Potlatch

June 2017

Investor Presentation

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www.potlatchcorp.com

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 long-term economic fundamentals and future company performance, the company's business model, position of Southern timberlands to supply incremental wood needed, performance of mills after 2015 high-return capital spending, lumber price volatility resulting from trade case regarding Canadian lumber imports, assessment of antidumping duties in Q2 2017 and finalization of countervailing duties in Q4, 2017, finding of injury and determination of the amount of duties in Q4 2017, annual production of lumber and plywood, direction of markets and the economy, forecast of U.S. housing starts, forecast of U.S. lumber supply, expectation that incremental lumber production will come from the South, manufacturer investments in the South, effect of increased manufacturing in the South on sawlog prices, effect of increased sawlog prices on EBITDDA in the North and South regions, effect of increased lumber prices on EBITDDA, expected harvest in 2017 and harvest level range over the next 50 years and beyond, expected annual real estate sales, forecast North American log and lumber exports, log, lumber and panel price trends, effect of mountain pine beetle and reduced allowable cut on Canadian supply, forecast of Canadian lumber production, 20,000 acres of annual real estate sales, debt maturities, share repurchases, expected cash flows, real estate value opportunities, real estate business potential and land development potential, capital structure, 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.

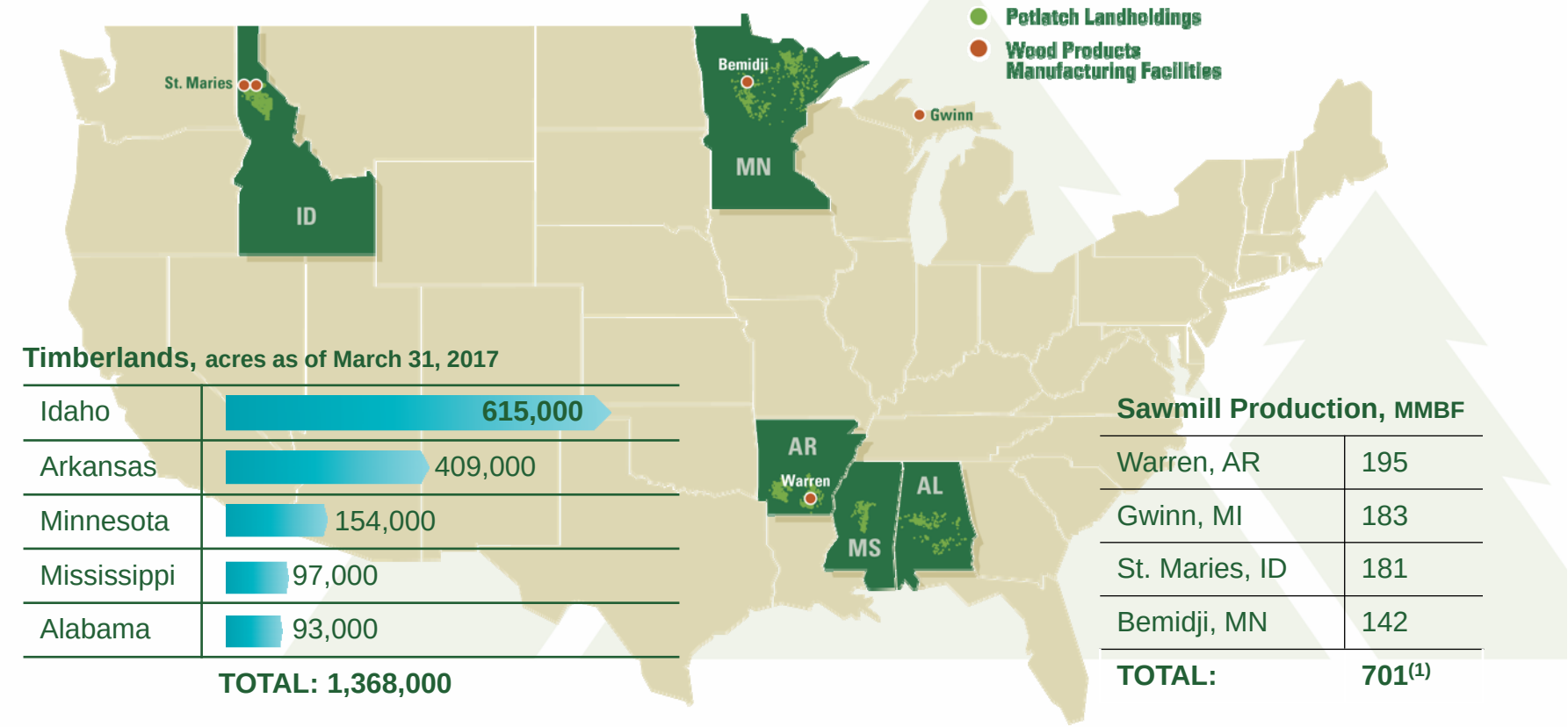
Potlatch Highlights

Timber REIT best positioned to capitalize on the housing recovery	• Highest leverage to lumber prices of timber REITs • Long-term economic fundamentals are positive • Preliminary countervailing duties were announced in the Canadian lumber import trade case in Q2 2017
Geographically diverse, high-quality timberlands	• Largest private landowner in Idaho • Southern timberlands well positioned to supply incremental wood needed as housing recovers
Low-risk, high-margin, real estate sales	• Sell non-core timberlands at attractive multiples • Focus is sale of undeveloped rural, recreational real estate
Top 10 U.S. lumber manufacturer	• Mills are well positioned as a result of high-return capital spending in 2015
Return cash to shareholders	• Dividend currently yields 3.2%(1) • Have $54 million remaining on share purchase authorization

(1) Based on June 1, 2017 closing stock price of $46.45 per share.

Potlatch Portfolio

We own ~ 1.4 million acres of certified timberland and are a top 10 lumber manufacturer in the U.S.



