Potlatch®

Q2 2016

Earnings Release

July 26, 2016

Michael J. Covey
Chairman and Chief Executive Officer

Eric J. Cremers
President and Chief Operating Officer

Jerald W. Richards
Vice President and Chief Financial Officer

Forward-Looking Statements & Non-GAAP Measures

FORWARD-LOOKNG 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 our expectations regarding the company's financial performance in 2016; our outlook for future operating conditions in sawlog, pulpwood, lumber, plywood and real estate markets; expected 2016 housing starts; improvement of housing starts in 2016; demand and pricing for sawlogs, pulpwood, and lumber in the third quarter and second half of 2016; expected lumber prices in the third quarter and second half 2016; expectations regarding the effect of strengthening of the Canadian Dollar on lumber prices; expected third quarter and full year 2016 harvest volumes in the North and South; expected pulpwood/sawlog mix in the North and South and stumpage in the South in the third quarter and second half of 2016; expected real estate sales in the third quarter of 2016 and expected land basis; expected earnings and cash flows in our Resource, Wood Products and Real Estate segments in the third quarter and second half of 2016; expected quarterly corporate and interest expense in 2016; expected third quarter 2016 lumber shipments; expected earnings in third quarter and second half of 2016; the company's balance sheet; expected capital expenditures for the full year 2016; liquidity, cash flows and dividend levels; expected decline in interest expense in 2016 and future years; expected consolidated tax rate in the third quarter and full year of 2016; expected stock repurchases; expected refinancing of $65.7 million tax exempt bonds in August, 2016 and resulting drop in interest expense; and related 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 our lands; changes in timber prices; changes in lumber and plywood prices; changes in policy regarding governmental timber sales; changes in the United States and international economies; currency fluctuations; changes in the level of construction, repair and remodel activity; changes in tariffs, quotas and trade agreements involving wood products; changes in demand for forest products; changes in production and production capacity in the forest products industry; competitive pricing pressures for our products; unanticipated manufacturing disruptions; changes in general and industry-specific environmental laws and regulations; unforeseen environmental liabilities or expenditures; weather conditions; fire and fire-related restrictions on harvesting; pest infestation; changes in raw material, diesel, other fuel 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; changes in the bond markets; fluctuations in the company's stock price; and other risks and uncertainties described from time to time in our public filings with the Securities and Exchange Commission. These forward-looking statements are made as of the date of this presentation and we do not undertake to update any forward-looking statements.

NON-GAAP MEASURES

This presentation includes non-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.

Q2 2016: Total Company Summary

(unaudited, $ in millions, except per share amounts)

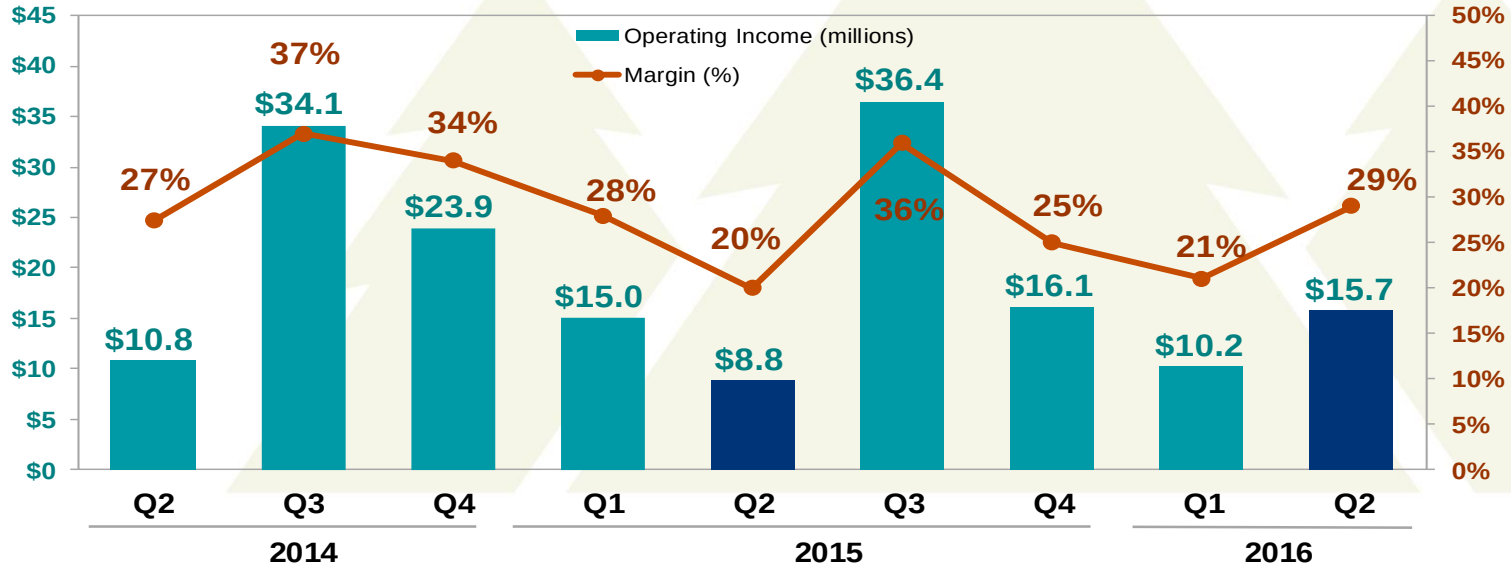
	2016 Q1	2016 Q2	2015 YTD	2016 YTD
Operating Income				
Resource	$ 10.2	$ 15.7	$ 23.8	$ 25.9
Wood Products	1.0	4.7	1.5	5.7
Real Estate	2.1	(43.5)	10.1	(41.4)
Eliminations	1.4	(0.9)	3.6	0.5
Total operating income (loss)	14.7	(24.0)	39.0	(9.3)
Corporate	(9.6)	(10.3)	(17.6)	(19.9)
Interest expense, net	(6.0)	(8.2)	(16.1)	(14.2)
Income (loss) before taxes	(0.9)	(42.5)	5.3	(43.4)
Income taxes	1.1	11.2	1.1	12.3
Net income (loss)	**$ 0.2**	**$ (31.3)**	**$ 6.4**	**$ (31.1)**
Diluted earnings (loss) per share	**$ -**	**$ (0.77)**	**$ 0.16**	**$ (0.76)**
Distributions per share	**$ 0.375**	**$ 0.375**	**$ 0.75**	**$ 0.75**
Amounts Excluding Central Idaho[2]				
Adjusted net income		**$ 5.4**		**$ 5.6**
Per diluted share		**$ 0.13**		**$ 0.14**

