Potlatch Corporation

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March 2015 Investor Presentation

Potlatch®

Forward-Looking Statements & Non-GAAP Measures

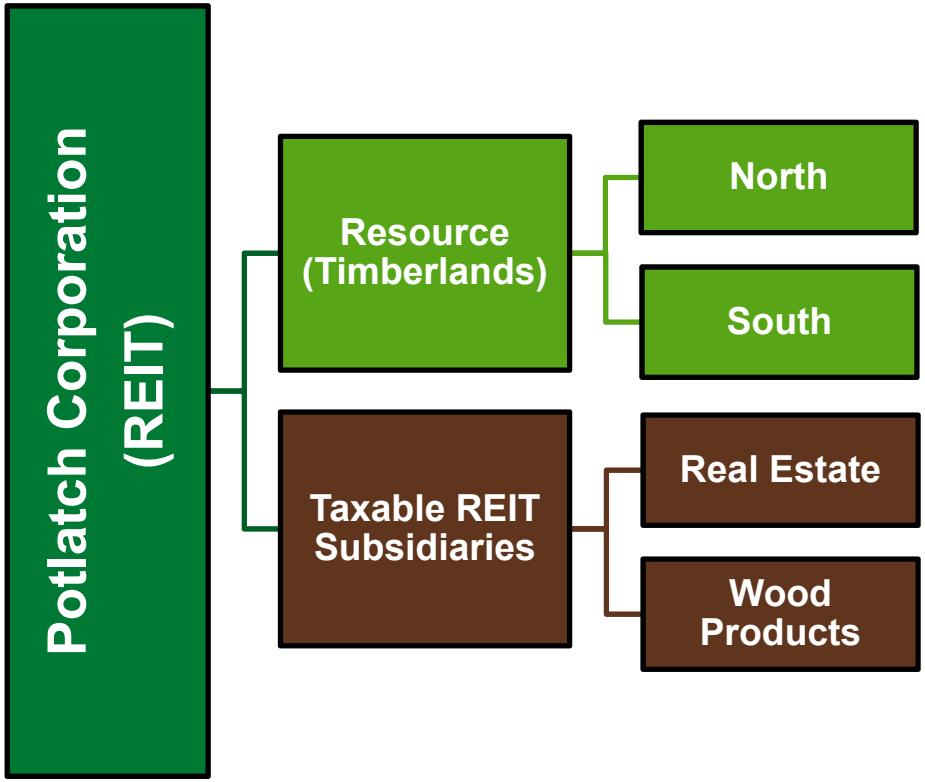
Forward-Looking Statements

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, the company's business model, direction of markets and the economy, forecast of U.S. housing starts, forecast U.S. lumber consumption, forecast U.S. lumber supply, ability to increase or decrease harvest volume to meet market conditions, expectation that incremental lumber production will come from the South; effect of increased manufacturing in the South on lumber prices, effect of increased sawlog prices on EBITDDA in the North and South regions, effect of increased lumber prices on EBITDDA, expected harvest level range over the next 15 years and beyond, forecast North American log and lumber exports to China, log, lumber and panel price trends, effect of mountain pine beetle and allowable cut on Canadian supply, forecast of inventory of available live and dead lodgepole pine in B.C., debt maturities, cash flows, management of timberlands to optimize values, real estate value opportunities, real estate business potential and land development potential, typical annual "same-store" sales, and similar 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 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 U.S. job growth; changes in U.S. bank lending practices; changes in the level of domestic construction activity; changes in international tariffs, quotas and trade agreements involving wood products; changes in domestic and international demand for wood 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 fuel and energy costs; 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. All forward-looking statements are made as of the date of this presentation, and the company does not undertake to update any forward-looking statements.

Non-GAAP Measures

This presentation presents non-U.S. GAAP financial information. A reconciliation of those numbers to U.S. GAAP is included in this presentation which is available on the company's website at www.potlatchcorp.com.

Company Structure & Overview

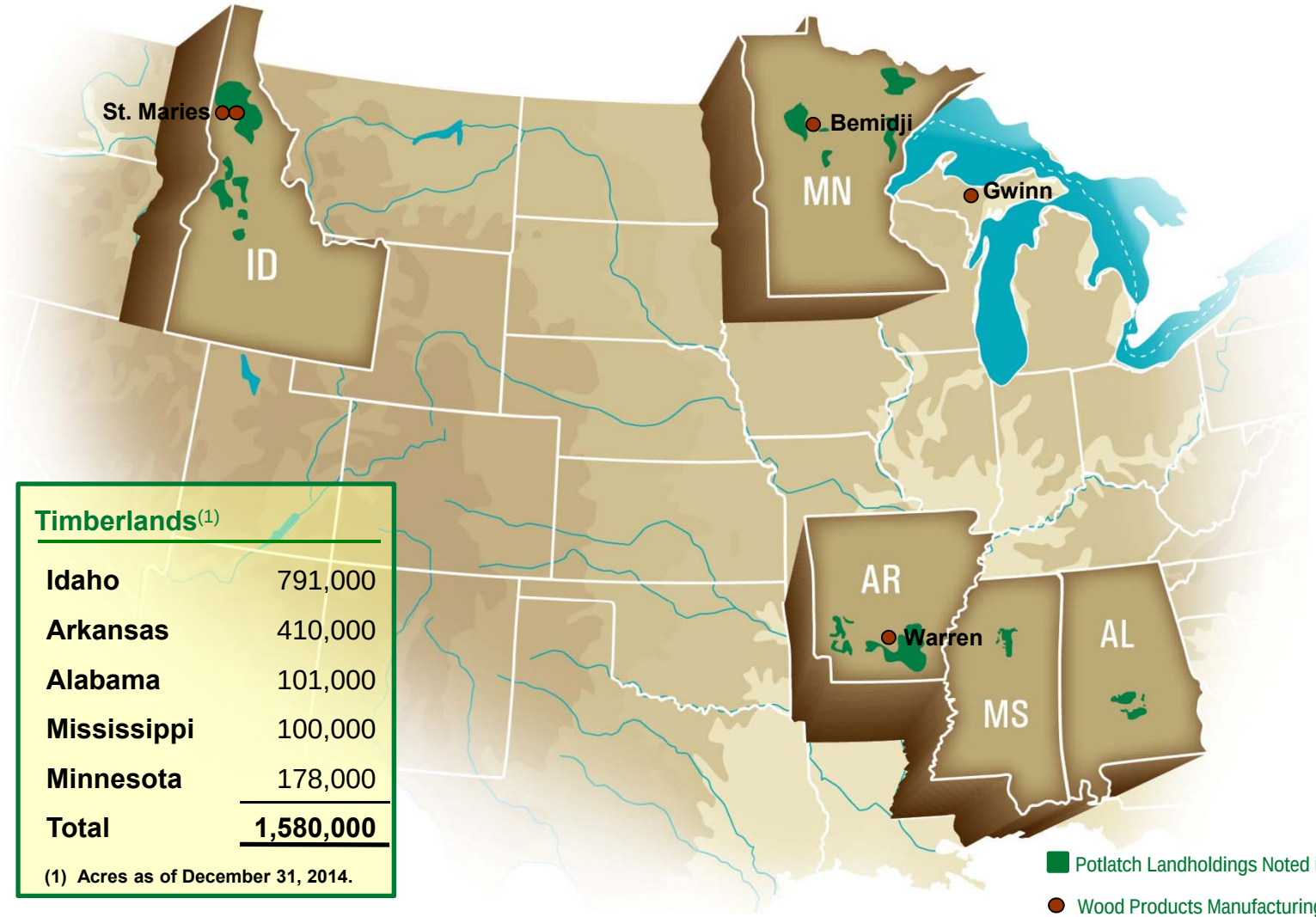


- **Converted to tax efficient REIT in 2006**
  - ✓ Single level of taxation
  - ✓ Lower cost of capital
- **Fourth largest U.S. Timber REIT**
  - ✓ 1.6 million acres of owned timberland
  - ✓ High margin, low risk real estate business
  - ✓ Five wood products manufacturing facilities
- **Enterprise value of $2.2 billion**
  - ✓ Market cap(1) of ~$1.6 billion
  - ✓ Net debt(2) of ~$0.6 billion
- **Headquartered in Spokane, Washington**
- **Founded in 1903**

(1) Based on February 24, 2015 closing stock price of $39.83 per share.
(2) Non-GAAP measure – see slide 22 for reconciliation.

