholders' investment: paying an attractive, sustainable, and growing dividend; making acquisitions that add to our cash flow; and opportunistically repurchasing our stock.

We're the largest private landowner in the nation. When forestry produces the best long-term value, we grow trees. When the land is more valuable for other uses, we pursue them.

Either way you look at it, it's the right business decision for us.

**AND A GREAT
LONG-TERM
INVESTMENT
FOR YOU.**



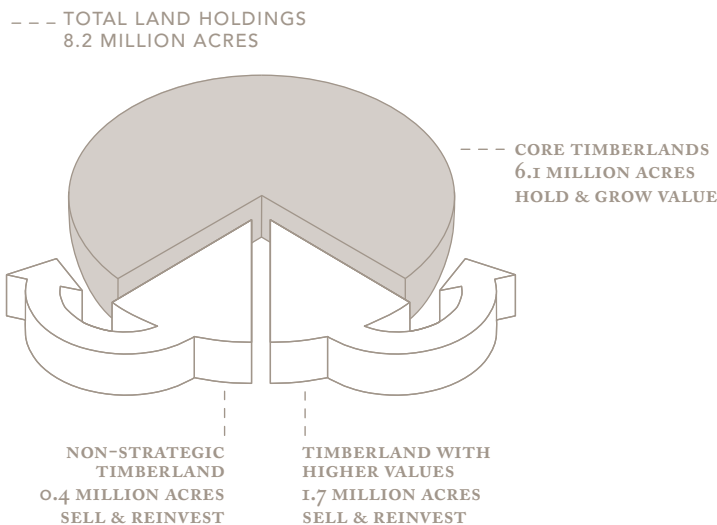
RICK R. HOLLEY
*President and Chief
Executive Officer*

Dear fellow shareholders, since Plum Creek's inception in 1989, we have stayed true to our mission of building a strong company that grows in value over time while delivering a healthy dividend along the way. This disciplined focus rewarded our long-term shareholders with annualized total shareholder returns of 12.3% over the past five years, significantly outpacing the 6.2% returns from an investment in the S&P 500 during the same period.

For Plum Creek, 2006 was another year of delivering results as we continued to execute on our key strategic initiatives. We identified new opportunities for value creation across our different businesses and, importantly, provided total shareholder returns of 15.5% for the year.

The progress we made during the year is all about enhancing the value of this asset-rich company. Plum Creek is not only the largest private timber owner in the U.S., but also the largest landowner. Each of our core assets, timber and land, appreciate in value every day.

I believe investors who take the long-term view, as we do, have come to appreciate the incredible value of our 8.2 million acres. Our forests are growing—about 7% each year. Over time we harvest a bit less than our growth, which allows us to increase the standing inventory of trees and grow our long-term harvest potential. We also benefit from the increasing value of our land assets, which in some markets have appreciated as much as 15% annually.



At Plum Creek, we focus on value and value creation over the long term, because this is a long-term business.

One thing that is clearly understood by each employee is that our job is to “maximize the value of every acre.” That includes what’s on the land, our core timber business; the land itself, our real estate business; and what’s under the ground, our energy and natural resource business.

The key strategies that enable us to accomplish our value-maximizing objectives continue to serve us well and bear repeating:

- Evaluate our entire timberland portfolio to ensure the highest value outcome.
- Grow the value of our timber business by practicing sustainable timber management and environmental forestry; improve the quality and productivity of our lands; grow our timber inventory and future harvest levels; and expand cash margins through superior management.
- Capture the value of lands that have values in excess of timber value or are non-strategic. Create and capture value through the entitlement and responsible development of our highest-value properties. Realize the value of our non-timber natural resources.
- Maintain discipline as it relates to capital allocation. Acquire additional lands that are value-accretive, sustain a growing and attractive dividend, and repurchase shares opportunistically.

Once again in 2006, we made progress against each of these initiatives.

Our portfolio evaluation, which we call “Asset Value Optimization,” or AVO, yielded significant results. During the year, we identified an additional 400,000 acres of land that have values well in excess

of timberland value. These lands are referred to as higher and better use (HBU) properties. To date, we’ve identified 1.7 million acres of such lands, which we believe in today’s market are worth more than \$5 billion. This process, which we view as both a core competency and strategic advantage, also identified significant additional timberland acreage with higher values that will likely transition to the HBU classification over time. We expect to sell these higher-value lands over the next 15 years, largely for recreation, community development, and conservation purposes.

