Potlatch®

Q2 2017

Earnings Release

July 25, 2017

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

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 our expectations regarding U.S. housing starts; strong repair and remodel markets; lumber/demand; the company's financial performance in the third quarter of 2017 and for the full year; our outlook for future operating conditions, pricing, earnings and EBITTDA in our Resource, Wood Products and Real Estate segments in the third quarter of 2017 and for the full year; robust cedar sawlog market resulting in an increase in EBITDDA compared to 2016; mix and pricing for sawlogs, pulpwood, and hardwood in the North and South regions in the third quarter of 2017; expected demand and pricing for cedar logs; expected lumber prices and lumber shipments in the third quarter of 2017 and for the full year; expected third quarter and full year 2017 harvest volumes in the North and South; expected pulpwood/sawlog mix in the North and South in the third quarter of 2017; expected real estate sales in the third quarter of 2017 and for the full year, expected mix of real estate sales in 2017, and expected pricing and land basis; expected corporate and interest expense in the third quarter in 2017; expected earnings in the third quarter of 2017; the company's balance sheet; expected capital project at Warren, Arkansas lumber mill; expected capital expenditures for the full year 2017; liquidity, cash flows and dividend levels; debt maturities; expected consolidated tax rate in the third quarter of 2017 and the full year; 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; availability of logging contractors; 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 share 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 2017: Total Company Summary

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

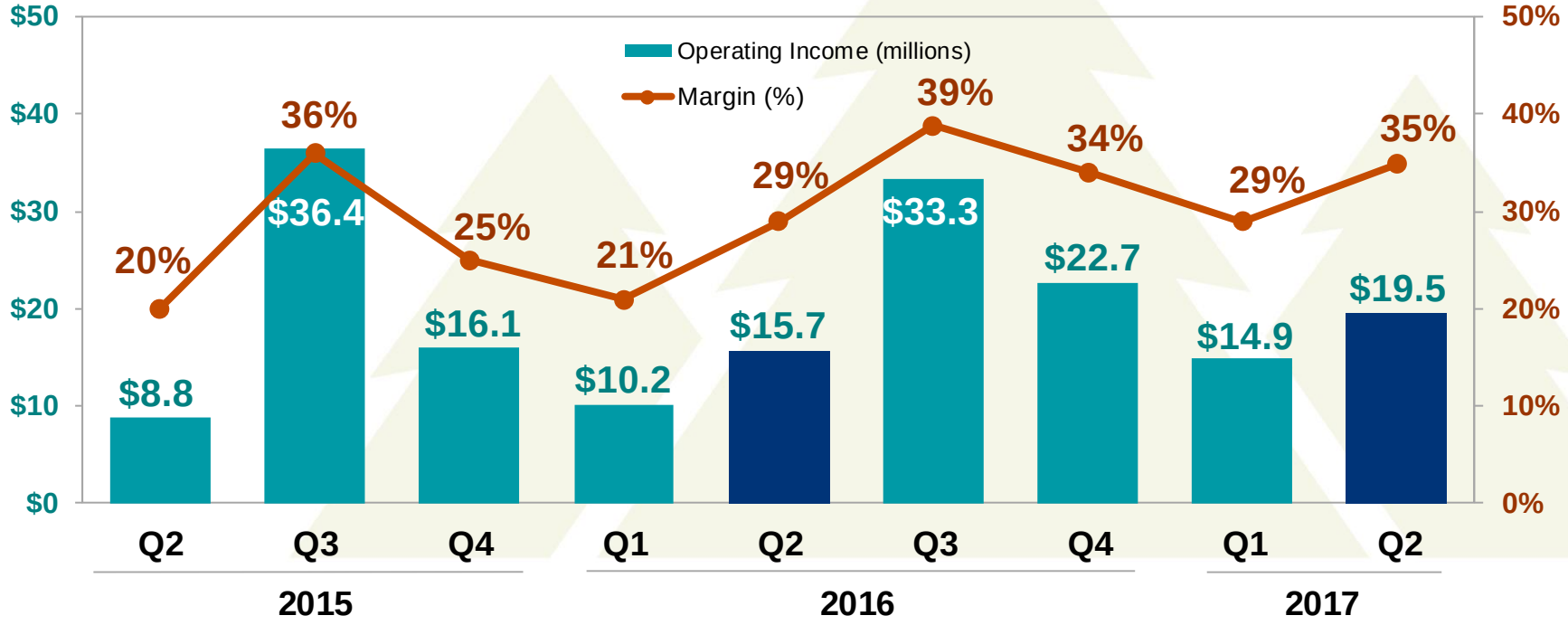
	2017 Q1	2017 Q2	2016 YTD	2017 YTD
Operating Income				
Resource	$ 14.9	$ 19.5	$ 25.9	$ 34.4
Wood Products	8.7	24.7	5.7	33.4
Real Estate	8.6	5.8	(41.4)	14.4
Eliminations	1.1	1.0	0.5	2.1
Total operating income	33.3	51.0	(9.3)	84.3
Corporate	(9.4)	(10.2)	(19.9)	(19.6)
Interest expense, net	(5.0)	(7.3)	(14.2)	(12.3)
Income before taxes	18.9	33.5	(43.4)	52.4
Income taxes	(2.0)	(9.2)	12.3	(11.2)
Net income	**$ 16.9**	**$ 24.3**	**$ (31.1)**	**$ 41.2**
Diluted earnings per share	**$ 0.41**	**$ 0.59**	**$ (0.76)**	**$ 1.00**
Distributions per share	**$ 0.375**	**$ 0.375**	**$ 0.75**	**$ 0.75**
Amounts Excluding Central Idaho[2]				
Adjusted net income			**$ 5.6**	
Per diluted share			**$ 0.14**	

