

POTLATCH CORPORATION
First Quarter 2011 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, Asian demand for sawlogs and Wood Products, mountain pine beetle epidemic, lower allowable cuts in eastern Canadian provinces, future harvest levels, increased Idaho harvests, deferral of southern harvest, energy biomass opportunities, pulp and paper industry, performance of our Resource, Wood Products and Real Estate segments, impact of rising fuel costs, 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.

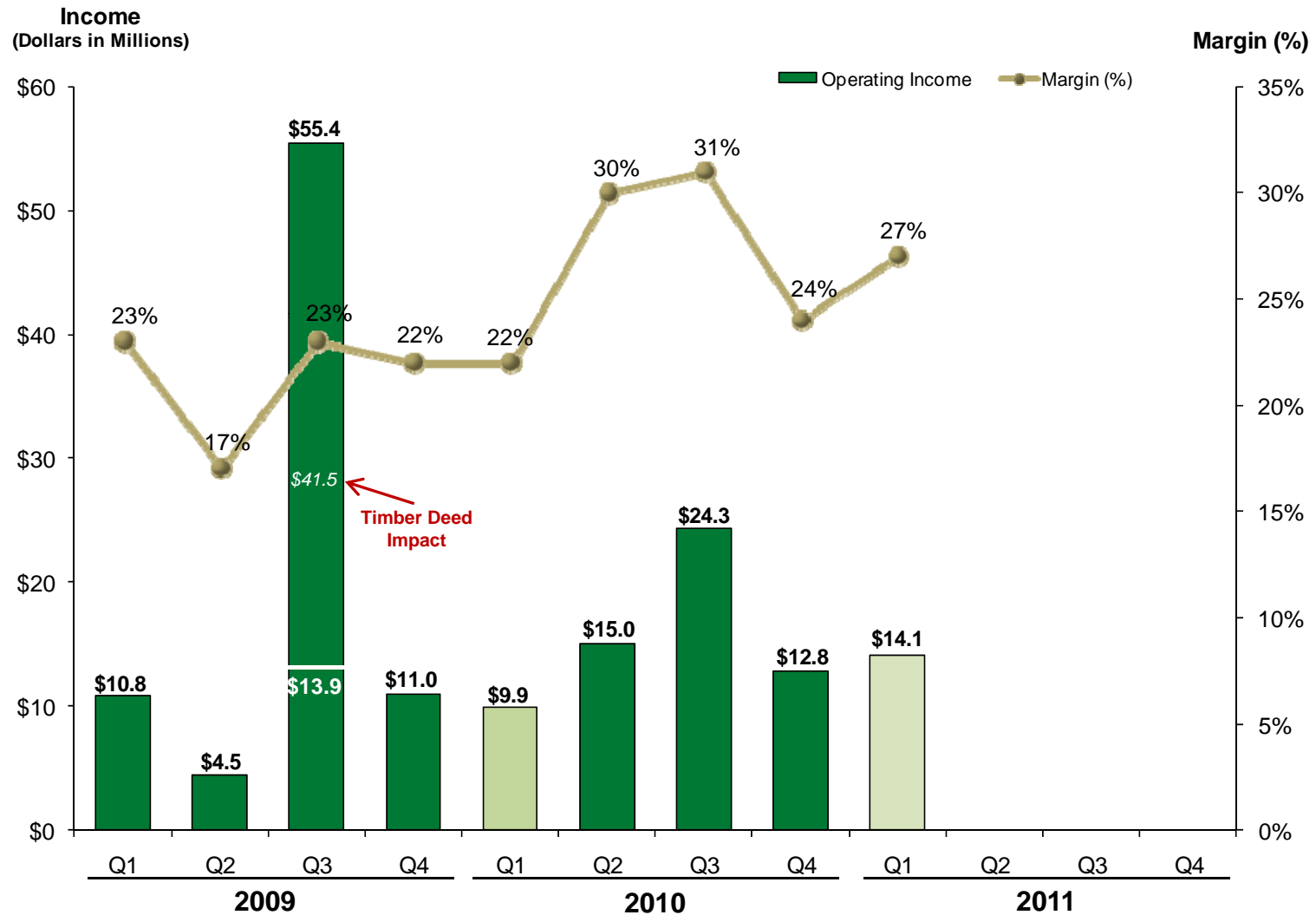
First Quarter 2011 Summary (unaudited)

(Dollars in Thousands - except per-share amounts)

	1st Quarter 2011	4th Quarter 2010	1st Quarter 2010
<u>Operating Income (Loss)</u>			
Resource	\$ 14,061	\$ 12,824	\$ 9,921
Real Estate	8,366	13,622	1,898
Wood Products	2,894	(3,436)	5,228
Eliminations and adjustments	545	222	437
	25,866	23,232	17,484
Corporate	(10,341)	(7,318)	(6,460)
Net cash interest expense	(6,246)	(6,283)	(6,633)
Environmental remediation charge	-	(4,096)	-
Earnings from continuing operations before taxes	9,279	5,535	4,391
Income tax provision (benefit)	1,583	(3,364)	3,007
Earnings from continuing operations	7,696	8,899	1,384
plus: Net cash interest expense	6,246	6,283	6,633
Income tax provision (benefit)	1,583	(3,364)	3,007
Depreciation, depletion & amortization	8,666	7,347	7,211
Basis of real estate sold	3,615	23,178	568
Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *	\$ 27,806	\$ 42,343	\$ 18,803
Funds from continuing operations	\$ 19,977	\$ 39,424	\$ 9,163
Discontinued operations, net of tax	\$ -	\$ 477	\$ (189)
Net earnings	\$ 7,696	\$ 9,376	\$ 1,195
Diluted earnings per common share from continuing operations	\$ 0.19	\$ 0.22	\$ 0.03
Funds from operations (FFO) *	\$ 19,977	\$ 39,901	\$ 8,974

