

POTLATCH CORPORATION
Fourth Quarter 2009 Conference Call
Supplemental Information

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Chairman, President and Chief Executive Officer
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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, recovery of the economy, trends in the housing market, pricing and demand for real estate, timberland values, future non-strategic timberland transactions, future cash flows, prospects for each of our business segments, quarterly dividend levels, dividend policy, liquidity, debt maturities, pricing for our wood products, expected corporate administrative expenses, capital spending, future taxes, and depreciation, depletion and amortization expenses. 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.

Fourth Quarter 2009 Summary (unaudited)

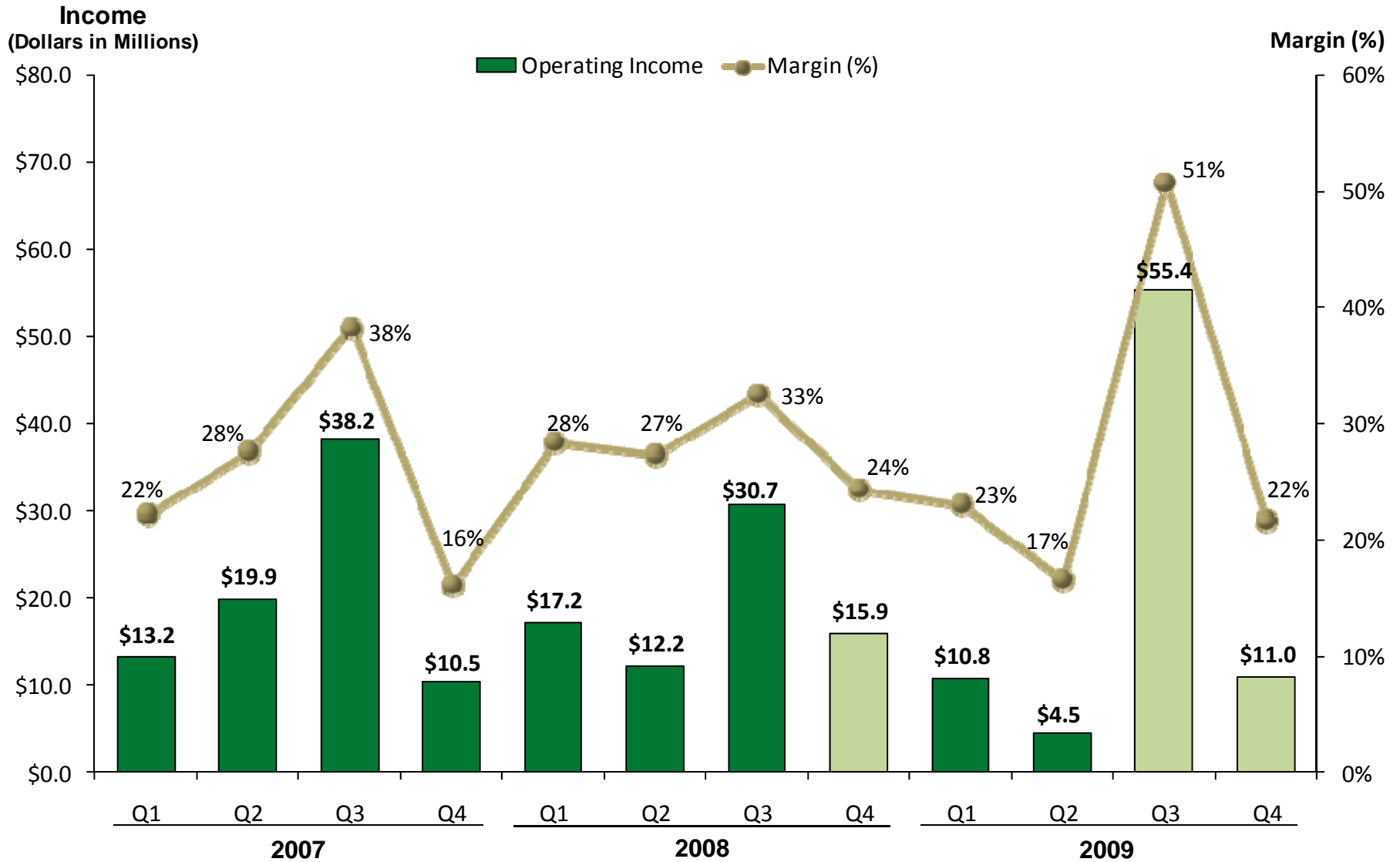
(Dollars in Thousands - except per share amounts)