	2017 Q1	2017 Q2	2016 YTD	2017 YTD
EBITDDA[1]				
Northern region	$ 15.2	$ 19.5	$ 25.9	$ 34.7
Southern region	4.1	4.3	11.5	8.4
Total Resource	19.3	23.8	37.4	43.1
Wood Products	10.5	26.6	9.3	37.1
Real Estate	13.4	6.8	12.9	20.2
Eliminations	1.1	1.0	0.5	2.1
Corporate	(9.3)	(10.1)	(19.7)	(19.4)
EBITDDA	**$ 35.0**	**$ 48.1**	**$ 40.4**	**$ 83.1**

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

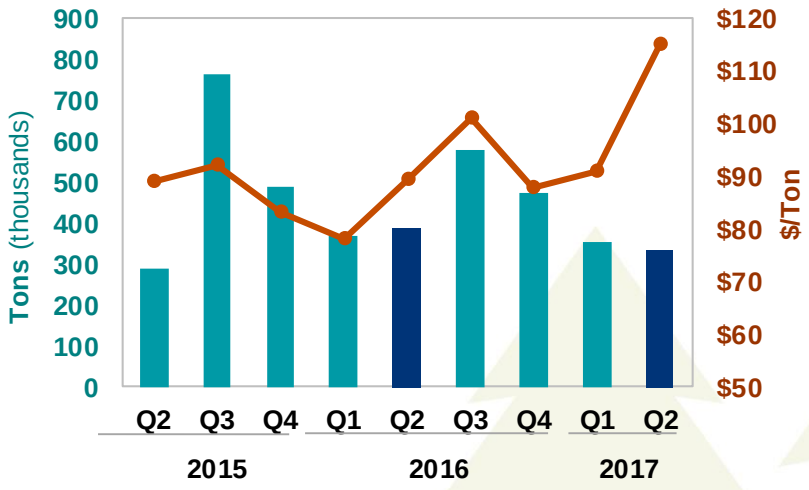
RESOURCE:
Segment Summary

- Northern sawlog prices increased 26% due largely to the effect of higher lumber prices on indexed sales agreements
- Southern sawlog prices decreased 2%
- Harvest volumes were seasonally lower due to spring break-up in Idaho

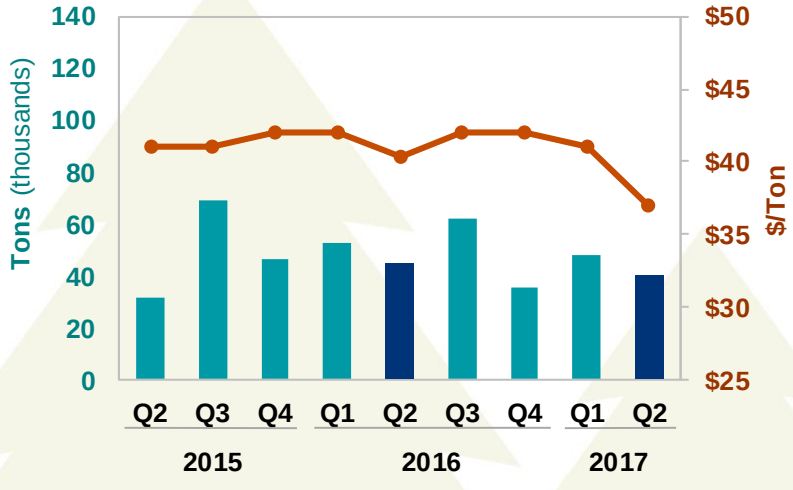


RESOURCE:
Northern Region – Volume, Pricing and EBITDDA

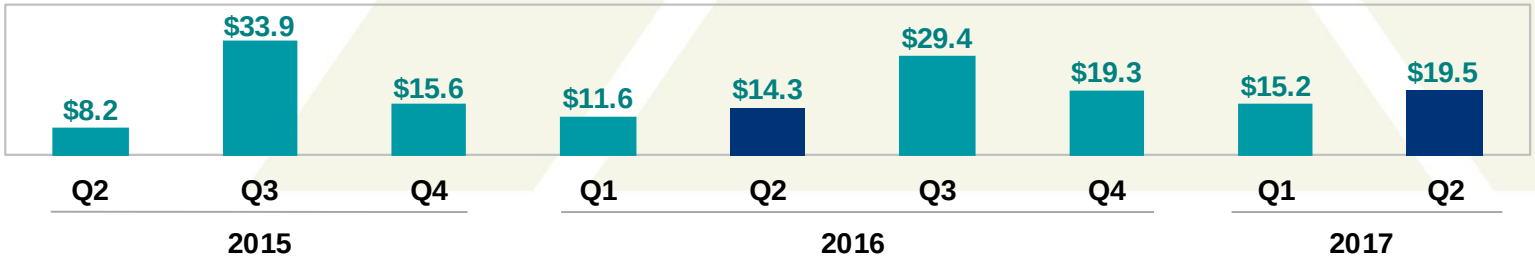
Sawlog



Pulpwood



EBITDDA[(1)] ($ in millions)