Potlatch Overview

Potlatch owns ≈ 1.6 million acres of certified timberland and produces about 650 million board feet of lumber and 160 million square feet of plywood each year.



Timberlands[1]	
Idaho	791,000
Arkansas	410,000
Alabama	101,000
Mississippi	100,000
Minnesota	178,000
Total	**1,580,000**

(1) Acres as of December 31, 2014.

Key Drivers Are Favorable

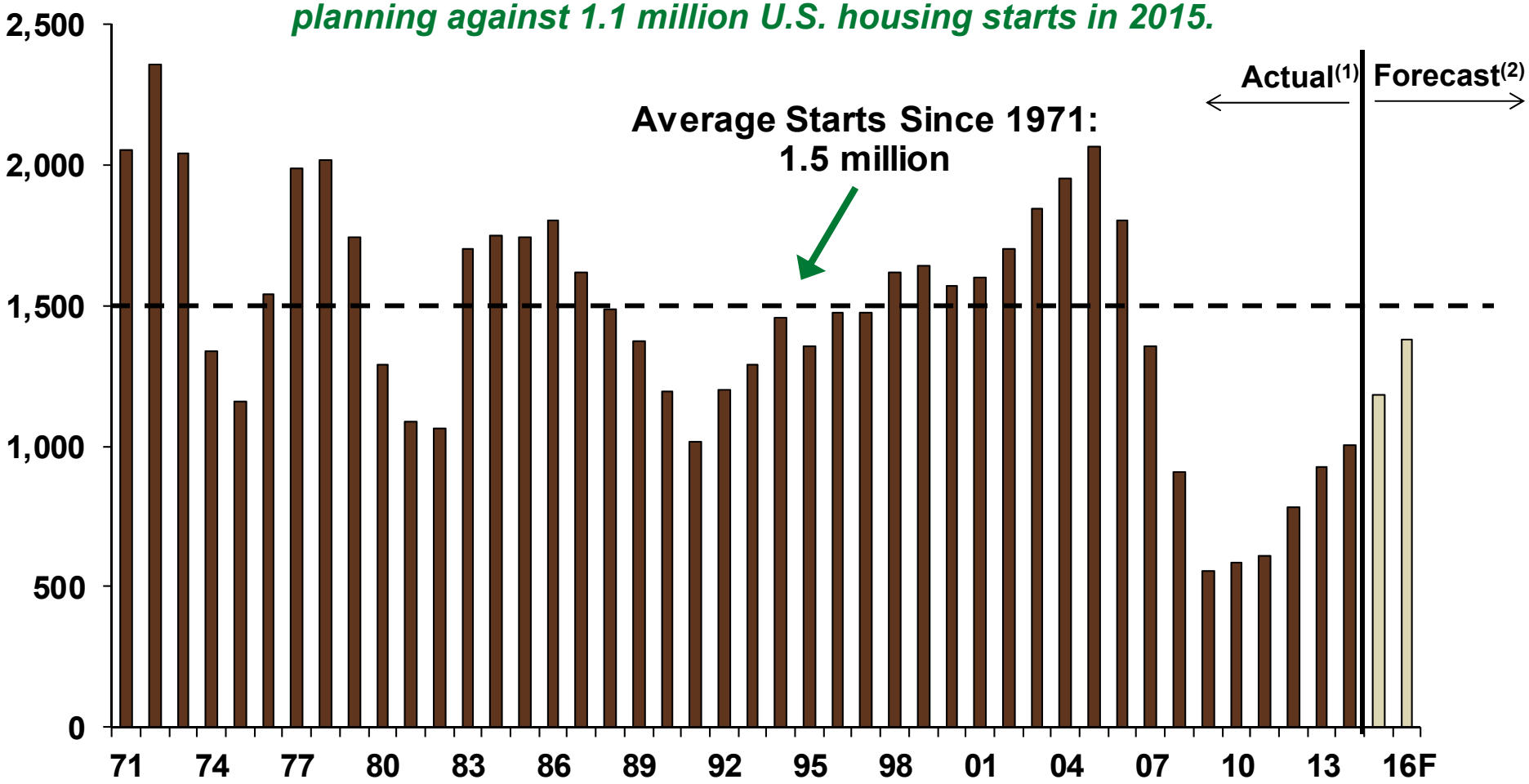
- U.S. housing starts are recovering which drives higher lumber demand
- Canada's ability to participate in U.S. recovery is limited by effect of the pine beetle and reduction in allowable cut
- Incremental lumber production will come from the U.S. South
- North American exports to China tension the U.S. market
- Log and lumber prices are expected to increase



Total U.S. Housing Starts

(in thousands)

U.S. housing starts are slowly recovering back to a long-term trend level. The recent pick up in job growth and easing of lending standards are encouraging. We are planning against 1.1 million U.S. housing starts in 2015.

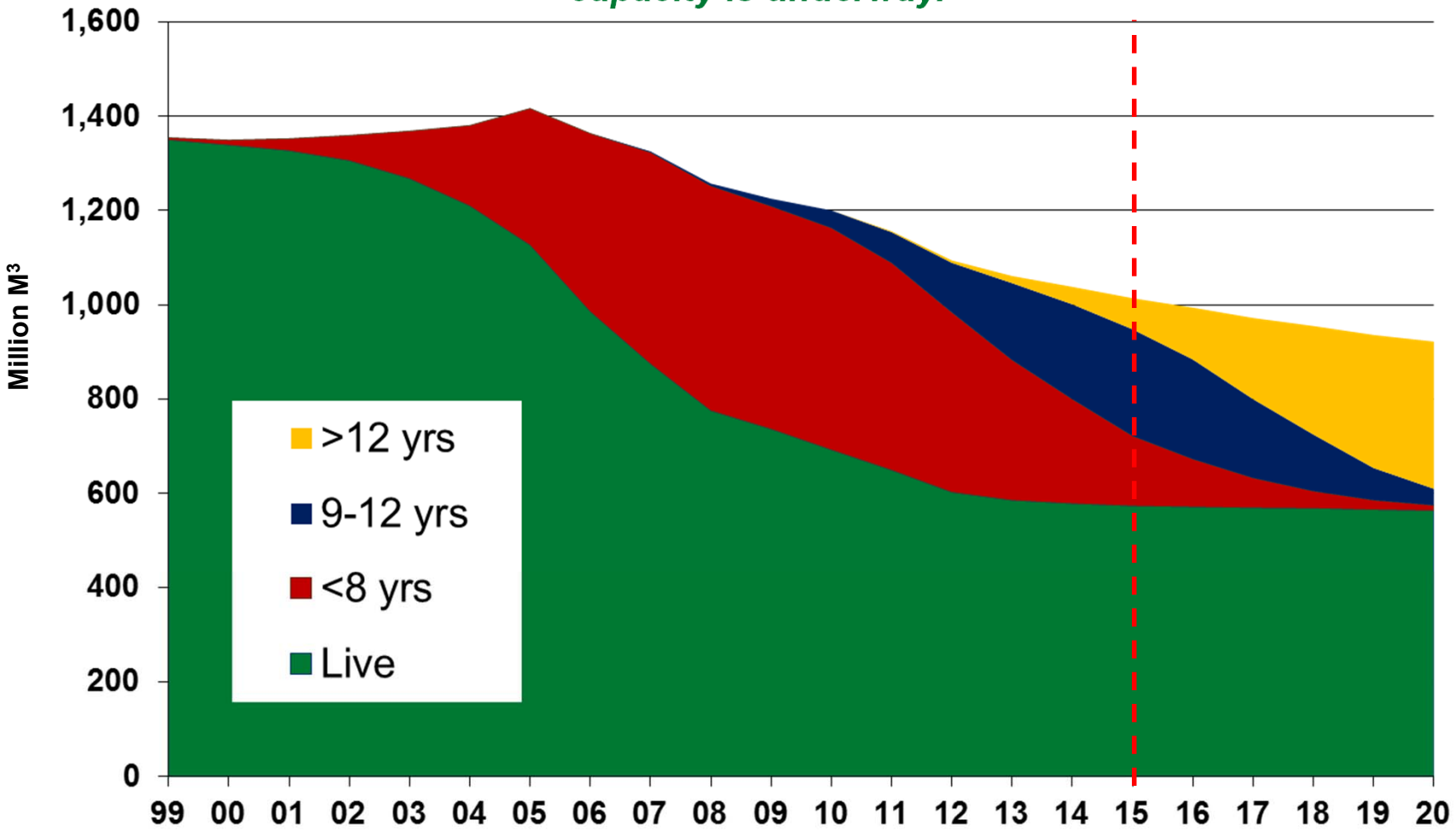


(1) Source: U.S. Census Bureau.
(2) Forecast based on average of 8 different economic forecasting firms.

