

Potlatch Corporation

Michael J. Covey
Chairman & Chief Executive Officer

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Forward-Looking Statements & Non-GAAP Measures

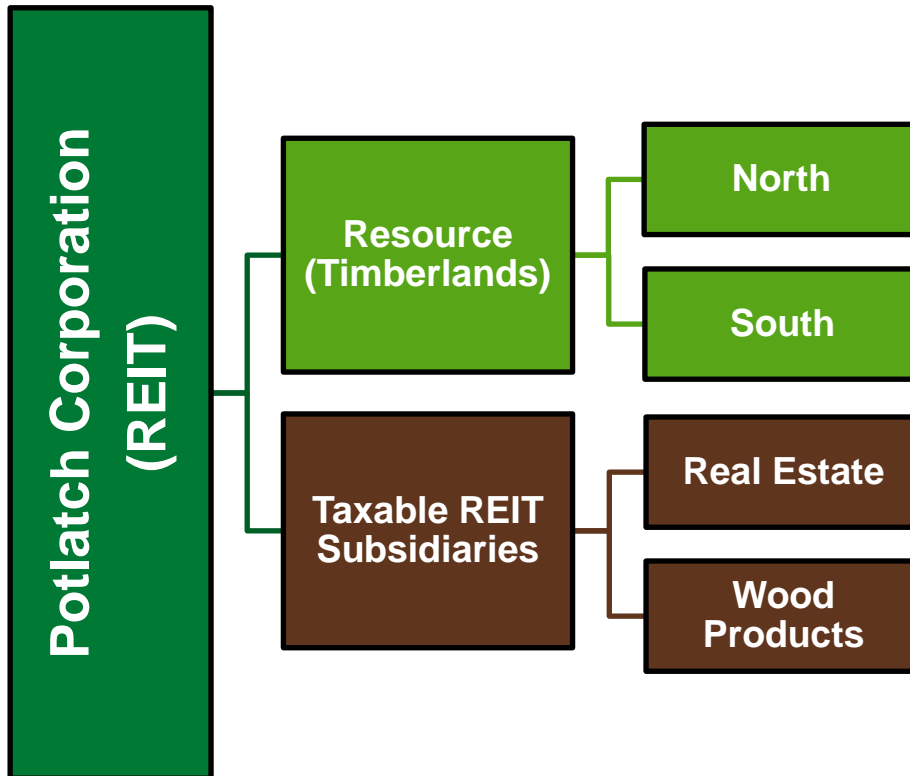
FORWARD-LOOKING STATEMENTS

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 future company performance, the company's business model, direction of markets and the economy, forecast of U.S. housing starts, forecast U.S. lumber consumption, incremental lumber production from the U.S. South, forecast U.S. lumber supply, ability to increase or decrease harvest volume to meet market conditions, forecast harvest in 2014, forecast North American log and lumber exports to China, log, lumber and panel price trends, effect of mountain pine beetle and allowable cut on Canadian supply, debt maturities, management of timberlands to optimize values, real estate value opportunities, real estate business potential and land development potential, typical annual "same-store" sales, expected 2014 real estate sales, expected closing in Q2 of large transaction, 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 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; satisfaction of closing conditions for large Q2 transaction; 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.

Company Structure & Overview



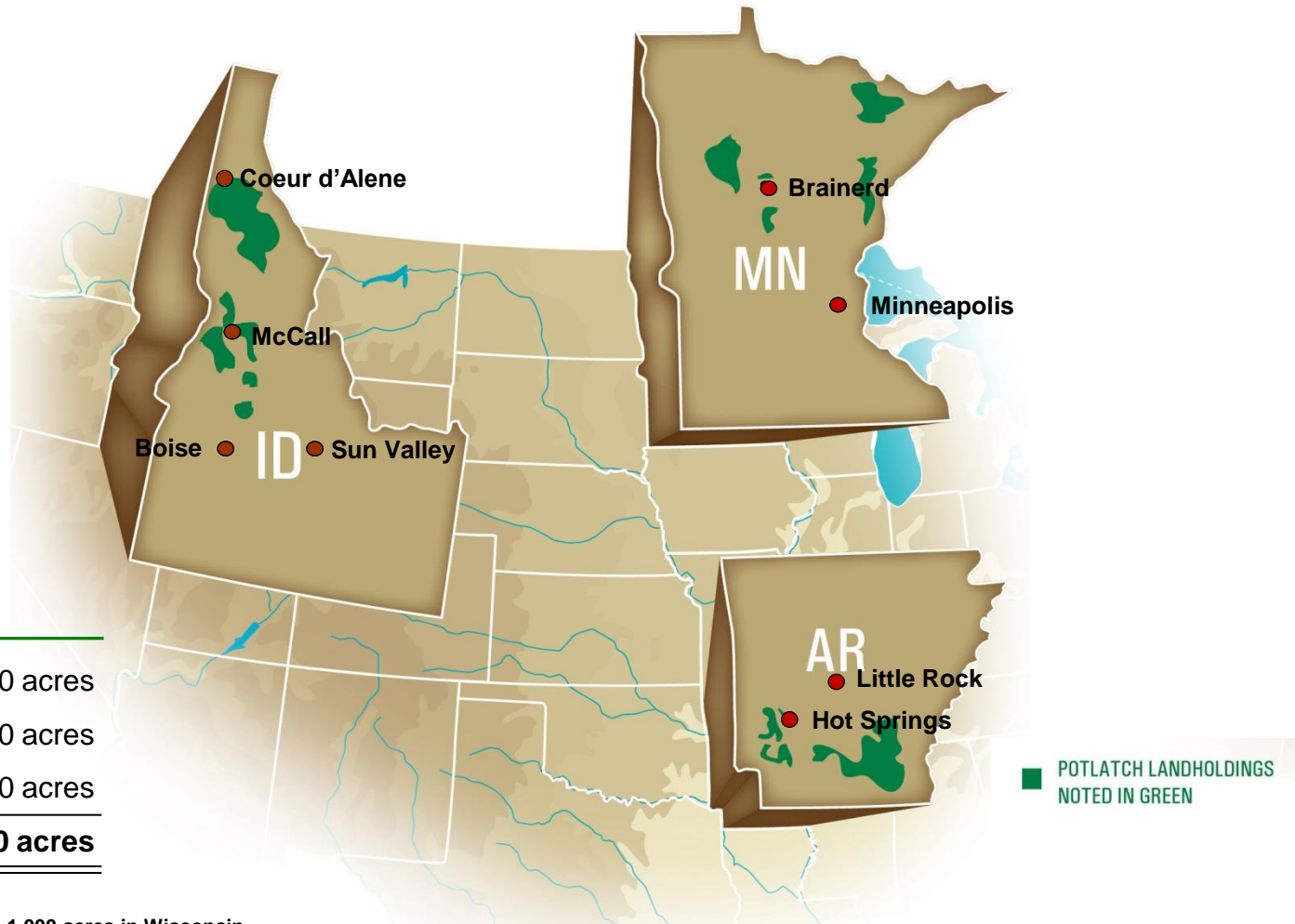
- **Converted to tax efficient REIT in 2006**
 - ✓ Single level of taxation
 - ✓ Lower cost of capital
- **Fourth largest U.S. Timber REIT**
 - ✓ 1.4 million acres of owned timberland
 - ✓ High margin, low risk real estate business
 - ✓ Five wood products manufacturing facilities
- **Enterprise value of \$1.8 billion**
 - ✓ Market cap⁽¹⁾ of ~\$1.6 billion
 - ✓ Net debt⁽²⁾ of ~\$0.2 billion
- **Headquartered in Spokane, Washington**
- **Founded in 1903**

(1) Based on May 5, 2014 closing stock price of \$38.96 per share.

(2) Non-GAAP measure – see slide 22 for reconciliation.

