

POTLATCH CORPORATION

Third 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, domestic and offshore demand and price levels for logs, pulpwood and wood products, impact of the Canadian dollar, mountain pine beetle epidemic, wood products industry capacity, our 2010 harvest levels, deferral of sawlog harvest, performance of our Real Estate segment, quarterly dividend levels, dividend coverage, dividend policy, liquidity, real estate revenues and transactions in Q4 2010, price trends in real estate, 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 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 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; 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.

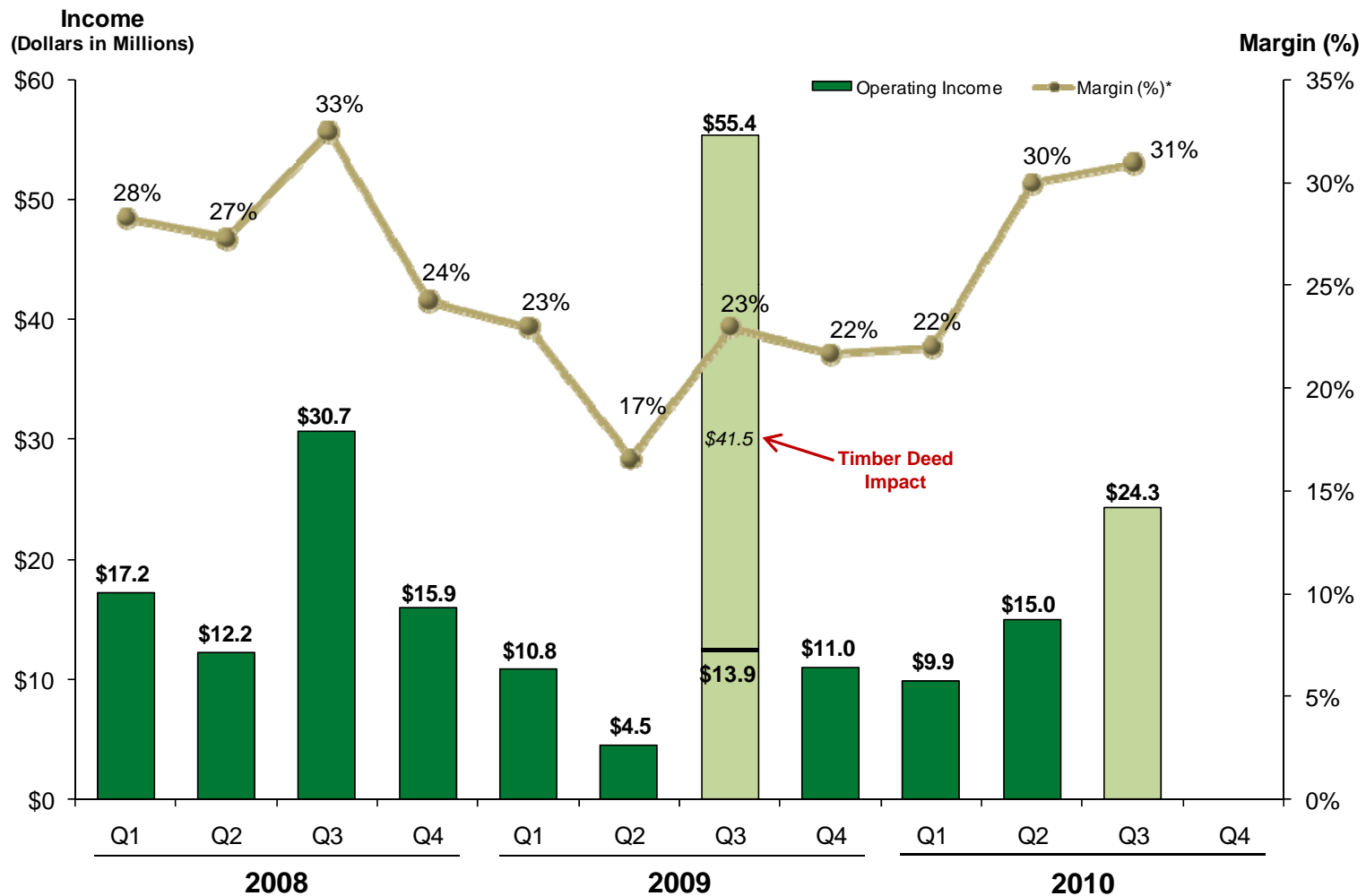
Third Quarter 2010 Summary (unaudited)

(Dollars in Thousands - except per-share amounts)

	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	3rd Quarter 2009	Nine Months Ended 2010	Nine Months Ended 2009
Operating Income (Loss)						
Resource	\$ 24,336	\$ 15,026	\$ 9,921	\$ 55,374	\$ 49,283	\$ 70,745
Real Estate	9,788	5,117	1,898	1,455	16,803	44,474
Wood Products	(608)	5,956	5,228	(1,532)	10,576	(15,708)
Eliminations and adjustments	(895)	2,136	437	(764)	1,678	4,323
	32,621	28,235	17,484	54,533	78,340	103,834
Corporate	(12,869)	(13,042)	(13,093)	(14,844)	(39,004)	(37,286)
Earnings from continuing operations before taxes	19,752	15,193	4,391	39,689	39,336	66,548
Income tax provision (benefit)	1,588	3,365	3,007	(6,333)	7,960	(11,937)
Earnings from continuing operations	18,164	11,828	1,384	46,022	31,376	78,485
plus: Interest expense, net of interest income	6,470	6,704	6,706	5,095	19,880	14,771
Income tax provision (benefit)	1,588	3,365	3,007	(6,333)	7,960	(11,937)
Depreciation, depletion & amortization (DD&A)	9,426	7,074	7,138	15,388	23,638	26,906
Basis of real estate sold	20,779	4,145	568	2,866	25,492	9,730
Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *	\$ 56,427	\$ 33,116	\$ 18,803	\$ 63,038	\$ 108,346	\$ 117,955
Funds from continuing operations	\$ 48,369	\$ 23,047	\$ 9,090	\$ 64,276	\$ 80,506	\$ 115,121
Discontinued operations:						
Loss from discontinued operations, net of tax	\$ (84)	\$ (85)	\$ (189)	\$ (183)	\$ (358)	\$ (4,060)
Net earnings	\$ 18,080	\$ 11,743	\$ 1,195	\$ 45,839	\$ 31,018	\$ 74,425
Diluted earnings per common share from continuing operations	\$ 0.45	\$ 0.29	\$ 0.03	\$ 1.15	\$ 0.78	\$ 1.97
Funds from operations (FFO)*	\$ 48,285	\$ 22,962	\$ 8,901	\$ 64,093	\$ 80,148	\$ 111,061

* Non-GAAP measure - See pages 16 - 19 for reconciliation to GAAP and definition.

