

2Q 2015 Earnings Release Potlatch Corporation

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



July 28, 2015



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 the company's financial performance in the third quarter and second half of 2015; our outlook for future operating conditions in sawlog, pulpwood, lumber, plywood and real estate markets; recovery of the U.S. housing market; expected 2015 housing starts; demand and pricing for sawlogs, pulpwood, lumber, plywood and residuals in the third quarter of 2015 and for the full year; expected third quarter 2015 harvest volumes in the North and South; expected pulpwood/sawlog mix in the North and South in the third quarter of 2015; capital investment in wood products business in 2015; completion of two large capital projects in the third quarter of 2015; expected downtime at our mills in the third quarter of 2015 due to capital projects; expected real estate sales in 2015 and expected reduction in land basis to 30%; expected earnings and cash flows in our Resource, Wood Products and Real Estate segments in the third quarter of 2015; expected corporate and interest expense in the third quarter of 2015; expected third quarter 2015 lumber shipments and inventories; expected performance of our Resource, Wood Products and Real Estate segments in third quarter of 2015; the company's balance sheet; liquidity, cash flows and dividend levels; expected refinancing of debt in maturing in 2015; consolidated tax rate in the third quarter 2015 and for the 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; 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; 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 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.



2Q 2015: Total Company Summary

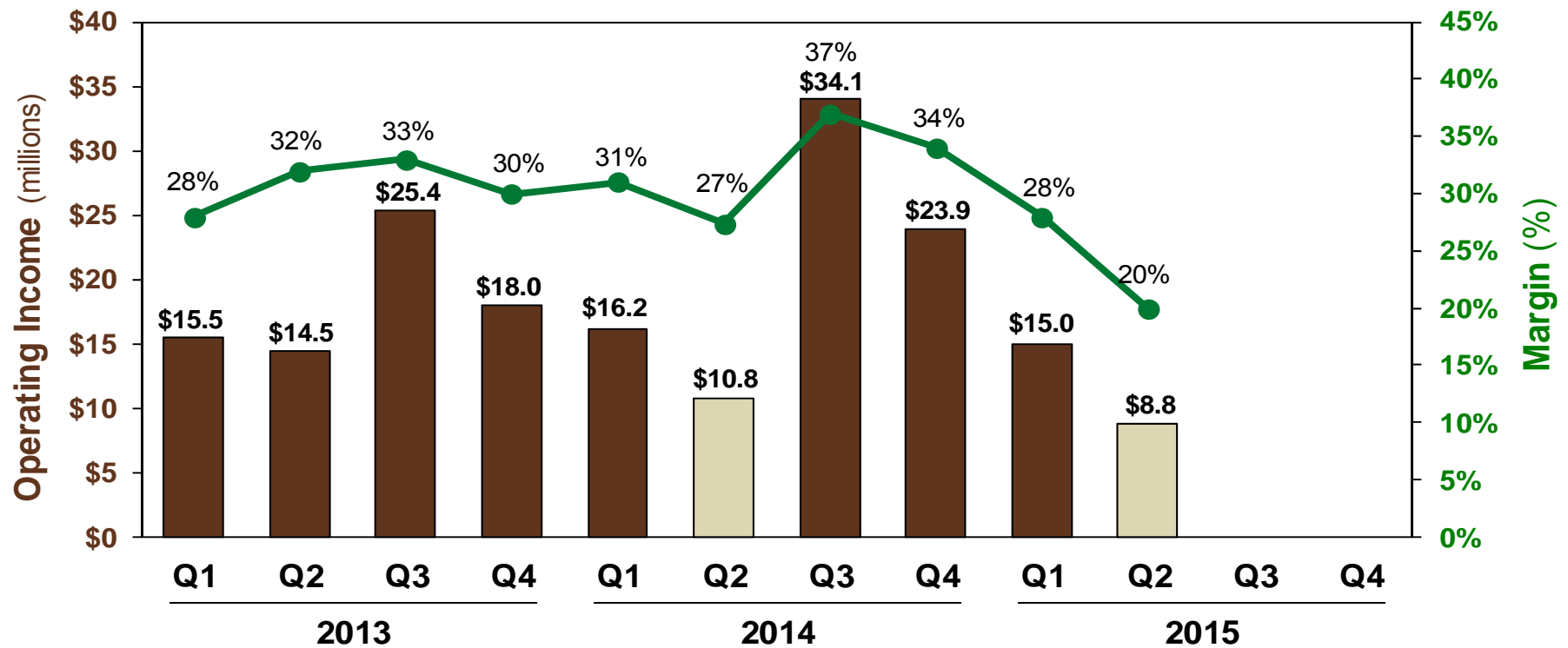
(unaudited, \$ in millions, except per share amounts)