We improved our core timberland holdings through the acquisition of 98,000 acres of productive land, primarily in Oregon. We’ve also put in place several key operating initiatives involving log marketing and logistics. This will allow us to continue to grow the cash flow and value of our core timber business.

We’ve executed on our plans in the real estate business, which has allowed us to grow the segment’s revenue from \$98 million in 2002 to \$308 million in 2006, more than tripling revenues in just four short years. We sold approximately 112,000 acres in 2006, less than 1.4% of our land holdings, and realized an average price of nearly \$2,800 per acre.

Our comprehensive review of our assets continues to lead us in new directions. Today, we generate about \$15 million in annual income and cash flow from resources, such as sand, gravel, and natural gas, on our properties. Longer term, we expect to grow the contribution from these natural resources as well as from emerging opportunities—including the potential to supply raw material to bioenergy producers of cellulosic ethanol.

Disciplined capital allocation remains Job #1 at Plum Creek. As a result of our strong cash flow, our excellent financial position,

and positive long-term outlook, we increased your quarterly dividend by more than 5% in 2006 and again by 5% in February of 2007. During 2006, we also reinvested \$86 million in capital to improve our assets, purchased 98,000 acres of attractive timberlands, and repurchased company stock in the open market at very attractive prices, increasing your proportionate ownership of the company by 4%.

Our financial performance in 2006 was very good, given the sharp downturn in certain housing markets in the second half of the year. Our revenue for the year was \$1.6 billion. Although a significant reduction in lumber demand during the second half of the year reduced earnings from our Manufacturing and Resource segments, excellent execution and continued growth in our Real Estate segment resulted in 2006 income from continuing operations similar to what we achieved in 2005. Importantly, we continued to generate significant cash flow. For the year, cash flow from operations was \$556 million, \$266 million more than our annual dividend, leaving plenty of cash to reinvest in the company to help fund our future growth.

Looking ahead, I believe the first half of 2007 will present us with challenging market conditions in our resource and manufacturing businesses. However, the U.S. economy remains in solid shape, and demographic trends in our country will require a significant number of homes to be built over the next decade. As a result, we believe the market downturn in housing is temporary. In the meantime, our timber assets continue to be an excellent store of value and source of recurring income and cash flow. Our timber continues to grow in both volume and value, and our land assets continue to appreciate over the long term. We will continue to make our day-to-day operating decisions based on what we

believe will ultimately yield the most value for our shareholders. We won't hesitate to defer harvests in weak markets, even if it results in lower short-term financial results: with these valuable assets, it's the right decision. We expect 2007 to be another year of growth for the Real Estate segment. Demand for rural land remains good as we continue to grow this segment of the company.

We expect to generate significant cash flow again in 2007 and are well positioned strategically and financially to execute our strategies for long-term value creation.

I want to thank all of our employees. The company's continued success and ability to create shareholder value is the direct result of their hard work and dedication. I also want to thank you, our shareholders, for your continued support.



