

POTLATCH CORPORATION

First Quarter 2010 Conference Call

Supplemental Information

Michael J. Covey
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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, developments and improvements in our Resource and Wood Products segments, demand and price levels for logs and wood products, our 2010 harvest levels, quarterly dividend levels, dividend policy, debt maturities, liquidity, 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 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. These forward-looking statements are made as of the date of this presentation and the company does not undertake to update any forward-looking statements.

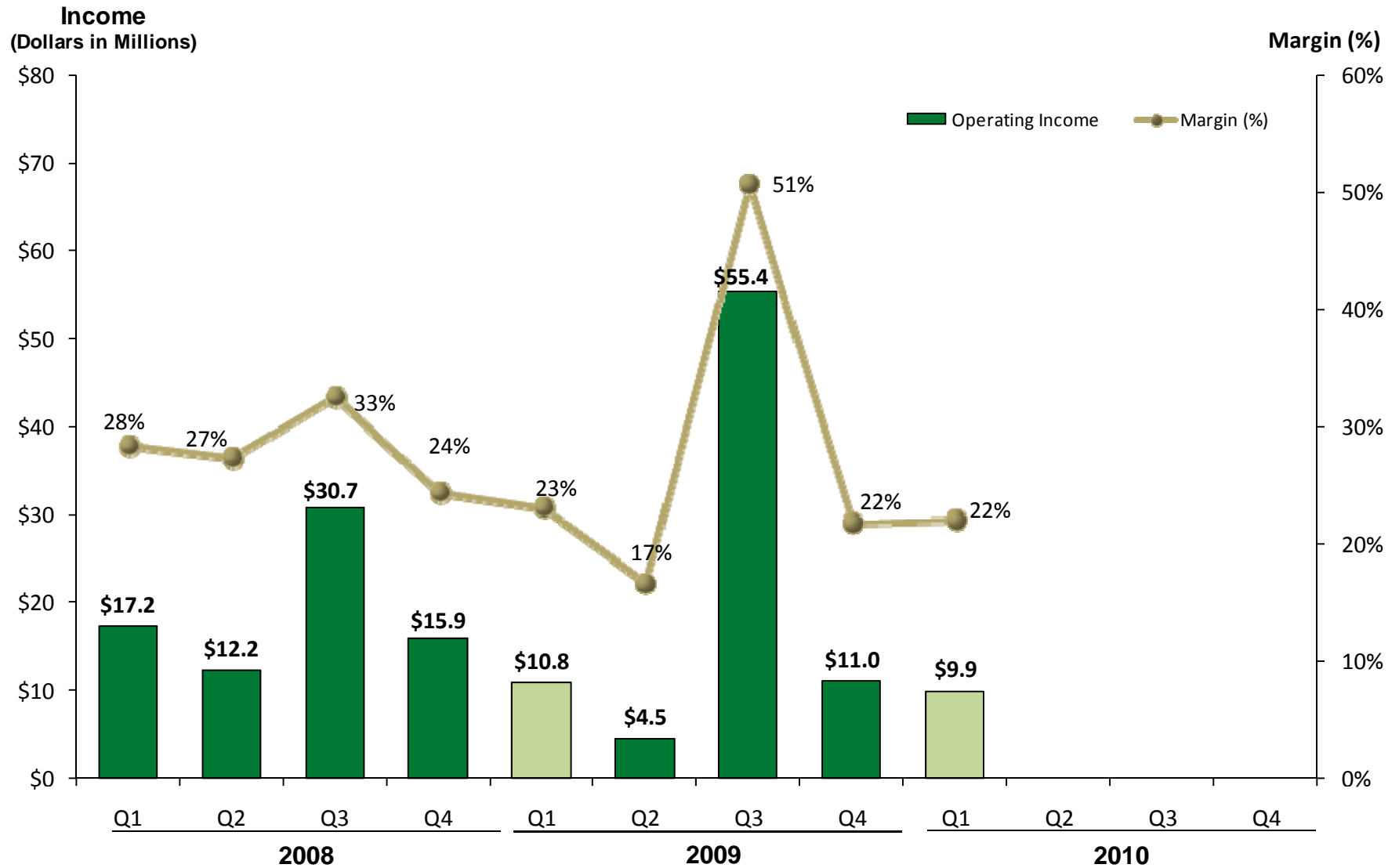
First Quarter 2010 Summary (unaudited)

(Dollars in Thousands – except per-share amounts)

	1st Quarter 2010	4th Quarter 2009	1st Quarter 2009
Operating Income (Loss)			
Resource	\$ 9,921	\$ 11,029	\$ 10,846
Real Estate	1,898	4,454	41,512
Wood Products	5,228	(4,776)	(11,183)
Eliminations and adjustments	437	3,540	751
	17,484	14,247	41,926
Corporate	(13,093)	(16,012)	(10,819)
Earnings (loss) from continuing operations before taxes	4,391	(1,765)	31,107
Income tax provision (benefit)	3,007	(4,711)	2,336
Earnings from continuing operations	1,384	2,946	28,771
plus: Interest expense, net of interest income	6,706	6,014	4,804
Income tax provision (benefit)	3,007	(4,711)	2,336
Depreciation, depletion & amortization (DD&A)	7,138	7,809	6,612
Basis of real estate sold	568	966	5,148
Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *	\$ 18,803	\$ 13,024	\$ 47,671
Funds from continuing operations	\$ 9,090	\$ 11,721	\$ 40,531
Discontinued operations:			
Loss from discontinued operations, net of tax	\$ (189)	\$ (43)	\$ (3,951)
Net earnings	\$ 1,195	\$ 2,903	\$ 24,820
Diluted earnings per common share from continuing operations	\$ 0.03	\$ 0.07	\$ 0.72
Funds from operations (FFO) *	\$ 8,901	\$ 11,678	\$ 36,580

