



We Never Stop Growing Value

PLUM CREEK
2010 ANNUAL REPORT

We Work from the Ground Up



An investment in Plum Creek has consistently provided superior total returns for long-term investors. Capital appreciation combined with an attractive dividend has resulted in total investment returns that have beat the S&P 500 on three-, four-, five-, 10-, 15-, and 20-year time frames.

UNMATCHED DIVERSITY IN A TIMBER AND LAND INVESTMENT

We own the largest and most geographically diverse portfolio of timberlands in the United States. This large and broad portfolio reduces risk, provides superior market insight, and expands our opportunities for value creation. As a result, we are able to use our market knowledge to help us identify the best value opportunities for each acre of land we own, from the timber we grow to the subsurface resources under the ground, or from the land itself.

CONSISTENT STRATEGIES FOR VALUE CREATION

Our strategies for creating long-term shareholder value have not changed over the years and are designed to maximize the per-share returns of an investment in the company.

- Evaluate timberland portfolio for highest-value outcome.
- Grow the value of our core timber business.
- Create and capture value from timberlands with high-value alternative uses.
- Disciplined, effective capital allocation.

SUSTAINABLE MANAGEMENT

Sustainable management of our resources is a key component of our approach to business. More than a decade ago, Plum Creek was the first company in the nation to have all its lands third-party certified under the Sustainable Forestry Initiative®. We continue to maintain this commitment through ongoing third-party audits conducted by Bureau Veritas.

GROWING CASH FLOW FROM A GROWING HARVEST

The age and productivity of our forests provides a reliable engine for long-term cash flow growth in the form of our growing harvest. Over the coming 10 years, harvests from our lands are projected to increase more than 30%. Not only will our harvest volume grow over the coming years, but our harvest will shift toward more valuable products as well. The biologic growth and mix shift are expected to combine with improving timber prices to lead to attractive long-term growth in the cash flows from our timber business.

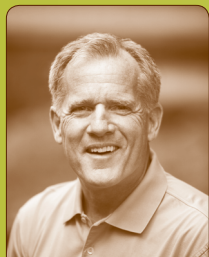
STRONG BALANCE SHEET

We use debt conservatively and are committed to maintaining an investment-grade credit rating. This means that we can continue to manage our portfolio for the best long-term value outcome without compromise. Our strong liquidity position and ready access to capital allow us to take advantage of high-returning investment opportunities.

INNOVATION APPLIED TO NEW OPPORTUNITIES

Over the past several years, Plum Creek has taken a leadership role in supplying the world's growing demand for renewable energy. In 2010 we signed a long-term supply agreement with a major European utility customer seeking a long-term sustainable source of environmentally friendly, wood-based renewable power. We also began to realize lease income from utilities generating clean, wind-based power on our lands. Expect to see us serve these growing markets in the coming years.

Dear Fellow Shareholders:



RICK HOLLEY
President and
Chief Executive Officer

Despite a challenging economic environment with near-record unemployment and a sluggish housing market, Plum Creek had a very good year in 2010. We were able to take advantage of marketplace anomalies that drove a spike in the demand for wood products early in the year. The Chilean earthquake, unusually wet weather in the South, and a general inventory restocking of log yards at mills allowed us to temporarily increase our harvest volumes, boost production at our mills, and also realize the higher prices these situations presented. As market conditions softened, we deferred the harvest of some of our sawlogs, allowing those trees to continue to grow until markets and prices recover. We also continued to hold off the market our most valuable recreational real estate in such states as Florida and Georgia. We'll patiently wait for the value of these properties to rebound when the overall real estate market recovers.

These actions are the direct result of us staying true to our mission of building a company that grows value over time while delivering a healthy, reliable dividend to shareholders.