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

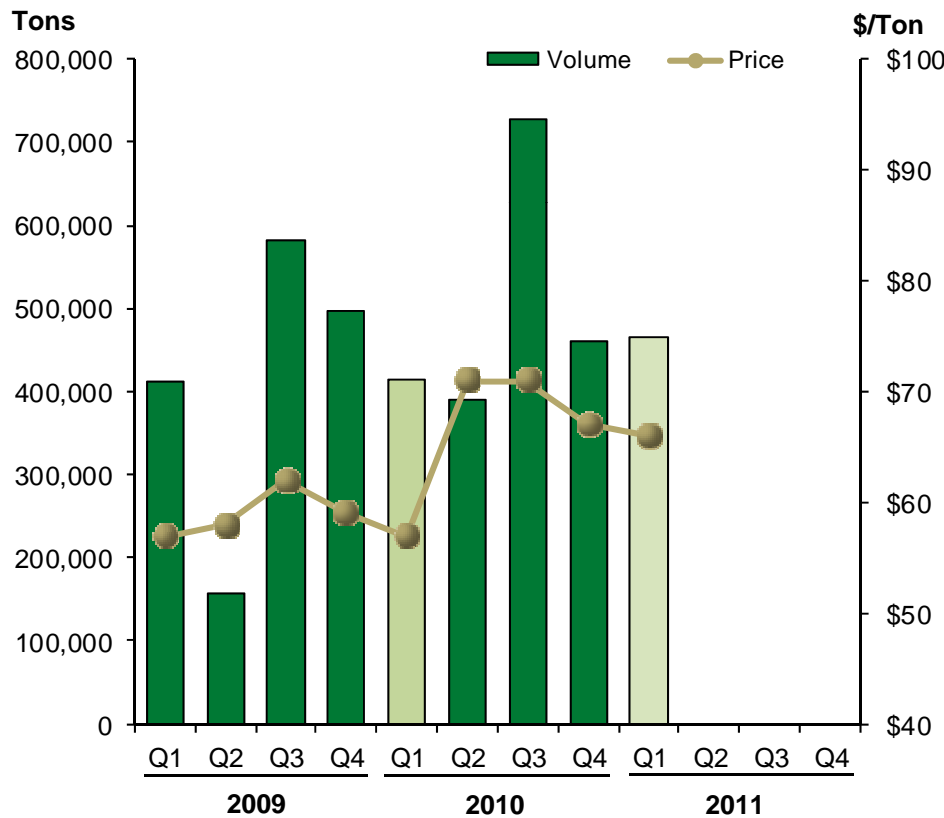
Resource – Operating Income and Margin



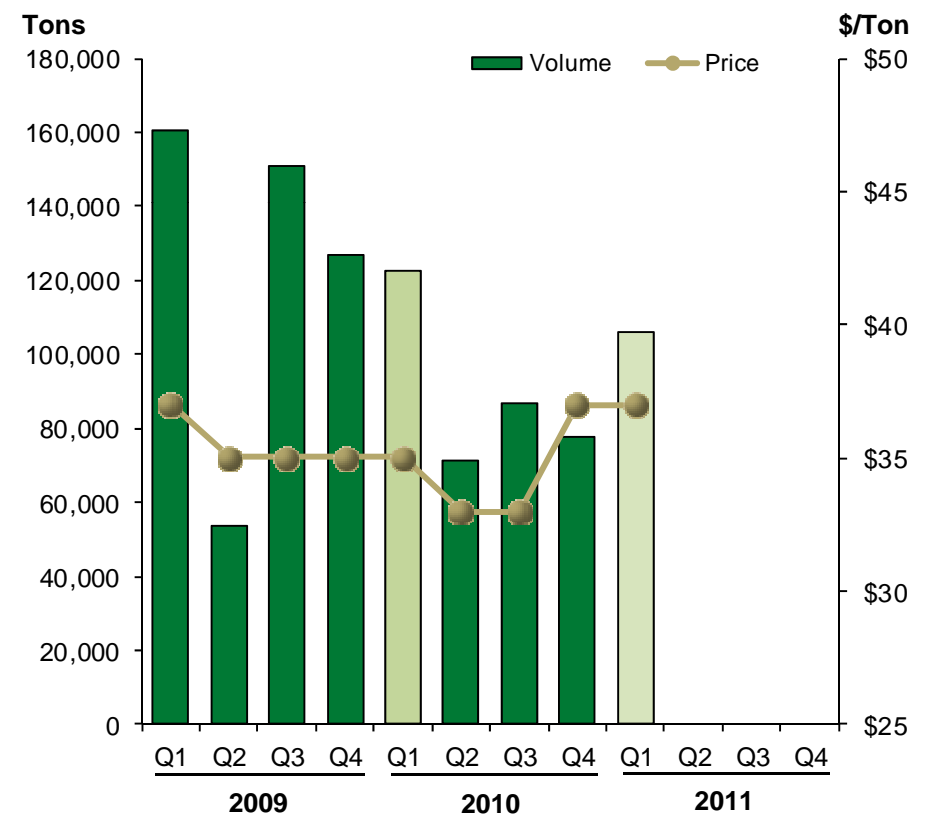
Note: Q3 2009 Resource results include a timber deed transaction that produced operating income of \$41.5 million. However, the margin calculation excludes the impact of timber deed transaction.