Inventory of Available Live and Dead Lodgepole Pine in BC

By Years Since Attack, 1999-2020

Approximately half of the lodgepole pine forest in British Columbia was affected and the inventory is declining over time. The long-term process of curtailing production capacity is underway.

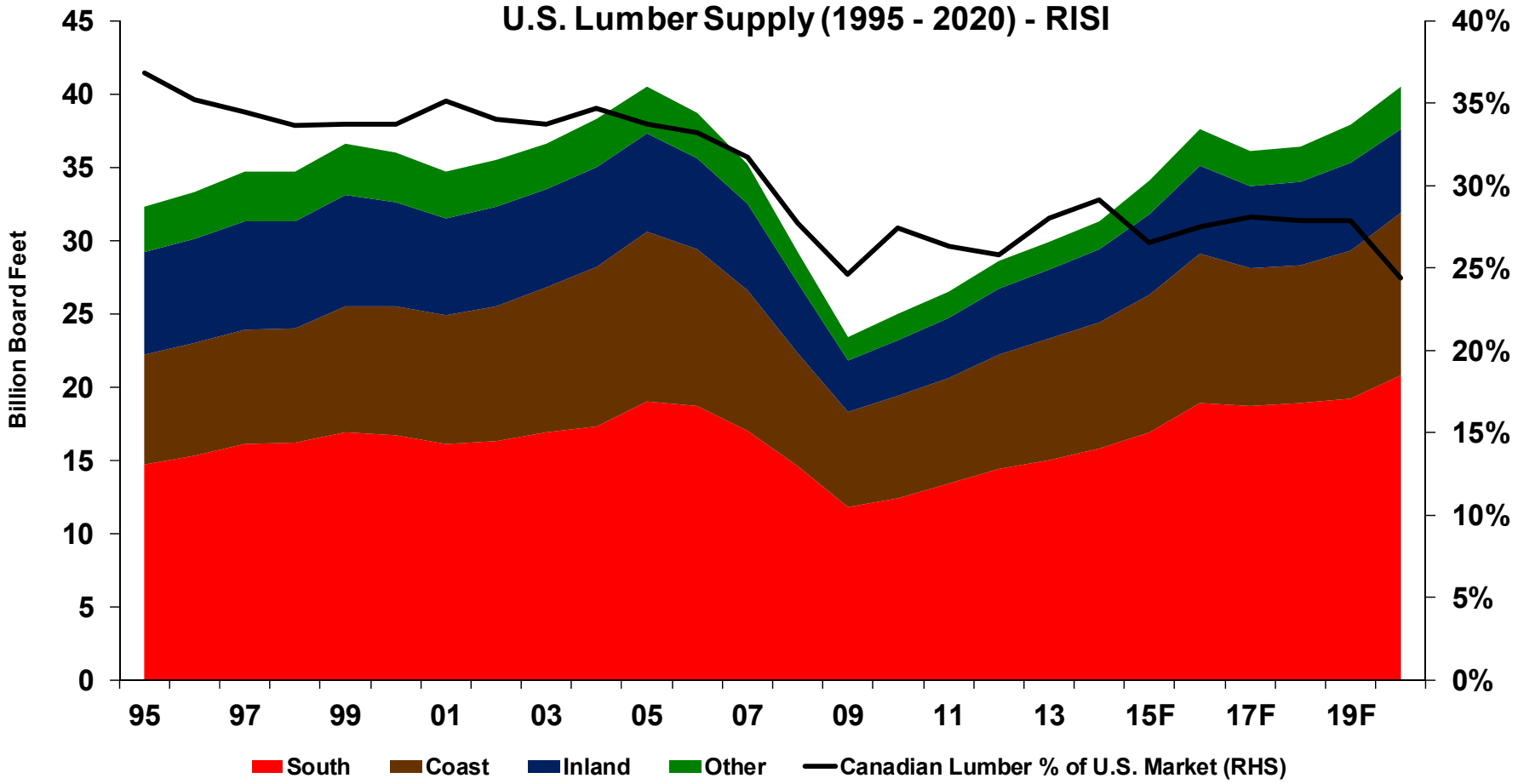


Source: FEA estimates

U.S. Lumber Supply

(billion board feet)

Incremental volume needed to satisfy increasing lumber demand will largely come from the U.S. South. Canada's share of the U.S. market is declining and the ability of other U.S. regions to increase supply is constrained.

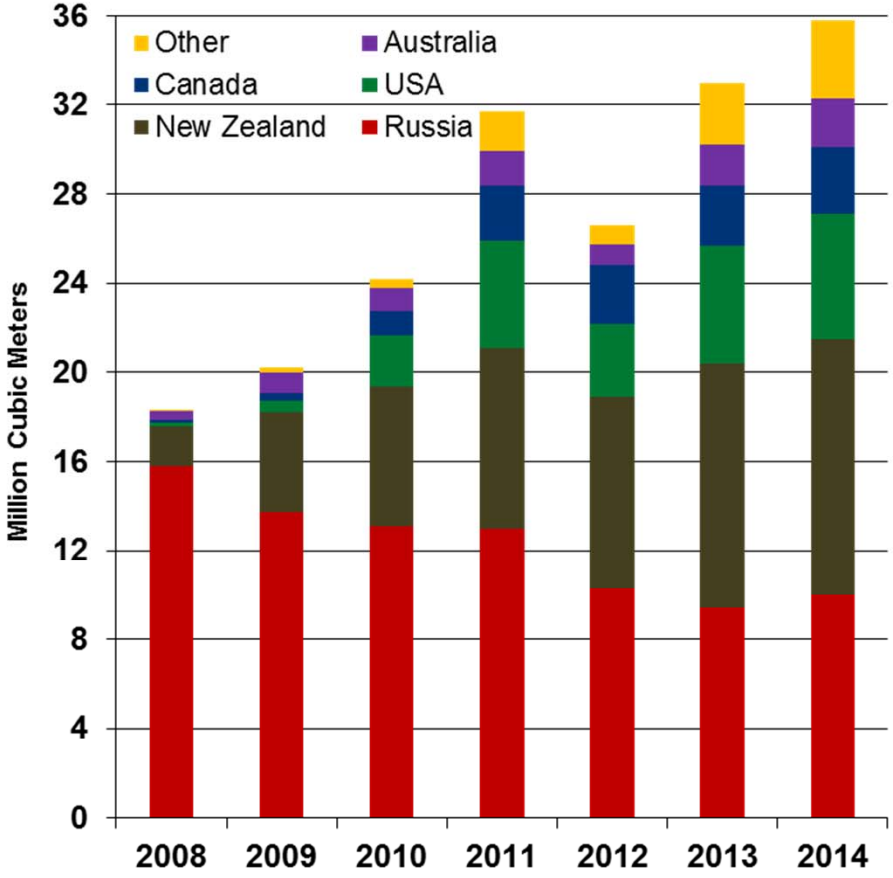


Source: RISI 5-Year Forecast, December 2014.

