

POTLATCH CORPORATION
Second Quarter 2010 Conference Call
Supplemental Information

Michael J. Covey
Eric J. Cremers

Chairman, President and Chief Executive Officer
Vice President, Finance and Chief Financial Officer



Forward-Looking Statements

This presentation contains certain forward-looking statements within the meaning of the Private Litigation Reform Act of 1995 as amended, including without limitation statements about our expectations regarding future company performance, direction of markets, housing starts over the next several years, earnings and cashflows in our Resource and Wood Products segments, demand and price levels for logs and wood products, our 2010 harvest levels, performance of our Real Estate segment, quarterly dividend levels, dividend policy, liquidity, closing of transactions related to certain Wisconsin and Arkansas timberlands, reduction in interest expense, and the demand and interest in non-strategic timberlands and rural recreational real estate and HBU lands. These forward-looking statements are based on current expectations, estimates, assumptions and projections that are subject to change, and actual results may differ materially from the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, changes in timberland values; changes in timber harvest levels on our lands; changes in timber prices; changes in policy regarding governmental timber sales; changes in the United States and international economies; changes in the level of construction activity; changes in tariffs, quotas and trade agreements involving wood products; changes in demand for our products; changes in production and production capacity in the forest products industry; competitive pricing pressures for our products; unanticipated manufacturing disruptions; changes in general and industry-specific environmental laws and regulations; unforeseen environmental liabilities or expenditures; weather conditions; changes in raw material and other costs; the ability to satisfy complex rules in order to remain qualified as a REIT; changes in tax laws that could reduce the benefits associated with REIT status; inability to satisfy contractual closing conditions; and other risks and uncertainties described from time to time in our public filings with the Securities and Exchange Commission. These forward-looking statements are made as of the date of this presentation and we do not undertake to update any forward-looking statements.

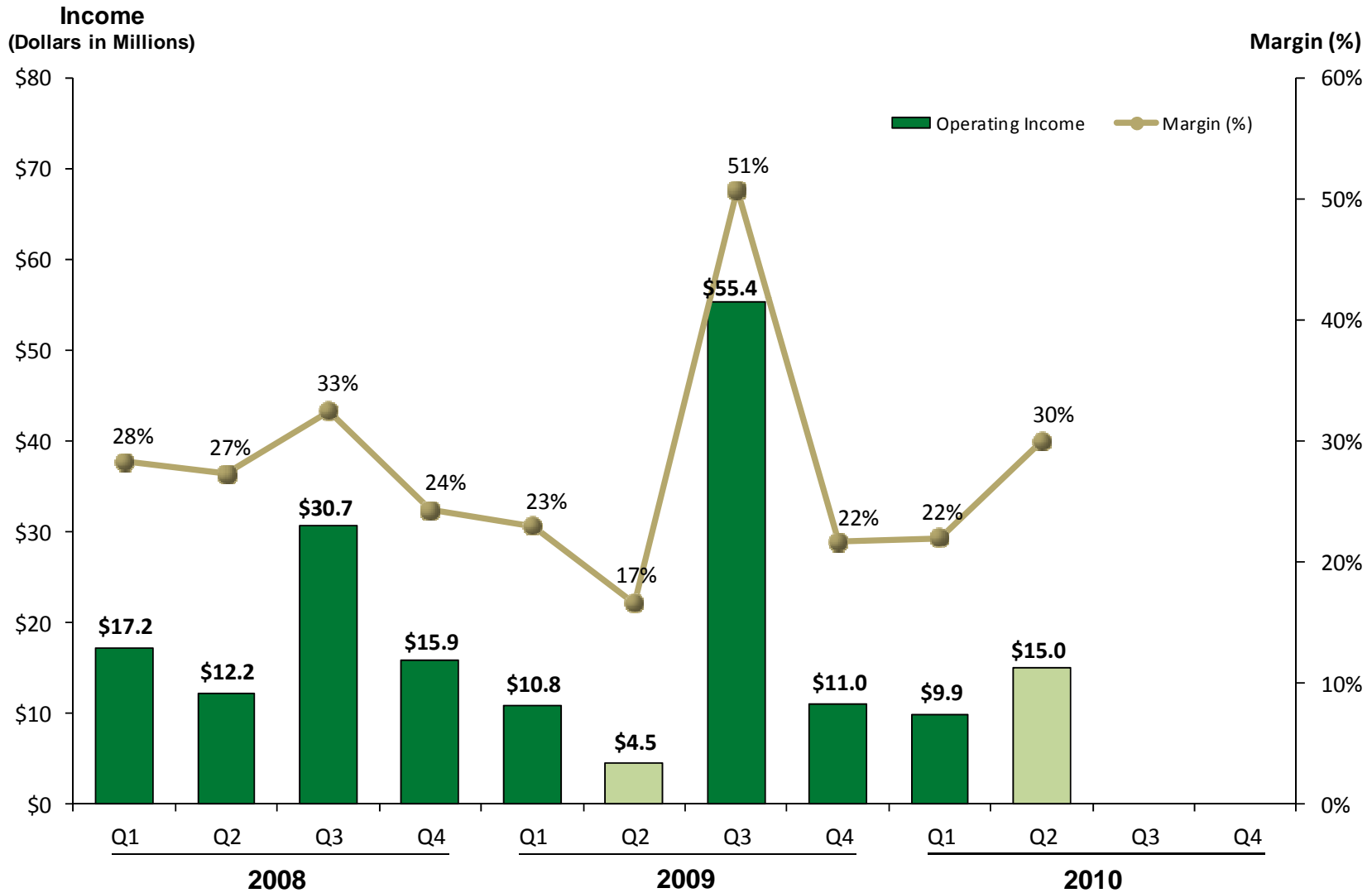
Second Quarter 2010 Summary (unaudited)

(Dollars in Thousands - except per-share amounts)