Northern Region – Volume and Pricing

Sawlog



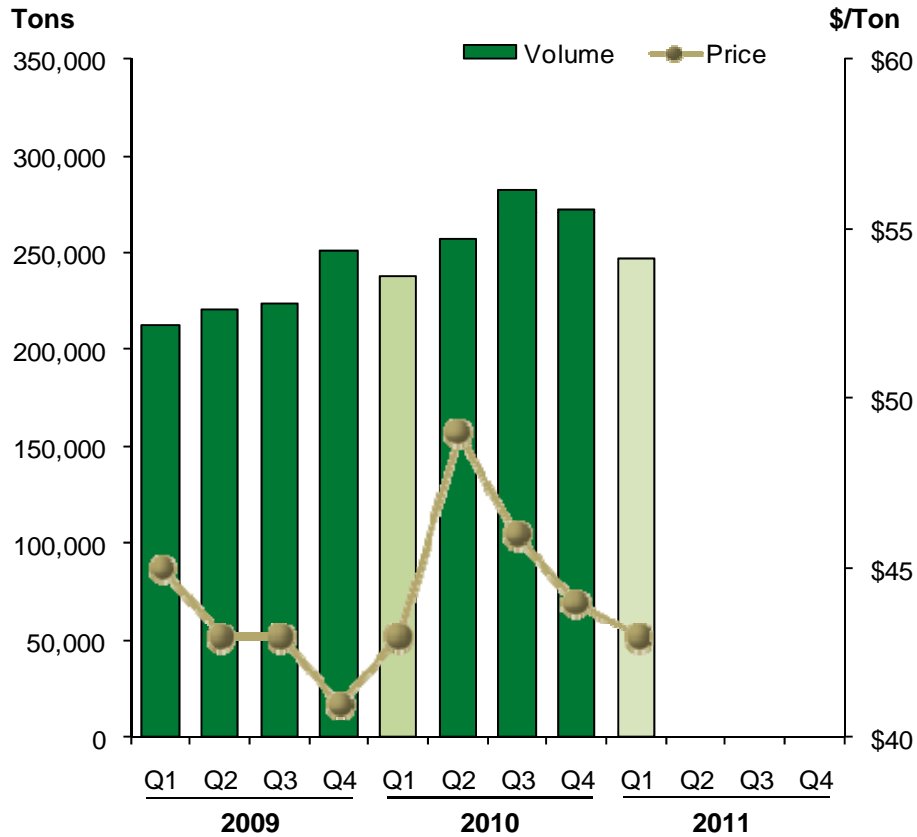
Pulpwood



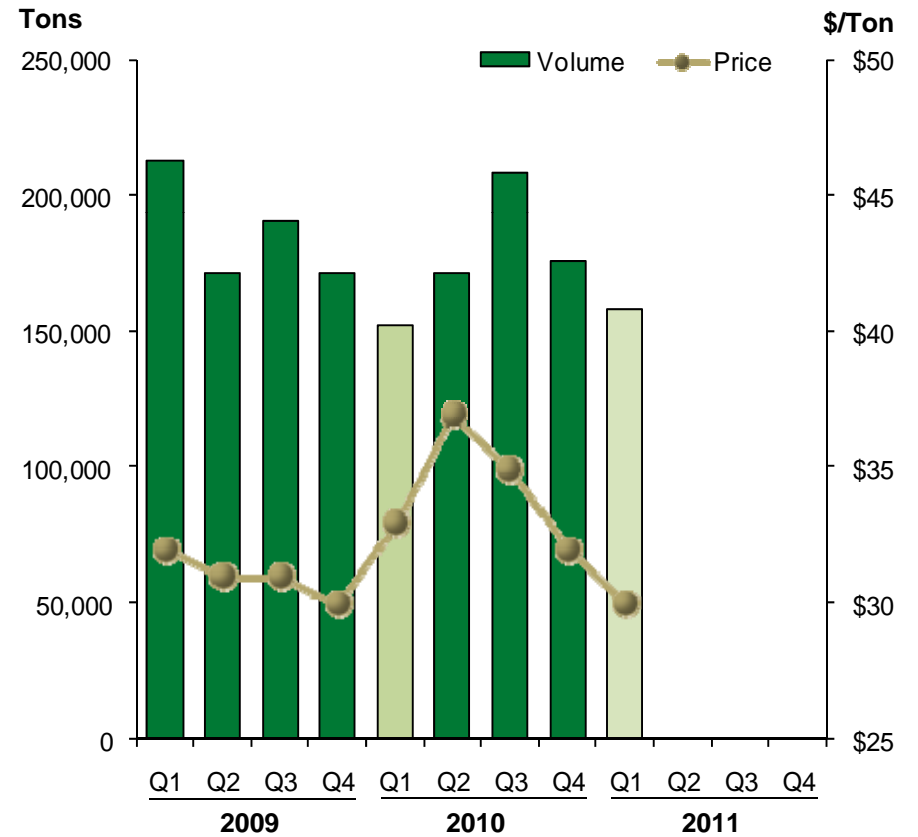
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