China's Slowing Economy

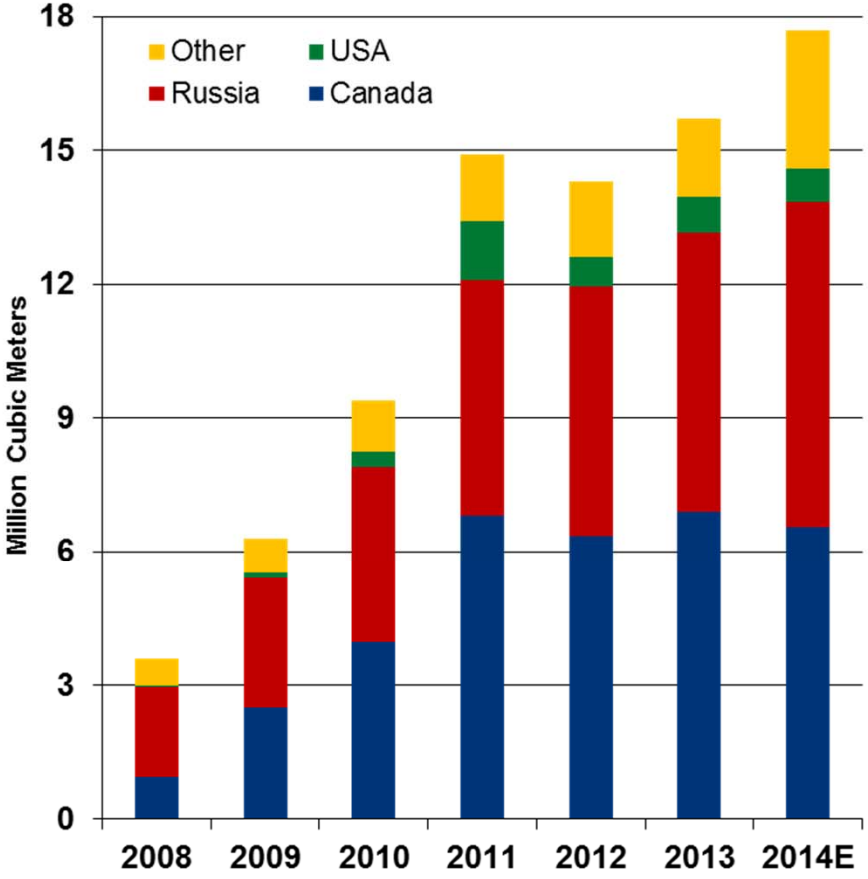
Exports to China will continue to tension the U.S. market, despite softening in China's construction sector and the effect of a strong U.S. dollar and weak Russian ruble.