Timberlands, acres as of March 31, 2017

Idaho	615,000
Arkansas	409,000
Minnesota	154,000
Mississippi	97,000
Alabama	93,000
TOTAL: 1,368,000	

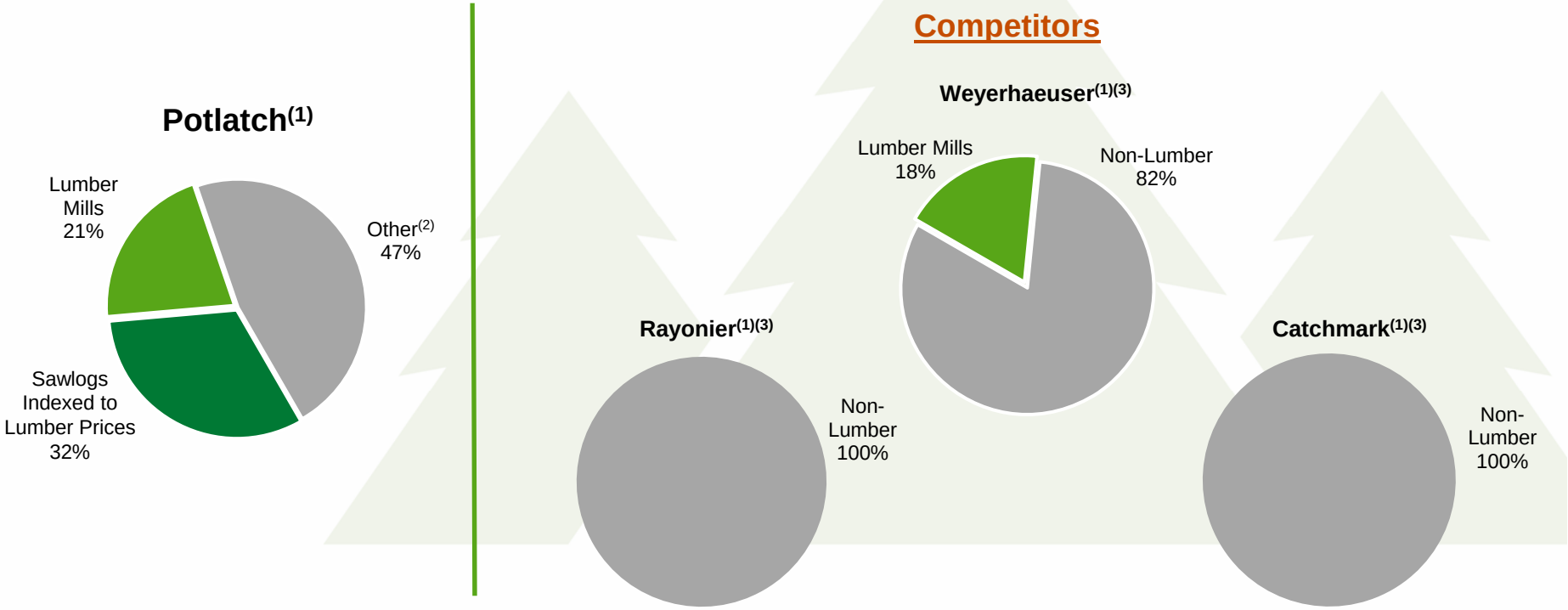
Sawmill Production, MMBF

Warren, AR	195
Gwinn, MI	183
St. Maries, ID	181
Bemidji, MN	142
TOTAL:	**701(1)**

(1) Full year 2016 in million board feet, does not include 161 MMSF of plywood production at St. Maries, ID.

Highest Leverage to Lumber Prices

Potlatch has more direct leverage to lumber prices than any other timber REIT. This comes from both a lumber manufacturing business and indexed log prices in Idaho. A $30/mbf change in lumber prices represents about $25 million of annual EBITDDA.

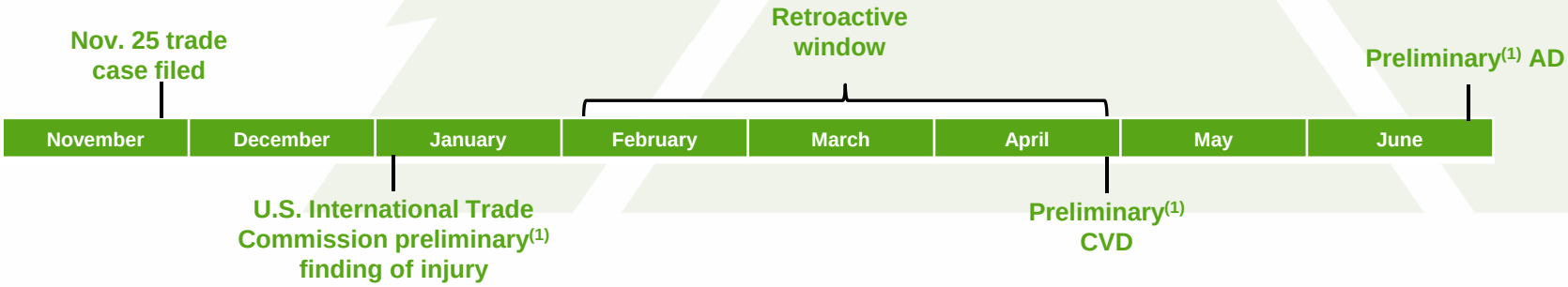


(1) Based on EBITDDA for trailing twelve months ended December 31, 2016.
(2) Potlatch amount consists of EBITDDA from non-indexed log sales, plywood and real estate.
(3) Source: public filings.

Softwood Lumber Trade Case

We were pleased with the preliminary countervailing duty ("CVD") and look forward to the anti-dumping duty announcement ("AD") near the end of June. We expect lumber prices will remain volatile as the trade case progresses.