Southern Region – Volume and Pricing

Sawlog



Pulpwood

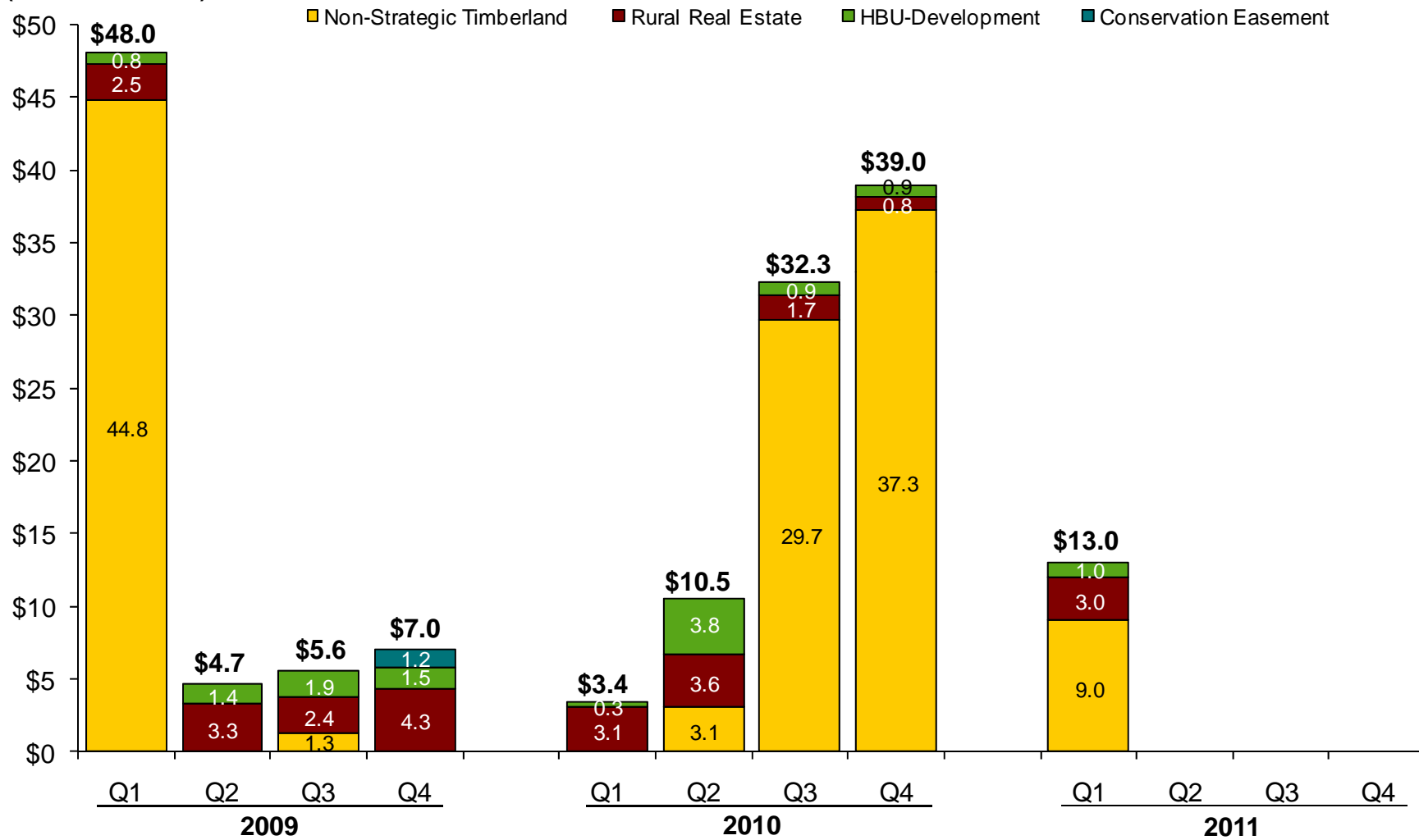


Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

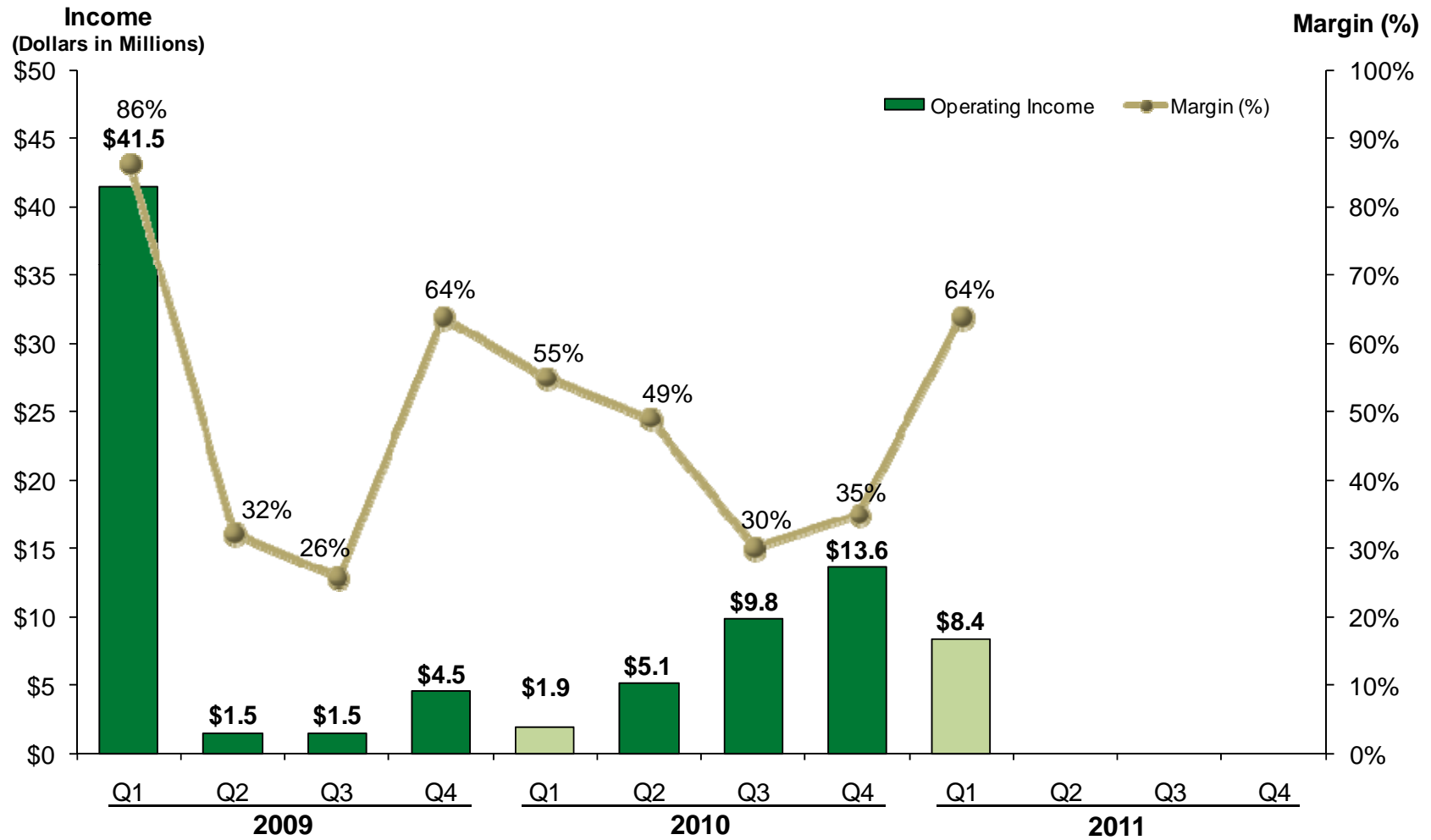
No volume is reflected in the data above for the timber deed sale that occurred in Q3 2009.

