

Patience pays dividends.



Plum Creek

2009 Annual Report



Our Path to Success

MOST DIVERSIFIED TIMBER AND LAND INVESTMENT AVAILABLE

Plum Creek manages the most geographically diverse collection of timberlands available for investment in the United States. This broad portfolio reduces risk and provides multiple options for value creation, from the timber we grow to the land and subsurface resources we own.

STRONG BALANCE SHEET

Plum Creek has nearly \$720 million in ready liquidity. We conservatively employ debt and are committed to maintaining our investment-grade credit rating. This strength ensures we can continue to manage our assets to maximize long-term return rather than to service debt obligations. In addition, it provides access to capital to take advantage of high-return investment opportunities.

SUSTAINABLE MANAGEMENT

The concept of sustainable management is nothing new to Plum Creek. In fact, Plum Creek was the first to have its timberlands third-party certified as sustainably managed a decade ago. Our commitment goes farther; more than 80% of the electricity we use comes from clean, hydroelectric sources, and we have placed more than one million acres into permanent conservation.

CONSISTENT MANAGEMENT TEAM, CONSISTENT STRATEGY

The senior management team averages more than 15 years of service with the company. We hold fast to the conviction that our primary job is the creation of wealth for our shareholders. Our strategies for long-term value creation have not changed and are designed to maximize the value of Plum Creek on a per-share basis.

MULTIPLE VALUE CREATION OPPORTUNITIES

We are pursuing multiple value creation opportunities, from growing our non-timber natural resource business to serving new markets addressing the effects of climate change. In 2010, we expect to grow as a supplier to customers who seek the benefits of environmentally friendly, wood-based renewable power. In addition, we will begin to realize lease income from utilities that generate clean, wind-based electricity on our lands.

PROVEN TRACK RECORD OF INNOVATION

Our record speaks for itself. Plum Creek was the first publicly traded pure timberland portfolio, the first timber REIT, and the first to have all of its timberlands third-party certified under the Sustainable Forestry Initiative[®]. We will employ this same entrepreneurial spirit to the development of new business opportunities that derive their value from our timber and land base.

SUPERIOR LONG-TERM SHAREHOLDER WEALTH CREATION

Plum Creek's dividend provides reliable income for our shareholders with growth potential as we grow the sustainable cash generation capability of the company. This, combined with capital appreciation, has resulted in total shareholder returns that outpace those of the S&P 500 on two-, three-, four-, five-, 10-, 15-, and 20-year timeframes.

“Timber assets are an excellent store of value — and patience is required to successfully manage them for long-term wealth creation. Planting a tree is an investment that results in significant cash flow twenty-five or more years from now. Despite the depths of the recession, our land and timber assets and conservative balance sheet allowed us to protect long-term shareholder value and maintain an attractive dividend.”

Dear Fellow Shareholders:



RICK HOLLEY

President and
Chief Executive Officer

Although I always hate to see another year go by, I'm not sure I feel that way about 2009. A major recession, record unemployment, and bankrupt companies made for a dismal business environment. We all felt its impact. For Plum Creek, 2009 tested our resolve to remain focused on our mission of building a company that grows in value over time while delivering a healthy, stable dividend to our shareholders — but we did just that!

In a year of financial and business uncertainty, we continued to create long-term value. We deferred the harvest of 1.6 million tons of sawlogs, allowing those trees to grow until markets and prices recover. We held our most valuable real estate assets off the market in states such as Montana, Florida, and Georgia until the real estate market improves. Instead, we focused on selling our less valuable lands in markets where we found prices attractive.

We reduced overhead costs by \$22 million across the company through position elimination and general cost cutting. We also right-sized our manufacturing business for success by curtailing our lumber operations and reducing production in our plywood and medium density fiberboard businesses. These actions not only improved our financial results in 2009 but also positioned us for future success as markets recover, building a stronger and more valuable company.

Although 2009 was a challenging year with residential construction at record lows, the size and geographic diversity of our land and timber holdings allowed us to respond and perform well financially.

Our revenue for the year was \$1.3 billion and our net income was \$236 million, similar to 2008's net

income. Importantly, our cash flow from operations was \$540 million, more than covering our annual dividend payment of \$275 million. We ended the year in excellent financial shape. Over the past year, we reduced debt by \$182 million, further strengthening our balance sheet. We had \$299 million of cash at year end, \$419 million available under our line of credit, and investment grade credit ratings from both major rating agencies.

