

4Q 2013 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



January 28, 2014



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 our outlook for future operating conditions in sawlog, pulpwood, lumber, plywood and real estate markets, 2014 harvest level, 2014 domestic housing starts, remodeling and repair activity in 2014, earnings and cashflows in our Resource, Wood Products and Real Estate segments in the first quarter of 2014, demand and pricing for sawlogs and pulpwood in the North and South in 2014, demand and pricing for lumber, plywood and residuals in 2014, lumber inventories, logging costs, transportation availability and cost, fuel costs, expected 2014 real estate sales, expected closing of large real estate transaction in Minnesota in the second quarter of 2014, estimated 2014 average real estate sales price per acre and estimated basis for real estate sales in 2014, demand and pricing for Rural Recreational and HBU properties, performance of our Resource, Wood Products and Real Estate segments in 2014, 2014 capital expenditures, the company's balance sheet, contributions to pension plans, liquidity, cashflows and dividend levels, long-term debt maturities, expected consolidated tax rate in 2014, 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; 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; pest infestation; changes in raw material, 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.

4Q 2013: Total Company Summary

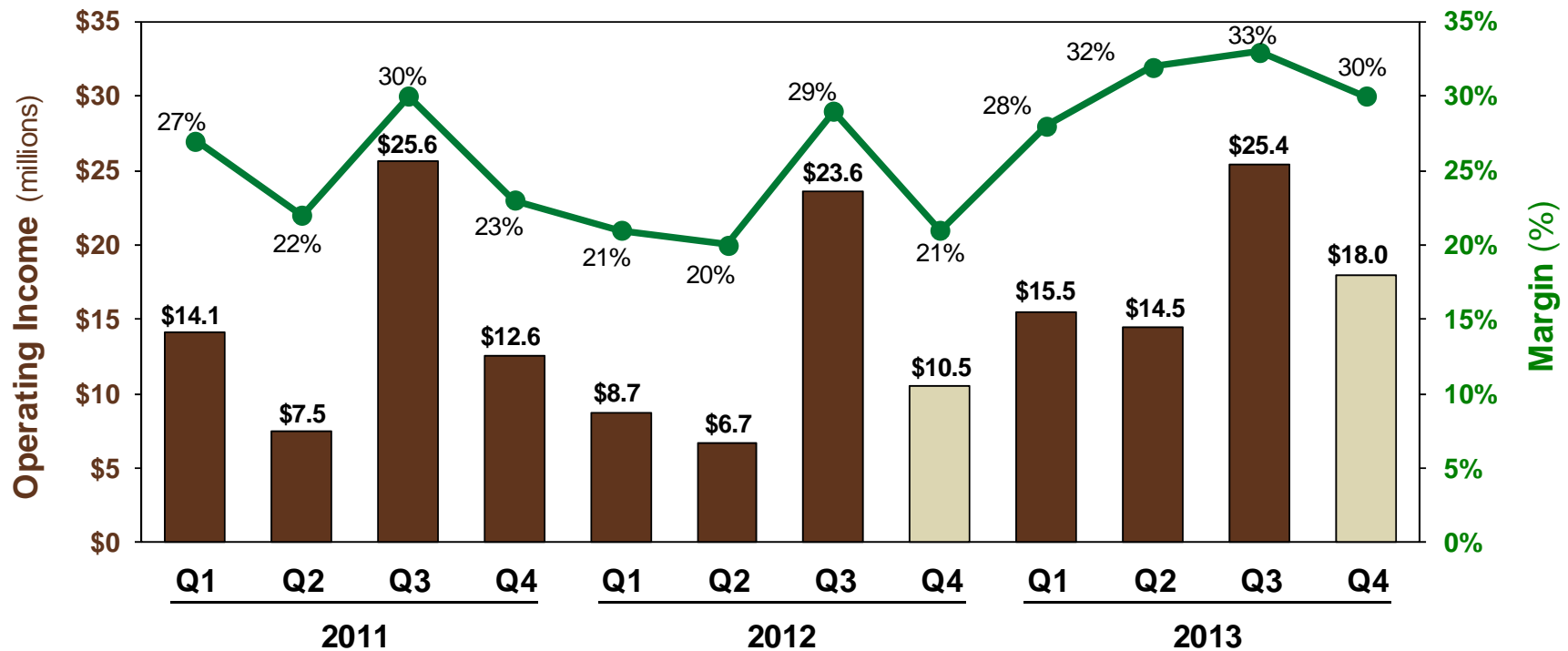
Unaudited, \$ in millions

	2012	2013				2012	2013
	Q4	Q1	Q2	Q3	Q4	YTD	YTD
<u>Operating income</u>							
Resource	\$ 10.5	\$ 15.5	\$ 14.5	\$ 25.4	\$ 18.0	\$ 49.5	\$ 73.4
Wood Products	13.5	18.9	19.7	11.3	9.0	45.4	58.9
Real Estate	13.8	3.1	4.1	6.5	4.6	28.1	18.3
Eliminations and adjustments	(0.9)	0.5	0.2	(0.8)	(0.8)	(1.0)	(0.9)
Total operating income	36.9	38.0	38.5	42.4	30.8	122.0	149.7
Corporate	(11.0)	(11.1)	(7.7)	(10.8)	(10.5)	(39.0)	(40.1)
Net cash interest expense	(5.8)	(5.8)	(5.3)	(5.2)	(5.3)	(23.6)	(21.6)
Environmental remediation charge	-	(0.8)	(1.7)	(1.0)	-	-	(3.5)
Income before taxes	20.1	20.3	23.8	25.4	15.0	59.4	84.5
Income tax provision	(6.2)	(4.8)	(4.6)	(3.2)	(1.3)	(16.8)	(13.9)
Net income	\$ 13.9	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 42.6	\$ 70.6
Diluted earnings per share	\$ 0.34	\$ 0.38	\$ 0.47	\$ 0.54	\$ 0.34	\$ 1.05	\$ 1.73
Distributions per share	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.35	\$ 1.24	\$ 1.28
EBITDDA⁽¹⁾	\$ 36.4	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 114.4	\$ 136.0

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

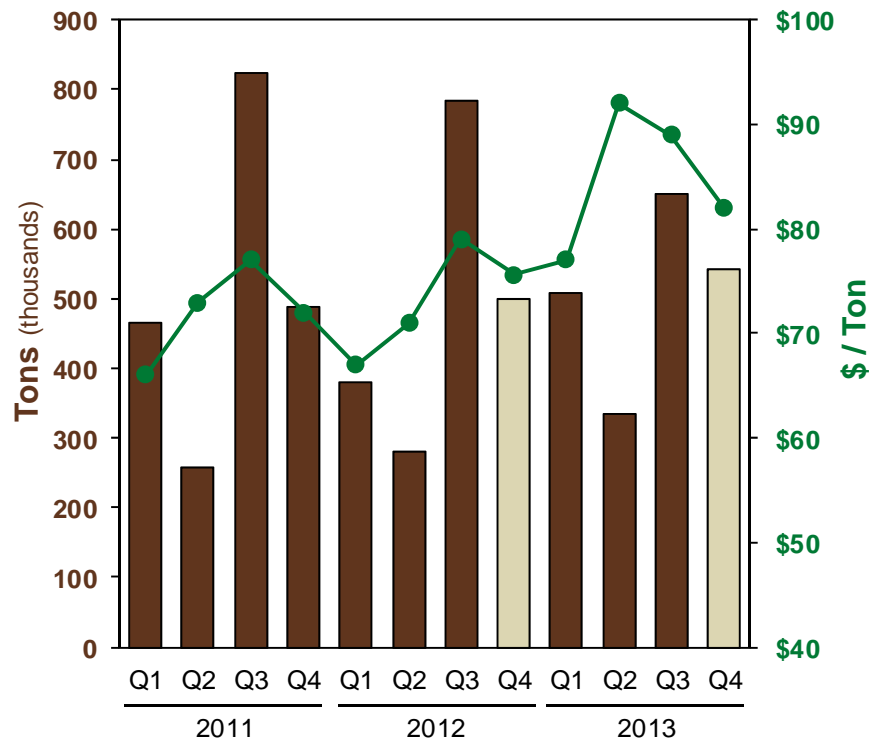
RESOURCE: Segment Summary

- Operating income increased almost \$24 million in 2014
- Northern sawlog prices have returned to pre-recession levels
- Southern pine sawlog prices remain flat at historically low levels
- Harvest volumes declined seasonally in 4Q in both regions