	2nd Quarter 2010	1st Quarter 2010	2nd Quarter 2009	Six Months Ended 2010	Six Months Ended 2009
Operating Income (Loss)					
Resource	\$ 15,026	\$ 9,921	\$ 4,525	\$ 24,947	\$ 15,371
Real Estate	5,117	1,898	1,507	7,015	43,019
Wood Products	5,956	5,228	(2,993)	11,184	(14,176)
Eliminations and adjustments	2,136	437	4,336	2,573	5,087
	28,235	17,484	7,375	45,719	49,301
Corporate	(13,042)	(13,093)	(11,623)	(26,135)	(22,442)
Earnings (loss) from continuing operations before taxes	15,193	4,391	(4,248)	19,584	26,859
Income tax provision (benefit)	3,365	3,007	(7,940)	6,372	(5,604)
Earnings from continuing operations	11,828	1,384	3,692	13,212	32,463
plus: Interest expense, net of interest income	6,704	6,706	4,872	13,410	9,676
Income tax provision (benefit)	3,365	3,007	(7,940)	6,372	(5,604)
Depreciation, depletion & amortization (DD&A)	7,074	7,138	4,906	14,212	11,518
Basis of real estate sold	4,145	568	1,716	4,713	6,864
Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *	\$ 33,116	\$ 18,803	\$ 7,246	\$ 51,919	\$ 54,917
Funds from continuing operations	\$ 23,047	\$ 9,090	\$ 10,314	\$ 32,137	\$ 50,845
Discontinued operations:					
Gain (loss) from discontinued operations, net of tax	\$ (85)	\$ (189)	\$ 74	\$ (274)	\$ (3,877)
Net earnings	\$ 11,743	\$ 1,195	\$ 3,766	\$ 12,938	\$ 28,586
Diluted earnings per common share from continuing operations	\$ 0.29	\$ 0.03	\$ 0.09	\$ 0.33	\$ 0.81
Funds from operations (FFO) *	\$ 22,962	\$ 8,901	\$ 10,388	\$ 31,863	\$ 46,968

* Non-GAAP measure - See pages 17 - 19 for reconciliation to GAAP and definition.

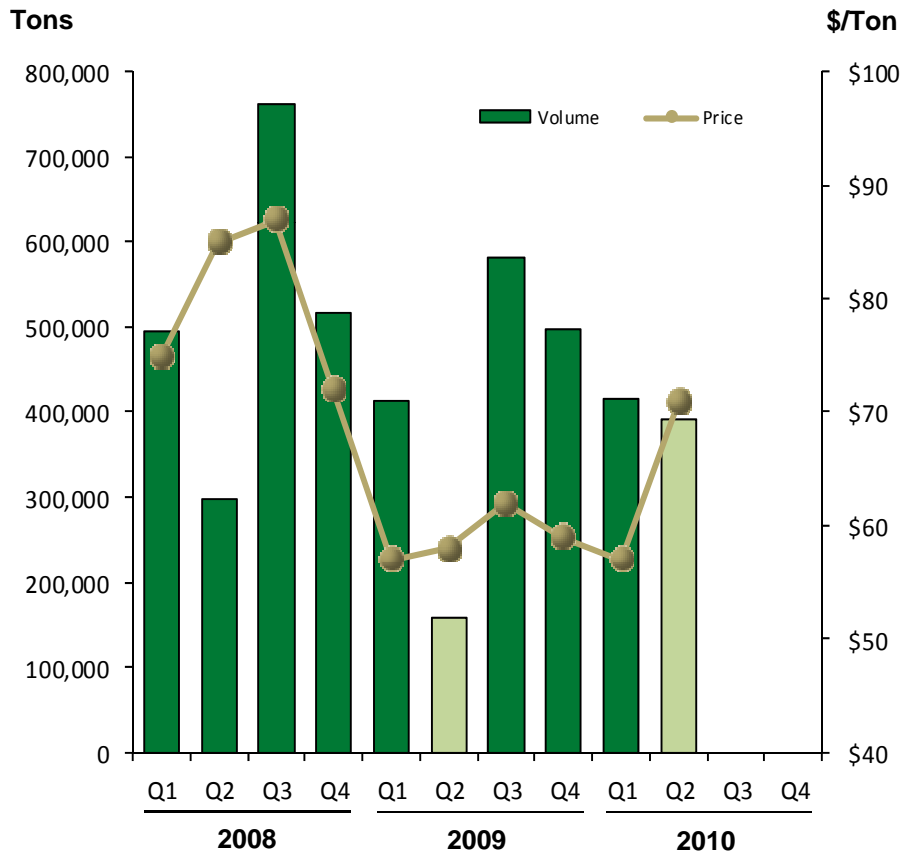
Resource – Operating Income and Margin



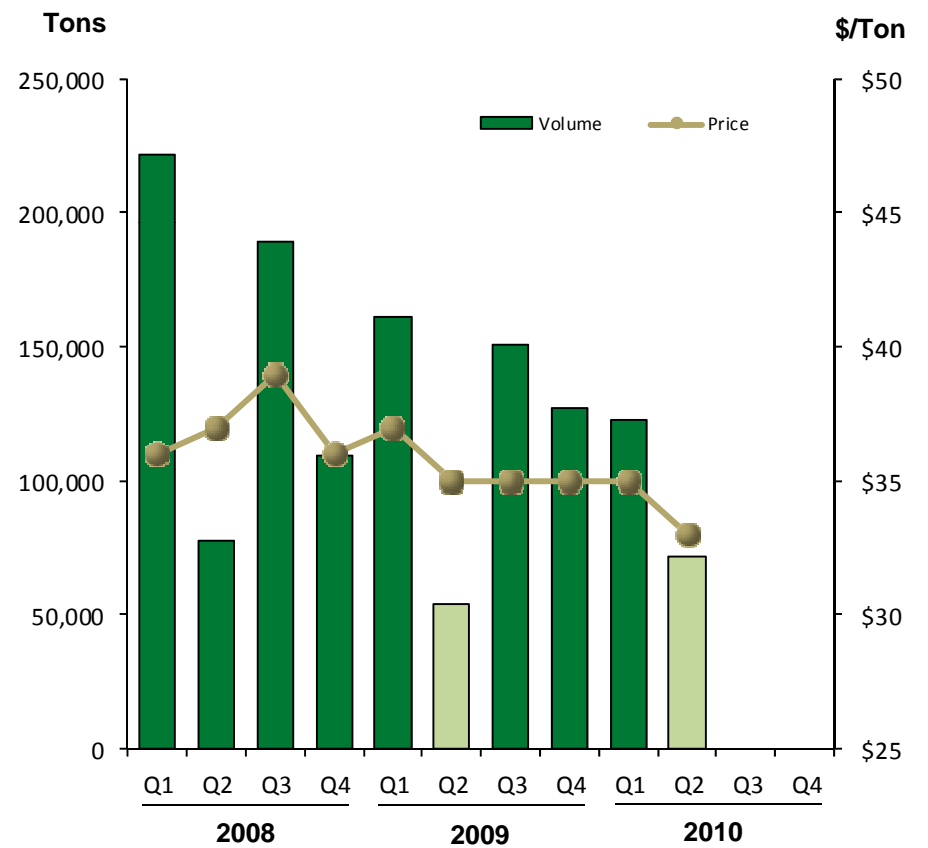
Note: Q3 2009 Resource results include a timber deed transaction that produced operating income of \$41.5 million.