Rick R. Holley
President and Chief Executive Officer



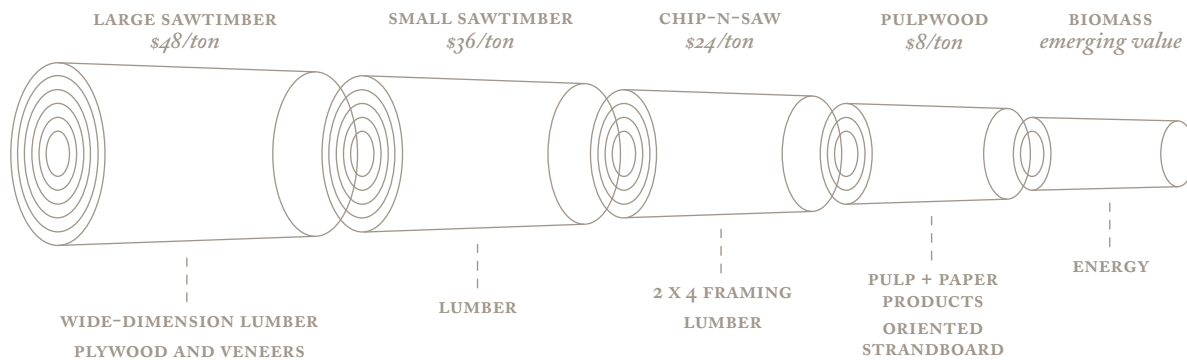
TIMBER

We own 8.2 million acres of timberlands in diverse markets. This gives us the flexibility to do the right things at the right time to get the highest value from every tree on every acre.

**SOMETIMES
A HARVEST
BRINGS THE
MOST VALUE.**

--- LOG MERCHANDISING

Larger-diameter logs are used by our customers in more valuable applications and, therefore, command higher prices. Plum Creek forestry professionals help ensure that we capture the most from each tree by striving to match every tree, or portion of a tree, with the customer who values it the most.



Our local foresters know when to harvest to get the best price. They understand the value potential of each tree and which customers value our products and services most.

In the timber business, knowledge is a good investment, and local knowledge is best of all. Some of our local foresters have managed stands of Plum Creek timber from the day they were planted. Together with our scientists, these on-the-ground experts know every acre of our timberlands and the 40 diverse timber markets we serve around the country. The more we know about our timberlands and markets, the better we are at deciding when we can capture the greatest value with a sustainable harvest.

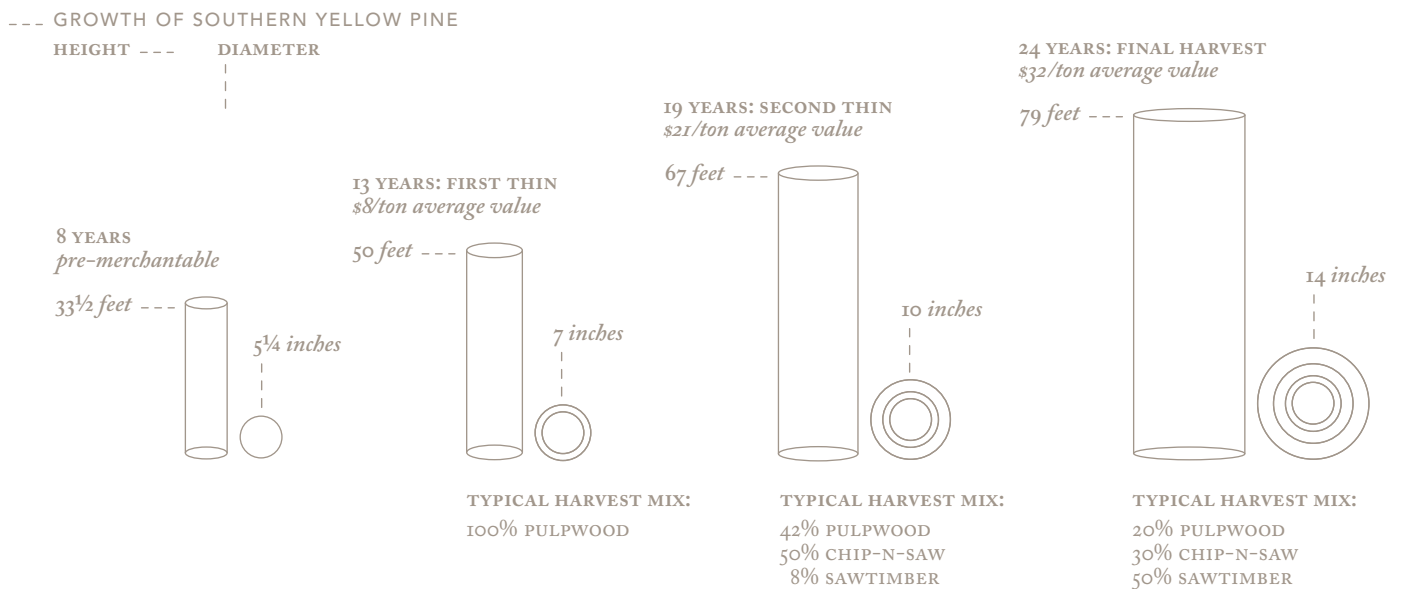
Timing a harvest is just the beginning of a whole series of decisions we make to get the highest value from every tree. We work carefully to determine the best value—not only for each tree but, in many cases, also for each portion of a tree through a process we call log merchandising. We consider everything from the best contractor to harvest the timber and the best customers to buy it right down to the best routes for delivery. We're also looking ahead and planning the next generation of sustainable harvests—from planting and fertilization to thinning and advanced forestry