	2016 Q1	2016 Q2	2015 YTD	2016 YTD
EBITDDA[1]				
Northern region	$ 11.6	$ 14.3	$ 24.6	$ 25.9
Southern region	4.7	6.8	10.2	11.5
Total Resource	16.3	21.1	34.8	37.4
Wood Products	2.9	6.4	4.7	9.3
Real Estate	4.3	8.6	11.3	12.9
Eliminations	1.4	(0.9)	3.6	0.5
Corporate	(9.6)	(10.1)	(17.2)	(19.7)
EBITDDA, without central Idaho	**$ 15.3**	**$ 25.1**	**$ 37.2**	**$ 40.4**
Sale of central Idaho timberland	-	111.5	-	111.5
Total EBITDDA	**$ 15.3**	**$ 136.6**	**$ 37.2**	**$ 151.9**

(1) Non-GAAP measure. See slide 17 for definition and reconciliation.
(2) Non-GAAP measure. See slide 18 for reconciliation.

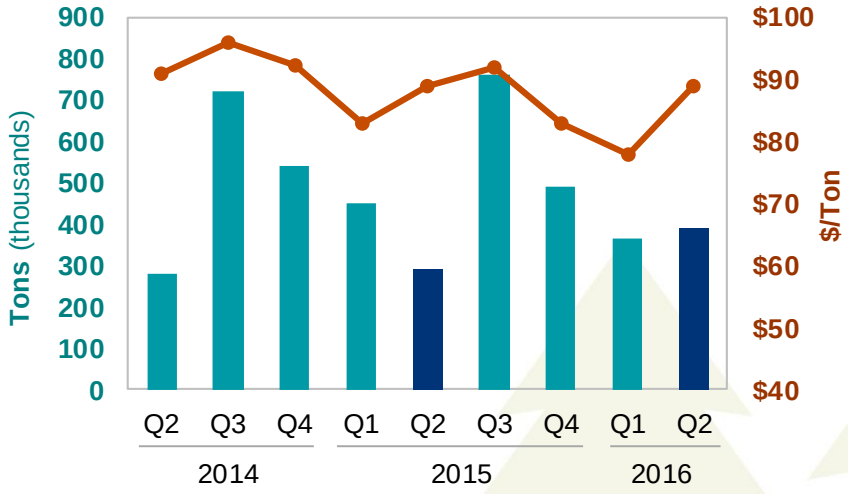
RESOURCE:
Segment Summary

- **Unseasonably dry conditions facilitated catch up of year-to-date harvest volumes in Idaho**
- **Northern sawlog prices increased 14% due to seasonally lighter logs and strong cedar log prices**
- **Southern sawlog prices increased 6%, primarily the result of a seasonal increase in hardwood logs in the sales mix**

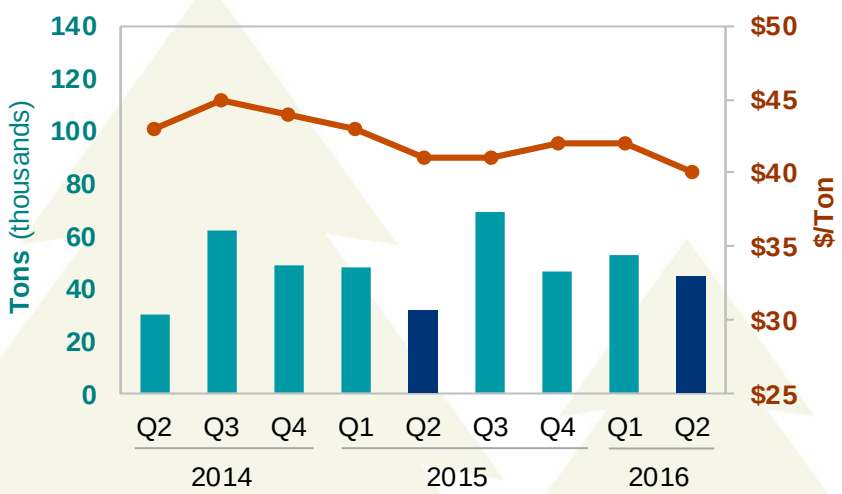


RESOURCE:
Northern Region – Volume, Pricing and EBITDDA

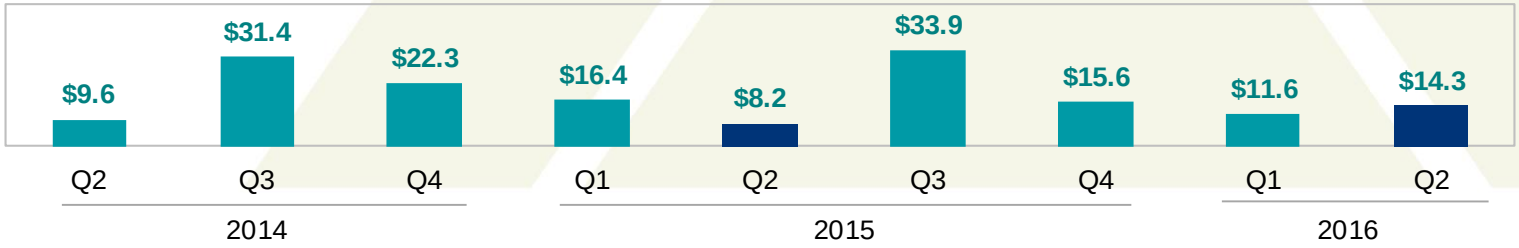
Sawlog



Pulpwood



EBITDDA[(1)] ($ in millions)

