



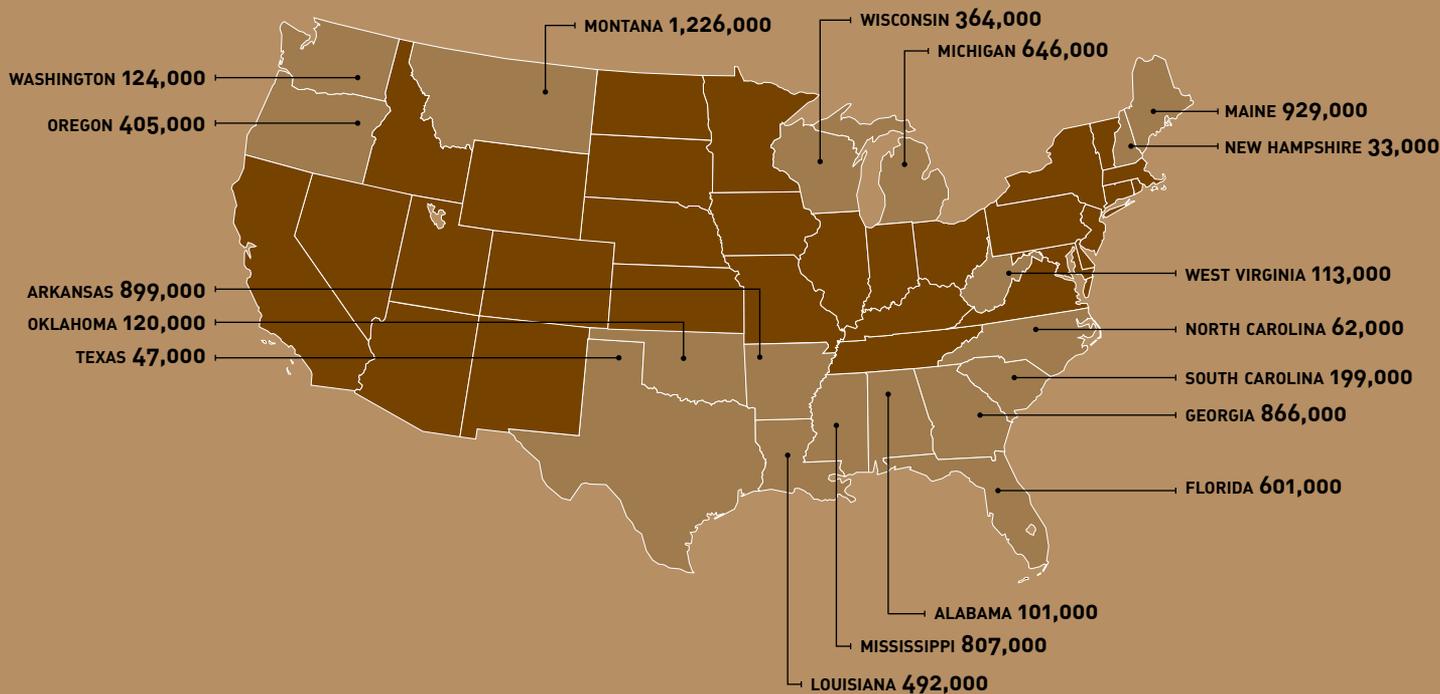
PLUM CREEK 2007 ANNUAL REPORT+10-K

Then MAXIMIZE VALUE

Now MAXIMIZE VALUE

Next MAXIMIZE VALUE

**DISTRIBUTION OF ACREAGE**  
[TOTALING 8 MILLION ACRES]



**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® (SFI), these growing forests are capable of generating cash flows for generations.

Just as our timber assets represent a unique and growing store of value, so do our underlying land assets. Our land assets have a long-term history of price appreciation. As the population of the nation has expanded, so has the demand for rural land for recreation, permanent conservation, and family retreats.

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-creation 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 non-timber natural resources evaluate every acre we manage to understand its highest-value use. And we manage each acre as productive forest with its ultimate end use 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' investments: paying an attractive, sustainable, and growing dividend; making acquisitions that add to our cash flow; and opportunistically repurchasing our stock.



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

**Dear fellow shareholders:** At Plum Creek, every employee focuses each day on what he or she can do to identify, create, grow, and deliver value to our shareholders.

I believe that our single-minded focus on value is what differentiates Plum Creek from other companies. It has also served our shareholders well in good times and bad. Never was our value focus more evident than in 2007—a year in which the country experienced the worst housing decline since 1980, a credit market in turmoil, and an uncertain economy. Yet, even during these challenging economic times, Plum Creek delivered total shareholder returns of more than 20% for the year, outpacing the S&P 500, which returned 5.5%.

How could the company achieve these returns in such a difficult environment? First, our financial results held up very well due to the geographic diversity of our land holdings and to the performance of our Real Estate segment, which continues to grow. Also, I believe that in these uncertain economic times, investors have become more focused on companies with hard assets and healthy, safe dividends. Plum Creek has both.