practices that are tailored to site-specific topography, soil, and climate—all with the aim of improving the sustainable productivity of our forests.

Throughout the country, our customers are a mix of lumber and plywood mills, oriented strandboard plants, and pulp and paper manufacturers who serve the needs of people all over the world. In northwestern Montana, our timber customers include our own 10 value-added manufacturing facilities.

Plum Creek is the largest supplier of wood fiber in the nation, and owning so much productive timberland in diverse parts of the country gives us plenty of options. Because our trees continue to grow in both volume and value, we always keep in mind that one of our options is to let the trees grow. When market conditions improve, we will be able to sell more volume at better prices. In this way, we protect and create long-term shareholder value.

Deciding to harvest a stand of trees is one of the most important decisions we make. Trees grow in both volume and value, allowing our foresters to time a harvest to capture the most value. During periods of weak demand and low prices, we choose to reduce our harvests, allowing the trees to grow.





**SOMETIMES
IT PAYS TO
LET THE
TREES GROW.**

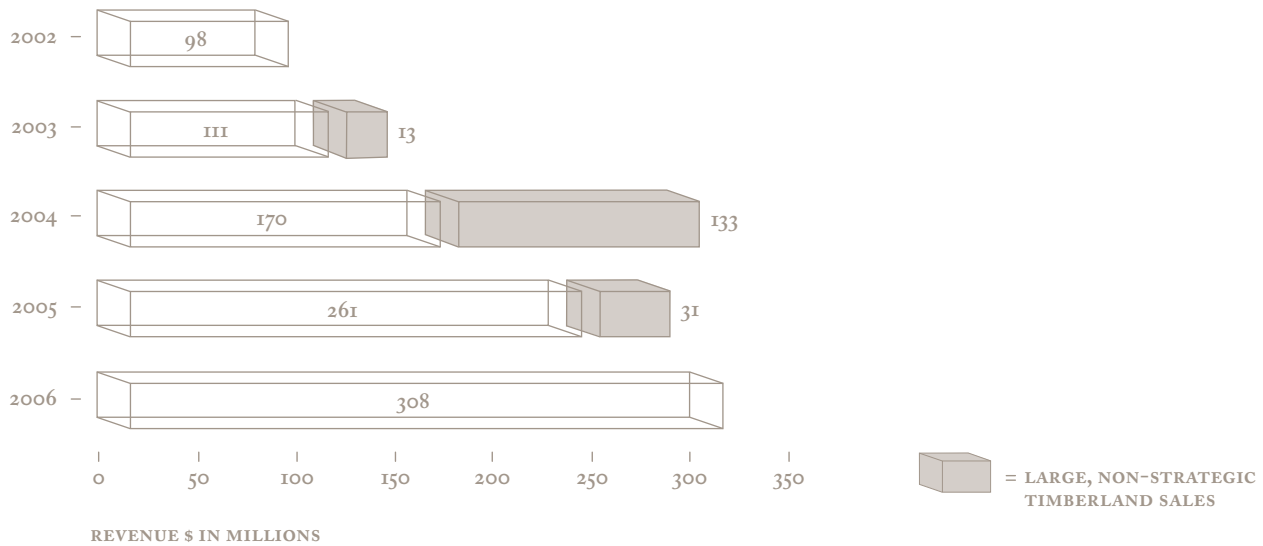


LAND

The value of our rural land portfolio keeps growing. These lands include unique properties that are suitable for permanent conservation, outdoor recreation, or carefully planned residential communities.

**MANY USES,
HIGHER VALUES.**

--- REAL ESTATE SEGMENT GROWTH



We expect our higher and better use (HBU) lands to have an increasingly positive impact on our cash flow in the years to come, and we’re doing a lot of things now to make it happen.