China Softwood Log Imports



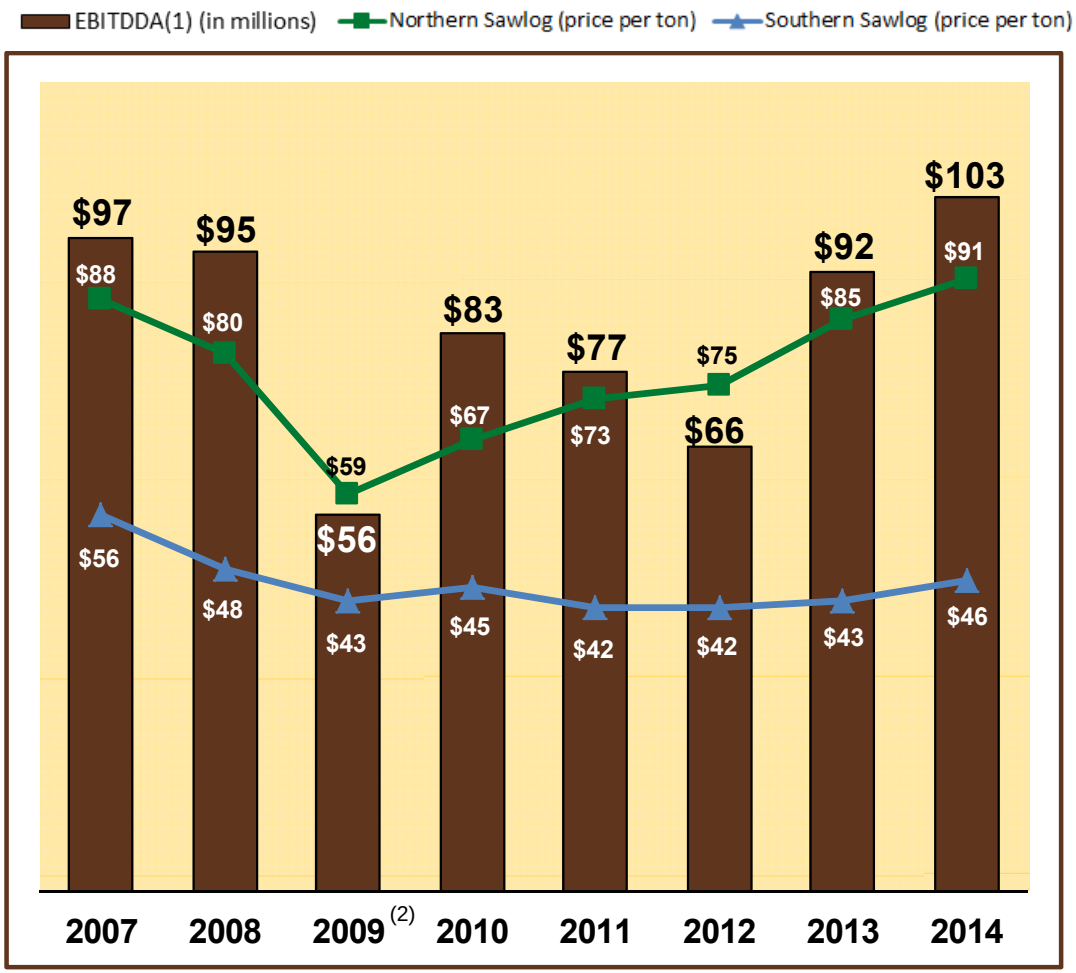
Source: RISI

China Softwood Lumber Imports



Source: RISI

Resource: Segment Overview

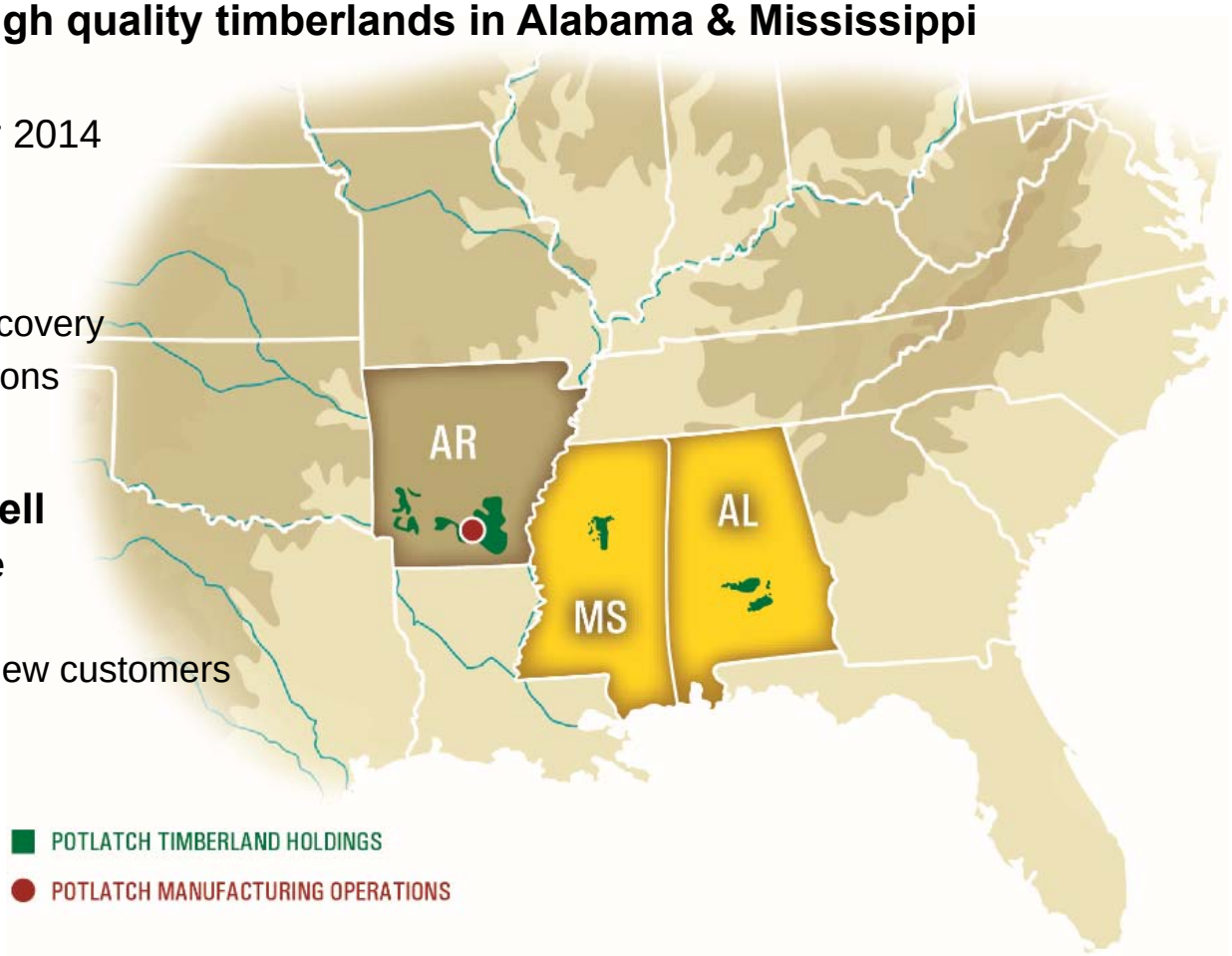


- **Stable and significant source of cash since REIT conversion**
- **Increased EBITDDA driven by recovery of Northern sawlog prices**
- **Southern sawlog prices have not yet recovered**
  - ✓ The South is poised to supply wood needed to satisfy higher U.S. housing starts
  - ✓ Increased manufacturing in region will be catalyst for higher Southern sawlog prices
- **At current volumes, a $5/ton change in sawlog prices ≈**
  - ✓ $10 million in annual EBITDDA in North
  - ✓ $5 million in annual EBITDDA in South

(1) Non-GAAP measure – see slide 21 for reconciliation.
(2) Excludes $49 million timber deed sale.

Resource: Southern Timberland Acquisition

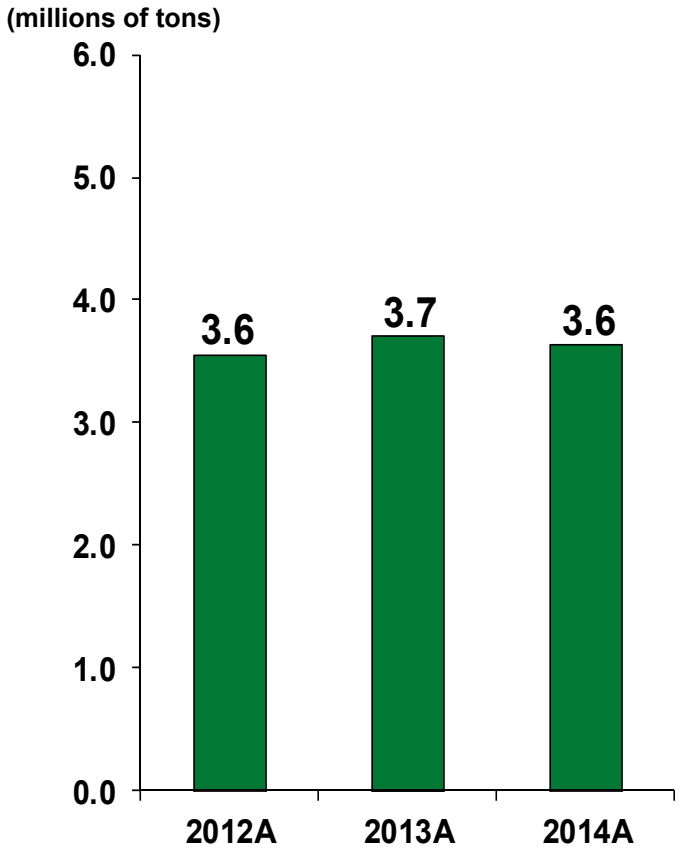
- **Acquired 201,000 acres of high quality timberlands in Alabama & Mississippi**
  - ✓ Purchase price: $384 million
  - ✓ Closed transaction December 2014
- **Strategic benefits:**
  - ✓ Diversify ownership
  - ✓ Increase leverage to housing recovery
  - ✓ Springboard for bolt-on acquisitions
  - ✓ Immediately FAD accretive
- **Integration is progressing well**
  - ✓ Opened office in each new state
  - ✓ Five targeted positions filled
  - ✓ Establishing relationships with new customers
  - ✓ Log & haul contractors hired



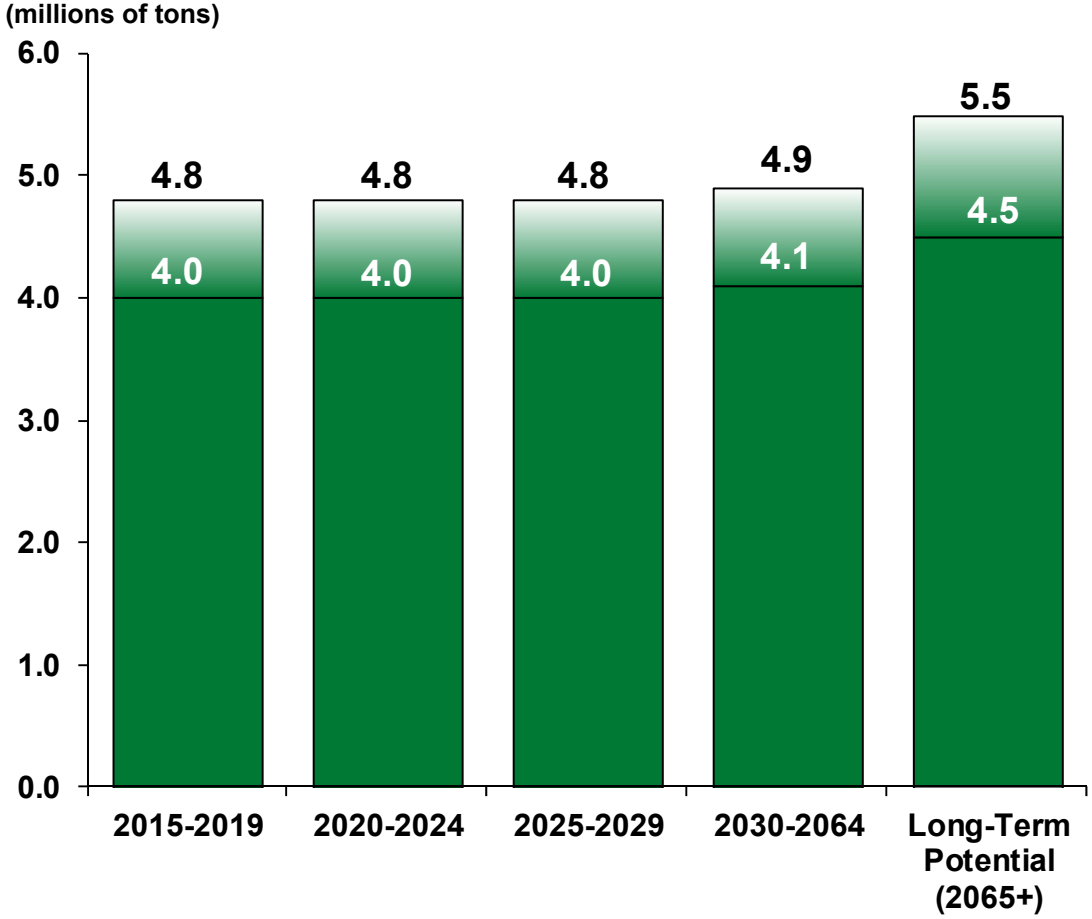
Resource: Long-Term Harvest Profile

The acquisition increases our planned harvest to 4.5 million tons in 2015. Our strategy is to flex the harvest for short periods to maximize net present value, while managing the timberlands on a sustainable basis over the long-term.