We are not only the largest private timberland owner in the United States but also the largest landowner, and today, investors have a better understanding of and appreciation for the incredible store of value in these assets. So, with Plum Creek, investors own long-term appreciating, not depreciating, assets—assets that can't be manufactured or duplicated—a unique and enduring investment. And our dividend is not only safe, but it also has increased for the fourth consecutive year by 5%.

When I meet with investors, I explain what's unique and special about Plum Creek. Eight million acres of land in 18 states—the largest and most geographically diverse land holding in the richest and most politically stable country in the world—that's unique. A core asset, timber, that grows biologically, 7% each year. A land asset composed of multiple layers of value opportunities—the trees we harvest from them, the land itself, and the natural resources that lie beneath our land holdings—oil and gas, construction materials, and even water, as well as emerging opportunities with bioenergy and wind power.

# “Each of our core assets, timber and land, appreciates in value every day.”

Another unique aspect of Plum Creek is our steadfast focus, year after year, on our strategic objectives, which remain unchanged and bear repeating:

- Evaluating our timberland portfolio for the highest-value outcome
- Growing the value of our core timber business
- Creating and capturing value from timberlands with high-value alternative use
- Allocating capital in a disciplined and effective manner that creates the most value for our shareholders

Summarized below are some of the ways we put these strategies to work.

## EVALUATING OUR TIMBERLAND PORTFOLIO

We continuously evaluate our 8 million-acre land portfolio to determine the best use and highest long-term value of every acre. Today, we have approximately 6 million acres of core timberlands that we expect to sustainably manage for generations. We've identified approximately 300,000 acres as non-strategic, and we will sell these lands over the next several years. We've also identified another 500,000 acres of land that we expect to sell over time for conservation. Our remaining land, nearly 1.2 million acres, consists of properties that we call “higher and better use” (HBU) lands. These properties are valued at several times the value of our core timberlands and will be monetized over time, either sold as small parcels or improved in some way and sold as partially developed properties. At a November 2007 investor meeting, we estimated the value of our 2 million acres of non-core land at approximately \$5.7 billion.

Additionally, we have identified another 950,000 acres of core timberland that we believe have higher values today, and we may transition them to the HBU category over time.

## GROWING THE VALUE OF OUR CORE TIMBER BUSINESS

Trees reach economic maturity anywhere from 20 to 90 years, depending on the region of the country where they are located. Certainly it would be unwise to grow a tree to maturity then harvest it in a market that will not pay full value. Although timber markets weakened in 2007, due to the slowdown in the U.S. housing market, Plum Creek demonstrated one of its unique

strengths—the willingness and ability to defer harvests in weaker markets and accelerate harvests in stronger markets. During the year, we reduced the harvest of sawlogs to the lowest level in six years, deferring the sawlog harvest in unattractively priced markets. At the same time, we increased the harvest of pulpwood in other markets to take advantage of the best prices we've seen in years for this product. This disciplined approach allows us to maximize the long-term value of our assets and the company.

Growing and protecting the value of our forests is an imperative at Plum Creek. We plant nearly 85 million seedlings each year and spend \$45 million each year to improve the productivity of our forests. All of our lands have been independently certified to demonstrate compliance with the Sustainable Forestry Initiative standard.

## CREATING AND CAPTURING VALUE FROM TIMBERLANDS WITH HIGH-VALUE ALTERNATIVE USE

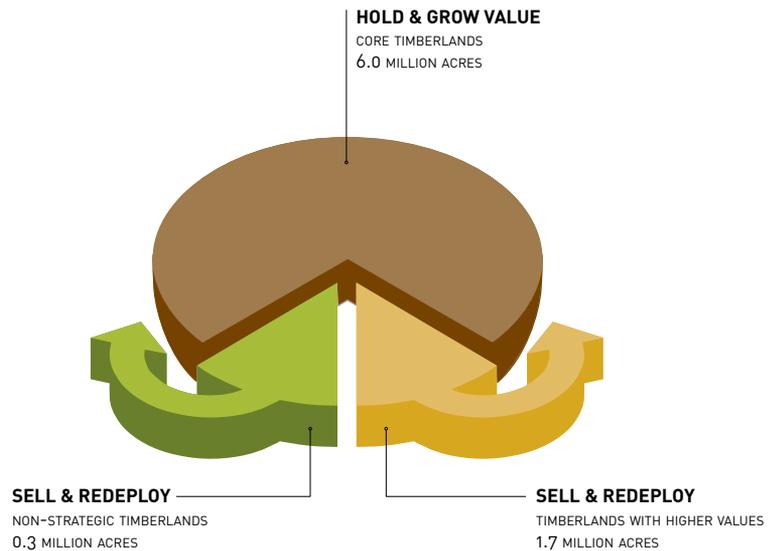
As I mentioned previously, we spend a lot of time identifying the best and highest-value use of every acre we manage. However, it's one thing to identify value and quite another to capture it. Over the last few years, we've built an excellent team of professionals to manage our Real Estate segment—where our revenue has tripled to more than \$330 million over the last five years. This team entitled and sold a number of our high-value properties for more than \$10,000 per acre in some cases. We've also entered into a number of joint ventures with development partners to capture value. Determining the highest value of an acre of land then capturing that value—that's what we do!