We entered 2010 expecting to see a modest housing recovery, and this did not materialize. We saw only marginal improvement in the housing market. Given the market uncertainty, we continued to take a very conservative approach to managing the company. Our focus in 2010 was to:

Maintain an investment-grade balance sheet and refinance future debt maturities at attractive rates. Both Moody's and S&P reaffirmed our investment-grade credit rating and upgraded our outlook to positive. We completed a \$575 million 10-year bond offering at 4.7% and paid off debt maturing

in 2011 and 2012. We also renewed our line of credit for \$600 million at favorable rates, which provides the company with ample liquidity to navigate through tough economic times.

Manage our assets with an eye on long-term value. We invested \$65 million to improve the productivity and yield of our forests. Given weak markets and continued depressed prices for our sawlogs, we kept our sawlog harvest low. Although this decision impacted our cash flow and earnings for 2010, it allows us to harvest these trees, larger, more valuable trees, in future years, capturing more value when pricing recovers.

Sell some of our least productive lands at attractive prices and use the proceeds to repurchase our stock at attractive values. During 2010 we sold 24,000 acres of non-strategic assets, assets that generated little cash flow, for \$32 million. We used the proceeds from these divestitures to repurchase 1.4 million shares of our common stock at \$36.37 per share. Over the last five years, we've repurchased 24 million shares (13%) of our stock at compelling values, an attractive long-term investment, and saved \$40 million annually in dividends, an attractive short-term investment as well.

Our value focus, conservative approach, and geographic diversity of assets allowed us to respond to opportunities and perform well financially.

Our revenue for the year was \$1.2 billion and net income was \$213 million. Importantly, our cash flow from operations was \$449 million, more than covering our annual dividend payment of \$272 million. We ended the year in excellent financial shape with \$252 million of cash, and an additional \$425 million available under our line of credit.

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 5.4% versus the S&P's 2.3% return.



One thing that has long set Plum Creek apart from others in our industry has been our proven track record of innovation. We were the first pure-play timber investment and pioneered the timber REIT. We were the first large timberland owner to have all its lands third-party certified as managed sustainably, an important commitment to the stewardship of our assets. We were also the first to recognize the alternative values of our vast timberland ownership – values related to non-timber resources such as conservation, recreation, development, minerals, oil and gas, wind power, and the use of wood as a source of renewable energy. As part of the ongoing evaluation of our 6.8 million acre land portfolio, we continue to innovate in everything we do. Whether it's determining and managing for the highest long-term value of every acre, working with our contractors to improve efficiencies, or providing new products and services that our customers value – we embrace a single-minded focus of “maximizing the value of every acre we own.”

Although it's tough to be optimistic in the midst of the prolonged economic downturn, I find myself more excited about Plum Creek and its future prospects than ever before! Why?

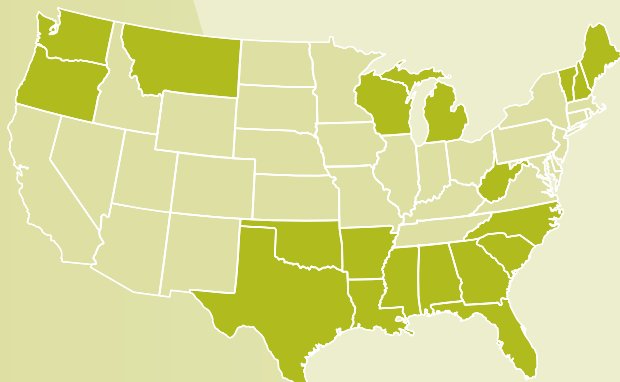
First of all, investments we've made in the productivity of our forests pay off as our timber inventory grows over time. Our timber growth was 20 million tons in 2010, while our harvest was 15.4 million tons. Our annual harvest is expected to grow by more than 30% over the next 10 years – the cornerstone of the value growth of the company. At the same time, as we manage these lands, the percentage of higher-value

sawlogs in our annual harvest will go from less than 50% to more than 50%. The expected increase in harvest volume, combined with the higher proportion of the sawlogs harvested, should raise our cash flow over the next several years by more than \$100 million – even without factoring in any price improvement.

