

POTLATCH CORPORATION

Second Quarter 2009 Conference Call Supplemental Information

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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 future company performance, direction of markets, log pricing, future harvest levels and their relation to log pricing trends, future renewable electricity production tax credits, demand for real estate, timberland values, credit agreement covenant ratios, use of proceeds from the timber deed transaction and the impact of that transaction on earnings, cash flow and our balance sheet, impact of the timber deed transaction on future harvest levels, future cash flows, prospects for each of our business segments, funds available for distribution (FAD), quarterly dividend levels, dividend policy, liquidity, efforts to minimize losses in our Wood Products segment, pricing for our Wood Products, and pricing and volume trends in our real estate business. 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 the company's 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 Potlatch's products; changes in production and production capacity in the forest products industry; competitive pricing pressures for the company's 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; and other risks and uncertainties described from time to time in the company's public filings with the Securities and Exchange Commission. The company does not undertake to update any forward-looking statements.

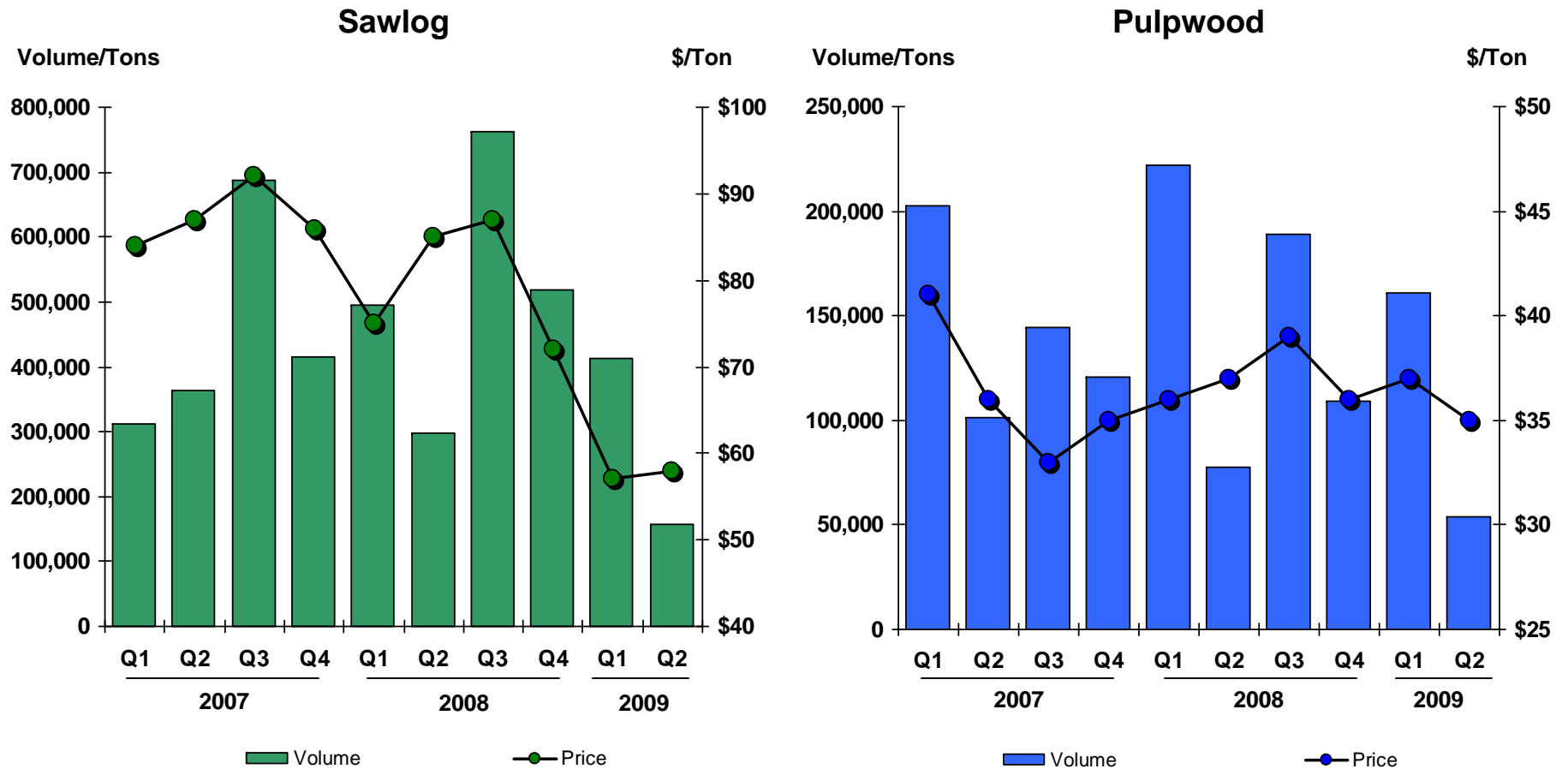
Second Quarter 2009 Summary (Unaudited)