Today, we are seeing many new opportunities in the marketplace that will enable us to utilize and capture value from our assets, and we're paying attention to them all. We will be responsive to changes in the market, whether driven by aging “baby boomers,” interest in rural recreation lands, or concerns of the American public related to global warming and dependence on foreign oil. At Plum Creek, we are analyzing and will respond to these opportunities. One example is the potential use of wood for energy. Wood is a terrific source of energy—it's carbon-neutral, renewable, and plentiful. Post-harvest residuals can be burned

## DISCIPLINED ASSET MANAGEMENT

8 MILLION ACRES

We manage our portfolio of timberlands with a goal of growing the total value of our shareholders' investment. We seek to redeploy the capital generated from the sale of both non-strategic and higher-value timberlands to best benefit our shareholders, whether through acquisition of new core timberlands, opportunistic repurchase of the company's shares, or investments aimed at improving the productivity of our core timberlands.



as fuel in a cogeneration facility, manufactured into wood pellets to heat homes, or used in the manufacture of cellulosic ethanol, which can serve as a renewable liquid fuel for automobiles.

## ALLOCATING CAPITAL

You've heard this before, but capital allocation remains a top priority at Plum Creek. We believe that being effective stewards of shareholder capital is critical to our ongoing success. Even in the challenging economic environment we experienced last year, we generated significant cash flow, which allowed us to increase your dividend by 5% in 2007, invest \$174 million to purchase additional lands, and invest \$93 million to improve the quality of our assets. During the year, we also repurchased \$202 million of the company's stock at very attractive prices, increasing your proportionate ownership in Plum Creek by nearly 3%. We also sold nearly 100,000 acres of timberland in Wisconsin for \$70 million. This sale captured attractive value for our shareholders while attesting to the value of timberlands in this region of the country.

Our financial performance in 2007 was very good, considering the downturn in housing.

Our revenue for the year was \$1.68 billion and net income was \$282 million. Importantly, we continued to generate significant cash flow. For the year, cash provided by operating activities was \$517 million, \$223 million more than our annual dividend. We ended the year with \$240 million in cash and cash equivalents. Our strong cash flow and balance sheet provide the company with ample

financial flexibility to improve our asset base and pursue our value-maximizing strategic objectives.

Looking ahead, clouds of uncertainty lie on the horizon. The housing sector is not expected to improve in 2008, and our country may be headed into a recession. Fortunately, longer term, the outlook is much better. The U.S. economy will continue to grow, and demographic trends in the country will require a significant number of homes to be built over the next decade.

The good news for Plum Creek and its shareholders is that our assets continue to grow—biologically and in value—each day. Our management team's knowledge of company assets, understanding of the markets, and focus on value will continue to serve the company well—as they have over the past 15 years, during which time our annualized total shareholder return was 15.2%.