As part of our 8.2 million acres of timberlands, Plum Creek owns 1.7 million acres of rural lands that have higher value when used for another purpose. We have developed a proprietary process to identify these lands. We adjust our long-term timber management activities for continued timber production while keeping their ultimate end use in mind.

We’ve invested a lot of time and thought in understanding the attributes of these lands and segmenting our land portfolio to generate the best returns for our shareholders. We realize that conservation groups, outdoor enthusiasts, and families value these lands for a variety of uses. This segmentation drives our thinking about which properties to sell and when and how to sell them.

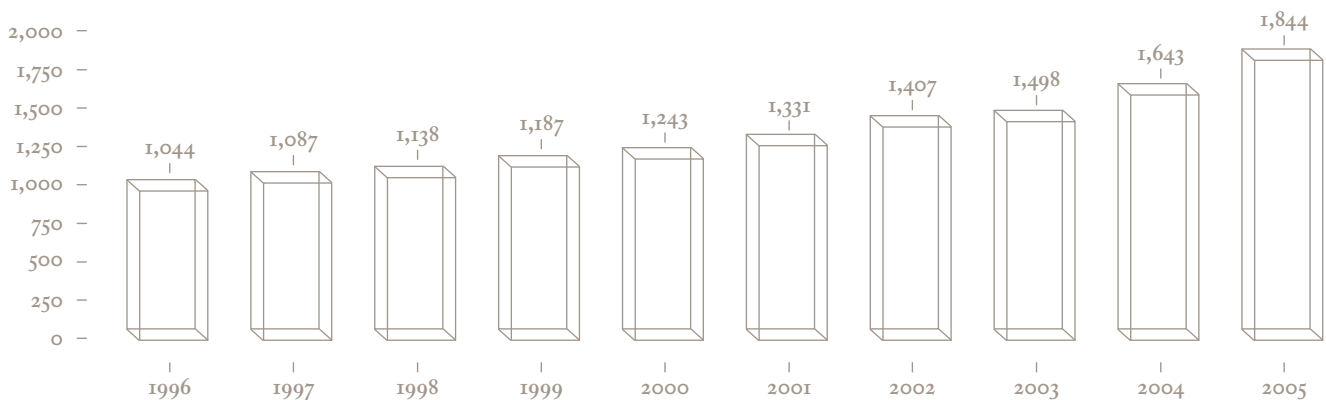
Often a property’s greatest value is in preserving it for future generations. We believe Plum Creek is the largest purveyor of conservation lands in the nation. Since 1989, we’ve conserved more than 500,000 acres in partnership with a number of conservation organizations and government agencies. We expect to continue to work with these organizations to permanently protect another half-million acres of our current land portfolio in the years ahead.

In addition to conservation lands, we have identified another 1 million acres of our rural lands as most valuable for recreational uses. These are rural properties that are attractive to a wide range of buyers, many of whom are seeking a place of their own to pursue their passion for outdoor recreation activities or to gather with family and friends.

A small but highly valuable part of our land base—about 225,000 acres, or 3%—makes up our development properties. These lands are located in the path of existing development or near world-class recreation locations. We consider a progression of options for adding value to these select places, from securing zoning and entitlements, to the addition of modest physical improvements that greatly enhance the value of a property for rural residential use. Since 2002, our Real Estate segment revenues have tripled as years of thoughtful planning have led to sales that are responsive to rural communities and the environment while capturing attractive values for our shareholders.

Land is a finite resource. As the population and wealth of the country has grown, land has appreciated. As tens of millions of baby boomers reach their peak earning years and approach retirement age, demand for rural recreation has grown.

--- 10-YEAR RURAL LAND APPRECIATION
 RURAL RESIDENTIAL LANDS
 6.3% COMPOUND ANNUAL GROWTH RATE



INDEX 1995 = \$1,000

HOUSING PRICE INDEX IN LOCATIONS WITH PLUM CREEK HBU LANDS.
 A \$1,000 INVESTMENT IN RURAL RESIDENTIAL PROPERTY IN PLUM CREEK'S LOCATIONS IN 1995 WAS WORTH APPROXIMATELY \$1,840 IN 2005.

