

POTLATCH CORPORATION

Third Quarter 2009 Conference Call Supplemental Information

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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 future company performance, strength of the company's balance sheet, direction of markets, log pricing and demand, future harvest levels, future housing starts, demand for real estate, timberland values, credit agreement covenant ratios, future cash flows, prospects for each of our business segments, funds from operations (FFO), funds available for distribution (FAD), quarterly dividend levels, dividend policy, our proposed notes offering, losses in our Wood Products segment, pricing, demand and volume trends for our Wood Products, pricing, demand and volume trends in our real estate business, and changes to our OPEB obligations. 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.

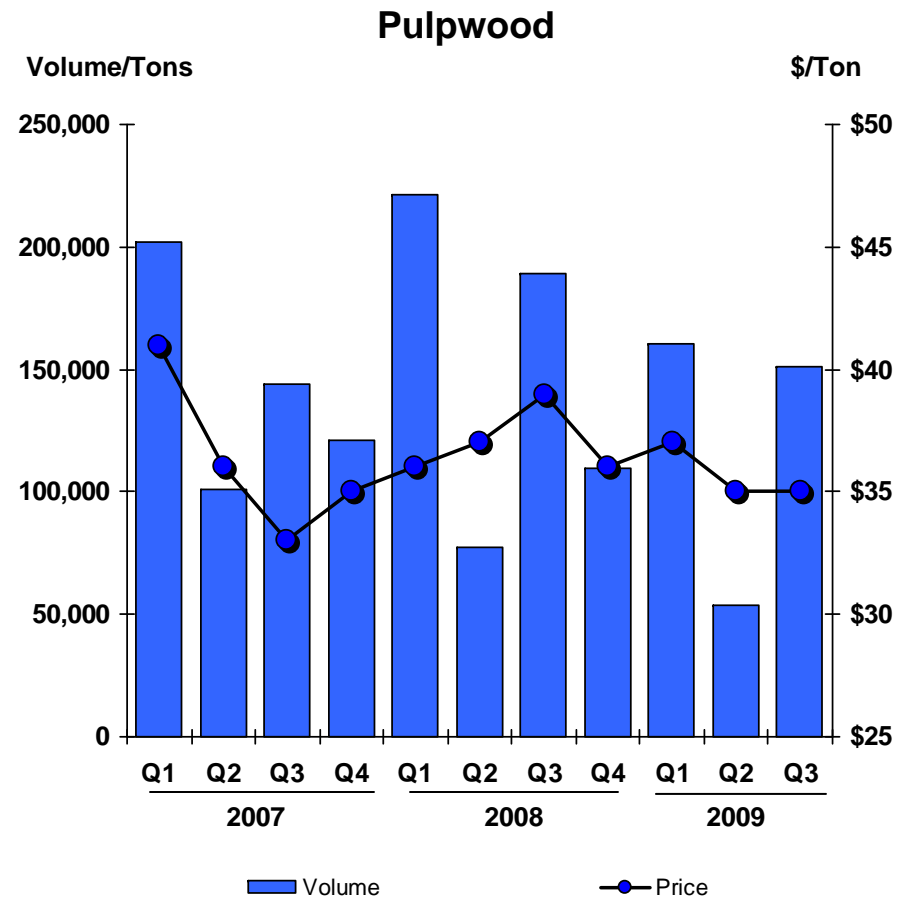
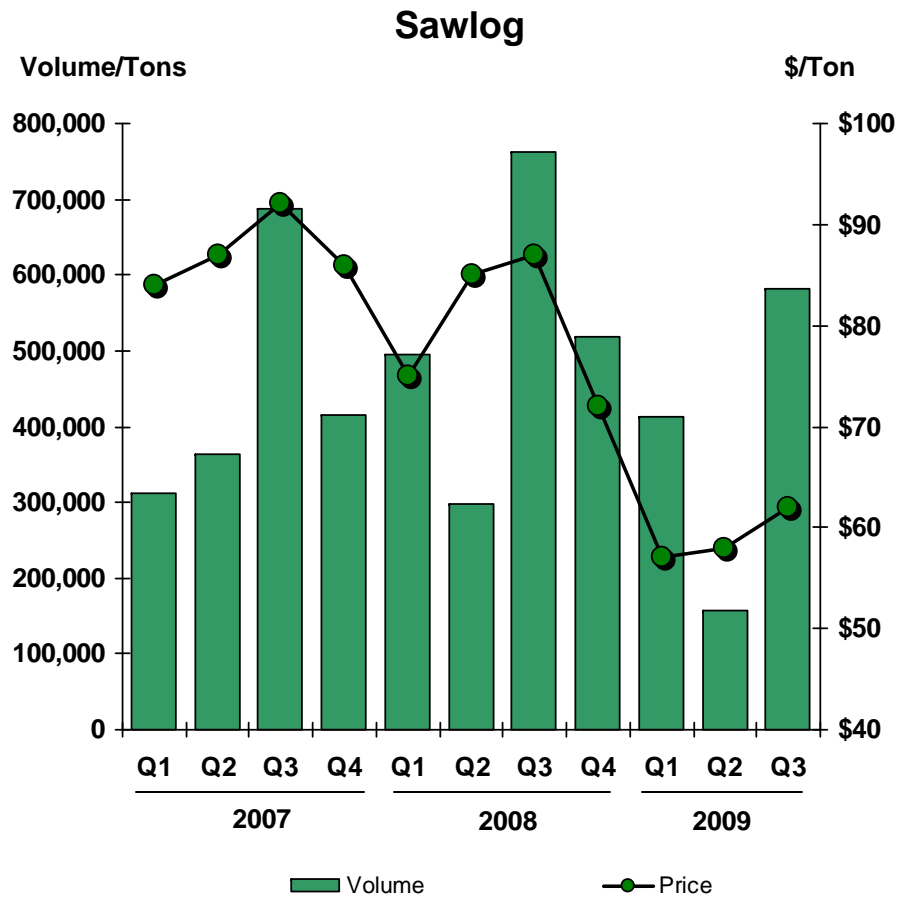
Third Quarter 2009 Summary *(Unaudited)*