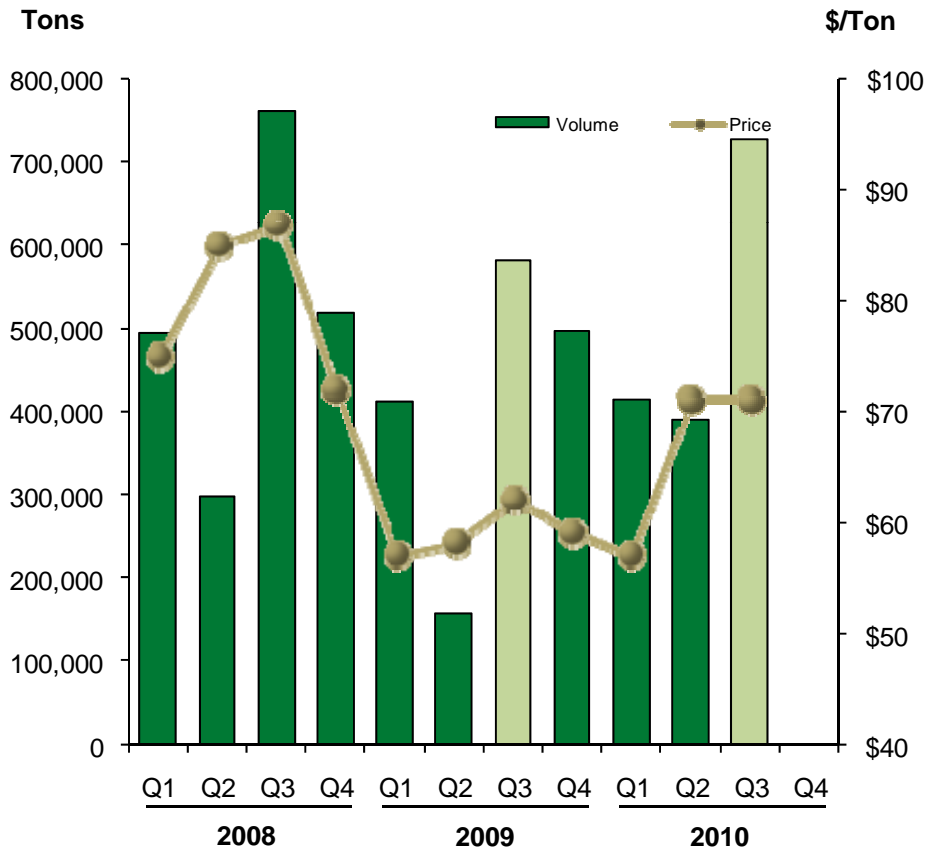
Resource – Operating Income and Margin



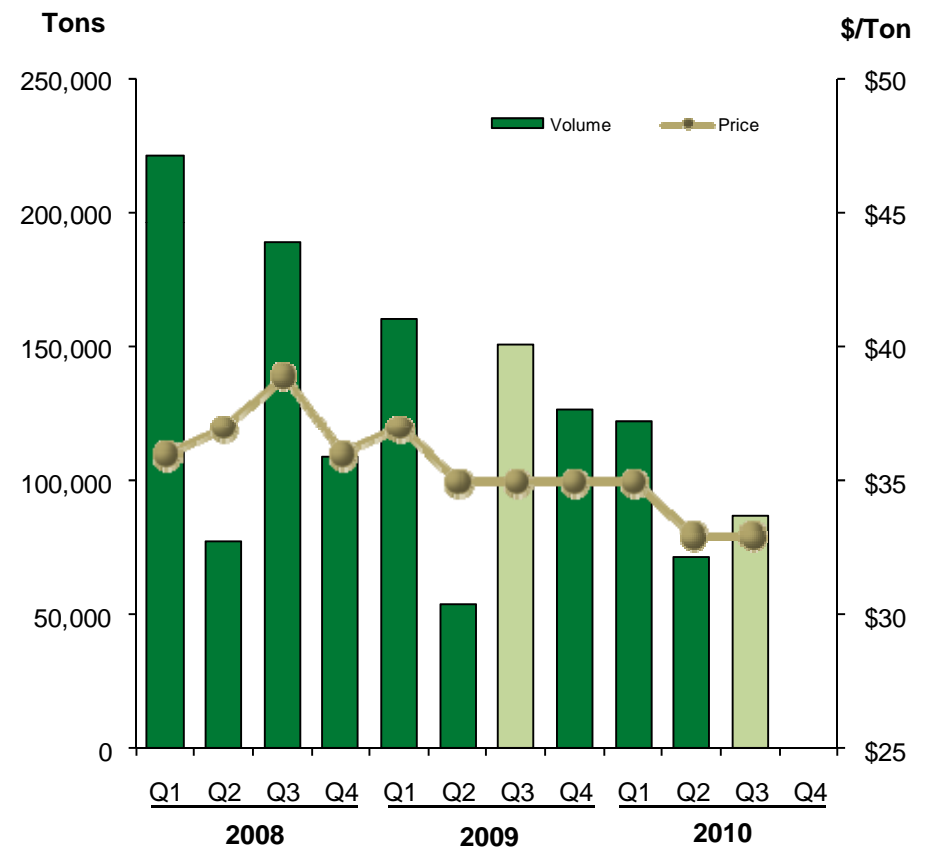
Note: Q3 2009 Resource results include a timber deed transaction that produced operating income of \$41.5 million.
 * Margin % excludes impact from timber deed in Q3 2009.