It's difficult to predict when the housing market and general economy will recover, but they will recover. And when the recovery takes place, Plum Creek is positioned to benefit tremendously. As the largest independent seller of wood fiber in the country, we have significant price recovery upside for our products and valuable assets. For example, a \$10 per ton improvement in sawlog price, at today's harvest volumes, represents an \$80 million improvement in cash flow. A \$5 per ton improvement in pulpwood prices equates to almost \$40 million of additional cash flow. Thus, we have significant upside opportunities to grow earnings and cash flow as markets recover.

Another critical factor on the horizon is the major structural change in the future supply of lumber in North America. Canada has long been a major supplier of construction lumber to the U.S. At the peak of the housing market, Canada provided more than 35% of the lumber used in the U.S. Recently, eastern Canada, for various reasons, has reduced its annual harvest by 20%, which directly impacts the amount of lumber available for export to the US. British Columbia, which represents about 50% of the lumber produced in Canada, is suffering from a catastrophic mountain pine beetle infestation, which has affected over 35 million acres of timberland in the interior of the province. It is estimated that nearly 70% of the timber in that area will be dead by 2016,

DISTRIBUTION OF ACREAGE



| | | | |
|---------------------|---------|----------------------|------------------|
| Alabama | 98,000 | North Carolina | 4,000 |
| Arkansas | 747,000 | Oklahoma | 6,000 |
| Florida | 582,000 | Oregon | 426,000 |
| Georgia | 742,000 | South Carolina | 173,000 |
| Louisiana | 427,000 | Texas | 34,000 |
| Maine | 883,000 | Vermont | 86,000 |
| Michigan | 588,000 | Washington | 95,000 |
| Mississippi | 641,000 | West Virginia | 111,000 |
| Montana | 901,000 | Wisconsin | 197,000 |
| New Hampshire | 30,000 | Total | 6,771,000 |

resulting in a projected 45% reduction in British Columbia's annual harvest, with a corresponding reduction in lumber production. These structural shifts will dramatically affect the marketplace. An increasing proportion of North American lumber will be produced at U.S. mills resulting in a positive impact on log prices and timberland values in our operating areas.

As always, we continue to explore opportunities to create value from our vast land holdings. We are looking at several projects to develop wind energy on our ownership in Maine. We remain excited about the construction materials (sand, gravel, and rock) opportunities that have been identified throughout our ownership. Oil and gas royalties from our lands in West Virginia continue to provide over \$10 million a year of cash flow. Increasingly, the opportunity to use wood as a source of renewable energy excites us. In fact, we signed a supply agreement with a European utility to provide up to one million tons of wood fiber per year to be burned as renewable energy. We expect to begin deliveries in 2013.

As we think about delivering value to our shareholders, we see the dividend as an important component. Even in a challenging 2010, the dividend remained secure, as our payout was 61% of the cash flow we generated. As business conditions improve and the cash flow from our core businesses grows, we would expect to grow the dividend.

Looking ahead to 2011 and beyond, we continue to believe the recovery in housing will be slow, perhaps not recovering to the "demographically

supportable" level of 1.5 million starts for five years. In the meantime, we will never stop growing value. We will continue to manage the company conservatively – maintaining a strong balance sheet and ample liquidity, deferring the harvest of sawlogs and sale of high-value real estate in weak markets, managing our overhead costs and capital expenditures in a manner fitting with the challenging economic climate, and taking advantage of opportunities to capture value as they develop. Our theme in last year's annual report was "Patience Pays Dividends," and I believe that is the case for the assets this company owns. Our theme this year is "We Never Stop Growing Value." As we look to the future, nothing rings more true.

There is a saying, – "When the going gets tough, the tough get going" – that really speaks to our 1,200 employees. The success we've had is a tribute to their hard work and dedication, and they deserve our thanks. I also thank you, our shareholders, for your continued support.