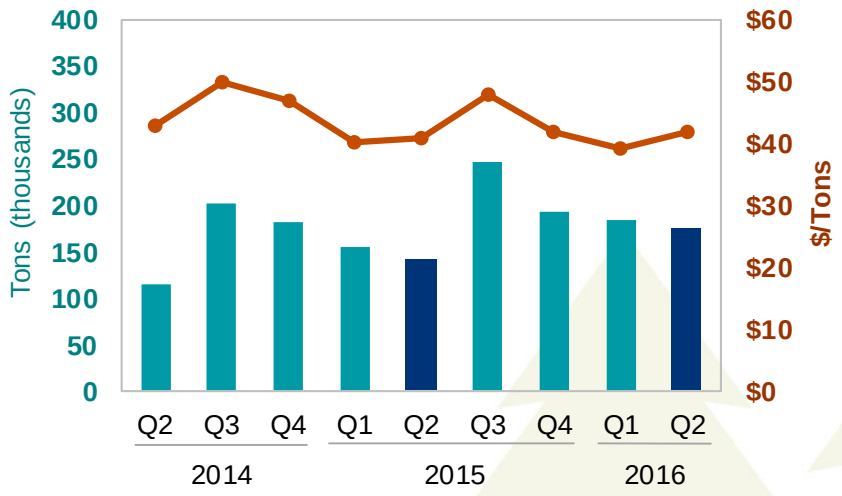


(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

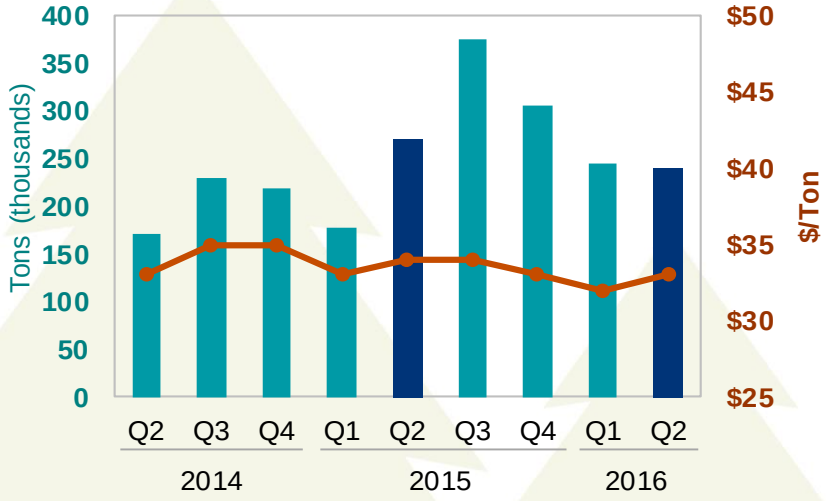
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

RESOURCE:
Southern Region – Volume, Pricing and EBITDDA

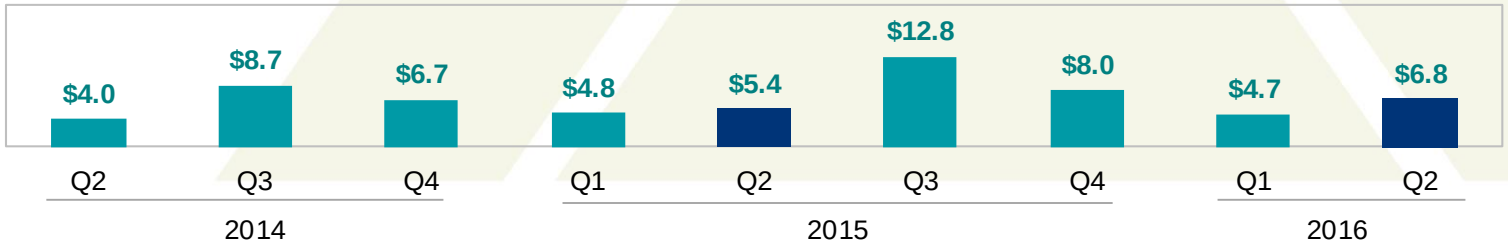
Sawlog



Pulpwood



EBITDDA[(1)] ($ in millions)