Real Estate – Revenues

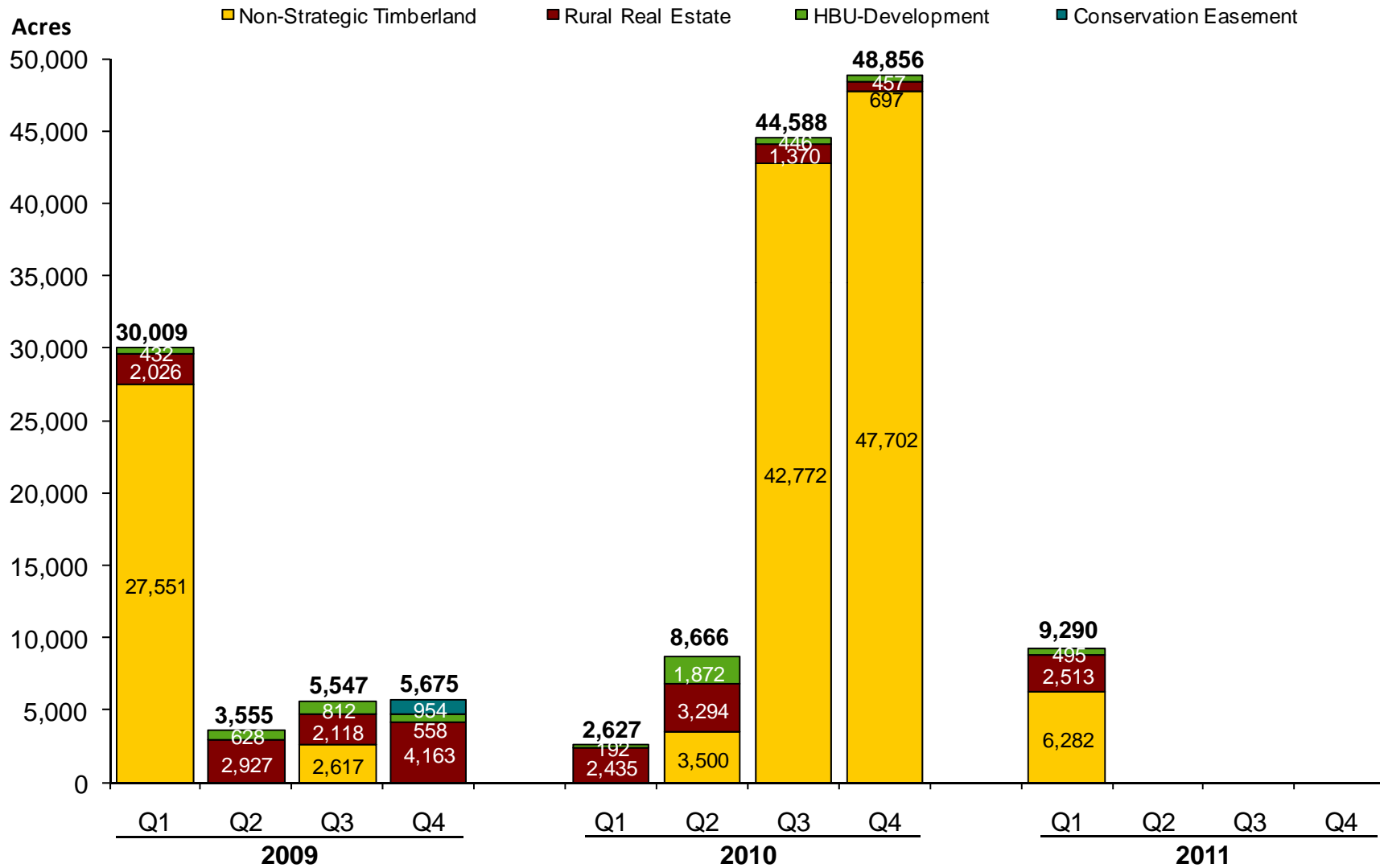
(Dollars in Millions)



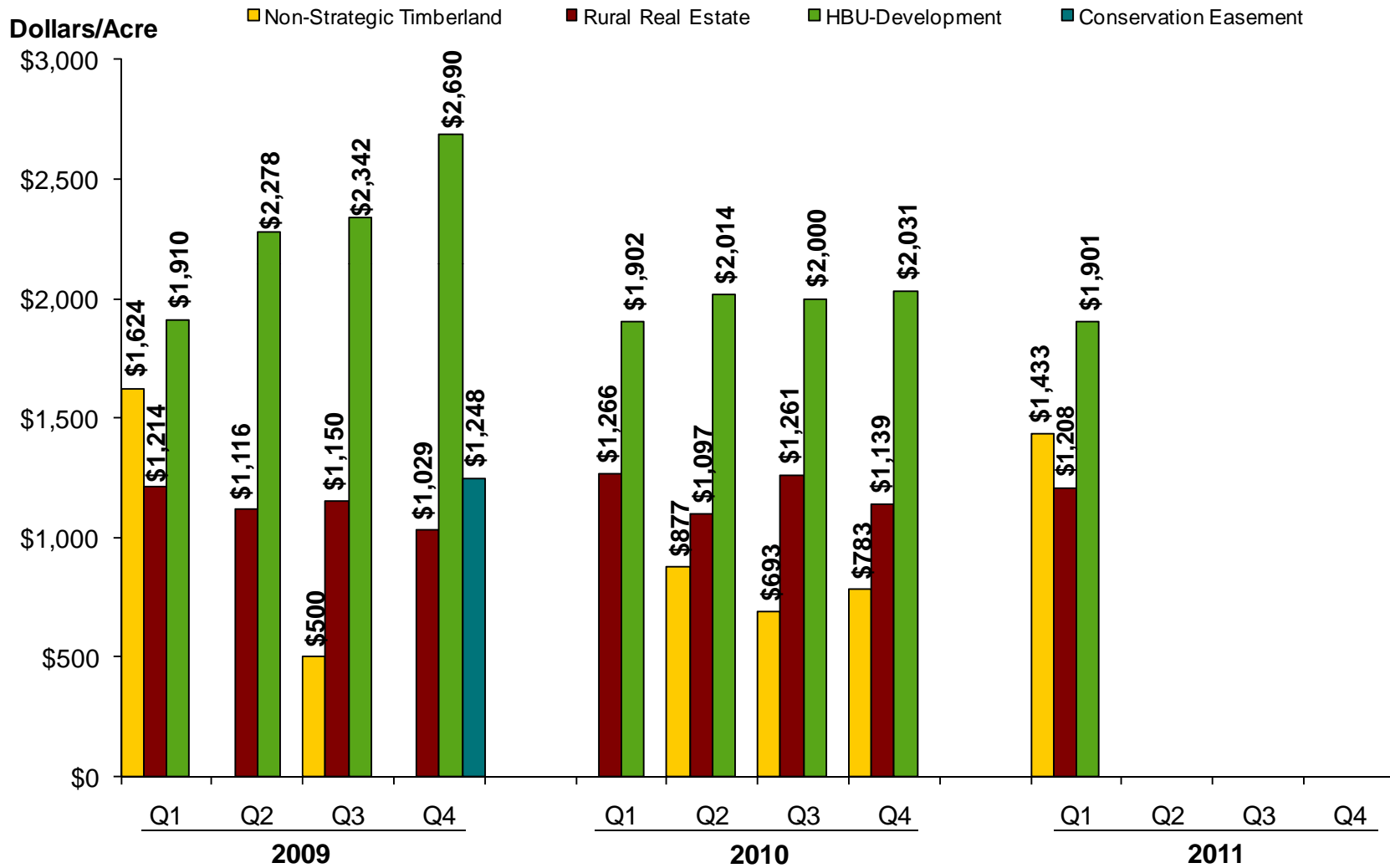
Real Estate – Operating Income and Margin