	(Dollars in Thousands – Except Per – Share Amounts)					
	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	3rd Quarter 2008	Nine Months Ended 2009	Nine Months Ended 2008
Operating Income (Loss)						
Resource	\$ 55,374	\$ 4,525	\$ 10,846	\$ 30,746	\$ 70,745	\$ 60,102
Real Estate	1,455	1,507	41,512	3,225	44,474	31,192
Wood Products	(1,532)	(2,993)	(11,183)	1,585	(15,708)	(2,261)
Eliminations and adjustments	(764)	4,336	751	(3,337)	4,323	(109)
	<u>54,533</u>	<u>7,375</u>	<u>41,926</u>	<u>32,219</u>	<u>103,834</u>	<u>88,924</u>
Corporate	(14,844)	(11,623)	(10,819)	(12,949)	(37,286)	(36,879)
Earnings (loss) from continuing operations before taxes	39,689	(4,248)	31,107	19,270	66,548	52,045
Income tax provision (benefit)	(6,333)	(7,940)	2,336	(5,600)	(11,937)	(14,984)
Earnings from continuing operations	46,022	3,692	28,771	24,870	78,485	67,029
plus: Interest expense, net of interest income	5,095	4,872	4,804	4,759	14,771	14,978
Income tax provision (benefit)	(6,333)	(7,940)	2,336	(5,600)	(11,937)	(14,984)
Depreciation, depletion & amortization (DD&A)	15,388	4,906	6,612	9,489	26,906	22,026
Basis of real estate sold	2,866	1,716	5,148	1,995	9,730	7,788
Earnings before interest expense, taxes, depreciation, depletion and amortization, and basis of real estate sold (EBITDDA) *	\$ 63,038	\$ 7,246	\$ 47,671	\$ 35,513	\$ 117,955	\$ 96,837
Funds from continuing operations	\$ 64,276	\$ 10,314	\$ 40,531	\$ 36,354	\$ 115,121	\$ 96,843
Discontinued operations:						
Loss on disposal of discontinued operations, net of tax	\$ -	\$ -	\$ -	\$ (236)	\$ -	\$ (12,446)
Gain (loss) from discontinued operations, net of tax	(183)	74	(3,951)	616	(4,060)	2,404
DD&A	-	-	-	11,580	-	35,754
	<u>(183)</u>	<u>74</u>	<u>(3,951)</u>	<u>11,960</u>	<u>(4,060)</u>	<u>25,712</u>
Net earnings	\$ 45,839	\$ 3,766	\$ 24,820	\$ 25,250	\$ 74,425	\$ 56,987
Diluted earnings per common share from continuing operations	\$ 1.15	\$ 0.09	\$ 0.72	\$ 0.62	\$ 1.97	\$ 1.69
Funds from operations (FFO) *	\$ 64,093	\$ 10,388	\$ 36,580	\$ 48,314	\$ 111,061	\$ 122,555