- **Canadian lumber imports were managed under an agreement that expired October 2015; a one-year standstill period ended October 2016**
- **The U.S. Department of Commerce announced preliminary CVDs on April 24, 2017, including that duties will be retroactive for certain Canadian lumber producers**
- **Preliminary ADs are scheduled to be announced June 23, 2017**
- **The U.S. Lumber Coalition continues to seek a hard volume restraint (quota) in any negotiated agreement**

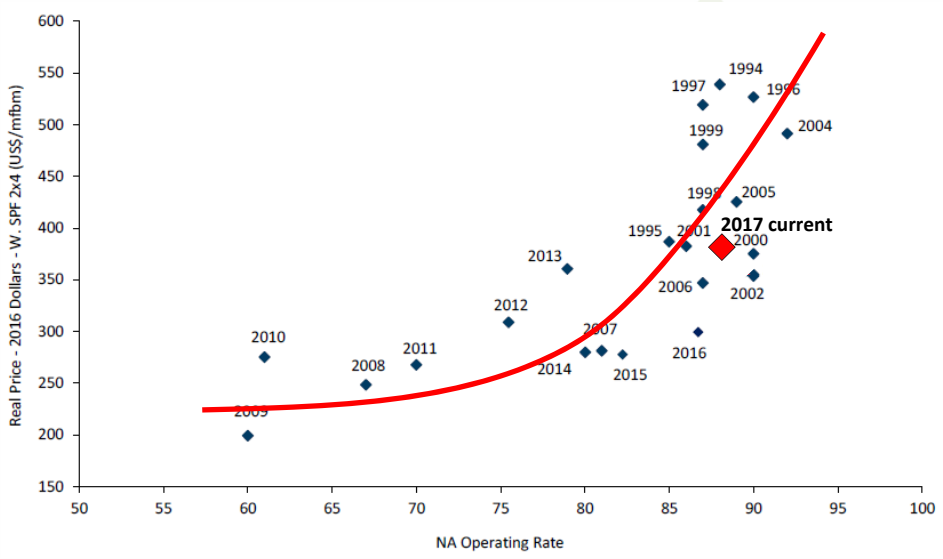


(1) The finding of injury and the amount of the duties are expected to be finalized in Q4 2017.

Lumber Capacity Utilization vs. Price

Lumber prices are correlated with manufacturing capacity utilization, which is increasing. Western SPF lumber prices increased $73/MBF recently and are up $114/MBF compared to a year ago.(1)

REAL PRICE (2015 dollars) W. SPF 2x4 (US$)



HISTORICAL W. SPF 2X4 PRICES (US$)

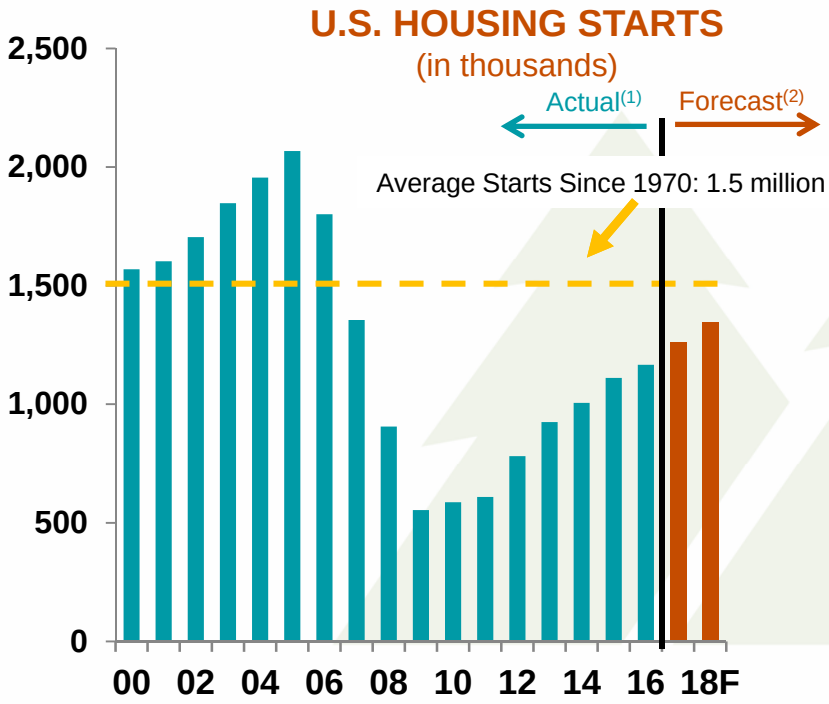


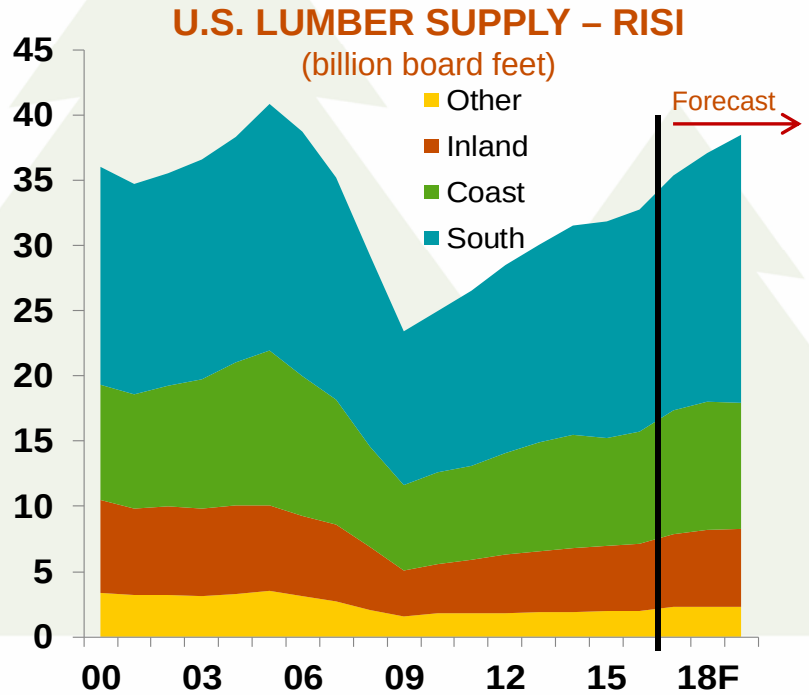
Source: RBC Capital Markets from Random Lengths, RISI, and RBC Capital Markets estimates.

(1) The Random Lengths Kiln Dried Dimension Random 2X4 #2 & Better Price (FOB mill) was $271/MBF a year ago, $312/MBF at the end of 2016 and $385/MBF as of February 24, 2017.