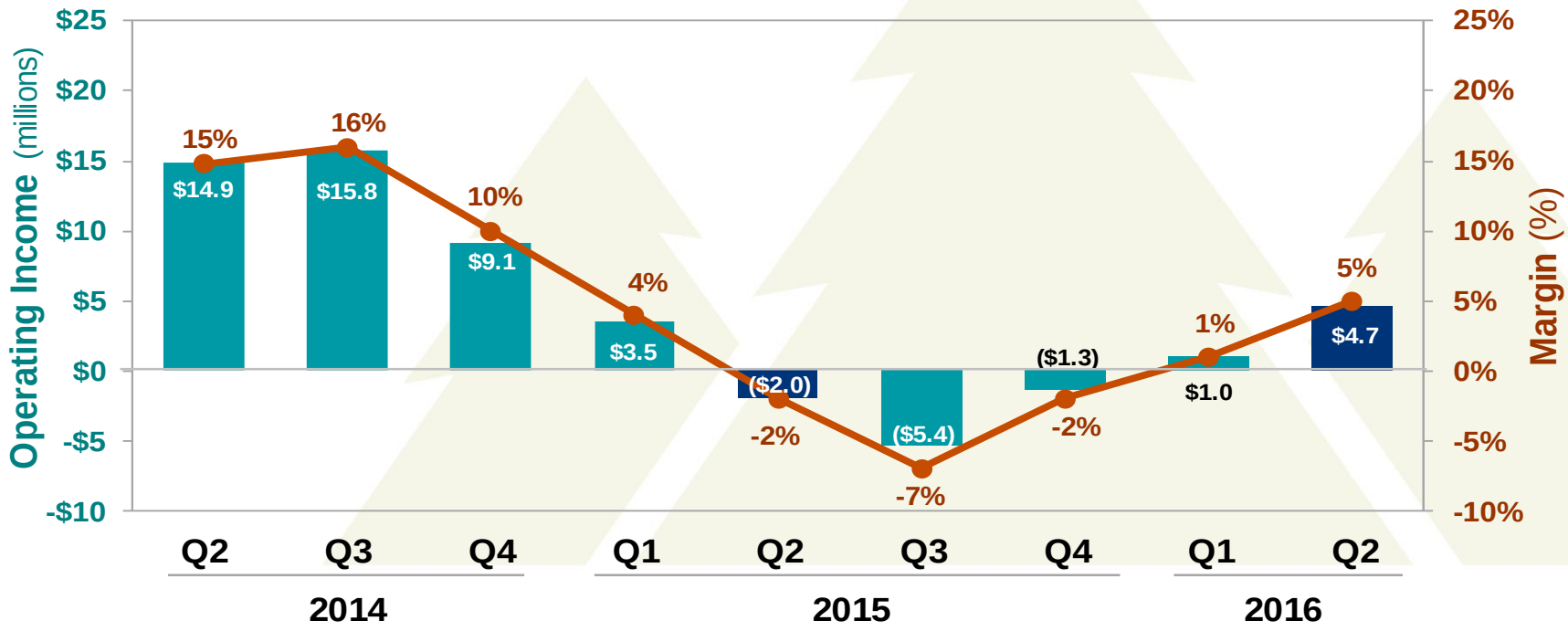


(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

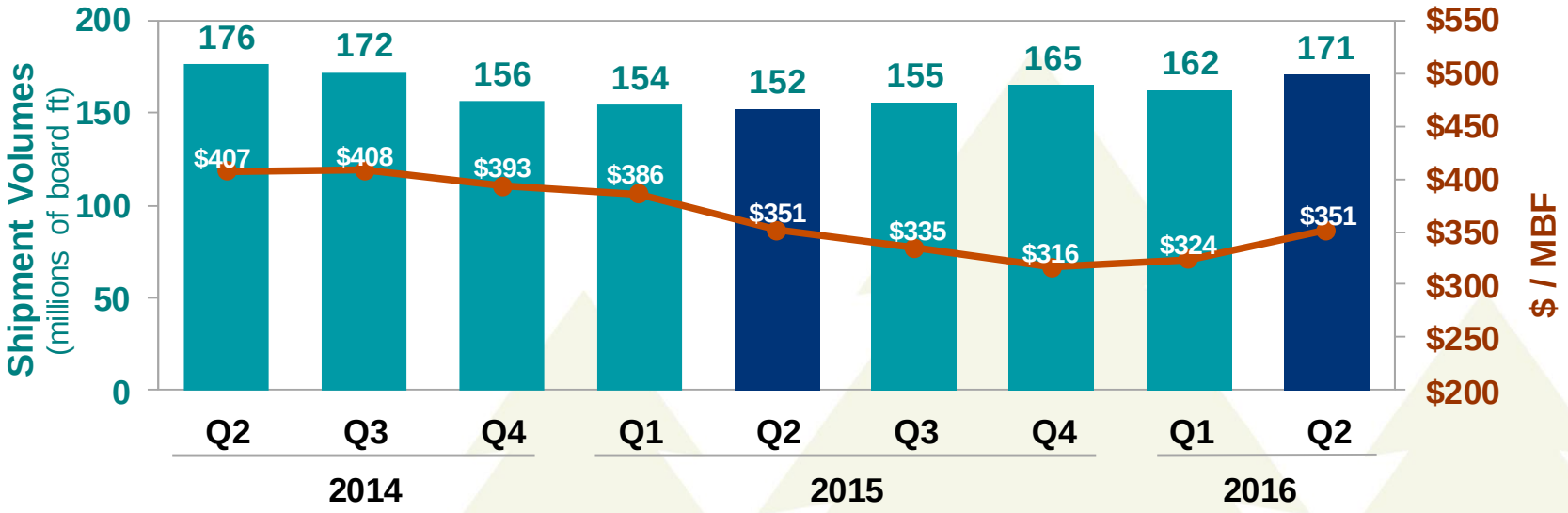
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

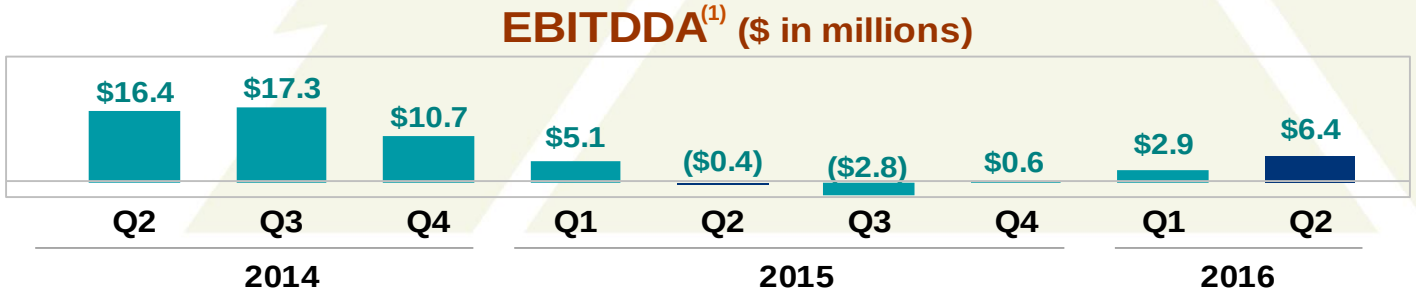
WOOD PRODUCTS: Segment Summary

- Average lumber prices were 8% higher in Q2
- Lumber shipments increased 5% in Q2
- Our Warren, Arkansas sawmill took 12 days of downtime related to a capital project in Q2



