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POTLATCH CORPORATION

First Quarter 2007 Conference Call
Supplemental Information

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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 land sales, like-kind exchanges and tax consequences, direction of markets, wood chip costs and availability, and pulp costs. 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 exchange rates between the U.S. dollar and other currencies; changes in the level of construction activity; changes in tariffs, quotas and trade agreements involving wood products; changes in worldwide demand for Potlatch's products; changes in worldwide 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, energy, 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.

PRO-FORMA EARNINGS EXCLUDING NON-RECURRING ITEMS
(Dollars in Thousands)
(Unaudited)

	1st Quarter 2007		4th Quarter 2006		1st Quarter 2006	
	<u>Pretax</u>	<u>Net of tax</u>	<u>Pretax</u>	<u>Net of tax</u>	<u>Pretax</u>	<u>Net of tax</u>
Reported Earnings (GAAP)	\$ (37,876)	\$ (29,776)	\$62,344	\$ 45,283	\$ 14,717	\$ 65,724
Adjustments:						
Resource severance costs	2,797	2,318	-	-	-	-
Loss on disposal of Boardman assets	35,829	33,056	-	-	-	-
Canadian lumber coalition payments	-	-	(39,320)	(23,985)	-	-
Deferred tax adjustment - REIT	-	-	-	3,864	-	(51,182)
Total adjustments	<u>38,626</u>	<u>35,374</u>	<u>(39,320)</u>	<u>(20,121)</u>	<u>-</u>	<u>(51,182)</u>
Pro-Forma Earnings *	<u>\$750</u>	<u>\$5,598</u>	<u>\$23,024</u>	<u>\$25,162</u>	<u>\$14,717</u>	<u>\$14,542</u>

Note: Reported Earnings (GAAP) includes both continuing and discontinued operations.

* Non-GAAP measure - See page 11 for definition.

FIRST QUARTER 2007 SUMMARY
(Dollars in Thousands)
(Unaudited)

	<u>1st Quarter 2007</u>	<u>4th Quarter 2006</u>	<u>1st Quarter 2006</u>
<u>Operating Income</u>			
Resource	\$ 13,160	\$ 21,988	\$ 18,442
Real Estate	(367)	9,149	489
Wood Products	2,190	33,610	7,443
Pulp and Paperboard	(6,029)	9,204	3,001
Consumer Products	4,775	7,210	6,889
Eliminations	4,947	1,107	670
	<u>18,676</u>	<u>82,268</u>	<u>36,934</u>
Corporate	<u>(18,505)</u>	<u>(17,564)</u>	<u>(18,157)</u>
Earnings from continuing operations before taxes	171	64,704	18,777
Provision (benefit) from taxes	<u>(5,267)</u>	<u>17,292</u>	<u>(50,537)</u>
Earnings from continuing operations	<u>5,438</u>	<u>47,412</u>	<u>69,314</u>
plus: Interest expense	7,551	7,209	7,359
Provision (benefit) from taxes	(5,267)	17,292	(50,537)
Depreciation, depletion & amortization (DD&A)	<u>19,352</u>	<u>20,313</u>	<u>19,652</u>
EBITDDA *	<u>\$ 27,074</u>	<u>\$ 92,226</u>	<u>\$ 45,788</u>
Funds from operations (FFO) from continuing operations	<u>\$ 24,790</u>	<u>\$ 71,589</u>	<u>\$ 37,784</u>
Discontinued operations:			
Loss on disposal of discontinued operations, net of tax	(33,056)	-	-
Loss from discontinued operations, net of tax	(2,158)	(2,129)	(3,590)
DD&A	2,914	2,713	3,040
	<u>(32,300)</u>	<u>584</u>	<u>(550)</u>
Net income (loss)	<u>\$ (29,776)</u>	<u>\$ 45,283</u>	<u>\$ 65,724</u>
FFO *	<u>\$ (7,510)</u>	<u>\$ 72,173</u>	<u>\$ 37,234</u>

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

* Non-GAAP measure - See page 11 for definition.

POTLATCH CORPORATION FIRST QUARTER 2007 CONFERENCE CALL

VARIANCE ANALYSIS - DECREASE IN EARNINGS FROM CONTINUING OPERATIONS BEFORE TAXES
(Dollars in Thousands)
(Unaudited)

	1st Quarter 2007 vs. 4th Quarter 2006	1st Quarter 2007 vs. 1st Quarter 2006
Resource	<u>(8,828)</u>	<u>(5,282)</u>
Volume	(11,850)	(4,194)
Price	(1,550)	350
Restructuring charge	2,797	2,797
Costs and other	1,775	(4,235)
Real Estate	<u>(\$9,516)</u>	<u>(\$856)</u>
Wood products	<u>(\$31,420)</u>	<u>(\$5,253)</u>
Volume	12,480	(7,630)
Price	1,816	(9,214)
Costs and other	(6,396)	11,591
Canadian lumber settlement	(39,320)	-
Pulp and Paperboard	<u>(\$15,233)</u>	<u>(\$9,030)</u>
Volume	(14,233)	(10,253)
Price	1,829	8,390
Major maintenance costs	(6,549)	(8,252)
Costs and other	3,720	1,085
Consumer products	<u>(\$2,435)</u>	<u>(\$2,114)</u>
Volume	(2,878)	4,571
Price	6,177	6,177
Costs and other	(5,734)	(12,862)
Eliminations	<u>\$3,840</u>	<u>\$4,277</u>
Corporate	<u>(\$941)</u>	<u>(\$348)</u>
Decrease in earnings from continuing operations before taxes	<u><u>(\$64,533)</u></u>	<u><u>(\$18,606)</u></u>