	(Dollars in Thousands – Except Per – Share Amounts)				
	2nd Quarter 2009	1st Quarter 2009	2nd Quarter 2008	Six Months Ended 2009	Six Months Ended 2008
Operating Income (Loss)					
Resource	\$ 4,525	\$ 10,846	\$ 12,161	\$ 15,371	\$ 29,356
Real Estate	1,507	41,512	11,316	43,019	27,967
Wood Products	(2,993)	(11,183)	2,604	(14,176)	(3,846)
Eliminations and adjustments	4,336	751	1,555	5,087	3,228
	7,375	41,926	27,636	49,301	56,705
Corporate	(11,623)	(10,819)	(10,936)	(22,442)	(23,930)
Earnings (loss) from continuing operations before taxes	(4,248)	31,107	16,700	26,859	32,775
Income tax provision (benefit)	(7,940)	2,336	(2,172)	(5,604)	(9,384)
Earnings from continuing operations	3,692	28,771	18,872	32,463	42,159
plus: Interest expense, net of interest income	4,872	4,804	5,266	9,676	10,219
Income tax provision (benefit)	(7,940)	2,336	(2,172)	(5,604)	(9,384)
Depreciation, depletion & amortization (DD&A)	4,906	6,612	5,130	11,518	12,537
Basis of real estate sold	1,716	5,148	2,659	6,864	5,793
Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *	\$ 7,246	\$ 47,671	\$ 29,755	\$ 54,917	\$ 61,324
Funds from continuing operations	\$ 10,314	\$ 40,531	\$ 26,661	\$ 50,845	\$ 60,489
Discontinued operations:					
Loss on disposal of discontinued operations, net of tax	\$ -	\$ -	\$ (559)	\$ -	\$ (12,210)
Gain (loss) from discontinued operations, net of tax	74	(3,951)	3,166	(3,877)	1,788
DD&A	-	-	11,776	-	24,174
	74	(3,951)	14,383	(3,877)	13,752
Net earnings	\$ 3,766	\$ 24,820	\$ 21,479	\$ 28,586	\$ 31,737
Diluted earnings per common share from continuing operations	\$ 0.09	\$ 0.72	\$ 0.48	\$ 0.81	\$ 1.06
Funds from operations (FFO) *	\$ 10,388	\$ 36,580	\$ 41,044	\$ 46,968	\$ 74,241

Certain prior period amounts have been reclassified to conform to the current period presentation.