	2014				2015		2014 YTD	2015 YTD
	Q1	Q2	Q3	Q4	Q1	Q2		
Operating income								
Resource	\$ 16.2	\$ 10.8	\$ 34.1	\$ 23.9	\$ 15.0	\$ 8.8	\$ 27.0	\$ 23.8
Wood Products	12.7	14.9	15.8	9.1	3.5	(2.0)	27.6	1.5
Real Estate	8.3	12.4	4.6	1.6	1.6	8.5	20.7	10.1
Eliminations and adjustments	0.8	0.8	(2.0)	0.2	3.0	0.6	1.6	3.6
Total operating income	38.0	38.9	52.5	34.8	23.1	15.9	76.9	39.0
Corporate	(6.7)	(9.2)	(7.6)	(8.2)	(9.0)	(8.6)	(15.9)	(17.6)
Interest expense, net	(5.5)	(5.5)	(5.5)	(6.4)	(8.1)	(8.0)	(11.0)	(16.1)
Income before taxes	25.8	24.2	39.4	20.2	6.0	(0.7)	50.0	5.3
Income tax provision	(5.5)	(7.9)	(6.2)	(0.1)	(0.3)	1.4	(13.4)	1.1
Net income	\$ 20.3	\$ 16.3	\$ 33.2	\$ 20.1	\$ 5.7	\$ 0.7	\$ 36.6	\$ 6.4
Diluted earnings per share	\$ 0.50	\$ 0.40	\$ 0.81	\$ 0.49	\$ 0.14	\$ 0.02	\$ 0.90	\$ 0.16
Distributions per share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.375	\$ 0.375	\$ 0.375	\$ 0.70	\$ 0.75
EBITDDA⁽¹⁾	\$ 41.7	\$ 36.5	\$ 53.3	\$ 35.0	\$ 22.6	\$ 14.6	\$ 78.2	\$ 37.2

(1) Non-GAAP measure. See slide 15 for reconciliation.

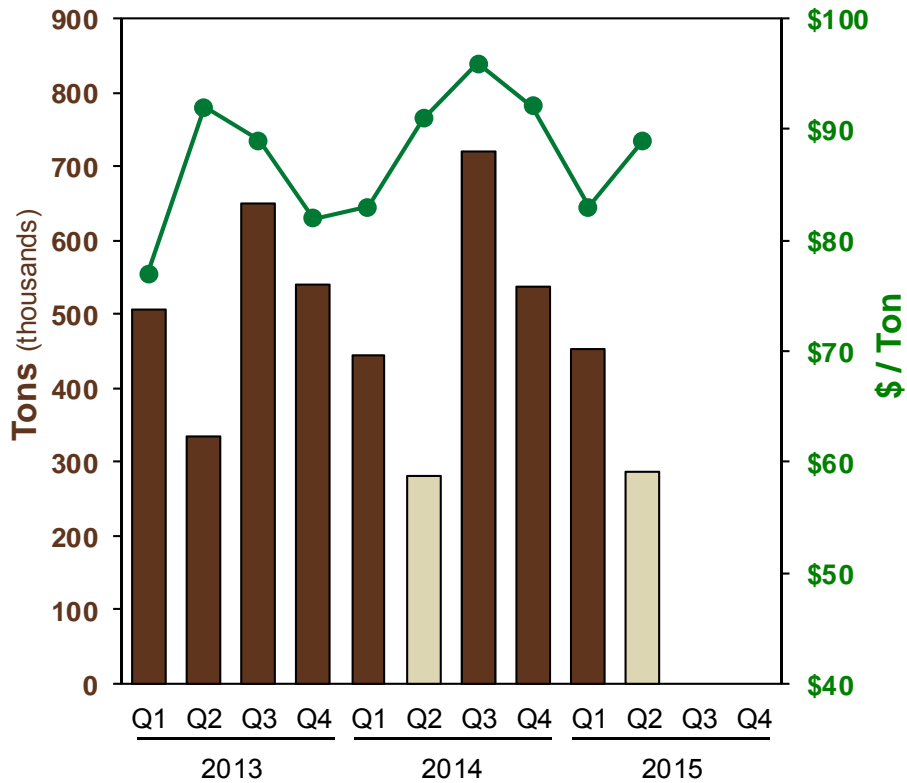
RESOURCE: Segment Summary

- Northern sawlog volumes were seasonally lower due to spring break up
- Northern sawlog prices increased \$6 per ton as a result of significantly higher cedar log prices
- Southern sawlog and hardwood prices were slightly higher as unseasonably wet weather constrained supply in Arkansas in Q2

