
PIMA - 2006

Potlatch - 2001

	Resource	Wood Products	Printing Papers	Bleached Paperboard	Consumer Tissue	Total
Revenues (%)	19%	24%	21%	21%	15%	100% (\$2,171MM)
Operating Profit (\$MM)	\$55.3	(\$27.0)	(\$35.6)	(\$54.2)	\$41.6	(\$20.9)
<u>Relative Risks:</u>						
Currency	Low	Medium	High	Medium	Low	
Competitive	Low	Low	High	Medium	Medium	
<u>Ability to Grow Business</u>	Poor	Moderate	Poor	Moderate	Moderate	
Income Volatility	Low	Very High	High	Moderate	Moderate to Low	



Potlatch – Balance Sheet (\$MM)

ASSETS	12/31/2001	% of Total
Cash	\$ 136.5	
Other Current	375.2	
Timberland	395.7	16%
Plant and Equipment	1,462.5	59%
Other	117.2	
Total	\$2,487.1	

LIABILITIES & EQUITY	12/31/2001	% of Total
Other Current	\$ 223.8	
Debt	1,150.1	46%
Other Long-term	195.2	
Deferred taxes	210.6	
Equity	707.3	28%
Total	\$2,487.1	
Ratio of Debt:Equity 1.63:1		



Timber REIT Advantages

Treatment of \$1 of Timber Income:

2001	Corporation	REIT
Income	\$1.00	\$1.00
Federal Taxes	<u>.35</u>	<u>-----</u>
After Tax Income	\$.65	\$1.00
Distributed to Shareholders	\$.65	\$1.00
Personal Taxes at maximum rate	<u>.25 (1)</u>	<u>.20 (1)</u>
After tax shareholder cash	\$.40	\$.80

Main Advantage:

Reduced cost of capital, which improves ability to grow resource business from "poor" to "moderate".

Taxes:

(1) 39% personal for dividends, 20% personal for capital gains

REIT Requirements:

1. Reduce debt in relation to equity.
2. Reduce plant and equipment in relation to timber values.



Potlatch – Following the sale of printing paper business in 2002

	12-31-01	12-31-01	12-31-02	12-31-02	12-31-03	12-31-03
ASSETS	\$MM	%	\$MM	%	\$MM	%
Timberland	\$ 395.7	16%	\$ 396.4	25%	\$ 398.9	25%
Plant & Equipment	1,462.5	59%	758.2	47%	740.3	46%
Other	<u>628.9</u>		<u>461.7</u>		<u>458.2</u>	
	\$2,487.1		\$1,616.3		\$1,597.4	

	12-31-01	12-31-01	12-31-02	12-31-02	12-31-03	12-31-2003
LIABILITIES & EQUITY	\$MM	%	\$MM	%	\$MM	%
Debt	\$1,150.1	46%	\$ 678.3	42%	618.8	39%
Equity	707.3	28%	430.8	27%	470.9	29%
Other	<u>629.7</u>		<u>507.2</u>		<u>507.7</u>	
	\$2,487.1		\$1,616.3		\$1,597.4	
Ratio of Debt: Equity	1.63:1		1.57:1		1.31:1	



Potlatch – Following the sale of printing paper business in 2002

	12-31-01		12-31-02		12-31-03	
OPERATING PROFITS	\$MM		\$MM		\$MM	
Resource	\$55.3		\$62.6		\$ 65.5	
Wood Products	(27.0)		(27.4)		97.6	
Bleached Paperboard	(54.2)		(42.1)		(15.1)	
Consumer Tissue	<u>41.6</u>		<u>42.8</u>		<u>1.3</u>	
	\$15.7		\$31.4		\$149.3	

REIT Requirements:

1. Reduce debt in relation to equity.
2. Reduce plant and equipment in relation to timber values.



Potlatch – following the sale of Oriented Strand Board business in 2004

ASSETS	12-31 2001	12-31 2001	12-31 2002	12-31 2002	12-31 2003	12-31 2003	12-31 2004	12-31 2004	12-31 2005	12-31 2005
Timberland	\$ 395.7	16%	\$ 396.4	25%	\$ 398.9	25%	\$ 401.1	25%	\$ 400.6	25%
Plant & Equipment	1,462.5	59%	758.2	47%	740.3	46%	567.5	36%	589.2	36%
Other	<u>628.9</u>		<u>461.7</u>		<u>458.2</u>		<u>626.1</u>		<u>633.0</u>	
	\$2,487.1		\$1,616.3		\$1,597.4		\$1,594.7		\$1,628.8	
LIABILITIES & EQUITY										
Debt	\$1,150.1	46%	\$ 678.3	42%	\$ 618.8	39%	\$ 336.5	21%	\$ 335.5	21%
Equity	707.3	28%	430.8	27%	470.9	29%	671.4	42%	705.2	43%
Other	<u>629.7</u>		<u>507.2</u>		<u>507.7</u>		<u>586.8</u>		<u>588.1</u>	
	\$2,487.1		\$1,616.3		\$1,597.4		\$1,594.7		\$1,628.8	
Ratio of Debt:Equity	1.63:1		1.57:1		1.31:1		.50:1		.48:1	



Potlatch – following the sale of Oriented Strand Board business in 2004 (cont.)