WOOD PRODUCTS:
Lumber Sales Prices, Shipments and EBITDDA

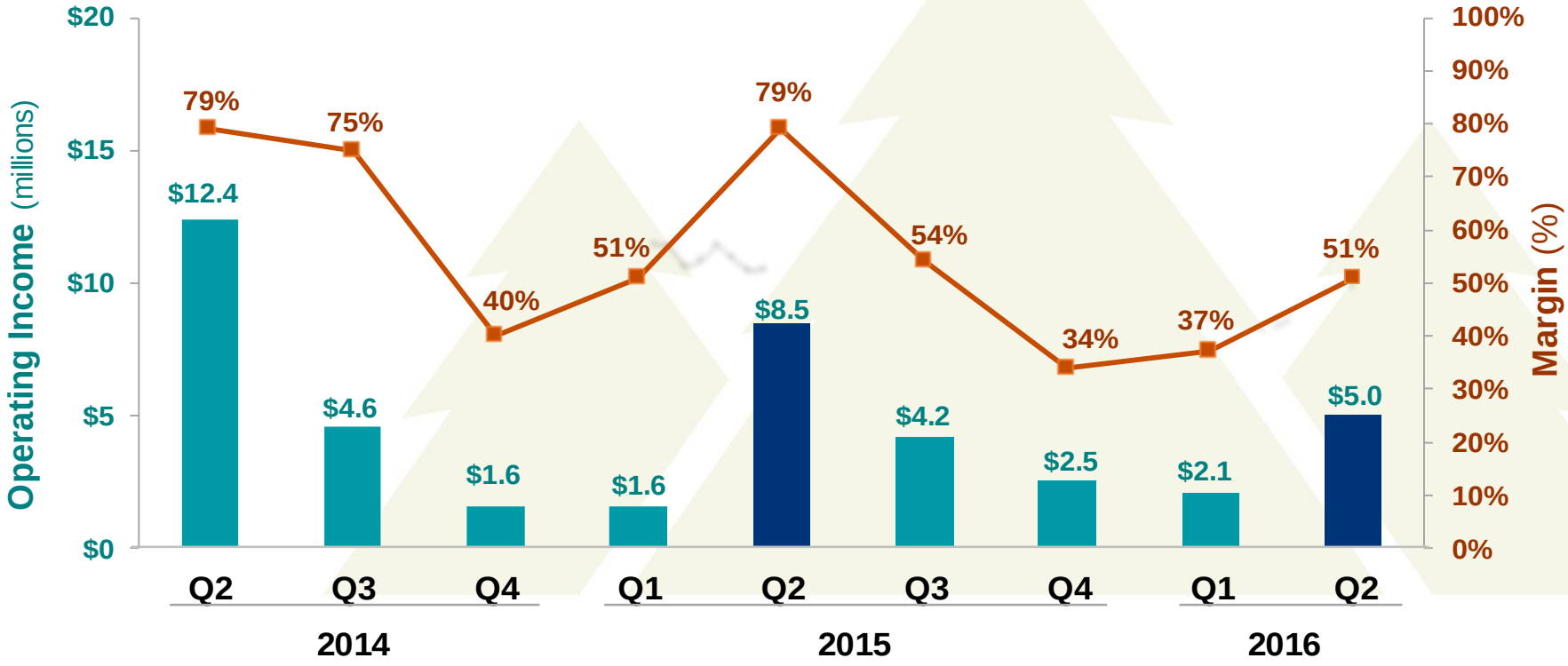




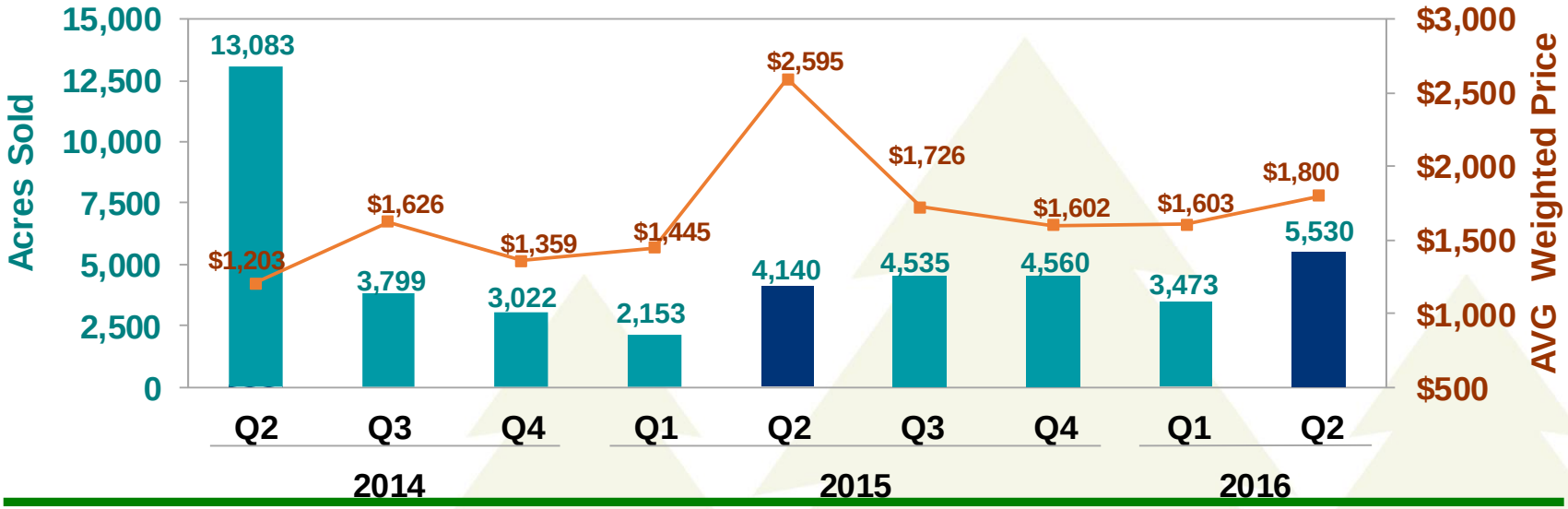
(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