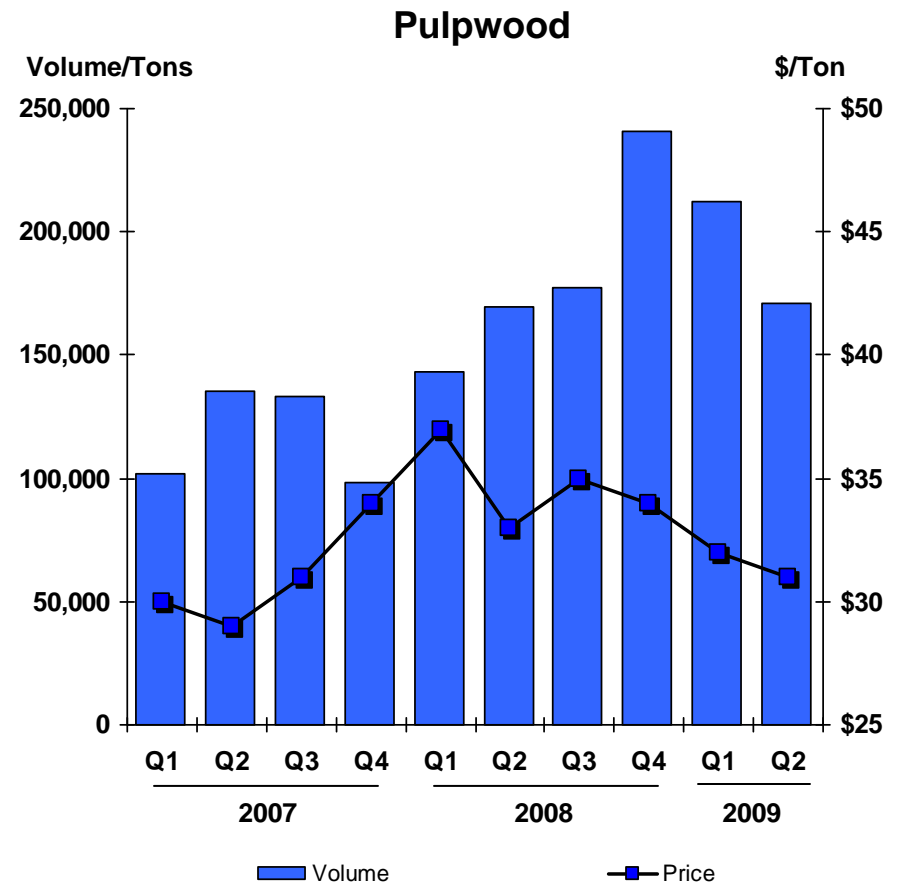
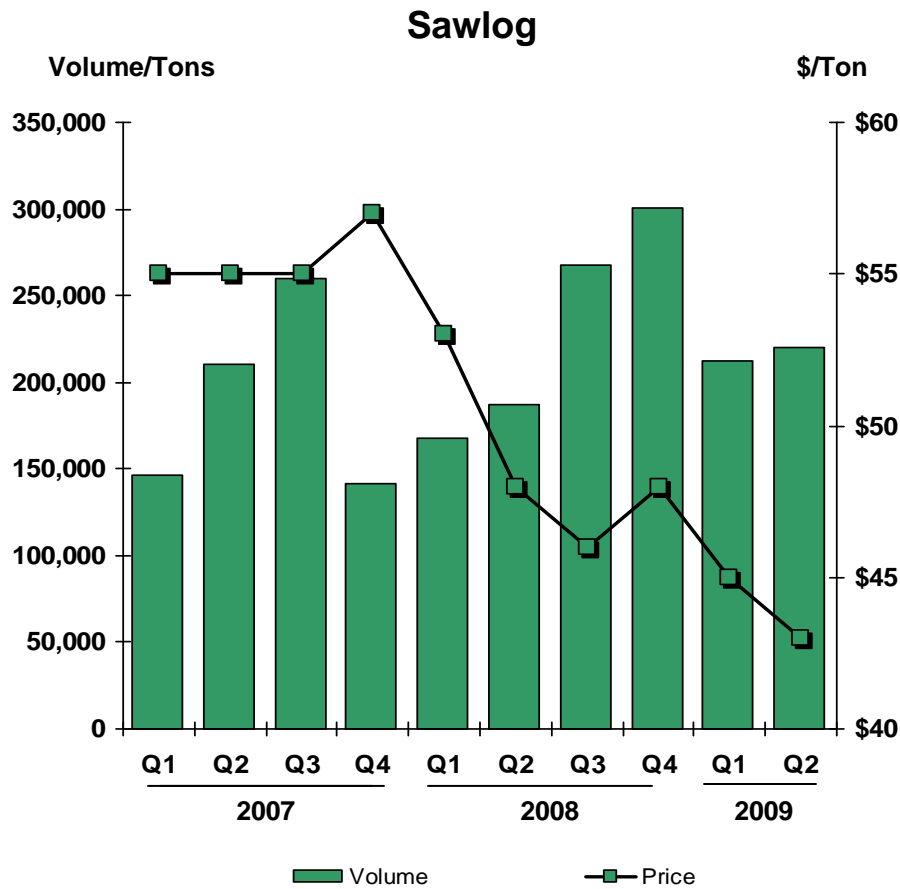
* Non-GAAP measure - See pages 13 - 15 for reconciliation to GAAP and definition.

Northern Region - Volume and Pricing



* 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.

