

***POTLATCH CORPORATION***  
***Fourth 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, pulpwood and wood products, impact of the Canadian dollar, Chinese demand for Wood Products, mountain pine beetle epidemic, wood products industry capacity, future harvest levels, deferral of sawlog harvest, performance of our Resource, Wood Products and Real Estate segments, quarterly dividend levels, dividend coverage, dividend policy, future contributions to defined benefit pension plans, liquidity, lumber hedge performance, tax provisions in 2011, DD&A , land basis, real estate revenues and transactions in 2011, price trends in real estate, the demand and interest in non-strategic timberlands and rural recreational real estate and HBU lands, capital spending, and related matters. 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 lumber 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 forest 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; pest infestation; 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 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.

## Fourth Quarter 2010 Summary (unaudited)

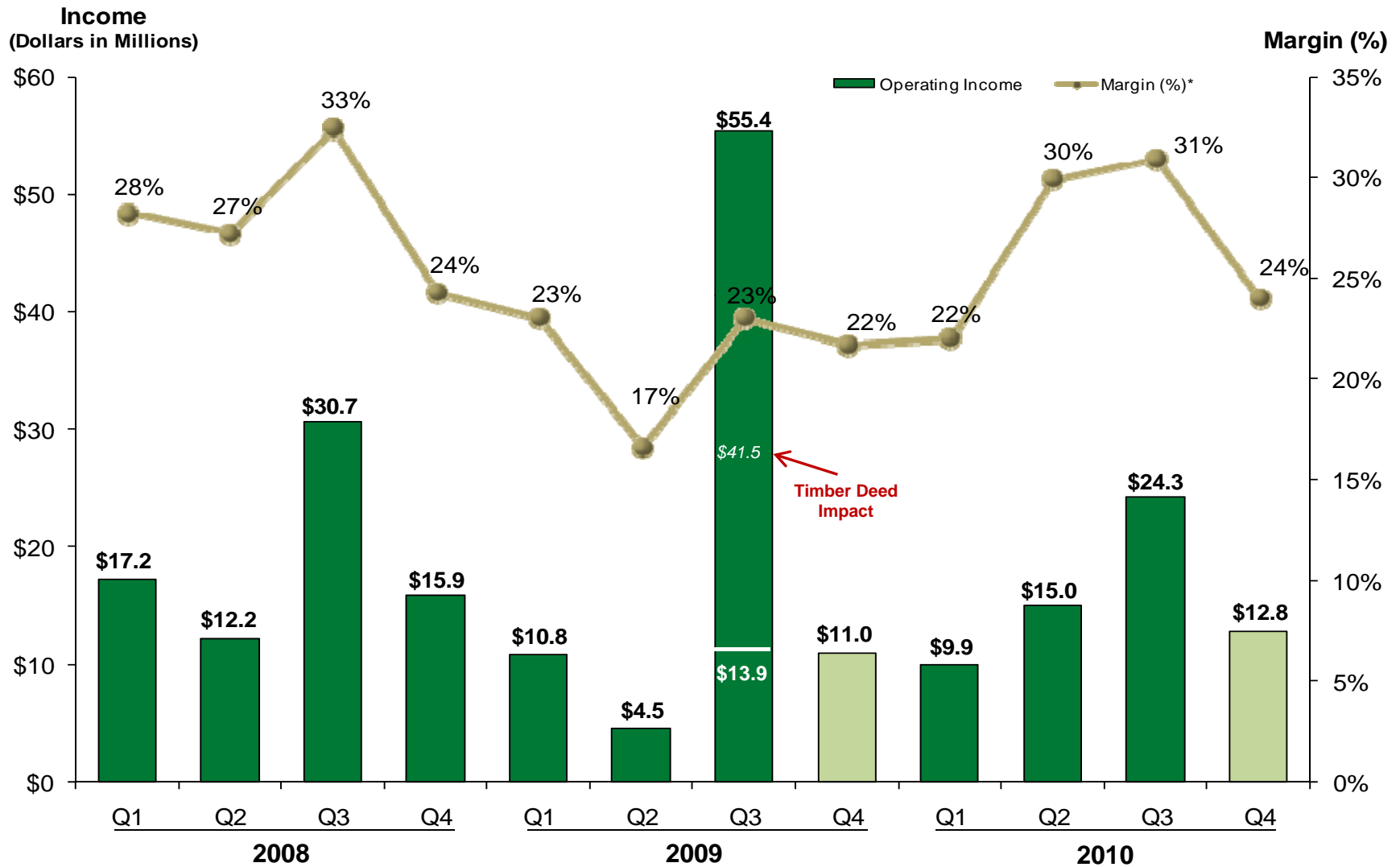
(Dollars in Thousands - except per-share amounts)

	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	Year Ended 2010	Year Ended 2009
<b>Operating Income (Loss)</b>							
Resource	\$ 12,824	\$ 24,336	\$ 15,026	\$ 9,921	\$ 11,029	\$ 62,107	\$ 81,774
Real Estate	13,622	9,788	5,117	1,898	4,454	30,425	48,928
Wood Products	(3,436)	(608)	5,956	5,228	(4,776)	7,140	(20,484)
Eliminations and adjustments	222	(895)	2,136	437	3,540	1,900	7,863
	23,232	32,621	28,235	17,484	14,247	101,572	118,081
Corporate	(7,318)	(6,472)	(6,411)	(6,460)	(9,298)	(26,661)	(31,774)
Interest expense, net of interest income	(6,283)	(6,397)	(6,631)	(6,633)	(6,014)	(25,944)	(20,785)
Environmental remediation charge	(4,096)	-	-	-	(700)	(4,096)	(739)
Earnings from continuing operations before taxes	5,535	19,752	15,193	4,391	(1,765)	44,871	64,783
Income tax provision (benefit)	(3,364)	1,588	3,365	3,007	(4,711)	4,596	(16,648)
<b>Earnings from continuing operations</b>	<b>8,899</b>	<b>18,164</b>	<b>11,828</b>	<b>1,384</b>	<b>2,946</b>	<b>40,275</b>	<b>81,431</b>
plus: Interest expense, net of interest income	6,283	6,397	6,631	6,633	6,014	25,944	20,785
Income tax provision (benefit)	(3,364)	1,588	3,365	3,007	(4,711)	4,596	(16,648)
Depreciation, depletion & amortization	7,347	9,499	7,147	7,211	7,809	31,204	34,715
Basis of real estate sold	23,178	20,779	4,145	568	966	48,670	10,696
<b>Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *</b>	<b>\$ 42,343</b>	<b>\$ 56,427</b>	<b>\$ 33,116</b>	<b>\$ 18,803</b>	<b>\$ 13,024</b>	<b>\$ 150,689</b>	<b>\$ 130,979</b>
<b>Funds from continuing operations</b>	<b>\$ 39,424</b>	<b>\$ 48,442</b>	<b>\$ 23,120</b>	<b>\$ 9,163</b>	<b>\$ 11,721</b>	<b>\$ 120,149</b>	<b>\$ 126,842</b>
Discontinued operations:							
Gain (loss) from discontinued operations, net of tax	\$ 477	\$ (84)	\$ (85)	\$ (189)	\$ (43)	\$ 119	\$ (4,103)
<b>Net earnings</b>	<b>\$ 9,376</b>	<b>\$ 18,080</b>	<b>\$ 11,743</b>	<b>\$ 1,195</b>	<b>\$ 2,903</b>	<b>\$ 40,394</b>	<b>\$ 77,328</b>
<b>Diluted earnings per common share from continuing operations</b>	<b>\$ 0.22</b>	<b>\$ 0.45</b>	<b>\$ 0.29</b>	<b>\$ 0.03</b>	<b>\$ 0.07</b>	<b>\$ 1.00</b>	<b>\$ 2.04</b>
<b>Funds from operations (FFO) *</b>	<b>\$ 39,901</b>	<b>\$ 48,358</b>	<b>\$ 23,035</b>	<b>\$ 8,974</b>	<b>\$ 11,678</b>	<b>\$ 120,268</b>	<b>\$ 122,739</b>