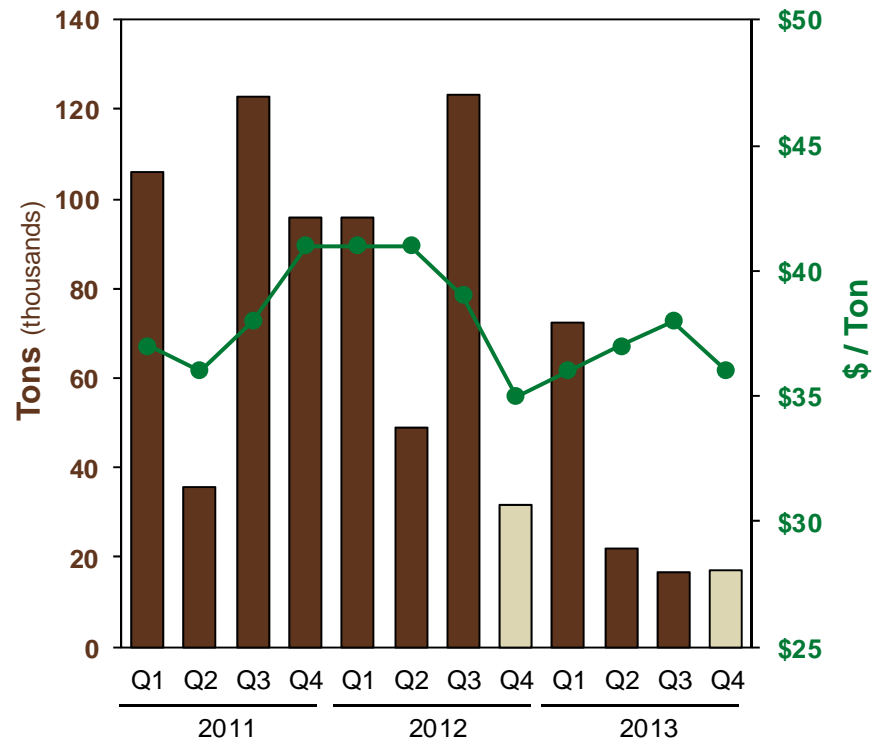


RESOURCE: Northern Region – Volume and Pricing

Sawlog



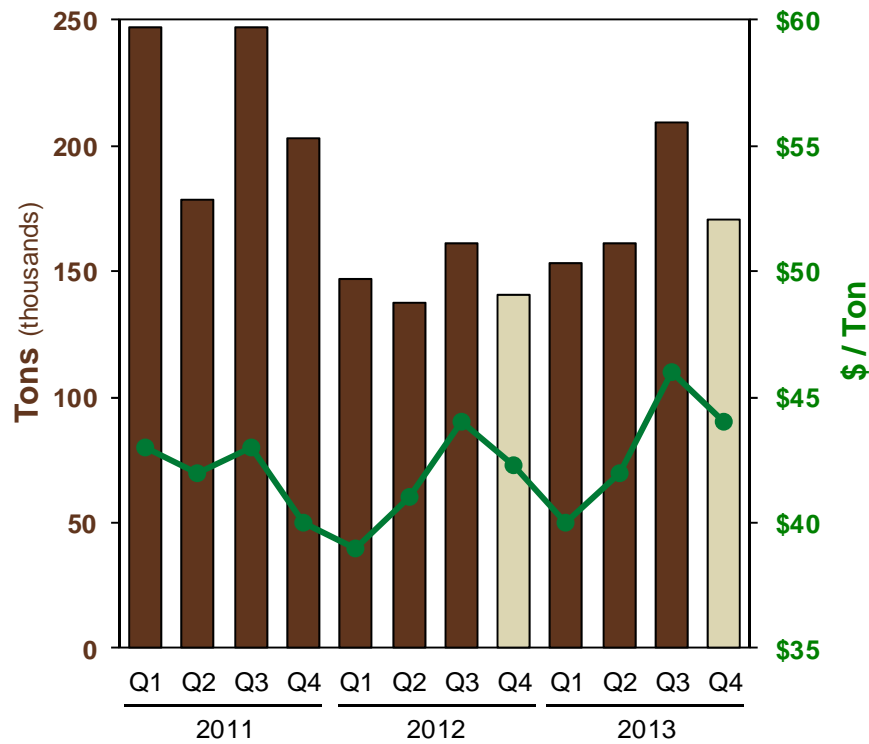
Pulpwood



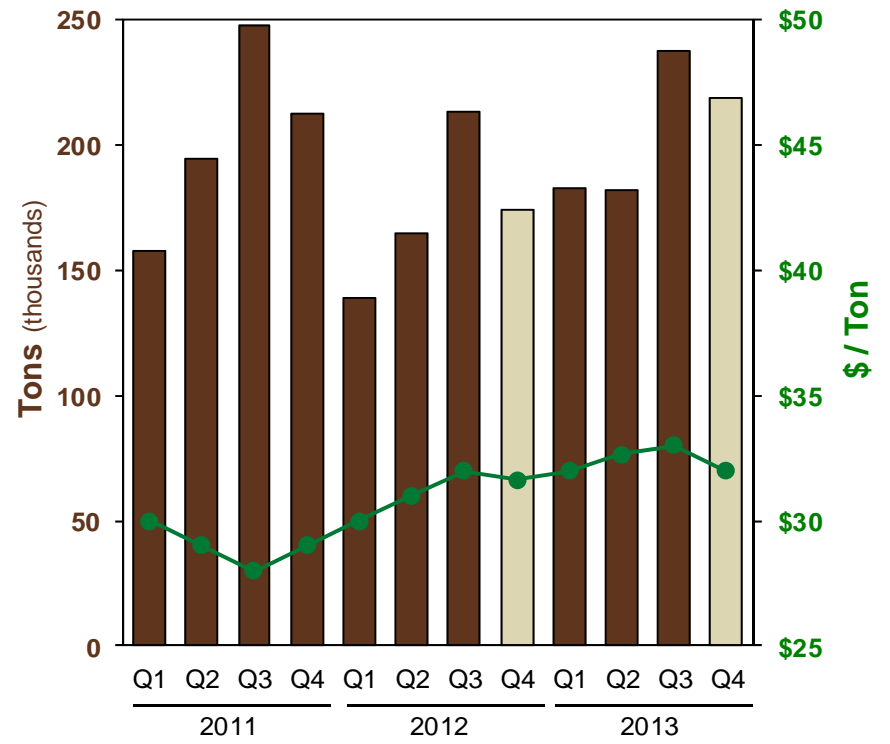
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