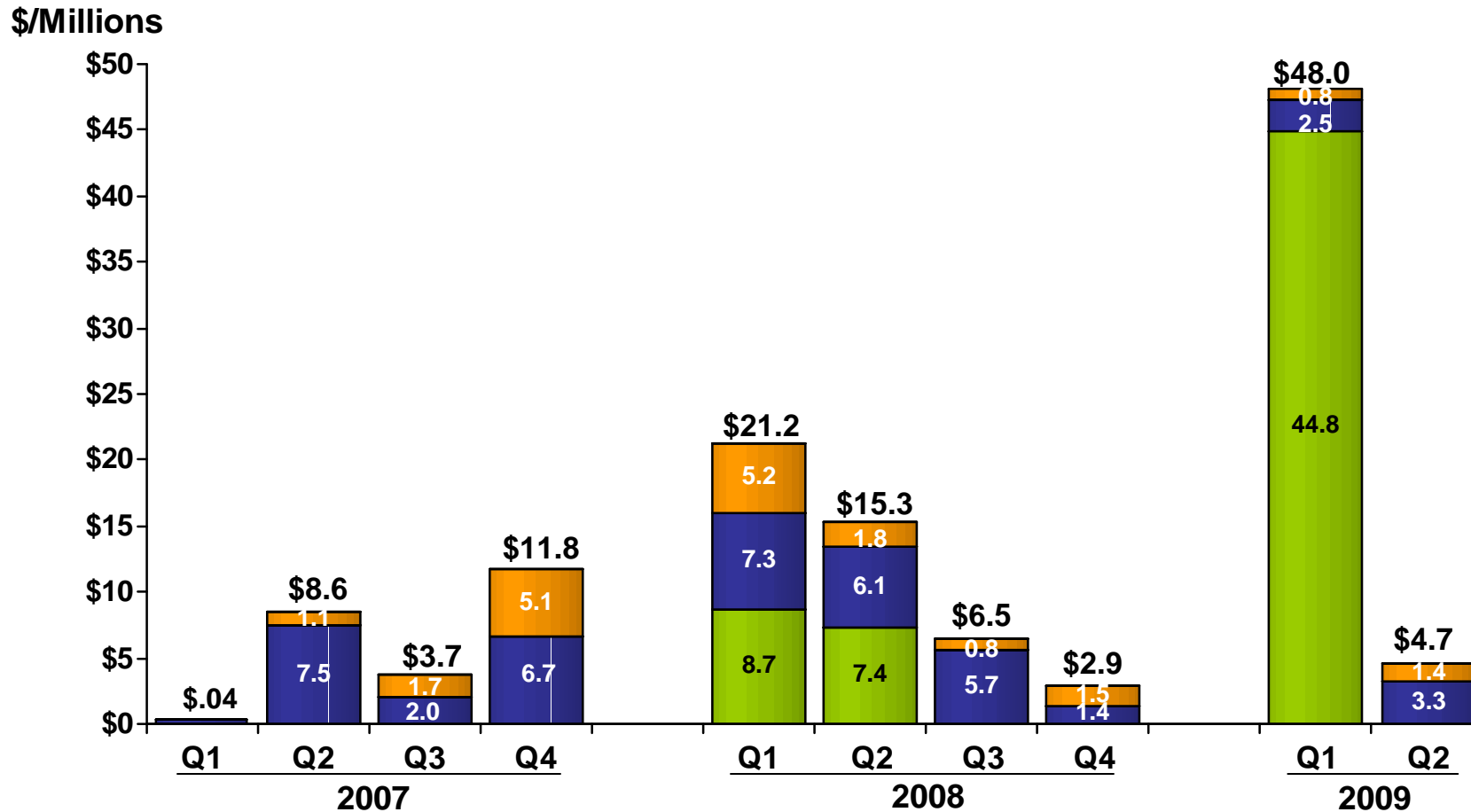
Southern Region – Volume and Pricing



* 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.