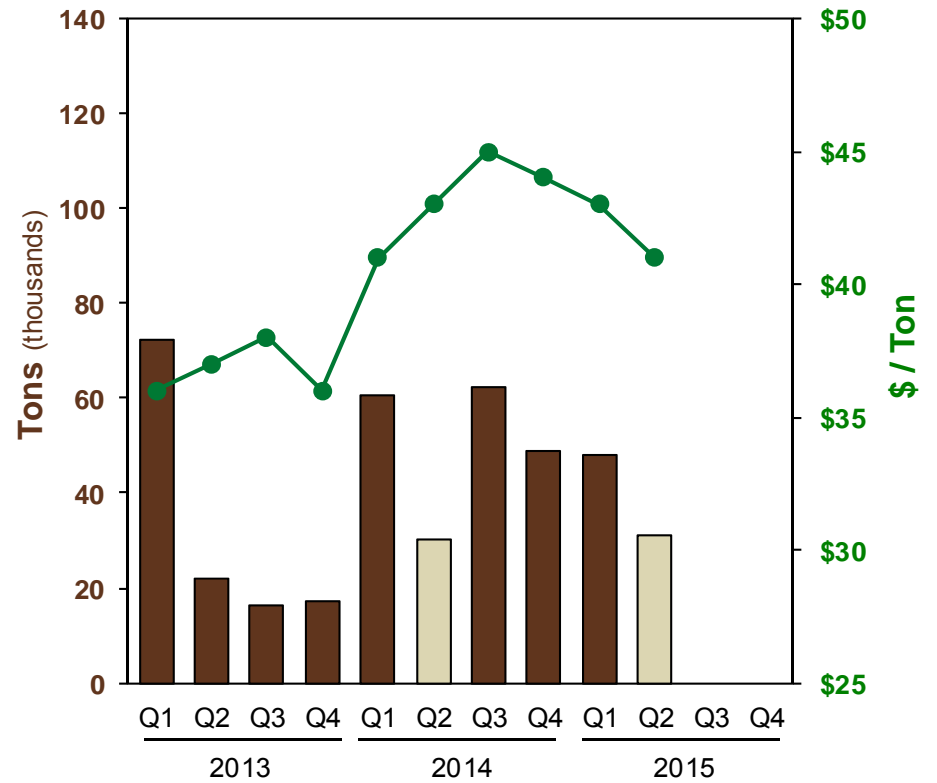


RESOURCE: Northern Region – Volume and Pricing

Sawlog



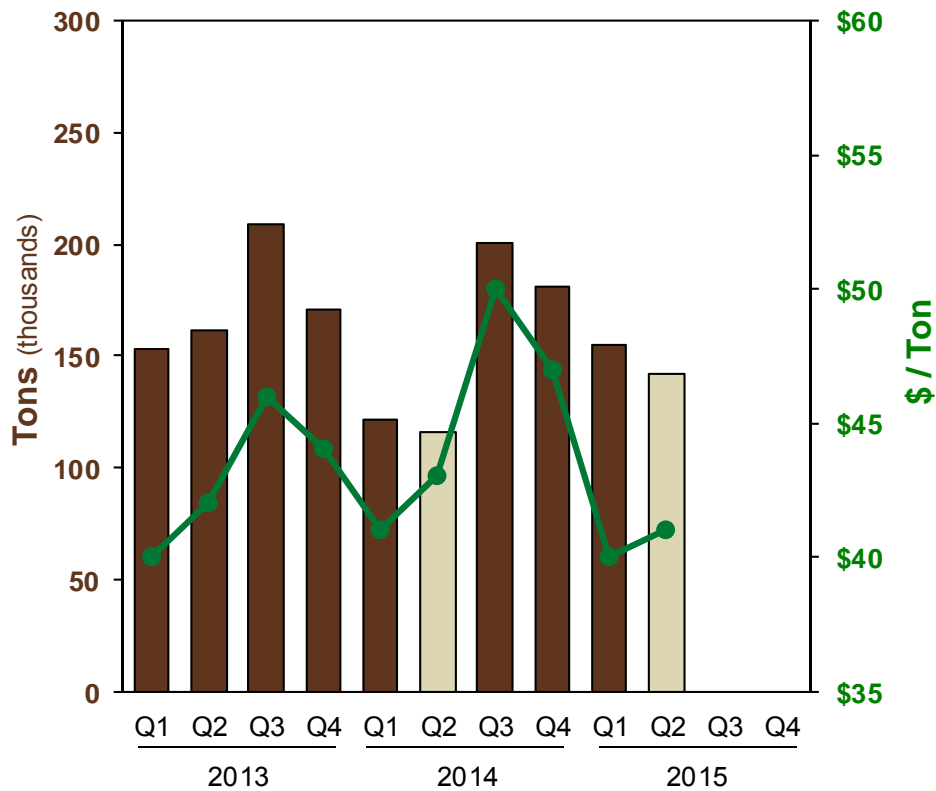
Pulpwood



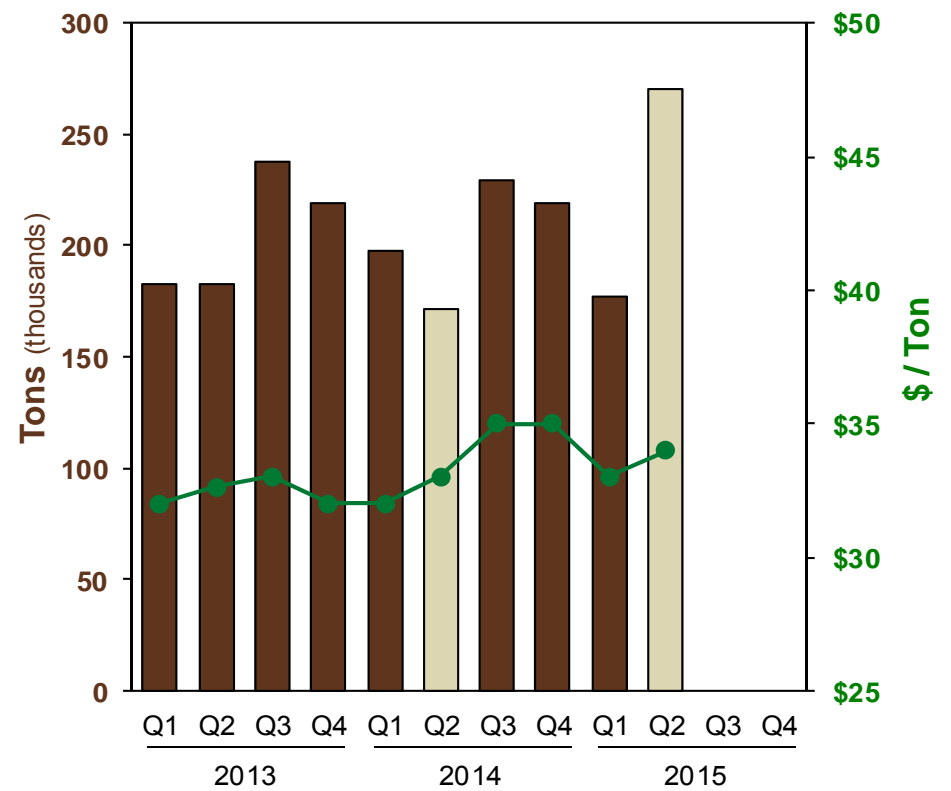
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