Northern Region - Volume and Pricing

Sawlog



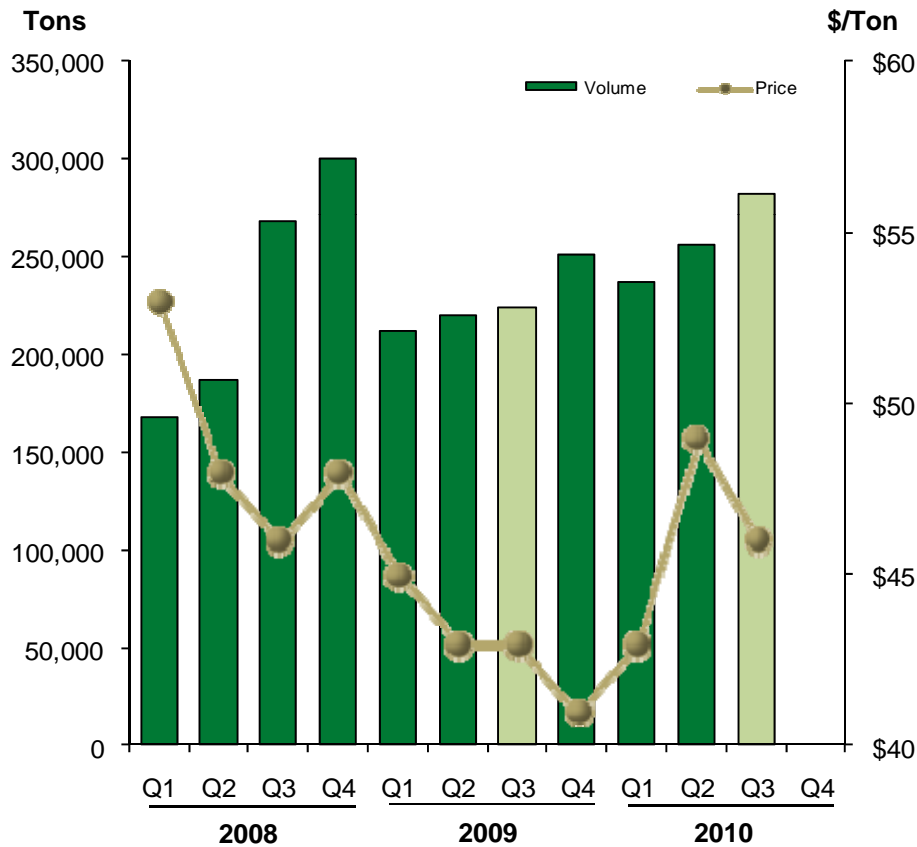
Pulpwood



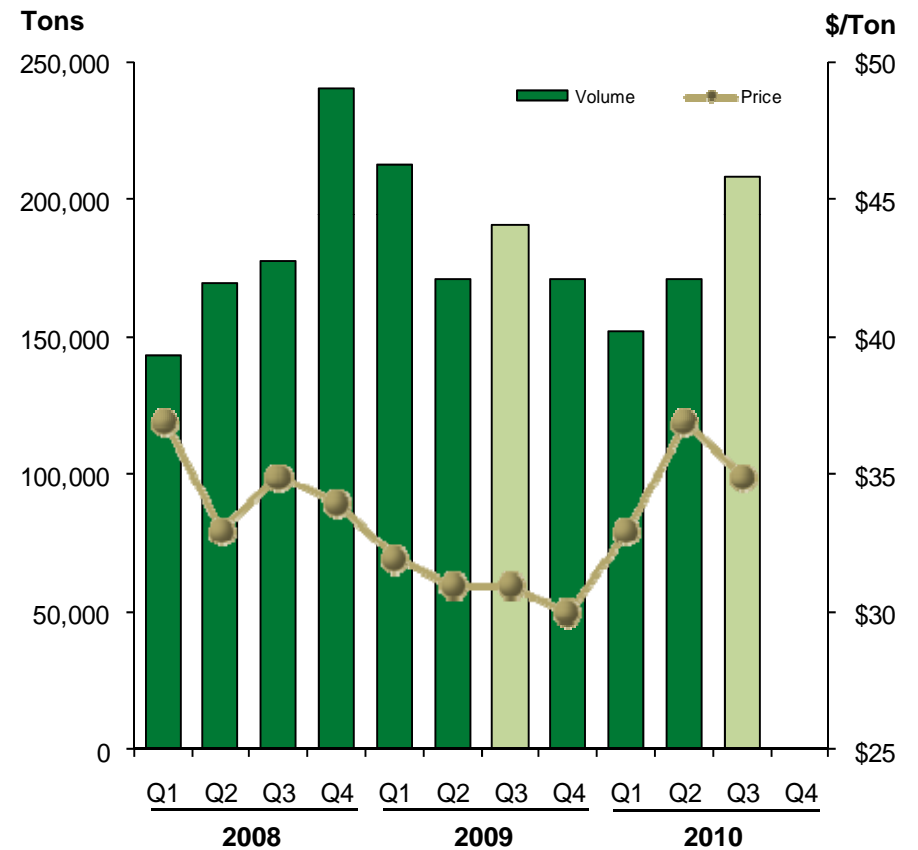
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

Southern Region – Volume and Pricing

Sawlog



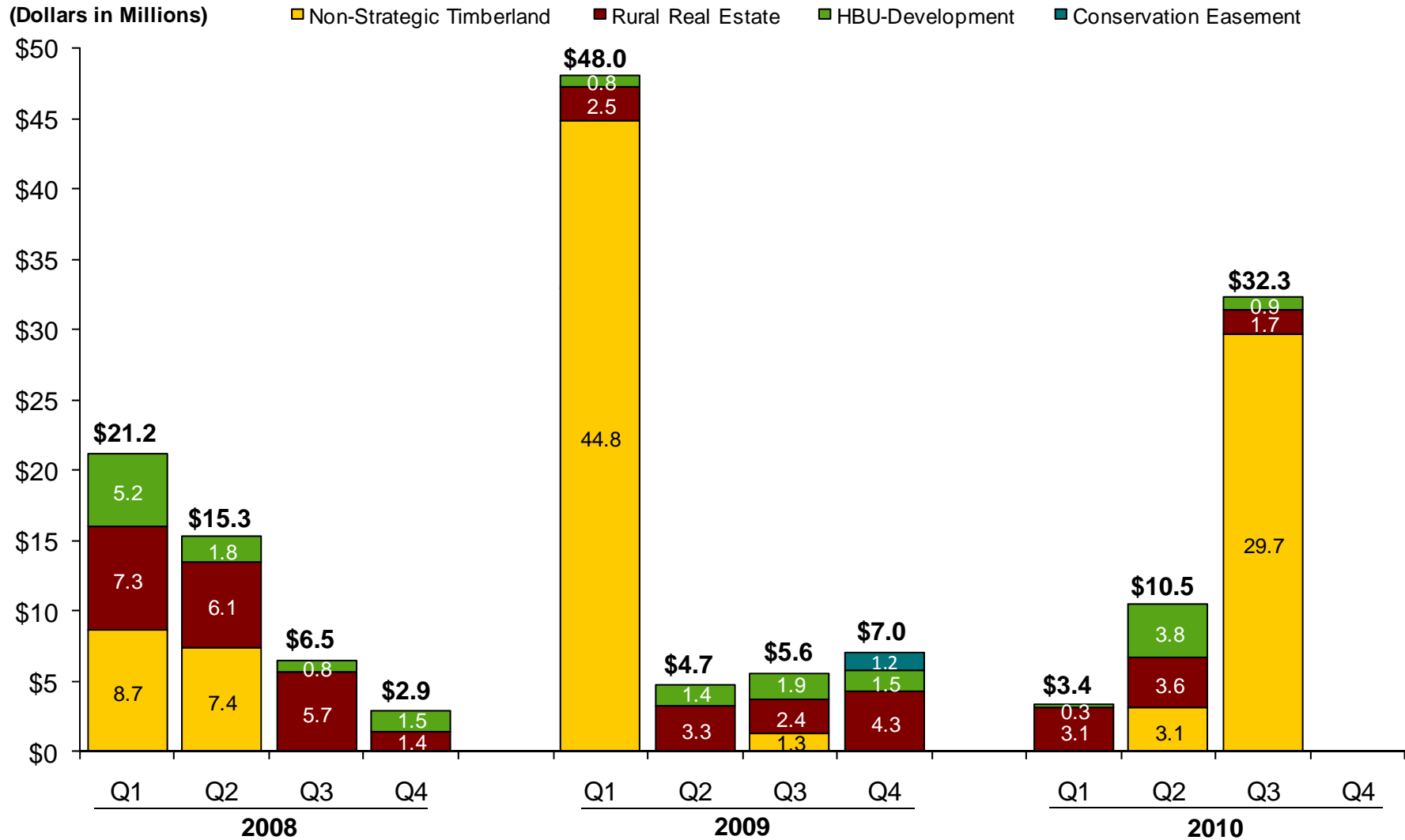
Pulpwood



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.