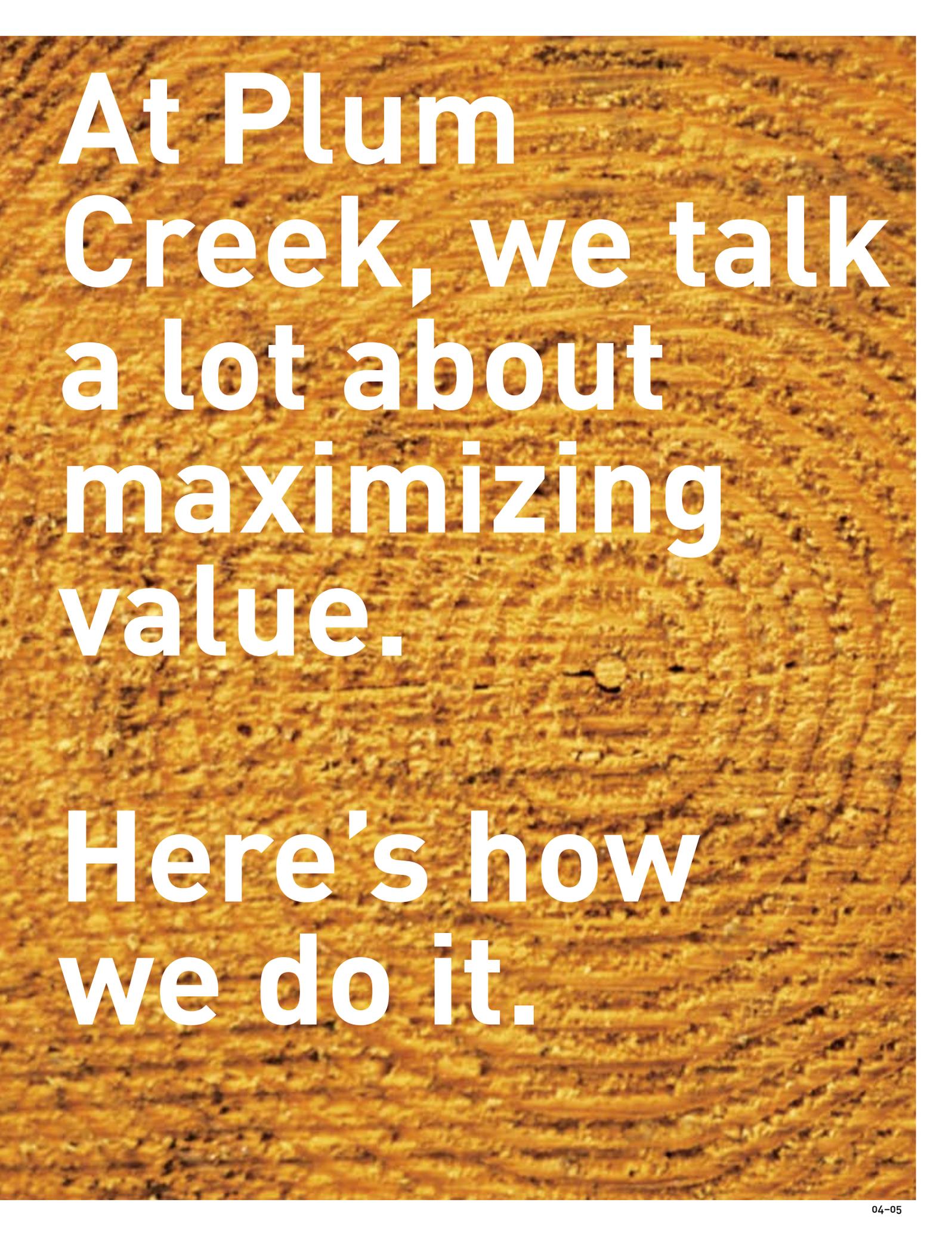
Earlier I mentioned that Plum Creek had both unique and special attributes. What's the special attribute? It's our people, with their unwavering commitment to value in everything they do! I thank all our employees for their hard work and dedication—our success is a tribute to them. I also thank you, our shareholders, for your continued support.

Rick Holley  
President and Chief Executive Officer

## CONSISTENT FOCUS ON LONG-TERM VALUE CREATION

Much has changed since Plum Creek began almost 20 years ago. But the important things remain constant: our focus on maximizing the value of our assets, our sustainable management of each acre of forest, and our disciplined approach to capital allocation.

- 1989** Plum Creek is formed as a master limited partnership and acquires 1.4 million acres of northwest timberlands from its former parent, Burlington Resources. The company lists on the New York Stock Exchange (NYSE) as PCL.
- 1993** Acquires 865,000 acres of Montana timberlands from Champion International.
- 1996** Diversifies its landholdings into the South through the purchase of 538,000 acres of timberland in Louisiana and Arkansas from Riverwood International Corp.
- 1998** Further diversifies its timberland ownership by purchasing 905,000 acres in Maine from Sappi Ltd.
- 1999** Becomes the first company to have all lands third-party certified to the Sustainable Forestry Initiative standards and becomes the first timber real estate investment trust.
- 2001** Becomes the most diversified landowner in the United States, with a total of 7.8 million acres through a merger with The Timber Company.
- 2002** Acquires 307,000 acres of timberlands in Wisconsin from Stora Enso.
- 2003** Acquires 139,000 acres of lands in South Carolina, Arkansas, and New Hampshire.
- 2004** Acquires 78,000 acres in Arkansas and Maine.
- 2005** Further diversifies ownership through the acquisition of 650,000 acres of timberlands in the upper peninsula of Michigan from Escanaba Timber LLC. Acquires 56,000 acres of land in Florida from Soterra LLC.
- 2006** Broadens the company's ownership in Oregon, acquiring 98,000 acres.
- 2007** Acquires a total of 69,000 acres, expanding ownership in Oregon and Georgia.



**At Plum  
Creek, we talk  
a lot about  
maximizing  
value.**

**Here's how  
we do it.**



#### CONSERVING THE LAND

Sometimes a property's greatest value is in preserving it for future generations. Plum Creek is committed to land conservation and has a proud history of partnerships that have resulted in the preservation of more than half a million acres across the United States. Since the company was founded in 1989, Plum Creek has joined organizations such as The Nature Conservancy, The Trust for Public Land, and other organizations, to complete nearly 150 conservation transactions in 10 states. In the coming years, we plan to conserve 500,000 acres more.





## UNDERSTANDING EVERY ACRE

Our evaluation process utilizes both technology and local expertise to understand the best use of every property and its value potential, and to develop long-term plans to capture that value for shareholders.

### 1) UNDERSTAND

## Analyze each asset. Then analyze it again.

Forest products companies have historically thought about value strictly in terms of timber. But at Plum Creek, we realize there are more sources of value on the lands we own than just the trees.