\* Non-GAAP measure - See pages 16 - 18 for reconciliation to GAAP and definition.



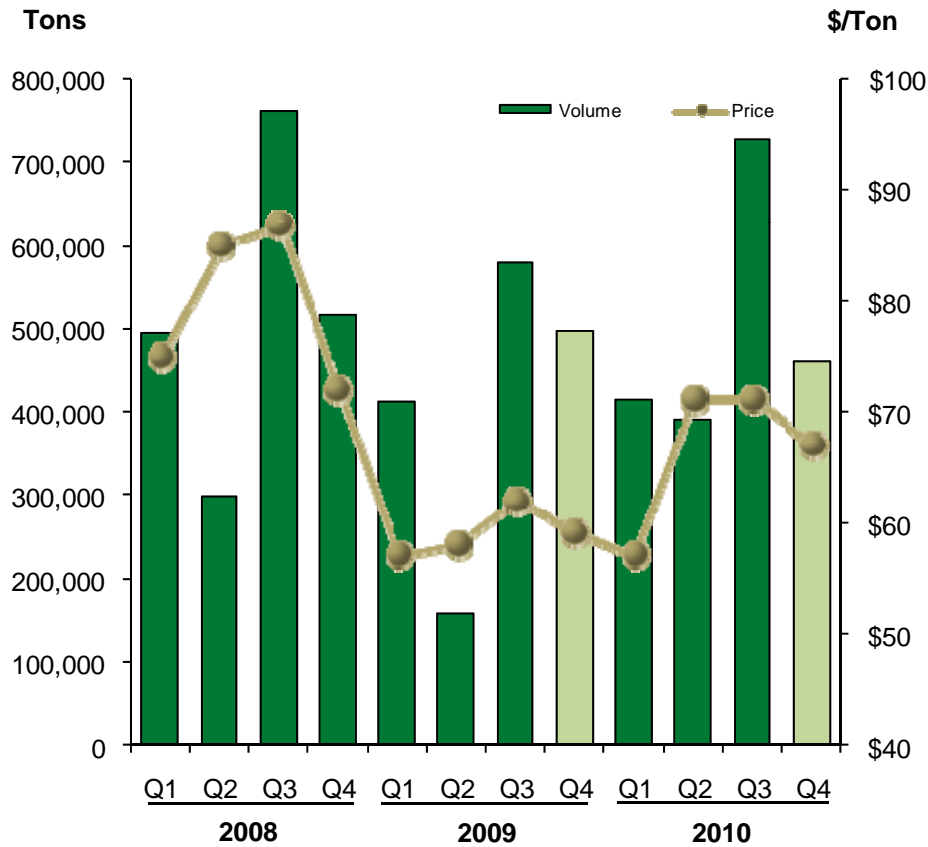
## Resource – Operating Income and Margin



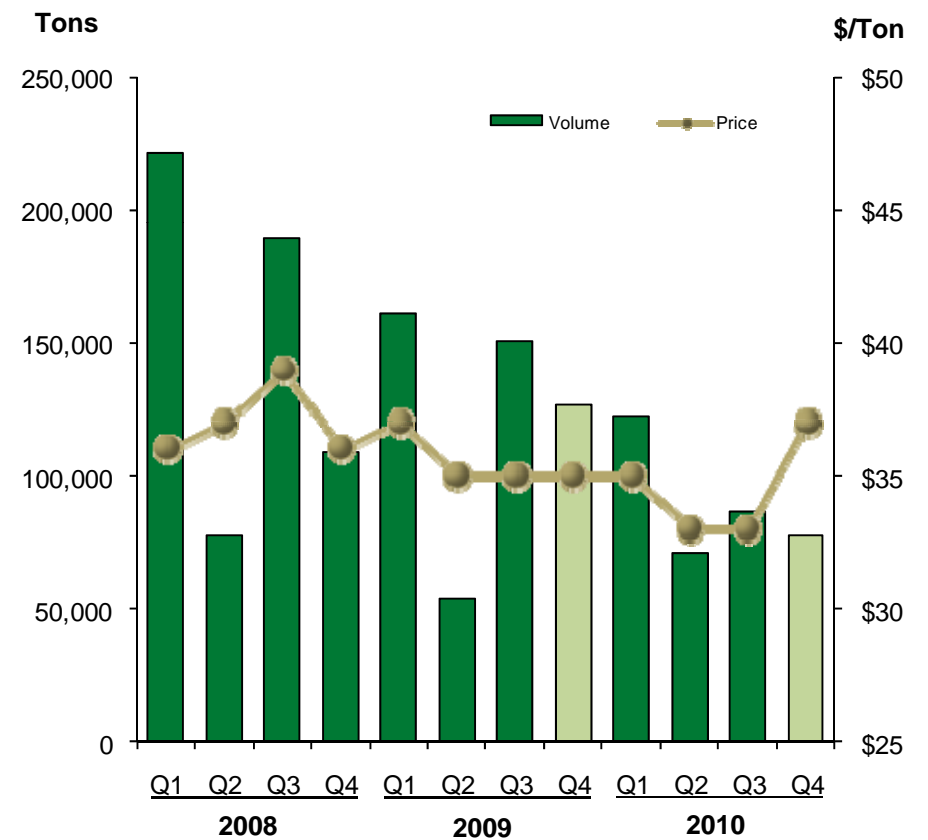
Note: Q3 2009 Resource results include a timber deed transaction that produced operating income of \$41.5 million.  
 \* Margin % excludes impact from timber deed in Q3 2009.