Potlatch Real Estate - Revenues

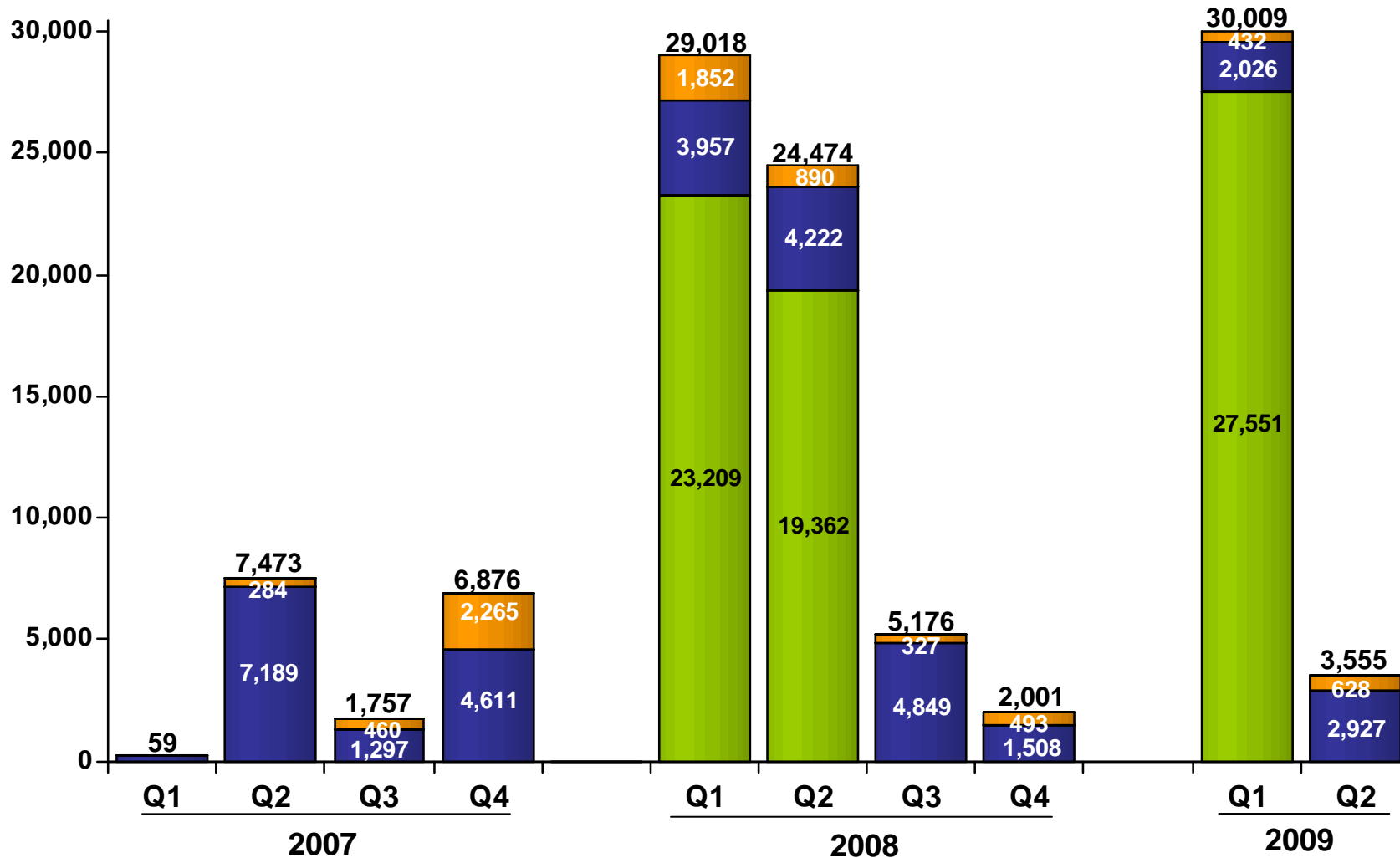
■ Non-Strategic Timberland
 ■ Rural Real Estate
 ■ HBU/Development
 ■ Conservation Easement