In fact, timberlands have a wide variety of valuable attributes associated with them, from the land itself to the timber and other resources. Each one of these assets is a potential source of value. So we carefully analyze every one of them.

Our geographic reach and significant holdings—8 million acres in 18 states—mean we have a large number of options for creating and capturing value for our shareholders. Our goal: to understand exactly how to best use every asset for maximum value.

### TAP INTO TECHNOLOGY

Advances in technology and data over the past five years allow us to efficiently analyze a large and complex land base while giving us new insights into what drives value in each local market—not just timber values but also the value of our lands and other resources.

Yet, while today's technology provides valuable tools, they'll never replace the ones you'll find beneath Plum Creek hard hats.

### LET LOCAL EXPERTS MAKE THE FINAL ANALYSIS

There are more than 350 Plum Creek foresters who work where they live. So they have an intimate knowledge of local timber markets, competitors, and market trends. Some of our foresters are following in their fathers' and grandfathers' footsteps and bring with them the added benefit of multiple generations of knowledge.

Our local expertise isn't limited to forestry. Our people include biologists, hydrologists, real estate professionals, and experts in areas such as oil, gas, and other non-timber resources. This array of talent ensures that we have a complete understanding of every acre. So we have the local knowledge, the expertise, and the nationwide resources to make the best decisions possible.

### MAKE IT A CONTINUOUS PROCESS

Because markets change over time, we're continually fine-tuning our analysis, refining our understanding of the potential value of our land in each of our markets. The result: We're responsive to emerging opportunities and prepared to take advantage of the ones that make the most of our assets.

### APPLY THE SAME ANALYSIS TO THE LANDS WE BUY

We want to understand the land we may acquire as thoroughly as the land we now own. So we combine the same research and local knowledge to property we're considering purchasing. Only a small percentage of these properties passes our stringent review: In 2007, we evaluated millions of acres of potential acquisitions, but only 69,000 acres met our acquisition criteria.

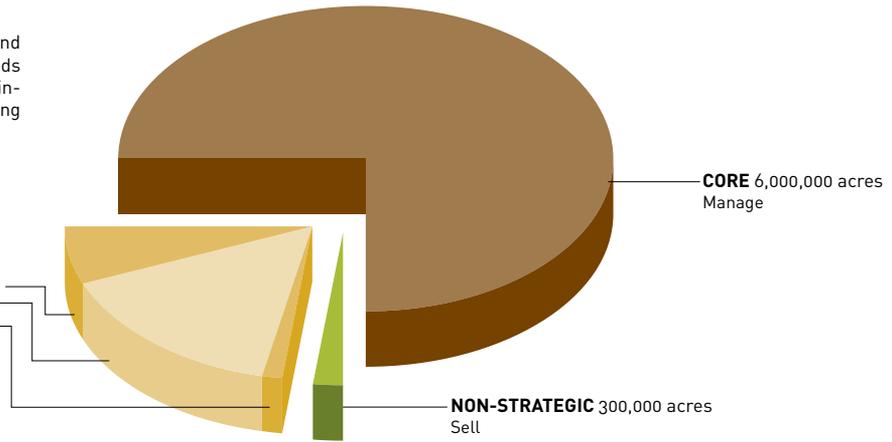
At Plum Creek, we believe that greater understanding leads to greater value delivery. That's why we make it a priority to thoroughly understand every acre and every asset we own.

## PLUM CREEK'S TIMBERLAND PORTFOLIO

Based on our intimate knowledge of our timberlands and the markets we serve, we have segmented our lands based on their highest-value use. We develop sustainable, long-term management plans aimed at delivering the best value possible from every acre.

### TIMBERLANDS WITH HIGHER VALUES 1,700,000 acres

CONSERVATION 500,000 acres / Sell or Easement  
RECREATION 1,000,000 acres / Sell  
DEVELOPMENT 200,000 acres / Joint Venture or Entitle and Sell



## 2) STRATEGIZE

# Apply a proven—but flexible—approach.

Sustainable forestry requires patience and a commitment to long-term planning. It is at the core of our asset management approach. As the company has evolved and expanded to areas beyond traditional forestry, our strategies remain focused on long-term value creation. It's embedded in our culture and at the core of our overall strategy for deriving value from the assets we own.

### USE SUSTAINABLE, LONG-TERM MANAGEMENT

Sustainable forestry is the core of our sustainable business model. All of our timberlands are certified as being managed to the standards of the Sustainable Forestry Initiative program. This certification confirms our longstanding commitment to practicing sustainable forestry, which incorporates the perpetual growing and harvesting of trees with the protection of wildlife, plants, soil, and water quality.

By applying the best forestry science, we work to constantly improve the productivity, growth, and yield of our forests. Our own team of scientists works closely with our local foresters to improve the productivity of our forests and plan our future harvests to maximize our forests' value potential.

We have deliberately built the most geographically diverse asset base in the industry. Our presence in multiple markets diversifies risk. The size and diversity of our timber holdings give

us operational flexibility to adjust harvests to current demand, deferring harvests during weak markets, allowing the trees to grow in size and value, and increasing harvests in strong markets to capture attractive pricing.