## Northern Region – Volume and Pricing

### Sawlog



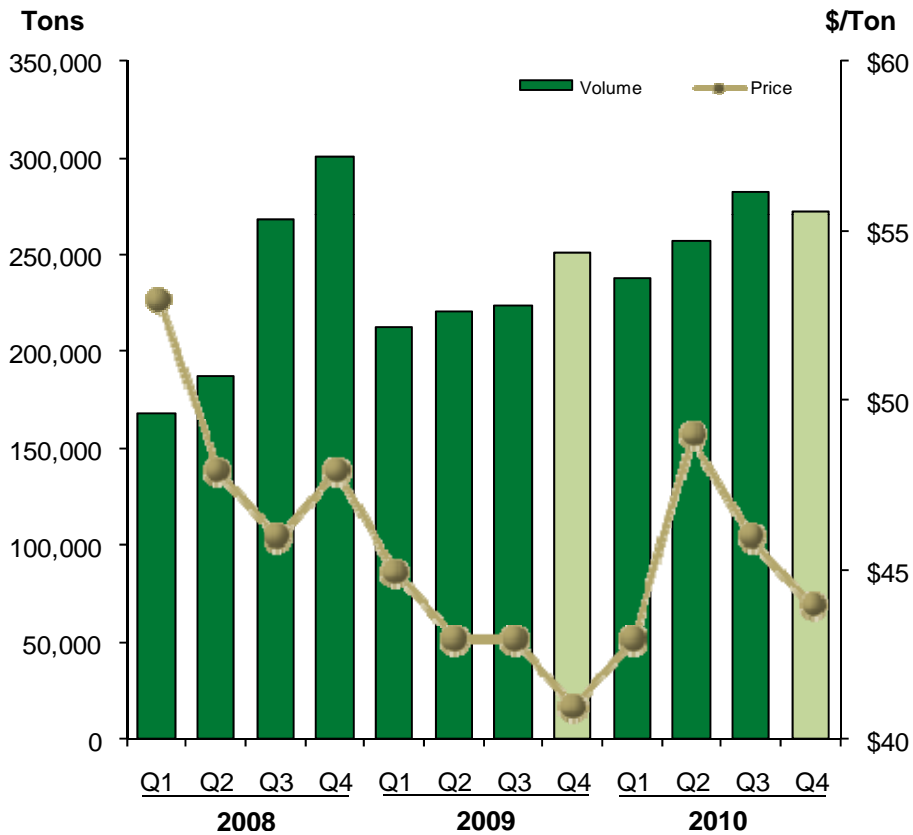
### Pulpwood



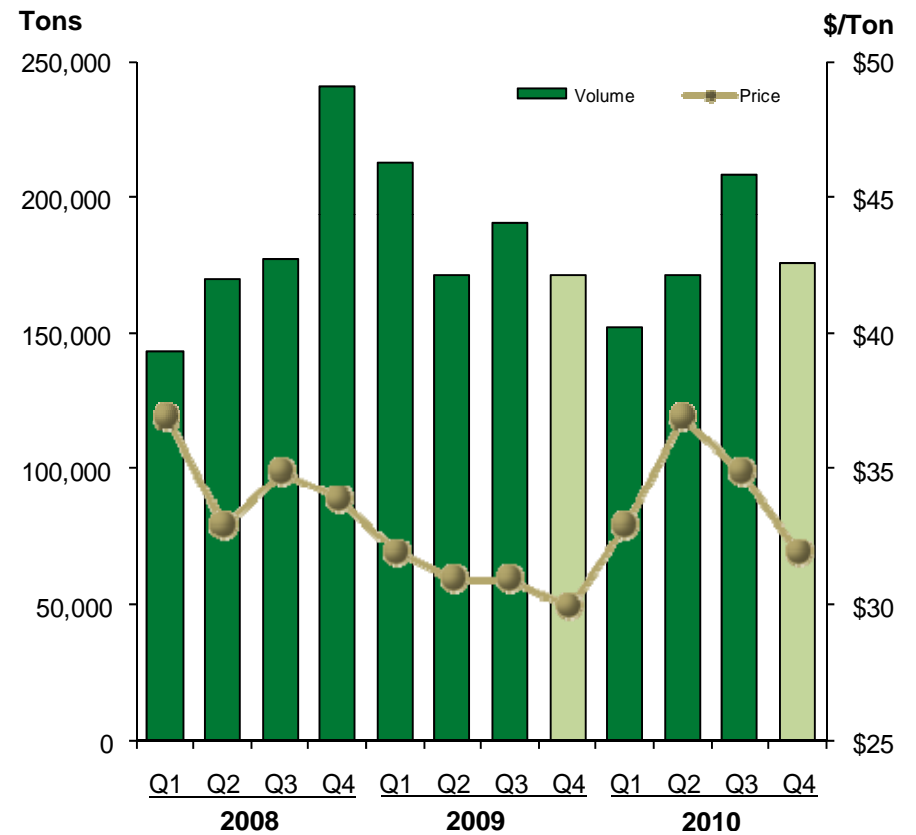
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