Our success is built on the execution of our four key strategies:

Evaluating our 7 million acre portfolio of diverse land and timber assets.

One of the most crucial aspects in managing our assets is to have an in-depth understanding of the value opportunities our lands have to offer. We routinely evaluate our lands to determine in which markets we'll hold timber long term, which rural lands may have higher real estate values, and which lands may have other potential values yet to be captured — such as minerals, wind power, or renewable energy.

Growing the value of core timber assets.

Timber is our core business, and we continually focus our efforts on how we can improve our timberlands' productivity and cash flow generating capability. During the last three years, we invested \$224 million to improve the productivity and yield of our forests. These investments ensure a healthy, vibrant, and growing forest that will increase its productivity over time. We are also investing our time and effort to encourage and support the development of new markets for the timber we grow. This includes our efforts to serve customers who value our timber as a source of reliable, renewable energy.



Kibby, Maine, Wind Power Project

Creating and capturing value from timberlands with high-value alternative uses.

Not all lands are created equal, and it's our job to determine the highest value use, whether it be continued timber production or an alternative, higher-value outcome. In some cases, the land will be sold for recreation, conservation, or development. And understanding just how to position a parcel is critical to capturing value in that business. We also capture value in the form of royalties for other assets we own — oil, gas, aggregates, and wind power opportunities — generating more than \$18 million in 2009 revenues and adding nicely to our bottom line.

Disciplined, effective capital allocation.

This is Job #1 at Plum Creek. We generate value not only through our ongoing business operations but also by being active portfolio managers. We do this by having a thorough understanding of the value of land and timber assets — knowing the market, the alternative uses of the land, and the cost of managing them, as well as having access to capital. These are all critical to effective capital allocation. Over the past several years, Plum Creek has been both a buyer and a seller of timberland — the goal in both cases was to generate excess returns and maximize value for shareholders.

From 2001 through 2006, we were a net buyer of timberlands, increasing our ownership from 3.2 million acres to 8.2 million. Since 2007, we have been a net seller, reducing our ownership to 7 million acres. Although our footprint is smaller, the lands we own today are, on average, more

productive and of a higher quality than the lands we owned in 2006 — the result, a more valuable company. At the same time, we put the capital generated by these timberland sales to excellent use. Over the last three years, we generated nearly \$1.3 billion from monetizing non-strategic timberland.

Here's how we used that money:

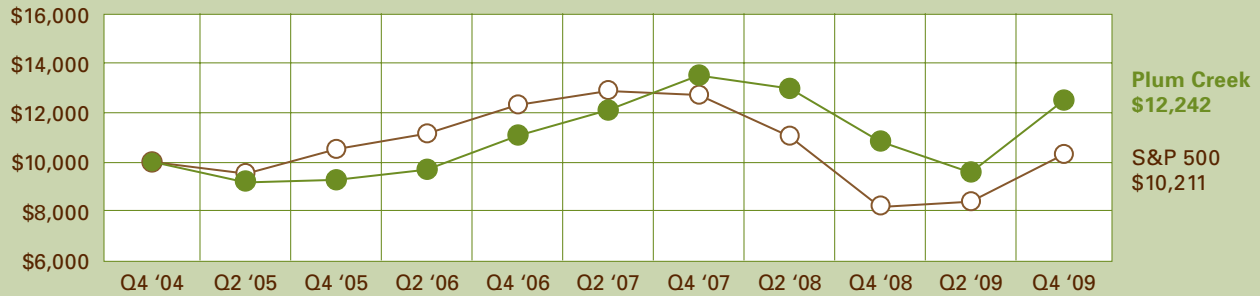
- We increased cash by \$59 million and reduced third-party debt by \$523 million, which helped reduce our annual interest expense by nearly \$60 million from 2007's level.
- We purchased 147,000 acres of timberland at attractive prices (\$120 million) in Vermont, Georgia, and Oregon.
- We bought \$351 million (10.1 million shares) of our undervalued common stock, reducing our annual dividend obligations by \$17 million. Since 2006, we've repurchased 22.8 million shares (12%) of the company's stock for \$815 million, increasing each shareholder's proportional ownership in the company.