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

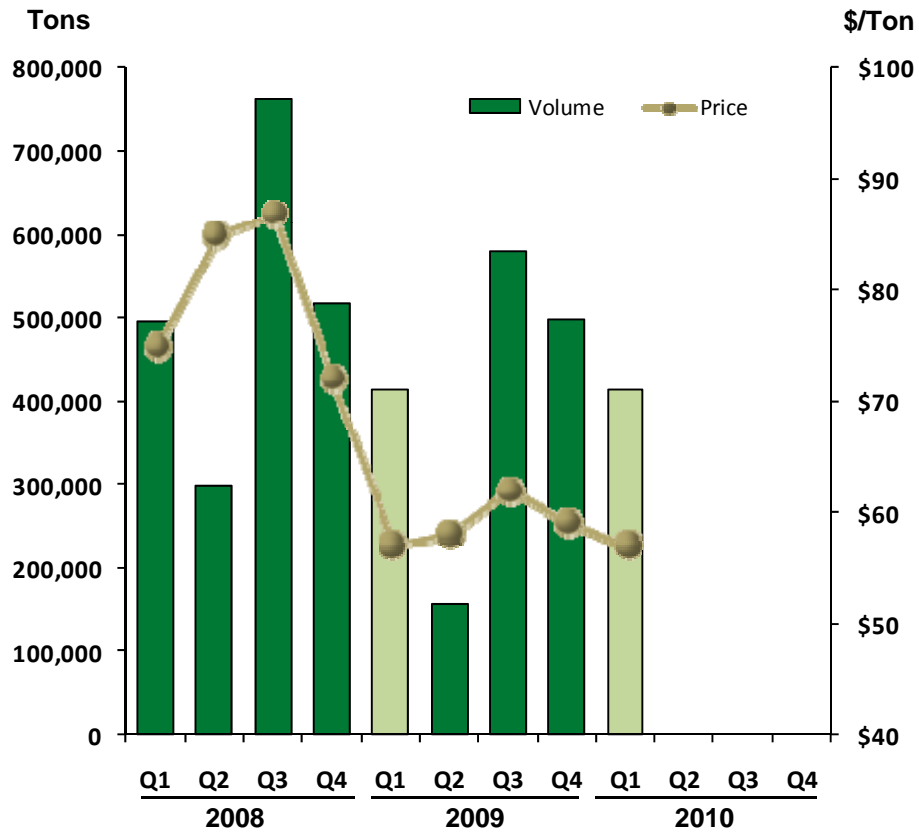
Resource – Operating Income and Margin



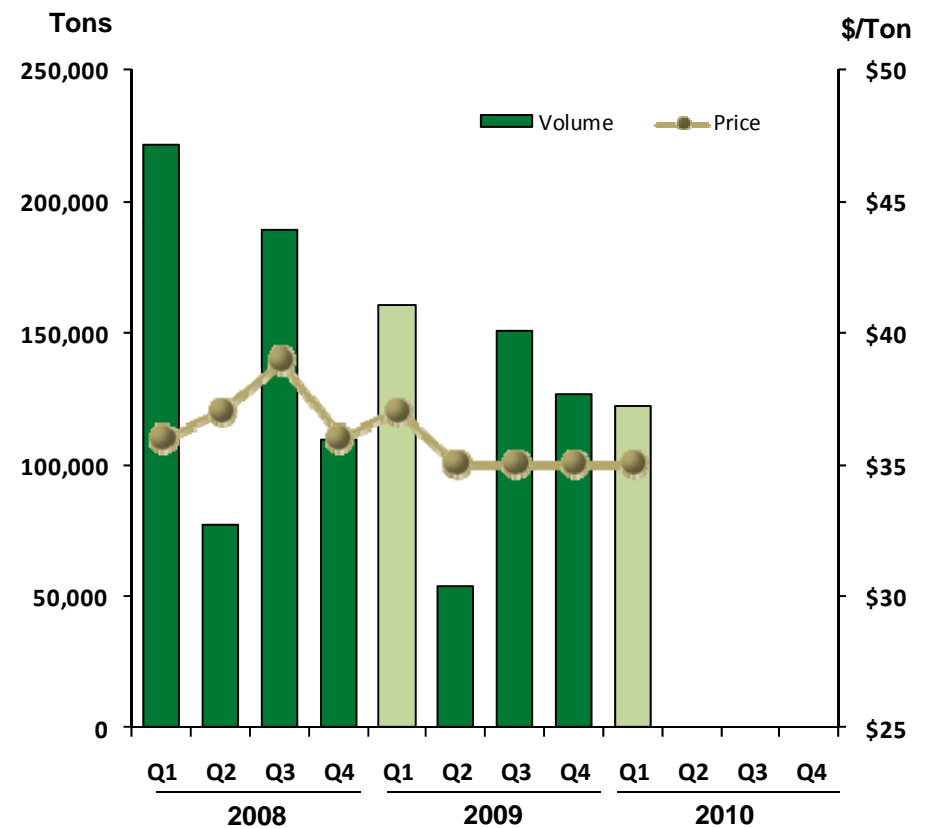
Note: Q3 2009 Resource results include a timber deed transaction that produced operating income of \$41.5 million.