## Southern Region – Volume and Pricing

### Sawlog



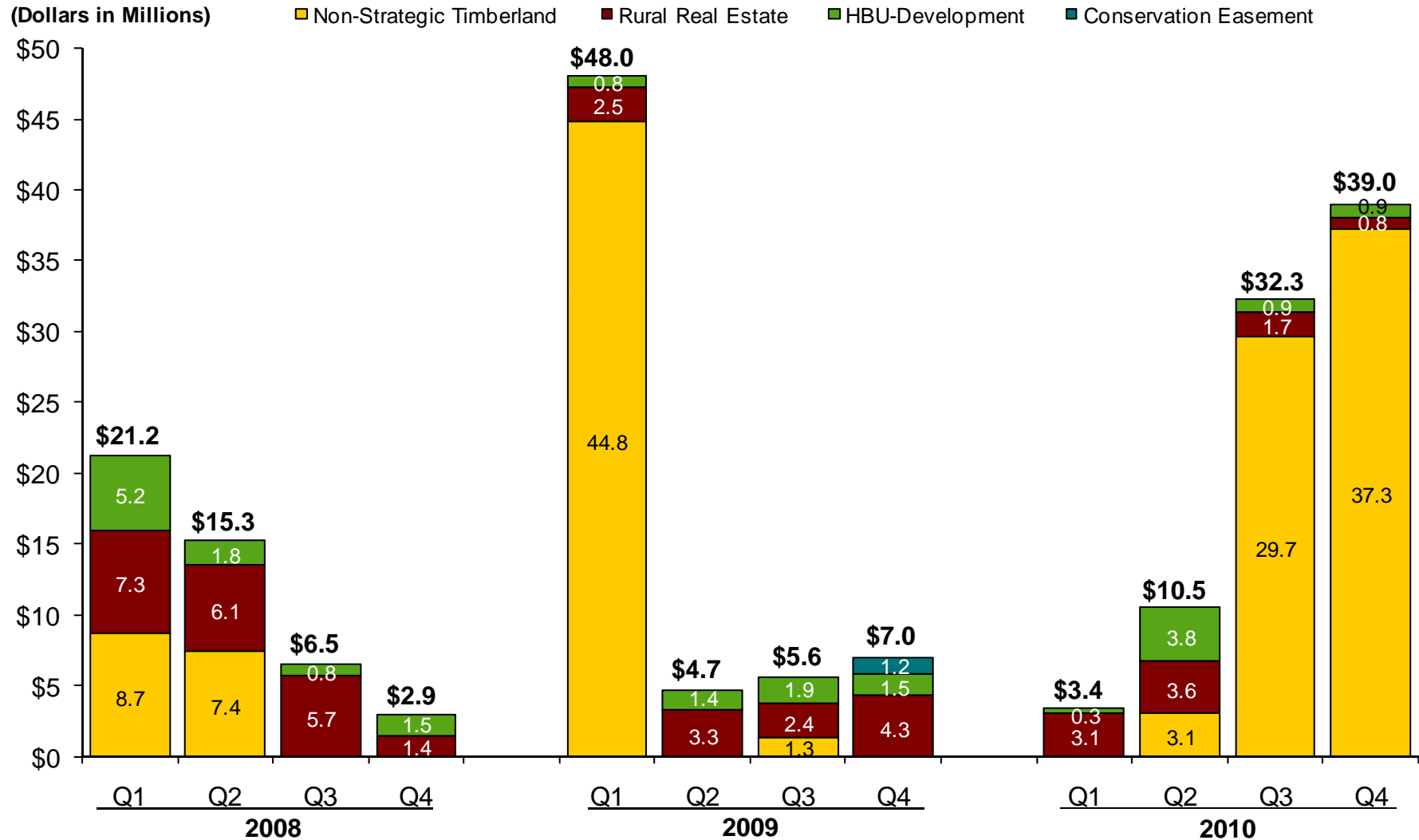
### Pulpwood



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.

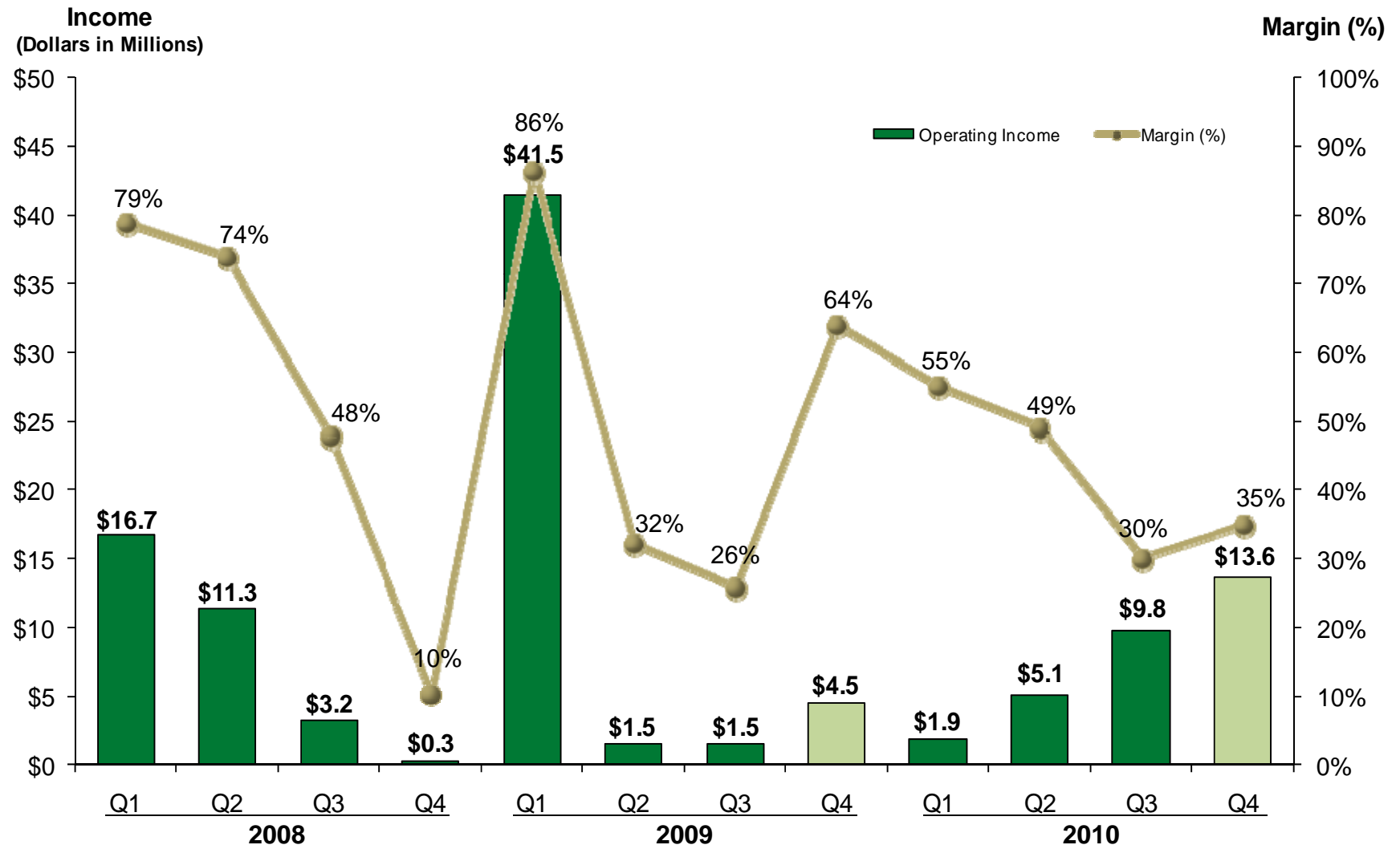
No volume is reflected in the data above for the timber deed sale that occurred in Q3 2009.