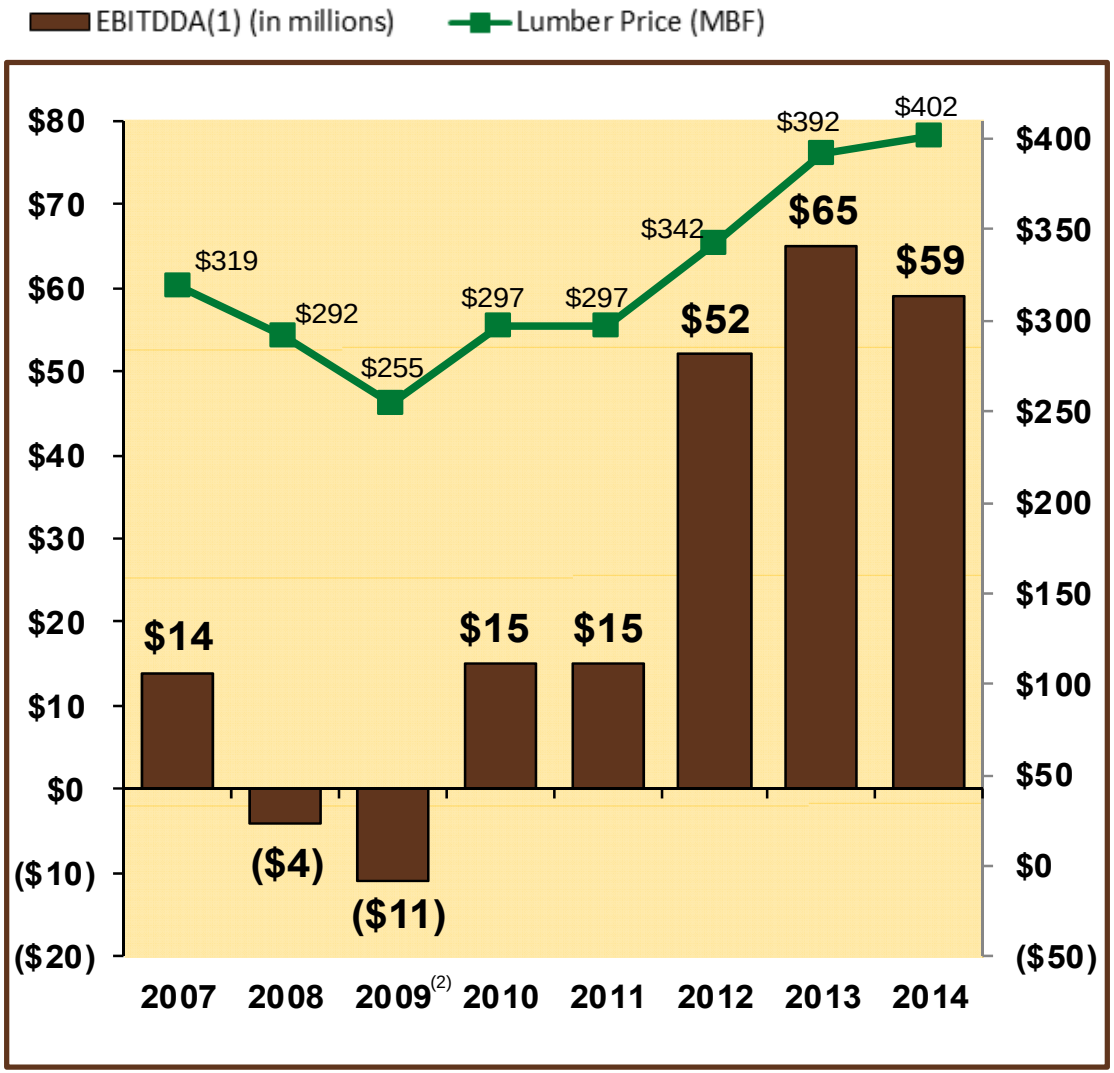
Annual Harvest



Projected Average Annual Harvest Range



Wood Products: Segment Overview



(1) Non-GAAP measure – see slide 21 for reconciliation.
(2) Includes asset impairment charge of $3 million.

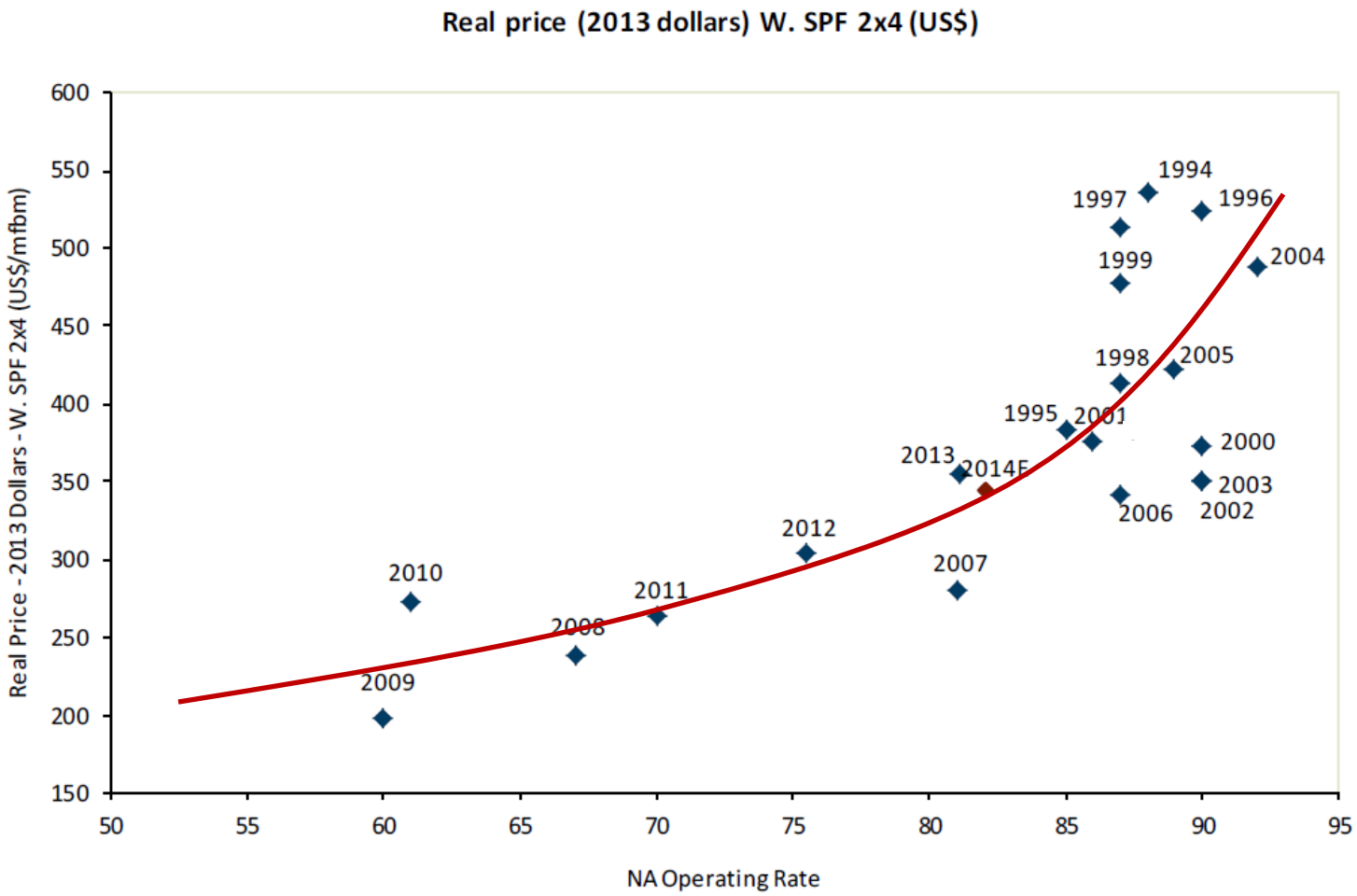
- We operate four top-quartile sawmills
- We sell lumber to wholesalers for use in homebuilding and construction
- Our industrial grade plywood mill sells higher grade panels at a premium
- Higher EBITDDA driven largely by lumber prices

A $10/mbf change in lumber price ≈ $6 million in annual EBITDDA



Wood Products: Real Price vs. Capacity Utilization

Lumber prices are correlated with manufacturing capacity utilization, which is increasing.



Source: RBC Capital Markets from Random Lengths, RISI, and RBC Capital Markets estimates, February 2015.

Real Estate: Segment Overview

Part of our ownership is worth more for uses other than timberlands. Parcels are segmented by product, then competitively marketed for sale at the highest overall price. Sales activity is lumpy with a base of about 20,000 acres annually.

2015 Land Base Value Optimization

Strategic Management / Long-Term Ownership

CORE Timberland
1.3 million acres



Sell Parcels For Values Greater Than Timberland Values

HBU Development
80,000 acres

Rural Real Estate
140,000 acres

Non-Strategic Timberlands
80,000 acres

Potlatch®

$2,100 * / acre

$1,200 * / acre

$800 * / acre

*Average for the last two years.