RESOURCE: Southern Region – Volume and Pricing

Sawlog



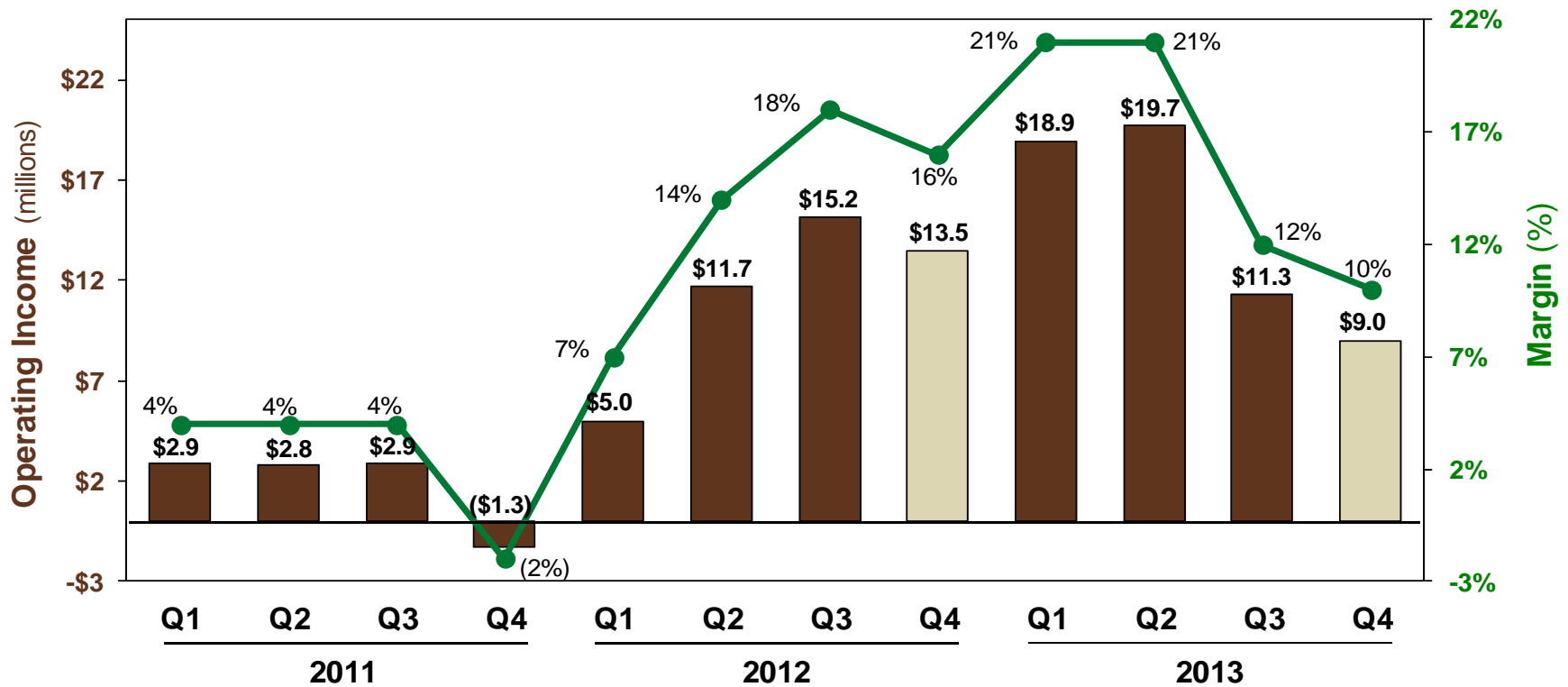
Pulpwood



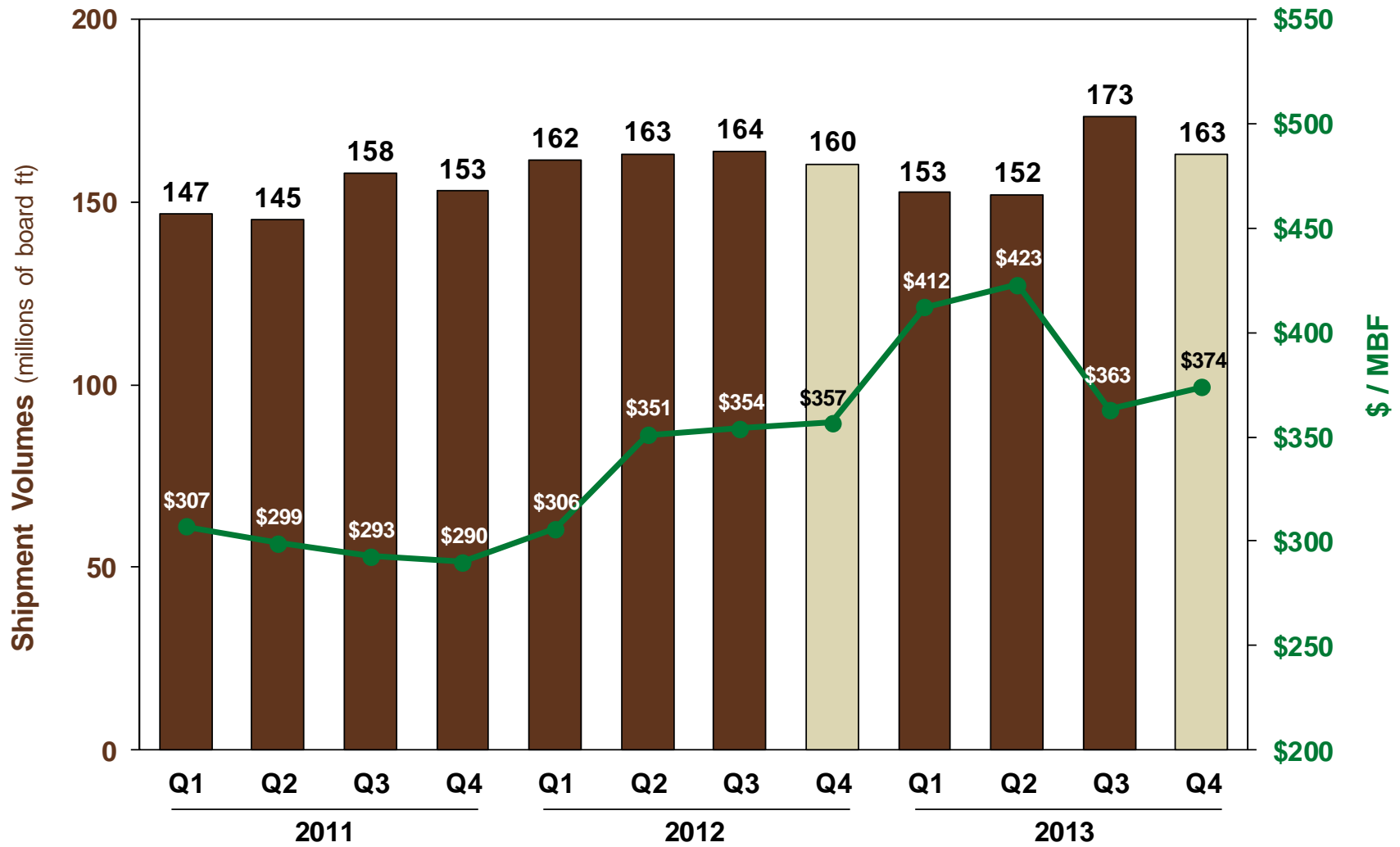
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

WOOD PRODUCTS: Segment Summary

- Annual earnings were the highest they have been in almost a decade
- Demand remains strong as housing starts continue to increase