U.S. Housing Starts & Lumber Demand are Increasing

- *U.S. housing starts are recovering to long-term trend*
- *The incremental wood needed to supply increasing demand will come from the U.S. South*



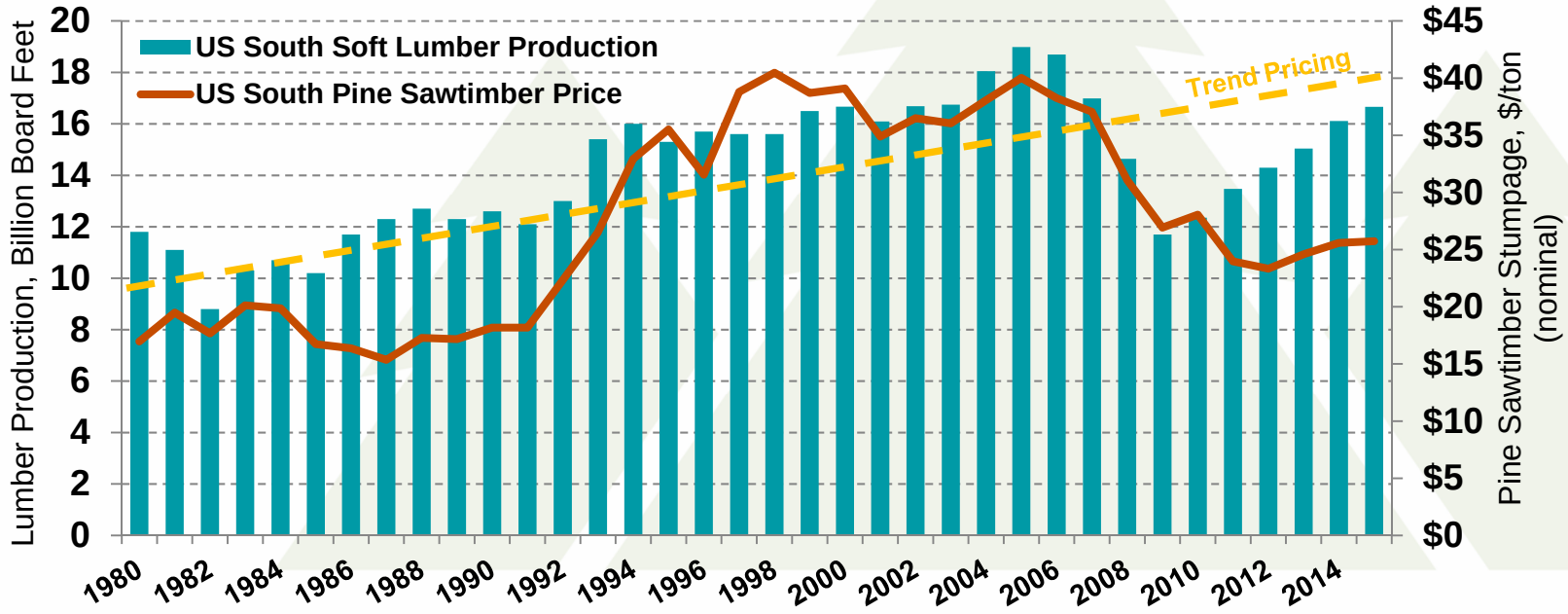


(1) Source: U.S. Census Bureau.
(2) Forecast based on average of 8 different economic forecasting firms.

Southern Sawlog Price

Southern sawlog prices are normally correlated to lumber production and are well below trend levels.

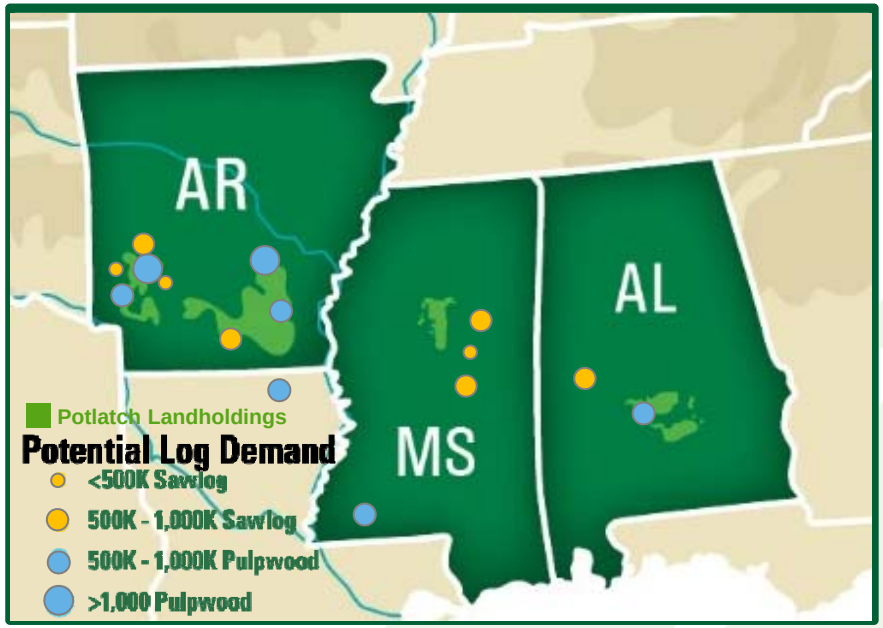
SOUTHERN PINE SAWTIMBER STUMPAGE PRICE VS. LUMBER PRODUCTION



Source: USDA, WWPA, Timber Mart-South.

Increasing Investments in our Southern Wood Baskets

- *Manufacturers are investing in our Southern wood baskets, which will translate to higher sawlog prices.*
- *Our Southern wood baskets have more price upside than other parts of the South.*



Source: Public Announcements & Internal Research

Selected capacity expansions

Description	Location	Status	Demand[(1)] Sawlog	Pulpwood
Biewer - lumber	Newton, MS	Built, in start up	900	
Conifex - lumber	El Dorado, AR	$80MM to rebuild mill	700	
Two Rivers - lumber	Demopolis, AL	Construction/start up 2017	900	
Winston - plywood	Louisville, MS	Built, in start up	750	
Caddo - lumber	Glenwood, AR	$50MM to restart idled mill	650	
Sun Paper - pulp	Arkadelphia, AR	Announced plan to build		3,000
Highland - pellet	Pine Bluff, AR	Under construction		1,400