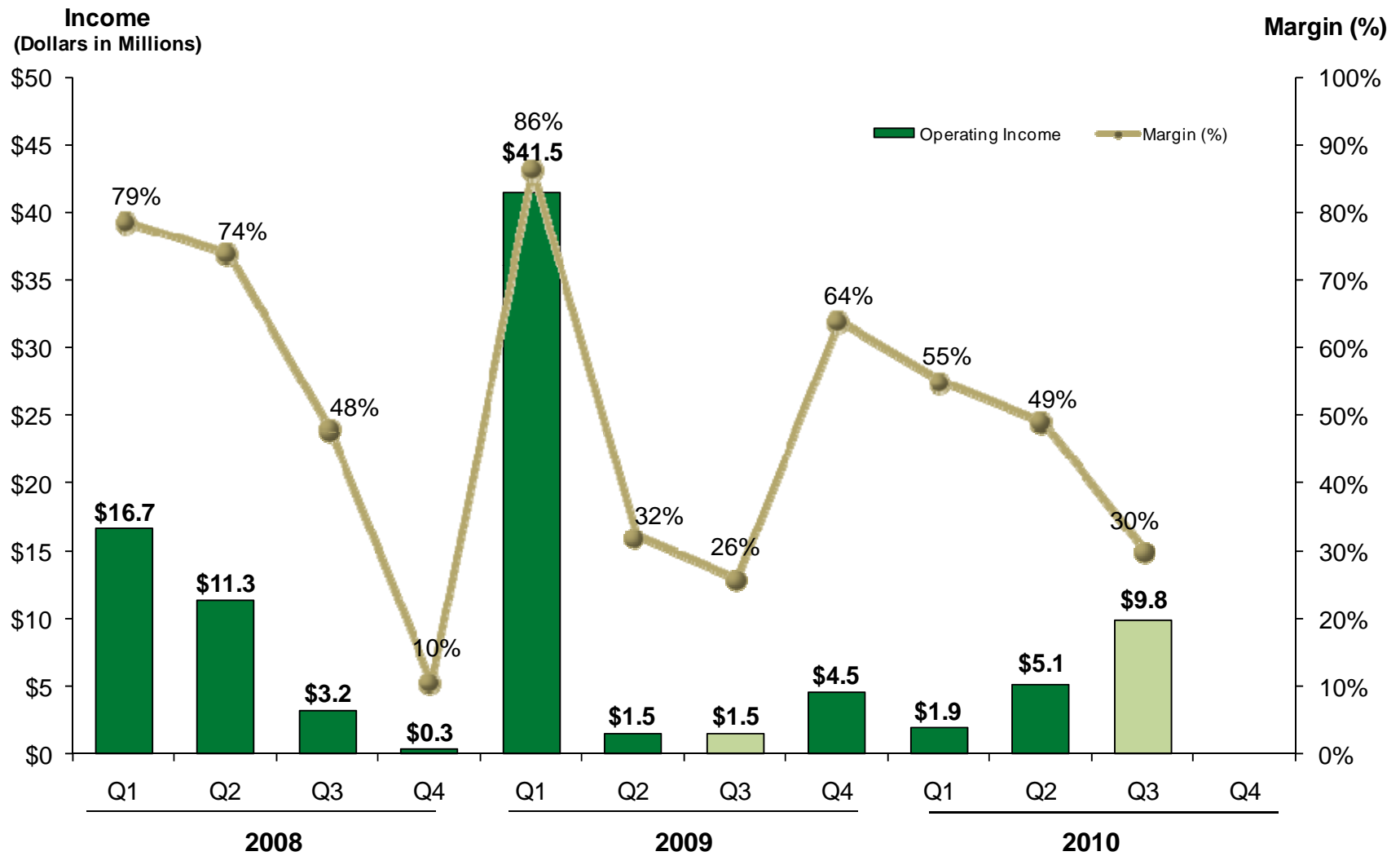
No volume is reflected in the data above for the timber deed sale that occurred in Q3 2009.