Potlatch Timberlands

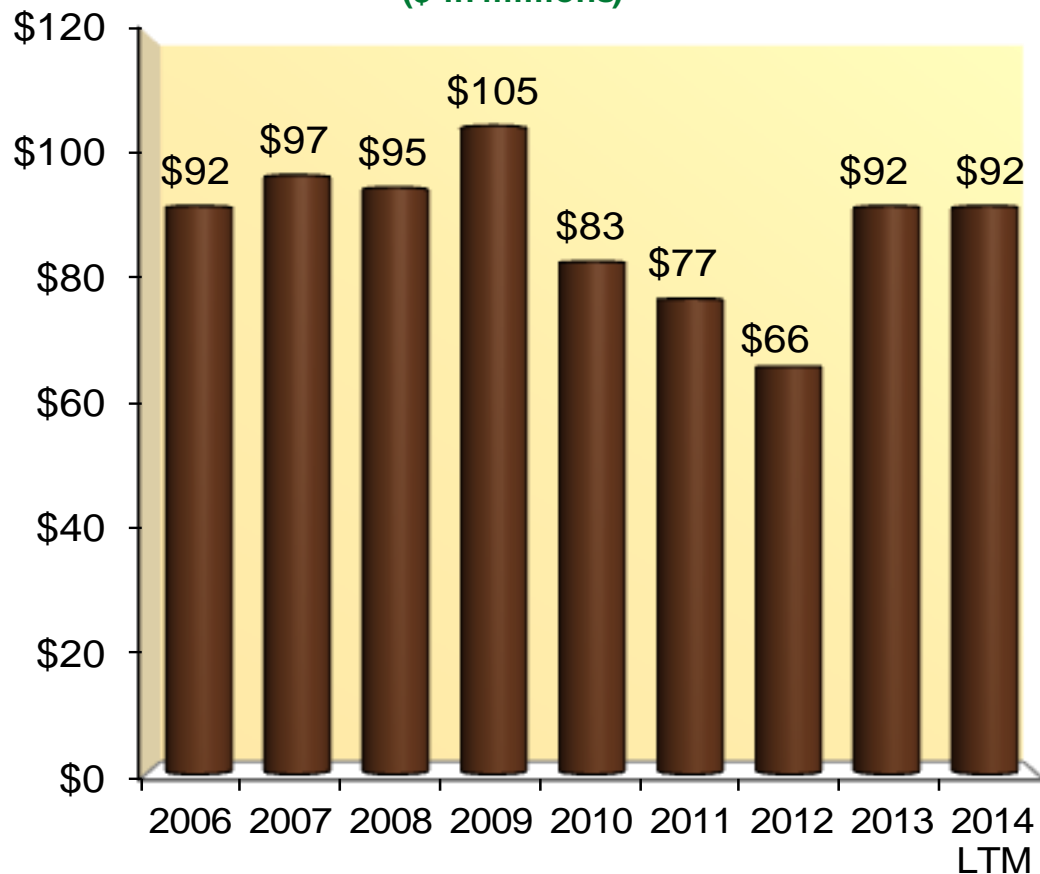
Potlatch owns approximately 1.4 million acres of third party-certified timberland in Arkansas, Idaho and Minnesota. We are the largest private landowner in Idaho.



(1) As of March 31, 2014. Excludes 1,000 acres in Wisconsin.

Resource: Segment Overview

Segment EBITDA ⁽¹⁾
(\$ in millions)

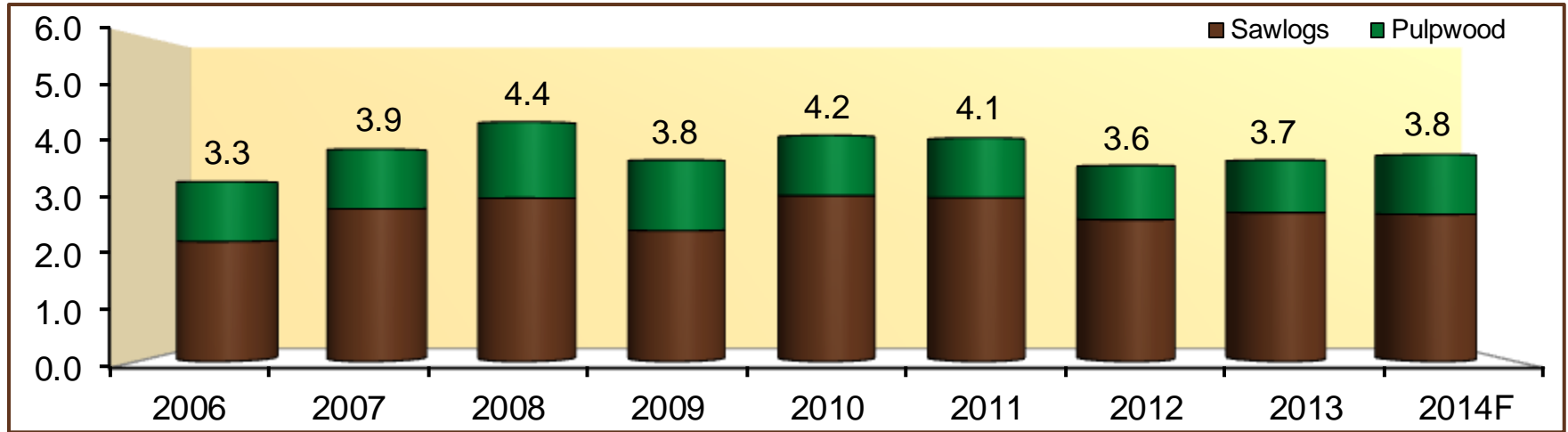


(1) Non-GAAP measure – see slide 22 for reconciliation.

- **Stable and significant source of cash since REIT conversion**
- **Actively manage timberlands to increase value over time**
 - ✓ Increase long-term sustainable yield
 - ✓ Maximize non-timber returns; examples include permits, leases, carbon credits
 - ✓ Sell when returns are compelling
- **Grow via attractive acquisitions**
 - ✓ Standalone timberlands, or
 - ✓ Timberlands and associated wood products manufacturing
- **Higher EBITDA driven by recovery of Northern sawlog prices**

Resource: Harvest Profile

(tons in millions)



- We preserved value by deferring Southern harvest during the downturn
- The effect that changes in price or volume could have on annual results follows:

Product	Change	EBITDA (in millions)
Northern sawlogs	\$5 / ton	\$10.2
	100,000 tons	\$4.2
Southern sawlogs	\$5 / ton	\$3.5
	100,000 tons	\$2.0

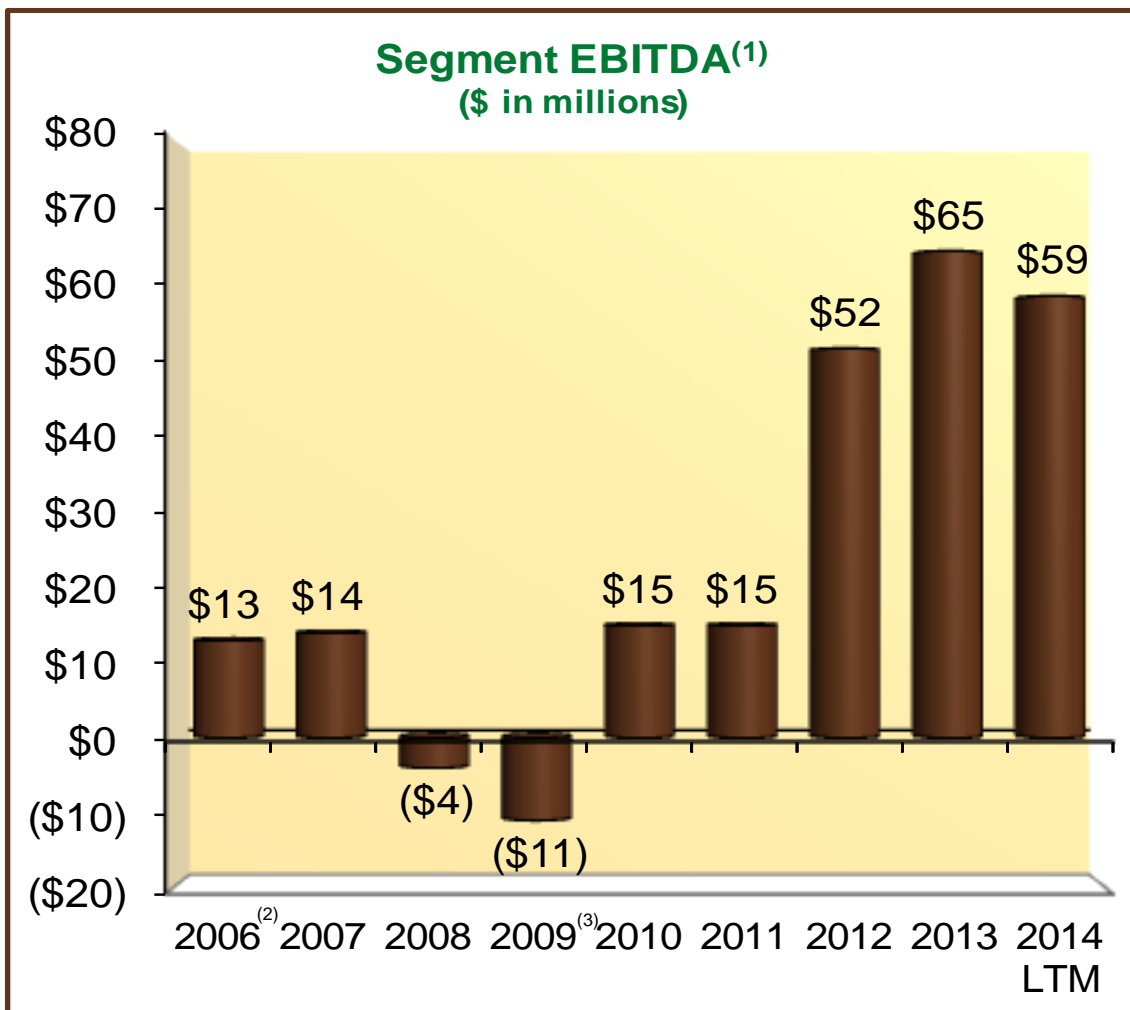
- Approximately 75% of log volume is sold to third party customers

Wood Products: Overview

Potlatch produces about 650 million board feet of lumber and 160 million square feet of plywood at five manufacturing facilities.