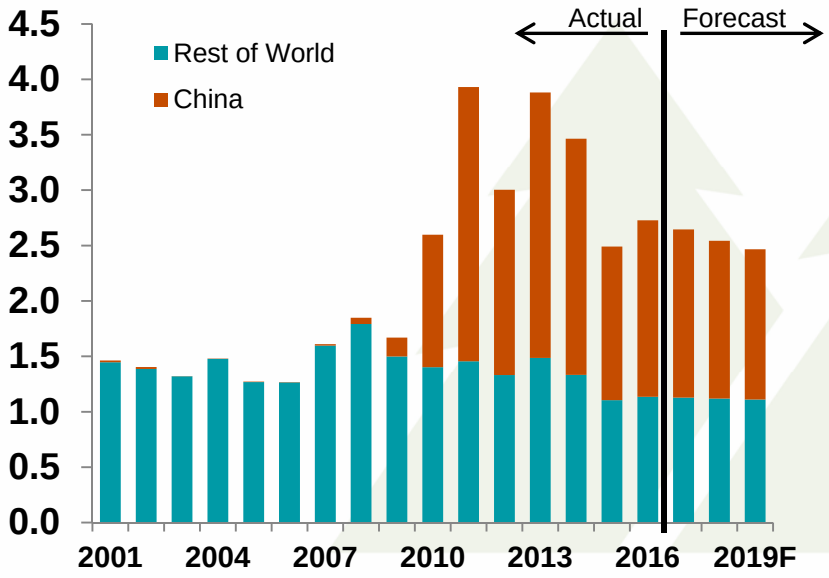
Source: Public Announcements
(1) Estimated incremental demand in thousands of tons

North American Log & Lumber Exports

The volume of wood exported from North America to China grew materially in the last decade and remains at a meaningful level.

U.S. WEST COST LOG EXPORTS

(billion board feet – lumber scale)



NORTH AMERICAN SOFTWOOD LUMBER EXPORTS

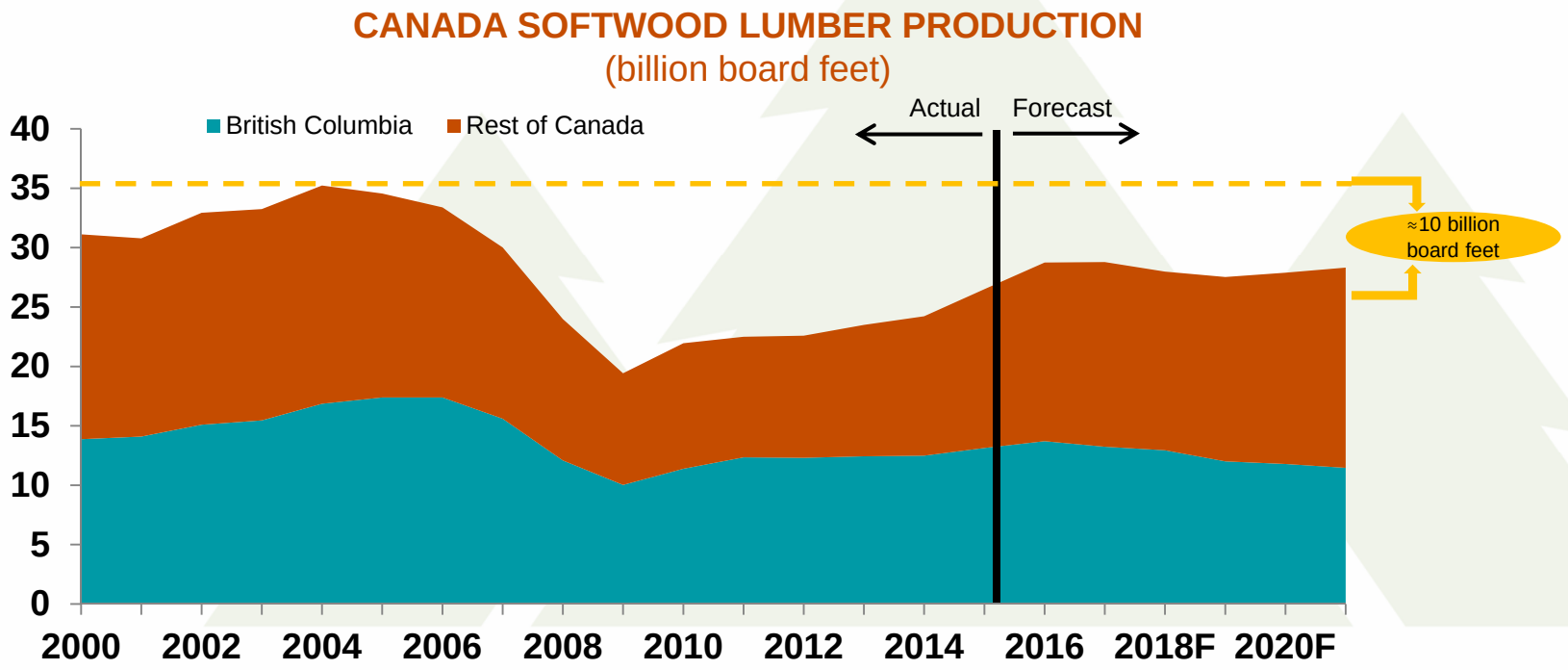
(billion board feet)



Source: FEA

Canada's Ability to Supply Lumber is Constrained

Canadian supply has declined almost 10 billion board feet due to the mountain pine beetle and a reduction in allowable cut.