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

Potlatch Real Estate – Acres Sold

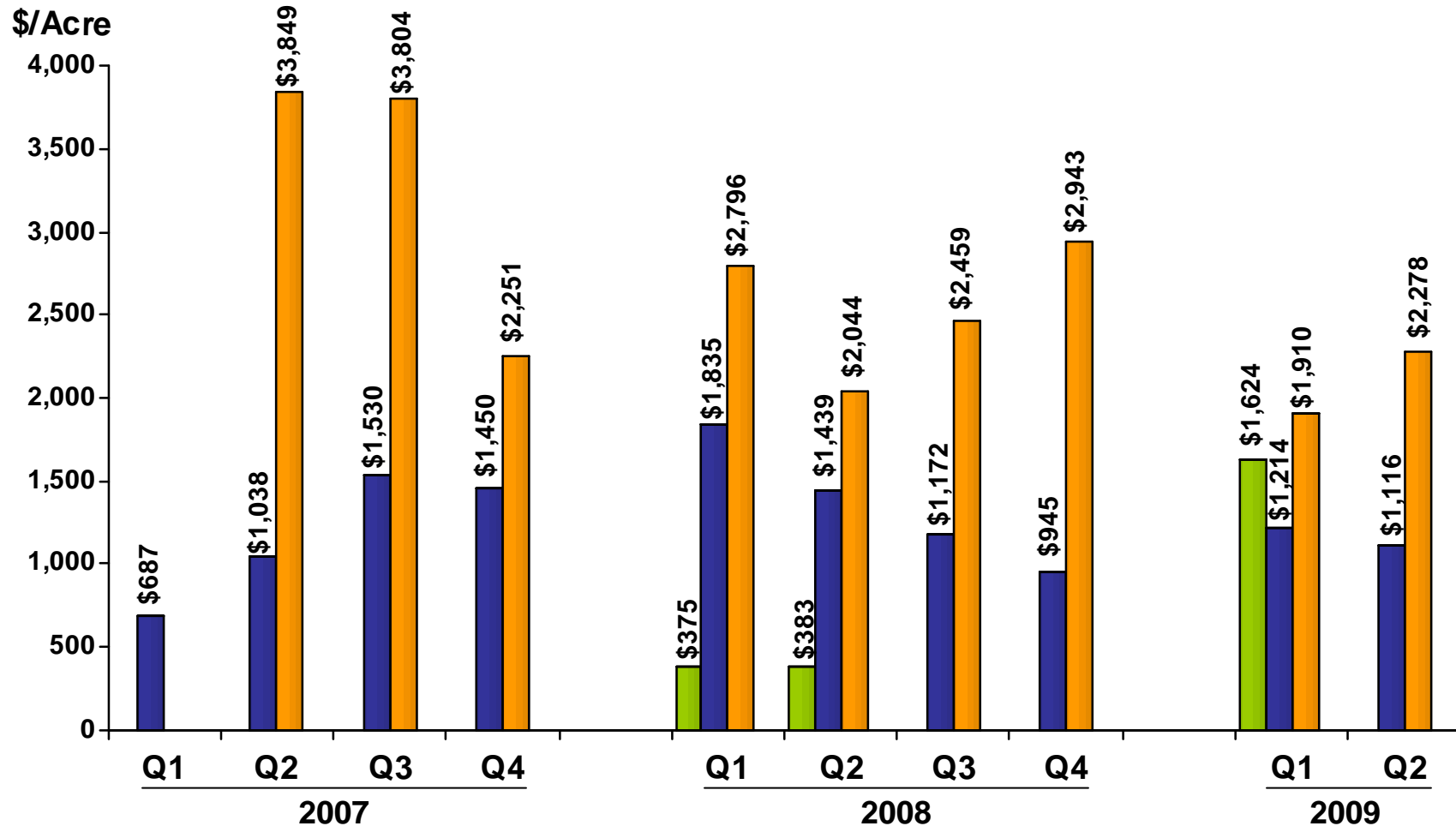
■ Non-Strategic Timberland
 ■ Rural Real Estate
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Note: Q4 2008 'Acres Sold' excludes building sale.