Wood Products: Segment Overview



- We operate four top-quartile sawmills
- We sell lumber to wholesalers for use in homebuilding and construction
- Our industrial grade plywood mill sells higher grade panels at a premium
- Higher EBITDA driven largely by lumber prices

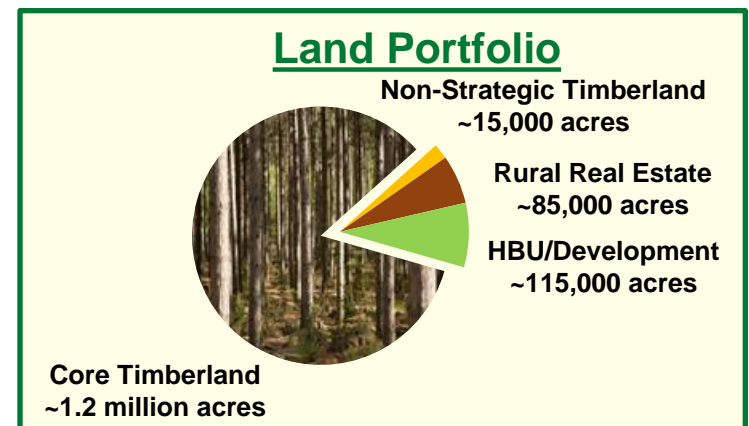
**A \$10/mbf change in lumber price
≈ \$5.6 million in annual EBITDA**



- (1) Non-GAAP measure – see slide 22 for reconciliation.
- (2) Excludes \$31 million for Canadian lumber settlement.
- (3) Includes asset impairment charge of \$3 million.

Real Estate: Segment Overview

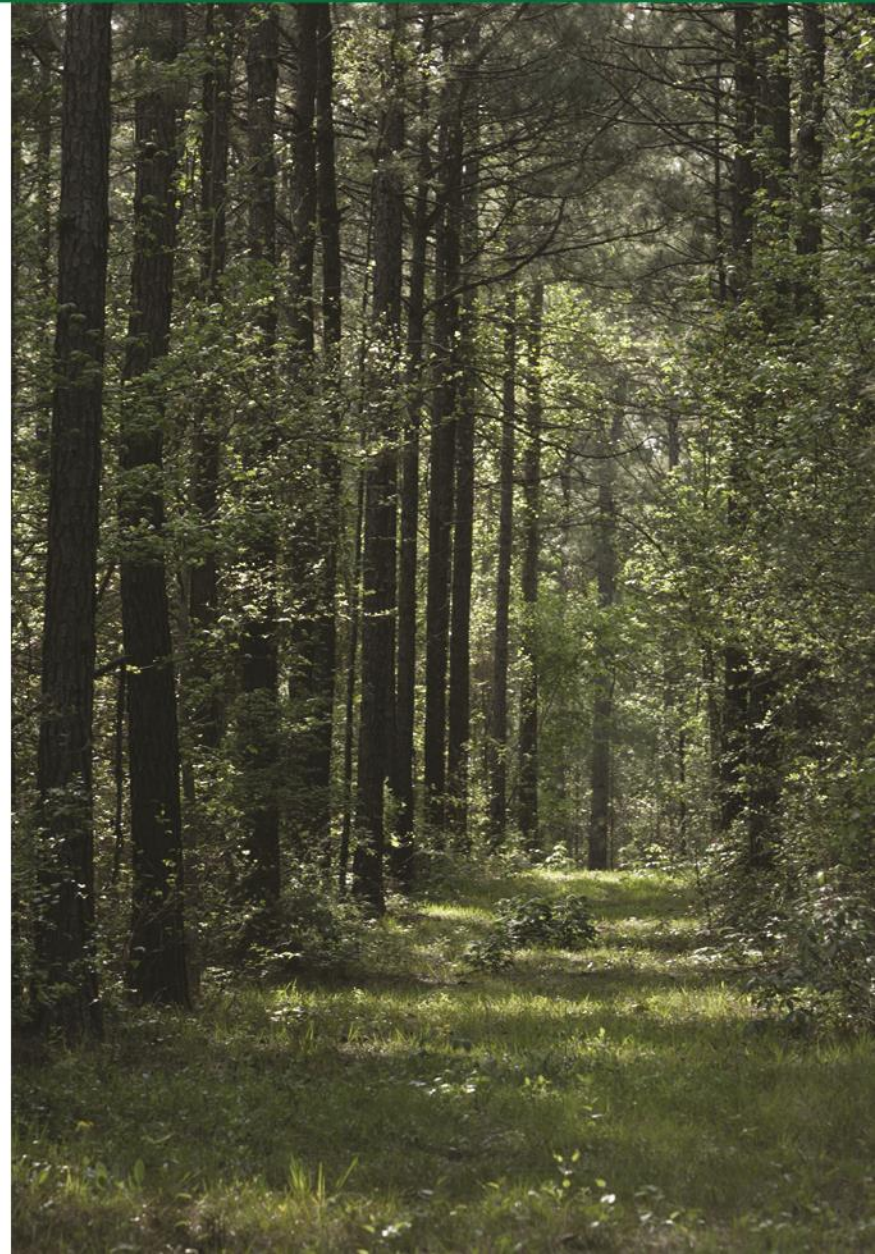
- **Continually assess acreage and maximize value by selling non-core holdings at significant multiples to timberland values**
- **Business has low risk, high margin attributes**
- **Portfolio consists of desirable property**
 - ✓ More than 3,000 miles of water frontage
 - ✓ More than 9 million people live within three states of ownership
- **Activity can be lumpy**
 - ✓ Typically plan “same-store” sales of 20,000 to 25,000 acres per year
 - ✓ Opportunistically sell additional tracts at compelling premiums
- **Sold close to 19,000 acres and generated \$22 million⁽¹⁾ of EBITDA in 2013**
- **Expect to sell 30,000 to 35,000 acres in 2014**
 - ✓ Includes an 11,000 acre sale closed in Q1
 - ✓ Working on a second large transaction expected to close in Q2 at a price slightly more than \$10 million



(1) Non-GAAP measure – see slide 22 for reconciliation.