Northern Region - Volume and Pricing

Sawlog



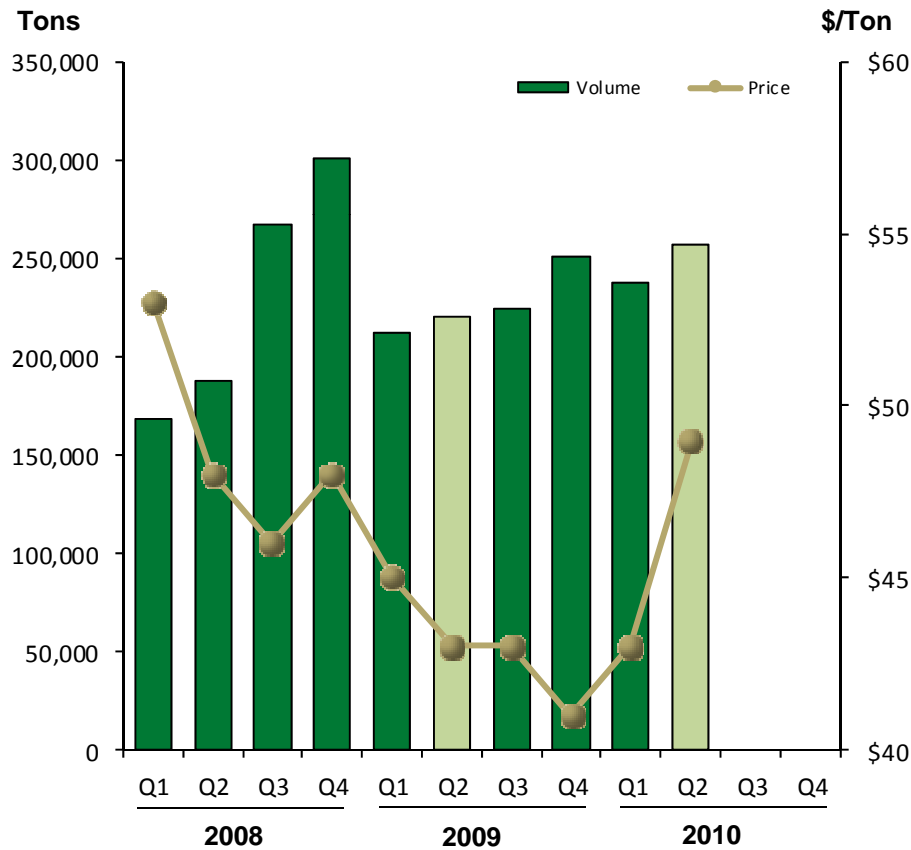
Pulpwood



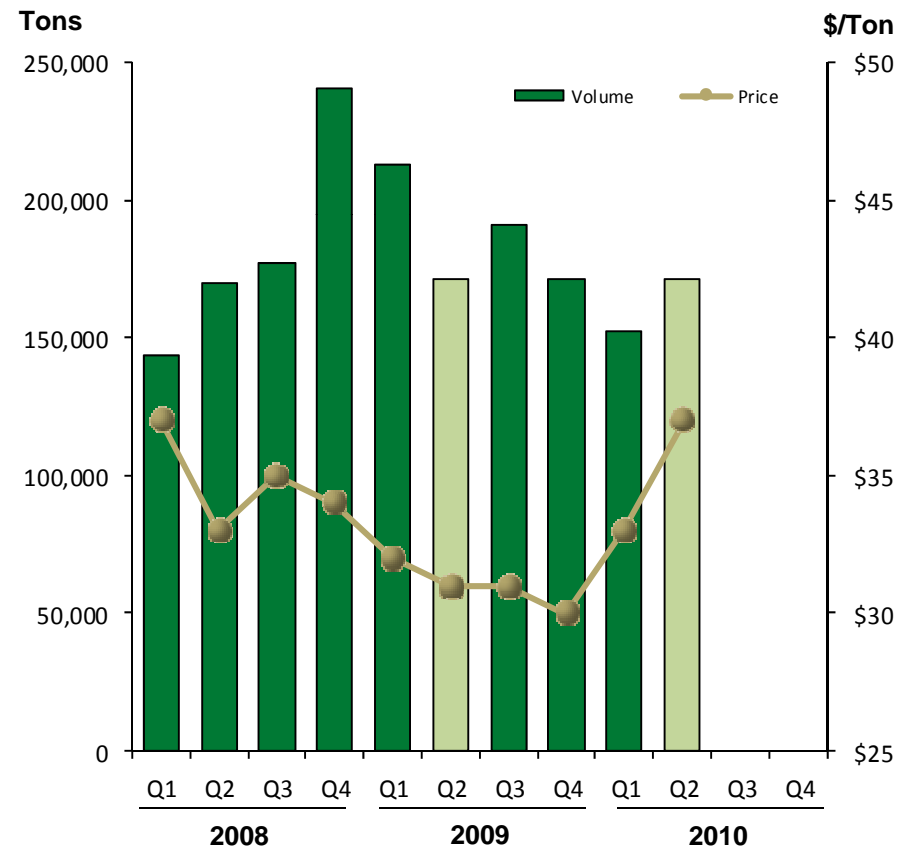
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