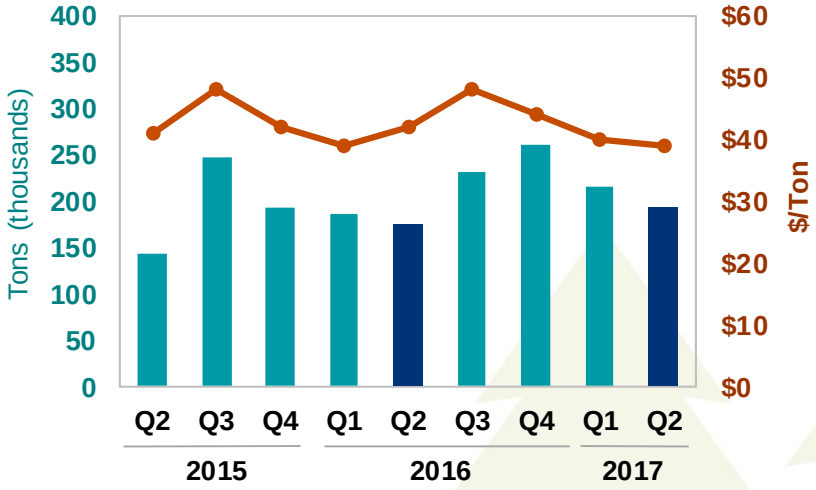


(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

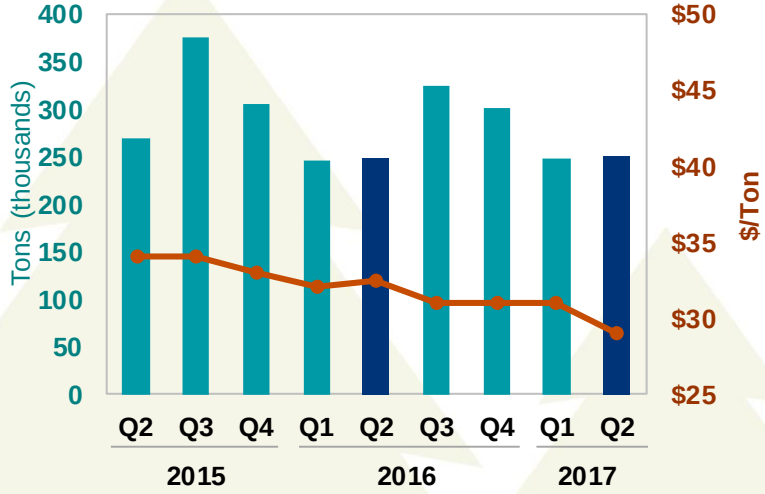
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

RESOURCE:
Southern Region – Volume, Pricing and EBITDDA

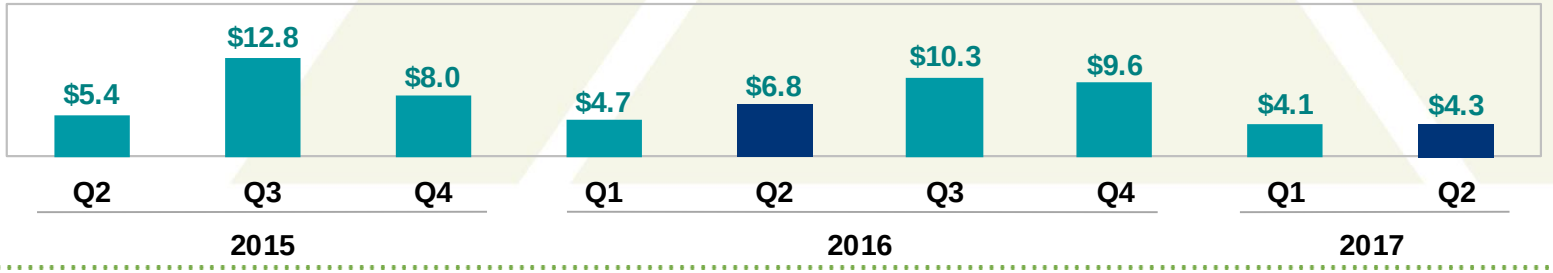
Sawlog



Pulpwood



EBITDDA[(1)] ($ in millions)