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

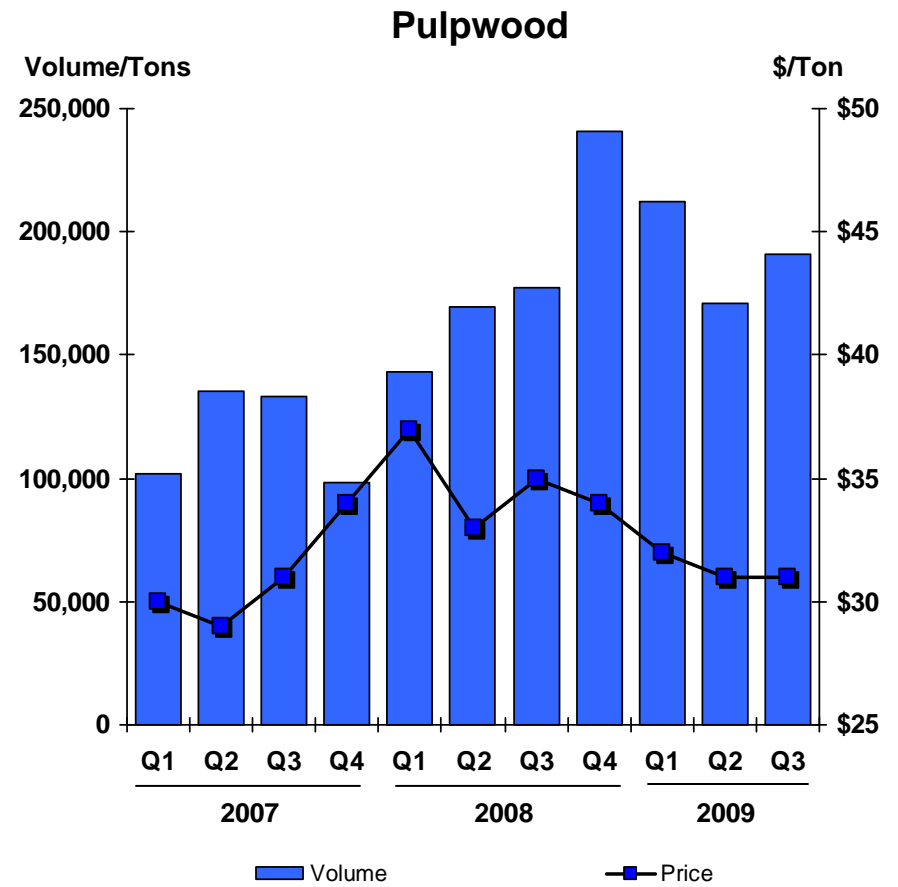
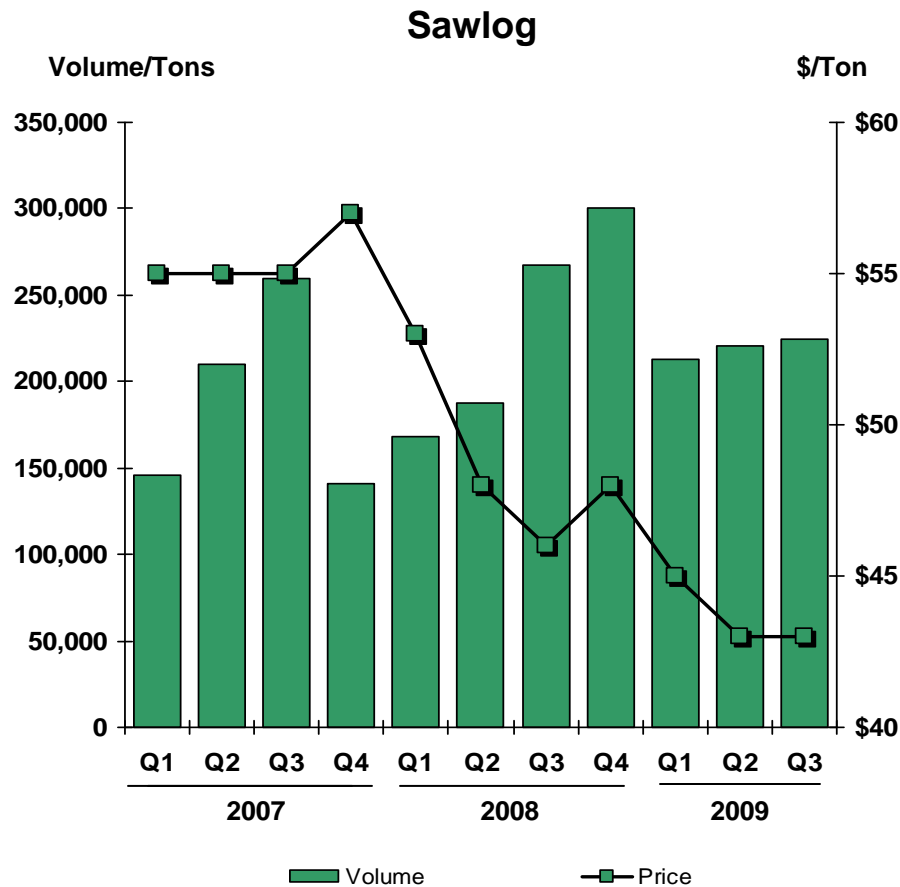
* Non-GAAP measure - See pages 13 - 17 for reconciliation to GAAP and definition.