Northern Region - Volume and Pricing

Sawlog



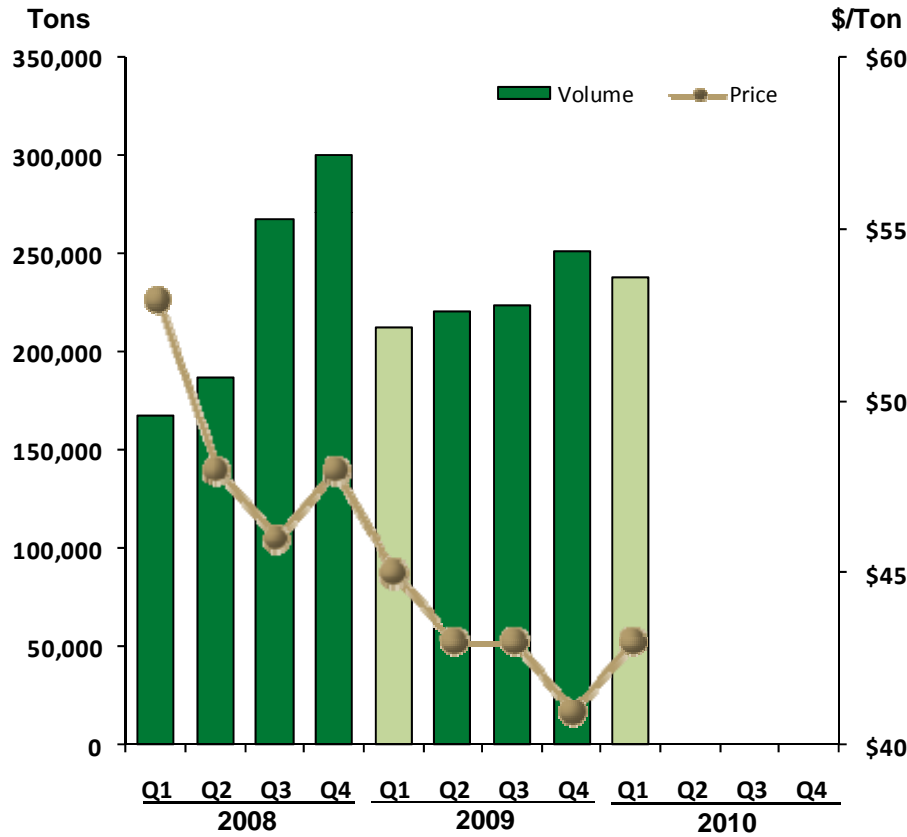
Pulpwood



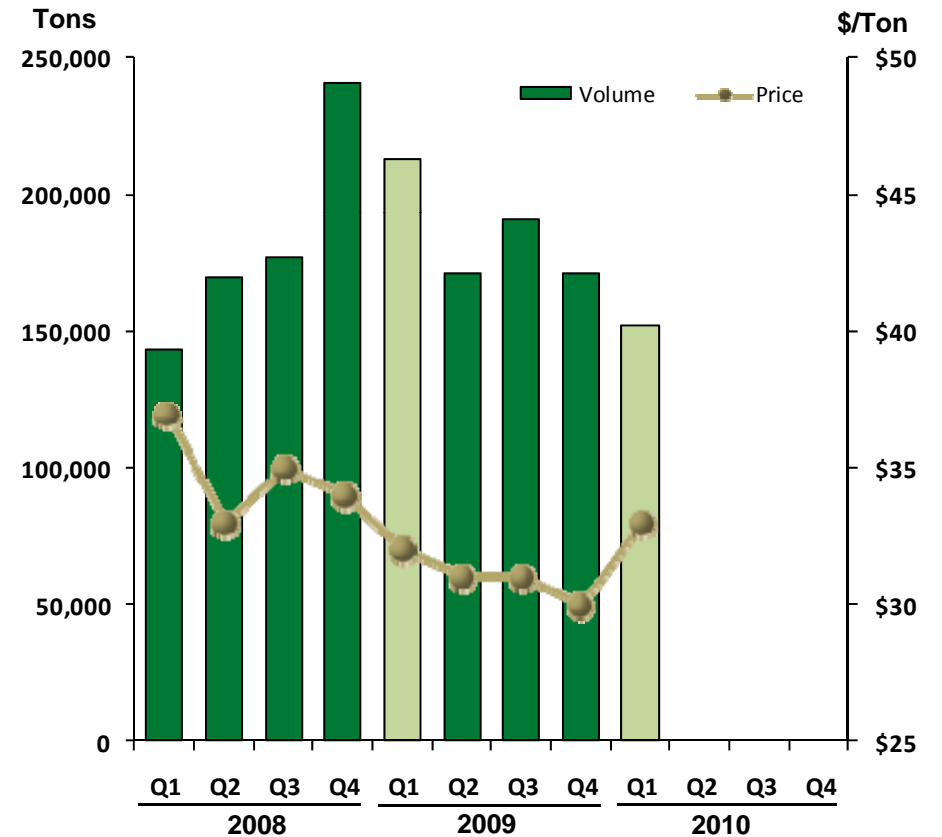
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