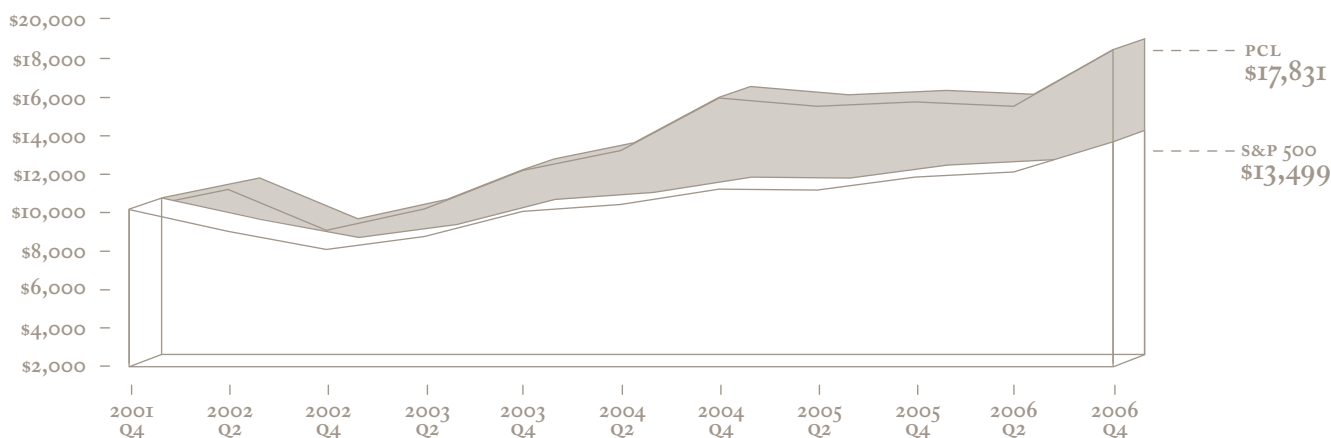
SOURCE: FEDERAL HOUSING ENTERPRISE OVERSIGHT AND PLUM CREEK ESTIMATES

A photograph of a lush forest with tall, mature trees and sunlight filtering through the canopy. The ground is covered in green undergrowth and fallen leaves. The text is overlaid in the center in a large, white, bold font.

**DEMOGRAPHIC
TRENDS ARE IN
YOUR FAVOR.**

**EVEN TIME IS
ON YOUR SIDE.**

--- VALUE OF A \$10,000 INVESTMENT IN PLUM CREEK VS. S&P OVER 5 YEARS (INCLUDES REINVESTMENT OF DIVIDENDS)



Plum Creek focuses on creating long-term value for our shareholders, and the proof is in the numbers. Over the last five years, our shareholders have enjoyed annualized total returns of 12.3%, outperforming the S&P 500's 6.2% returns. Over the years, we have generated healthy cash flow that we pass on to our shareholders in the form of dividends, an important component of our total returns. Our goal is to grow the dividend as the long-term sustainable cash flow-generating capability of the company grows.

Because our income is derived primarily from the sale of timber and land, both long-term assets, the dividends we pay are considered long-term capital gains and taxed at a maximum rate of 15% for our U.S. shareholders.

Underlying our solid long-term stock performance and our growing annual dividends is Plum Creek's asset appreciation. It may not show in our stock price every year, but our lands continue to increase in value over time, both intrinsically and through management practices that keep improving our performance.

Our forest practices are increasing the productivity of our timberlands and the value of our standing inventory of timber. Likewise, our land portfolio grows increasingly valuable as the population and demand for conservation and recreation continue to rise.

In 2006, our share repurchase program allowed us to buy back shares of Plum Creek common stock at very attractive prices. Through the program, we've acquired valuable timber and land assets at attractive values in the stock market and increased each shareholder's proportionate ownership interest by more than 4%.

The disciplined way we manage our capital structure has enabled us to maintain our strong, investment-grade balance sheet. This puts us in the position to continue to execute our strategies for value growth going forward. And it puts our shareholders in the position to profit from investing in Plum Creek for years to come.