Real Estate - Revenues

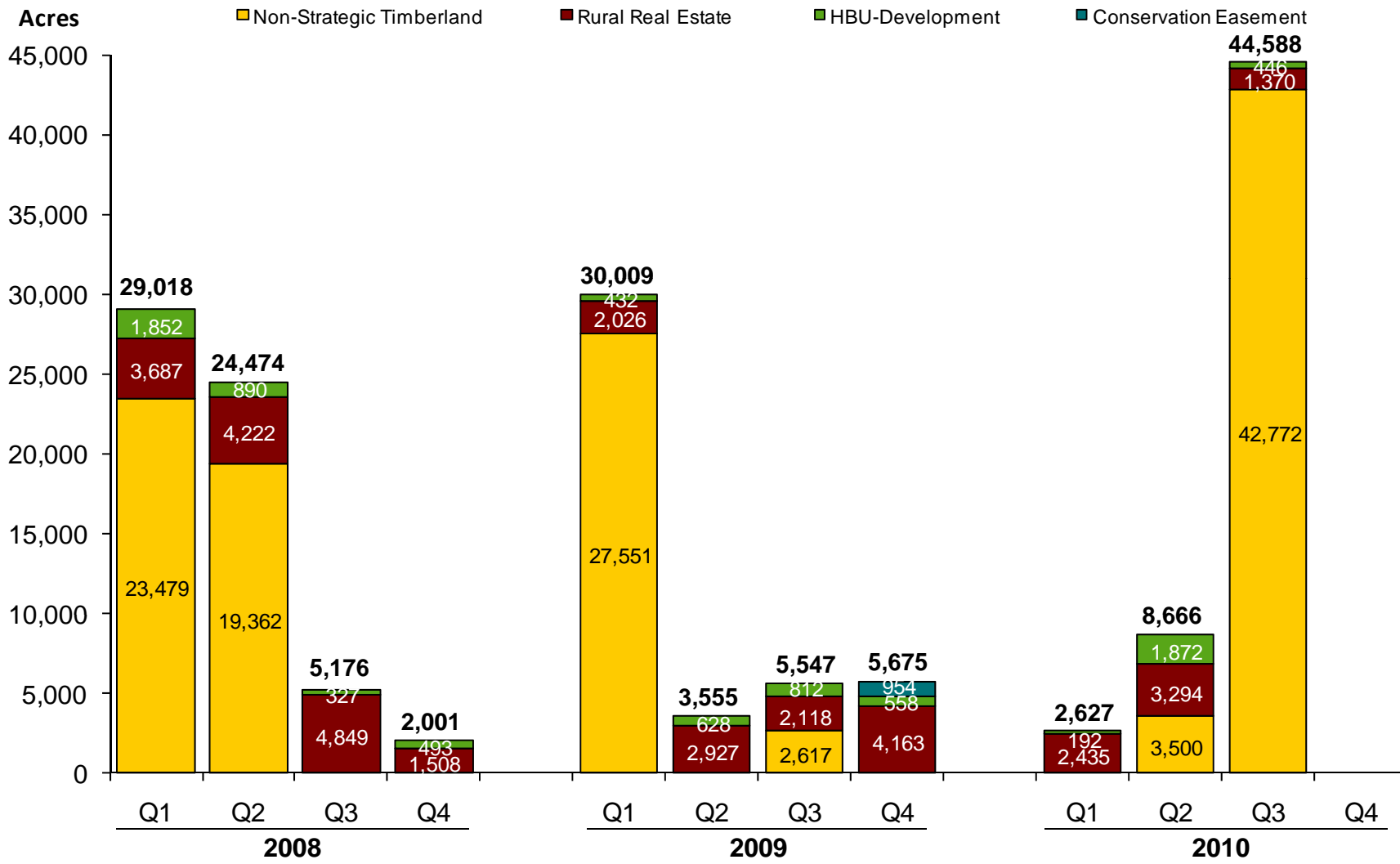


Note: Q4 2008 Real Estate HBU revenues include a \$250,000 building sale.