Southern Region – Volume and Pricing

Sawlog



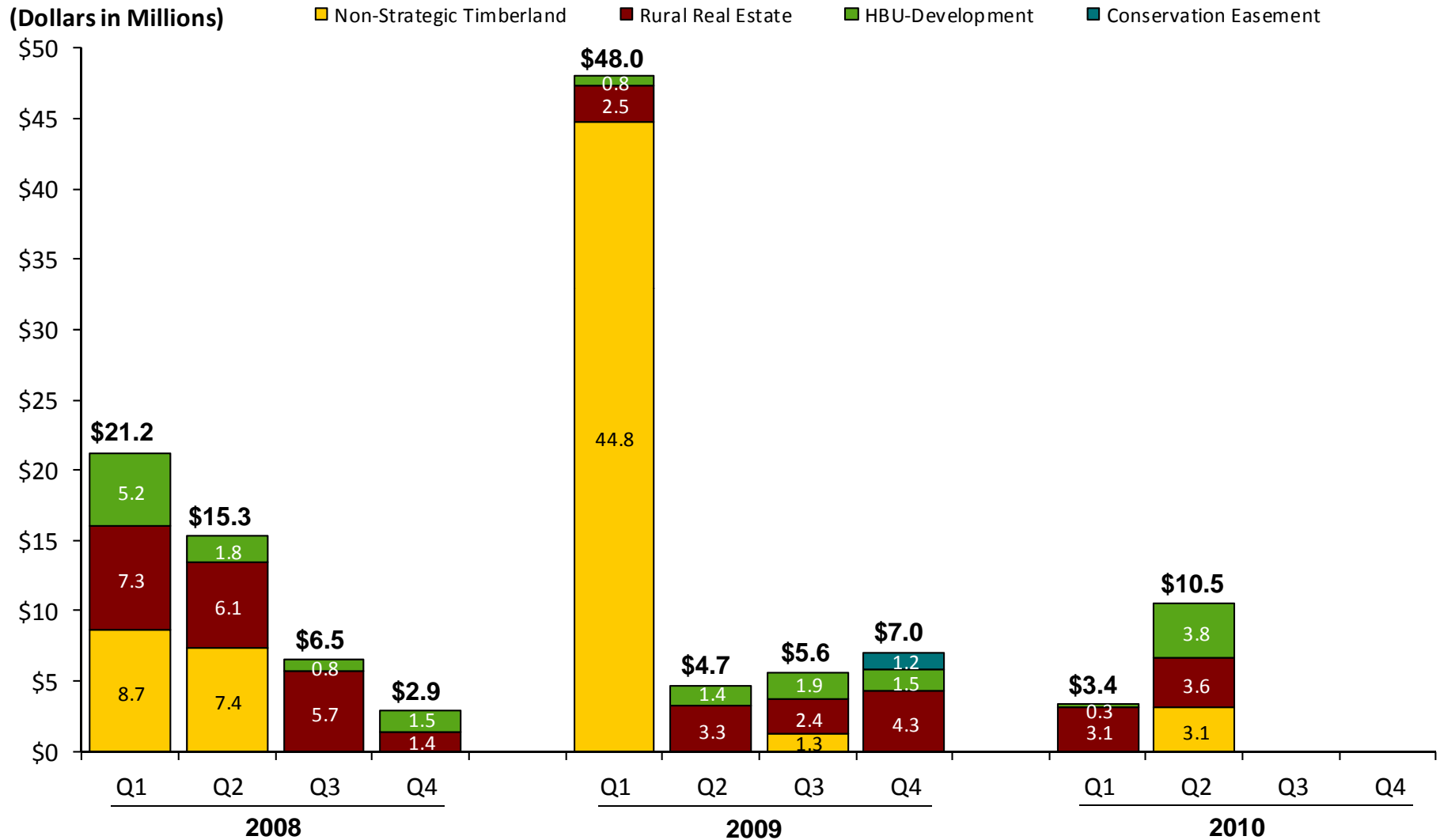
Pulpwood



Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

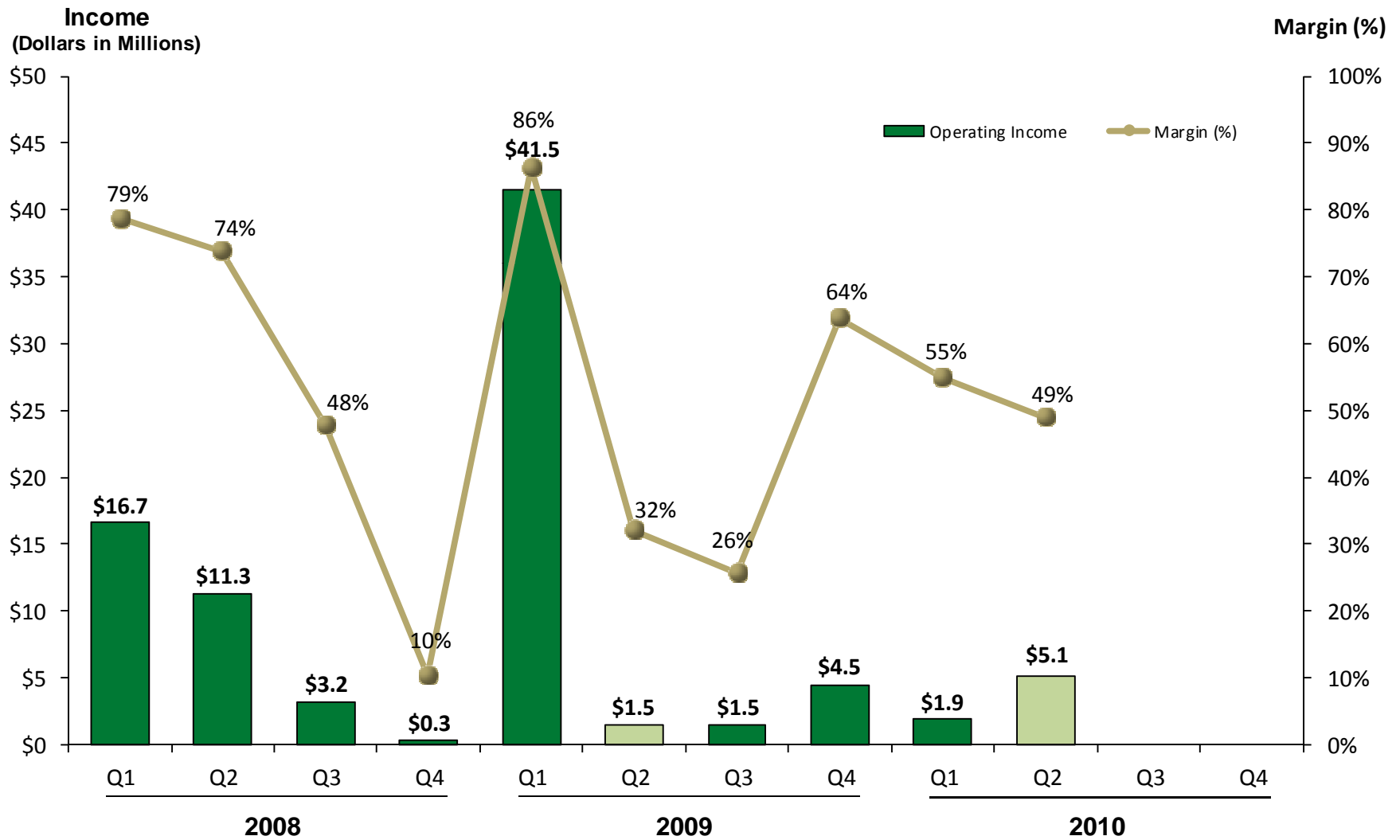
No volume is reflected in the data above for the timber deed sale that occurred in Q3 2009.