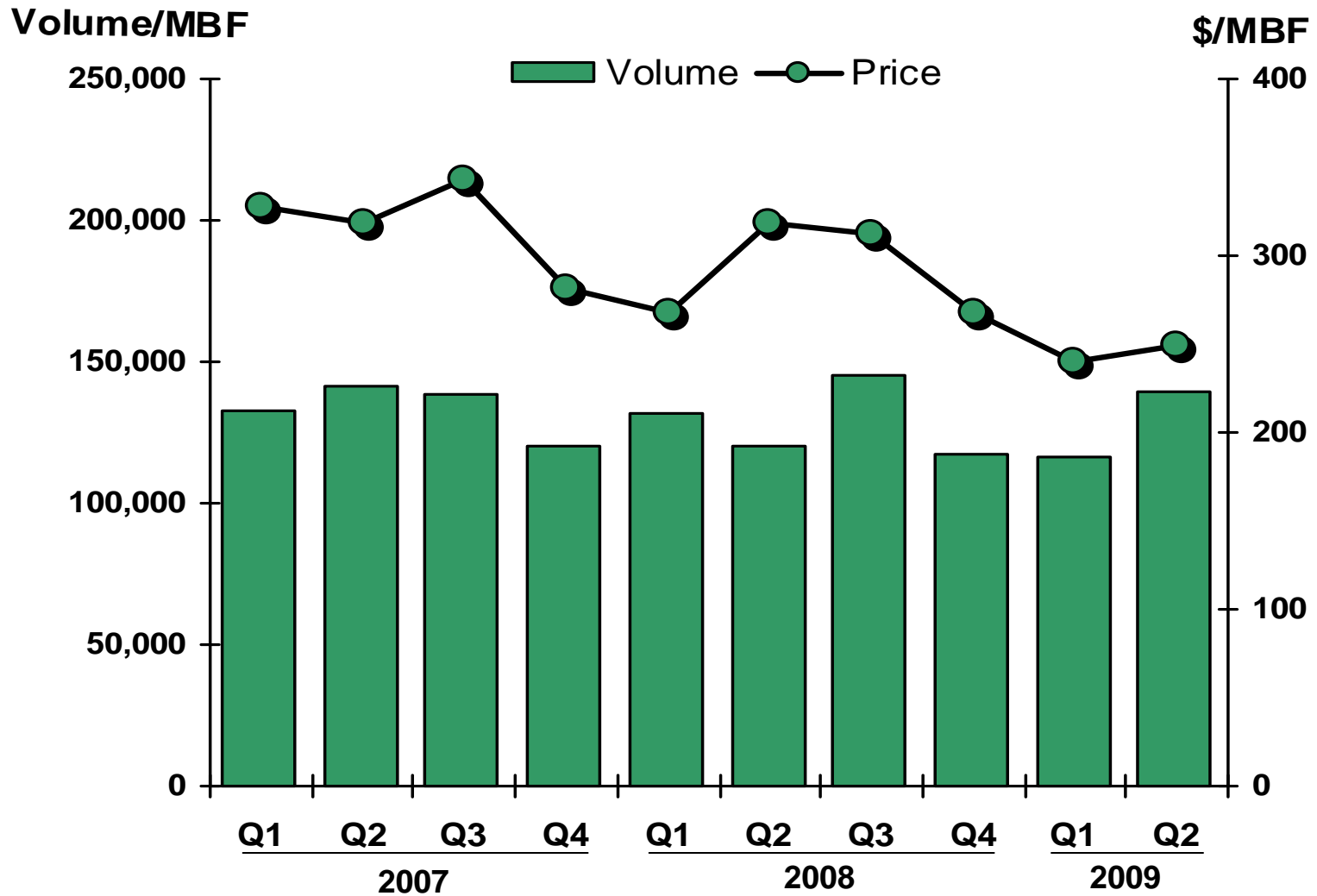
Potlatch Real Estate - Sales Prices Per Acre

■ Non-Strategic Timberland
 ■ Rural Real Estate
 ■ HBU/Development
 ■ Conservation Easement



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

Lumber* - Sales Prices and Shipments



* 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 2009 vs. 1st Quarter 2009	2nd Quarter 2009 vs. 2nd Quarter 2008	Six Months 2009 vs. 2008
Resource	(\$6.3)	(\$7.6)	(\$14.0)
Volume	(5.2)	(3.3)	(3.9)
Price	(0.5)	(7.5)	(20.6)
Costs and Other	(0.6)	3.2	10.5
Real Estate	(\$40.0)	(\$9.8)	\$15.0
Wood products	\$8.2	(\$5.6)	(\$10.3)
Volume	(1.3)	(0.8)	(3.7)
Price	4.9	(8.2)	(15.8)
Costs and other	4.6	3.4	9.2
Eliminations	\$3.6	\$2.8	\$1.9
Corporate	(\$0.8)	(\$0.7)	\$1.5
Decrease in earnings from continuing operations before taxes	(\$35.3)	(\$20.9)	(\$5.9)

Certain prior period amounts have been reclassified to conform to the current period presentation.

Volumes and Sales Prices/Unit *(Unaudited)*

	2nd Quarter 2009	1st Quarter 2009	2nd Quarter 2008	Six Months Ended 2009	Six Months Ended 2008
Resource					
Fee Volume (tons)					
Northern region					
Sawlog	157,348	412,659	297,809	570,007	792,624
Pulpwood	53,635	160,800	77,394	214,435	299,028
Stumpage	8,492	8,302	96	16,794	8,142
Total	<u>219,475</u>	<u>581,761</u>	<u>375,299</u>	<u>801,236</u>	<u>1,099,794</u>
Southern region					
Sawlog	220,473	212,561	187,201	433,034	355,020
Pulpwood	171,174	212,550	169,480	383,724	312,923
Stumpage	-	-	29,898	-	34,957
Total	<u>391,647</u>	<u>425,111</u>	<u>386,579</u>	<u>816,758</u>	<u>702,900</u>
Sales Prices/Unit (\$ per ton)					
Northern region					
Sawlog	\$ 58	\$ 57	\$ 85	\$ 57	\$ 79
Pulpwood	35	37	37	36	37
Stumpage	10	12	6	11	23
Weighted Average	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 75</u>	<u>\$ 50</u>	<u>\$ 67</u>
Southern region					
Sawlog	\$ 43	\$ 45	\$ 48	\$ 44	\$ 50
Pulpwood	31	32	33	32	35
Stumpage	-	-	18	-	19
Weighted Average	<u>\$ 38</u>	<u>\$ 39</u>	<u>\$ 39</u>	<u>\$ 38</u>	<u>\$ 42</u>
Wood Products					
Lumber Shipments (MBF)	139,041	116,030	120,484	255,071	252,379
Lumber Sales Prices (\$ per MBF)	\$ 250	\$ 240	\$ 319	\$ 246	\$ 292