Similarly, our broad view of value means that we have multiple income sources working for our shareholders. So we're much more than a timber company. Rural land, our manufacturing business, energy, and other natural resources are all sources of both cash flow and future value.

### MANAGE EACH PROPERTY WITH THE ULTIMATE OUTCOME IN MIND

We develop a long-range plan for each property and manage every acre for timber production with its ultimate outcome in mind. This results in a tailored management plan for each property aimed at maximizing its total value potential. It's an extreme example of thinking ahead, because we routinely plan 15 years out.

### MAINTAIN FLEXIBILITY TO RESPOND TO EVOLVING MARKETS

Even with a well-defined strategy and a long-term view, we remain flexible and modify our plans as markets evolve. We keep our options and our minds open—all with a view toward maximizing the total integrated value of each property.



**THE BEST DECISIONS ARE LOCAL**

While Plum Creek is a national company with timberlands that extend from coast to coast, we understand that the best decisions come from local knowledge. There is simply no substitute for boots on the ground when deciding the best time to capture the greatest value from a sustainable harvest. Some of our local foresters have managed stands of Plum Creek timber from the day they were planted. You can't get much more local than that.



#### MATCH LOGS TO CUSTOMERS

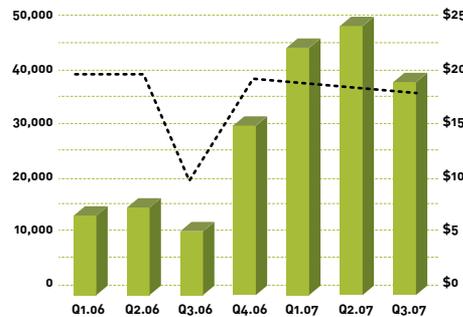
Our innovative log merchandising process matches each log—and even parts of logs—with the customer who values it most. For example, different sections of the same log can be sold to different customers. Larger-diameter sections may be sold to manufacture plywood or dimensional lumber. Smaller-diameter sections may be used to produce pulp or paper products. Our goal is to capture the most value from every tree.

## FLEXIBILITY TO RESPOND TO LOCAL MARKET CONDITIONS

Timber markets are local markets. Plum Creek's employees respond to local market conditions to capture the most value for shareholders. For example, over the past two years, log prices in southern Arkansas increased. Our foresters responded by increasing the harvest to capture these improved values. At the same time, in central Georgia, log prices declined. Our local managers deferred harvests in this market, allowing the trees to grow in volume and value.

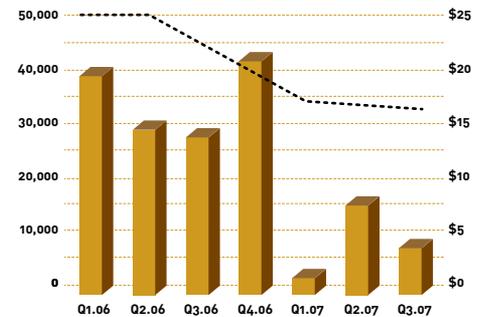
HARVEST VOLUME (tons)   
LOG PRICE (\$/ton stumpage) 

### ARKANSAS / Chip+Saw SOUTH-CENTRAL



2006 AVERAGE PRICE: **\$16.60**  
2007 AVERAGE PRICE: **\$18.00**  
INCREASE HARVEST ~ **75,000 tons/year**

### GEORGIA / Chip+Saw CENTRAL



2006 AVERAGE PRICE: **\$22.90**  
2007 AVERAGE PRICE: **\$17.80**  
REDUCE HARVEST ~ **70,000 tons/year**

## 3) MANAGE

# Capture the most value every time.

At Plum Creek, "Maximizing Value" isn't a slogan, it's a way of life, as important to the operation of our company as the trees that grow on our timberlands. As a result, we have developed tactics that guide our decision making, helping ensure that we capture the most value every time.

### MANAGE FOR LONG-TERM VALUE, NOT SHORT-TERM RESULTS

With a maturity of 20 to 90 years, a forest is a very long-term investment. That's exactly how we manage it. We insist on making the right long-term value decisions. We won't accelerate a harvest during poor market conditions to boost current cash flows. And we are unwilling to sell real estate properties before they are ready to capture full value. We simply will not compromise long-term value to produce short-term results.

There are a number of reasons we continue to deliver value over the long term. First is the assets themselves. The fundamental biologic growth of our forest and appreciation of the land mean our assets grow in value over time. Additionally, our broad reach—from Oregon to Maine—and the diversity of more than 40 local markets spread risk, while our scale gives us advantages at the local level. Finally, our capital structure allows us to pursue our strategy for long-term value creation, enabling us to comfortably service debt and meet our obligations to our shareholders, even in the most challenging of environments.

### HAVE THE PEOPLE CLOSEST TO THE SITUATION MAKE THE DECISIONS

We believe that the key to succeeding at the national level is to succeed at the local level. That's why we give the people of Plum Creek the latitude they need to make value-maximizing, day-to-day operating decisions.