Industry Growth Drivers Overview

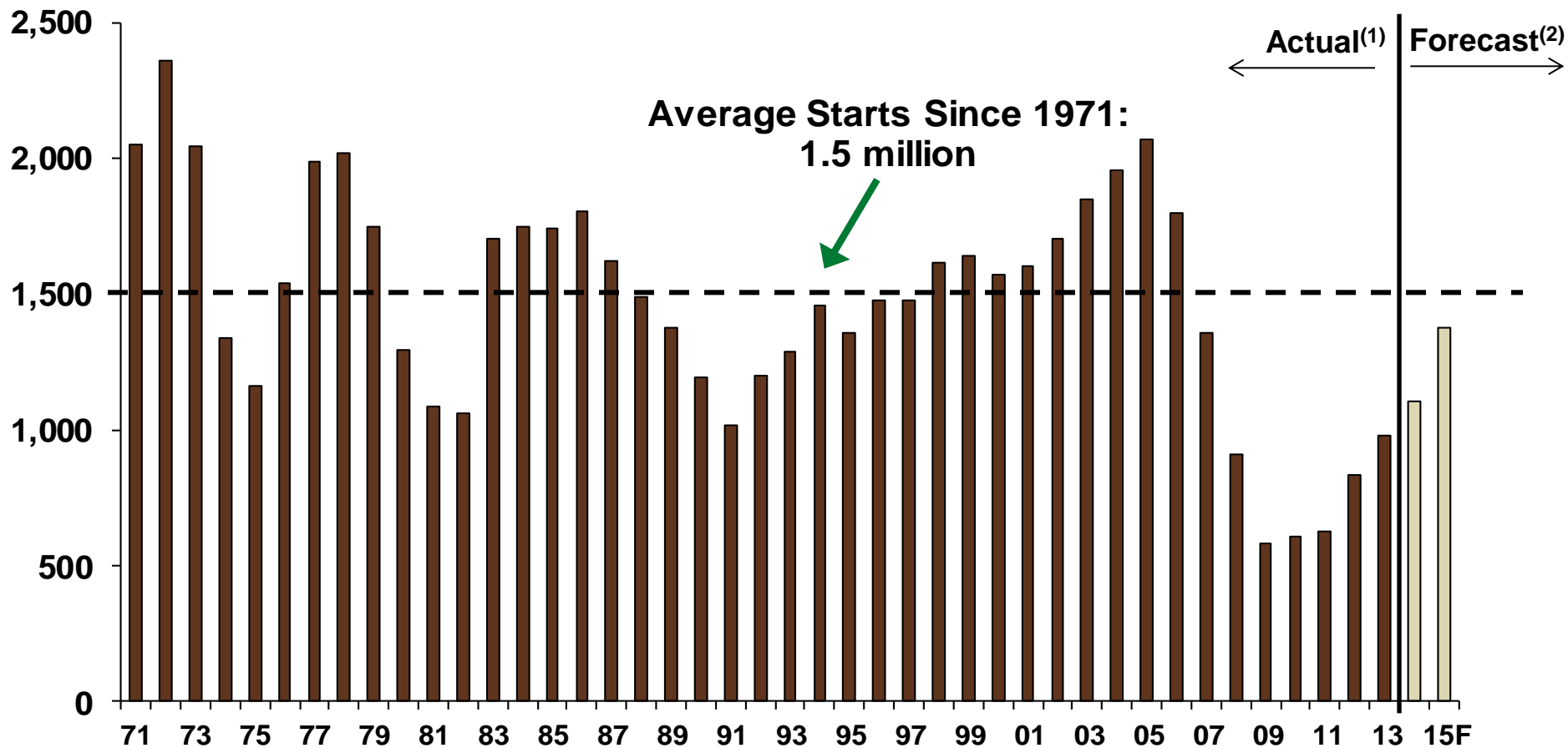
- **U.S. housing starts are recovering**
- **U.S. lumber consumption is increasing**
- **Canada's ability to participate in U.S. recovery is limited by effect of the pine beetle and reduction in allowable cut**
- **Incremental lumber production will come from the U.S. South**
- **North American exports to China are robust and here to stay**
- **Log and lumber prices are expected to increase**



Total U.S. Housing Starts

(in thousands)

Housing starts are recovering, but still far below the long-term average. Forecasters calling for starts above long-term trend in second half of decade.



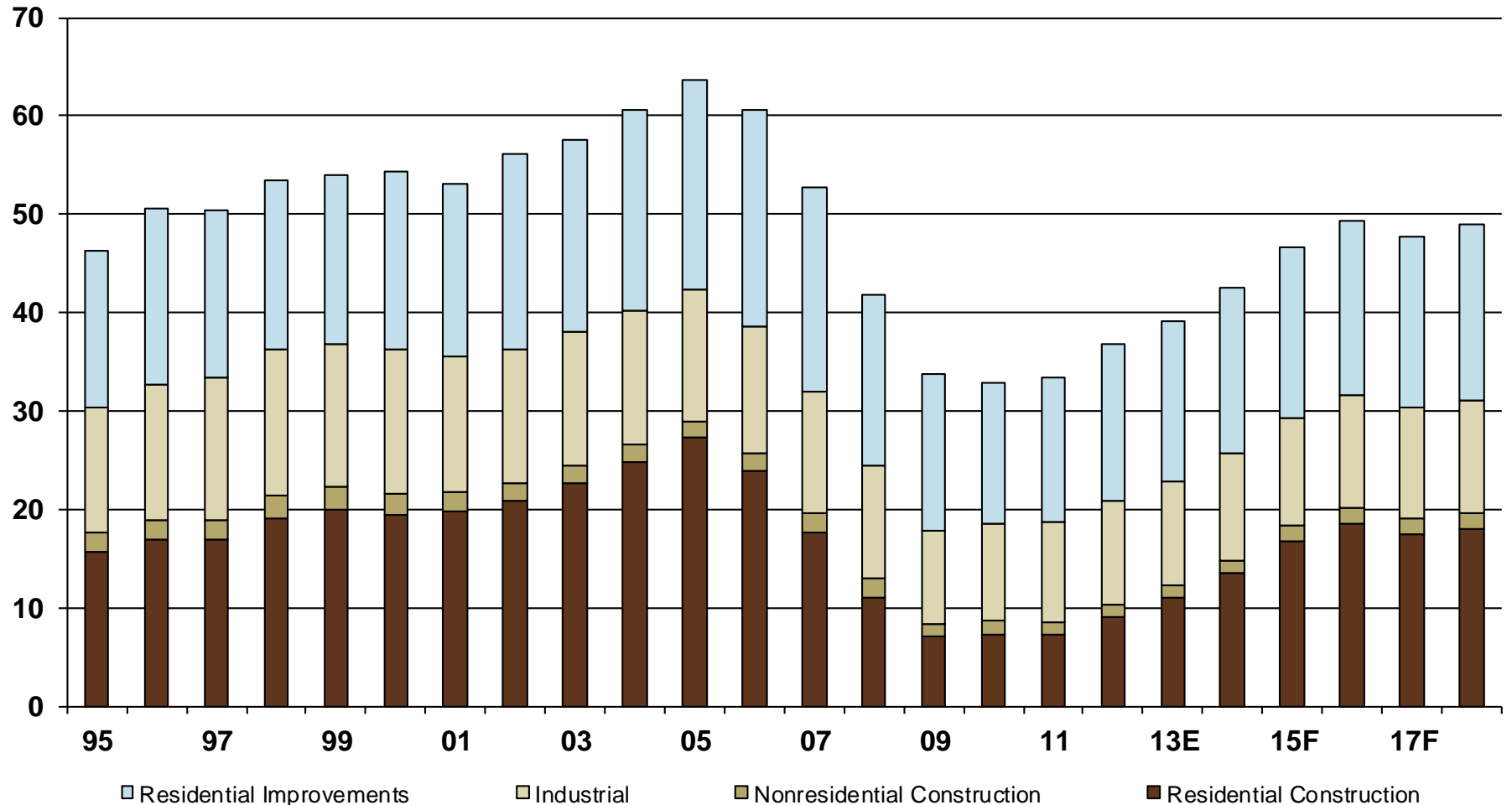
(1) Source: U.S. Census Bureau.

(2) Forecast based on average of 8 different economic forecasting firms.

U.S. Lumber Consumption

(billion board feet)

The improving economy and higher housing starts are driving increases in U.S. lumber consumption and capacity utilization.