	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	Year Ended 2009	Year Ended 2008
Operating Income (Loss)							
Resource	\$ 11,029	\$ 55,374	\$ 4,525	\$ 10,846	\$ 15,906	\$ 81,774	\$ 76,008
Real Estate	4,454	1,455	1,507	41,512	298	48,928	31,490
Wood Products	(4,776)	(1,532)	(2,993)	(11,183)	(11,414)	(20,484)	(13,675)
Eliminations and adjustments	3,540	(764)	4,336	751	(908)	7,863	(1,017)
	14,247	54,533	7,375	41,926	3,882	118,081	92,806
Corporate	(16,012)	(14,844)	(11,623)	(10,819)	(8,185)	(53,298)	(45,064)
Earnings (loss) from continuing operations before taxes	(1,765)	39,689	(4,248)	31,107	(4,303)	64,783	47,742
Income tax provision (benefit)	(4,711)	(6,333)	(7,940)	2,336	(10,211)	(16,648)	(25,195)
Earnings from continuing operations	2,946	46,022	3,692	28,771	5,908	81,431	72,937
plus: Interest expense, net of interest income	6,014	5,095	4,872	4,804	5,176	20,785	20,154
Income tax provision (benefit)	(4,711)	(6,333)	(7,940)	2,336	(10,211)	(16,648)	(25,195)
Depreciation, depletion & amortization (DD&A)	7,809	15,388	4,906	6,612	8,127	34,715	30,153
Basis of real estate sold	966	2,866	1,716	5,148	1,321	10,696	9,109
Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *	\$ 13,024	\$ 63,038	\$ 7,246	\$ 47,671	\$ 10,321	\$ 130,979	\$ 107,158
Funds from continuing operations	\$ 11,721	\$ 64,276	\$ 10,314	\$ 40,531	\$ 15,356	\$ 126,842	\$ 112,199
Discontinued operations:							
Gain (loss) on disposal of discontinued operations, net of tax	\$ -	\$ -	\$ -	\$ -	\$ 25	\$ -	\$ (12,421)
Gain (loss) from discontinued operations, net of tax	(43)	(183)	74	(3,951)	(10,283)	(4,103)	(7,879)
DD&A					9,747		45,501
	(43)	(183)	74	(3,951)	(511)	(4,103)	25,201
Net earnings (loss)	\$ 2,903	\$ 45,839	\$ 3,766	\$ 24,820	\$ (4,350)	\$ 77,328	\$ 52,637
Diluted earnings per common share from continuing operations	\$ 0.07	\$ 1.15	\$ 0.09	\$ 0.72	\$ 0.15	\$ 2.04	\$ 1.83
Funds from operations (FFO) *	\$ 11,678	\$ 64,093	\$ 10,388	\$ 36,580	\$ 14,845	\$ 122,739	\$ 137,400