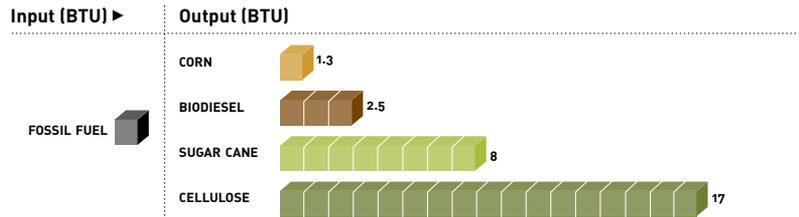
For example, our foresters know when each stand of trees they manage reaches its economic maturity—the time frame when the value of the stand is optimized. They plan their annual harvests to capture this optimum value. It's up to them to prioritize and manage the actual harvests. After all, no one knows the local market—from local supply and demand to customer requirements—better than they do. This approach gives our people the flexibility to adjust to changing market conditions, helping ensure that we capture the best value possible from every harvest. See the graphs above for a recent example.

Once harvested, it's also our foresters' job to maximize the value of each tree by matching each of its segments with the customer who values it most through a process we call *log merchandising*.

Long-term value. It's as close to a corporate mantra as you'll find at Plum Creek.

## BIOFUEL ENERGY BALANCE

Technologies are rapidly developing to help the nation meet its renewable energy goals. Wood fiber is potentially a very attractive raw material for the production of renewable biofuels. Cellulosic ethanol, ethanol made from wood fiber, may be a particularly efficient biofuel. It is estimated that each British Thermal Unit (BTU) of fossil fuel used to produce cellulosic ethanol could produce 17 BTUs of renewable energy.



SOURCE: WORLDWATCH INSTITUTE

## 4) LOOK AHEAD

# Embrace change and seek out new opportunities.

We believe that flexible change is the key to growth. That's why we're constantly seeking new—and often surprising—ways to maximize value.

### APPLY AN ENTREPRENEURIAL SPIRIT TO A TRADITION-BOUND INDUSTRY

In many respects, trees have been harvested and logs have been sold in pretty much the same way for more than a hundred years. We think our willingness to look at different ways of doing business sets us apart and ultimately adds value to everything we do.

For example, in 1999 we took the pioneering step of converting the company to a real estate investment trust, a structure that maintained our tax efficiency and enhanced our access to capital that has helped grow our business.

You can also see our entrepreneurial approach in the way we bring timber to market through our sophisticated log merchandising and freight logistics efforts. By adding a superior service component to what has historically been treated as a commodity, we enable our customers to reap benefits in improved productivity—and we capture more attractive prices in the process.

We're also taking a new approach to rural land markets by working to gain a better understanding of these lands and their values. Our efforts in this area have been rewarded, growing our rural land sales from \$100 million to more than \$330 million over the last five years.

### EXPLORE THE EMBEDDED OPTIONS IN OUR ASSETS

We are pursuing ways to maximize the value of assets such as water; sand and gravel; oil, gas, and other natural resources; and renewable energy.

Renewable energy? Certainly: As the momentum for clean, renewable energy builds, demand is growing for wood fiber as an energy source. Technologies are rapidly developing to convert wood fiber efficiently into liquid transportation fuels, and wood fiber offers a number of advantages as an energy source. It's an abundant non-food resource and available year-round; it's energy efficient compared with existing feedstocks such as corn; and, when sourced from sustainably managed lands such as ours, it's carbon friendly. As demand builds for these uses, expect Plum Creek to be a supplier to this emerging industry.

We've grown our business in other unexpected ways as well. Over the past five years, we've more than doubled the income produced by minerals, aggregates, and other natural resources to \$17 million. We're exploring a wide variety of innovative ways to tap into the value of our assets, including wind power generation. So over the coming years, we expect to grow the financial contribution from other natural resources we own.

Our approach to new opportunities comes straight from our culture: Be open to new opportunities and be willing to pursue them.



#### READY FOR WHAT'S NEXT

What's the value of a growing forest in a carbon-constrained world? We've been asking ourselves that question for some 10 years now. After all, forests store carbon naturally. We are carefully watching the development of carbon markets around the globe. In addition, we are pursuing opportunities for wind power generation and other sustainable, environmentally friendly power sources.

**You could  
say we're  
obsessed with  
value.**

**And you'd be  
right.**



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



**MAXIMIZING SHAREHOLDER VALUE**

Our obsession with maximizing value has paid off for Plum Creek investors. Over the past five years, an investment in Plum Creek has handily beat the S&P 500, with average annual returns of 19.6% versus the S&P's 12.8% return. That means a \$10,000 investment in Plum Creek made at the end of 2002 was worth more than \$24,370 at the end of 2007, assuming reinvestment of all dividends.