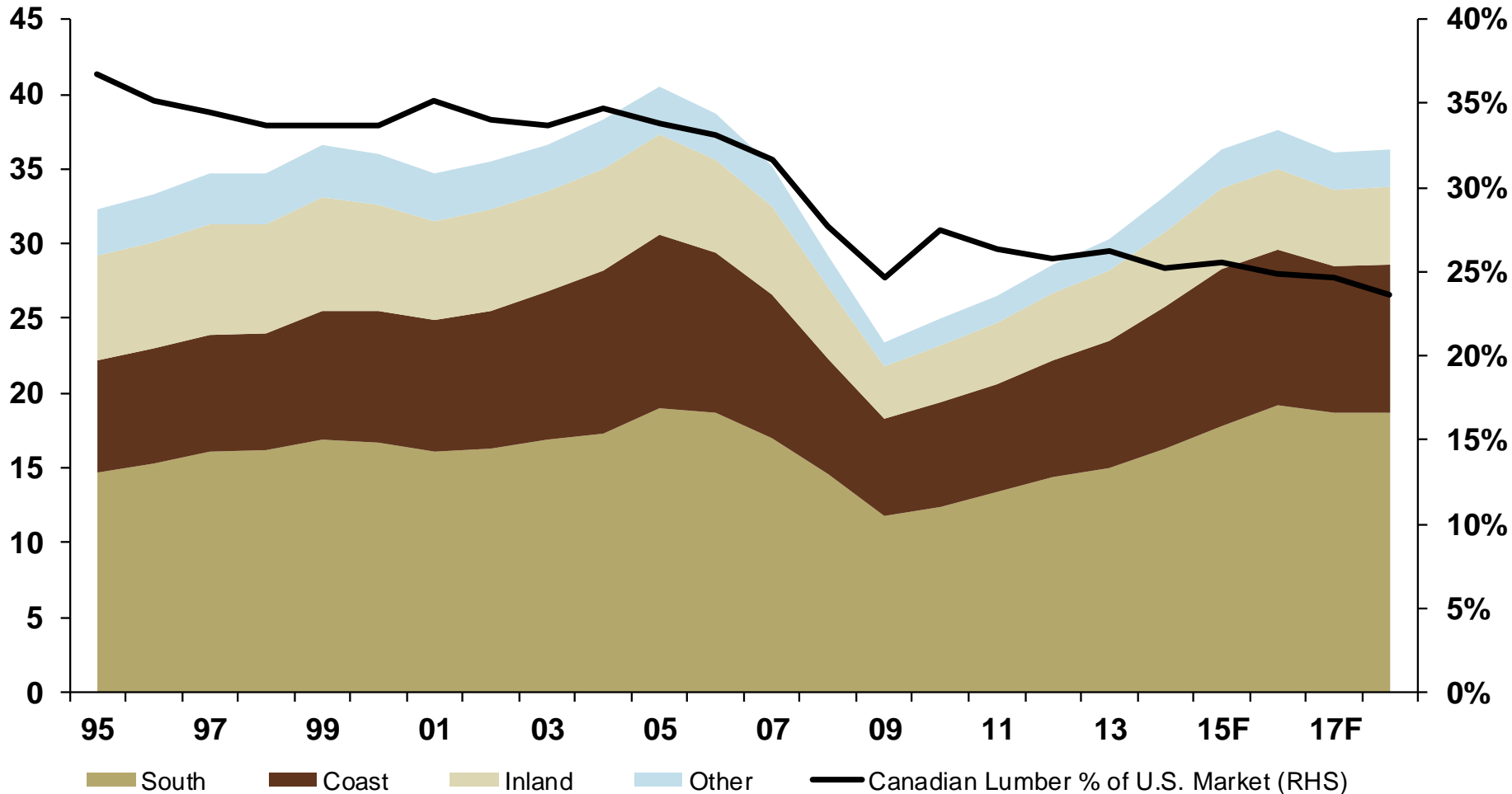


Source: RISI 5-Year Forecast, December 2013.

U.S. Lumber Supply

(billion board feet)

The effect of the mountain pine beetle and reduction in annual allowable cut are constraining Canadian supply; incremental volume will come from the U.S. South.

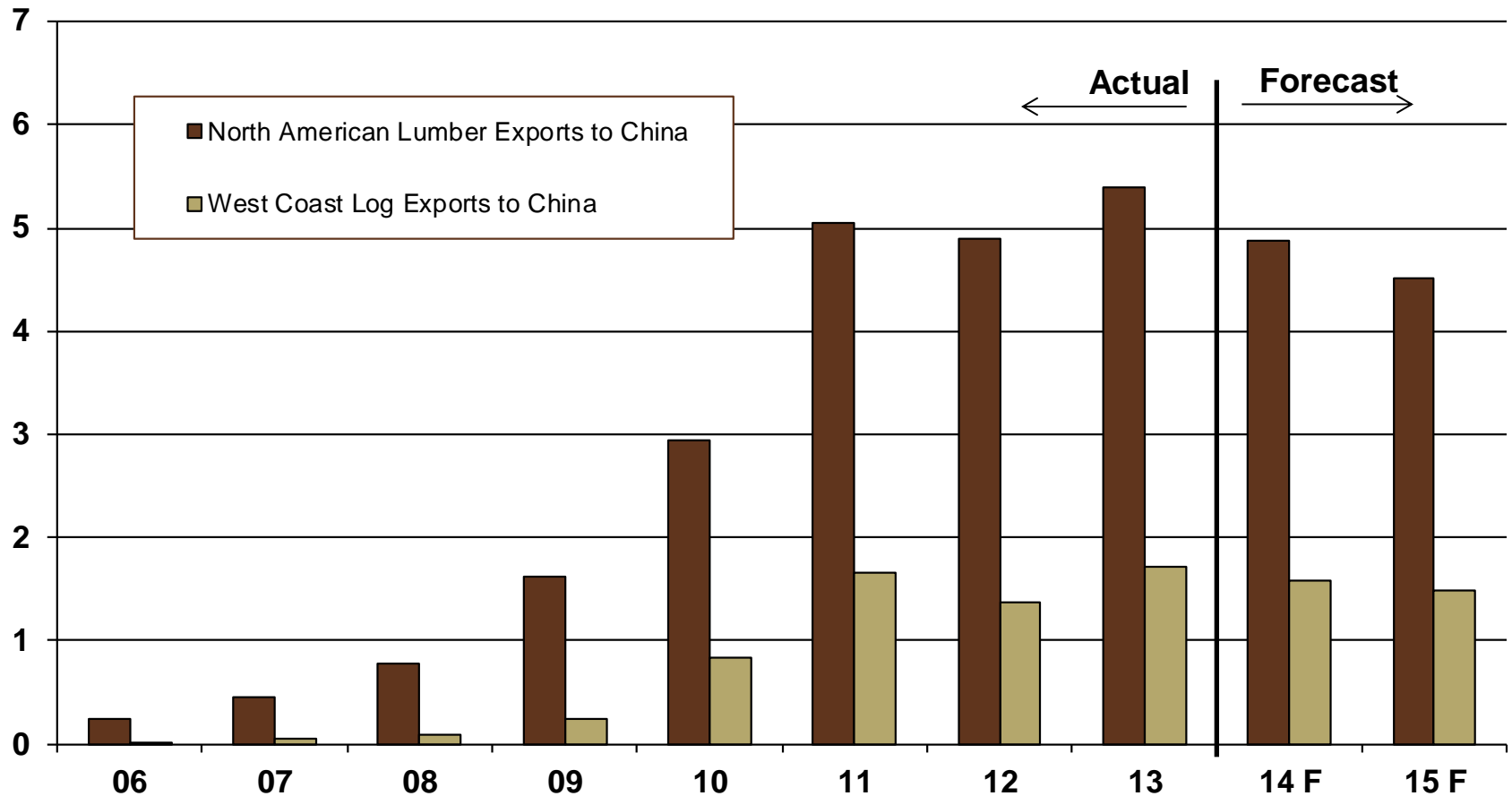


Source: RISI 5-Year Forecast, December 2013.

North American Lumber and Log Exports to China

(billion board feet)

Exports to China are here to stay and tension the U.S. market.