Tax Provision (Benefit) from Continuing Operations *(Unaudited)*

	(Dollars in Thousands)				
	2nd Quarter 2009	1st Quarter 2009	2nd Quarter 2008	Six Months Ended 2009	Six Months Ended 2008
Current year REIT, net	\$ (3,580)	\$ 11,297	\$ 343	\$ 7,717	\$ 409
Current year TRS	(4,360)	(8,961)	(2,515)	(13,321)	(9,793)
Tax provision (benefit) from continuing operations	<u>(7,940)</u>	<u>2,336</u>	<u>(2,172)</u>	<u>(5,604)</u>	<u>(9,384)</u>
Discontinued operations:					
Clearwater Paper	73	(10)	2,404	63	3,631
Prescott Lumber	(53)	(74)	(498)	(127)	(9,253)
Other discontinued operations	36	(2,519)	(523)	(2,483)	(2,027)
Tax provision (benefit) from discontinued operations	<u>56</u>	<u>(2,603)</u>	<u>1,383</u>	<u>(2,547)</u>	<u>(7,649)</u>
Total tax benefit	<u>\$ (7,884)</u>	<u>\$ (267)</u>	<u>\$ (789)</u>	<u>\$ (8,151)</u>	<u>\$ (17,033)</u>

Reconciliation of Non-GAAP Measures *(Unaudited)*

	(Dollars in Thousands)				
	2nd Quarter 2009	1st Quarter 2009	2nd Quarter 2008	Six Months Ended 2009	Six Months Ended 2008
Earnings before interest, taxes, depreciation, depletion and amortization (EBITDDA):					
GAAP net earnings	\$ 3,766	\$ 24,820	\$ 21,479	\$ 28,586	\$ 31,737
Interest expense, net of interest income	4,872	4,804	5,266	9,676	10,219
Income tax provision (benefit)	(7,940)	2,336	(2,172)	(5,604)	(9,384)
Depreciation, depletion and amortization from continuing operations	4,906	6,612	5,130	11,518	12,537
Basis of real estate sold	1,716	5,148	2,659	6,864	5,793
Loss (gain) from discontinued operations, net of tax	(74)	3,951	(2,607)	3,877	10,422
EBITDDA *	<u>\$ 7,246</u>	<u>\$ 47,671</u>	<u>\$ 29,755</u>	<u>\$ 54,917</u>	<u>\$ 61,324</u>

Certain prior period amounts have been reclassified to conform to the current period presentation.

* Non-GAAP measure - See page 15 for definition.

Reconciliation of Non-GAAP Measures *(Unaudited)*

	(Dollars in Thousands)				
	2nd Quarter 2009	1st Quarter 2009	2nd Quarter 2008	Six Months Ended 2009	Six Months Ended 2008
Funds from Operations (FFO):					
GAAP net earnings	\$ 3,766	\$ 24,820	\$ 21,479	\$ 28,586	\$ 31,737
Depreciation, depletion and amortization from continuing operations	4,906	6,612	5,130	11,518	12,537
Basis of real estate sold	1,716	5,148	2,659	6,864	5,793
Loss (gain) from discontinued operations, net of tax	(74)	3,951	(2,607)	3,877	10,422
Funds from continuing operations	<u>\$ 10,314</u>	<u>\$ 40,531</u>	<u>\$ 26,661</u>	<u>\$ 50,845</u>	<u>\$ 60,489</u>
Gain (loss) from discontinued operations, net of tax	74	(3,951)	2,607	(3,877)	(10,422)
Depreciation, depletion and amortization from discontinued operations	-	-	11,776	-	24,174
Funds from Operations *	<u>\$ 10,388</u>	<u>\$ 36,580</u>	<u>\$ 41,044</u>	<u>\$ 46,968</u>	<u>\$ 74,241</u>

Certain prior period amounts have been reclassified to conform to the current period presentation.

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Definitions 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, 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, as we define it, 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 and the basis of real estate sold from continuing operations 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.