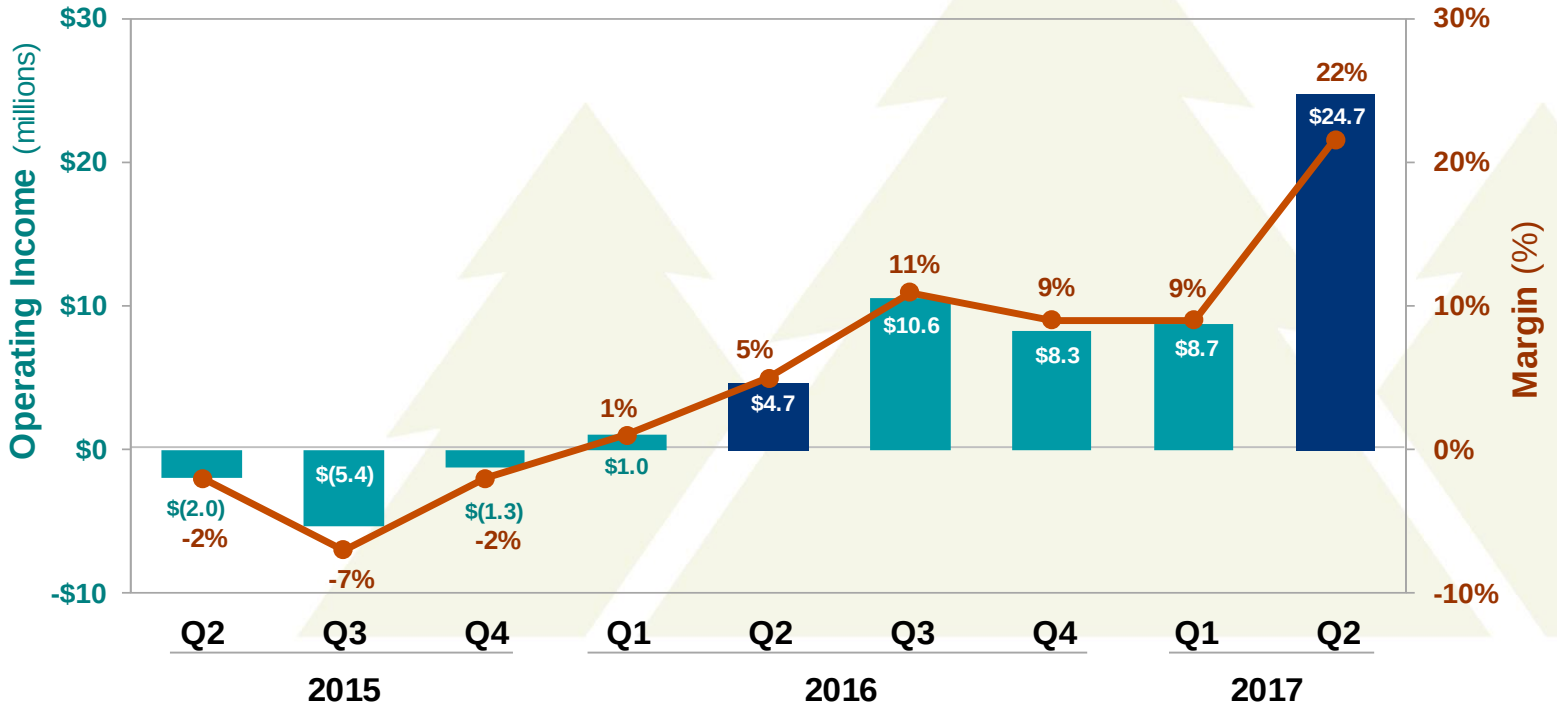


(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

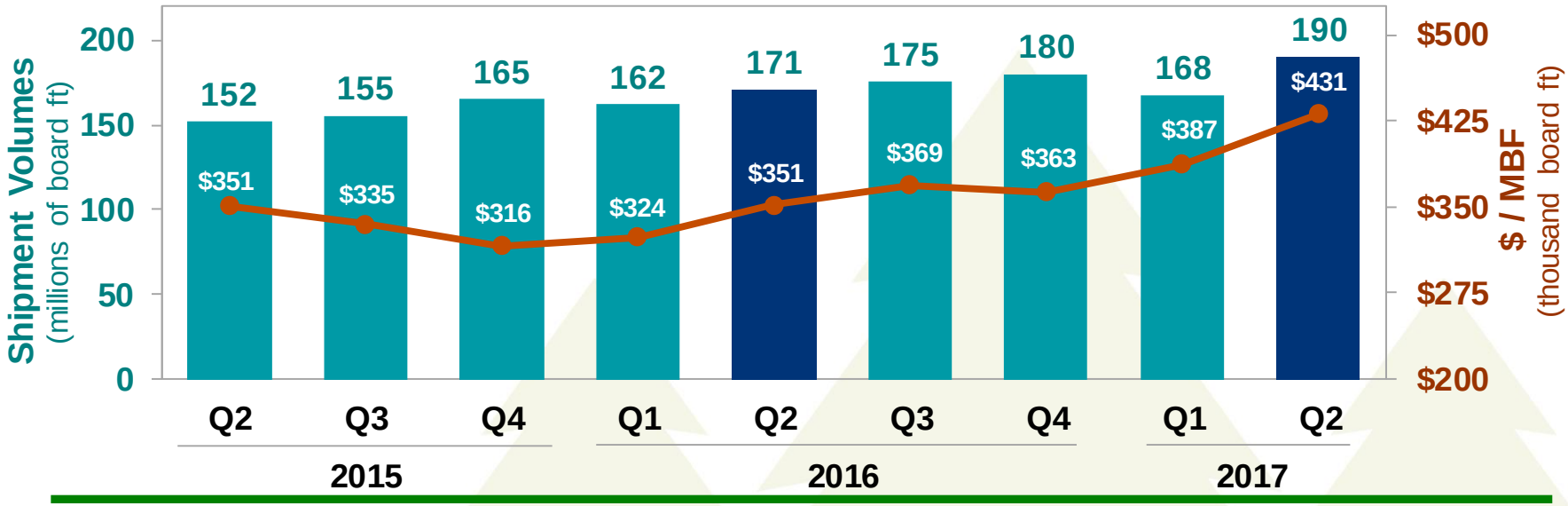
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