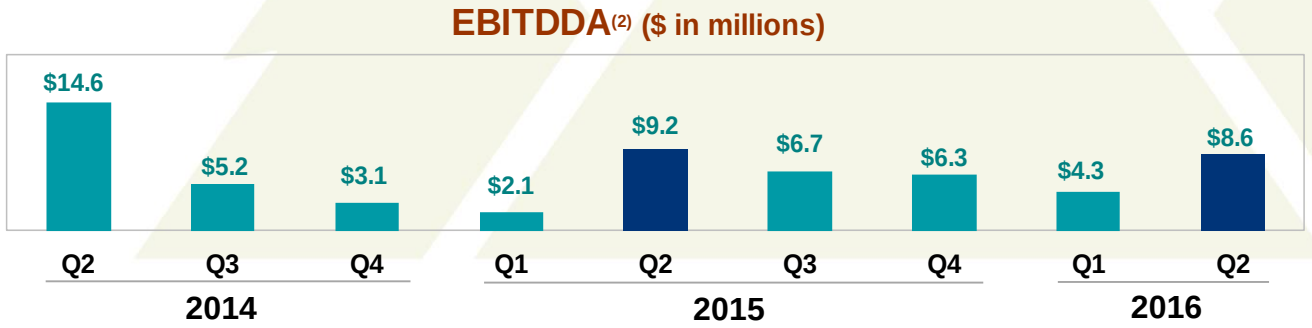
REAL ESTATE:
Segment Summary

- Information below does not include the central Idaho timberland sale
- A conservation sale with an attractive price of almost $2,600 closed in Q2
- The number of acres sold and the average sales price were higher Q2 compared to Q1



REAL ESTATE:
Acres Sold, Average Price and EBITDDA(1)





(1) Does not include the central Idaho timberland sale.

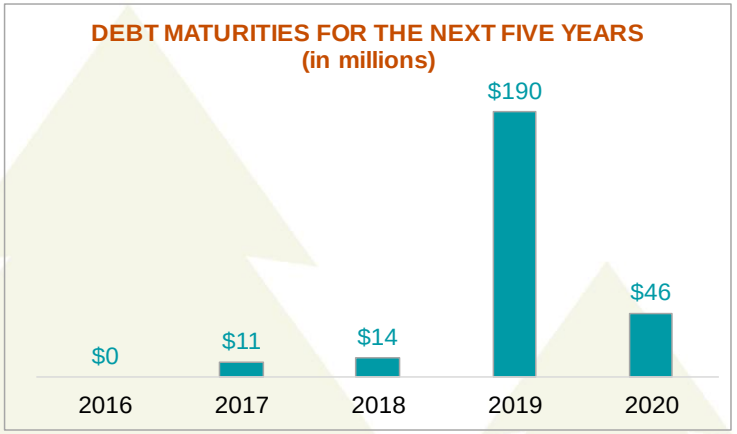
(2) Non-GAAP measure. See slide 17 for definition and reconciliation.

FINANCIAL HIGHLIGHTS

Amounts as of June 30, 2016: Unaudited, $ in millions	
Cash and short-term investments	$ 65.4
Debt	$ 586.3
Pension & postretirement liability	$ 119.6
Undrawn revolver	$ 248.8
Net debt to enterprise value(1)	26.0%
Dividend yield(2)	4.4%

(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, revolving line of credit borrowings, less cash and short-term investments. Net debt ($521k) plus market capitalization ($1,494k) equals enterprise value. Market capitalization is as of July 20, 2016.

(2) Based on the closing stock price of $34.10 per share as of June 30, 2016.



- **No significant maturities until 2019**
- **Paid down $42.6 million of 5.9% debt in June, reducing interest expense $2.5 million per year**
- **Refinancing $65.7 million of 6% debt**
  - Scheduled to close in August
  - Expect interest rate of ≈3%, which would reduce interest expense almost $2 million per year

Q3 OUTLOOK

RESOURCE

- **Harvest 1.4 to 1.5 million tons**
  - ≈50% of volume in the South and ≈50% in the North
  - Sawlogs ≈90% of Northern volume and ≈50% of Southern Volume
- **Higher sawlog prices**
  - Higher indexed prices and strong cedar sawlog price in the North: price increase up to 5%
  - Seasonally higher mix of hardwood in the South: price increase ≈10%

WOOD PRODUCTS

- **Expect to ship ≈175 million board feet of lumber**
- **Lumber prices up ≈5%**

REAL ESTATE

- **Expect to sell ≈7,000 acres at an average price of $1,300 per acre**
- **Over 80% of the acres expected to be rural real estate**
- **Land basis of 15% - 20%**

OTHER

- **Corporate expected to be ≈$9.5 million**
- **Interest expense expected to be $8.1 million, including write off of $400,000 of unamortized loan fees**
- **Consolidated tax rate of 10% – 15%**

Appendix

STATISTICS: Resource

(unaudited)