Northern Region - Volume and Pricing



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

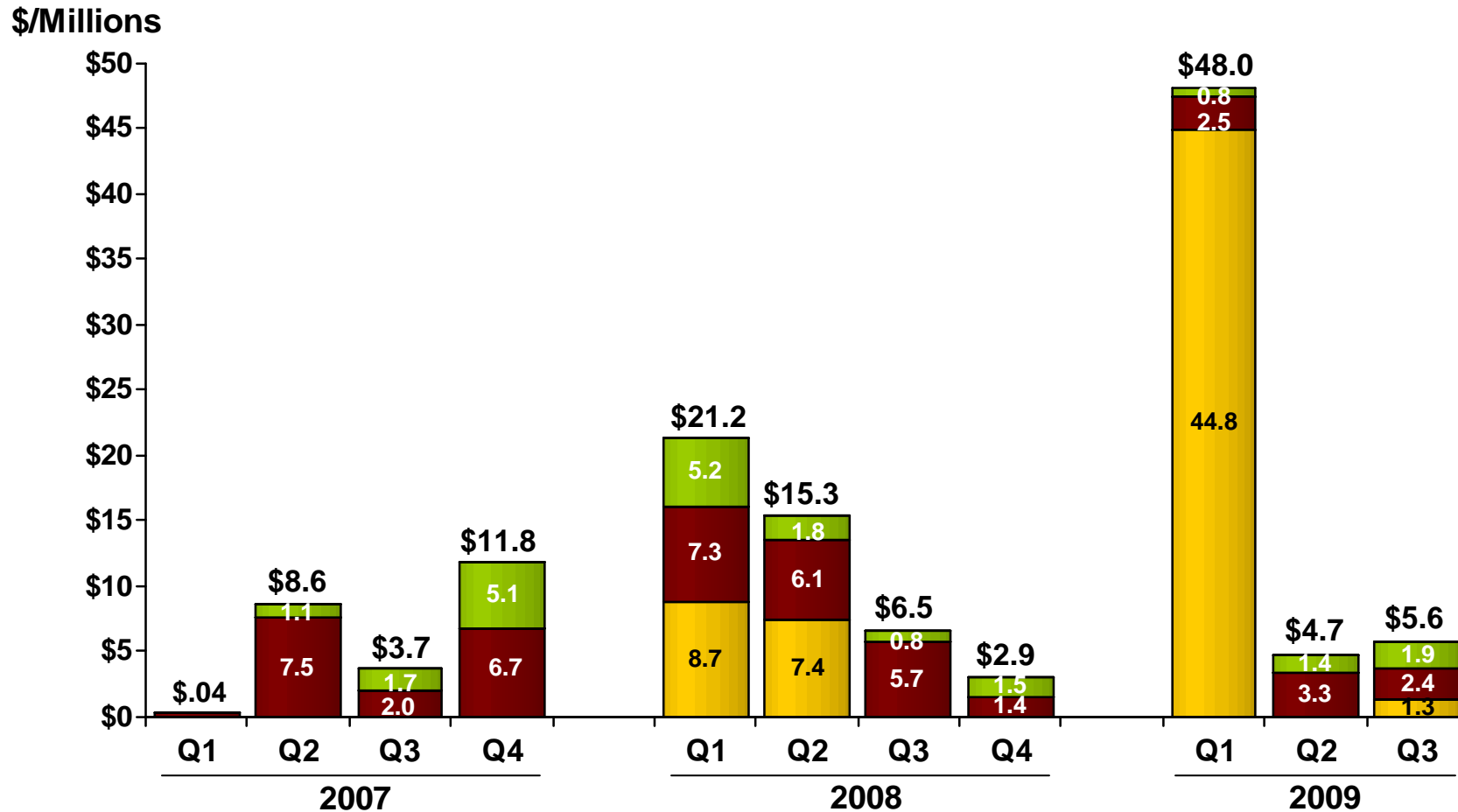


Note: Volumes include tonnage produced from company owned fee land, while pricing data includes revenue generated from both company owned fee land and non-fee stumpage purchased from third parties.