Real Estate – Operating Income and Margin



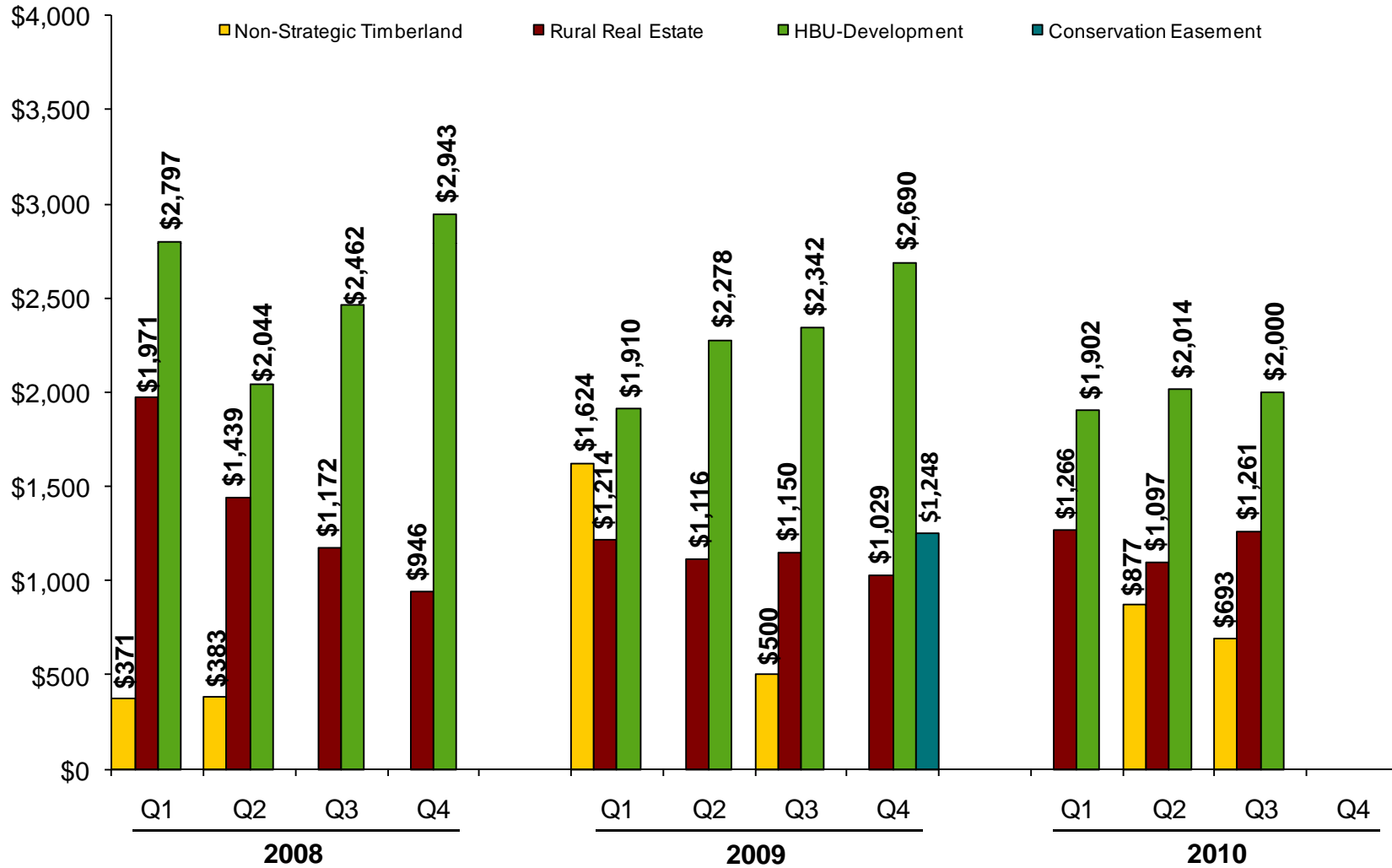
Real Estate – Acres Sold



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

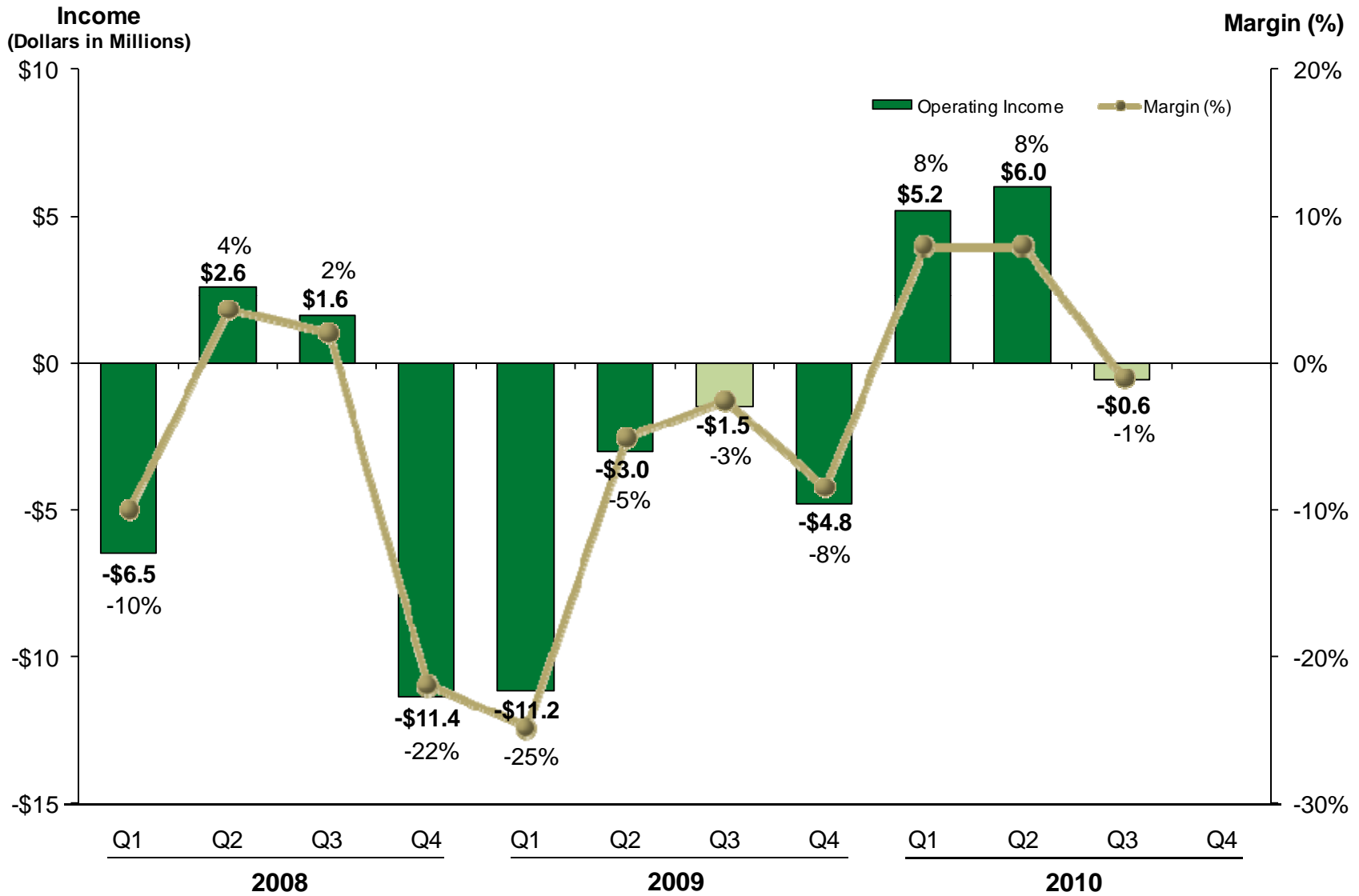
Real Estate – Sales Prices Per Acre

Dollars/Acre

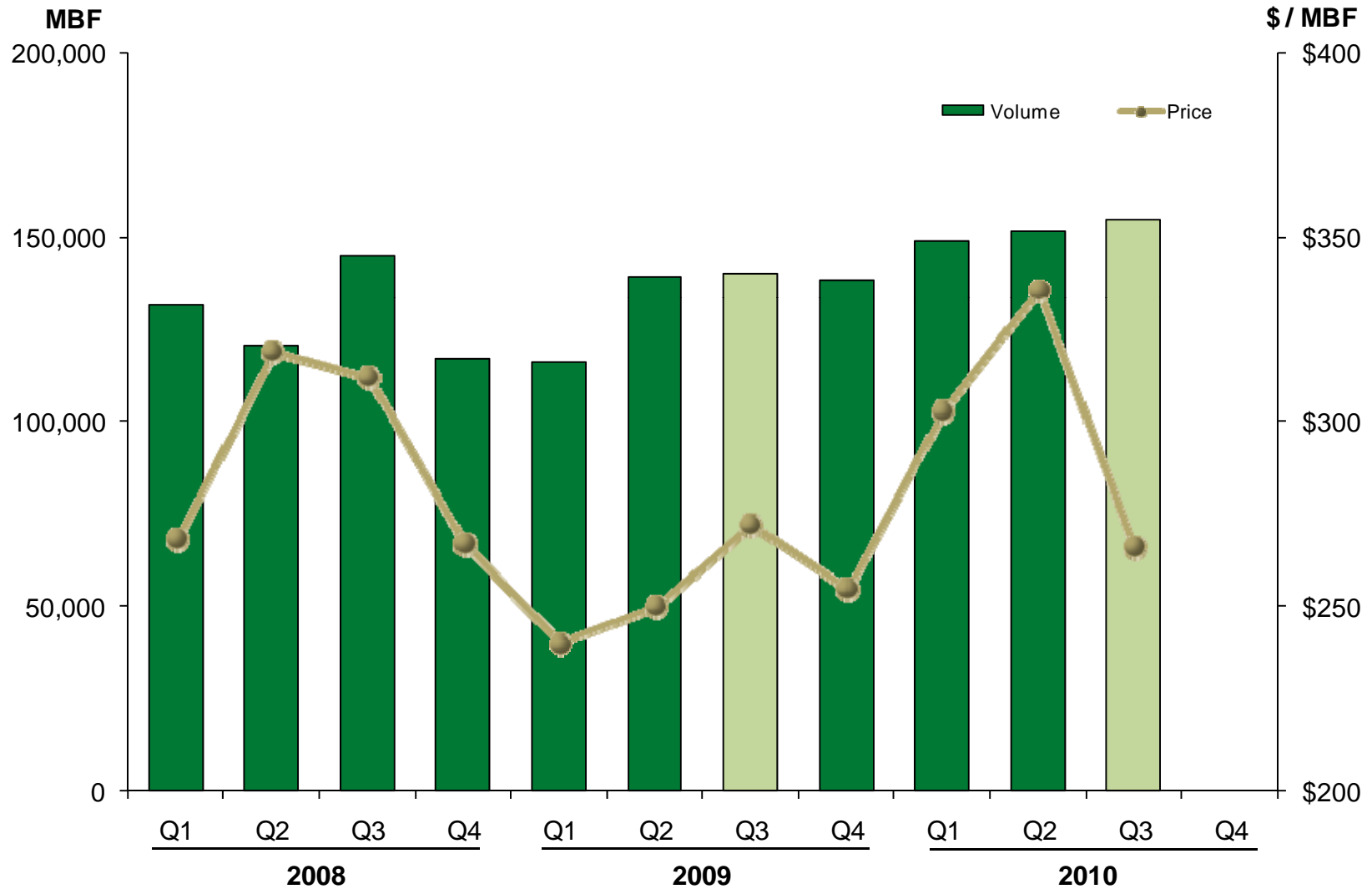


Note: Q4 2008 'Sales Price per Acre' excludes building sale.