Real Estate - Revenues

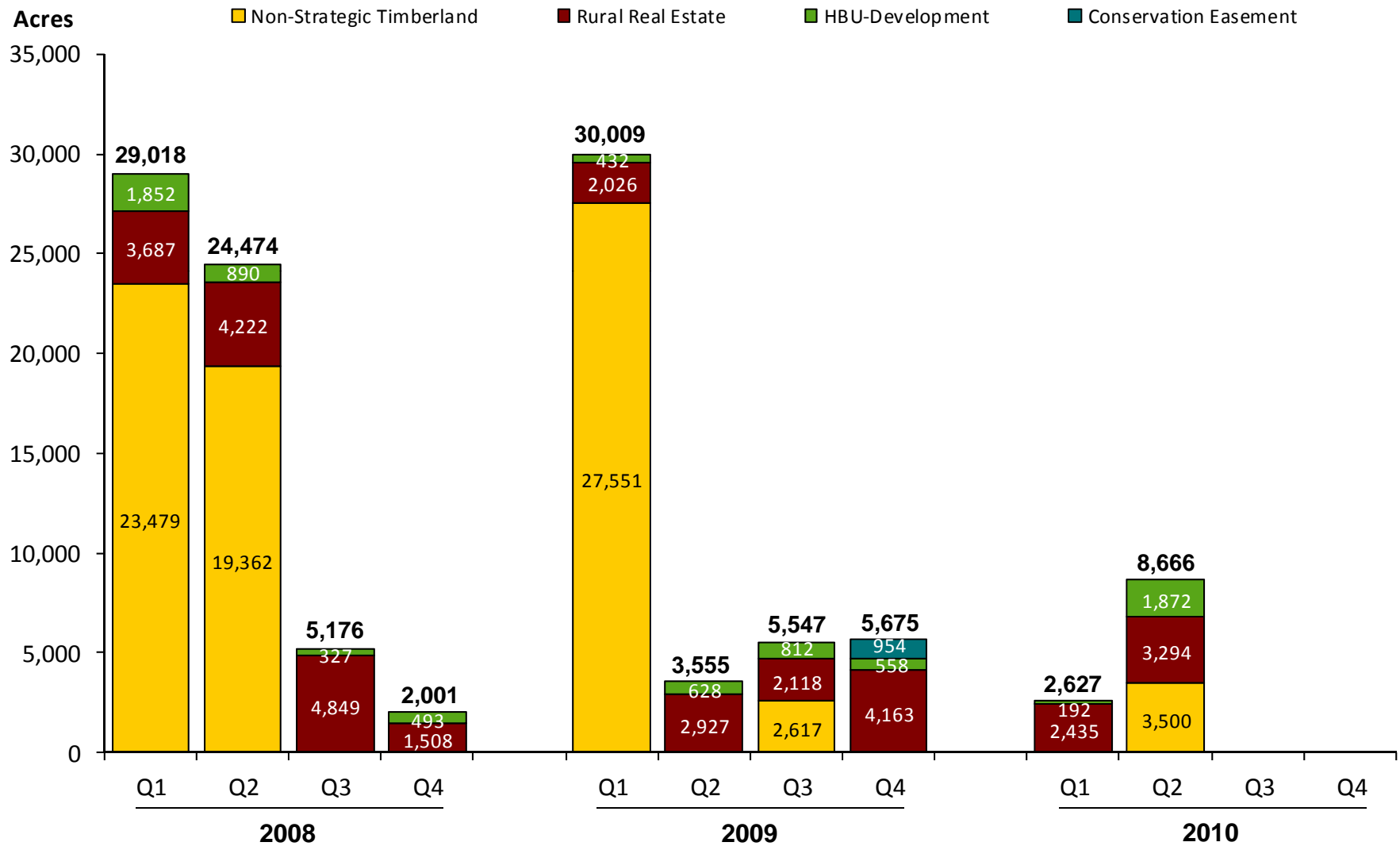


Note: Q4 2008 Real Estate HBU revenues include a \$250,000 building sale.