I'm an optimist at heart, but I feel better about Plum Creek's future now than at any other time I recall. Fundamentally, the harvest from our land holdings will rise over time, the result of the biological growth of our forests. Additionally, the size and diversity of our asset base, our strategic focus, and our dedicated employees will allow us to take advantage of opportunities when markets improve. By deferring the harvest of high value sawlogs and the sale of high value real estate, we've positioned the company to capture significantly more value when the economy recovers.

VALUE OF A \$10,000 INVESTMENT IN PLUM CREEK VS. S&P 500 OVER 5 YEARS

(Includes Reinvestment of Dividends)

Over the past five years, an investment in Plum Creek has provided superior returns compared with those of the S&P 500. An investment in Plum Creek provided compound annual returns of 4.1% versus the S&P's 0.4% return.



We also see some very positive value catalysts on the horizon. The first is a recovery in the economy and, in particular, housing. We should see some improvement in 2010 and again in 2011 and beyond. We expect a slow rebound and believe housing will recover to a level of 1.5 million to 1.6 million housing starts due to long-term demographics.

At the same time, Canada, a major supplier of lumber in the U.S. market, will find it difficult to respond to increased demand for lumber products when the market recovers. Historically, Canada supplied approximately 35% of the structural lumber used in the United States. However, the Canadian harvest is expected to decline substantially in the coming years, the result of a major pine beetle infestation in British Columbia and harvest reductions in eastern Canada. As a result, improved U.S. demand will rely increasingly on lumber produced in the United States. This will increase the demand and pricing for sawlogs, clearly a positive for Plum Creek.

We are also expecting significant demand growth for wood fiber as a source of renewable energy. It is expected that a renewable energy bill will find its way through Congress in the next two years. With that, there will be a requirement that some portion of the power generated in the United States come from renewable sources such as wind, solar, hydro, or biomass (wood). When this occurs, Plum Creek is well positioned to benefit as it serves this new market as the largest land and timber owner as well as the largest seller of wood fiber in the nation.

Although our stock market performance in 2009 lagged behind the broad market, we did generate a healthy 14.5% total return. Our long-term shareholders have enjoyed superior total investment returns, with Plum Creek outperforming the S&P 500 on a two-, three-, four-, five-, 10-, 15- and 20-year basis. Importantly, we start 2010 with a better asset base, a stronger balance sheet, and optimism regarding the many opportunities that lie ahead.

In addition to thanking all of our loyal and dedicated employees for their hard work and perseverance, I thank you, our shareholders, for your continued support.

RICK HOLLEY
President and
Chief Executive Officer

2005 – 2009

Selected Five-Year Financial Highlights

\$ in millions, except per share amounts	2009	2008	2007	2006	2005
INCOME STATEMENT ITEMS					
Revenues	\$ 1,294	\$ 1,614	\$ 1,675	\$ 1,627	\$ 1,576
Operating Income ^A	299	328	424	461	448
Equity Earnings from Timberland Venture	55	15	-	-	-
Interest Expense (Note Payable to Timberland Venture)	58	14	-	-	-
Interest Expense, net (Debt Obligations to Unrelated Parties)	89	134	147	133	109
Income Before Income Taxes ^B	205	206	277	328	339
Provision (Benefit) for Income Taxes	(31)	(27)	(3)	13	8
Income from Continuing Operations	236	233	280	315	331
Gain on Sale of Properties, net of tax	-	-	2	-	23
Cumulative Effect of Accounting Change, net of tax ^C	-	-	-	2	-
Net Income	236	233	282	317	354
NON-CASH ITEMS					
Depreciation, Depletion, and Amortization ^D	109	135	134	128	113
Basis of Real Estate Sold	155	149	108	85	124
BALANCE SHEET ITEMS					
Total Assets	4,448	4,780	4,664	4,661	4,812
Total Debt Obligations (to Unrelated Parties) ^E	2,006	2,189	2,532	2,333	2,241
Note Payable to Timberland Venture (a Related Party)	783	783	-	-	-
EARNINGS PER SHARE (DILUTED)					
Income from Continuing Operations	\$ 1.44	\$ 1.37	\$ 1.60	\$ 1.74	\$ 1.79
Net Income	\$ 1.44	\$ 1.37	\$ 1.61	\$ 1.75	\$ 1.92
Dividends Declared per Share	\$ 1.68	\$ 1.68	\$ 1.68	\$ 1.60	\$ 1.52
TIMBERLAND ACQUISITIONS					
Purchase Price	\$ -	\$ 119	\$ 174	\$ 111	\$ 501
Acres	-	147,000	69,000	98,000	754,000
Timberland Dispositions (Acres) ^F	297,000	314,000	252,000	112,000	232,000
Harvest Volume (in Million Tons)	15.8	19.6	20.4	21.0	19.2