Wood Products – Operating Income and Margin



Lumber - Sales Prices and Shipments



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

Volumes and Sales Prices Per Unit (unaudited)

	<u>3rd Quarter 2010</u>	<u>2nd Quarter 2010</u>	<u>1st Quarter 2010</u>	<u>3rd Quarter 2009</u>	<u>Nine Months Ended 2010</u>	<u>Nine Months Ended 2009</u>
Resource						
Fee Volume (tons)						
Northern region						
Sawlog	728,442	390,777	414,465	580,745	1,533,684	1,150,752
Pulpwood	86,890	71,207	122,491	150,800	280,588	365,235
Stumpage	10,248	3,115	23,693	10,627	37,056	27,421
Total	<u>825,580</u>	<u>465,099</u>	<u>560,649</u>	<u>742,172</u>	<u>1,851,328</u>	<u>1,543,408</u>
Southern region						
Sawlog	282,027	256,661	237,656	224,195	776,344	657,229
Pulpwood	208,613	171,398	152,047	190,562	532,058	574,286
Total	<u>490,640</u>	<u>428,059</u>	<u>389,703</u>	<u>414,757</u>	<u>1,308,402</u>	<u>1,231,515</u>
Sales Prices/Unit (\$ per ton)						
Northern region						
Sawlog	\$ 71	\$ 71	\$ 57	\$ 62	\$ 67	\$ 59
Pulpwood	33	33	35	35	34	36
Stumpage	9	8	10	11	10	11
Weighted Average	<u>\$ 66</u>	<u>\$ 64</u>	<u>\$ 50</u>	<u>\$ 56</u>	<u>\$ 61</u>	<u>\$ 53</u>
Southern region						
Sawlog	\$ 46	\$ 49	\$ 43	\$ 43	\$ 46	\$ 44
Pulpwood	35	37	33	31	35	31
Weighted Average	<u>\$ 41</u>	<u>\$ 44</u>	<u>\$ 39</u>	<u>\$ 37</u>	<u>\$ 42</u>	<u>\$ 38</u>
Wood Products						
Lumber Shipments (MBF)	154,745	151,430	148,900	140,174	455,075	395,245
Lumber Sales Prices (\$ per MBF)	\$ 266	\$ 336	\$ 303	\$ 272	\$ 302	\$ 255

Financial Highlights (unaudited)

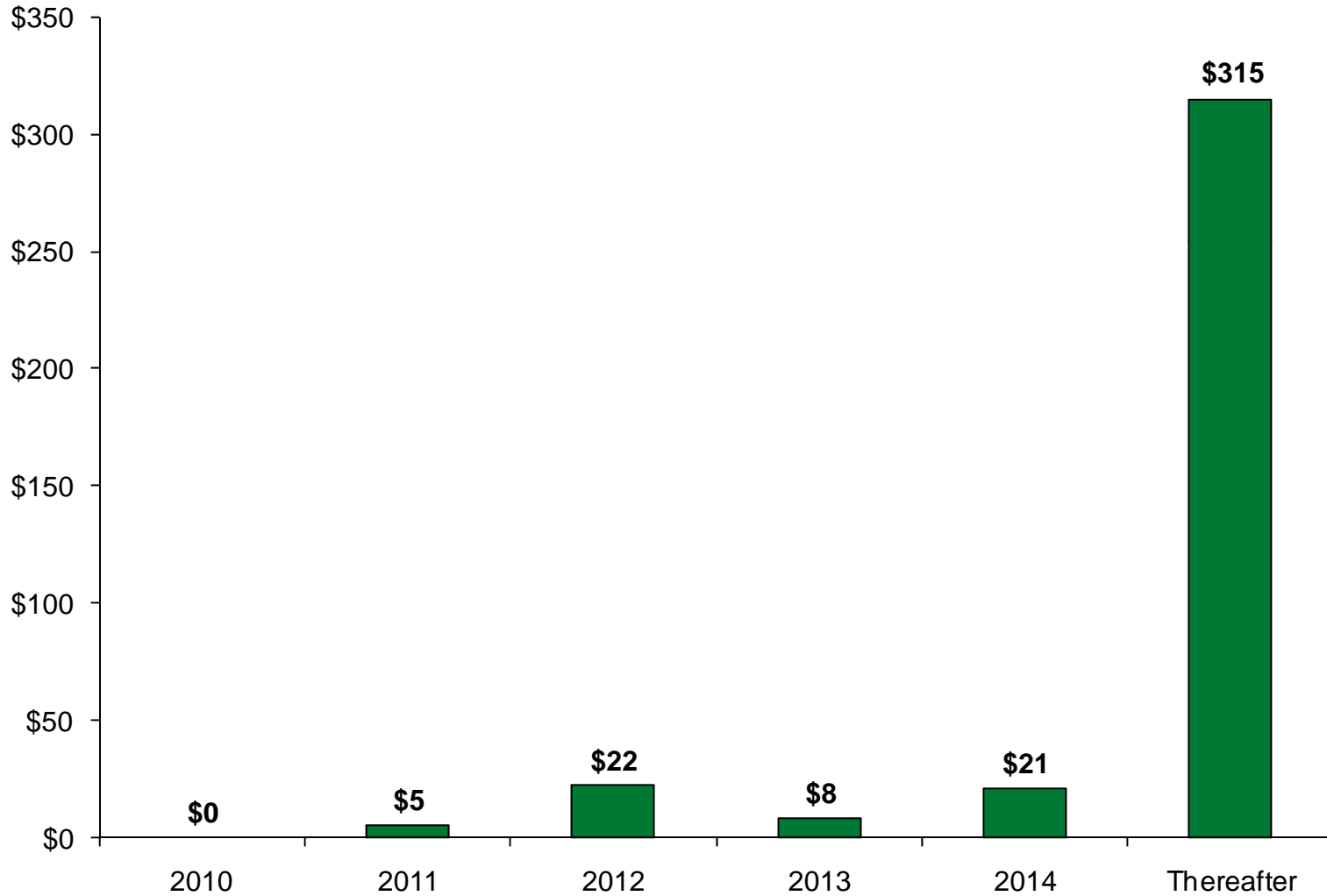
(Dollars in Thousands)

	<u>September 30, 2010</u>	<u>June 30, 2010</u>	<u>September 30, 2009</u>
Balance Sheet Highlights:			
Working capital (deficit)	\$ 96,192	\$ 93,780	\$ (71,132)
Total assets	806,135	796,121	900,812
Long-term debt (including current portion)	370,115	368,389	320,954
Stockholders' equity	208,162	208,724	206,570
Long-term debt to stockholder's equity ratio	1.8 to 1	1.8 to 1	1.6 to 1
Cash Flow Highlights:			
	<u>Nine months ended September 30, 2010</u>		<u>2009</u>
Cash flows from continuing operations:			
Net cash provided by operating activities	\$ 83,791		\$ 115,624
Net cash provided by (used for) investing activities	(21,378)		9,069
Net cash used for financing activities	(57,696)		(116,104)
Capital expenditures	(10,658)		(11,848)

Note: The current portion of long-term debt at September 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>3rd Quarter 2010</u>	<u>2nd Quarter 2010</u>	<u>1st Quarter 2010</u>	<u>3rd Quarter 2009</u>	<u>Nine Months Ended 2010</u>	<u>Nine Months Ended 2009</u>
Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA):						
GAAP net earnings	\$ 18,080	\$ 11,743	\$ 1,195	\$ 45,839	\$ 31,018	\$ 74,425
Interest expense, net of interest income	6,470	6,704	6,706	5,095	19,880	14,771
Income tax provision (benefit)	1,588	3,365	3,007	(6,333)	7,960	(11,937)
Depreciation, depletion and amortization from continuing operations	9,426	7,074	7,138	15,388	23,638	26,906
Basis of real estate sold	20,779	4,145	568	2,866	25,492	9,730
Loss from discontinued operations, net of tax	84	85	189	183	358	4,060
EBITDDA*	<u>\$ 56,427</u>	<u>\$ 33,116</u>	<u>\$ 18,803</u>	<u>\$ 63,038</u>	<u>\$ 108,346</u>	<u>\$ 117,955</u>