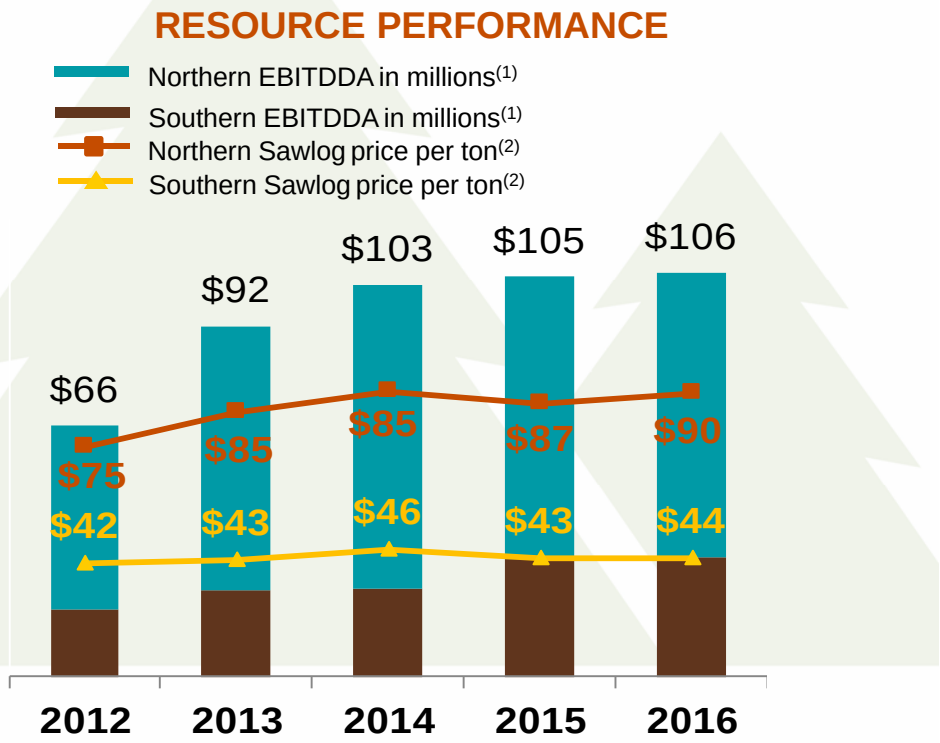


Source: Wood Markets Outlook 2017 edition.

Resource: Segment Overview

Resource is a stable and significant source of cash.

- **Increased EBITDDA driven by recovery of Northern sawlog prices**
- **Southern pine sawlog prices have not yet recovered**
  - Changes in Southern sawlog average prices are due to proportion of hardwood in the mix
  - At current harvest volumes, a $10/ton change in sawlog prices is ~$10 million in annual EBITDDA in South



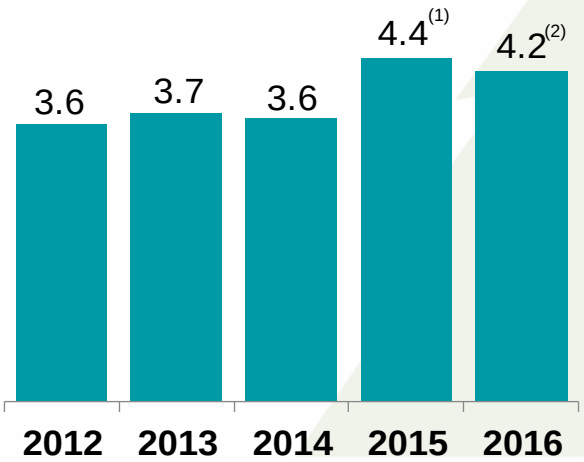
(1) EBITDDA is reconciled on slide 21 and defined on slide 22.
(2) Delivered basis.

Resource: Long-Term Harvest Profile

Our strategy is to maximize net present value while managing our timberlands sustainably over the long term. We plan to harvest 4.2 million tons in 2017.

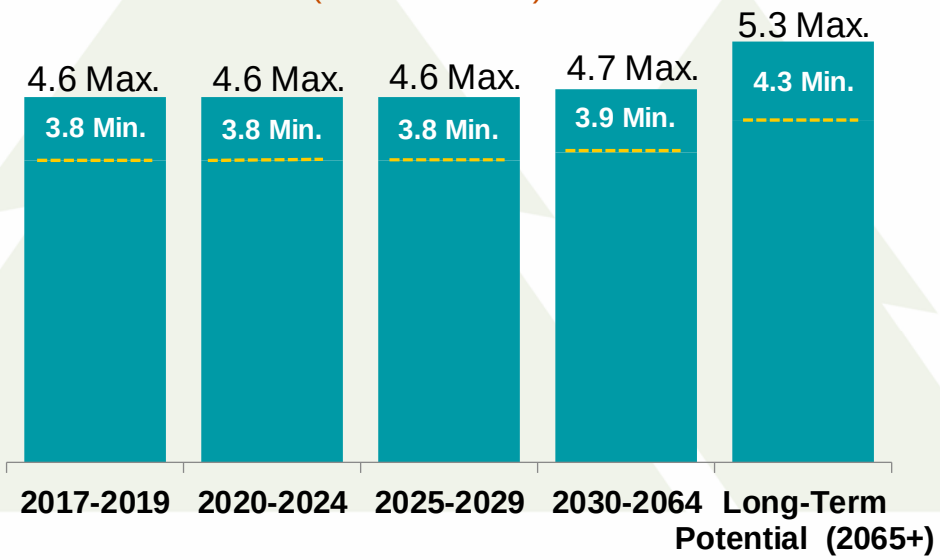
ACTUAL ANNUAL HARVEST

(millions of tons)



PROJECTED AVERAGE ANNUAL HARVEST RANGE

(millions of tons)(3)



(1) Increase is due to acquisition of 200,000 acres of timberlands in Alabama and Mississippi at the end of 2014.
(2) Decrease is due to sale of 172,000 acres of central Idaho timberlands on April 21, 2016.
(3) Does not include the effect of future acquisitions or dispositions.

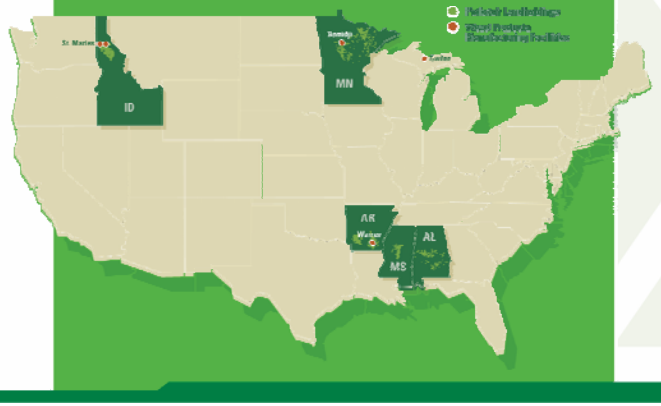
Real Estate Business

Part of our ownership is worth more for uses other than growing trees. Parcels are segmented by product, then competitively marketed for sale at the highest overall price. We expect to sell about 20,000 acres annually.

2017 Land Base Value Optimization

Strategic Management / Long-Term Ownership

CORE Timberland
1.2 million acres



Sell Parcels for Values Greater than Timberland Values

HBU Development
40,000 acres

Rural Real Estate
105,000 acres

Non-Strategic Timberlands
55,000 acres

Potlatch.