2002–2006

Selected five-year financial highlights

<i>\$ in millions except per-share amounts</i>	2006 ^A	2005 ^B	2004 ^C	2003 ^D	2002 ^E
INCOME STATEMENT ITEMS					
Revenues	\$ 1,627	\$ 1,576	\$ 1,528	\$ 1,196	\$ 1,137
Operating Income	461	448	477	303	338
Interest Expense, Net	133	109	111	117	103
Income before Income Taxes	328	339	366	186	235
Provision (Benefit) for Income Taxes	13	8	27	(6)	2
Income from Continuing Operations	315	331	339	192	233
Gain on Sale of Properties, Net of Tax	-	23	23	-	-
Cumulative Effect of Accounting Change, Net of Tax	2	-	-	-	-
Net Income	\$ 317	\$ 354	\$ 362	\$ 192	\$ 233
Diluted Earnings per Share					
Income from Continuing Operations	\$ 1.74	\$ 1.79	\$ 1.84	\$ 1.04	\$ 1.26
Net Income	\$ 1.75	\$ 1.92	\$ 1.97	\$ 1.04	\$ 1.26
Dividends Declared per Share	\$ 1.60	\$ 1.52	\$ 1.42	\$ 1.40	\$ 1.49
Net Cash Provided by Operating Activities	\$ 556	\$ 516	\$ 582	\$ 385	\$ 369
Dividends Paid	290	279	260	257	275
Acquisition of Treasury Stock	263	1	-	43	-
NON-CASH ITEMS					
Depreciation, Depletion, and Amortization	\$ 128	\$ 113	\$ 114	\$ 108	\$ 106
Basis in Real Estate Sold	85	124	134	66	28
BALANCE SHEET ITEMS					
Total Assets	\$ 4,661	\$ 4,812	\$ 4,378	\$ 4,411	\$4,299
Total Debt, Including Timber Obligations	2,333	2,241	1,897	2,076	1,884
Total Harvest Volume (million tons)	21.0	19.2	18.6	19.0	19.3

A. During 2006, the company acquired a total of approximately 98,000 acres of timberlands located primarily in Oregon for \$111 million. The company recorded impairment losses on sales of timberlands expected to close within a twelve-month period of \$2 million. Includes \$14 million pre-tax (\$13 million after-tax) gain from the settlement of the Canadian lumber dispute.

B. 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 in Idaho for approximately \$31 million. The company recorded impairment losses on sales of timberlands expected to close within a twelve-month period of \$1 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.

C. 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 impairment losses on sales of timberlands expected to close within a twelve-month period of \$21 million. The company recorded a \$9 million pre-tax (\$5 million after-tax) impairment of lumber assets. The company sold its coal bed 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.

D. 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 impairment losses on sales of timberlands expected to close within a twelve-month period of \$14 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.

E. During 2002, the company acquired 307,000 acres of timberlands primarily in Wisconsin for approximately \$141 million.

PRINCIPAL HEADQUARTERS

Plum Creek
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Seattle, WA 98104-4096
PHONE: 206-467-3600
URL: www.plumcreek.com

INVESTOR RELATIONS

John B. Hobbs
Director of Investor Relations
800-858-5347 or 206-467-3600
ir@plumcreek.com

ANNUAL MEETING

DATE: May 2, 2007
TIME: 9:00 a.m.

LOCATION:

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

FORM IO-K

ADDITIONAL COPIES OF THIS REPORT AND
PLUM CREEK'S REPORT ON FORM IO-K ARE
AVAILABLE WITHOUT CHARGE UPON WRITTEN

REQUEST TO:

Plum Creek
Investor Relations
999 Third Avenue, Suite 4300
Seattle, WA 98104-4096

**INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

Ernst & Young LLP
999 Third Avenue, Suite 3500
Seattle, WA 98104-4086

STOCK INFORMATION

LISTED: New York Stock Exchange
SYMBOL: PCL
CUSIP: 729 251 108

**STOCK TRANSFER AGENT
AND REGISTRAR**

Computershare Trust
Company, N.A.
P.O. Box 43078
Providence, RI 02940-3078

PHONE INQUIRIES: 800-254-4961
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PlumCreek

Growing Value from Exceptional Resources