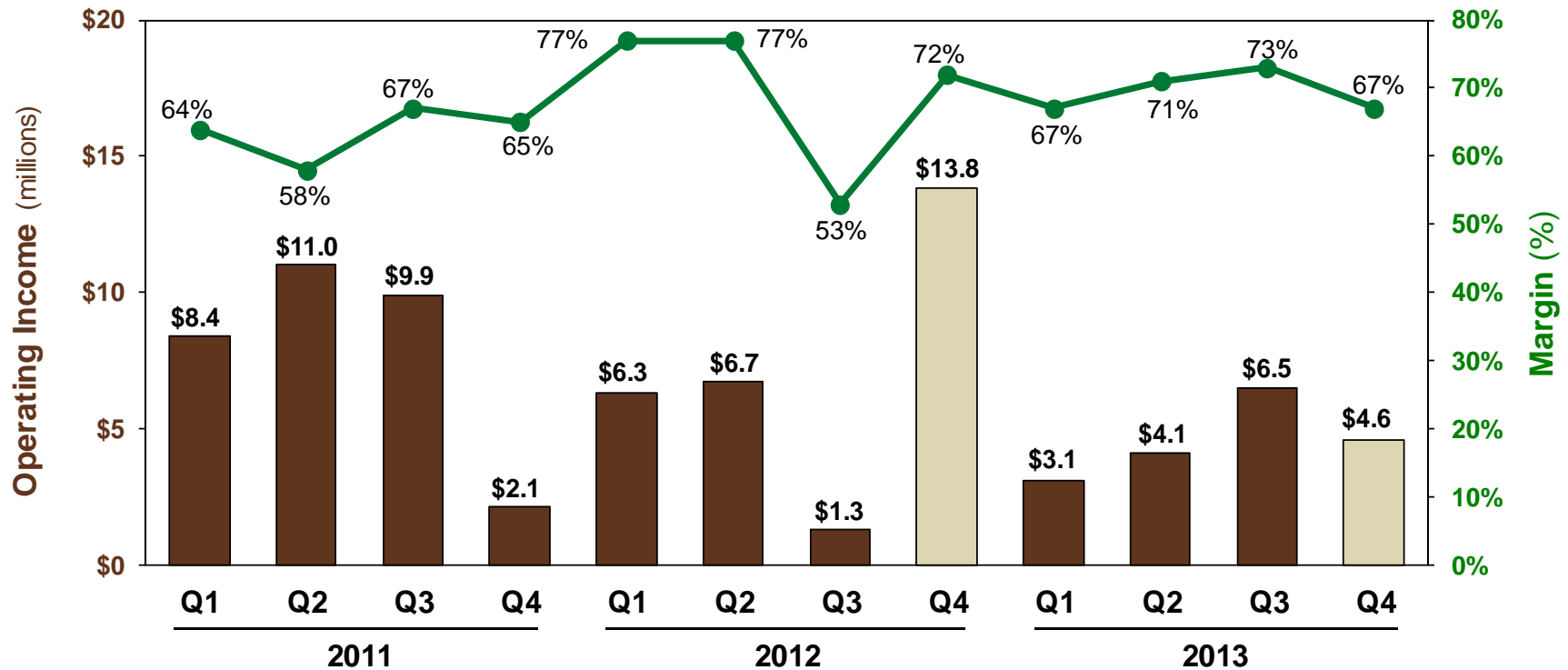


WOOD PRODUCTS: Lumber – Sales Prices and Shipments



REAL ESTATE: Segment Summary

- The number of annual transactions was the highest since the 2006 REIT election
- Demand for HBU development and rural real estate remains strong



FINANCIAL HIGHLIGHTS

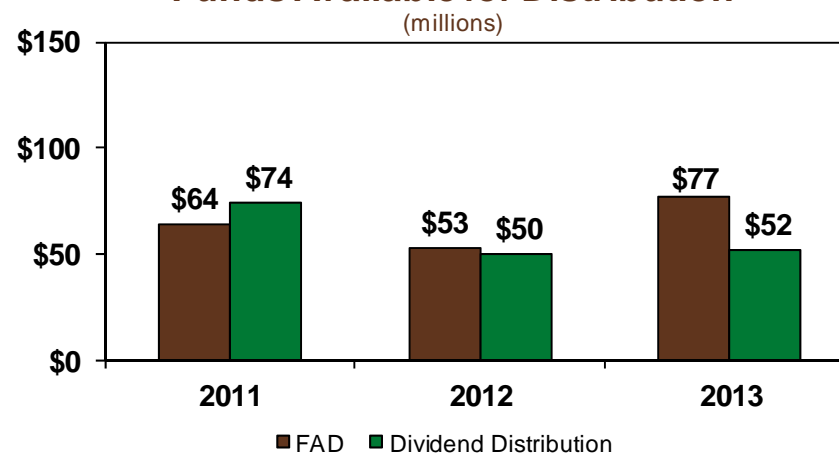
Amounts as of December 31, 2013:	
Unaudited, \$ in millions	
Cash and short-term investments	\$ 57.8
Long-term debt	\$ 320.1
Pension liability	\$ 42.9
Undrawn revolver	\$ 250.0
Leverage ratio⁽¹⁾	2.29
Net debt to enterprise value⁽²⁾	13.4%
Dividend yield⁽³⁾	3.4%

⁽¹⁾ Leverage ratio, as defined in our debt covenants, is funded indebtedness divided by EBITDDA.

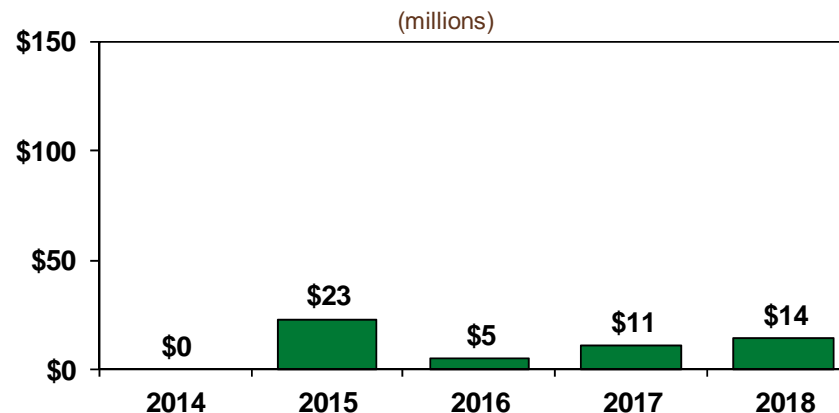
⁽²⁾ Net debt to enterprise value is a non-GAAP measure and is calculated as net debt divided by enterprise value. Net debt is calculated as long-term debt (\$320), less cash and short-term investments (\$58). Net debt plus market capitalization (\$1,692) equals enterprise value. Market capitalization is as of December 31, 2013.

⁽³⁾ Based on the closing stock price of \$41.74 per share as of December 31, 2013.