RESOURCE: Southern Region – Volume and Pricing

Sawlog



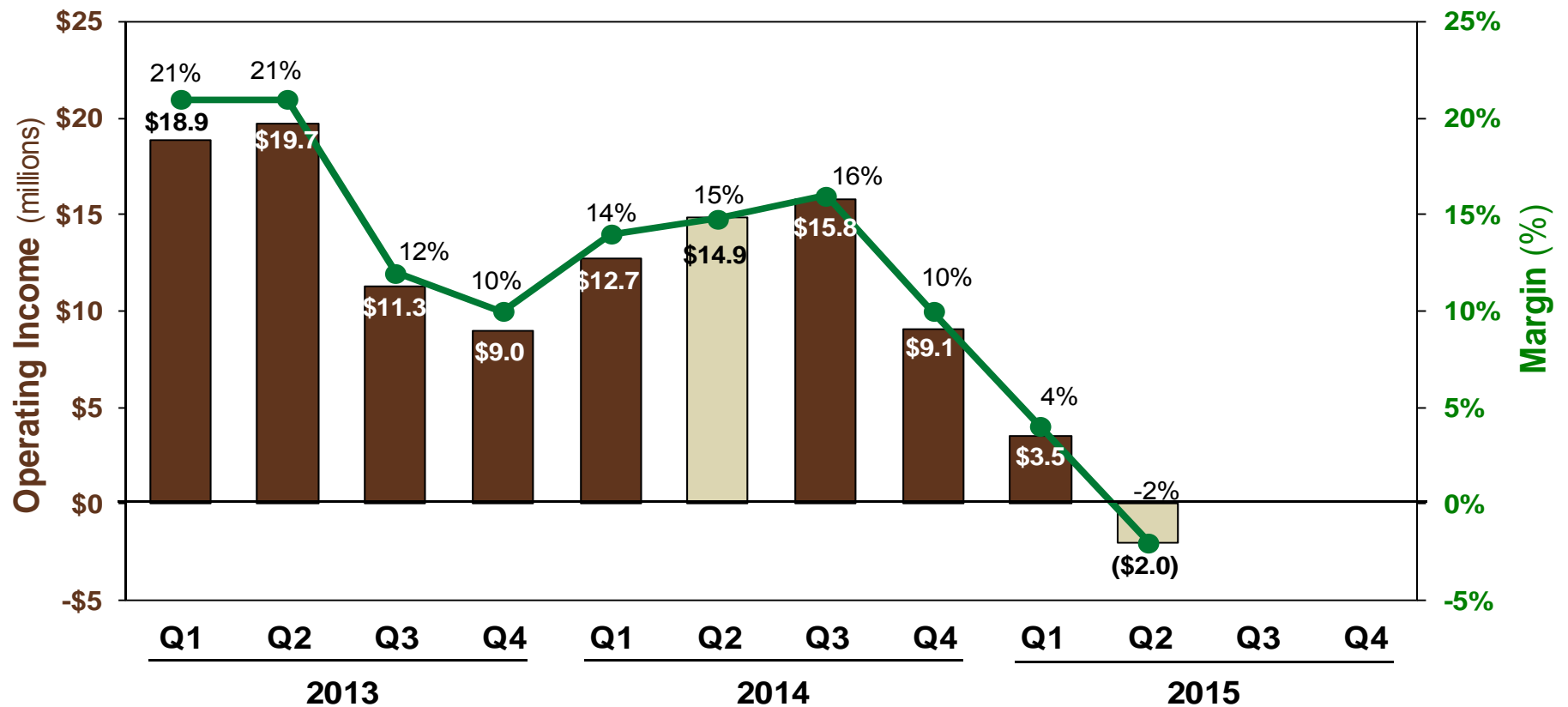
Pulpwood



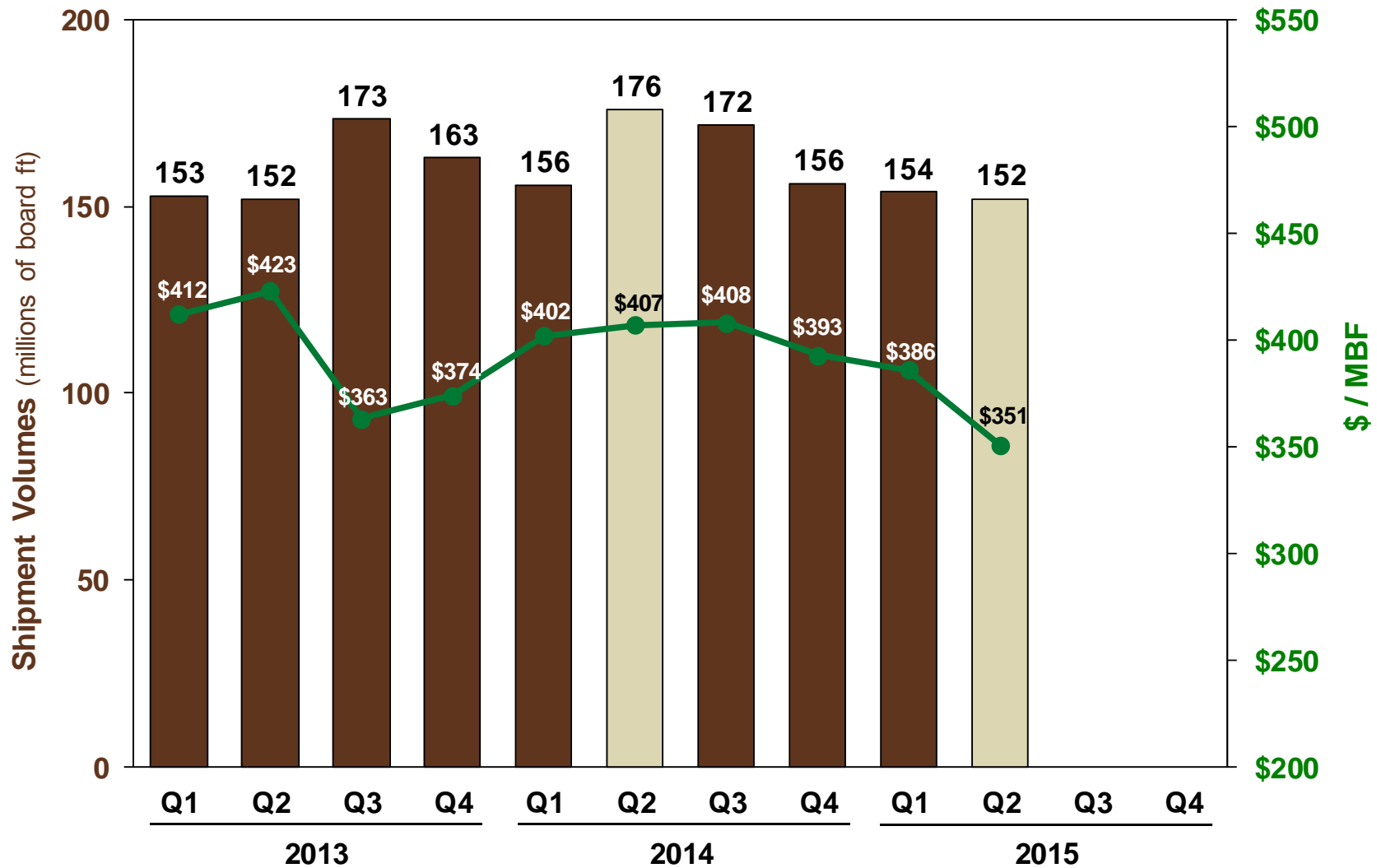
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

WOOD PRODUCTS: Segment Summary

- Lumber prices continued to decline into May and recovered sharply in the West in June
- Lumber shipments were down slightly in Q2
- Two of four major 2015 capital projects were completed Q2