## Real Estate – Revenues



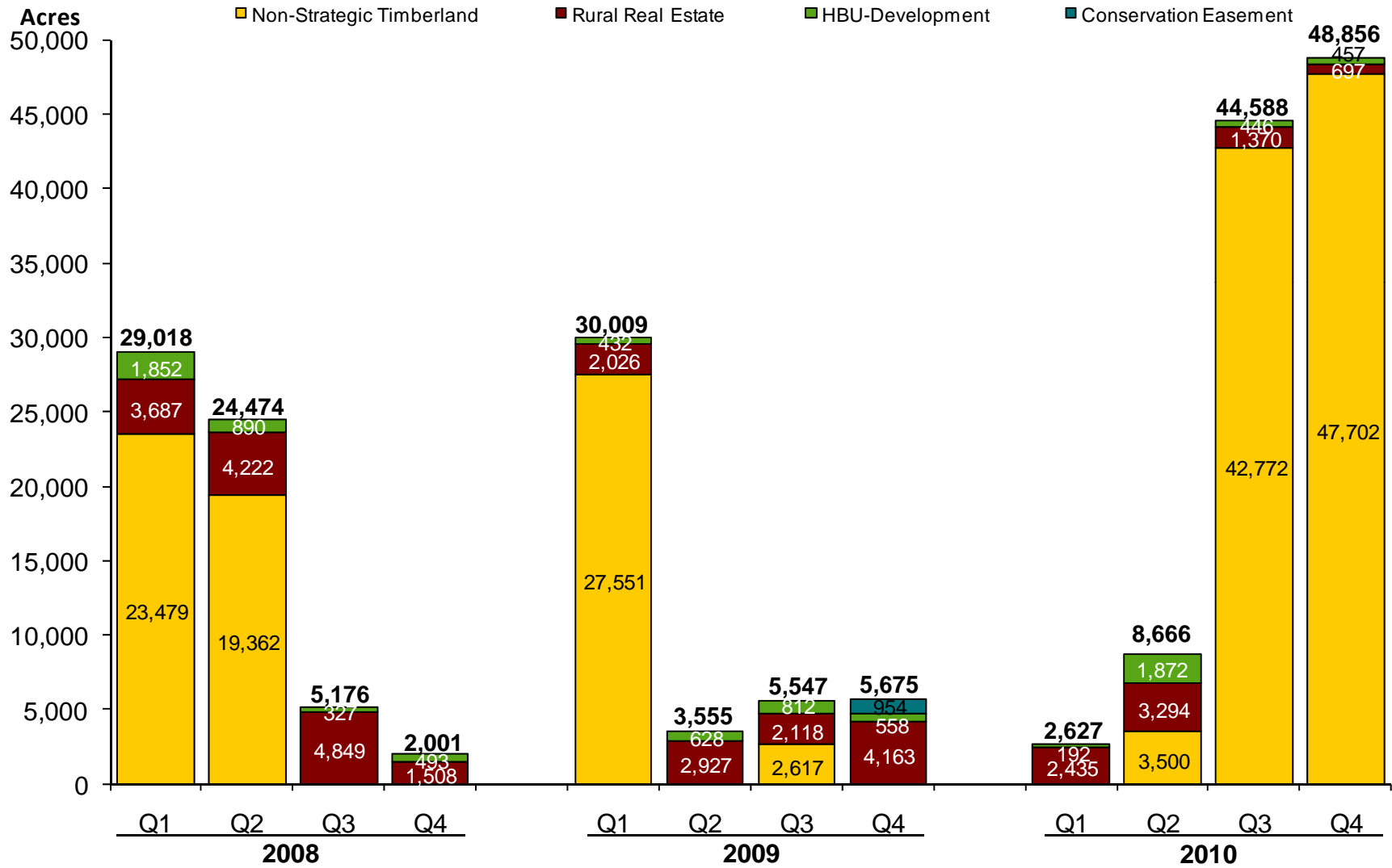
Note: Q4 2008 Real Estate HBU revenues include a \$250,000 building sale.