Real Estate – Operating Income and Margin

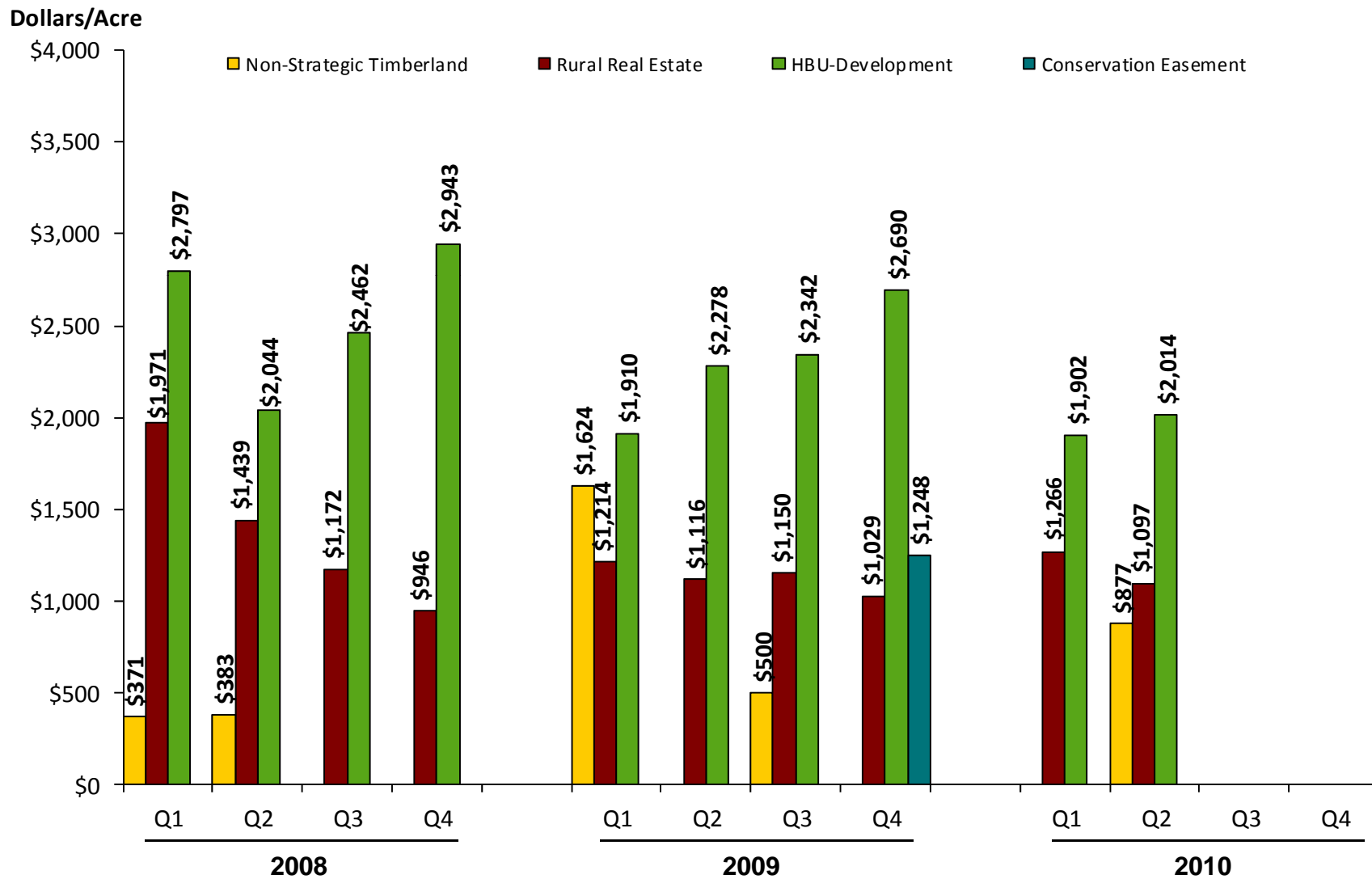


Real Estate – Acres Sold



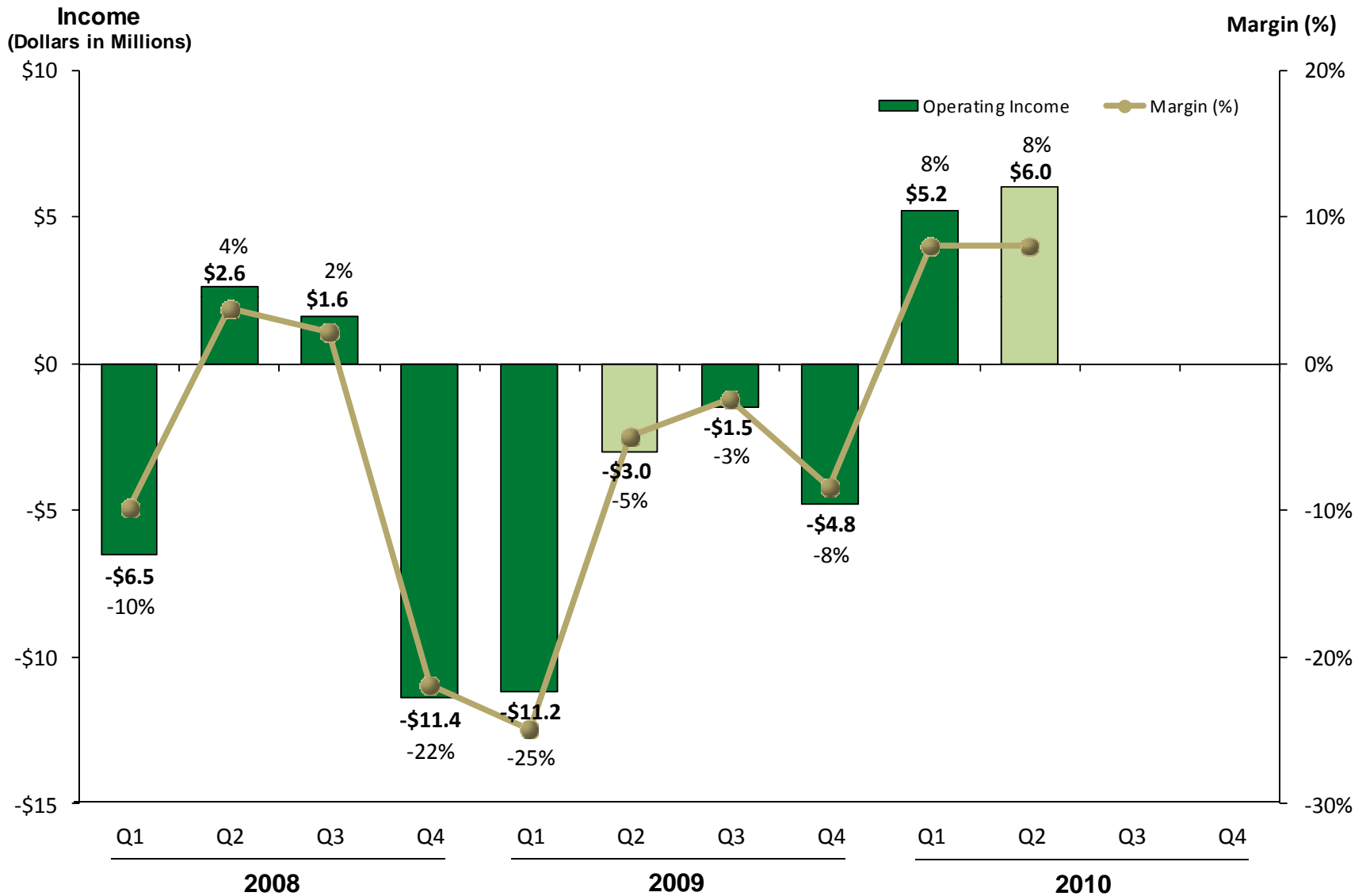
Note: Q4 2008 'Acres Sold' excludes building sale.