OPERATING PROFITS	12-31 2001		12-31 2002		12-31 2003		12-31 2004		12-31 2005	
Resource	\$ 55.3		\$62.6		\$ 65.5		\$ 69.9		\$ 79.2	
Wood Products	(27.0)		(27.4)		97.6		161.1		29.1	
Bleached Paperboard	(54.2)		(42.1)		(15.1)		11.0		(0.8)	
Consumer Tissue	<u>41.6</u>		<u>42.8</u>		<u>1.3</u>		<u>(10.2)</u>		<u>11.3</u>	
	\$15.7		\$31.4		\$149.3		\$231.8		\$118.8	

REIT Requirements:

1. Reduce debt in relation to equity.
2. Reduce plant and equipment in relation to timber values.



Timber REIT Advantages

Treatment of \$1 of Timber Income:

	2001 Corporation	2001 REIT	2006 Corporation	2006 REIT
Income	\$1.00	\$1.00	\$1.00	\$1.00
Federal Taxes	<u>.35</u>	-----	<u>.34</u>	-----
After Tax Income	\$.65	\$1.00	\$.66	\$1.00
Distributed to Shareholders	\$.65	\$1.00	\$.66	\$1.00
Personal taxes, at maximum rate	<u>.25 (1)</u>	<u>.20 (1)</u>	<u>.10 (2)</u>	<u>.15 (2)</u>
After Tax Shareholder Cash	\$.40	\$.80	\$.56	\$.85

Main Advantage:

Reduced cost of capital, which improves ability to grow resource business from "poor" to "moderate".

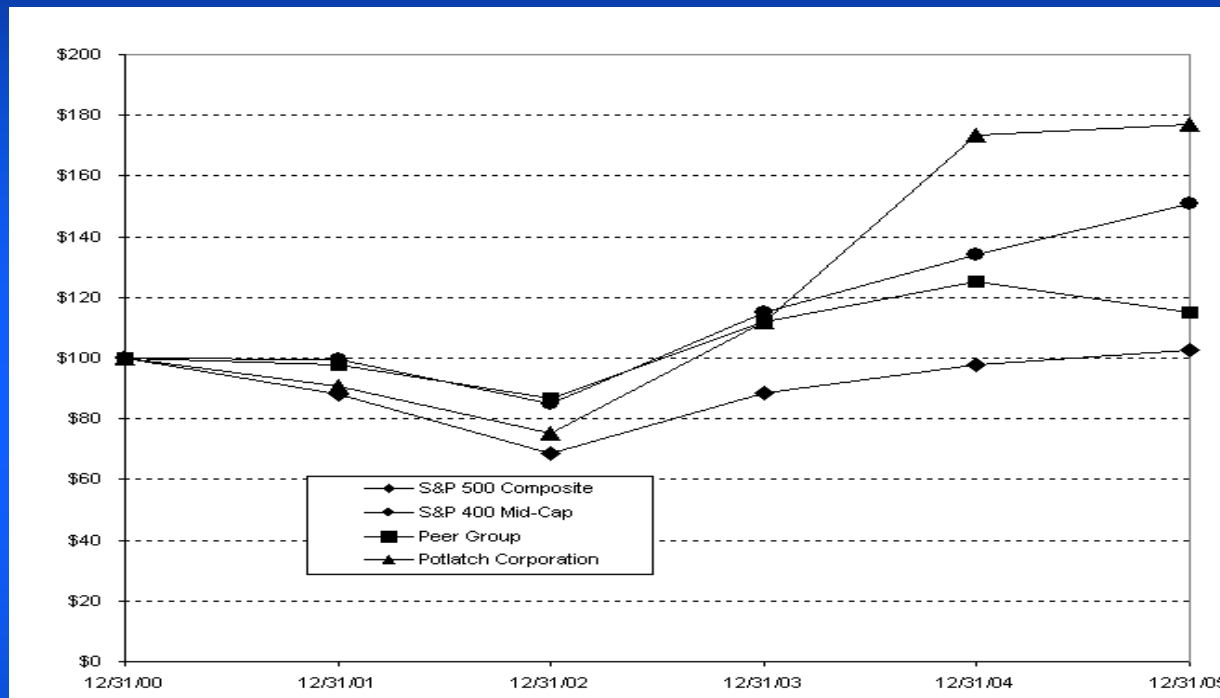
Taxes:

- (1) 39% personal for dividends, 20% personal for capital gains
- (2) 15% personal rate for both dividends and capital gains.



Performance Graph

Comparison of Five-Year Total Return*



*Assumes \$100 was invested on December 31, 2000.

Total return assumes quarterly reinvestment of dividends.



Performance Graph (cont.)

	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
S&P 500 Composite	\$100	\$88	\$69	\$88	\$98	\$103
S&P 400 Mid-Cap	100	99	85	115	134	151
Peer Group	100	98	87	112	125	115
Potlatch Corporation	100	91	75	112	173	177

Georgia-Pacific is no longer included in the self-constructed peer group as they ceased to be a publicly traded company in late-2005. The remaining companies included in aggregate five-year performance data are listed below:

PEER GROUP COMPANIES:

Abitibi Consolidated, Inc., Bowater, Inc., Canfor Corporation, Caraustar Industries, Inc., Cascades, Inc., Catalyst Paper Company (formerly Norske Skog Canada), Chesapeake Corporation, Deltic Timber Corporation, Domtar, Inc., Glatfelter, International Forest Products Ltd., International Paper Company, Kimberly-Clark Corporation, Longview Fibre Company, Louisiana-Pacific Corporation, Mead/Westvaco Corporation, Norbord, Inc., Packaging Corporation of America, Packaging Dynamics Corporation, Plum Creek Timber Company Inc., Pope & Talbot, Inc., Rayonier, Inc., Rock-Tenn Company, Smurfit-Stone Container Corporation, Sonoco Products Company, Taiga Building Products, Ltd. (formerly Taiga Forest Products Ltd.), Tembec, Inc., Temple-Inland, Inc., Universal Forest Products, Inc., West Fraser Timber Company, Western Forest Products, Weyerhaeuser Company