	2014			2015				2016	
Fee Volumes (tons)	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Northern Region									
Sawlog	279,831	720,460	538,738	451,548	287,979	762,813	490,625	366,852	388,575
Pulpwood	30,124	62,340	48,883	47,840	31,284	69,329	46,449	52,361	44,497
Stumpage	2,475	1,862	1,007	16,903	3,277	2,604	790	16,207	1,061
Total	312,430	784,662	588,628	516,291	322,540	834,746	537,864	435,420	434,133
Southern Region									
Sawlog	115,855	200,838	181,147	154,730	142,107	246,566	192,930	185,051	175,498
Pulpwood	171,136	229,635	218,808	177,345	270,518	375,097	304,601	248,152	240,277
Stumpage	952	1,095	14,776	39,961	53,176	137,094	90,941	56,079	65,596
Total	287,943	431,568	414,731	372,036	465,801	758,757	588,472	489,282	481,371
Total Fee Volume	600,373	1,216,230	1,003,359	888,327	788,341	1,593,503	1,126,336	924,702	915,504
Sales Price/Unit ($ per ton)									
Northern Region									
Sawlog	$ 91	$ 96	$ 92	$ 83	$ 89	$ 92	$ 83	$ 78	$ 89
Pulpwood	$ 43	$ 45	$ 44	$ 43	$ 41	$ 41	$ 42	$ 42	$ 40
Stumpage	$ 11	$ 11	$ 14	$ 9	$ 6	$ 13	$ 13	$ 13	$ 11
Southern Region									
Sawlog	$ 43	$ 50	$ 47	$ 40	$ 41	$ 48	$ 42	$ 39	$ 42
Pulpwood	$ 33	$ 35	$ 35	$ 33	$ 34	$ 34	$ 33	$ 32	$ 33
Stumpage	$ 34	$ 19	$ 13	$ 18	$ 15	$ 21	$ 17	$ 18	$ 23

STATISTICS: Wood Products & Real Estate

(unaudited)

	2014			2015				2016	
Wood Products	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Lumber Shipments (MBF)	176,046	171,818	156,123	154,206	152,071	155,388	164,965	161,992	170,829
Lumber Sales Prices ($ per MBF)	$ 407	$ 408	$ 393	$ 386	$ 351	$ 335	$ 316	$ 324	$ 351
Real Estate [1]									
Acres Sold									
HBU Development	1,424	1,876	416	243	514	1,750	2,092	1,088	3,348
Rural Real Estate	10,821	1,721	2,314	1,122	3,280	2,596	2,038	2,281	1,489
Non-Strategic Timberlands	838	202	292	788	346	189	430	104	693
	13,083	3,799	3,022	2,153	4,140	4,535	4,560	3,473	5,530
Revenues by Product Type (millions)									
HBU Development	$ 2.9	$ 3.9	$ 1.1	$ 0.9	$ 5.9	$ 4.2	$ 4.4	$ 2.3	$ 7.6
Rural Real Estate	12.2	2.2	2.8	1.5	4.5	3.5	2.5	3.2	1.8
Non-Strategic Timberlands	0.7	0.1	0.2	0.7	0.3	0.2	0.4	0.1	0.6
	$ 15.8	$ 6.2	$ 4.1	$ 3.1	$ 10.7	$ 7.9	$ 7.3	$ 5.6	$ 10.0
Sales Price per Acre									
HBU Development	$ 2,025	$ 2,096	$ 2,529	$ 3,587	$ 11,467	$ 2,420	$ 2,086	$ 2,113	$ 2,263
Rural Real Estate	$ 1,125	$ 1,245	$ 1,211	$ 1,324	$ 1,394	$ 1,328	$ 1,227	$ 1,406	$ 1,215
Non-Strategic Timberlands	$ 807	$ 610	$ 808	$ 903	$ 813	$ 770	$ 1,021	$ 565	$ 818
Transactions by Product Type									
HBU Development	12	15	15	8	18	10	23	11	16
Rural Real Estate	25	25	28	20	43	41	29	20	26
Non-Strategic Timberlands	5	4	7	6	5	3	3	3	3
	42	44	50	34	66	54	55	34	45

(1) Does not include the central Idaho timberland sale.

Total Company Earnings Summary

(unaudited, $ in millions, except per share amounts)

	2014			2015				2016		2015	2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YTD	YTD
Operating income:											
Resource	$ 10.8	$ 34.1	$ 23.9	$ 15.0	$ 8.8	$ 36.4	$ 16.1	$ 10.2	$ 15.7	$ 23.8	$ 25.9
Wood Products	14.9	15.8	9.1	3.5	(2.0)	(5.4)	(1.3)	1.0	4.7	1.5	5.7
Real Estate	12.4	4.6	1.6	1.6	8.5	4.2	2.5	2.1	(43.5)	10.1	(41.4)
Eliminations	0.8	(2.0)	0.2	3.0	0.6	(0.6)	0.3	1.4	(0.9)	3.6	0.5
Total operating income (loss)	38.9	52.5	34.8	23.1	15.9	34.6	17.6	14.7	(24.0)	39.0	(9.3)
Corporate	(9.2)	(7.6)	(8.2)	(9.0)	(8.6)	(6.9)	(7.8)	(9.6)	(10.3)	(17.6)	(19.9)
Interest expense, net	(5.5)	(5.5)	(6.4)	(8.1)	(8.0)	(8.3)	(8.4)	(6.0)	(8.2)	(16.1)	(14.2)
Income (loss) before taxes	24.2	39.4	20.2	6.0	(0.7)	19.4	1.4	(0.9)	(42.5)	5.3	(43.4)
Income taxes	(7.9)	(6.2)	(0.1)	(0.3)	1.4	2.4	2.1	1.1	11.2	1.1	12.3
Net income (loss)	**$ 16.3**	**$ 33.2**	**$ 20.1**	**$ 5.7**	**$ 0.7**	**$ 21.8**	**$ 3.5**	**$ 0.2**	**$ (31.3)**	**$ 6.4**	**$ (31.1)**
Diluted earnings (loss) per share	**$ 0.40**	**$ 0.81**	**$ 0.49**	**$ 0.14**	**$ 0.02**	**$ 0.53**	**$ 0.09**	**$ -**	**$ (0.77)**	**$ 0.16**	**$ (0.76)**
Distributions per share	**$ 0.35**	**$ 0.35**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.75**