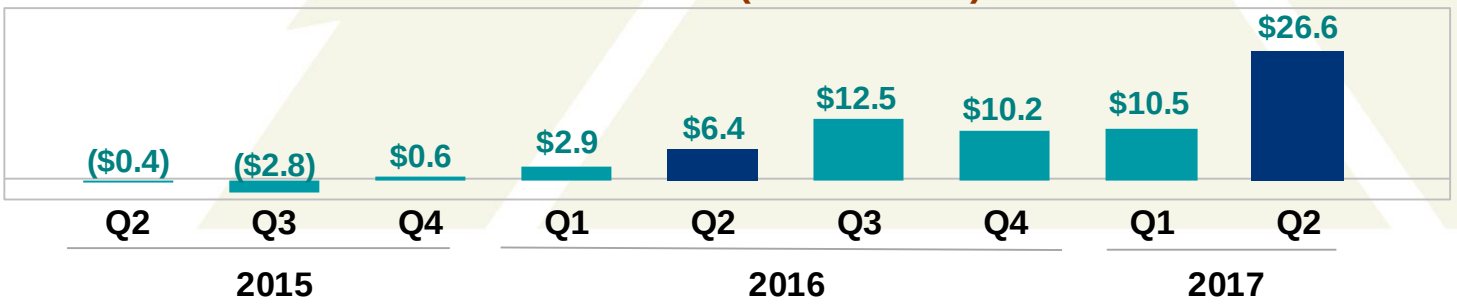
WOOD PRODUCTS:
Segment Summary

- The segment set quarterly records for production and operating income
- Average lumber prices were 11% higher in Q2
- Lumber shipments increased 13% in Q2



WOOD PRODUCTS:
Lumber Sales Prices, Shipments and EBITDDA

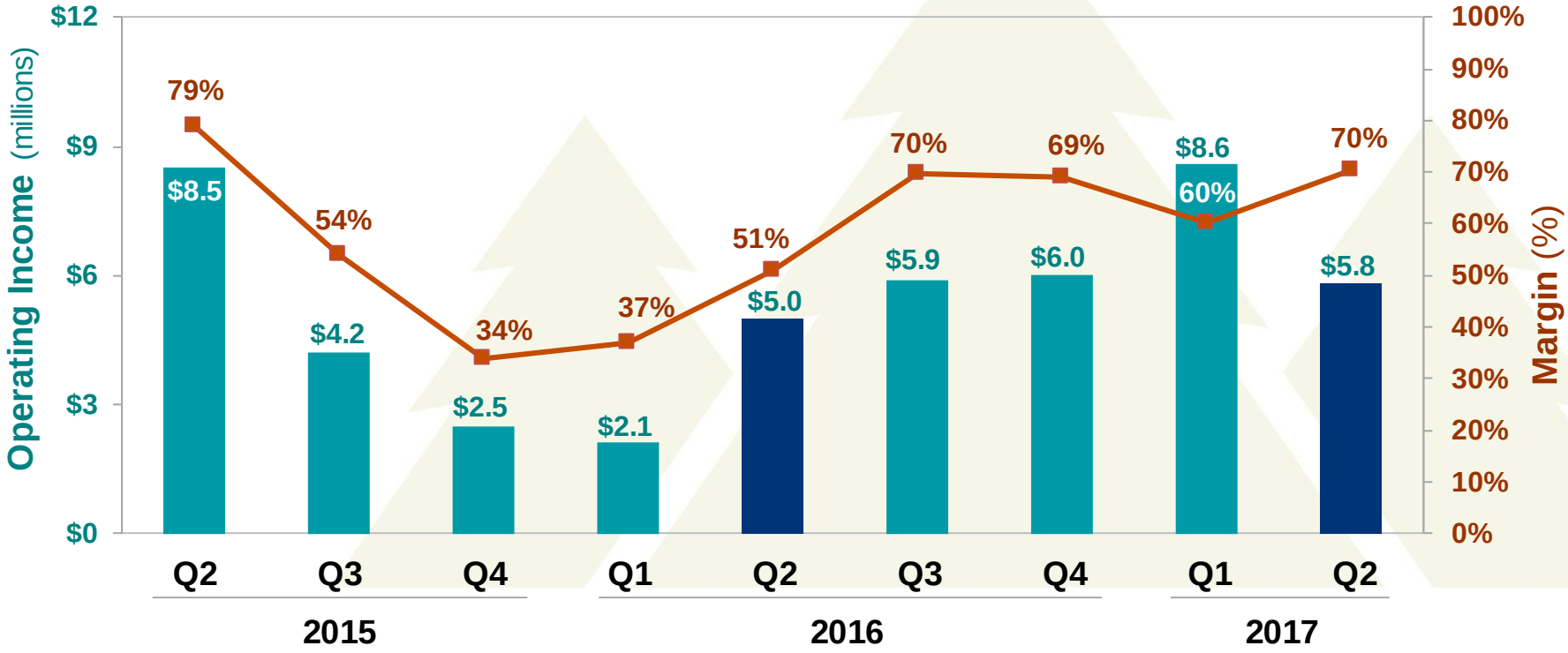




(1) Non-GAAP measure. See slide 17 for definition and reconciliation.