$2,700* / acre

$1,300* / acre

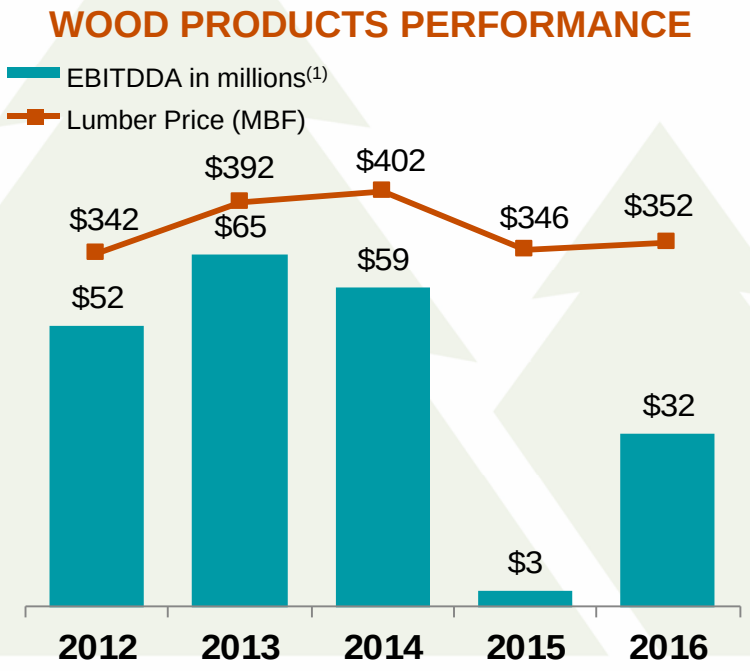
$700* / acre

* Historical average of the last two years.

Wood Products: Segment Overview

Competitive mills will benefit from an improving housing market.

- **We operate four sawmills that can produce 680 – 715 million board feet of lumber annually, depending on market conditions**
- **Our industrial-grade plywood mill produces about 160 million square feet of higher grade panels, most of which are sold at a premium**
- **Changes in EBITDDA driven largely by lumber prices and log costs**

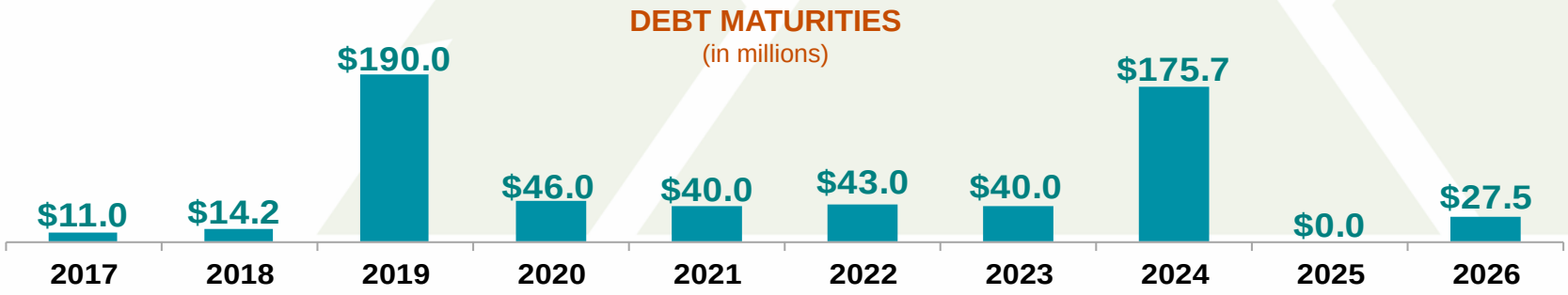


(1) EBITDDA is reconciled on slide 21 and defined on slide 22.

Capital Structure

As of March 31, 2017 Unaudited, $ in millions	
Market capitalization[1]	$1,885
Net debt[2]	482
Enterprise Value	$2,367
Net debt to enterprise value	20%
Consolidated leverage ratio[3]	24%
Interest coverage ratio[4]	9.32
Weighted average cost of debt, after tax	4%

- **$249 million is available on our revolver**
  - Maturity: February 2020
  - Accordion: $250 million
- **Refinancing and repayments completed in 2016 reduced interest run rate $5 million per year**
- **$150 million of 2019 maturities contain a make-whole currently at $25 million**
- **$54 million remaining on share repurchase authorization**

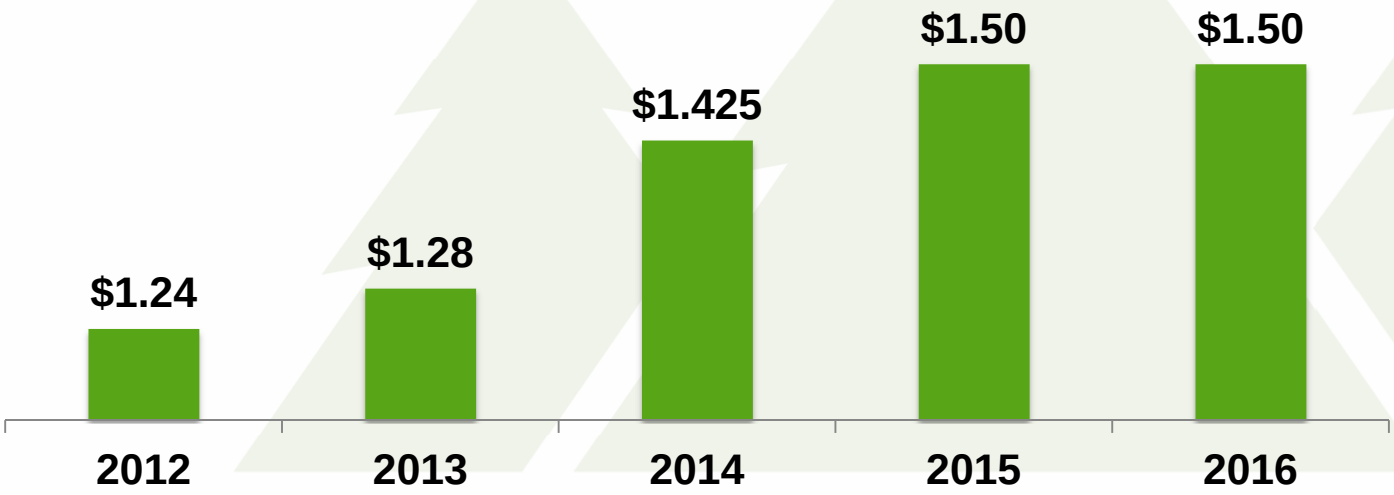


(1) Market capitalization is as of June 1, 2017.
(2) Net debt is defined on slide 22 and is calculated as total debt of $584 million less cash and short-term investments of $102 million.
(3) Consolidated leverage ratio is defined on slide 22 and is limited to 40%.
(4) Interest coverage ratio is defined on slide 22 and is required to be at least 3.00.