Southern Region – Volume and Pricing

Sawlog



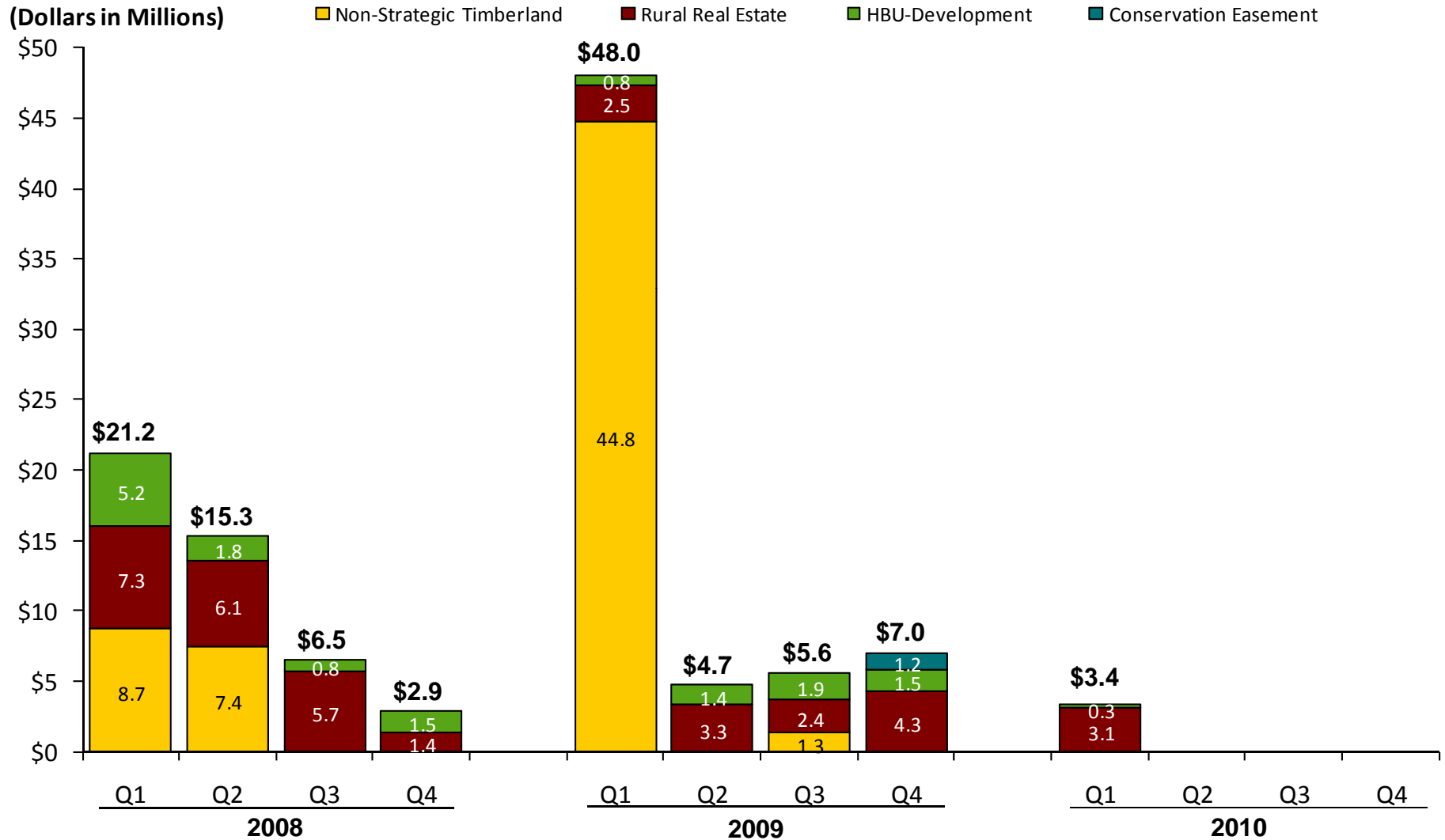
Pulpwood



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.

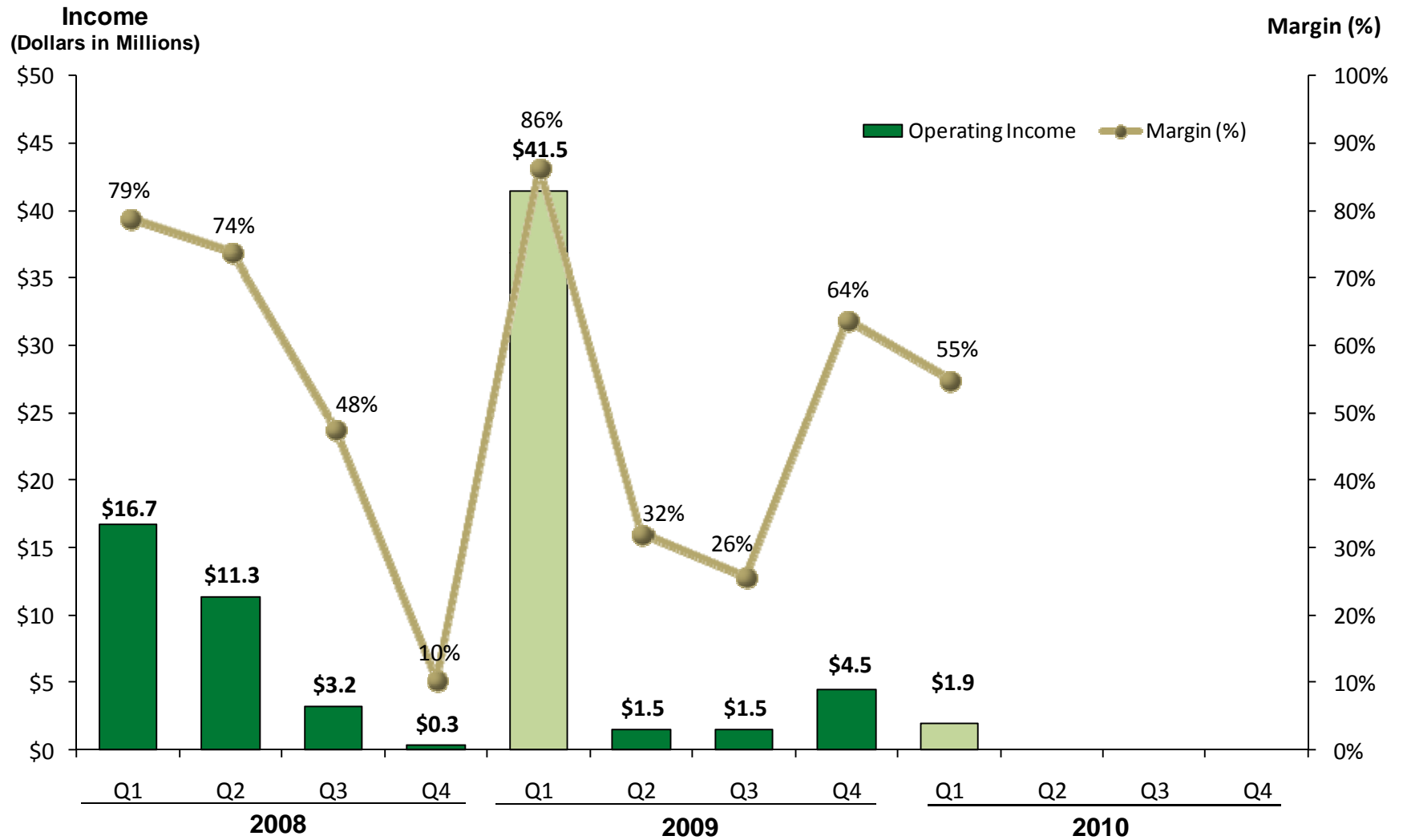
No volume is reflected in the data above for the timber deed sale that occurred in Q3 2009.