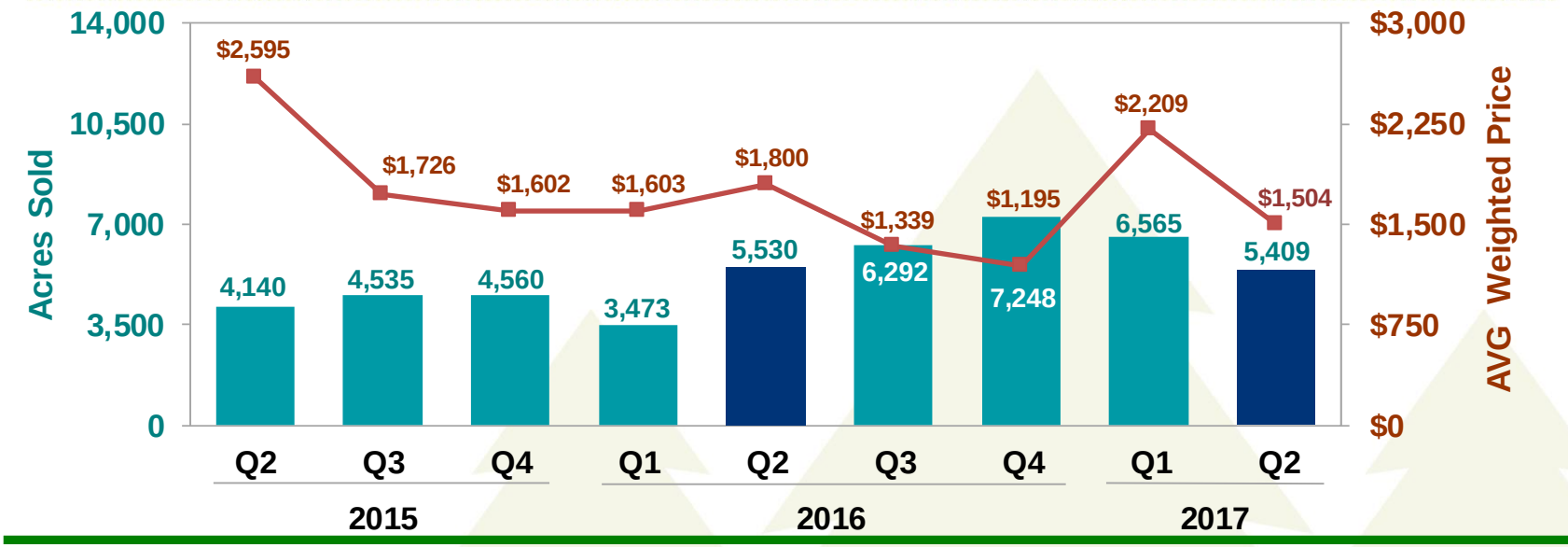
REAL ESTATE:
Segment Summary(1)

- Q2 sales were more heavily weighted to recurring sales of Minnesota rural recreational real estate than Q1
- A conservation sale with an attractive price of almost $2,600 per acre closed in Q1

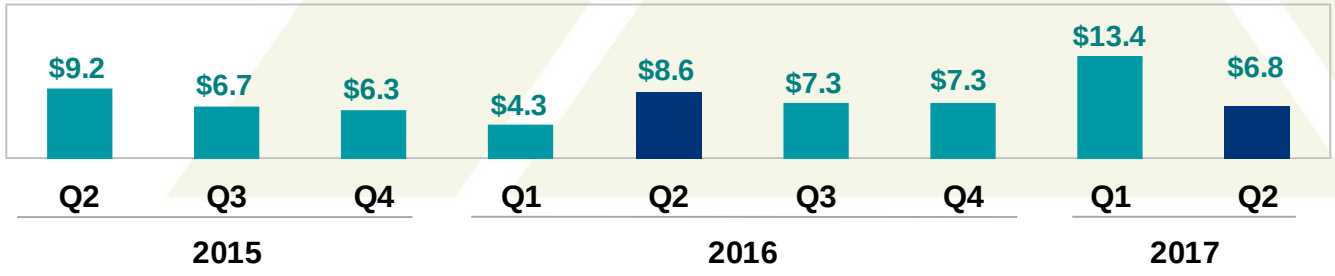


(1) Excludes the Q2 2016 central Idaho timberland sale.

REAL ESTATE:
Acres Sold, Average Price and EBITDDA[1]



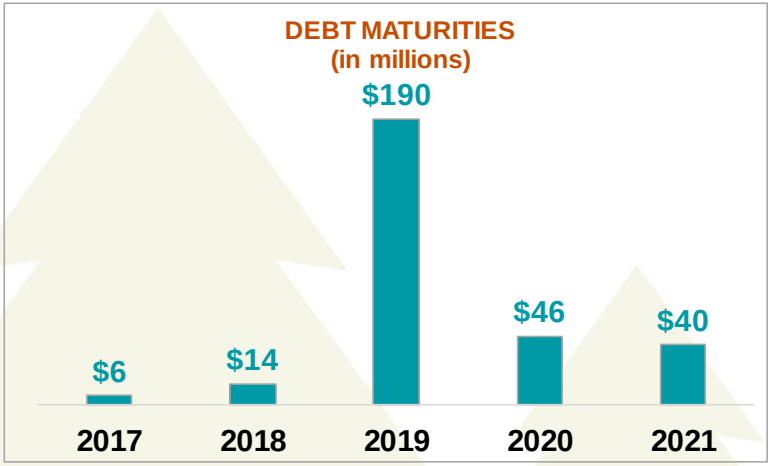
EBITDDA[2] ($ in millions)



(1) Excludes the Q2 2016 central Idaho timberland sale.
(2) Non-GAAP measure. See slide 17 for definition and reconciliation.

FINANCIAL HIGHLIGHTS

Amounts as of June 30, 2017: Unaudited, $ in millions	
Cash and cash equivalents	$ 110.3
Debt	$ 579.2
Pension & postretirement liability	$ 123.7
Net debt to enterprise value[(1)]	20.1%
Dividend yield[(2)]	3.3%



- **No significant maturities until 2019**
- **$249 million is available on our revolver**
  - Maturity: February 2020
  - Accordion: $250 million

(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 and revolving line of credit borrowings, less cash and cash equivalents. Net debt ($468.9 million) plus market capitalization ($1.86 billion) equals enterprise value. Market capitalization is as of June 30, 2017.

(2) Based on the closing stock price of $45.70 per share as of June 30, 2017.