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

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

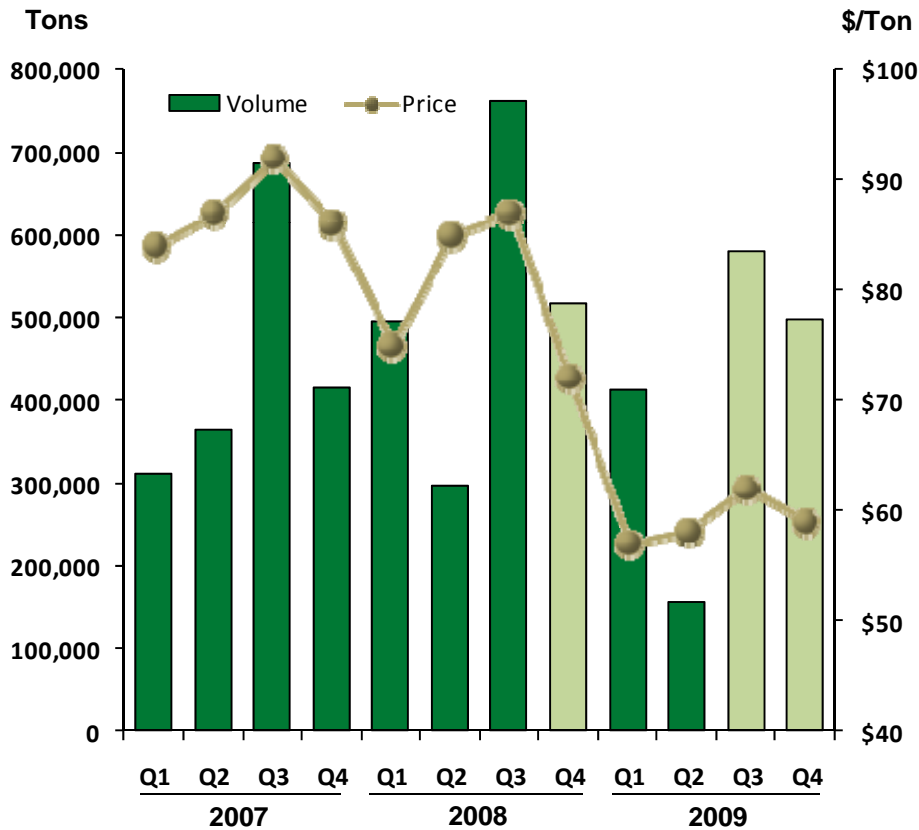
Resource – Operating Income and Margin



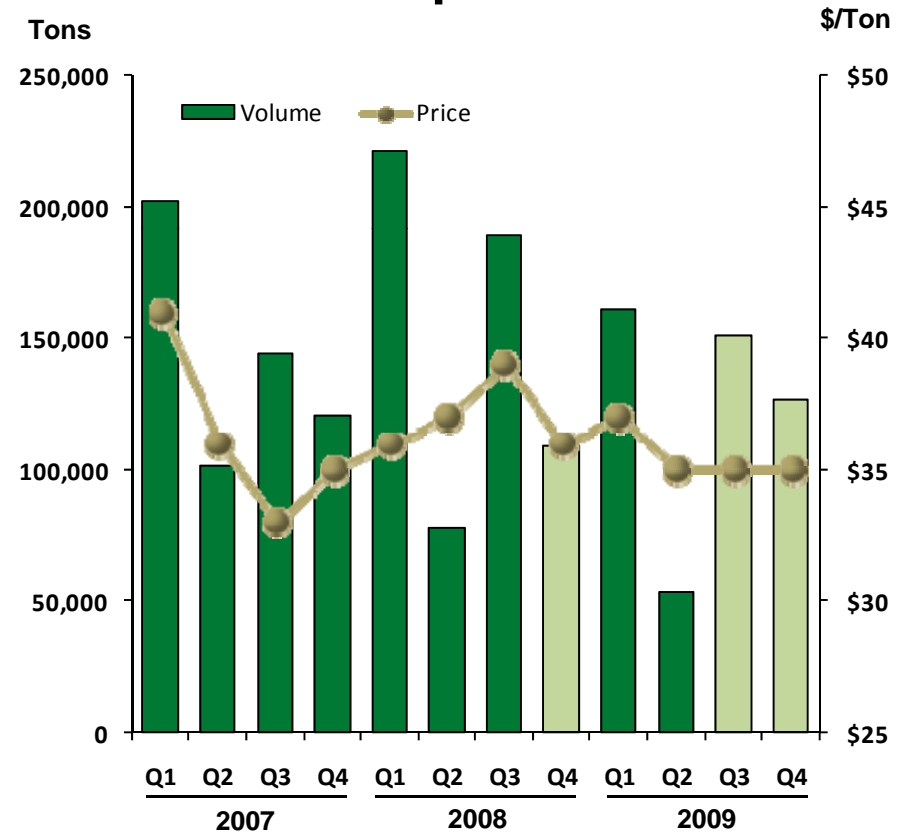
Note: Q3 2009 Resource results include a timber deed transaction which produced operating income of \$41.5 million.