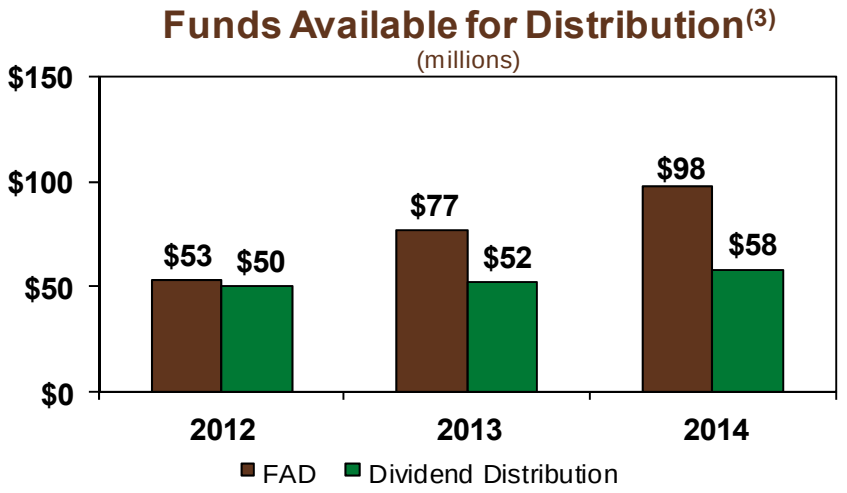
FINANCIAL HIGHLIGHTS

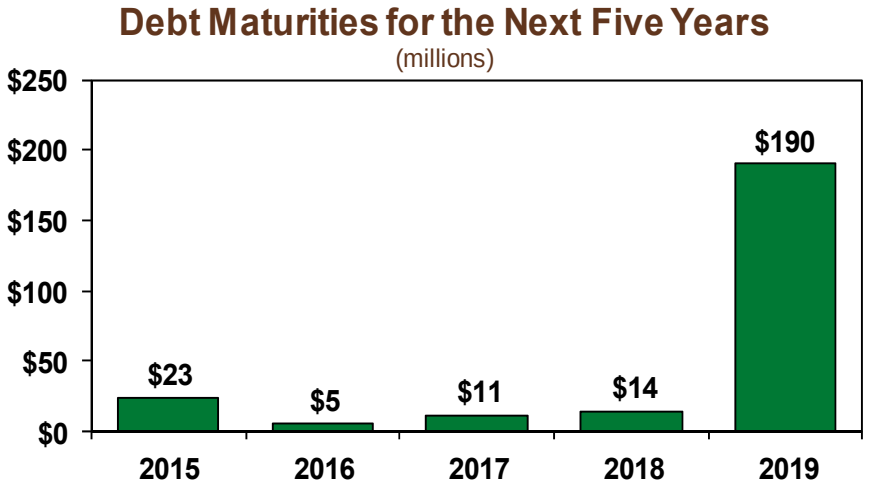
Amounts as of December 31, 2014: $ in millions		
Cash & short-term investments	$	31
Debt	$	629
Pension & other postretirement liability	$	116
Revolver availability	$	249
Net debt to enterprise value[1]		27%
Dividend yield[2]		3.8%

[1] Net debt to enterprise value is a non-GAAP measure and is calculated as net debt divided by enterprise value. Net debt is calculated as long-term debt, less cash and short-term investments. Net debt ($598) plus market capitalization ($1,617) equals enterprise value. Market capitalization is as of February 24, 2015.

[2] Based on the closing stock price of $39.83 per share as of February 24, 2015.

[3] FAD is a non-GAAP measure. See slide 22 for a reconciliation.





Conclusion: Investment Takeaways

- **High quality timberland portfolio**
  - ✓ Largest private landowner in Idaho
  - ✓ Southern ownership poised to take advantage of sawlog price recovery
  - ✓ Solid base provides ability to grow timberland ownership in attractive wood baskets
- **Attractive dividend yield currently at 3.8%(1)**
- **Wood Products mills are first quartile based on margin benchmarks**
- **Real Estate segment has low risk, high margin attributes**
- **Long-term industry trends are very favorable**
  - ✓ U.S. housing starts on path to recovery
  - ✓ North American exports to China tension the U.S. market
  - ✓ Lower supply from Canada
- **Potlatch is highly leveraged to the housing recovery**

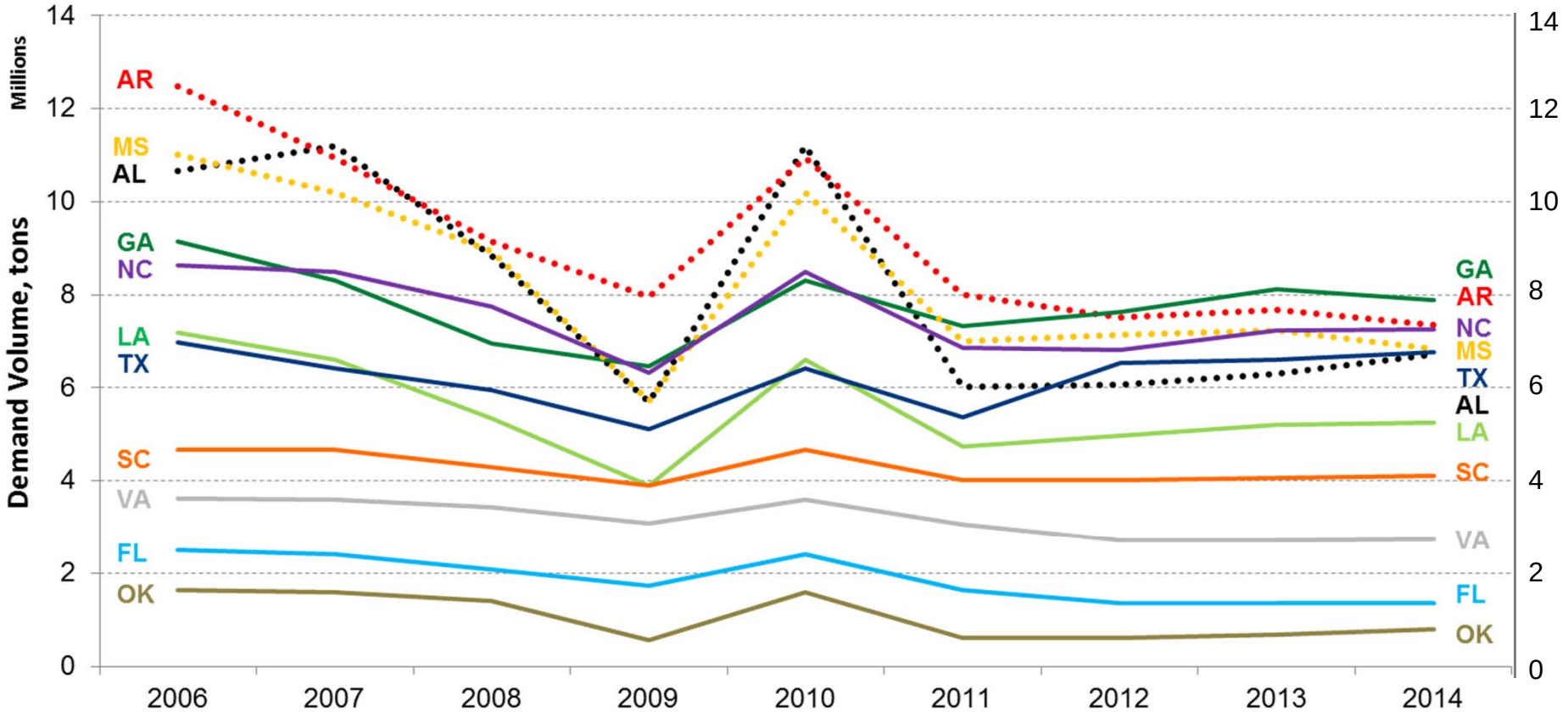
(1) Based on February 24, 2015 closing stock price of $39.83 per share.