Real Estate – Sales Prices Per Acre

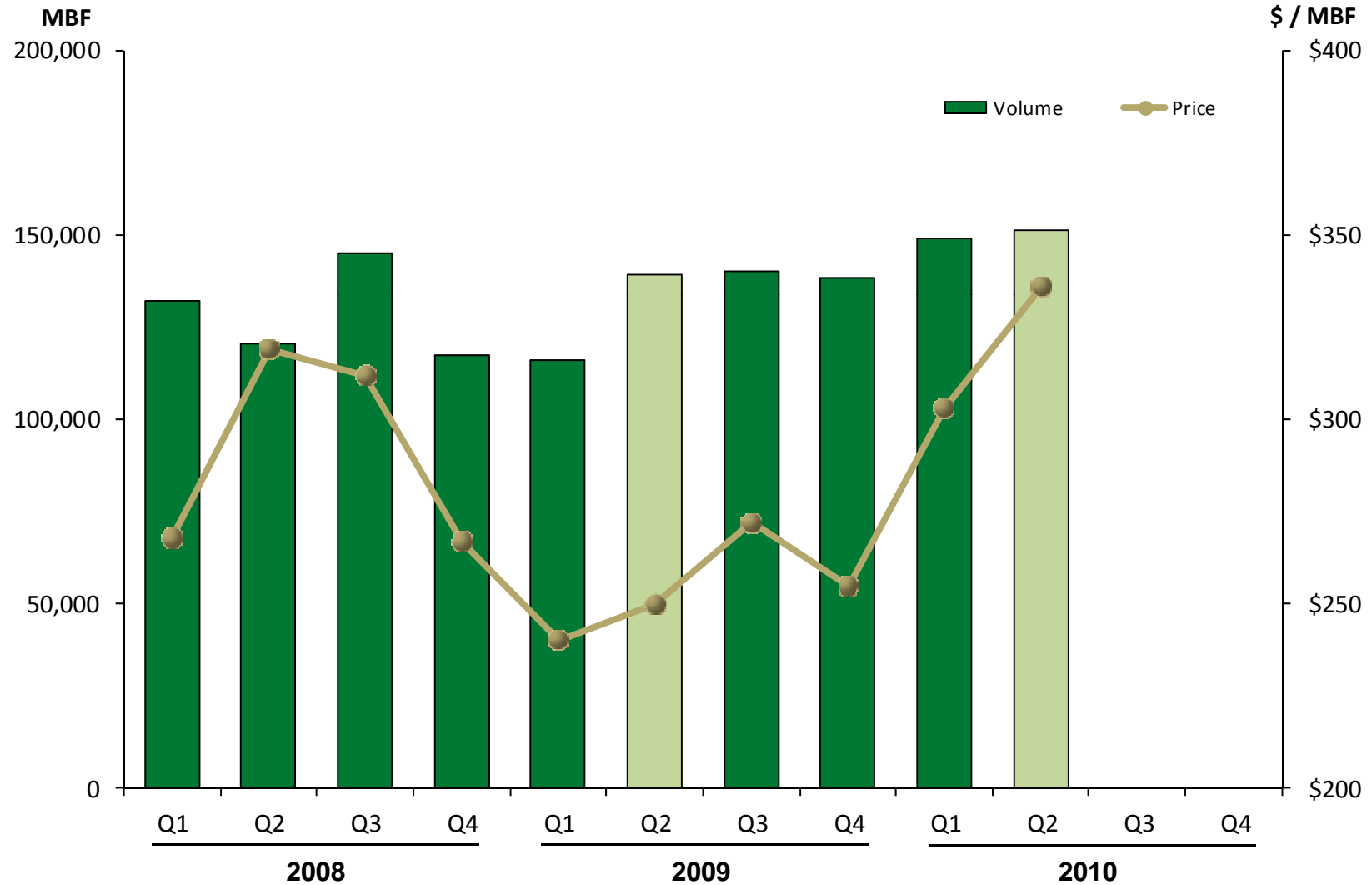


Note: Q4 2008 'Sales Price per Acre' excludes building sale.

Wood Products – Operating Income and Margin



Lumber - Sales Prices and Shipments



Note: Excludes sawmill spun-off with Clearwater Paper Corporation.

Variance Analyses

Increase (Decrease) in Earnings from Continuing Operations before Taxes (unaudited)

(Dollars in Millions)

	2nd Quarter 2010 vs. 1st Quarter 2010	2nd Quarter 2010 vs. 2nd Quarter 2009	Six Months Ended 2010 vs. 2009
Resource	\$5.1	\$10.5	\$9.6
Volume	(2.7)	12.6	10.4
Price	8.3	10.6	10.4
Costs and Other	(0.5)	(12.7)	(11.2)
Real Estate	\$3.2	\$3.6	(\$36.0)
Wood products	\$0.7	\$8.9	\$25.3
Volume	0.7	5.9	20.8
Price	7.6	14.9	21.8
Costs and other	(7.6)	(11.9)	(17.3)
Eliminations	\$1.7	(\$2.2)	(\$2.5)
Corporate	\$0.1	(\$1.4)	(\$3.7)
Increase (decrease) in earnings from continuing operations before taxes	\$10.8	\$19.4	(\$7.3)

Volumes and Sales Prices Per Unit (unaudited)

	2nd Quarter 2010	1st Quarter 2010	2nd Quarter 2009	Six Months Ended 2010	Six Months Ended 2009
Resource					
Fee Volume (tons)					
Northern region					
Sawlog	390,777	414,465	157,348	805,242	570,007
Pulpwood	71,207	122,491	53,635	193,698	214,435
Stumpage	3,115	23,693	8,492	26,808	16,794
Total	<u>465,099</u>	<u>560,649</u>	<u>219,475</u>	<u>1,025,748</u>	<u>801,236</u>
Southern region					
Sawlog	256,661	237,656	220,473	494,317	433,034
Pulpwood	171,398	152,047	171,174	323,445	383,724
Total	<u>428,059</u>	<u>389,703</u>	<u>391,647</u>	<u>817,762</u>	<u>816,758</u>
Sales Prices/Unit (\$ per ton)					
Northern region					
Sawlog	\$ 71	\$ 57	\$ 58	\$ 64	\$ 57
Pulpwood	33	35	35	35	36
Stumpage	8	10	10	10	11
Weighted Average	<u>\$ 64</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 57</u>	<u>\$ 50</u>
Southern region					
Sawlog	\$ 49	\$ 43	\$ 43	\$ 46	\$ 44
Pulpwood	37	33	31	35	32
Weighted Average	<u>\$ 44</u>	<u>\$ 39</u>	<u>\$ 38</u>	<u>\$ 42</u>	<u>\$ 38</u>
Wood Products					
Lumber Shipments (MBF)	151,430	148,900	139,041	300,330	255,071
Lumber Sales Prices (\$ per MBF)	\$ 336	\$ 303	\$ 250	\$ 320	\$ 246

Financial Highlights (unaudited)

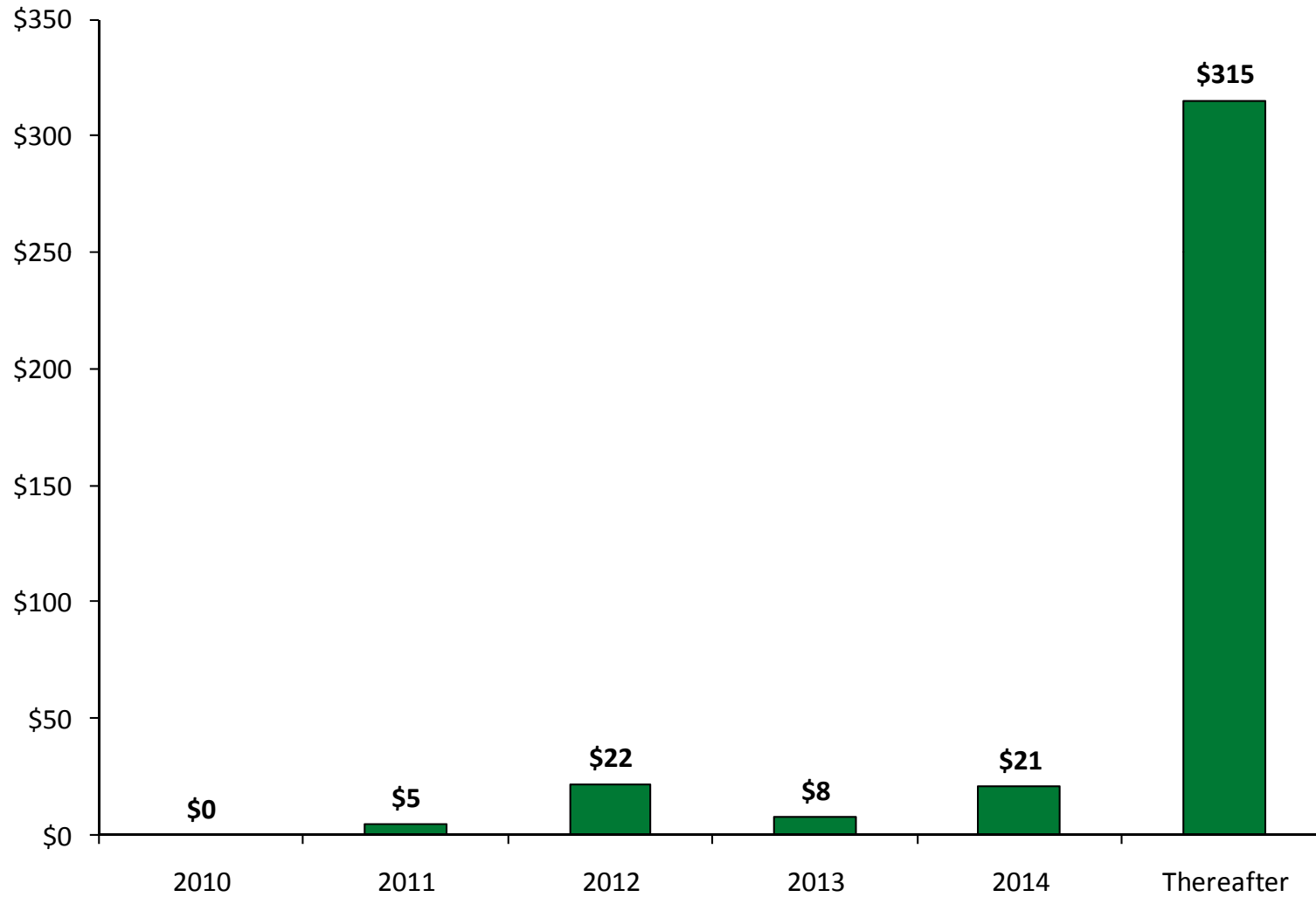
(Dollars in Thousands)