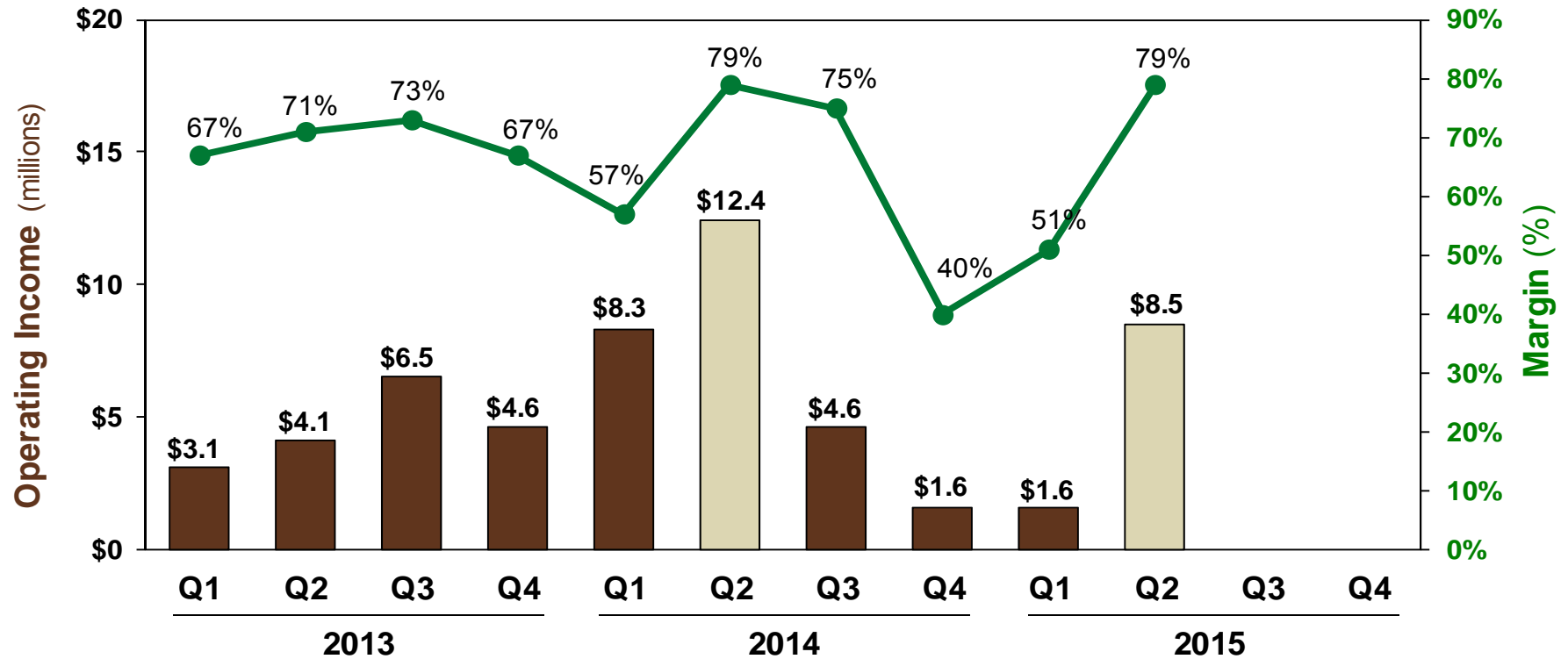


WOOD PRODUCTS: Lumber – Sales Prices and Shipments



REAL ESTATE: Segment Summary

- Strength in Minnesota rural recreational real estate market led to record number of quarterly transactions
- Two commercial real estate sites were sold in Q2 2015
- Q2 2014 included a 9,400 acre conservation sale in Minnesota



FINANCIAL HIGHLIGHTS

Amounts as of June 30, 2015:

Unaudited, \$ in millions

Cash and short-term investments	\$ 10.6
Long-term debt	\$ 629.3
Pension & other postretirement liability	\$ 115.1
Undrawn revolver	\$ 233.6
Net debt to enterprise value⁽¹⁾	30.1%
Dividend yield⁽²⁾	4.2%

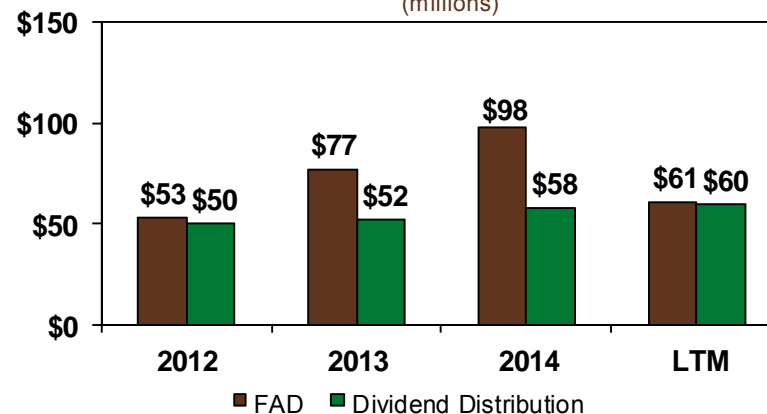
⁽¹⁾ Net debt to enterprise value is a non-GAAP measure and is calculated as net debt divided by enterprise value. Net debt is calculated as long-term debt, less cash and short-term investments. Net debt (\$619) plus market capitalization (\$1,437) equals enterprise value. Market capitalization is as of June 30, 2015.

⁽²⁾ Based on the closing stock price of \$35.32 per share as of June 30, 2015.

⁽³⁾ FAD is a non-GAAP measure. See slide 17 for a reconciliation of FAD.

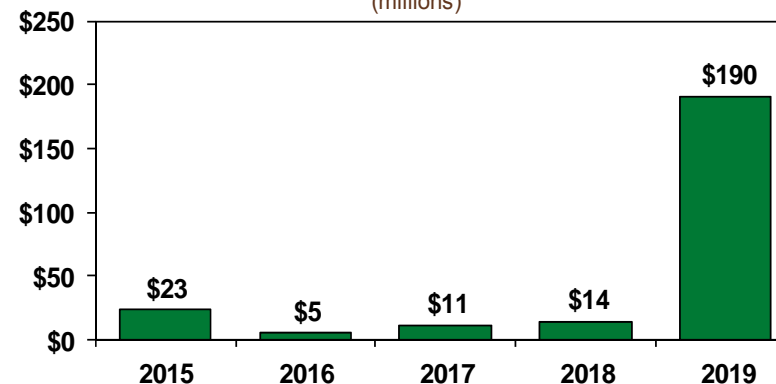
Funds Available for Distribution⁽³⁾

(millions)



Debt Maturities for the Next Five Years

(millions)



OUTLOOK

RESOURCE

- **Harvest 1.5 – 1.6 million tons Q3**
 - ✓ Slightly more than half of the volume in the North
 - ✓ Sawlogs ≈50% of Southern volume and ≈90% of Northern volume
- **Sawlog prices up almost 5% in the North**
- **Higher sawlog price in the South due to seasonally higher mix of hardwood**