Appendix



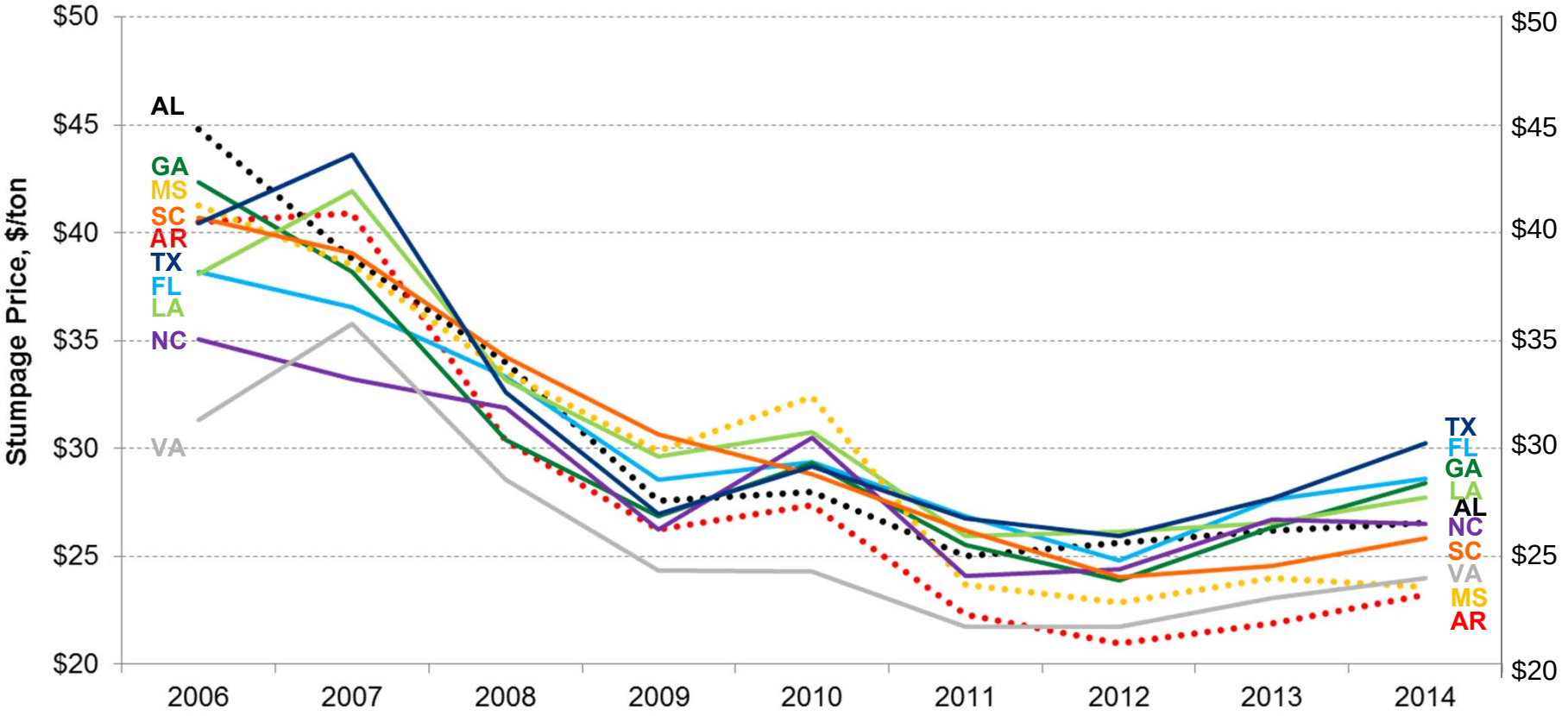
Southern Sawlog Demand by State

The chart below compares historical sawlog demand across 11 southern states. Several states (Georgia, North Carolina, Texas, South Carolina) now have sawlog demand approaching pre-recession levels. Demand is still relatively sluggish in our wood baskets in Arkansas, Alabama, and Mississippi (the dotted lines).



Southern Sawlog Price Trends by State

The chart below compares historical sawlog pricing across 10 southern states. Note that pricing appears to have bottomed in most markets in 2012, and that there is great disparity across the region (e.g. Texas @ $31/ton and Arkansas at $23/ton). Pre-recession prices would add ≈ $20 million of EBITDDA at planned 2015 harvest levels.



EBITDDA and Segment EBITDDA Reconciliation

($ in millions)

	Fiscal Year							
	2007	2008	2009[3]	2010	2011	2012	2013	2014
Consolidated[1]								
Net income	$ 75	$ 73	$ 81	$ 40	$ 40	$ 43	$ 71	$ 90
Adjustments:								
Income tax (benefit) provision	(18)	(25)	(16)	5	4	17	14	20
Interest expense[2]	15	20	22	28	28	26	23	23
Depreciation, depletion and amortization	30	30	33	29	26	23	25	25
Basis of real estate sold	4	9	11	49	14	5	4	9
Non-cash eliminations	-	-	-	-	(2)	-	(1)	-
Consolidated EBITDDA	$ 106	$ 107	$ 131	$ 151	$ 110	$ 114	$ 136	$ 167
Resource								
Operating income	$ 82	$ 76	$ 82	$ 62	$ 60	$ 50	$ 74	$ 85
Depreciation, depletion and amortization	15	19	23	21	17	16	18	18
Resource Segment EBITDDA	$ 97	$ 95	$ 105	$ 83	$ 77	$ 66	$ 92	$ 103
Wood Products								
Operating income (loss)	$ 4	$ (14)	$ (21)	$ 7	$ 7	$ 45	$ 59	$ 53
Depreciation	10	10	10	8	8	7	6	6
Wood Products Segment EBITDDA	$ 14	$ (4)	$ (11)	$ 15	$ 15	$ 52	$ 65	$ 59
Real Estate								
Operating income	$ 17	$ 31	$ 49	$ 30	$ 31	$ 28	$ 18	$ 27
Basis of real estate sold and depreciation	4	9	11	49	14	5	4	9
Real Estate Segment EBITDDA	$ 21	$ 40	$ 60	$ 79	$ 45	$ 33	$ 22	$ 36

(1) Consolidated amounts exclude amounts related to discontinued operations.
(2) Interest expense includes amortization of bond discounts and deferred loan fees.
(3) Consolidated and Resource EBITDDA include a $49 million timber deed sale. Consolidated and Wood Products EBITDDA include a $3 million asset impairment charge.

Potlatch Net Debt & FAD Reconciliations

($ in millions)

Net Debt	At December 31,							
	2007	2008	2009	2010	2011	2012	2013	2014
Long-term debt	$ 321	$ 221	$ 368	$ 363	$ 345	$ 349	$ 320	$ 629
Current installments on long-term debt	-	101	-	5	22	8	-	-
Current notes payable	110	129	-	-	-	-	-	-
Cash	(9)	(1)	(2)	(6)	(8)	(17)	(6)	(5)
Short-term investments	(22)	(3)	(53)	(85)	(63)	(63)	(52)	(26)
Net debt	$ 400	$ 447	$ 313	$ 277	$ 296	$ 277	$ 262	$ 598

FAD Calculation	Fiscal Year							
	2007	2008	2009	2010	2011	2012	2013	2014
Net income	$ 75	$ 73	$ 81	$ 40	$ 40	$ 43	$ 71	$ 90
Depreciation, depletion and amortization [1]	27	30	35	31	29	26	27	27
Basis of real estate sold	4	9	11	49	14	5	3	9
Non-cash asset impairment & eliminations	-	-	-	-	(2)	-	-	-
Capital expenditures	(20)	(20)	(16)	(15)	(17)	(21)	(24)	(28)
Funds available for distribution	$ 86	$ 92	$ 111	$ 105	$ 64	$ 53	$ 77	$ 98
Distributions to common stockholders [2]	$ 77	$ 81	$ 81	$ 82	$ 74	$ 50	$ 52	$ 58

(1) Includes amortization of bond discounts and deferred loan fees.
(2) Excludes distribution of Clearwater Paper stock in 2008.

Definitions of Non-GAAP Measures

EBITDDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. EBITDDA, as we define it, is net income (loss) adjusted for net cash interest expense, provision (benefit) for income taxes, depreciation, depletion and amortization, basis of real estate sold and non-cash asset impairment and eliminations.

Segment EBITDDA from continuing operations, as we define it, is segment operating income (loss) adjusted for depreciation, depletion, amortization and the basis of real estate sold.

Funds Available for Distribution (FAD), as we define it, is net income (loss) adjusted for depreciation, depletion and amortization, basis of real estate sold, non-cash asset impairment and eliminations and capital expenditures. For purposes of this definition, capital expenditures exclude all expenditures relating to direct or indirect timberland purchases in excess of $5 million.