Real Estate - Revenues

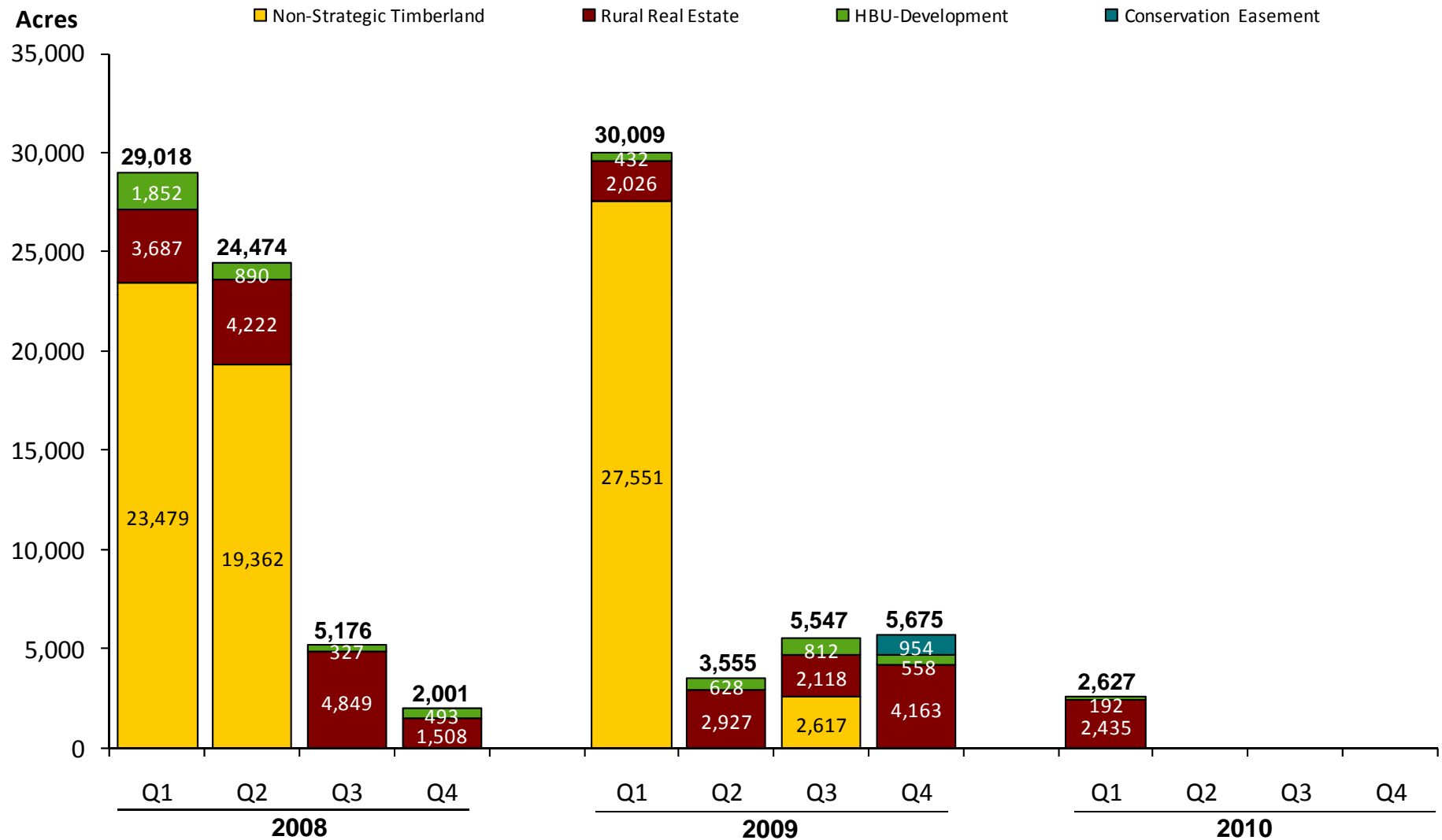


Note: Q4 2008 Real Estate HBU revenues include a \$250,000 building sale.