WOOD PRODUCTS

- **Lumber shipments increase 5% – 10% Q3**
- **Lumber prices also increase 5% – 10% Q3**
- **Complete remaining two large capital projects Q3**

REAL ESTATE

- **Still expect to sell 20,000 acres this year**
- **Land basis for year reduced to approximately 30%**

OTHER

- **Corporate and interest expense both expected to be slightly higher Q3**
- **Consolidated tax rate estimated to be 5% – 10% for the year**
- **Capital expenditures of \$36 million for the year**

Appendix



STATISTICS: Resource

(unaudited)

Fee Volumes (tons)	2014				2015		2014 YTD	2015 YTD
	Q1	Q2	Q3	Q4	Q1	Q2		
Northern Region								
Sawlog	443,084	279,831	720,460	538,738	451,548	287,979	722,915	739,527
Pulpwood	60,579	30,124	62,340	48,883	47,840	31,284	90,703	79,124
Stumpage	10,968	2,475	1,862	1,007	16,903	3,277	13,443	20,180
Total	514,631	312,430	784,662	588,628	516,291	322,540	827,061	838,831
Southern Region								
Sawlog	121,910	115,855	200,838	181,147	154,730	142,107	237,765	296,837
Pulpwood	197,829	171,136	229,635	218,808	177,345	270,518	368,965	447,863
Stumpage	4,975	952	1,095	14,776	39,961	53,176	5,927	93,137
Total	324,714	287,943	431,568	414,731	372,036	465,801	612,657	837,837
Total Fee Volume	839,345	600,373	1,216,230	1,003,359	888,327	788,341	1,439,718	1,676,668
Sales Price/Unit (\$ per ton)								
Northern Region								
Sawlog	\$ 83	\$ 91	\$ 96	\$ 92	\$ 83	\$ 89	\$ 86	\$ 85
Pulpwood	\$ 41	\$ 43	\$ 45	\$ 44	\$ 43	\$ 41	\$ 42	\$ 42
Stumpage	\$ 11	\$ 11	\$ 11	\$ 14	\$ 9	\$ 6	\$ 11	\$ 9
Southern Region								
Sawlog	\$ 41	\$ 43	\$ 50	\$ 47	\$ 40	\$ 41	\$ 42	\$ 41
Pulpwood	\$ 32	\$ 33	\$ 35	\$ 35	\$ 33	\$ 34	\$ 32	\$ 34
Stumpage	\$ 11	\$ 34	\$ 19	\$ 13	\$ 18	\$ 15	\$ 14	\$ 16

STATISTICS: Wood Products & Real Estate

(unaudited)

	2014				2015		2014 YTD	2015 YTD
	Q1	Q2	Q3	Q4	Q1	Q2		
Wood Products								
Lumber Shipments (MBF)	155,596	176,046	171,818	156,123	154,206	152,071	331,642	306,277
Lumber Sales Prices (\$ per MBF)	\$ 402	\$ 407	\$ 408	\$ 393	\$ 386	\$ 351	\$ 403	\$ 368
Real Estate								
Acres Sold								
HBU Development	68	1,424	1,876	416	243	514	1,492	757
Rural Real Estate	13,203	10,821	1,721	2,314	1,122	3,280	24,024	4,402
Non-Strategic Timberlands	228	838	202	292	788	346	1,066	1,134
	13,499	13,083	3,799	3,022	2,153	4,140	26,582	6,293
Revenues by Product Type (millions)								
HBU Development	\$ 0.2	\$ 2.9	\$ 3.9	\$ 1.1	0.9	5.9	\$ 3.1	6.8
Rural Real Estate	14.0	12.2	2.2	2.8	1.5	4.5	26.2	6.0
Non-Strategic Timberlands	0.2	0.7	0.1	0.2	0.7	0.3	0.9	1.0
	\$ 14.4	\$ 15.8	\$ 6.2	\$ 4.1	3.1	10.7	\$ 30.2	13.8
Sales Price per Acre								
HBU Development	\$ 2,783	\$ 2,025	\$ 2,096	\$ 2,529	\$ 3,587	\$ 11,467	\$ 2,059	\$ 8,937
Rural Real Estate	\$ 1,066	\$ 1,125	\$ 1,245	\$ 1,211	\$ 1,324	\$ 1,394	\$ 1,093	\$ 1,134
Non-Strategic Timberlands	\$ 793	\$ 807	\$ 610	\$ 808	\$ 903	\$ 813	\$ 804	\$ 876
Transactions by Product Type								
HBU Development	4	12	15	15	8	18	16	26
Rural Real Estate	20	25	25	28	20	43	45	63
Non-Strategic Timberlands	3	5	4	7	6	5	8	11
	27	42	44	50	34	66	69	100

EBITDDA RECONCILIATION

(unaudited, \$ in millions)

Unaudited, \$ in millions	2014				2015		2014 YTD	2015 YTD
	Q1	Q2	Q3	Q4	Q1	Q2		
GAAP net income	\$ 20.3	\$ 16.3	\$ 33.2	\$ 20.1	\$ 5.7	\$ 0.7	\$ 36.6	\$ 6.4
Interest expense, net ⁽¹⁾	5.5	5.5	5.5	6.4	8.1	8.0	11.0	16.1
Income tax provision	5.5	7.9	6.2	0.1	0.3	(1.4)	13.4	(1.1)
Depreciation, depletion & amortization	5.8	4.6	7.9	7.1	8.1	6.7	10.4	14.8
Basis of real estate sold	4.6	2.2	0.5	1.3	0.4	0.6	6.8	1.0
EBITDDA⁽²⁾	\$ 41.7	\$ 36.5	\$ 53.3	\$ 35.0	\$ 22.6	\$ 14.6	\$ 78.2	\$ 37.2

(1) Interest expense includes amortization of bond discounts and deferred loan fees.