2003-2007

## Selected five-year financial highlights

\$ IN MILLIONS EXCEPT PER-SHARE AMOUNTS	2007 <sup>A</sup>	2006 <sup>B</sup>	2005 <sup>C</sup>	2004 <sup>D</sup>	2003 <sup>E</sup>
<b>INCOME STATEMENT ITEMS</b>					
Revenues	\$1,675	\$1,627	\$1,576	\$1,528	\$1,196
Operating Income	424	461	448	477	303
Interest Expense, Net	147	133	109	111	117
Income before Income Taxes	277	328	339	366	186
Provision (Benefit) for Income Taxes	(3)	13	8	27	(6)
Income from Continuing Operations	280	315	331	339	192
Gain on Sale of Properties, Net of Tax	2	-	23	23	-
Cumulative Effect of Accounting					
Change, Net of Tax	-	2	-	-	-
Net Income	\$ 282	\$ 317	\$ 354	\$ 362	\$ 192
Diluted Earnings per Share					
Income from Continuing Operations	\$ 1.60	\$ 1.74	\$ 1.79	\$1.84	\$ 1.04
Net Income	\$ 1.61	\$ 1.75	\$ 1.92	\$1.97	\$ 1.04
Dividends Declared per Share	\$ 1.68	\$ 1.60	\$ 1.52	\$1.42	\$ 1.40
Net Cash Provided by Operating Activities	\$ 517	\$ 556	\$ 516	\$582	\$ 385
Dividends Paid	294	290	279	260	257
Acquisition of Treasury Stock	202	263	1	-	43
<b>NON-CASH ITEMS</b>					
Depreciation, Depletion, and Amortization	\$ 134	\$ 128	\$ 113	\$114	\$ 108
Basis in Real Estate Sold	108	85	124	134	66
<b>BALANCE SHEET ITEMS</b>					
Total Assets	\$4,664	\$4,661	\$4,812	\$4,378	\$4,411
Total Debt, Including Timber Obligations	2,532	2,333	2,241	1,897	2,076
Total Harvest Volume (million tons)	20.4	21.0	19.2	18.6	19.0

A. During 2007, the company acquired a total of approximately 69,000 acres of timberlands, located primarily in Georgia and Oregon, for \$174 million. The company sold approximately 100,000 acres of large, non-strategic timberlands in Wisconsin for approximately \$70 million, resulting in an after-tax gain of \$43 million. The company recorded a loss of \$4 million, representing the book basis of timber destroyed by fire on approximately 41,000 acres in Montana.

B. During 2006, the company acquired a total of approximately 98,000 acres of timberlands, located primarily in Oregon, for \$111 million. Includes \$14 million pre-tax (\$13 million after-tax) gain from the settlement of the Canadian lumber dispute.

C. 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 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.

D. 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 12-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.

E. 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 12-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.

## EXECUTIVE COMMITTEE



Rick R. Holley



Thomas M. Lindquist



David W. Lambert



James A. Kraft



Larry D. Neilson



Barbara L. Crowe



Joan K. Fitzmaurice



Henry K. Ricklefs

## CORPORATE LEADERSHIP

### CORPORATE 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  
AND LAND MANAGEMENT

**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

**Elwood B. Coley Jr.**  
VICE PRESIDENT, BIOENERGY

**Barbara L. Crowe**  
VICE PRESIDENT, HUMAN RESOURCES

**Joan K. Fitzmaurice**  
VICE PRESIDENT, AUDIT  
AND FINANCIAL SERVICES

**Russell S. Hagen**  
VICE PRESIDENT, REAL ESTATE

**Robert J. Olszewski**  
VICE PRESIDENT, ENVIRONMENTAL AFFAIRS

**Thomas M. Reed**  
VICE PRESIDENT AND GENERAL MANAGER,  
SOUTHERN RESOURCES

**Henry K. Ricklefs**  
VICE PRESIDENT, NORTHERN RESOURCES  
AND MANUFACTURING

**Laura B. Smith**  
VICE PRESIDENT AND TREASURER

### 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)**  
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

**John F. Morgan Sr. (A)**  
OWNER, MORGAN TIMBER, LLC

**John H. Scully (N)**  
MANAGING DIRECTOR, SPO PARTNERS & CO.

**Stephen C. Tobias (C, N)**  
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**  
DIRECTOR OF INVESTOR RELATIONS  
800.858.5347 OR 206.467.3600

### ANNUAL MEETING

**DATE:** MAY 7, 2008  
**TIME:** 9 AM  
**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 FORM 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  
**FACSIMILE:** 781.575.3266  
**URL:** WWW-US.COMPUTERSHARE.COM/INVESTOR



### SUSTAINABLE FORESTRY INITIATIVE

PLUM CREEK IS PROUD TO HAVE THE MANAGEMENT OF ALL OF ITS TIMBERLANDS INDEPENDENTLY CERTIFIED TO THE STANDARDS OF THE SUSTAINABLE FORESTRY INITIATIVE PROGRAM.

THE PAPER USED TO PRODUCE THIS ANNUAL REPORT IS SFI CERTIFIED.



**Plum Creek**

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