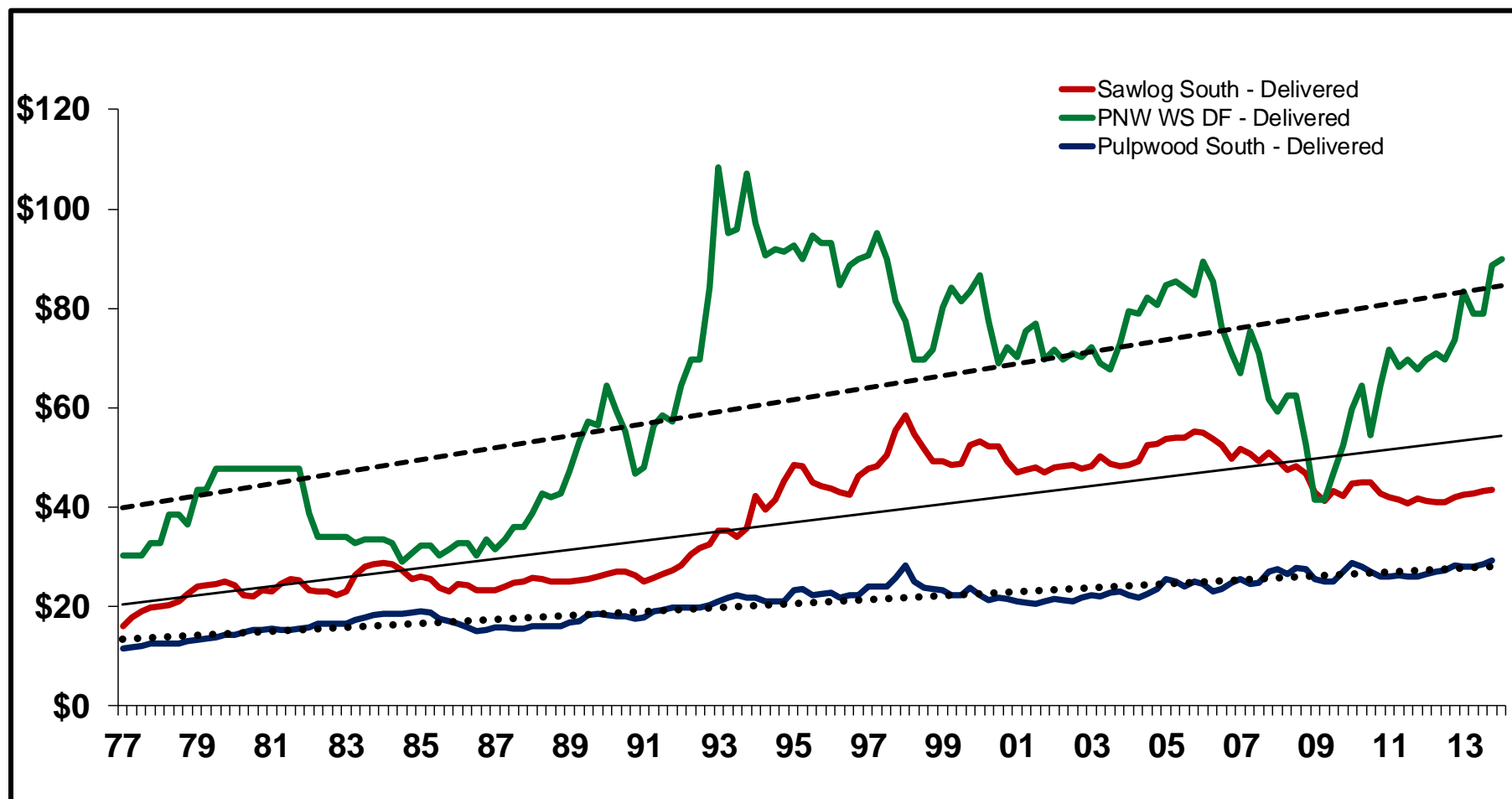


Source: FEA (Lumber export to China), ClearVision (Log export to China).

Regional Softwood Nominal Price Trends

(dollars per ton)

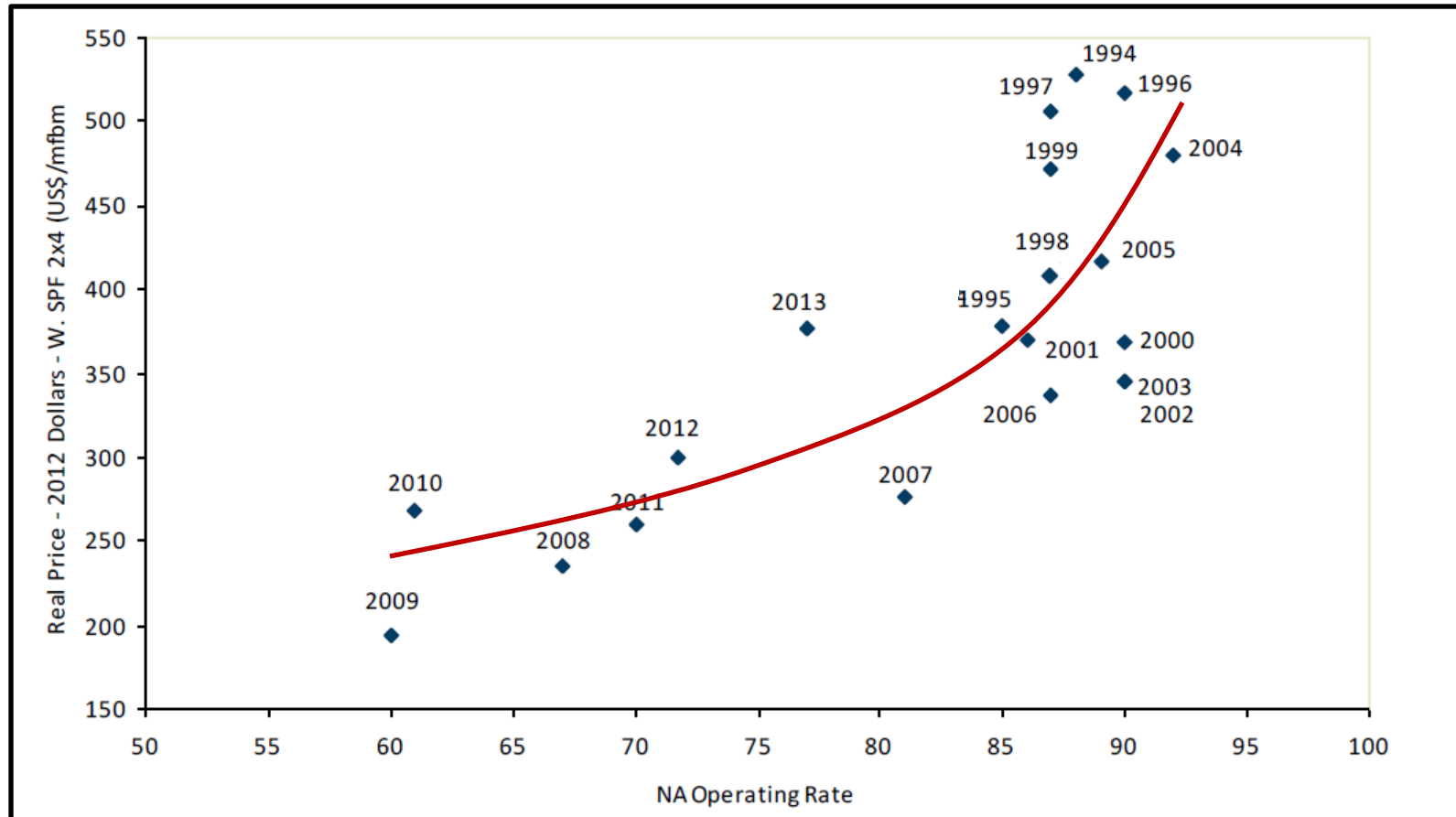
The long-term trend is up. Southern sawlog prices have not yet recovered.



Source: Timber Mart-South, Oregon Department of Forestry, Potlatch estimates.

Real Price vs. Capacity Utilization

Lumber prices increase as manufacturing capacity utilization increases.



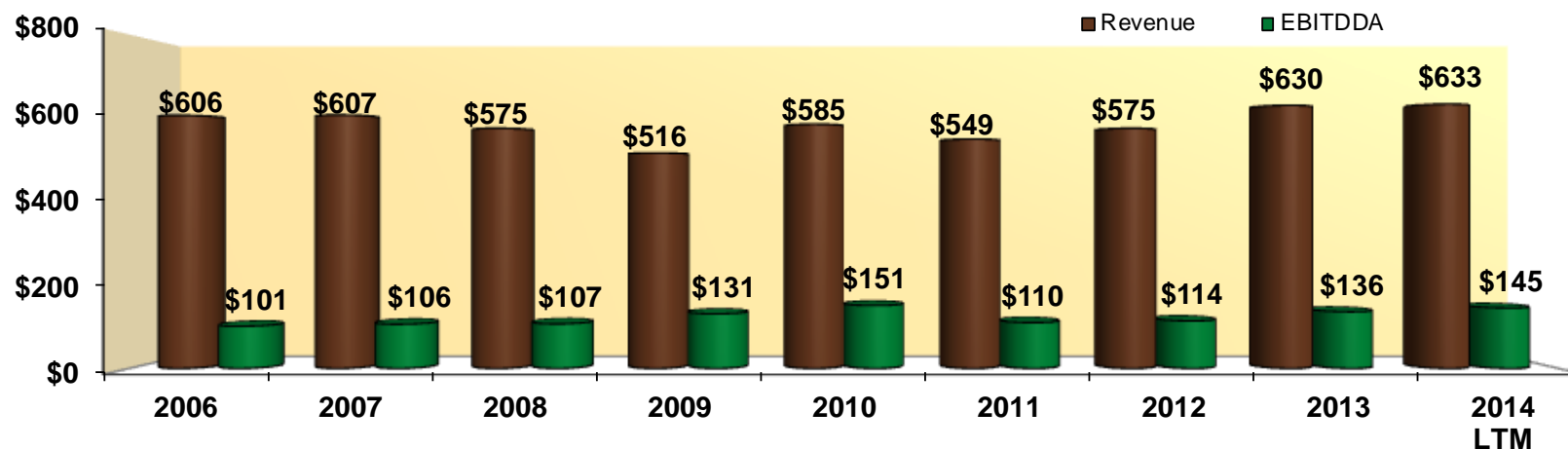
Source: Random Lengths, RISI, RBC Capital Markets estimates.