## Real Estate – Operating Income and Margin



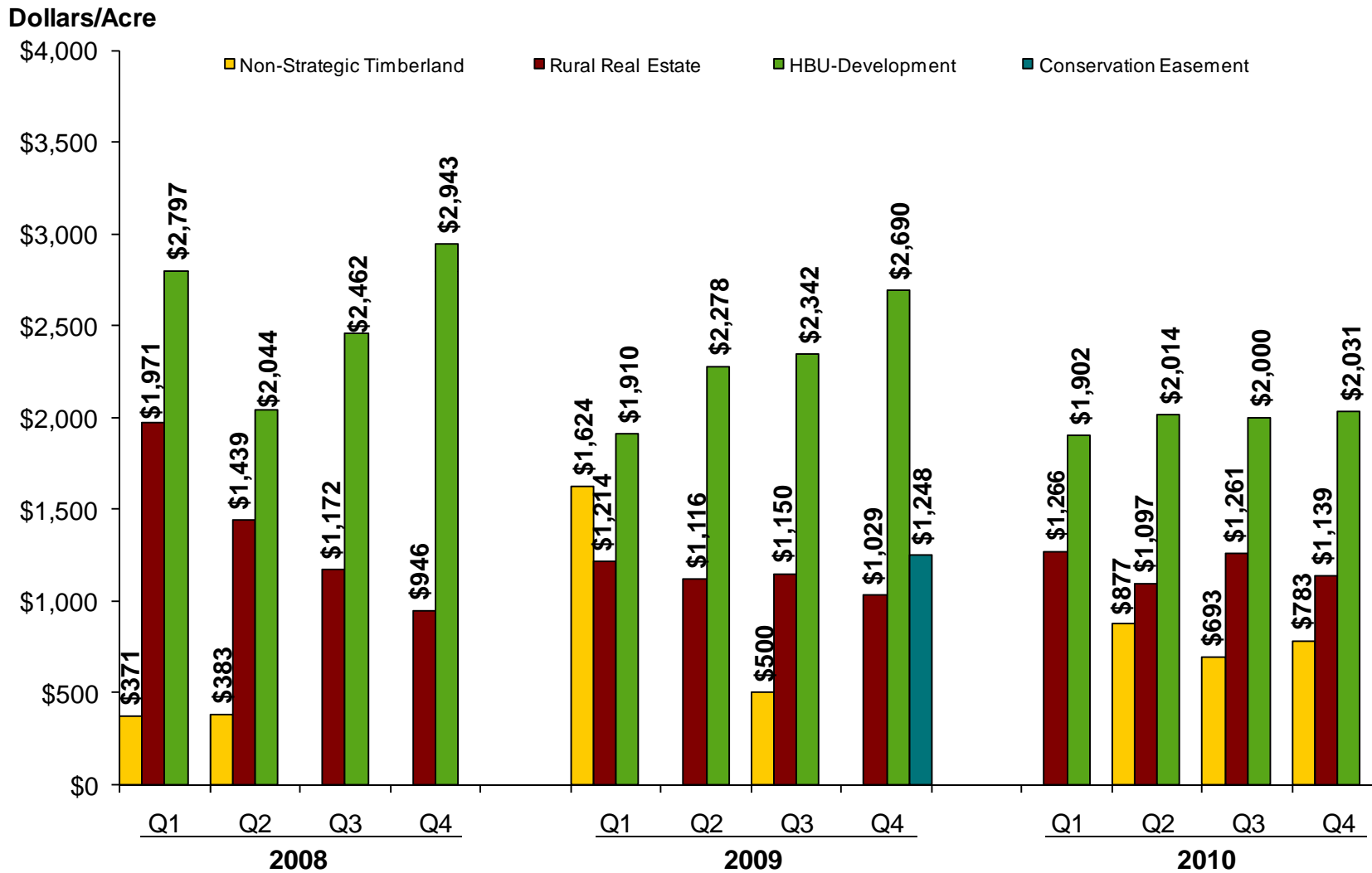


## Real Estate – Acres Sold



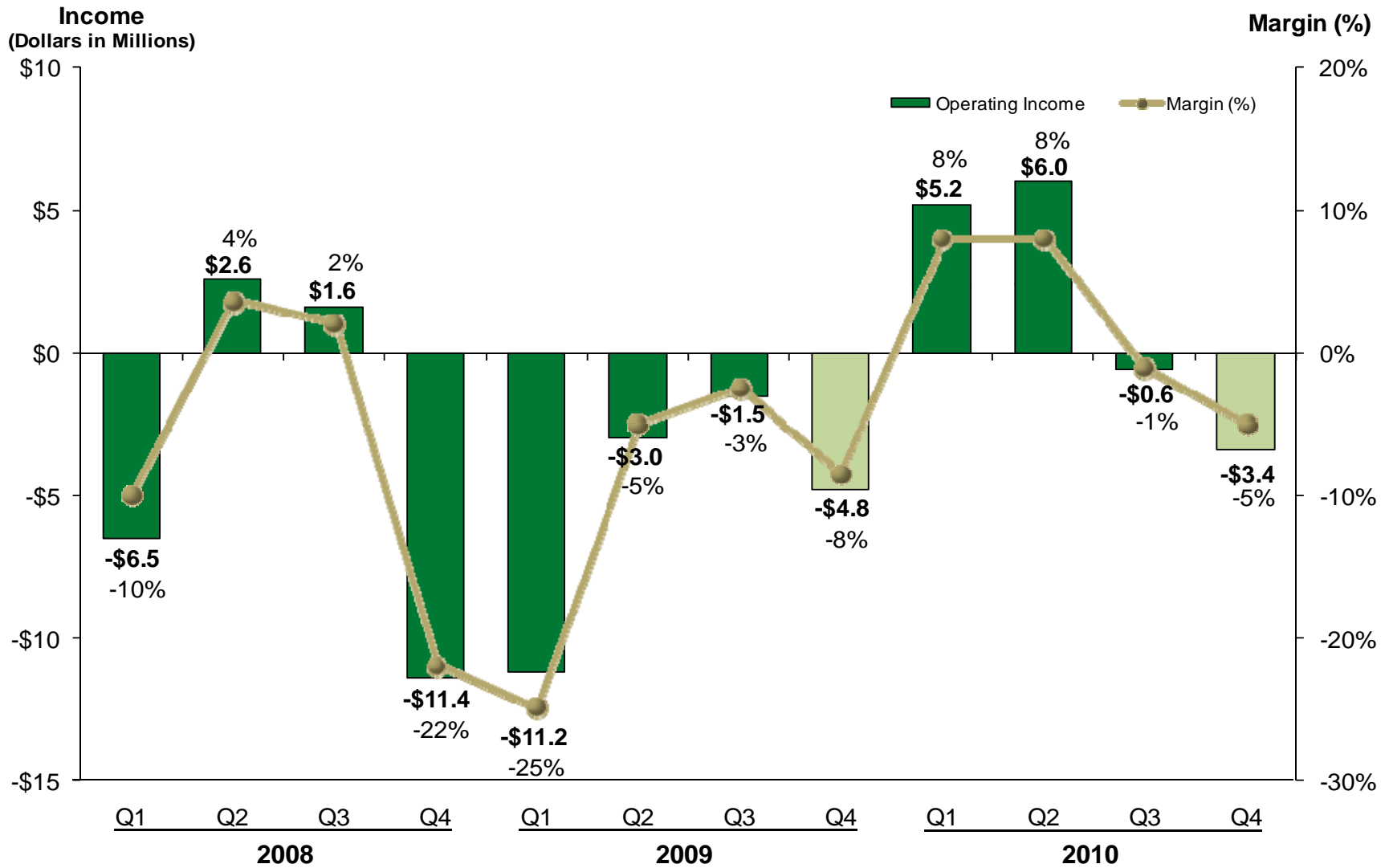
Note: Q4 2008 'Acres Sold' excludes building sale.