RICK HOLLEY
President and
Chief Executive Officer

2006 – 2010

Selected Five-Year Financial Highlights

| \$ in millions, except per share amounts | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|----------|----------|----------|----------|----------|
| INCOME STATEMENT ITEMS | | | | | |
| Revenues | \$ 1,190 | \$ 1,294 | \$ 1,614 | \$ 1,675 | \$ 1,627 |
| Operating Income ^A | 297 | 299 | 328 | 424 | 461 |
| Equity Earnings from Timberland Venture | 57 | 55 | 15 | – | – |
| Interest Expense (Note Payable to Timberland Venture) | 58 | 58 | 14 | – | – |
| Interest Expense, net (Debt Obligations to Unrelated Parties) | 80 | 89 | 134 | 147 | 133 |
| Income before Income Taxes ^B | 203 | 205 | 206 | 277 | 328 |
| Provision (Benefit) for Income Taxes | 1 | (31) | (27) | (3) | 13 |
| Income from Continuing Operations | 202 | 236 | 233 | 280 | 315 |
| Gain on Sale of Properties, net of tax | 11 | – | – | 2 | – |
| Cumulative Effect of Accounting Change, net of tax ^C | – | – | – | – | 2 |
| Net Income | 213 | 236 | 233 | 282 | 317 |
| NON-CASH ITEMS | | | | | |
| Depreciation, Depletion, and Amortization ^D | 96 | 109 | 135 | 134 | 128 |
| Basis of Real Estate Sold | 132 | 155 | 149 | 108 | 85 |
| BALANCE SHEET ITEMS | | | | | |
| Total Assets | 4,251 | 4,448 | 4,780 | 4,664 | 4,661 |
| Total Debt Obligations (to Unrelated Parties) ^E | 1,909 | 2,006 | 2,189 | 2,532 | 2,333 |
| Note Payable to Timberland Venture (a Related Party) | 783 | 783 | 783 | – | – |
| EARNINGS PER SHARE (DILUTED) | | | | | |
| Income from Continuing Operations | \$ 1.24 | \$ 1.44 | \$ 1.37 | \$ 1.60 | \$ 1.74 |
| Net Income | \$ 1.31 | \$ 1.44 | \$ 1.37 | \$ 1.61 | \$ 1.75 |
| Dividends Declared per Share | \$ 1.68 | \$ 1.68 | \$ 1.68 | \$ 1.68 | \$ 1.60 |
| TIMBERLAND ACQUISITIONS | | | | | |
| Purchase Price | \$ – | \$ – | \$ 119 | \$ 174 | \$ 111 |
| Acres | – | – | 147,000 | 69,000 | 98,000 |
| Timberland Dispositions (Acres) ^F | 258,000 | 297,000 | 314,000 | 252,000 | 112,000 |
| Harvest Volume (in Million Tons) | 15.4 | 15.8 | 19.6 | 20.4 | 21.0 |

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

B. Includes \$13 million loss in 2010, \$2 million loss in 2009, and a \$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, and a \$4 million loss related to forest fires in 2007.

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 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 G. Ray



Thomas M. Reed

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 G. Ray
Vice President, Northwest Resources
and Manufacturing

*Thomas M. Reed
Vice President, Southern Resources

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
 - Peter C. Madden
Vice President, Operations Support
 - Robert J. Olszewski
Vice President, Environmental Affairs
 - Laura B. Smith
Vice President and Treasurer
 - Daniel L. Tucker
Vice President, Tax
- ### 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
- [C] Compensation
- [N] Corporate Governance
and Nominating
- [F] Audit Committee
Financial Expert

CORPORATE INFORMATION

Principal Headquarters

Plum Creek
999 Third Avenue, Suite 4300
Seattle, WA 98104-4096
PHONE: (206) 467 3600
URL: www.plumcreek.com

Investor Relations

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

Annual Meeting

DATE: May 3, 2011
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
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
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.





PlumCreek

999 Third Avenue, Suite 4300
Seattle, WA 98104-4096
www.plumcreek.com