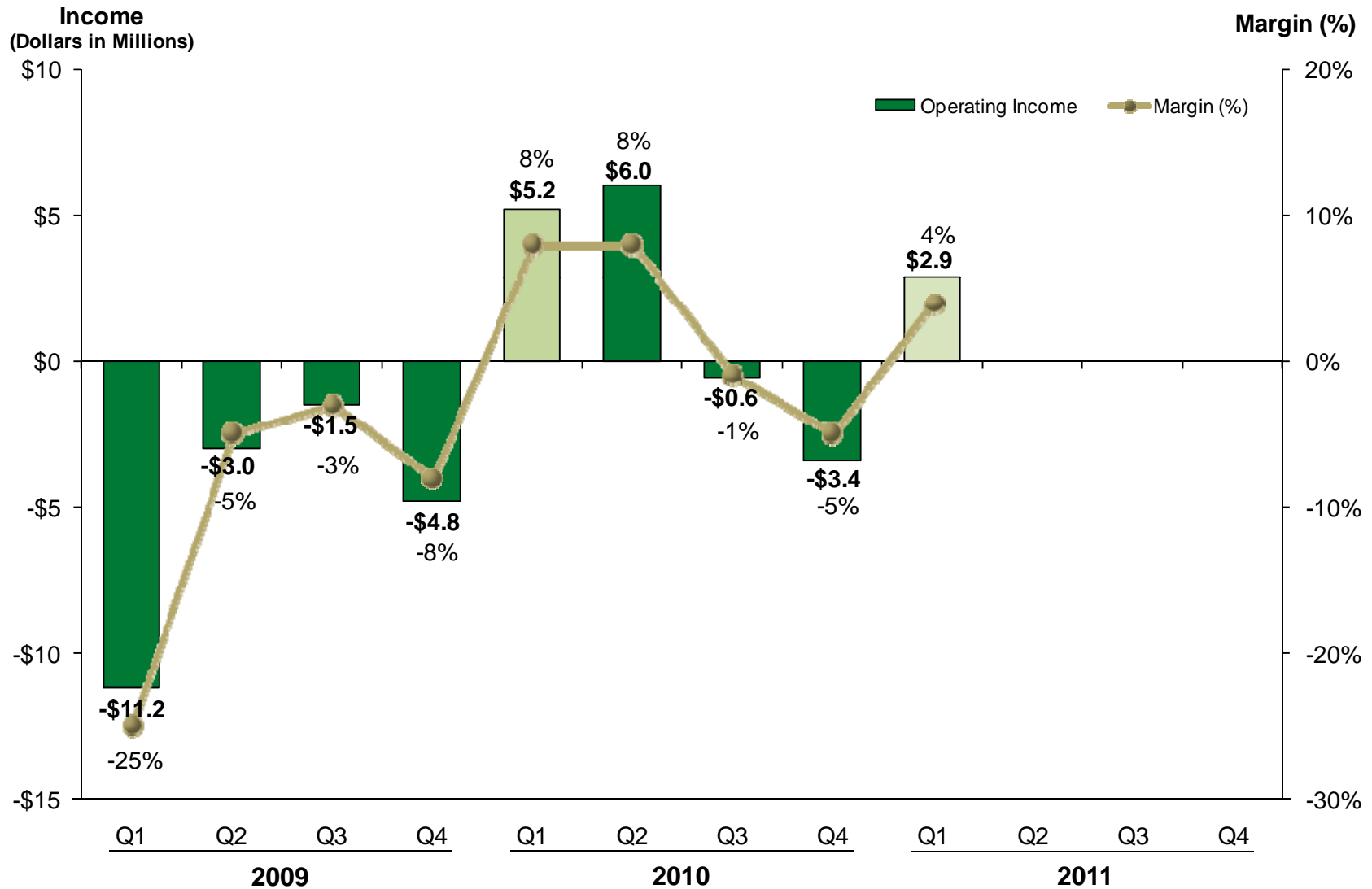
Real Estate – Acres Sold



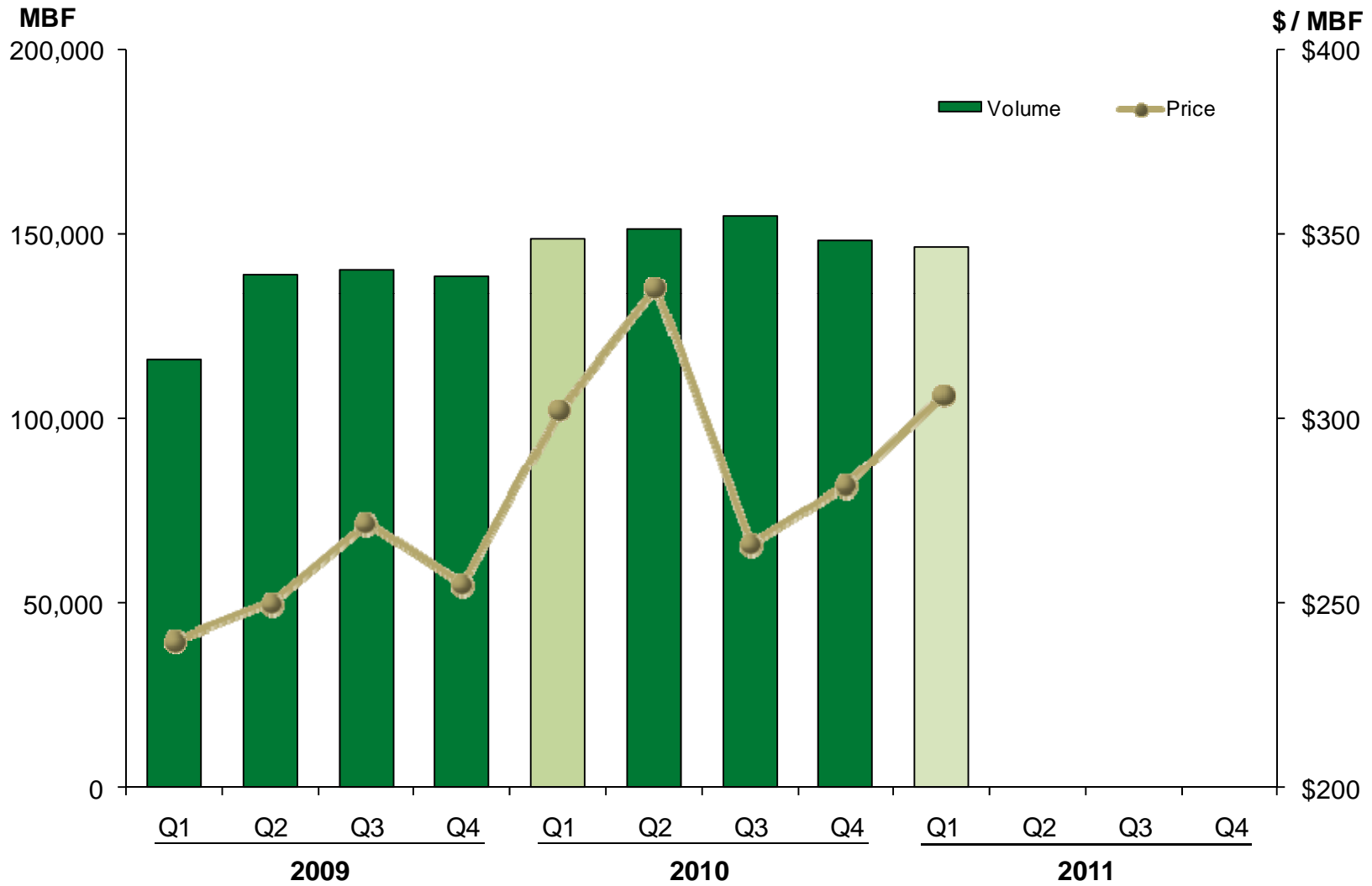
Real Estate – Sales Prices Per Acre



Wood Products – Operating Income (Loss) and Margin



Lumber – Sales Prices and Shipments



Volumes and Sales Prices Per Unit (unaudited)