Q3 OUTLOOK

RESOURCE

- **Harvest 1.3 – 1.4 million tons Q3**
  - Slightly more than half of the total volume in the South
  - Sawlogs ≈45% of Southern volume and ≈90% of Northern volume
- **Estimated Q3 sawlog prices:**
  - 5% lower in the North
  - 15% higher in the South

WOOD PRODUCTS

- **Expect to ship 190 million board feet of lumber Q3**
- **Lumber prices estimated to decrease 5% – 10% Q3 compared with Q2**

REAL ESTATE

- **Expect to sell 2,500 acres Q3:**
  - Land basis of 15% – 20% of revenue
  - Average Price of ≈$1,400 per acre

OTHER

- **Corporate expense expected to be $10 million Q3**
- **Interest expense expected to be $7 million Q3**
- **Consolidated tax rate of 10% – 15% Q3**

Appendix

STATISTICS: Resource

(unaudited)

	2015			2016				2017	
Fee Volumes (tons)	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Northern Region									
Sawlog	287,979	762,813	490,625	366,852	388,575	579,837	474,024	354,104	333,926
Pulpwood	31,284	69,329	46,449	52,361	44,497	62,138	35,418	47,785	40,054
Stumpage	3,277	2,604	790	16,207	1,061	1,261	63	10,693	-
Total	322,540	834,746	537,864	435,420	434,133	643,236	509,505	412,582	373,980
Southern Region									
Sawlog	142,107	246,566	192,930	185,051	175,498	231,677	261,151	216,097	192,391
Pulpwood	270,518	375,097	304,601	248,152	240,277	325,348	301,870	247,999	251,167
Stumpage	53,176	137,094	90,941	56,079	65,596	68,228	54,298	5,674	9,782
Total	465,801	758,757	588,472	489,282	481,371	625,253	617,319	469,770	453,340
Total Fee Volume	788,341	1,593,503	1,126,336	924,702	915,504	1,268,489	1,126,824	882,352	827,320
Sales Price/Unit ($ per ton)									
Northern Region									
Sawlog	$ 89	$ 92	$ 83	$ 78	$ 89	$ 101	$ 88	$ 91	$ 115
Pulpwood	$ 41	$ 41	$ 42	$ 42	$ 40	$ 42	$ 42	$ 41	$ 37
Stumpage	$ 6	$ 13	$ 13	$ 13	$ 11	$ 12	$ 4	$ 13	-
Southern Region									
Sawlog	$ 41	$ 48	$ 42	$ 39	$ 42	$ 48	$ 44	$ 40	$ 39
Pulpwood	$ 34	$ 34	$ 33	$ 32	$ 33	$ 31	$ 31	$ 31	$ 29
Stumpage	$ 15	$ 21	$ 17	$ 18	$ 23	$ 33	$ 27	$ 14	$ 15

STATISTICS: Wood Products & Real Estate

(unaudited)

	2015			2016				2017	
Wood Products	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Lumber Shipments (MBF)	152,071	155,388	164,965	161,992	170,829	175,358	180,050	167,559	189,781
Lumber Sales Prices ($ per MBF)	$ 351	$ 335	$ 316	$ 324	$ 351	$ 369	$ 363	$ 387	$ 431
Real Estate [(1)]									
Acres Sold									
HBU Development	514	1,750	2,092	1,088	3,348	371	460	4,628	700
Rural Real Estate	3,280	2,596	2,038	2,281	1,489	5,708	3,433	1,740	4,523
Non-Strategic Timberlands	346	189	430	104	693	213	3,355	197	186
	4,140	4,535	4,560	3,473	5,530	6,292	7,248	6,565	5,409
Revenues by Product Type (millions)									
HBU Development	$ 5.9	$ 4.2	$ 4.4	$ 2.3	$ 7.6	$ 1.1	$ 1.3	$ 11.7	$ 1.8
Rural Real Estate	4.5	3.5	2.5	3.2	1.8	7.1	3.9	2.6	6.1
Non-Strategic Timberlands	0.3	0.2	0.4	0.1	0.6	0.2	3.4	0.2	0.2
	$ 10.7	$ 7.9	$ 7.3	$ 5.6	$ 10.0	8.4	8.6	14.5	8.1
Sales Price per Acre									
HBU Development	$ 11,467	$ 2,420	$ 2,086	$ 2,113	$ 2,263	$ 3,039	$ 2,854	$ 2,523	$ 2,577
Rural Real Estate	$ 1,394	$ 1,328	$ 1,227	$ 1,406	$ 1,215	$ 1,247	$ 1,150	$ 1,510	$ 1,356
Non-Strategic Timberlands	$ 813	$ 770	$ 1,021	$ 565	$ 818	$ 842	$ 1,013	$ 1,019	$ 1,074
Transactions by Product Type									
HBU Development	18	10	23	11	16	13	18	18	21
Rural Real Estate	43	41	29	20	26	23	18	9	38
Non-Strategic Timberlands	5	3	3	3	3	4	10	4	5
	66	54	55	34	45	40	46	31	64

(1) Excludes the Q2 2016 central Idaho timberland sale.