VOLUMES AND SALES PRICES/UNIT
(Unaudited)

	<u>1st Quarter 2007</u>	<u>4th Quarter 2006</u>	<u>1st Quarter 2006</u>
Fee Volume (tons)			
Resource			
Northern region	513,890	653,882	534,209
Southern region	343,285	316,952	259,378
Sales Volume (tons)			
Resource			
Northern region	617,830	697,046	632,059
Southern region	396,356	567,808	482,395
Shipment Information			
Wood products			
Lumber (m. bd. ft.)	237,508	206,958	257,059
Plywood (m. sq. ft., 3/8" basis)	43,350	39,224	41,539
Particleboard (m. sq. ft., 3/4" basis)	15,497	15,242	16,448
Pulp and paperboard			
Paperboard (tons)	172,401	186,934	184,779
Pulp (tons) *	7,008	12,682	10,132
Consumer products			
Tissue (tons)	47,149	48,453	45,078

* Excludes pulp used internally.

VOLUMES AND SALES PRICES/UNIT (continued)
(Unaudited)

	<u>1st Quarter 2007</u>	<u>4th Quarter 2006</u>	<u>1st Quarter 2006</u>
Sales Prices/Unit			
Resource (\$ per ton)			
Northern timber	\$ 69	\$ 76	\$ 71
Southern timber	41	34	37
Wood products (\$ per unit)			
Lumber (m. bd. ft.)	373	362	410
Plywood (m. sq. ft., 3/8" basis)	315	323	347
Particleboard (m. sq. ft., 3/4" basis)	317	346	255
Pulp and paperboard (\$ per ton)			
Paperboard	759	749	717
Pulp*	605	590	441
Consumer products (\$ per ton)			
Tissue	2,338	2,207	2,207

* Excludes transfer prices of pulp used internally.

TAX PROVISION (BENEFIT) FROM CONTINUING OPERATIONS BY QUARTER
(Dollars in Thousands)
(Unaudited)

	<u>1st Quarter 2007</u>	<u>4th Quarter 2006</u>	<u>1st Quarter 2006</u>
Current year REIT, net	\$ 244	\$ (109)	\$ 38
Current year TRS	(5,511)	12,998	157
Deferred tax adjustment related to REIT conversion	-	3,864	(51,182)
Other adjustments	-	539	450
	<u> </u>	<u> </u>	<u> </u>
Tax provision (benefit) from continuing operations by quarter	<u>\$ (5,267)</u>	<u>\$ 17,292</u>	<u>\$ (50,537)</u>

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

RECONCILIATION OF NON-GAAP MEASURES
(Dollars in Thousands)
(Unaudited)

	<u>1st Quarter 2007</u>	<u>4th Quarter 2006</u>	<u>1st Quarter 2006</u>
Earnings before interest, taxes, depreciation, depletion and amortization (EBITDDA):			
GAAP net earnings	\$ (29,776)	\$ 45,283	\$ 65,724
Interest expense	7,551	7,209	7,359
Provision (benefit) for income taxes	(5,267)	13,428	645
Depreciation, depletion and amortization	19,352	20,313	19,652
Loss from discontinued operations, net of tax	35,214	2,129	3,590
Deferred tax adjustment related to REIT conversion	<u>-</u>	<u>3,864</u>	<u>(51,182)</u>
EBITDDA *	<u><u>\$27,074</u></u>	<u><u>\$92,226</u></u>	<u><u>\$45,788</u></u>

* Non-GAAP measure - See page 11 for definition.

RECONCILIATION OF NON-GAAP MEASURES
(Dollars in Thousands)
(Unaudited)

	<u>1st Quarter 2007</u>	<u>4th Quarter 2006</u>	<u>1st Quarter 2006</u>
Funds from Operations (FFO):			
GAAP Net earnings (loss)	\$ (29,776)	\$ 45,283	\$ 65,724
Deferred tax adjustment related to REIT conversion	-	3,864	(51,182)
Depreciation, depletion and amortization from continued operations	19,352	20,313	19,652
Loss from discontinued operations, net of tax	35,214	2,129	3,590
Funds from continuing operations	<u>\$ 24,790</u>	<u>\$ 71,589</u>	<u>\$ 37,784</u>
Loss from discontinued operation, net of tax	(35,214)	(2,129)	(3,590)
Depreciation, depletion and amortization from discontinued operations	2,914	2,713	3,040
Funds from Operations *	<u>\$ (7,510)</u>	<u>\$ 72,173</u>	<u>\$ 37,234</u>

* Non-GAAP measure - See page 11 for definition.

Definitions of Non-GAAP Measures

Pro-Forma Earnings is a non-GAAP measure. Pro-forma earnings, as we define it, is earnings on both a before and after tax basis as reported under GAAP, adjusted for special items that are considered one-time, non-recurring items of income or expense. The pro-forma earnings presentation is intended to show what we believe earnings would have been without the non-recurring items. This should not be considered an alternative to before tax earnings or net earnings computed under GAAP as an indicator of our operating performance.

EBITDDA is a non-GAAP measure that represents the cash generating capacity of the company. The most directly comparable GAAP measure is net earnings. EBITDDA, as we define it, is net earnings adjusted for interest expense, provision (benefit) for income taxes, depreciation, depletion and amortization, and the benefit from taxes related to the REIT conversion. 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, less the benefit from taxes resulting from the reversal of timber-related deferred tax liabilities that are no longer necessary as a result of our REIT conversion, plus depreciation, depletion and amortization from continuing operations, minus the loss from discontinued operations, and plus depreciation, depletion and amortization from discontinued operations.