Real Estate – Operating Income and Margin

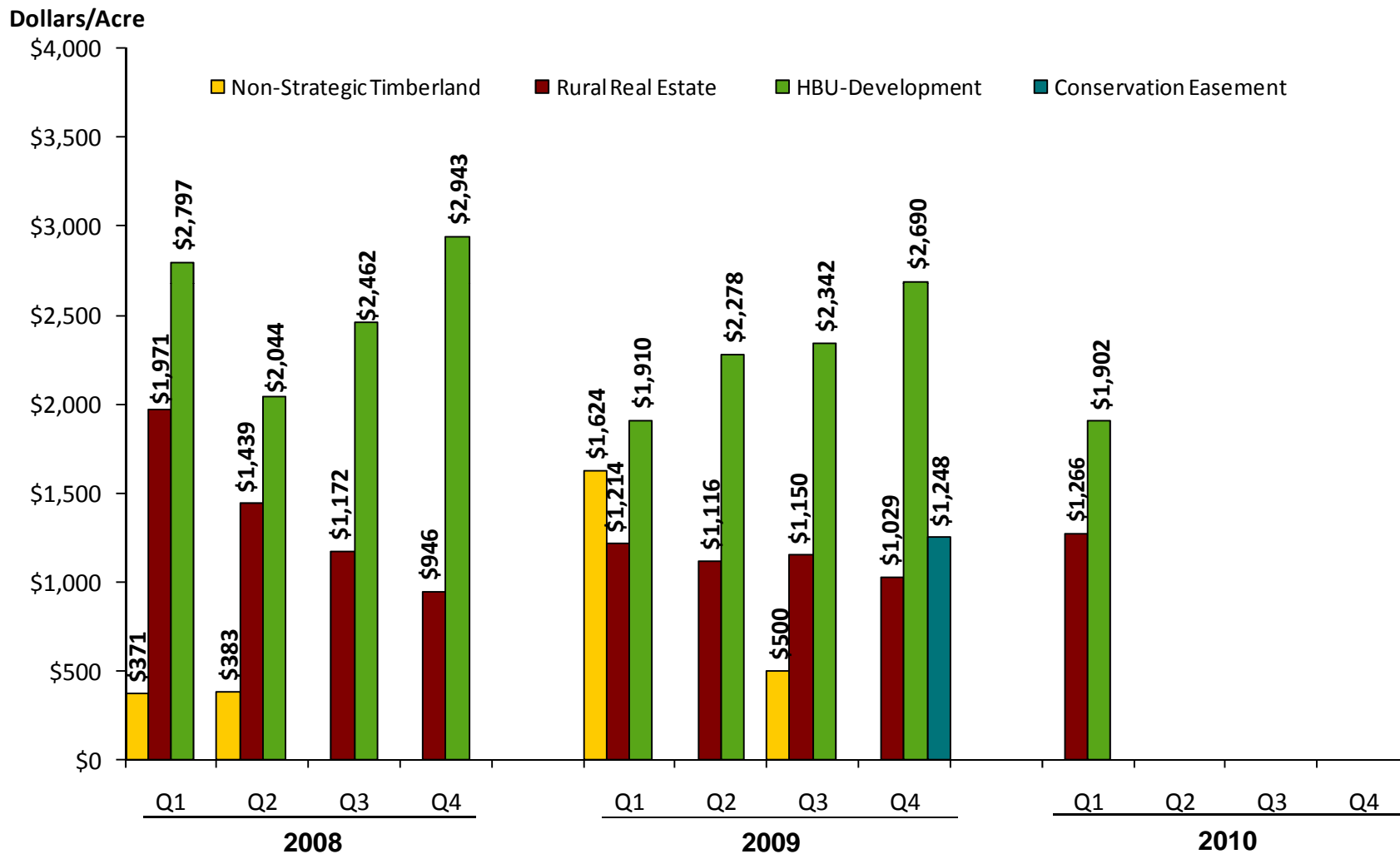


Real Estate – Acres Sold



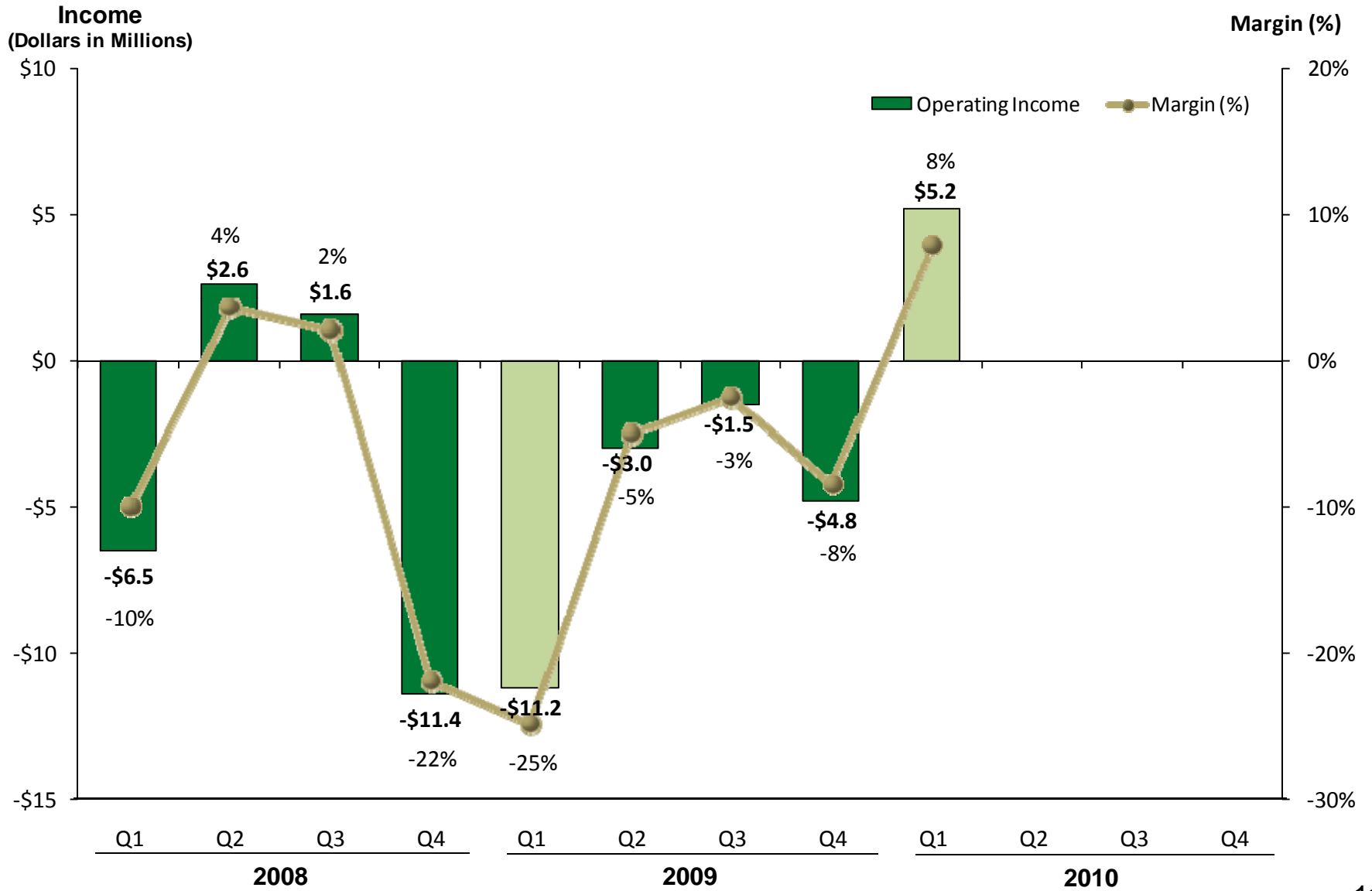
Note: Q4 2008 'Acres Sold' excludes building sale.