NON-GAAP RECONCILIATION:

Operating Segment EBITDDA

(unaudited, $ in millions)

	2014			2015				2016		2015	2016
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YTD	YTD
Northern Resource											
Operating Income	$ 7.2	$ 26.0	$ 18.4	$ 12.7	$ 6.3	$ 28.6	$ 11.7	$ 8.6	$ 12.3	$ 19.0	$ 20.9
Depreciation, depletion and amortization	2.4	5.4	3.9	3.7	1.9	5.3	3.9	3.0	2.0	5.6	5.0
Northern Resource EBITDDA	9.6	31.4	22.3	16.4	8.2	33.9	15.6	11.6	14.3	24.6	25.9
Southern Resource											
Operating Income	3.6	8.1	5.5	2.3	2.5	7.8	4.4	1.6	3.4	4.8	5.0
Depreciation, depletion and amortization	0.4	0.6	1.2	2.5	2.9	5.0	3.6	3.1	3.4	5.4	6.5
Southern Resource EBITDDA	4.0	8.7	6.7	4.8	5.4	12.8	8.0	4.7	6.8	10.2	11.5
Resource EBITDDA[1]	**$ 13.6**	**$ 40.1**	**$ 29.0**	**$ 21.2**	**$ 13.6**	**$ 46.7**	**$ 23.6**	**$ 16.3**	**$ 21.1**	**$ 34.8**	**$ 37.4**
Wood Products											
Operating income	$ 14.9	$ 15.8	$ 9.1	$ 3.5	$ (2.0)	$ (5.4)	$ (1.3)	$ 1.0	$ 4.7	$ 1.5	$ 5.7
Depreciation, amortization, & eliminations	1.5	1.5	1.6	1.6	1.6	2.6	1.9	1.9	1.7	3.2	3.6
Wood Products EBITDDA[1]	**$ 16.4**	**$ 17.3**	**$ 10.7**	**$ 5.1**	**$ (0.4)**	**$ (2.8)**	**$ 0.6**	**$ 2.9**	**$ 6.4**	**$ 4.7**	**$ 9.3**
Real Estate											
Operating Income, minus central Idaho	$ 12.4	$ 4.6	$ 1.6	$ 1.6	$ 8.5	$ 4.2	$ 2.5	$ 2.1	$ 5.0	$ 10.1	$ 7.1
Basis of land and depreciation	2.2	0.6	1.5	0.5	0.7	2.5	3.8	2.2	3.6	1.2	5.8
Real Estate EBITDDA[1][2]	**$ 14.6**	**$ 5.2**	**$ 3.1**	**$ 2.1**	**$ 9.2**	**$ 6.7**	**$ 6.3**	**$ 4.3**	**$ 8.6**	**$ 11.3**	**$ 12.9**
Corporate											
Corporate expense	$ (9.2)	$ (7.6)	$ (8.2)	$ (9.0)	$ (8.6)	$ (6.9)	$ (7.8)	$ (9.6)	$ (10.3)	$ (17.6)	$ (19.9)
Depreciation and eliminations	0.3	0.3	0.2	0.2	0.2	0.1	-	-	0.2	0.4	0.2
Corporate EBITDDA[1]	**$ (8.9)**	**$ (7.3)**	**$ (8.0)**	**$ (8.8)**	**$ (8.4)**	**$ (6.8)**	**$ (7.8)**	**$ (9.6)**	**$ (10.1)**	**$ (17.2)**	**$ (19.7)**

(1) EBITDDA is a non-GAAP measure and is net income adjusted for interest expense, provision for income taxes, depreciation, depletion and amortization, basis of real estate sold and non-cash asset impairment and eliminations.

(2) Does not include net proceeds of $111.5 million from central Idaho timberland sale Q2 2016.

NON-GAAP RECONCILIATION:

Diluted Adjusted Net Income Per Share

(unaudited)

Adjusted Net Income[1]	Q2 2016		YTD 2016	
	Amount	Per share	Amount	Per share
As reported	**$ (31.3)**	**$ (0.77)**	**$ (31.1)**	**$ (0.76)**
Central Idaho timberland sale:				
Loss on sale	48.5	1.19	48.5	1.19
Income tax benefit	(11.8)	(0.29)	(11.8)	(0.29)
As adjusted	**$ 5.4**	**$ 0.13**	**$ 5.6**	**$ 0.14**

(1) Per-share amounts are computed independently for each period presented. Therefore, the sum of the quarterly per-share amounts may not equal the total computed for the year.

NON-GAAP RECONCILIATION:

Annual Resource EBITDDA by Region

(unaudited, $ in millions)

Resource EBITTDA[(1)] by Region

	2011	2012	2013	2014	2015
Northern Resource					
Operating Income	$ 37.0	$ 33.4	$ 53.0	$ 64.6	$ 59.3
Depreciation, depletion and amortization	15.4	14.9	15.9	15.2	14.8
Northern Resource EBITDDA	**$ 52.4**	**$ 48.3**	**$ 68.9**	**$ 79.8**	**$ 74.1**
Southern Resource					
Operating income	$ 22.8	$ 16.1	$ 20.4	$ 20.4	$ 17.0
Depreciation, depletion and amortization	2.0	1.5	2.2	2.6	14.0
Southern Resource EBITDDA	**$ 24.8**	**$ 17.6**	**$ 22.6**	**$ 23.0**	**$ 31.0**
Total Resource					
Operating income	$ 59.8	$ 49.5	$ 73.4	$ 85.0	$ 76.3
Depreciation, depletion and amortization	17.4	16.4	18.1	17.8	28.8
Total Resource EBITDDA	**$ 77.2**	**$ 65.9**	**$ 91.5**	**$ 102.8**	**$ 105.1**

(1) EBITDDA is a non-GAAP measure. See slide 17 for definition.