Potlatch Financial Overview

(\$ in millions)

	Resource	Wood Products	Real Estate
2014 LTM Revenues ⁽¹⁾	\$235	\$363	\$35
2014 LTM EBITDA ⁽²⁾	\$92	\$59	\$31
Segment EBITDA Margin ⁽³⁾	39.1%	16.3%	88.6%

Historical Consolidated Revenue⁽¹⁾ and EBITDA⁽²⁾



(1) Segment revenues and historical consolidated revenues presented prior to intersegment eliminations. Revenues of discontinued operations are excluded.

(2) Non-GAAP measure – see slide 22 for reconciliation. Excludes discontinued operations.

(3) Segment EBITDA Margin is defined as Segment EBITDA divided by Segment Revenues.

FINANCIAL HIGHLIGHTS

Amounts as of March 31, 2014:

Unaudited, \$ in millions

Cash and short-term investments	\$ 76.3
Long-term debt	\$ 320.0
Pension liability	\$ 42.4
Undrawn revolver	\$ 248.7
Leverage ratio⁽¹⁾	2.16
Net debt to enterprise value⁽²⁾	13.3%
Dividend yield⁽³⁾	3.6%

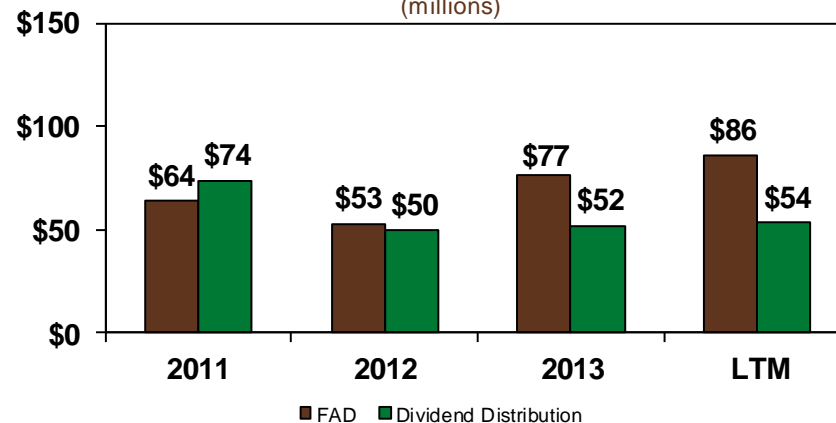
⁽¹⁾ Leverage ratio, as defined in our debt covenants, is funded indebtedness divided by EBITDA.

⁽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 (\$76). Net debt plus market capitalization (\$1,581) equals enterprise value. Market capitalization is as of May 5, 2014.

⁽³⁾ Based on the closing stock price of \$38.96 per share as of May 5, 2014.

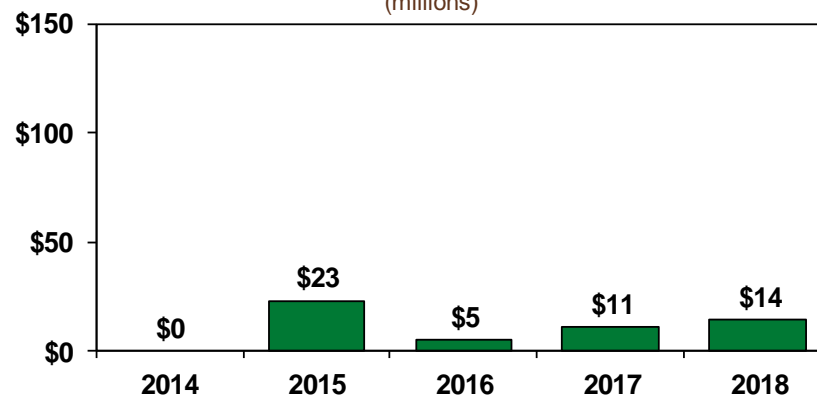
Funds Available for Distribution

(millions)



Debt Maturities for the Next Five Years

(millions)

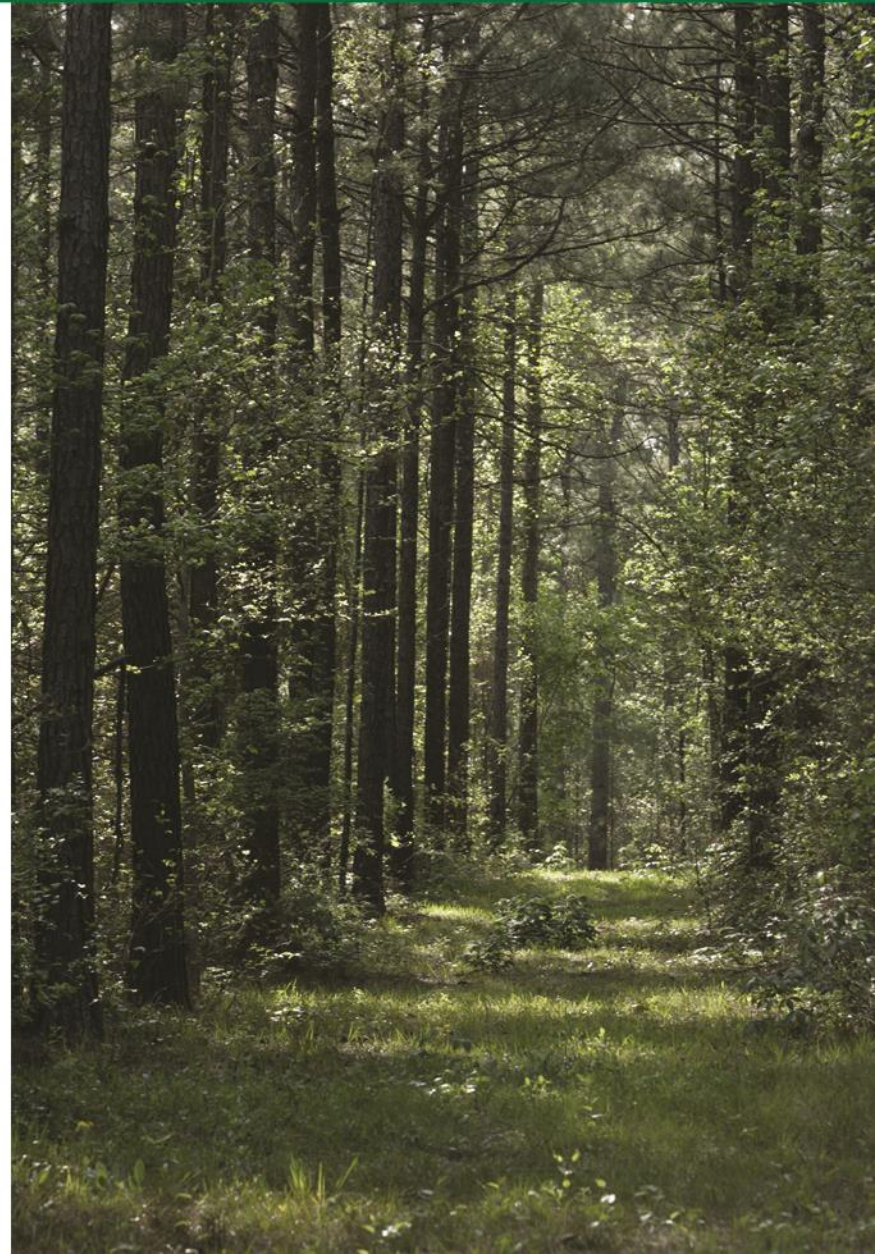


Conclusion: Investment Takeaways

- **Potlatch manages a very attractive asset base of ~1.4 million acres of timberland**
- **Attractive dividend yield currently at 3.6%⁽¹⁾**
- **Wood Products business is generating strong cash flow**
- **Real Estate segment has low risk, high margin attributes**
- **Long-term industry trends are very favorable**
 - ✓ Housing starts on solid recovery path; expected to be above long-term trend in second half of decade
 - ✓ North American exports to China remain robust
 - ✓ Lower supply from Canada
 - ✓ Log and lumber prices are expected to increase
- **Potlatch is highly leveraged to the housing recovery and higher lumber prices**
 - ✓ These factors also drive higher harvest volumes and log prices