Real Estate – Sales Prices Per Acre

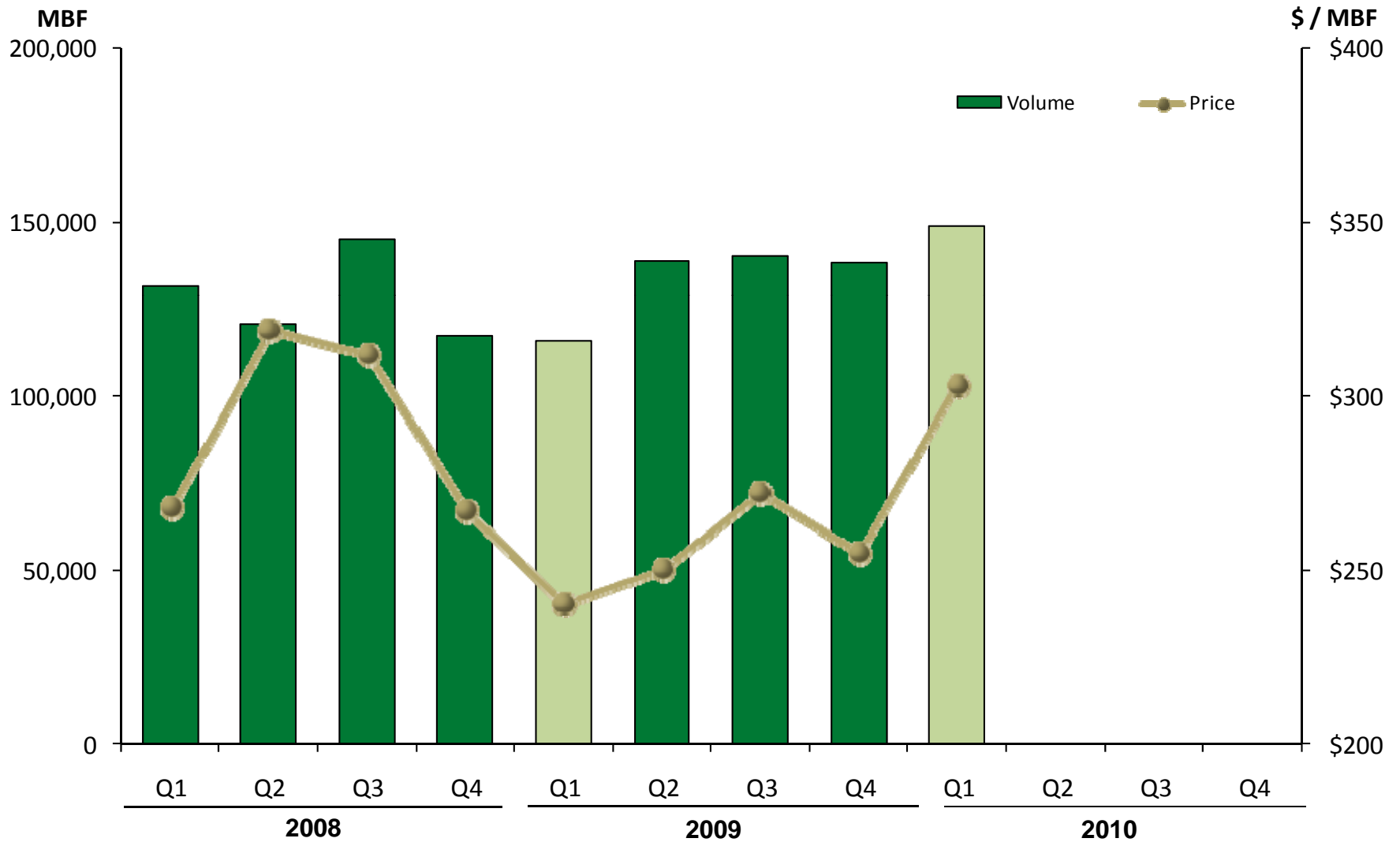


Note: Q4 2008 'Sales Price per Acre' excludes building sale.

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)	
	1st Quarter 2010 vs. 4th Quarter 2009	1st Quarter 2010 vs. 1st Quarter 2009
Resource	(\$1.1)	(\$0.9)
Volume	(5.2)	(2.6)
Price	(1.6)	0.3
Costs and Other	5.7	1.4
Real Estate	(\$2.6)	(\$39.6)
Wood products	\$10.0	\$16.4
Volume	4.2	15.0
Price	6.4	6.9
Costs and other	(0.6)	(5.5)
Eliminations	(\$3.1)	(\$0.3)
Corporate	\$2.9	(\$2.3)
Increase (decrease) in earnings from continuing operations before taxes	\$6.1	(\$26.7)

Volumes and Sales Prices Per Unit (unaudited)

	<u>1st Quarter 2010</u>	<u>4th Quarter 2009</u>	<u>1st Quarter 2009</u>
Resource			
Fee Volume (tons)			
Northern region			
Sawlog	414,465	497,464	412,659
Pulpwood	122,491	126,927	160,800
Stumpage	23,693	10,901	8,302
Total	<u>560,649</u>	<u>635,292</u>	<u>581,761</u>
Southern region			
Sawlog	237,656	251,362	212,561
Pulpwood	152,047	170,965	212,550
Total	<u>389,703</u>	<u>422,327</u>	<u>425,111</u>
Sales Prices/Unit (\$ per ton)			
Northern region			
Sawlog	\$ 57	\$ 59	\$ 57
Pulpwood	35	35	37
Stumpage	10	9	12
Weighted Average	<u>\$ 50</u>	<u>\$ 53</u>	<u>\$ 50</u>
Southern region			
Sawlog	\$ 43	\$ 41	\$ 45
Pulpwood	33	30	32
Weighted Average	<u>\$ 39</u>	<u>\$ 37</u>	<u>\$ 39</u>
Wood Products			
Lumber Shipments (MBF)	148,900	138,492	116,030
Lumber Sales Prices (\$ per MBF)	\$ 303	\$ 255	\$ 240