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

Potlatch Real Estate - Revenues

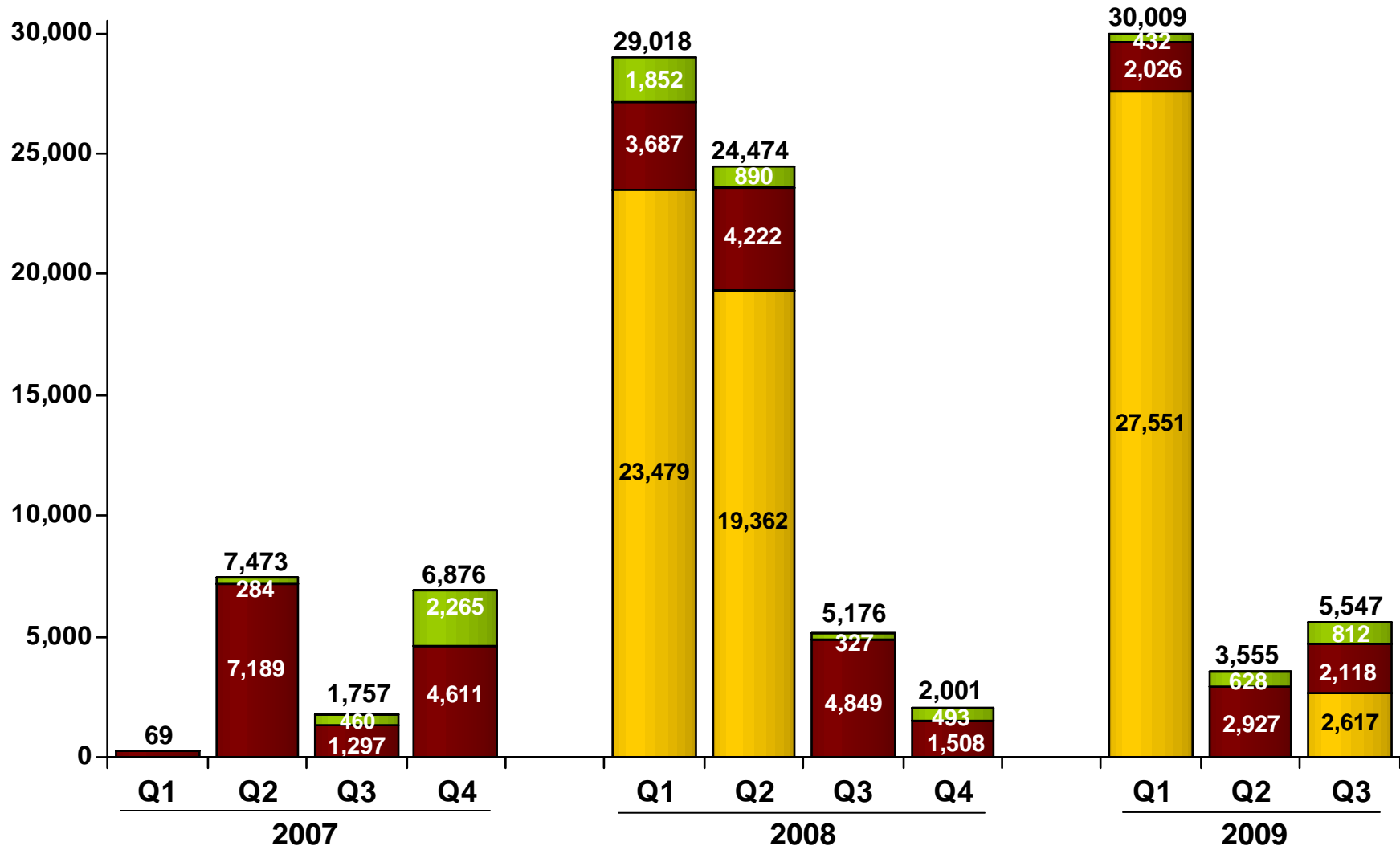
■ Non-Strategic Timberland
 ■ Rural Real Estate
 ■ HBU/Development
 ■ Conservation Easement



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

Potlatch Real Estate – Acres Sold

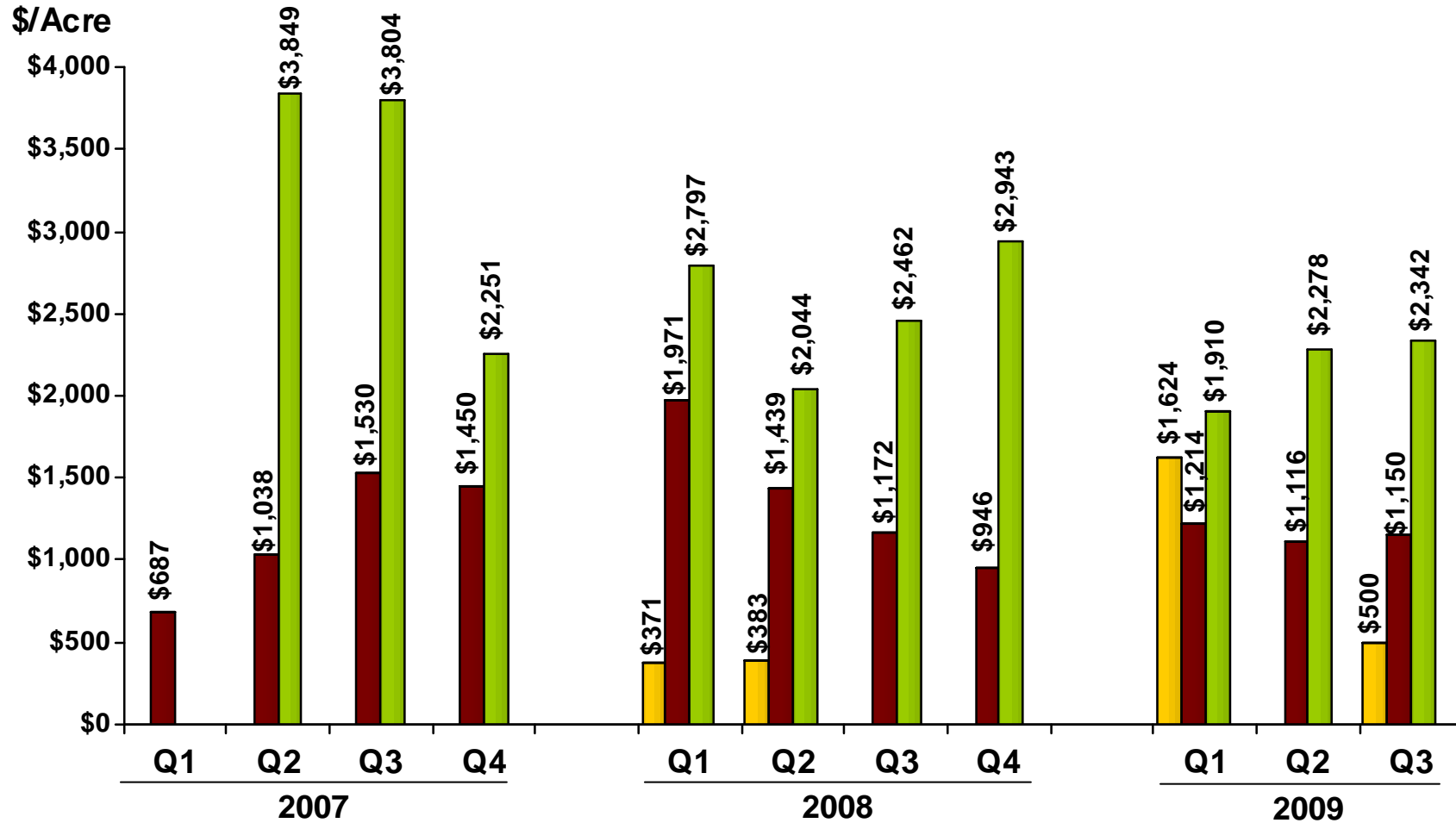
■ Non-Strategic Timberland
 ■ Rural Real Estate
 ■ HBU/Development
 ■ Conservation Easement