A. Includes \$14 million gain in 2006 from the settlement of the Canadian Lumber dispute.

B. Includes \$2 million loss in 2009 and \$11 million gain in 2008 on extinguishment of debt.

C. Includes impact of adopting Stock Compensation accounting standards, effective January 1, 2006.

D. Includes a \$10 million lumber manufacturing assets impairment loss in both 2009 and 2008, a \$4 million loss related to forest fires in 2007, and a \$2 million loss in 2005 from hurricane damage.

E. Includes Timber Obligations accounted for as capital leases.

F. Timberland dispositions during 2008 do not include approximately 454,000 acres located in the Southern Resources Segment that were contributed to a timberland venture in exchange for an equity interest.

EXECUTIVE COMMITTEE



Rick R. Holley



Thomas M. Lindquist



David W. Lambert



James A. Kraft



Larry D. Neilson



Barbara L. Crowe



Joan K. Fitzmaurice



Thomas M. Reed



Henry K. Ricklefs

CORPORATE LEADERSHIP

Executive Officers

- *Rick R. Holley
President and Chief Executive Officer
- *Thomas M. Lindquist
Executive Vice President and Chief Operating Officer
- *David W. Lambert
Senior Vice President and Chief Financial Officer
- James A. Kilberg
Senior Vice President, Real Estate
- *James A. Kraft
Senior Vice President, General Counsel and Secretary
- *Larry D. Neilson
Senior Vice President, Business Development
- David A. Brown
Vice President, Chief Accounting Officer
- *Barbara L. Crowe
Vice President, Human Resources
- *Joan K. Fitzmaurice
Vice President, Corporate Communications, Audit and Information Technology

*Executive Committee Member

- *Thomas M. Reed
Vice President, Southern Resources
- *Henry K. Ricklefs
Vice President, Northern Resources and Manufacturing

Corporate Officers

- Russell S. Hagen
Vice President, Energy and Renewable Resources
- John B. Hobbs
Vice President, Investor Relations
- Robert J. Jirsa
Vice President, Government Relations
- Robert J. Olszewski
Vice President, Environmental Affairs
- Thomas G. Ray
Vice President, Northwest Operations
- Laura B. Smith
Vice President and Treasurer
- Daniel L. Tucker
Vice President, Tax
- Lynn Wilson
Vice President, Operations Support

Board of Directors

- John F. Morgan Sr. [A, N]
Chairman of the Board
Owner, Morgan Timber, LLC
- Rick R. Holley
President and Chief Executive Officer
Plum Creek Timber Company, Inc.
- Robin Josephs [A, C, F]
Former Managing Director,
Starwood Capital Group
- 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
- Marc F. Racicot [A]
Attorney
- John H. Scully [N]
Managing Director, SPO Partners & Co.
- Stephen C. Tobias [C, N]
Former Vice Chairman and Chief Operating Officer, Norfolk Southern Corporation
- Martin A. White [C]
Former Chairman of the Board, President and Chief Executive Officer, MDU Resources, Inc.

Committees of the Board of Directors

- [A] Audit
- [F] Audit Committee
- [C] Compensation
- Financial Expert
- [N] Corporate Governance and Nominating

CORPORATE INFORMATION

Principal Headquarters

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Seattle, WA 98104-4096
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URL: www.plumcreek.com

Investor Relations

John B. Hobbs
Vice President, Investor Relations
(800) 858 5347 or (206) 467 3600

Annual Meeting

DATE: May 4, 2010
TIME: 2 p.m.
LOCATION: Washington Athletic Club
Lobby Level, Noble Room
1325 Sixth Avenue
Seattle, WA 98101

Form 10-K

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

Plum Creek
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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
OUTSIDE THE U.S.: (781) 575 3400
TDD, HEARING-IMPAIRED: (800) 952 9245
URL: www.computershare.com/investor

Plum Creek is proud to have the management of all of its timberlands independently certified to the standards of the Sustainable Forestry Initiative program.





Plum Creek

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