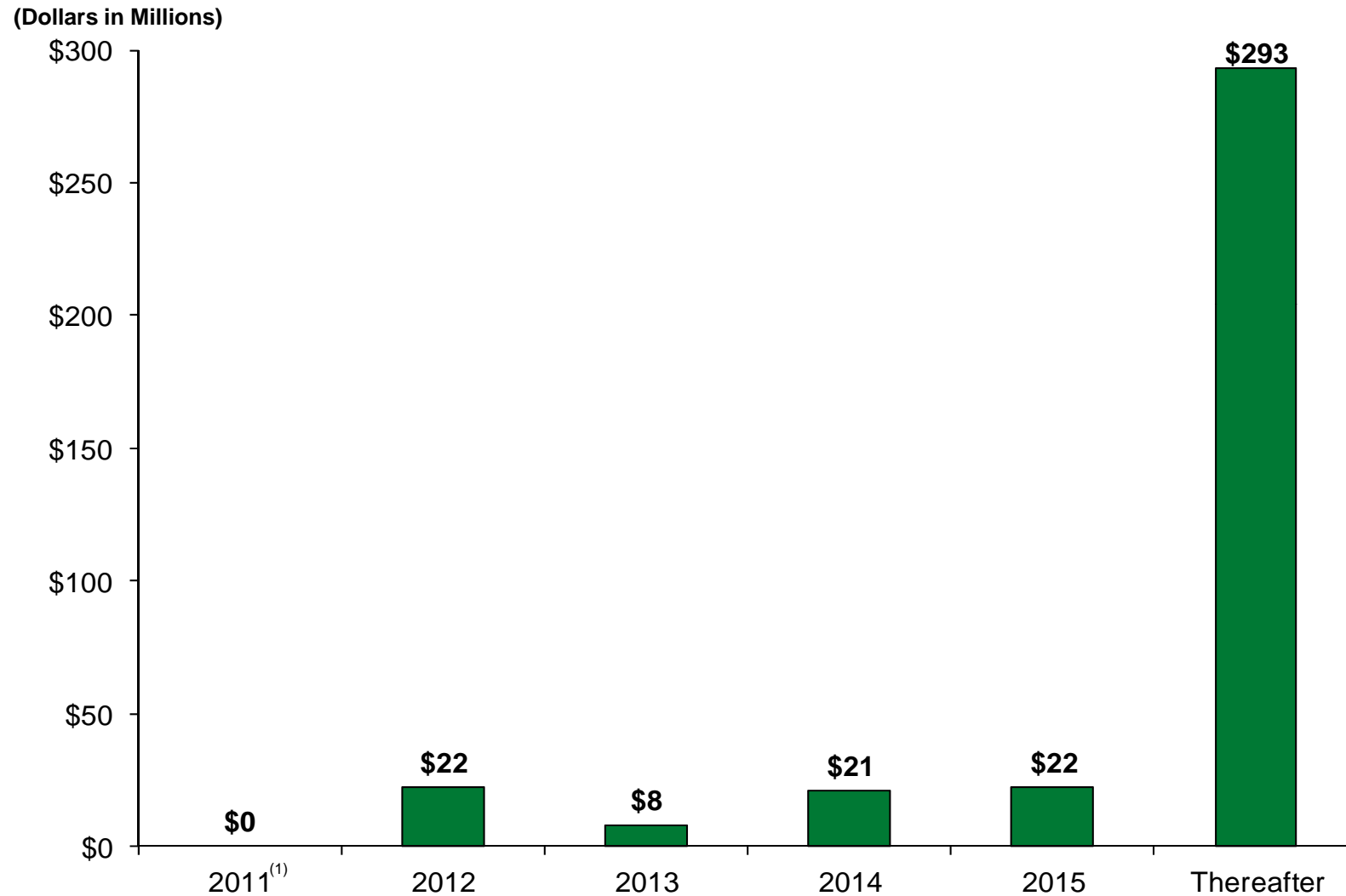
	<u>1st Quarter 2011</u>	<u>4th Quarter 2010</u>	<u>1st Quarter 2010</u>
Resource			
Fee Volume (tons)			
Northern region			
Sawlog	465,279	459,761	414,465
Pulpwood	105,905	77,914	122,491
Stumpage	25,170	5,764	23,693
Total	<u>596,354</u>	<u>543,439</u>	<u>560,649</u>
Southern region			
Sawlog	246,855	272,398	237,656
Pulpwood	158,047	175,538	152,047
Stumpage	1,791	-	-
Total	<u>406,693</u>	<u>447,936</u>	<u>389,703</u>
Sales Prices/Unit (\$ per ton)			
Northern region			
Sawlog	\$ 66	\$ 67	\$ 57
Pulpwood	37	37	35
Stumpage	10	9	10
Weighted Average	<u>\$ 59</u>	<u>\$ 62</u>	<u>\$ 50</u>
Southern region			
Sawlog	\$ 43	\$ 44	\$ 43
Pulpwood	30	32	33
Stumpage	6	-	-
Weighted Average	<u>\$ 38</u>	<u>\$ 39</u>	<u>\$ 39</u>
Wood Products			
Lumber Shipments (MBF)	146,599	148,405	148,900
Lumber Sales Prices (\$ per MBF)	\$ 307	\$ 282	\$ 303

Financial Highlights (unaudited)

(Dollars in Thousands)

	<u>March 31, 2011</u>	<u>December 31, 2010</u>	<u>March 31, 2010</u>
Balance Sheet Highlights:			
Working capital	\$ 65,864	\$ 95,762	\$ 45,361
Total assets	757,414	781,711	809,437
Long-term debt (including current portion)	363,138	368,496	368,504
Stockholders' equity	192,195	204,439	216,901
Long-term debt to stockholder's equity ratio	1.9 to 1	1.8 to 1	1.7 to 1
Cash Flow Highlights:			
	<u>2011</u>	<u>Three months ended March 31, 2010</u>	
Cash flows from continuing operations:			
Net cash provided by operating activities	\$ 20,221	\$ 11,945	
Net cash used for investing activities	8,083	11,678	
Net cash used for financing activities	(27,308)	(22,317)	
Capital expenditures	(3,131)	(2,554)	

Long-Term Debt Maturity Profile



(1) \$5 million maturity paid in January 2011.

Reconciliation of Non-GAAP Measures (unaudited)

	(Dollars in Thousands)		
	<u>1st Quarter 2011</u>	<u>4th Quarter 2010</u>	<u>1st Quarter 2010</u>
Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA):			
GAAP net earnings	\$ 7,696	\$ 9,376	\$ 1,195
Net cash interest expense	6,246	6,283	6,633
Income tax provision (benefit)	1,583	(3,364)	3,007
Depreciation, depletion & amortization	8,666	7,347	7,211
Basis of real estate sold	3,615	23,178	568
Loss (gain) from discontinued operations, net of tax	-	(477)	189
EBITDDA *	<u>\$ 27,806</u>	<u>\$ 42,343</u>	<u>\$ 18,803</u>

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

Reconciliation of Non-GAAP Measures (unaudited)

	(Dollars in Thousands)		
	1st Quarter 2011	4th Quarter 2010	1st Quarter 2010
	<u> </u>	<u> </u>	<u> </u>
Funds from Operations (FFO):			
GAAP net earnings	\$ 7,696	\$ 9,376	\$ 1,195
Depreciation, depletion & amortization	8,666	7,347	7,211
Basis of real estate sold	3,615	23,178	568
Loss (gain) from discontinued operations, net of tax	-	(477)	189
Funds from continuing operations	<u><u>\$ 19,977</u></u>	<u><u>\$ 39,424</u></u>	<u><u>\$ 9,163</u></u>
Gain (loss) from discontinued operations, net of tax	-	477	(189)
Funds from Operations *	<u><u>\$ 19,977</u></u>	<u><u>\$ 39,901</u></u>	<u><u>\$ 8,974</u></u>

* Non-GAAP measure - See page 18 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 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.



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