Northern Region - Volume and Pricing

Sawlog



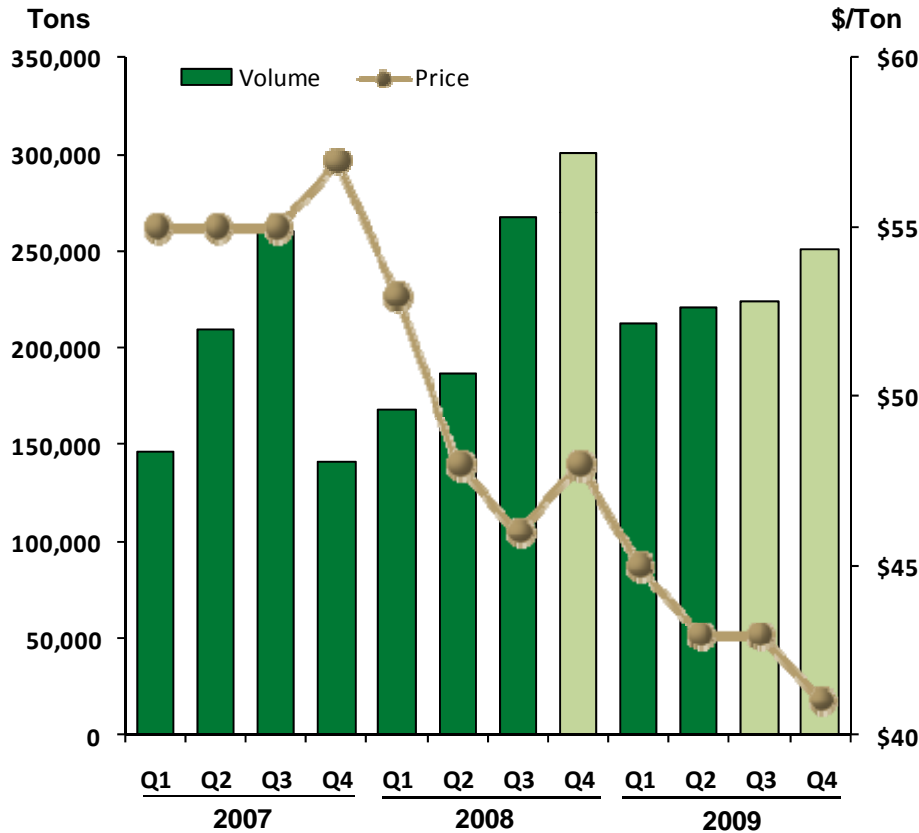
Pulpwood



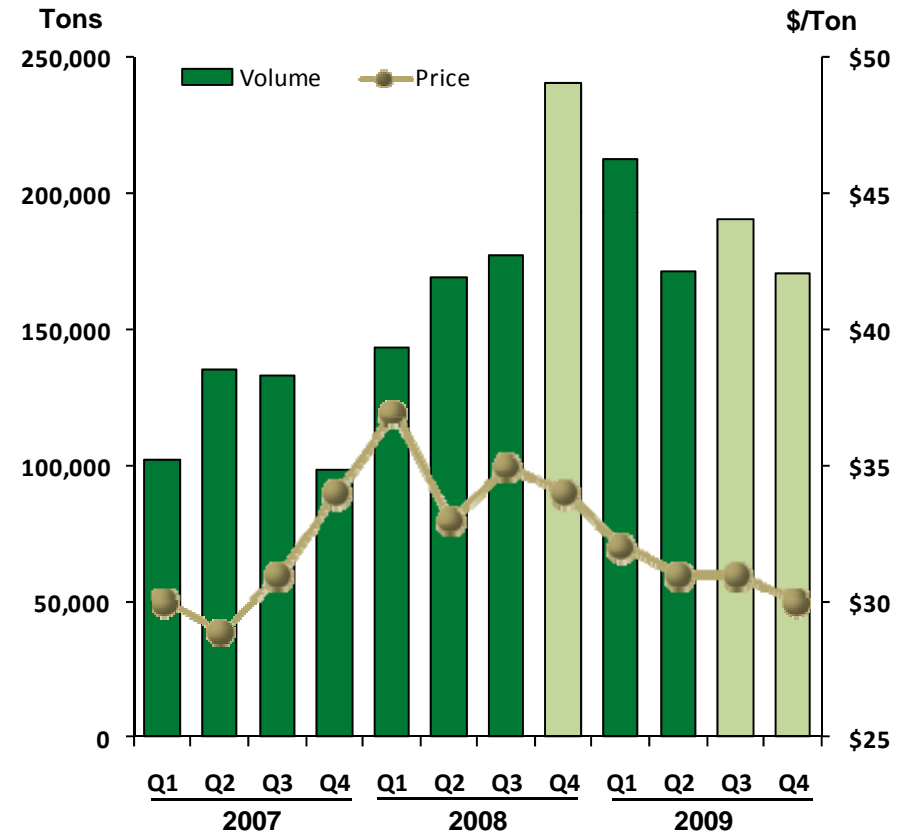
Note: Volumes include tonnage produced from company owned fee land, while pricing data includes revenue generated from both company owned fee land and non-fee stumpage purchased from third parties.