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

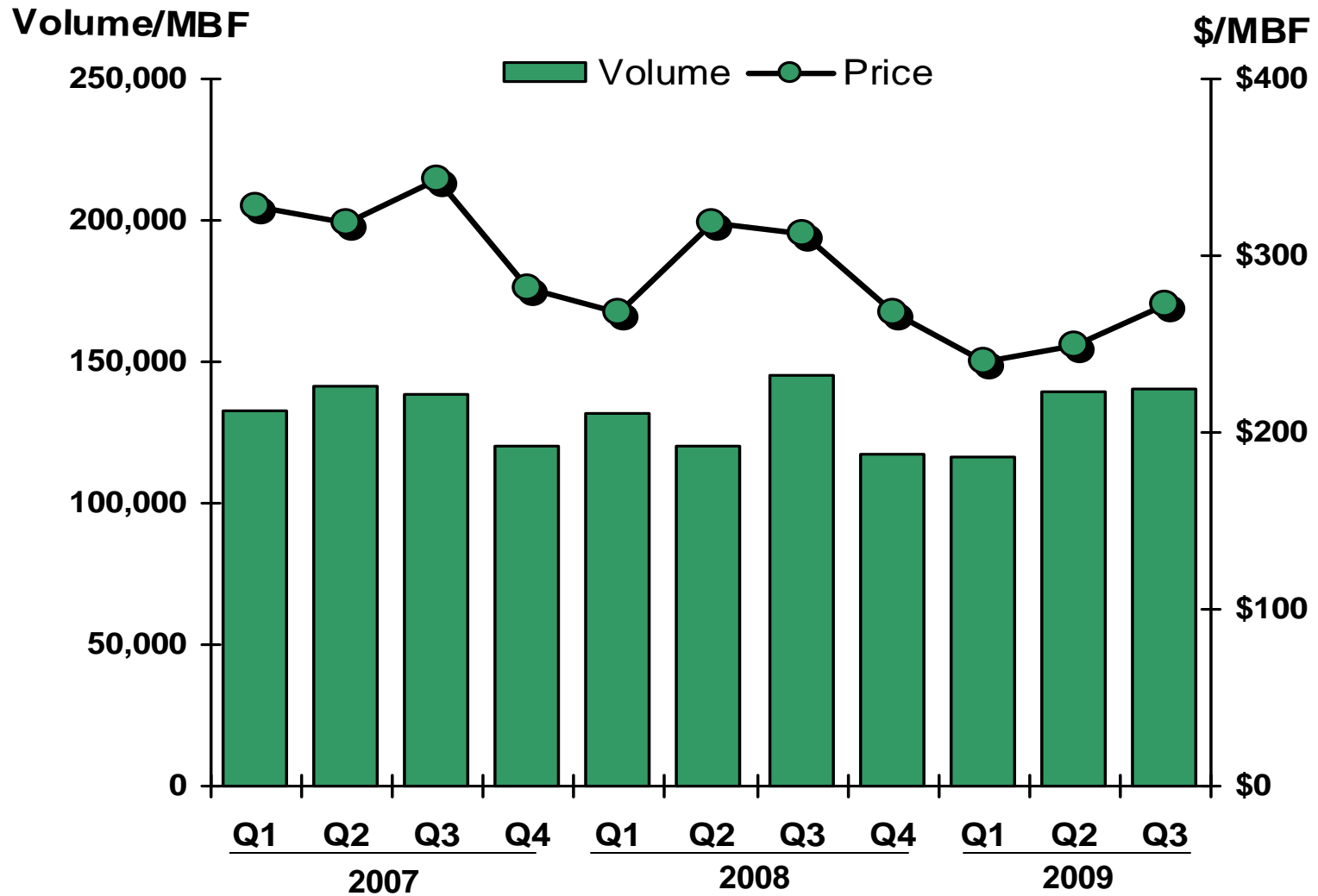
Potlatch Real Estate - Sales Prices Per Acre

■ Non-Strategic Timberland
 ■ Rural Real Estate
 ■ HBU/Development
 ■ Conservation Easement



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

Lumber* - Sales Prices and Shipments



* Excludes sawmill spun-off with Clearwater Paper Corporation.