(2) 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 adjusted for interest expense, provision for income taxes, depreciation, depletion and amortization and basis of real estate sold.

EBITDDA RECONCILIATION: By Segment

(unaudited, \$ in millions)

Unaudited, \$ in millions	2014				2015		2014 YTD	2015 YTD
	Q1	Q2	Q3	Q4	Q1	Q2		
Resource								
Operating Income	\$ 16.2	\$ 10.8	\$ 34.1	\$ 23.9	\$ 15.0	\$ 8.8	\$ 27.0	\$ 23.8
Depreciation, depletion and amortization	3.9	2.8	6.0	5.1	6.2	4.8	6.7	11.0
Resource EBITDDA	20.1	13.6	40.1	29.0	21.2	13.6	33.7	34.8
Wood Products								
Operating income	12.7	14.9	15.8	9.1	3.5	(2.0)	\$ 27.6	1.5
Depreciation and amortization	1.5	1.5	1.5	1.6	1.6	1.6	3.0	3.2
Wood Products EBITDDA	14.2	16.4	17.3	10.7	5.1	(0.4)	30.6	4.7
Real Estate								
Operating Income	8.3	12.4	4.6	1.6	1.6	8.5	\$ 20.7	10.1
Basis of Land and depreciation	5.2	2.2	0.6	1.5	0.5	0.7	7.4	1.2
Real Estate EBITDDA	13.5	14.6	5.2	3.1	2.1	9.2	28.1	11.3
Eliminations and adjustments ⁽¹⁾	0.8	0.8	(2.0)	0.2	3.0	0.6	1.6	3.6
Corporate								
Corporate expense	(6.7)	(9.2)	(7.6)	(8.2)	(9.0)	(8.6)	(15.9)	(17.6)
Depreciation, amortization and basis of land adjustment	(0.2)	0.3	0.3	0.2	0.2	0.2	0.1	0.4
Corporate EBITDDA	(6.9)	(8.9)	(7.3)	(8.0)	(8.8)	(8.4)	(15.8)	(17.2)
EBITDDA⁽²⁾	\$ 41.7	\$ 36.5	\$ 53.3	\$ 35.0	\$ 22.6	\$ 14.6	\$ 78.2	\$ 37.2

(1) Eliminations and adjustments primarily represent elimination of profit in ending inventory related to intersegment sales from Resource to Wood Products.

(2) 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 adjusted for interest expense, provision for income taxes, depreciation, depletion and amortization and basis of real estate sold.

FAD RECONCILIATION

(unaudited, \$ in millions)

Unaudited, \$ in millions	2014				2015		2014 YTD	2015 YTD
	Q1	Q2	Q3	Q4	Q1	Q2		
GAAP net income	\$ 20.3	\$ 16.3	\$ 33.2	\$ 20.1	\$ 5.7	\$ 0.7	\$ 36.6	\$ 6.4
Depreciation, depletion & amortization ⁽¹⁾	6.1	4.9	8.3	7.4	8.5	7.1	11.0	15.6
Basis of real estate sold	4.6	2.2	0.5	1.3	0.4	0.6	6.8	1.0
Capital expenditures ⁽²⁾	(3.6)	(8.8)	(7.8)	(7.2)	(7.6)	(10.7)	(12.4)	(18.3)
Funds Available for Distribution⁽²⁾	\$ 27.4	\$ 14.6	\$ 34.2	\$ 21.6	\$ 7.0	\$ (2.3)	\$ 42.0	\$ 4.7

(1) Depreciation, depletion & amortization includes amortization of bond discounts and deferred loan fees included in interest expense, net.

(2) Funds Available for Distribution (FAD), as we define it, is net income adjusted for depreciation, depletion and amortization, basis of real estate sold, 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.

OPERATING WORKING CAPITAL RECONCILIATION

(unaudited, \$ in millions)

Unaudited, \$ in millions	2014				2015	
	Q1	Q2	Q3	Q4	Q1	Q2
Current assets	\$ 139.1	\$ 145.1	\$ 144.1	\$ 93.7	\$ 89.3	\$ 90.3
Less: Current liabilities	(49.5)	(54.9)	(60.0)	(72.2)	(81.5)	(104.0)
Working capital	89.6	90.2	84.1	21.5	7.8	(13.7)
Less: Cash	(9.4)	(9.3)	(8.3)	(4.6)	(9.1)	(8.8)
Less: Short-term investments	(66.9)	(73.9)	(65.0)	(26.4)	(18.9)	(1.8)
Add: Current installments on long-term debt	-	-	-	22.9	27.5	27.5
Operating Working Capital	\$ 13.3	\$ 7.0	\$ 10.8	\$ 13.4	\$ 7.3	\$ 3.2