Southern Region – Volume and Pricing

Sawlog



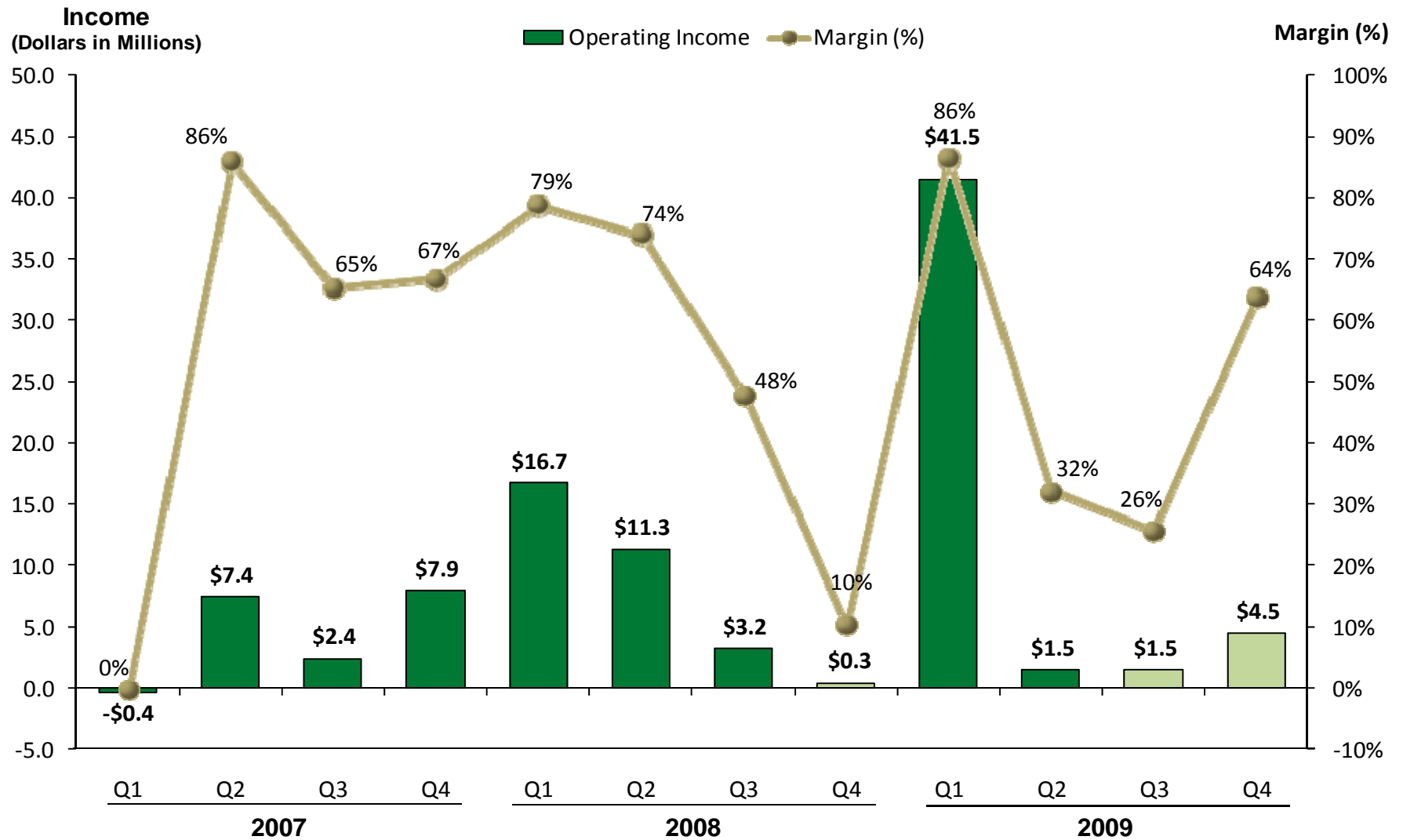
Pulpwood



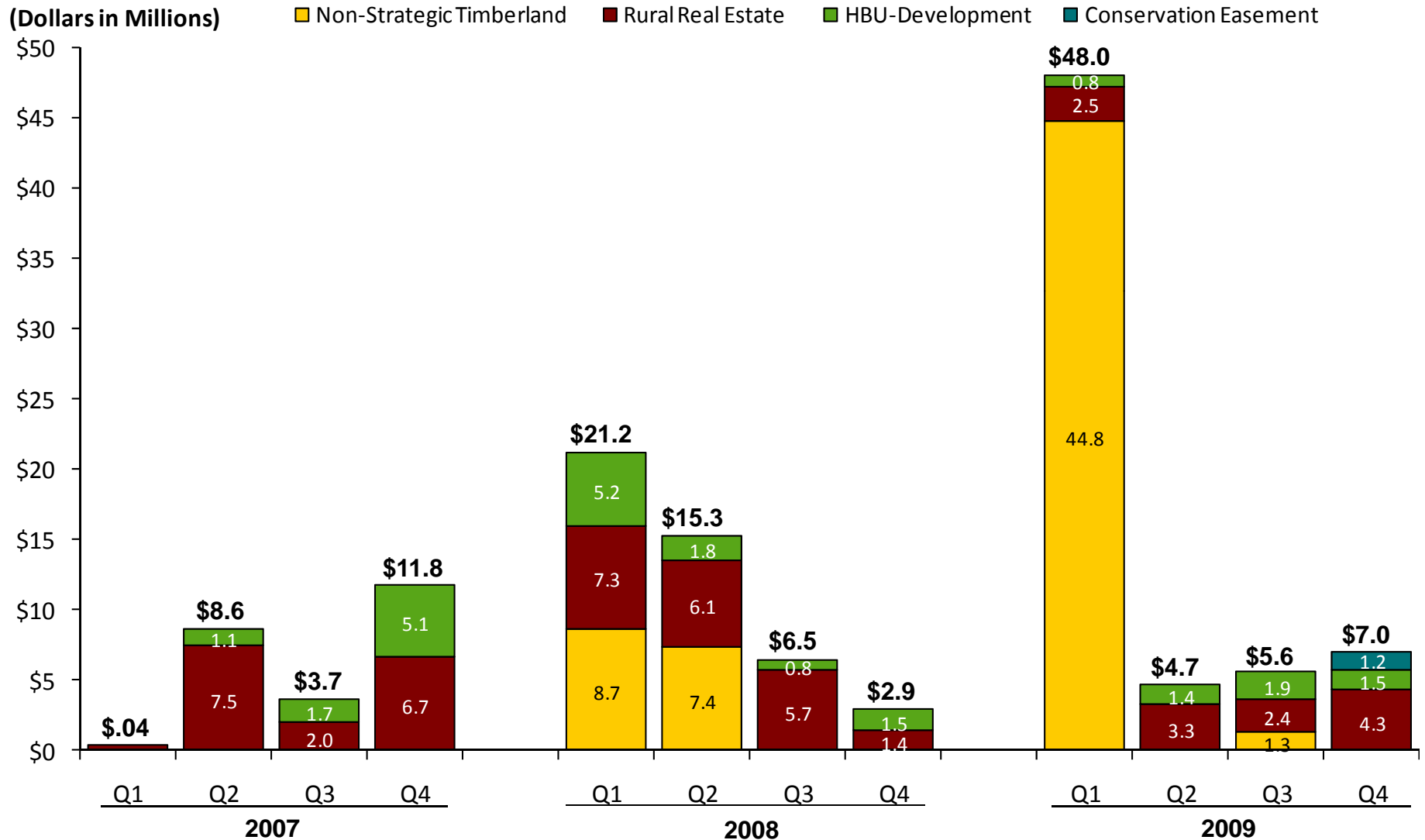
Note: Volumes include tonnage produced from company owned fee land, while pricing data includes revenue generated from both company owned fee land and non-fee stumpage purchased from third parties.