## Real Estate – Sales Prices Per Acre



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

## Wood Products – Operating Income (Loss) and Margin



## Lumber – Sales Prices and Shipments



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

## Volumes and Sales Prices Per Unit (unaudited)

	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	Years Ended	
						2010	2009
<b>Resource</b>							
<b>Fee Volume (tons)</b>							
Northern region							
Sawlog	459,761	728,442	390,777	414,465	497,464	1,993,445	1,648,216
Pulpwood	77,914	86,890	71,207	122,491	126,927	358,502	492,162
Stumpage	5,764	10,248	3,115	23,693	10,901	42,820	38,322
Total	<u>543,439</u>	<u>825,580</u>	<u>465,099</u>	<u>560,649</u>	<u>635,292</u>	<u>2,394,767</u>	<u>2,178,700</u>
Southern region							
Sawlog	272,398	282,027	256,661	237,656	251,362	1,048,742	908,591
Pulpwood	175,538	208,613	171,398	152,047	170,965	707,596	745,251
Total	<u>447,936</u>	<u>490,640</u>	<u>428,059</u>	<u>389,703</u>	<u>422,327</u>	<u>1,756,338</u>	<u>1,653,842</u>
<b>Sales Prices/Unit (\$ per ton)</b>							
Northern region							
Sawlog	\$ 67	\$ 71	\$ 71	\$ 57	\$ 59	\$ 67	\$ 59
Pulpwood	37	33	33	35	35	35	36
Stumpage	9	9	8	10	9	10	10
Weighted Average	<u>\$ 62</u>	<u>\$ 66</u>	<u>\$ 64</u>	<u>\$ 50</u>	<u>\$ 53</u>	<u>\$ 61</u>	<u>\$ 53</u>
Southern region							
Sawlog	\$ 44	\$ 46	\$ 49	\$ 43	\$ 41	\$ 45	\$ 43
Pulpwood	32	35	37	33	30	34	31
Weighted Average	<u>\$ 39</u>	<u>\$ 41</u>	<u>\$ 44</u>	<u>\$ 39</u>	<u>\$ 37</u>	<u>\$ 41</u>	<u>\$ 38</u>
<b>Wood Products</b>							
Lumber Shipments (MBF)	151,083	154,745	151,430	148,900	138,492	606,158	533,737
Lumber Sales Prices (\$ per MBF)	\$ 283	\$ 266	\$ 336	\$ 303	\$ 255	\$ 297	\$ 255

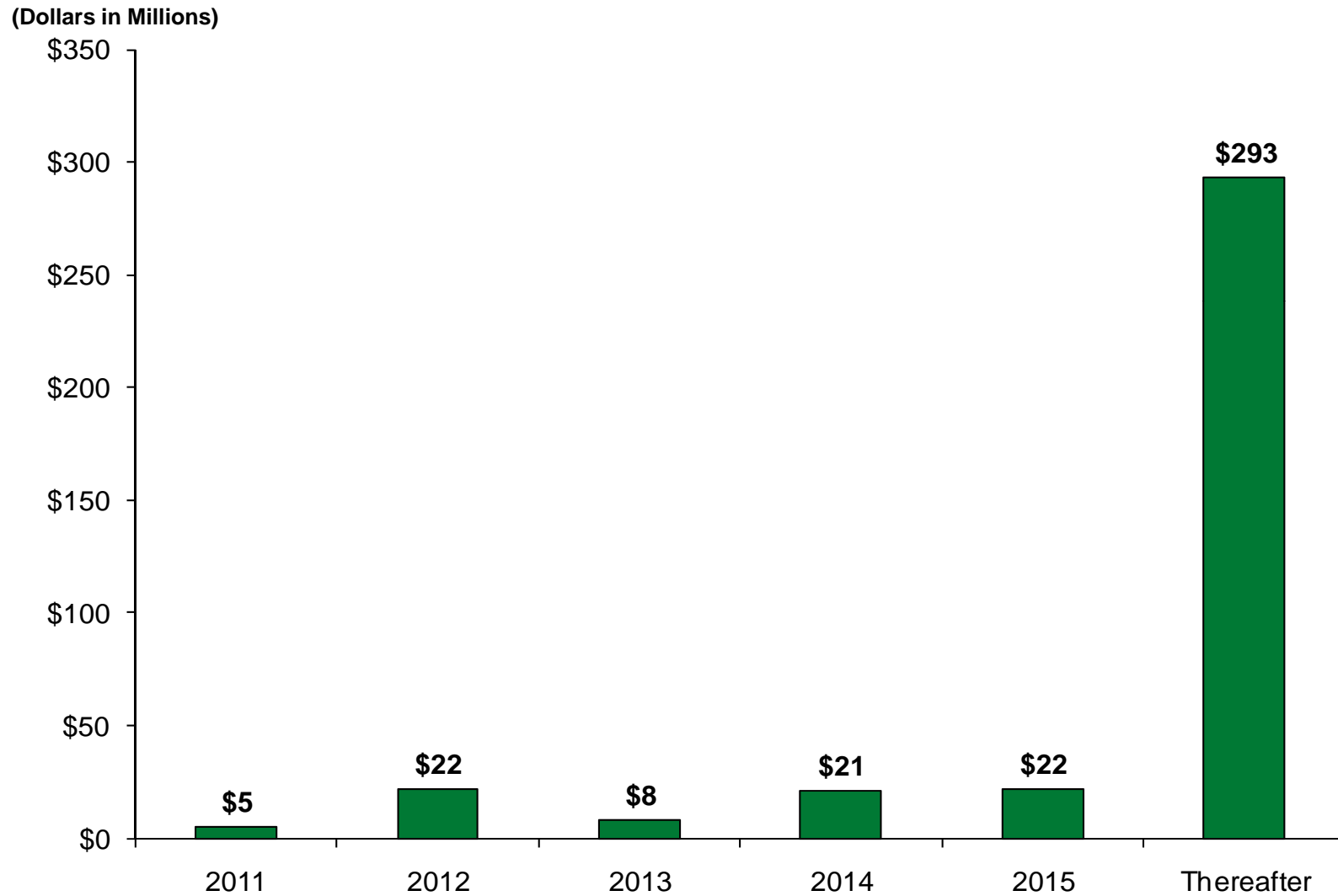
## Financial Highlights (unaudited)

(Dollars in Thousands)

	<u>December 31, 2010</u>	<u>September 30, 2010</u>	<u>December 31, 2009</u>
<b>Balance Sheet Highlights:</b>			
Working capital	\$ 95,762	\$ 96,192	\$ 63,225
Total assets	781,711	806,135	823,565
Long-term debt (including current portion)	368,496	370,115	368,431
Stockholders' equity	204,439	208,162	229,790
Long-term debt to stockholder's equity ratio	1.8 to 1	1.8 to 1	1.6 to 1
<b>Cash Flow Highlights:</b>			
	<u>Years ended December 31,</u>		<u>2009</u>
	<u>2010</u>		
<b>Cash flows from continuing operations:</b>			
Net cash provided by operating activities	\$ 126,073	\$ 119,914	
Net cash used for investing activities	(45,476)	(46,719)	
Net cash used for financing activities	(79,538)	(64,679)	
<b>Capital expenditures</b>	(15,001)	(15,697)	



## Long-Term Debt Maturity Profile



## Reconciliation of Non-GAAP Measures (unaudited)

(Dollars in Thousands)