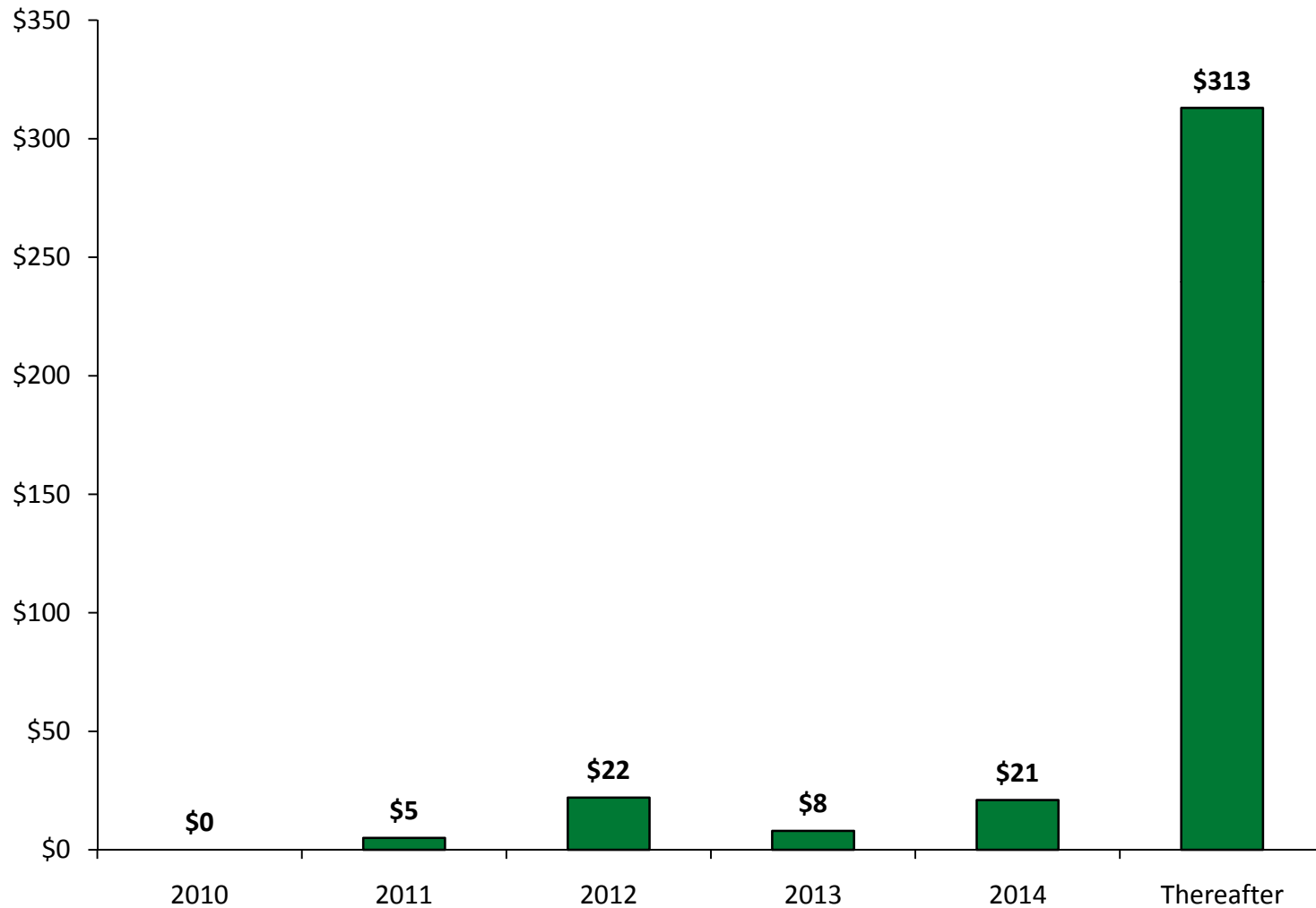
Financial Highlights (unaudited)

	(Dollars in Thousands)		
	<u>March 31, 2010</u>	<u>December 31, 2009</u>	<u>March 31, 2009</u>
Balance Sheet Highlights:			
Working capital (deficit)	\$ 45,361	\$ 63,225	\$ (90,739)
Total assets	809,437	823,565	917,894
Long-term debt (including current portion)	368,504	368,431	320,946
Stockholders' equity	216,901	229,790	204,635
Long-term debt to stockholders' equity ratio	1.7 to 1	1.6 to 1	1.6 to 1
Cash Flow Highlights:			
	<u>Three months ended March 31, 2010</u>		<u>2009</u>
Cash flows from continuing operations:			
Net cash provided by operating activities	\$ 11,945		\$ 41,600
Net cash provided by investing activities	11,678		12,555
Net cash used for financing activities	(22,317)		(53,189)
Capital expenditures	2,554		2,462

Note: The current portion of long-term debt at March 31, 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)		
	1st Quarter 2010	4th Quarter 2009	1st Quarter 2009
	<u> </u>	<u> </u>	<u> </u>
Earnings before interest, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA):			
GAAP net earnings	\$ 1,195	\$ 2,903	\$ 24,820
Interest expense, net of interest income	6,706	6,014	4,804
Income tax provision (benefit)	3,007	(4,711)	2,336
Depreciation, depletion and amortization from continuing operations	7,138	7,809	6,612
Basis of real estate sold	568	966	5,148
Loss from discontinued operations, net of tax	189	43	3,951
EBITDDA *	<u>\$ 18,803</u>	<u>\$ 13,024</u>	<u>\$ 47,671</u>

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

Reconciliation of Non-GAAP Measures (unaudited)

	(Dollars in Thousands)		
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Funds from Operations (FFO):			
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Funds from Operations *	<u><u>\$ 8,901</u></u>	<u><u>\$ 11,678</u></u>	<u><u>\$ 36,580</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.