Funds Available for Distribution



Debt Maturities for the Next Five Years



2014 OUTLOOK

- **Harvest of 3.8 million tons**
- **Expect higher sawlog prices in the North and flat sawlog prices in the South**
- **Strong demand should translate to another strong year for Wood Products**
- **Plan to sell 30,000 to 35,000 acres of real estate, including two larger transactions in the first half**
- **Average real estate sales price is expected to be \$1,100 to \$1,200 per acre and a basis of 25% to 30%**
- **Consolidated tax rate is estimated to be 20% to 25%**
- **Planned capital spend of \$28 million**

Appendix



STATISTICS: Resource (unaudited)

Fee Volumes (tons)	2012	2013				2012	2013
	Q4	Q1	Q2	Q3	Q4		
Northern Region							
Sawlog	500,366	507,346	333,924	649,063	541,304	1,946,138	2,031,637
Pulpwood	31,678	72,359	21,904	16,538	17,197	299,934	127,998
Stumpage	33	20,470	1,489	1,537	1,901	34,049	25,397
Total	532,077	600,175	357,317	667,138	560,402	2,280,121	2,185,032
Southern Region							
Sawlog	140,824	153,280	161,410	209,121	170,336	586,658	694,147
Pulpwood	174,196	182,918	182,262	237,511	219,090	691,411	821,781
Stumpage	-	-	-	181	8,172	-	8,353
Total	315,020	336,198	343,672	446,813	397,598	1,278,069	1,524,281
Total Fee Volume	847,097	936,373	700,989	1,113,951	958,000	3,558,190	3,709,313
Sales Price/Unit (\$ per ton)							
Northern Region							
Sawlog	\$ 76	\$ 77	\$ 92	\$ 89	\$ 82	\$ 75	\$ 85
Pulpwood	\$ 35	\$ 36	\$ 37	\$ 38	\$ 36	\$ 40	\$ 36
Stumpage	\$ 5	\$ 8	\$ 5	\$ 12	\$ 12	\$ 10	\$ 8
Weighted Average	\$ 73	\$ 70	\$ 88	\$ 88	\$ 80	\$ 69	\$ 81
Southern Region							
Sawlog	\$ 42	\$ 40	\$ 42	\$ 46	\$ 44	\$ 42	\$ 43
Pulpwood	\$ 32	\$ 32	\$ 33	\$ 33	\$ 32	\$ 31	\$ 32
Stumpage	\$ -	\$ -	\$ -	\$ 45	\$ 11	\$ -	\$ 12
Weighted Average	\$ 36	\$ 36	\$ 37	\$ 39	\$ 37	\$ 36	\$ 37

STATISTICS: Wood Products & Real Estate (unaudited)

	2012	2013				2012	2013
	Q4	Q1	Q2	Q3	Q4		
Wood Products							
Lumber Shipments (MBF)	160,463	152,862	151,967	173,355	163,033	649,119	641,217
Lumber Sales Prices (\$ per MBF)	\$ 357	\$ 412	\$ 423	\$ 363	\$ 374	\$ 342	\$ 392
Real Estate							
Acres Sold							
HBU Development	2,842	229	534	2,899	1,137	7,080	4,799
Rural Real Estate	4,378	2,278	3,110	2,116	1,990	11,724	9,494
Non-Strategic Timberlands	828	979	1,128	279	2,283	4,140	4,669
	8,048	3,486	4,772	5,294	5,410	22,944	18,962
Revenues by Product Type (millions)							
HBU Development	\$ 12.6	\$ 0.6	\$ 1.1	\$ 6.0	\$ 2.1	\$ 21.0	\$ 9.8
Rural Real Estate	5.7	3.2	4.0	2.7	2.5	14.3	12.4
Non-Strategic Timberlands	0.7	0.8	0.7	0.2	2.3	3.0	4.0
	\$ 19.0	\$ 4.6	\$ 5.8	\$ 8.9	\$ 6.9	\$ 38.3	\$ 26.2
Sales Price per Acre							
HBU Development	\$ 4,436	\$ 2,802	\$ 2,053	\$ 2,055	\$ 1,813	\$ 2,969	\$ 2,033
Rural Real Estate	\$ 1,307	\$ 1,416	\$ 1,279	\$ 1,295	\$ 1,254	\$ 1,218	\$ 1,310
Non-Strategic Timberlands	\$ 882	\$ 785	\$ 652	\$ 608	\$ 1,004	\$ 711	\$ 849
Transactions by Product Type							
HBU Development	9	8	13	18	16	41	55
Rural Real Estate	20	25	36	30	13	94	104
Non-Strategic Timberlands	8	8	16	5	12	26	41
	37	41	65	53	41	161	200

EBITDDA RECONCILIATION

Unaudited, \$ in millions	2012	2013				2012	2013
	Q4	Q1	Q2	Q3	Q4		
GAAP net income	\$ 13.9	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 42.6	\$ 70.6
Net cash interest expense	5.8	5.8	5.3	5.2	5.3	23.6	21.6
Income tax provision	6.2	4.8	4.6	3.2	1.3	16.8	13.9
Depreciation, depletion & amortization	7.0	6.9	5.2	8.0	6.9	26.2	27.0
Basis of real estate sold	3.6	0.6	0.5	1.2	1.2	5.4	3.5
Non-cash asset impairment & eliminations	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)	(0.2)	(0.6)
EBITDDA⁽¹⁾	\$ 36.4	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 114.4	\$ 136.0

⁽¹⁾ **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.