	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	Years Ended 2010	2009
<b>Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA):</b>							
GAAP net earnings	\$ 9,376	\$ 18,080	\$ 11,743	\$ 1,195	\$ 2,903	\$ 40,394	\$ 77,328
Interest expense, net of interest income	6,283	6,397	6,631	6,633	6,014	25,944	20,785
Income tax provision (benefit)	(3,364)	1,588	3,365	3,007	(4,711)	4,596	(16,648)
Depreciation, depletion and amortization from continuing operations	7,347	9,499	7,147	7,211	7,809	31,204	34,715
Basis of real estate sold	23,178	20,779	4,145	568	966	48,670	10,696
Loss (gain) from discontinued operations, net of tax	(477)	84	85	189	43	(119)	4,103
<b>EBITDDA *</b>	<b><u>\$ 42,343</u></b>	<b><u>\$ 56,427</u></b>	<b><u>\$ 33,116</u></b>	<b><u>\$ 18,803</u></b>	<b><u>\$ 13,024</u></b>	<b><u>\$ 150,689</u></b>	<b><u>\$ 130,979</u></b>
<b>Wood Products Segment EBITDDA:</b>							
Operating income (loss)						\$ 7,140	\$ (20,484)
Depreciation from continuing operations						8,188	9,675
<b>Wood Products Segment EBITDDA From Continuing Operations*</b>						<b><u>\$ 15,328</u></b>	<b><u>\$ (10,809)</u></b>
<b>Real Estate Segment EBITDDA:</b>							
Operating income						\$ 30,425	\$ 48,928
Basis of real estate sold						48,670	10,696
<b>Real Estate Segment EBITDDA From Continuing Operations*</b>						<b><u>\$ 79,095</u></b>	<b><u>\$ 59,624</u></b>

\* Non-GAAP measure - See page 18 for definition.

## Reconciliation of Non-GAAP Measures (unaudited)

(Dollars in Thousands)

	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	Years Ended 2010	Years Ended 2009
<b>Funds from Operations (FFO):</b>							
GAAP net earnings	\$ 9,376	\$ 18,080	\$ 11,743	\$ 1,195	\$ 2,903	\$ 40,394	\$ 77,328
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Gain (loss) from discontinued operations, net of tax	477	(84)	(85)	(189)	(43)	119	(4,103)
<b>Funds from Operations *</b>	<b>\$ 39,901</b>	<b>\$ 48,358</b>	<b>\$ 23,035</b>	<b>\$ 8,974</b>	<b>\$ 11,678</b>	<b>\$ 120,268</b>	<b>\$ 122,739</b>

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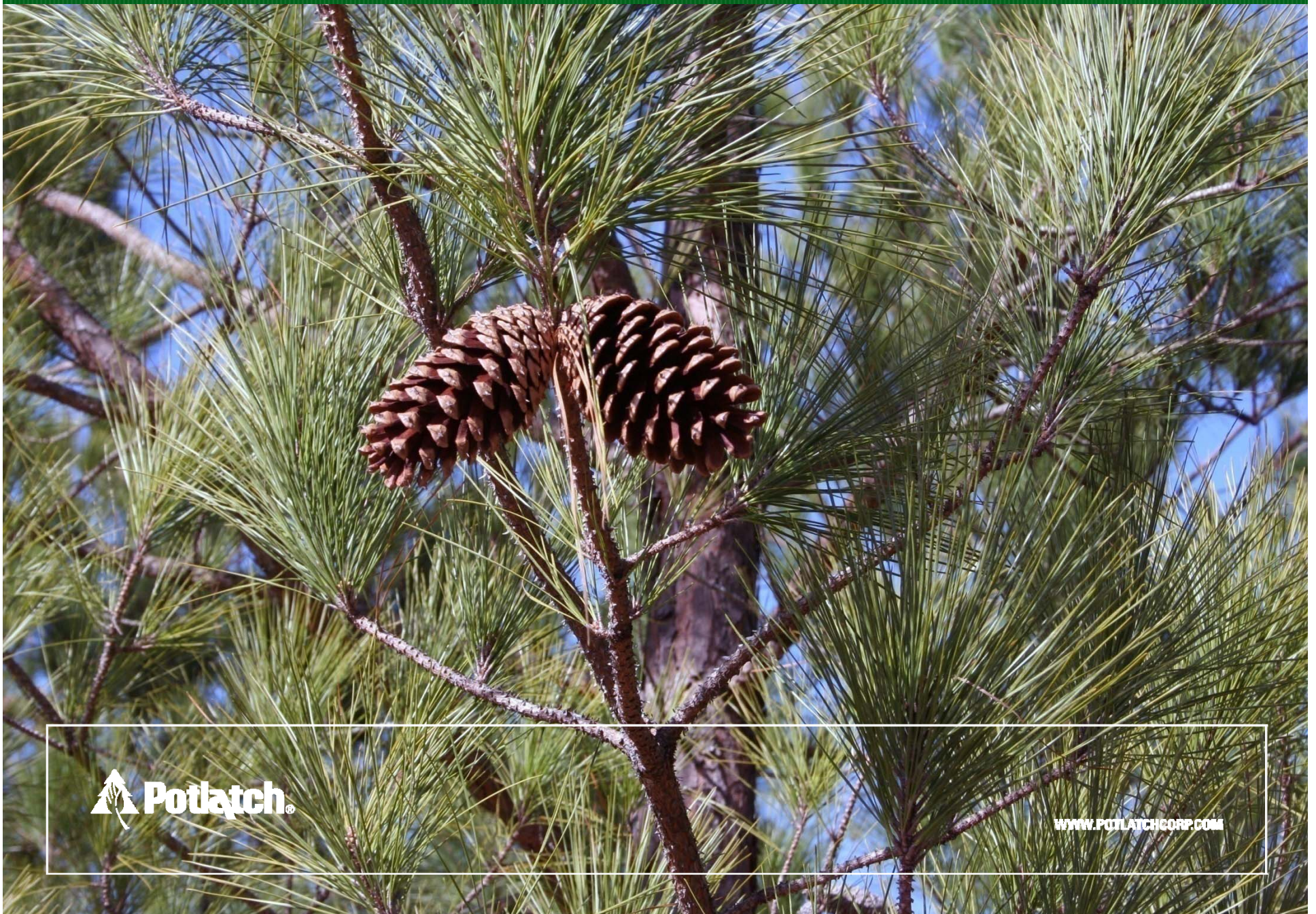
## Definition of Non-GAAP Measures

**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 cash 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.

**Segment EBITDDA from Continuing Operations**, as we define it, is segment operating income (loss) adjusted for depreciation, depletion, amortization and the basis of real estate sold.





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