Dividend History

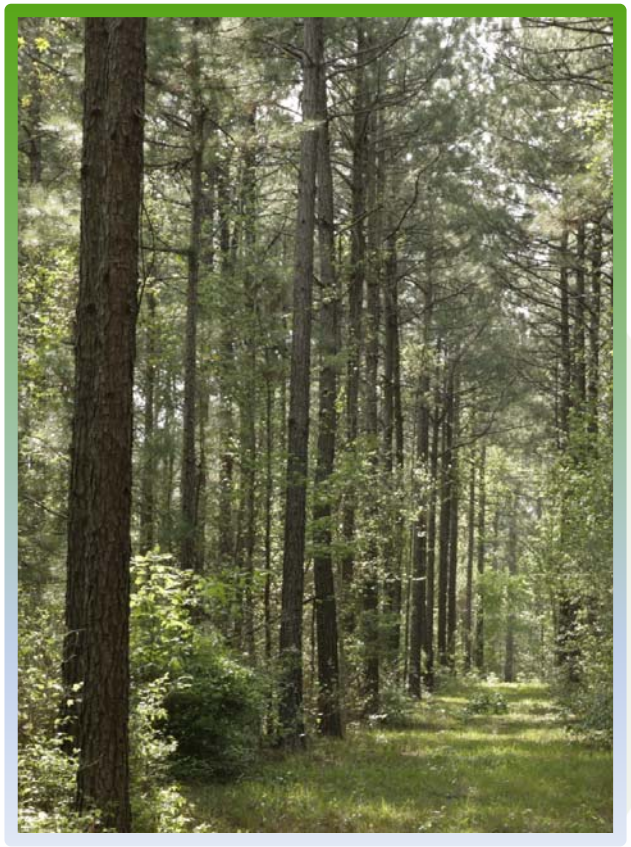
- *We grew our dividend 20% in 2013 and 2014(1)*
- *Our current dividend yield is 3.2%(2)*

DIVIDEND PAID PER SHARE
(dollars)



(1) The dividend increased 13% in Q4 2013 and 7% in Q4 2014.
(2) Based on June 1, 2017 closing stock price of $46.45 per share.

Summary



- **High quality, well managed portfolio of assets**
- **Softwood lumber trade case could provide near term catalyst**
- **Long-term industry trends are favorable**
  - U.S. housing starts recovering to long-term trend
  - North American exports to China tension U.S. market
  - Canadian lumber capacity is declining
  - Southern sawlog prices will recover
- **Returning cash to shareholders and reducing leverage are important capital allocation priorities**
  - Sustainable and growing dividend
  - Authorized to repurchase shares
  - Pay maturing debt

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Appendix

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EBITDDA & Segment EBITDDA Reconciliation ($ in millions)

	Fiscal Year	2012	2013	2014	2015	2016
RESOURCE	Northern Resource operating income	$33	$53	$65	$59	$65
	Depreciation, depletion and amortization	15	16	15	15	10
	Northern Resource EBITDDA	$48	$69	$80	$74	$75
	Southern Resource operating income	$16	$21	$20	$17	$17
	Depreciation, depletion and amortization	2	2	3	14	14
	Southern Resource EBITDDA	$18	$23	$23	$31	$31
	Resource Segment EBITDDA	**$66**	**$92**	**$103**	**$105**	**$106**
WOOD PRODUCTS	Operating income (loss)	$45	$59	$53	($5)	$25
	Depreciation and non-cash impairments & eliminations	7	6	6	8	7
	Wood Products Segment EBITDDA	**$52**	**$65**	**$59**	**$3**	**$32**
REAL ESTATE	Operating income[1]	$28	$18	$27	$17	$19
	Basis of real estate sold and depreciation	5	4	9	7	9
	Real Estate Segment EBITDDA	**$33**	**$22**	**$36**	**$24**	**$28**
CORPORATE & ELIMINATIONS	Corporate expense[2]	($39)	($44)	($32)	($32)	($39)
	Depreciation and eliminations[3]	2	1	1	3	(3)
	Corporate EBITDDA	**($37)**	**($43)**	**($31)**	**($29)**	**($42)**
	Consolidated EBITDDA	**$114**	**$136**	**$167**	**$103**	**$124**

(1) Excludes the Q2 2016 central Idaho timberland sale.
(2) Corporate expense includes environmental remediation charges of $4 million in 2013 and $1 million in 2016.
(3) Eliminations are primarily related to intersegment purchases of logs.

Definitions

EBITDDA is a non-GAAP measure and is calculated as net income (loss) adjusted for 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 is a non-GAAP measure and is calculated as segment operating income (loss) adjusted for depreciation, depletion and amortization, basis of real estate sold and non-cash asset impairment and eliminations.

Funds Available for Distribution (FAD) is a non-GAAP measure and is calculated as 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.

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.

Consolidated Leverage Ratio is defined in our credit agreements as Total Funded Indebtedness divided by Total Asset Value. Total Funded indebtedness consist of our long-term debt, including any current portion of long-term debt, plus the total amount outstanding under the letter of credit subfacility. Total Asset Value per the credit agreements is defined as the value of our timberlands, the book basis of our Wood Products manufacturing facilities, cash and cash equivalents, short-term investments, the cash value of our company-owned life insurance (COLI) and the purchase price of timberlands acquired. The book basis of our Wood Products manufacturing facilities and the cash value of our COLI are each limited to 5% of Total Asset Value.

Interest Coverage Ratio is our trailing twelve months EBITDDA divided by interest expense for the same period. EBITDDA for purposes of the credit agreements is defined as net income adjusted for interest expense, income taxes, depreciation, depletion and amortization, the basis of real estate sold and non-cash equity compensation expense.