EBITDDA RECONCILIATION: By Segment

Unaudited, \$ in millions	2012	2013				2012	2013
	Q4	Q1	Q2	Q3	Q4		
Resource							
Operating Income	\$ 10.5	\$ 15.5	\$ 14.5	\$ 25.4	\$ 18.0	\$ 49.5	\$ 73.4
Depreciation, depletion and amortization	4.4	4.6	3.0	5.9	4.6	16.4	18.1
Resource EBITDDA	14.9	20.1	17.5	31.3	22.6	65.9	91.5
Wood Products							
Operating income	13.5	18.9	19.7	11.3	9.0	45.4	58.9
Depreciation and amortization	1.5	1.5	1.5	1.6	1.6	6.5	6.2
Wood Products EBITDDA	15.0	20.4	21.2	12.9	10.6	51.9	65.1
Real Estate							
Operating Income	13.8	3.1	4.1	6.5	4.6	28.1	18.3
Basis of Land and depreciation	3.6	0.6	0.6	1.2	1.2	5.5	3.6
Real Estate EBITDDA	17.4	3.7	4.7	7.7	5.8	33.6	21.9
Eliminations and adjustments ⁽¹⁾	(0.9)	0.5	0.2	(0.8)	(0.8)	(1.0)	(0.9)
Corporate							
Corporate expense	(11.0)	(11.1)	(7.7)	(10.8)	(10.5)	(39.0)	(40.1)
Environmental remediation charge	-	(0.8)	(1.7)	(1.0)	-	-	(3.5)
Depreciation, amortization and basis of land adjustment	1.0	0.6	0.5	0.4	0.5	3.0	2.0
Corporate EBITDDA	(10.0)	(11.3)	(8.9)	(11.4)	(10.0)	(36.0)	(41.6)
EBITDDA⁽²⁾	\$ 36.4	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 114.4	\$ 136.0

⁽¹⁾ Eliminations and adjustments represent intersegment revenues between the Resource and Wood Products segments.

⁽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 (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.

FFO & FAD RECONCILIATION

Unaudited, \$ in millions	2012	2013				2012	2013
	Q4	Q1	Q2	Q3	Q4		
GAAP net income	\$ 13.9	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 42.6	\$ 70.6
Depreciation, depletion & amortization	7.0	6.9	5.2	8.0	6.9	26.2	27.0
Basis of real estate sold	3.6	0.6	0.5	1.2	1.2	5.4	3.5
Non-cash asset impairment & eliminations	(0.1)	(0.2)	(0.1)	(0.1)	\$ (0.2)	(0.2)	(0.6)
Funds from Operations⁽¹⁾	\$ 24.4	\$ 22.8	\$ 24.8	\$ 31.3	\$ 21.6	\$ 74.0	\$ 100.5
Capital expenditures ⁽²⁾	(9.4)	(4.6)	(5.8)	(6.5)	(6.7)	(21.3)	(23.6)
Funds Available for Distribution⁽²⁾	\$ 15.0	\$ 18.2	\$ 19.0	\$ 24.8	\$ 14.9	\$ 52.7	\$ 76.9

⁽¹⁾ **Funds from Operations (FFO)** is a non-GAAP measure that is commonly used by REITs in the real estate industry. FFO is presented as a supplemental financial measure. We do not use FFO as, nor should it be considered to be, an alternative to net income computed under GAAP as an indicator of our operating performance, or as an alternative to cash from operating activities computed under GAAP as an indicator of our ability to fund our cash needs. FFO, as we define it, may not be comparable with measures of similar titles reported by other companies. We define FFO as net income, plus depreciation, depletion and amortization, basis of real estate sold and non-cash asset impairment and eliminations. Management believes that FFO is a meaningful supplemental measure of our operating performance because historical cost accounting for assets such as our manufacturing facilities and timberlands assumes that the value of such assets diminishes predictably over time. However, the values of our manufacturing facilities and timberlands have historically risen and fallen based on market conditions for the products we manufacture and for timber and timberlands. Management also considers the FFO measure in determining, among other things, quarterly and annual distribution rates to recommend to our board of directors, future levels of capital spending and debt repayment. We disclose this supplemental financial measure to enable investors to align their analysis and evaluation of our operating results along the same lines as management uses in planning and executing our business strategy.

⁽²⁾ **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. Year ending December 31, 2012 excludes \$7.9 million of capital expenditures that were over the \$5 million threshold.

OPERATING WORKING CAPITAL RECONCILIATION

Unaudited, \$ in millions	2012	2013			
	Q4	Q1	Q2	Q3	Q4
Current assets	\$ 138.1	\$ 122.9	\$ 120.3	\$ 134.9	\$ 130.6
Less: current liabilities	(63.6)	(68.0)	(58.6)	(59.3)	(50.5)
Working capital	74.5	54.9	61.7	75.6	80.1
Less: Cash	(17.0)	(4.3)	(6.4)	(6.0)	(5.6)
Less: Short-term investments	(63.1)	(55.4)	(44.1)	(56.8)	(52.3)
Add: Current installments on long-term debt	8.4	9.0	-	-	-
Operating Working Capital	\$ 2.8	\$ 4.2	\$ 11.2	\$ 12.8	\$ 22.2