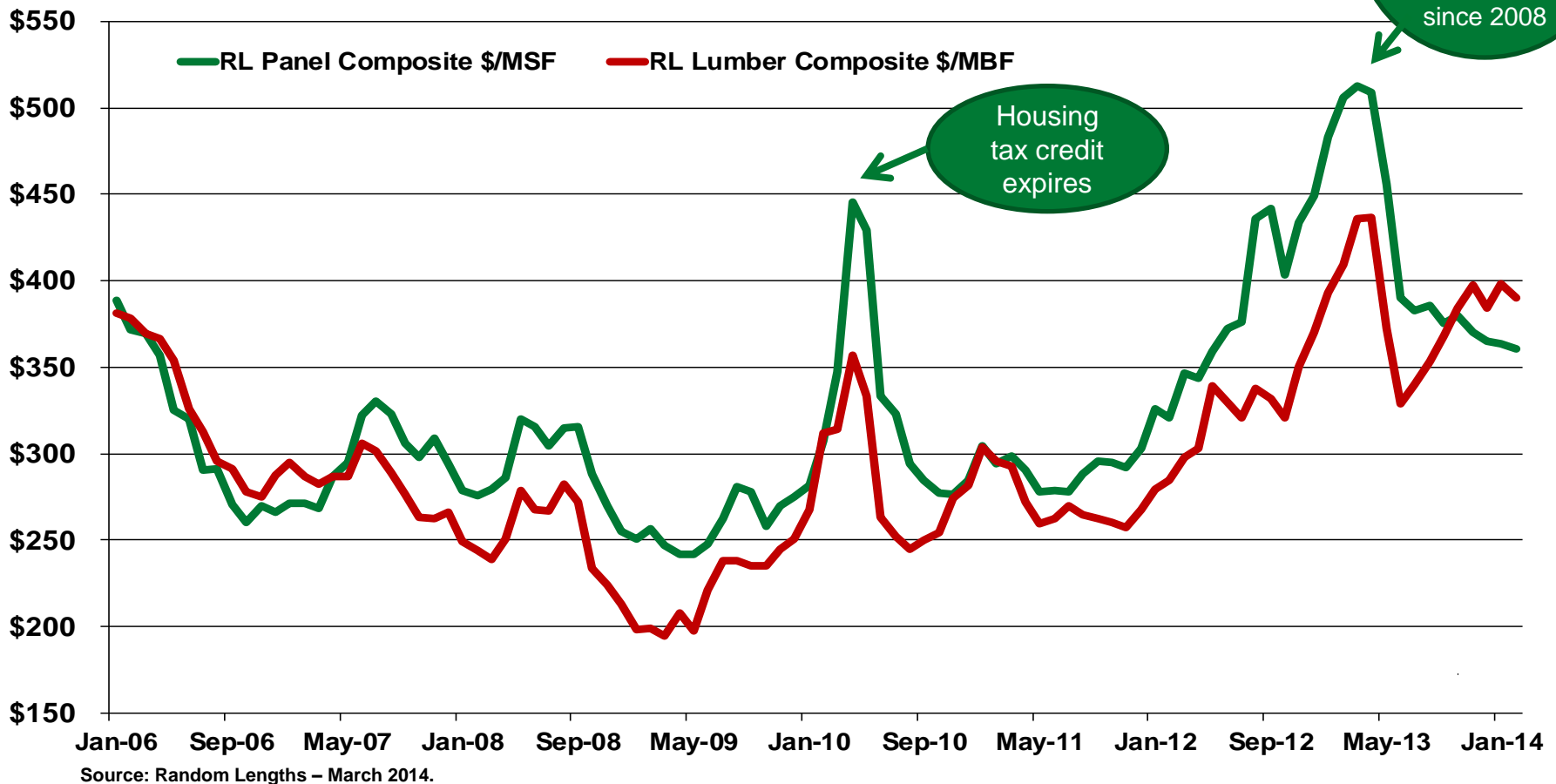
(1) Based on May 5, 2014 closing stock price of \$38.96 per share.

Appendix



Lumber and Panel Composite Prices

Potlatch has significant leverage to lumber prices. Both lumber and panel prices have been increasing along with the housing recovery.



EBITDA and Segment EBITDA Reconciliation

(\$ in millions)

	Fiscal Year									
	2006 ⁽³⁾	2007	2008	2009 ⁽⁴⁾	2010	2011	2012	2013	2014 LTM	
Consolidated⁽¹⁾										
Net income	\$ 120	\$ 75	\$ 73	\$ 81	\$ 40	\$ 40	\$ 43	\$ 71	\$ 75	
Adjustments:										
Income tax (benefit) provision	(58)	(18)	(25)	(16)	5	4	17	14	15	
Interest expense ⁽²⁾	14	15	20	22	28	28	26	23	22	
Depreciation, depletion and amortization	25	30	30	33	29	26	23	25	25	
Basis of real estate sold	-	4	9	11	49	14	5	4	8	
Non-cash asset impairment and eliminations	-	-	-	-	-	(2)	-	(1)	(1)	
Consolidated EBITDA	\$ 101	\$ 106	\$ 107	\$ 131	\$ 151	\$ 110	\$ 114	\$ 136	\$ 144	
Resource										
Operating income	\$ 81	\$ 82	\$ 76	\$ 82	\$ 62	\$ 60	\$ 50	\$ 74	\$ 74	
Depreciation, depletion and amortization	11	15	19	23	21	17	16	18	18	
Resource Segment EBITDA	\$ 92	\$ 97	\$ 95	\$ 105	\$ 83	\$ 77	\$ 66	\$ 92	\$ 92	
Wood Products										
Operating income (loss)	\$ 2	\$ 4	\$ (14)	\$ (21)	\$ 7	\$ 7	\$ 45	\$ 59	\$ 53	
Depreciation	11	10	10	10	8	8	7	6	6	
Wood Products Segment EBITDA	\$ 13	\$ 14	\$ (4)	\$ (11)	\$ 15	\$ 15	\$ 52	\$ 65	\$ 59	
Real Estate										
Operating income	\$ 12	\$ 17	\$ 31	\$ 49	\$ 30	\$ 31	\$ 28	\$ 18	\$ 23	
Basis of real estate sold	-	4	9	11	49	14	5	4	8	
Real Estate Segment EBITDA	\$ 12	\$ 21	\$ 40	\$ 60	\$ 79	\$ 45	\$ 33	\$ 22	\$ 31	

(1) Consolidated amounts exclude amounts related to discontinued operations.

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

(3) Consolidated and Wood Products EBITDA exclude amounts related to the Canadian lumber settlement. The amount is \$31 million before taxes and \$19 million after taxes.

(4) Consolidated and Wood Products EBITDA include a \$3 million asset impairment charge.

Potlatch Net Debt & FAD Reconciliations

(\$ in millions)

Net Debt	At December 31								March 31
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Long-term debt	\$ 321	\$ 321	\$ 221	\$ 368	\$ 363	\$ 345	\$ 349	\$ 320	\$ 320
Current installments on long-term debt	6	-	101	-	5	22	8	-	-
Current notes payable	-	110	129	-	-	-	-	-	-
Cash	(8)	(9)	(1)	(2)	(6)	(8)	(17)	(6)	(9)
Short-term investments	(22)	(22)	(3)	(53)	(85)	(63)	(63)	(52)	(67)
Net debt	\$ 297	\$ 400	\$ 447	\$ 313	\$ 277	\$ 296	\$ 277	\$ 262	\$ 244

FAD Calculation	Fiscal Year								2014
	2006	2007	2008	2009	2010	2011	2012	2013	LTM
Net income	\$ 139	\$ 75	\$ 73	\$ 81	\$ 40	\$ 40	\$ 43	\$ 71	\$ 75
Depreciation, depletion and amortization	23	27	30	35	31	29	26	27	26
Basis of real estate sold	-	4	9	11	49	14	5	3	8
Non-cash asset impairment & eliminations	-	-	-	-	-	(2)	-	-	-
Capital expenditures	(23)	(20)	(20)	(16)	(15)	(17)	(21)	(24)	(23)
Funds available for distribution	\$ 139	\$ 86	\$ 92	\$ 111	\$ 105	\$ 64	\$ 53	\$ 77	\$ 86
Distributions to common stockholders ⁽¹⁾⁽²⁾	\$ 76	\$ 77	\$ 81	\$ 81	\$ 82	\$ 74	\$ 50	\$ 52	\$ 54

(1) Excludes the cash portion of the earnings and profit distribution paid in 2006 in conjunction with the REIT conversion.

(2) Excludes distribution of Clearwater Paper stock in 2008.

Definitions of Non-GAAP Measures

EBITDA is a non-GAAP measure that management uses to evaluate the cash generating capacity of the company. EBITDA, 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.

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.

Segment EBITDA from continuing operations, as we define it, is segment operating income (loss) adjusted for depreciation, depletion, amortization and the basis of real estate sold.