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

Real Estate – Operating Income and Margin

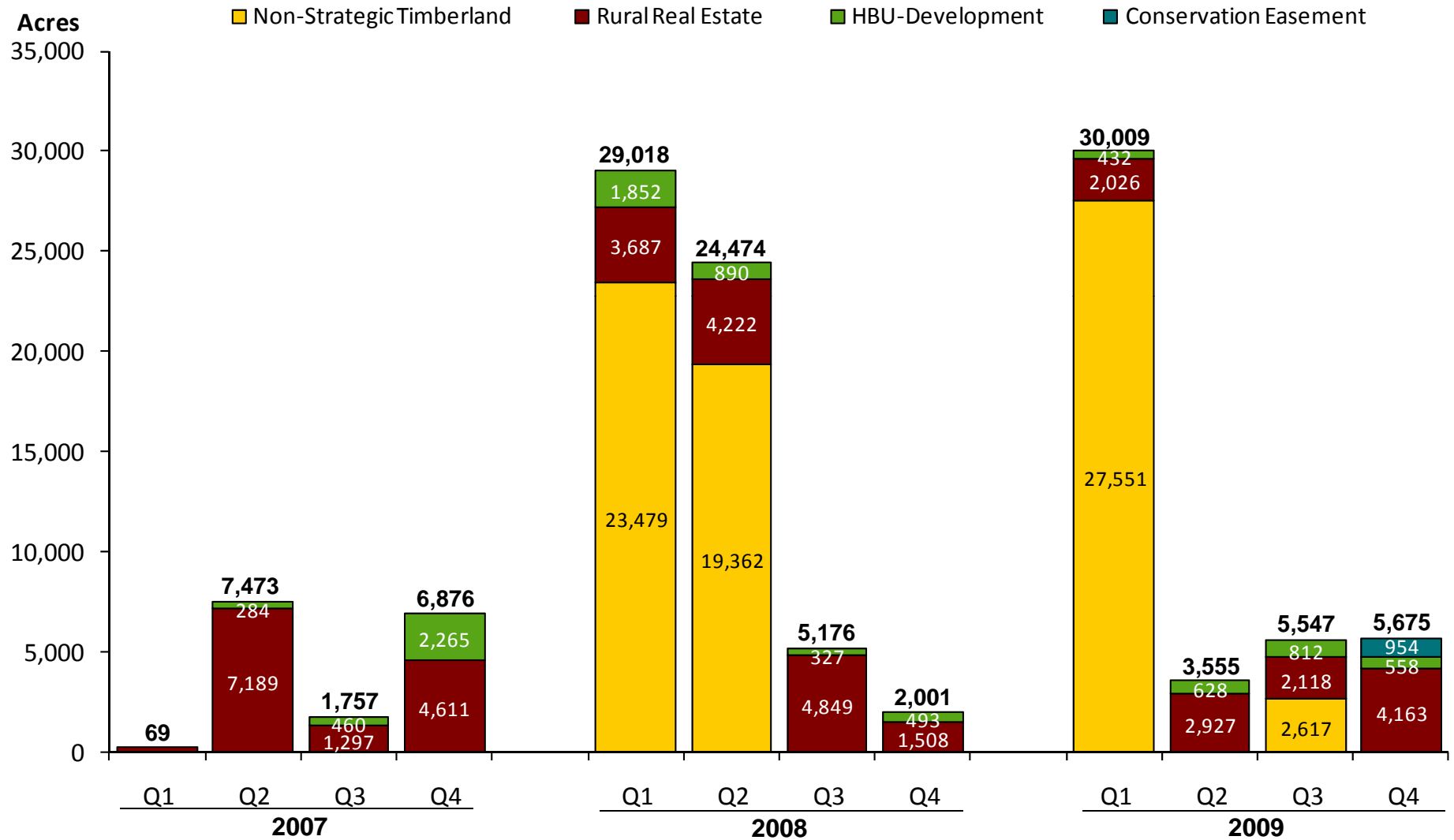


Real Estate - Revenues



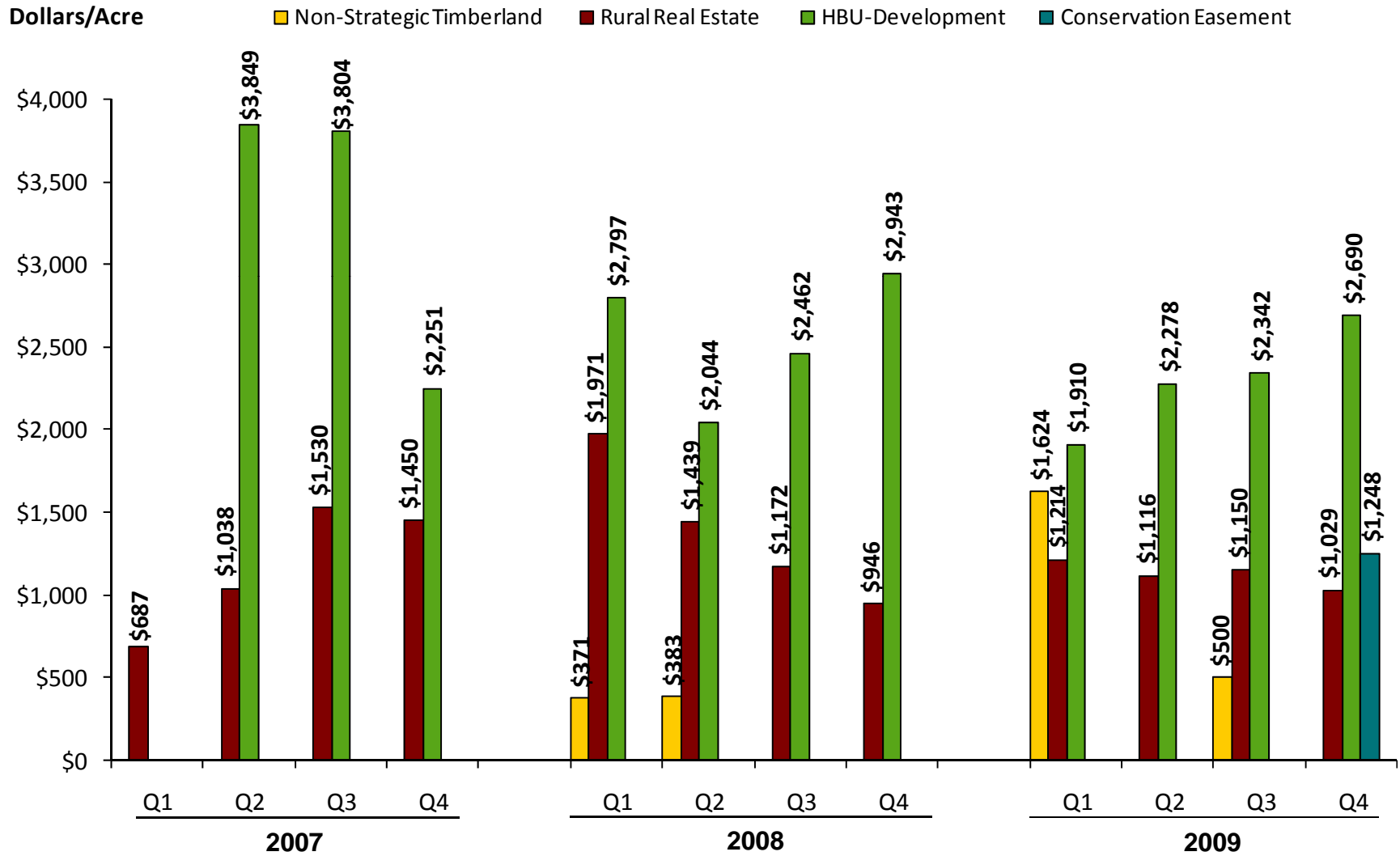
Note: Q4 2008 Real Estate HBU revenues include a \$250,000 building sale.