Variance Analyses

Increase (decrease) in Earnings from Continuing Operations before Taxes *(Unaudited)*

	(Dollars in Millions)		
	3rd Quarter 2009 vs. 2nd Quarter 2009	3rd Quarter 2009 vs. 3rd Quarter 2008	Nine Months 2009 vs. 2008
Resource	\$50.8	\$24.6	\$10.6
Volume	7.3	(6.5)	(10.2)
Price	60.1	33.0	8.6
Costs and Other	(16.6)	(1.9)	12.2
Real Estate	(\$0.1)	(\$1.8)	\$13.3
Wood products	\$1.5	(\$3.1)	(\$13.4)
Volume	0.1	(0.5)	(4.2)
Price	8.5	(4.7)	(24.5)
Costs and other	(7.1)	2.1	15.3
Eliminations	(\$5.1)	\$2.6	\$4.4
Corporate	(\$3.2)	(\$1.9)	(\$0.4)
Increase in earnings from continuing operations before taxes	\$43.9	\$20.4	\$14.5

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

Volumes and Sales Prices/Unit (Unaudited)

	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	3rd Quarter 2008	Nine Months Ended	
					2009	2008
Resource						
Fee Volume (tons)						
Northern region						
Sawlog	580,745	157,348	412,659	762,352	1,150,752	1,554,976
Pulpwood	150,800	53,635	160,800	189,082	365,235	488,110
Stumpage	10,627	8,492	8,302	-	27,421	8,142
Total	<u>742,172</u>	<u>219,475</u>	<u>581,761</u>	<u>951,434</u>	<u>1,543,408</u>	<u>2,051,228</u>
Southern region						
Sawlog	224,195	220,473	212,561	267,774	657,229	622,794
Pulpwood	190,562	171,174	212,550	177,337	574,286	490,260
Stumpage	-	-	-	5,389	-	40,346
Total	<u>414,757</u>	<u>391,647</u>	<u>425,111</u>	<u>450,500</u>	<u>1,231,515</u>	<u>1,153,400</u>
Sales Prices/Unit (\$ per ton)						
Northern region						
Sawlog	\$ 62	\$ 58	\$ 57	\$ 87	\$ 59	\$ 83
Pulpwood	35	35	37	39	36	38
Stumpage	11	10	12	-	11	23
Weighted Average	<u>\$ 56</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ 78</u>	<u>\$ 53</u>	<u>\$ 72</u>
Southern region						
Sawlog	\$ 43	\$ 43	\$ 45	\$ 46	\$ 44	\$ 48
Pulpwood	31	31	32	35	31	35
Stumpage	-	-	-	46	-	22
Weighted Average	<u>\$ 37</u>	<u>\$ 38</u>	<u>\$ 39</u>	<u>\$ 42</u>	<u>\$ 38</u>	<u>\$ 41</u>
Wood Products						
Lumber Shipments (MBF)	140,174	139,041	116,030	145,190	395,245	397,569
Lumber Sales Prices (\$ per MBF)	\$ 272	\$ 250	\$ 240	\$ 312	\$ 255	\$ 300

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

Tax Provision (Benefit) from Continuing Operations *(Unaudited)*

	(Dollars in Thousands)					
	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	3rd Quarter 2008	Nine Months Ended 2009	Nine Months Ended 2008
Current year REIT, net	\$ (970)	\$ (3,580)	\$ 11,297	\$ 822	\$ 6,747	\$ 1,231
Current year TRS	(5,363)	(4,360)	(8,961)	(6,422)	(18,684)	(16,215)
Tax provision (benefit) from continuing operations	<u>(6,333)</u>	<u>(7,940)</u>	<u>2,336</u>	<u>(5,600)</u>	<u>(11,937)</u>	<u>(14,984)</u>
Discontinued operations:						
Clearwater Paper	(36)	73	(10)	539	27	4,170
Prescott Lumber	(42)	36	(74)	(298)	(80)	(9,551)
Other discontinued operations	(39)	(53)	(2,519)	-	(2,611)	(2,027)
Tax provision (benefit) from discontinued operations	<u>(117)</u>	<u>56</u>	<u>(2,603)</u>	<u>241</u>	<u>(2,664)</u>	<u>(7,408)</u>
Total tax benefit	<u>\$ (6,450)</u>	<u>\$ (7,884)</u>	<u>\$ (267)</u>	<u>\$ (5,359)</u>	<u>\$ (14,601)</u>	<u>\$ (22,392)</u>