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

Reconciliation of Non-GAAP Measures (unaudited)

(Dollars in Thousands)

	<u>3rd Quarter 2010</u>	<u>2nd Quarter 2010</u>	<u>1st Quarter 2010</u>	<u>3rd Quarter 2009</u>	<u>Nine Months Ended 2010</u>	<u>Nine Months Ended 2009</u>
Funds from Operations (FFO):						
GAAP net earnings	\$ 18,080	\$ 11,743	\$ 1,195	\$ 45,839	\$ 31,018	\$ 74,425
Depreciation, depletion and amortization from continuing operations	9,426	7,074	7,138	15,388	23,638	26,906
Basis of real estate sold	20,779	4,145	568	2,866	25,492	9,730
Loss from discontinued operations, net of tax	84	85	189	183	358	4,060
Funds from continuing operations	<u>\$ 48,369</u>	<u>\$ 23,047</u>	<u>\$ 9,090</u>	<u>\$ 64,276</u>	<u>\$ 80,506</u>	<u>\$ 115,121</u>
Loss from discontinued operations, net of tax	(84)	(85)	(189)	(183)	(358)	(4,060)
Funds from Operations*	<u>\$ 48,285</u>	<u>\$ 22,962</u>	<u>\$ 8,901</u>	<u>\$ 64,093</u>	<u>\$ 80,148</u>	<u>\$ 111,061</u>

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

Reconciliation of Non-GAAP Measures (unaudited)

	(Dollars in Thousands)				Twelve Months Ended September 30, 2010
	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	
Funds Available for Distribution (FAD):					
Earnings from continuing operations	\$ 18,164	\$ 11,828	\$ 1,384	\$ 2,946	\$ 34,322
Depreciation, depletion and amortization from continuing operations	9,426	7,074	7,138	7,809	31,447
Basis of real estate sold	20,779	4,145	568	966	26,458
Capital Expenditures ¹	(4,777)	(3,327)	(2,554)	(3,849)	(14,507)
Funds Available for Distribution *	<u>\$ 43,592</u>	<u>\$ 19,720</u>	<u>\$ 6,536</u>	<u>\$ 7,872</u>	<u>\$ 77,720</u>
<hr/>					
Wood Products EBITDDA:					
Operating loss	\$ (608)				
Plus depreciation	2,018				
Wood Products Segment EBITDDA From Continuing Operations*	<u>\$ 1,410</u>				

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

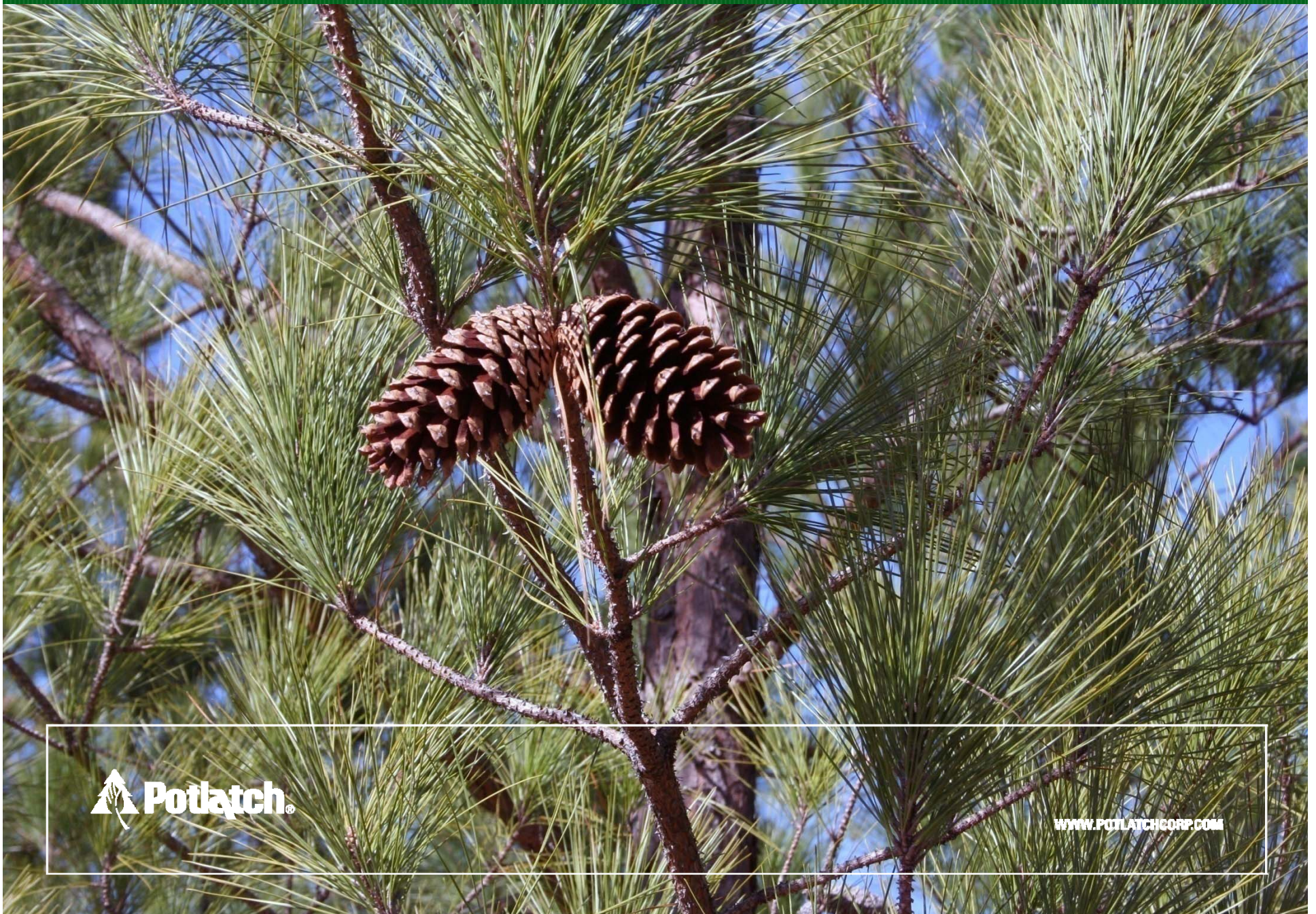
Definition of Non-GAAP Measures

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.

Funds Available for Distribution (FAD), as we define it, is net earnings from continuing operations plus depreciation, depletion and amortization, plus basis of real estate sold, and minus capital expenditures (excluding capital expenditures relating to direct or indirect timberland purchases in excess of \$5 million).

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



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