Real Estate – Acres Sold



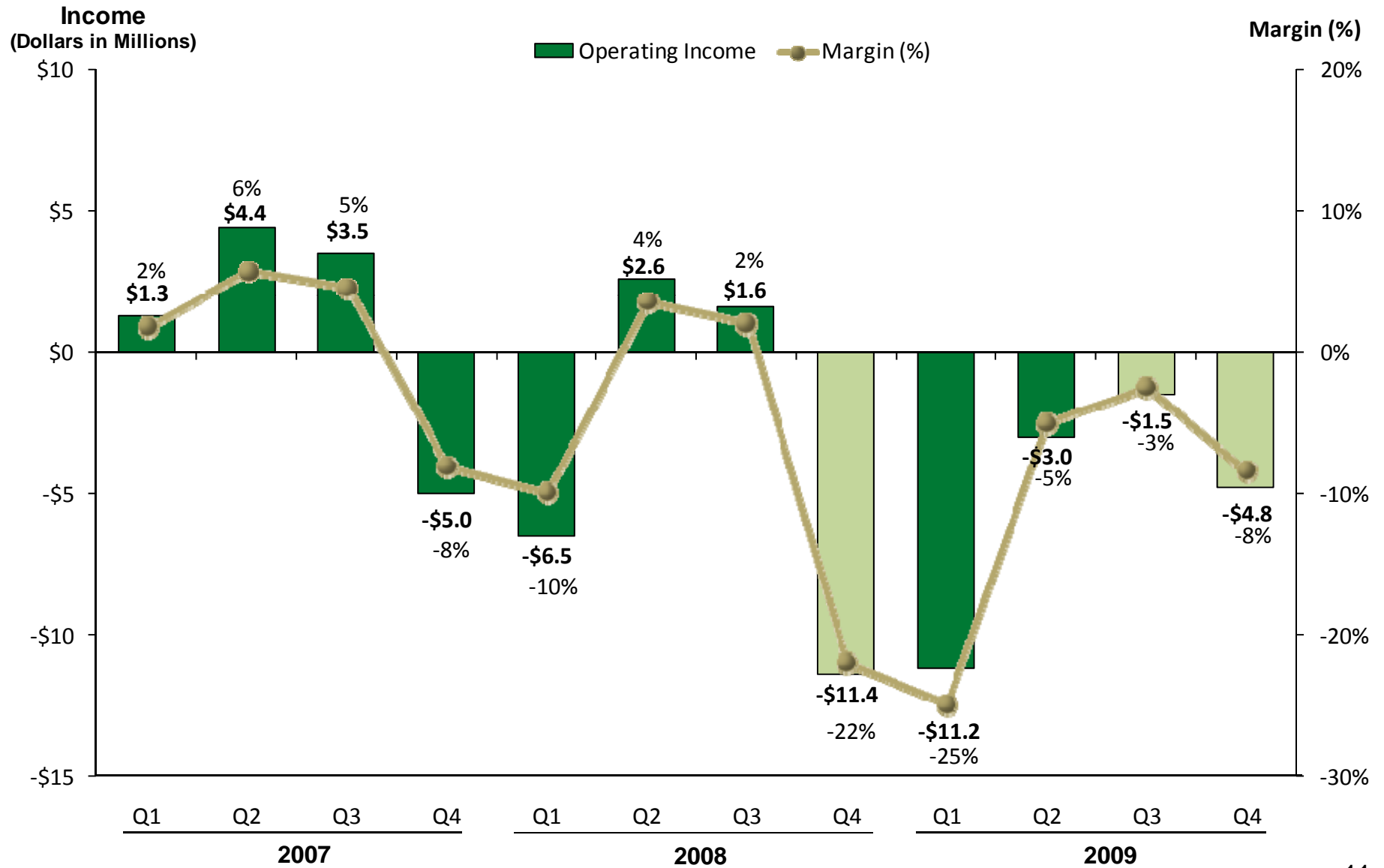
Note: Q4 2008 'Acres Sold' excludes building sale.

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)		
	4th Quarter 2009 vs. 3rd Quarter 2009	4th Quarter 2009 vs. 4th Quarter 2008	Years Ended 2009 vs. 2008
Resource	(\$44.4)	(\$4.9)	\$5.7
Volume	(5.2)	(2.1)	(12.1)
Price	(45.2)	(5.8)	0.2
Costs and Other	6.0	3.0	17.6
Real Estate	\$3.0	\$4.2	\$17.4
Wood products	(\$3.2)	\$6.6	(\$6.8)
Volume	-	(2.0)	(3.4)
Price	1.0	0.8	(29.8)
Costs and other	(4.2)	7.8	26.4
Eliminations	\$4.3	\$4.4	\$8.9
Corporate	(\$1.2)	(\$7.8)	(\$8.2)
Increase (decrease) in earnings from continuing operations before taxes	(\$41.5)	\$2.5	\$17.0

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

Volumes and Sales Prices Per Unit (unaudited)