Reconciliation of Non-GAAP Measures *(Unaudited)*

	(Dollars in Thousands)					
	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	3rd Quarter 2008	Nine Months Ended 2009	Nine Months Ended 2008
Earnings before interest, taxes, depreciation, depletion and amortization (EBITDDA):						
GAAP net earnings	\$ 45,839	\$ 3,766	\$ 24,820	\$ 25,250	\$ 74,425	\$ 56,987
Interest expense, net of interest income	5,095	4,872	4,804	4,759	14,771	14,978
Income tax provision (benefit)	(6,333)	(7,940)	2,336	(5,600)	(11,937)	(14,984)
Depreciation, depletion and amortization from continuing operations	15,388	4,906	6,612	9,489	26,906	22,026
Basis of real estate sold	2,866	1,716	5,148	1,995	9,730	7,788
Loss (gain) from discontinued operations, net of tax	183	(74)	3,951	(380)	4,060	10,042
EBITDDA *	\$ 63,038	\$ 7,246	\$ 47,671	\$ 35,513	\$ 117,955	\$ 96,837

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

* Non-GAAP measure - See page 17 for definition.

Reconciliation of Non-GAAP Measures *(Unaudited)*

	(Dollars in Thousands)					
	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009	3rd Quarter 2008	Nine Months Ended	
					2009	2008
Funds from Operations (FFO):						
GAAP net earnings	\$ 45,839	\$ 3,766	\$ 24,820	\$ 25,250	\$ 74,425	\$ 56,987
Depreciation, depletion and amortization from continuing operations	15,388	4,906	6,612	9,489	26,906	22,026
Basis of real estate sold	2,866	1,716	5,148	1,995	9,730	7,788
Loss (gain) from discontinued operations, net of tax	183	(74)	3,951	(380)	4,060	10,042
Funds from continuing operations	<u>\$ 64,276</u>	<u>\$ 10,314</u>	<u>\$ 40,531</u>	<u>\$ 36,354</u>	<u>\$ 115,121</u>	<u>\$ 96,843</u>
Gain (loss) from discontinued operations, net of tax	(183)	74	(3,951)	380	(4,060)	(10,042)
Depreciation, depletion and amortization from discontinued operations	-	-	-	11,580	-	35,754
Funds from Operations *	<u>\$ 64,093</u>	<u>\$ 10,388</u>	<u>\$ 36,580</u>	<u>\$ 48,314</u>	<u>\$ 111,061</u>	<u>\$ 122,555</u>

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

* Non-GAAP measure - See page 17 for definition.

Reconciliation of Non-GAAP Measures *(Unaudited)*

	(Dollars in Thousands)					Twelve Months Ended September 30, 2009
	Fiscal Year Ended December 31, 2006	2007	2008	Nine Months Ended 2008	2009	
Funds Available for Distribution (FAD):						
Earnings from continuing operations	\$ 138,650	\$ 74,642	\$ 72,937	\$ 67,029	\$ 78,485	\$ 84,393
Depreciation, depletion and amortization from continuing operations	22,831	26,516	30,153	22,026	26,906	35,033
Basis of real estate sold	277	3,552	9,109	7,788	9,730	11,051
Capital Expenditures ¹	(22,576)	(19,741)	(20,361)	(15,458)	(11,848)	(16,751)
Funds Available for Distribution *	<u>\$ 139,182</u>	<u>\$ 84,969</u>	<u>\$ 91,838</u>	<u>\$ 81,385</u>	<u>\$ 103,273</u>	<u>\$ 113,726</u>

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

¹ Capital expenditures in 2007 and 2008 related to the Wisconsin and Central Idaho timberland acquisitions are not included.

* Non-GAAP measure - See page 17 for definition.

Reconciliation of Non-GAAP Measures *(Unaudited)*

	(Dollars in Thousands)					Twelve Months Ended September 30, 2009
	Fiscal Year Ended December 31, 2006	2007	2008	Nine Months Ended 2008	2009	
Segment EBITDDA:						
Resource:						
Operating income	\$ 81,185	\$ 81,783	\$ 76,008	\$ 60,102	\$ 70,745	\$ 86,651
Plus depreciation, depletion & amortization from continuing operations	11,261	15,365	19,067	13,736	18,373	23,704
Resource Segment EBITDDA From Continuing Operations *	\$ 92,446	\$ 97,148	\$ 95,075	\$ 73,838	\$ 89,118	\$ 110,355
Real Estate:						
Operating income	\$ 11,830	\$ 17,274	\$ 31,490	\$ 31,192	\$ 44,474	\$ 44,772
Plus non-cash basis of real estate sold	277	3,552	9,109	7,788	9,730	11,051
Real Estate Segment EBITDDA From Continuing Operations *	\$ 12,107	\$ 20,826	\$ 40,599	\$ 38,980	\$ 54,204	\$ 55,823
Wood Products:						
Operating income (loss)	\$ 32,998	\$ 4,196	\$ (13,675)	\$ (2,261)	\$ (15,708)	\$ (27,122)
Plus depreciation, depletion & amortization from continuing operations	10,461	9,952	10,162	7,549	7,349	9,962
Wood Products Segment EBITDDA From Continuing Operations *	\$ 43,459	\$ 14,148	\$ (3,513)	\$ 5,288	\$ (8,359)	\$ (17,160)

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

* Non-GAAP measure - See page 17 for definition.

Definitions 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. 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.

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.