	<u>June 30, 2010</u>	<u>March 31, 2010</u>	<u>June 30, 2009</u>
Balance Sheet Highlights:			
Working capital (deficit)	\$ 93,780	\$ 45,361	\$ (105,366)
Total assets	796,121	809,437	916,305
Long-term debt (including current portion)	368,389	368,504	320,944
Stockholders' equity	208,724	216,901	177,849
Long-term debt to stockholder's equity ratio	1.8 to 1	1.7 to 1	1.8 to 1
Six months ended June 30,			
Cash Flow Highlights:			
	<u>2010</u>	<u>2009</u>	
Cash flows from continuing operations:			
Net cash provided by operating activities	\$ 32,247	\$ 37,255	
Net cash provided by investing activities	15,032	12,919	
Net cash used for financing activities	(42,559)	(48,301)	
Capital expenditures	(5,881)	6,079	

Note: The current portion of long-term debt at June 30, 2009, includes \$100 million credit sensitive debentures retained by Clearwater Paper Corporation that were paid off during Q4 2009.

Long-Term Debt Maturity Profile

(Dollars in Millions)



Reconciliation of Non-GAAP Measures (unaudited)

(Dollars in Thousands)

	<u>2nd Quarter 2010</u>	<u>1st Quarter 2010</u>	<u>2nd Quarter 2009</u>	<u>Six Months Ended 2010</u>	<u>2009</u>
Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA):					
GAAP net earnings	\$ 11,743	\$ 1,195	\$ 3,766	\$ 12,938	\$ 28,586
Interest expense, net of interest income	6,704	6,706	4,872	13,410	9,676
Income tax provision (benefit)	3,365	3,007	(7,940)	6,372	(5,604)
Depreciation, depletion and amortization from continuing operations	7,074	7,138	4,906	14,212	11,518
Basis of real estate sold	4,145	568	1,716	4,713	6,864
Loss (gain) from discontinued operations, net of tax	85	189	(74)	274	3,877
EBITDDA *	<u><u>\$ 33,116</u></u>	<u><u>\$ 18,803</u></u>	<u><u>\$ 7,246</u></u>	<u><u>\$ 51,919</u></u>	<u><u>\$ 54,917</u></u>

* Non-GAAP measure - See page 19 for definition.

Reconciliation of Non-GAAP Measures (unaudited)

(Dollars in Thousands)

	<u>2nd Quarter 2010</u>	<u>1st Quarter 2010</u>	<u>2nd Quarter 2009</u>	<u>Six Months Ended 2010</u>	<u>2009</u>
Funds from Operations (FFO):					
GAAP net earnings	\$ 11,743	\$ 1,195	\$ 3,766	\$ 12,938	\$ 28,586
Depreciation, depletion and amortization from continuing operations	7,074	7,138	4,906	14,212	11,518
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Gain (loss) from discontinued operations, net of tax	(85)	(189)	74	(274)	(3,877)
Funds from Operations *	<u><u>\$ 22,962</u></u>	<u><u>\$ 8,901</u></u>	<u><u>\$ 10,388</u></u>	<u><u>\$ 31,863</u></u>	<u><u>\$ 46,968</u></u>

* Non-GAAP measure - See page 19 for definition.

Definition of Non-GAAP Measures

EBITDDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. The most directly comparable GAAP measure is net earnings. EBITDDA, as we define it, is net earnings from continuing operations adjusted for net interest expense, provision/benefit for income taxes, depreciation, depletion and amortization from continuing operations and the basis of real estate sold. It should not be considered as an alternative to net earnings computed under GAAP.

Funds from Operations (FFO) is a non-GAAP measure that is commonly used by REITs in the real estate industry. The most directly comparable GAAP measure is net earnings. FFO is presented as a supplemental financial measure. We do not use FFO as, nor should it be considered to be, an alternative to net earnings computed under GAAP as an indicator of our operating performance, or as an alternative to cash from operating activities computed under GAAP as an indicator of our ability to fund our cash needs. FFO, as we define it, may not be comparable with measures of similar titles reported by other companies. We define FFO as net earnings, plus depreciation, depletion and amortization from continuing operations and the basis of real estate sold, adjusted for the gain/loss from discontinued operations, and plus depreciation, depletion and amortization from discontinued operations. Management believes that FFO is a meaningful supplemental measure of our operating performance because historical cost accounting for assets such as our manufacturing facilities and timberlands assumes that the value of such assets diminishes predictably over time. However, the values of our manufacturing facilities and timberlands have historically risen and fallen based on market conditions for the products we manufacture and for timber and timberlands. Management also considers the FFO measure in determining, among other things, quarterly and annual distribution rates to recommend to our board of directors, future levels of capital spending and debt repayment. We disclose this supplemental financial measure to enable investors to align their analysis and evaluation of our operating results along the same lines as management uses in planning and executing our business strategy.