Total Company Earnings Summary

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

	2015			2016				2017		2016	2017
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YTD	YTD
Operating income:											
Resource	$ 8.8	$ 36.4	$ 16.1	$ 10.2	$ 15.7	$ 33.3	$ 22.7	$ 14.9	$ 19.5	$ 25.9	$ 34.4
Wood Products	(2.0)	(5.4)	(1.3)	1.0	4.7	10.6	8.3	8.7	24.7	5.7	33.4
Real Estate	8.5	4.2	2.5	2.1	(43.5)	5.9	6.0	8.6	5.8	(41.4)	14.4
Eliminations	0.6	(0.6)	0.3	1.4	(0.9)	(1.9)	(1.6)	1.1	1.0	0.5	2.1
Total operating income	15.9	34.6	17.6	14.7	(24.0)	47.9	35.4	33.3	51.0	(9.3)	84.3
Corporate	(8.6)	(6.9)	(7.8)	(9.6)	(10.3)	(8.9)	(9.7)	(9.4)	(10.2)	(19.9)	(19.6)
Interest expense, net	(8.0)	(8.3)	(8.4)	(6.0)	(8.2)	(7.8)	(6.9)	(5.0)	(7.3)	(14.2)	(12.3)
Income (loss) before taxes	(0.7)	19.4	1.4	(0.9)	(42.5)	31.2	18.8	18.9	33.5	(43.4)	52.4
Income taxes	1.4	2.4	2.1	1.1	11.2	(3.6)	(4.4)	(2.0)	(9.2)	12.3	(11.2)
Net income (loss)	**$ 0.7**	**$ 21.8**	**$ 3.5**	**$ 0.2**	**$ (31.3)**	**$ 27.6**	**$ 14.4**	**$ 16.9**	**$ 24.3**	**$ (31.1)**	**$ 41.2**
Diluted earnings (loss) per share	**$ 0.02**	**$ 0.53**	**$ 0.09**	**$ -**	**$ (0.77)**	**$ 0.68**	**$ 0.35**	**$ 0.41**	**$ 0.59**	**$ (0.76)**	**$ 1.00**
Distributions per share	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.375**	**$ 0.75**	**$ 0.75**

NON-GAAP RECONCILIATION:

Operating Segment EBITDDA

(unaudited, $ in millions)

	2015			2016				2017		2016	2017
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YTD	YTD
Northern Resource											
Operating Income	$ 6.3	$ 28.6	$ 11.7	$ 8.6	$ 12.3	$ 26.9	$ 17.0	$ 13.4	$ 17.8	$ 20.9	$ 31.2
Depreciation, depletion and amortization	1.9	5.3	3.9	3.0	2.0	2.5	2.3	1.8	1.7	5.0	3.5
Northern Resource EBITDDA	8.2	33.9	15.6	11.6	14.3	29.4	19.3	15.2	19.5	25.9	34.7
Southern Resource											
Operating Income	2.5	7.8	4.4	1.6	3.4	6.4	5.7	1.5	1.7	5.0	3.2
Depreciation, depletion and amortization	2.9	5.0	3.6	3.1	3.4	3.9	3.9	2.6	2.6	6.5	5.2
Southern Resource EBITDDA	5.4	12.8	8.0	4.7	6.8	10.3	9.6	4.1	4.3	11.5	8.4
Resource EBITDDA[1]	**$ 13.6**	**$ 46.7**	**$ 23.6**	**$ 16.3**	**$ 21.1**	**$ 39.7**	**$ 28.9**	**$ 19.3**	**$ 23.8**	**$ 37.4**	**$ 43.1**
Wood Products											
Operating income	$ (2.0)	$ (5.4)	$ (1.3)	$ 1.0	$ 4.7	$ 10.6	$ 8.3	$ 8.7	$ 24.7	$ 5.7	$ 33.4
Depreciation, amortization, & eliminations	1.6	2.6	1.9	1.9	1.7	1.9	1.9	1.8	1.9	3.6	3.7
Wood Products EBITDDA[1]	**$ (0.4)**	**$ (2.8)**	**$ 0.6**	**$ 2.9**	**$ 6.4**	**$ 12.5**	**$ 10.2**	**$ 10.5**	**$ 26.6**	**$ 9.3**	**$ 37.1**
Real Estate											
Operating Income	$ 8.5	$ 4.2	$ 2.5	$ 2.1	$ 5.0	$ 5.9	$ 6.0	$ 8.6	$ 5.8	$ 7.1	$ 14.4
Basis of land and depreciation	0.7	2.5	3.8	2.2	3.6	1.4	1.3	4.8	1.0	5.8	5.8
Real Estate EBITDDA[1][2]	**$ 9.2**	**$ 6.7**	**$ 6.3**	**$ 4.3**	**$ 8.6**	**$ 7.3**	**$ 7.3**	**$ 13.4**	**$ 6.8**	**$ 12.9**	**$ 20.2**
Corporate											
Corporate expense	$ (8.6)	$ (6.9)	$ (7.8)	$ (9.6)	$ (10.3)	$ (8.9)	$ (9.7)	$ (9.4)	$ (10.2)	$ (19.9)	$ (19.6)
Depreciation and eliminations	0.2	0.1	-	-	0.2	0.1	-	0.1	0.1	0.2	0.2
Corporate EBITDDA[1]	**$ (8.4)**	**$ (6.8)**	**$ (7.8)**	**$ (9.6)**	**$ (10.1)**	**$ (8.8)**	**$ (9.7)**	**$ (9.3)**	**$ (10.1)**	**$ (19.7)**	**$ (19.4)**

(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) Excludes net proceeds of $111.5 million from central Idaho timberland sale in Q2 2016.

NON-GAAP RECONCILIATION:
Diluted Adjusted Net Income Per Share
(unaudited)

Adjusted Net Income[1]	Q2 2016 Amount	Q2 2016 Per share	YTD 2016 Amount	YTD 2016 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.