	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	Year Ended 2009	Year Ended 2008
Resource							
Fee Volume (tons)							
Northern region							
Sawlog	497,464	580,745	157,348	412,659	517,641	1,648,216	2,072,617
Pulpwood	126,927	150,800	53,635	160,800	109,287	492,162	597,397
Stumpage	10,901	10,627	8,492	8,302	298	38,322	8,440
Total	<u>635,292</u>	<u>742,172</u>	<u>219,475</u>	<u>581,761</u>	<u>627,226</u>	<u>2,178,700</u>	<u>2,678,454</u>
Southern region							
Sawlog	251,362	224,195	220,473	212,561	300,460	908,591	923,254
Pulpwood	170,965	190,562	171,174	212,550	240,456	745,251	730,716
Stumpage	-	-	-	-	4,927	-	45,273
Total	<u>422,327</u>	<u>414,757</u>	<u>391,647</u>	<u>425,111</u>	<u>545,843</u>	<u>1,653,842</u>	<u>1,699,243</u>
Sales Prices/Unit (\$ per ton)							
Northern region							
Sawlog	\$ 59	\$ 62	\$ 58	\$ 57	\$ 72	\$ 59	\$ 80
Pulpwood	35	35	35	37	36	36	37
Stumpage	9	11	10	12	12	10	22
Weighted Average	<u>\$ 53</u>	<u>\$ 56</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 65</u>	<u>\$ 53</u>	<u>\$ 70</u>
Southern region							
Sawlog	\$ 41	\$ 43	\$ 43	\$ 45	\$ 48	\$ 43	\$ 48
Pulpwood	30	31	31	32	34	31	35
Stumpage	-	-	-	-	24	-	22
Weighted Average	<u>\$ 37</u>	<u>\$ 37</u>	<u>\$ 38</u>	<u>\$ 39</u>	<u>\$ 41</u>	<u>\$ 38</u>	<u>\$ 42</u>
Wood Products							
Lumber Shipments (MBF)	138,492	140,174	139,041	116,030	117,245	533,737	514,814
Lumber Sales Prices (\$ per MBF)	\$ 255	\$ 272	\$ 250	\$ 240	\$ 267	\$ 255	\$ 292

Tax Provision (Benefit) from Continuing Operations (unaudited)

(Dollars in Thousands)	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	Year Ended 2009	Year Ended 2008
Current year REIT, net	\$ (1,967)	\$ (970)	\$ (3,580)	\$ 11,297	\$ 313	\$ 4,780	\$ 1,544
Current year TRS	(2,744)	(5,363)	(4,360)	(8,961)	(10,524)	(21,428)	(26,739)
Tax provision (benefit) from continuing operations	<u>(4,711)</u>	<u>(6,333)</u>	<u>(7,940)</u>	<u>2,336</u>	<u>(10,211)</u>	<u>(16,648)</u>	<u>(25,195)</u>
Discontinued operations:							
Clearwater Paper	11	(36)	73	(10)	(3,158)	38	1,012
Prescott Lumber	83	(42)	36	(74)	(404)	3	(9,955)
Other discontinued operations	(115)	(39)	(53)	(2,519)	-	(2,726)	(2,027)
Tax provision (benefit) from discontinued operations	<u>(21)</u>	<u>(117)</u>	<u>56</u>	<u>(2,603)</u>	<u>(3,562)</u>	<u>(2,685)</u>	<u>(10,970)</u>
Total tax benefit	<u>\$ (4,732)</u>	<u>\$ (6,450)</u>	<u>\$ (7,884)</u>	<u>\$ (267)</u>	<u>\$ (13,773)</u>	<u>\$ (19,333)</u>	<u>\$ (36,165)</u>

Reconciliation of Non-GAAP Measures (unaudited)

(Dollars in Thousands)	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	Year Ended 2009	Year Ended 2008
Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA):							
GAAP net earnings (loss)	\$ 2,903	\$ 45,839	\$ 3,766	\$ 24,820	\$ (4,350)	\$ 77,328	\$ 52,637
Interest expense, net of interest income	6,014	5,095	4,872	4,804	5,176	20,785	20,154
Income tax provision (benefit)	(4,711)	(6,333)	(7,940)	2,336	(10,211)	(16,648)	(25,195)
Depreciation, depletion and amortization from continuing operations	7,809	15,388	4,906	6,612	8,127	34,715	30,153
Basis of real estate sold	966	2,866	1,716	5,148	1,321	10,696	9,109
Loss (gain) from discontinued operations, net of tax	43	183	(74)	3,951	10,258	4,103	20,300
EBITDDA *	\$ 13,024	\$ 63,038	\$ 7,246	\$ 47,671	\$ 10,321	\$ 130,979	\$ 107,158

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

Reconciliation of Non-GAAP Measures (unaudited)

(Dollars in Thousands)	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	4th Quarter 2008	Year Ended 2009	Year Ended 2008
Funds from Operations (FFO):							
GAAP net earnings (loss)	\$ 2,903	\$ 45,839	\$ 3,766	\$ 24,820	\$ (4,350)	\$ 77,328	\$ 52,637
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Funds from continuing operations	\$ 11,721	\$ 64,276	\$ 10,314	\$ 40,531	\$ 15,356	\$ 126,842	\$ 112,199
Gain (loss) from discontinued operations, net of tax	(43)	(183)	74	(3,951)	(10,258)	(4,103)	(20,300)
Depreciation, depletion and amortization from discontinued operations	-	-	-	-	9,747	-	45,501
Funds from Operations *	\$ 11,678	\$ 64,093	\$ 10,388	\$ 36,580	\$ 14,845	\$ 122,739	\$ 137,400

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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 interest expense, provision (benefit) for income taxes, depreciation, depletion and amortization and the basis of real estate sold from continuing operations. 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.