

3Q 2014 Earnings Release Potlatch Corporation

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October 20, 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 the closing of the purchase of timberlands in Mississippi and Alabama in the fourth quarter of 2014, the financing of the acquisition with cash on hand and long-term debt with all initial weighted average cost of approximately 3%, the productivity of the acquired timberlands, the stable baseline to be provided by wood supply agreements assumed in connection with the acquisition of the timberlands, our ability to leverage new customer relationships, the immediate cash accretion to FAD per share of the acquisition, the return on the acquisition exceeding our cost of capital, the growing wood demand in Alabama and Mississippi wood baskets, the South providing incremental wood as housing starts continue to recover, the South realizing a disproportionate benefit as Southern sawlog prices recover to pre-recession levels; the opportunity for high front-end harvest, the increase in net debt to enterprise value following the closing of the acquisition, EBITDA contributed by Mississippi and Alabama timberlands in the fourth quarter of 2014, our outlook for future operating conditions in sawlog, pulpwood, lumber, plywood and real estate markets; fourth quarter 2014 and 2014 harvest volumes; increase of Southern depletion rates following closing of the acquisition and incremental depletion expense, acquisition related expenses, interest expense on new debt, recovery of the U.S. housing market; earnings and cash flows in our Resource, Wood Products and Real Estate segments in the fourth quarter of 2014; demand and pricing for sawlogs and pulpwood in the North and South; demand and pricing for lumber, plywood and residuals in the fourth quarter of 2014 and for the full year; fourth quarter 2014 lumber shipments and inventories; logging costs; transportation availability and cost; fuel costs; expected 2014 real estate sales; estimated basis for real estate sales in 2014; 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, cash flows and dividend levels; long-term debt maturities; 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, failure to satisfy the closing conditions or otherwise to close the purchase of the Alabama and Mississippi timberlands, 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.



Alabama & Mississippi Timberlands Acquisition



Southern Timberland Acquisition

➤ **Potlatch has signed an agreement to acquire 201,000 acres of high quality timberlands from Resource Management Systems (RMS)**

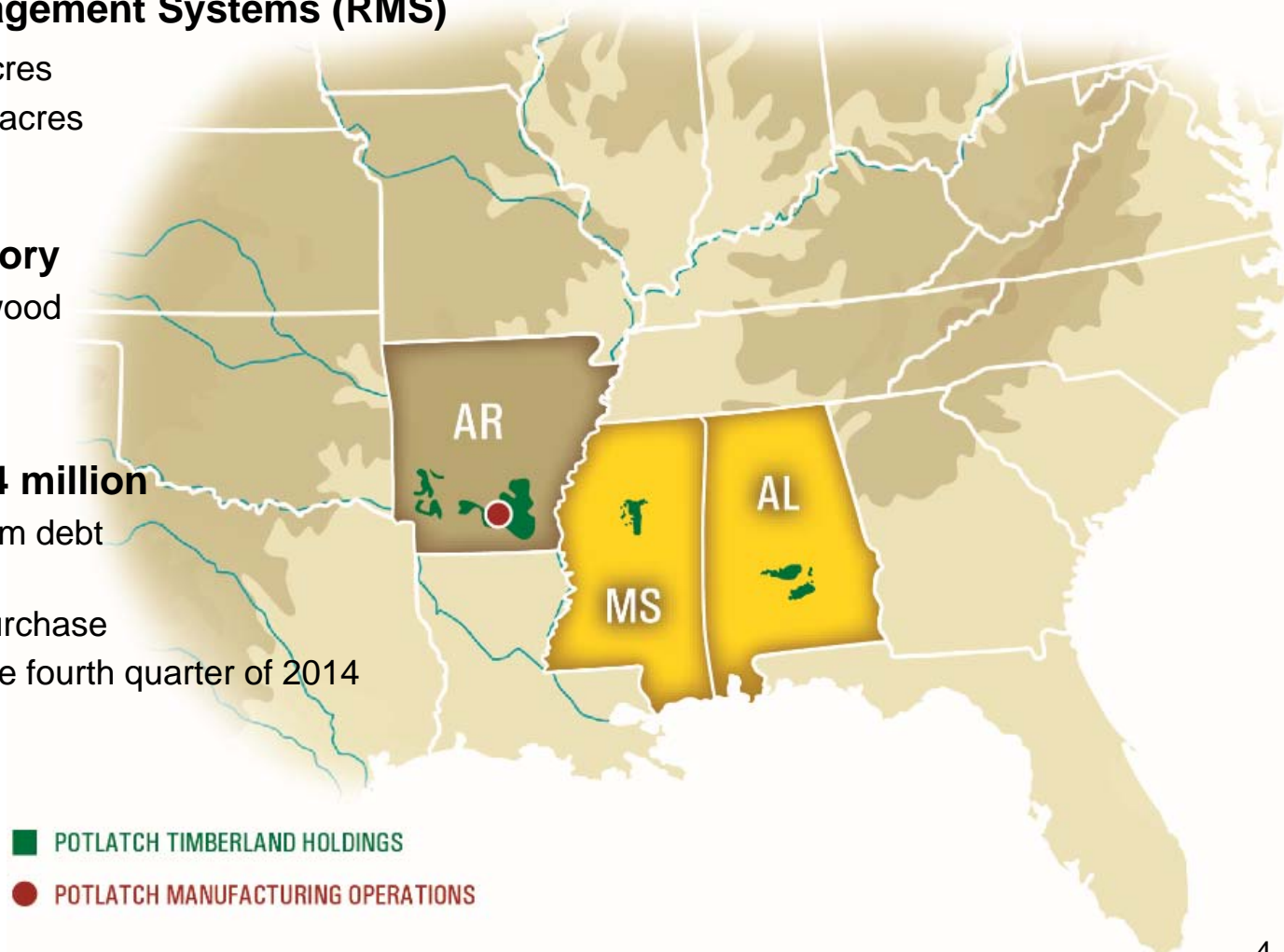
- ✓ Alabama: ~101,000 acres
- ✓ Mississippi: ~100,000 acres

➤ **10 million tons of merchantable inventory**

- ✓ 70% pine / 28% hardwood
- ✓ 50% sawlog inventory
- ✓ 100% SFI certified

➤ **Purchase price: \$384 million**

- ✓ Financed with long-term debt and cash on hand
- ✓ Structured as asset purchase
- ✓ Closing expected in the fourth quarter of 2014



Compelling Strategic Benefits

- **High-value timberlands in markets with strong wood demand**
 - ✓ Attractive stocking levels and productivity with favorable age class distribution
 - ✓ Wood supply agreements to provide stable baseline demand in the near to medium term
- **Strengthens footprint in attractive Southern timberland markets**
 - ✓ Southern sawlog prices expected to recover disproportionately as lumber production increases in the region to support U.S. housing market rebound
 - ✓ Enhance exposure to additional adjacent timberland markets (e.g., for acquisition opportunities)
- **Diversity of ownership in the U.S. South**
 - ✓ By geography – Complementary to our ownership in Arkansas; opportunity for high front-end harvest
 - ✓ By customer – Ability to leverage new and existing customer relationships; less exposure to single mill curtailment or closure
- **Enhances ability to further increase the dividend**
 - ✓ Expected to be immediately cash accretive to FAD per share
 - ✓ Return on the acquisition expected to exceed cost of capital

Q3 2014 Earnings



3Q 2014: Total Company Summary

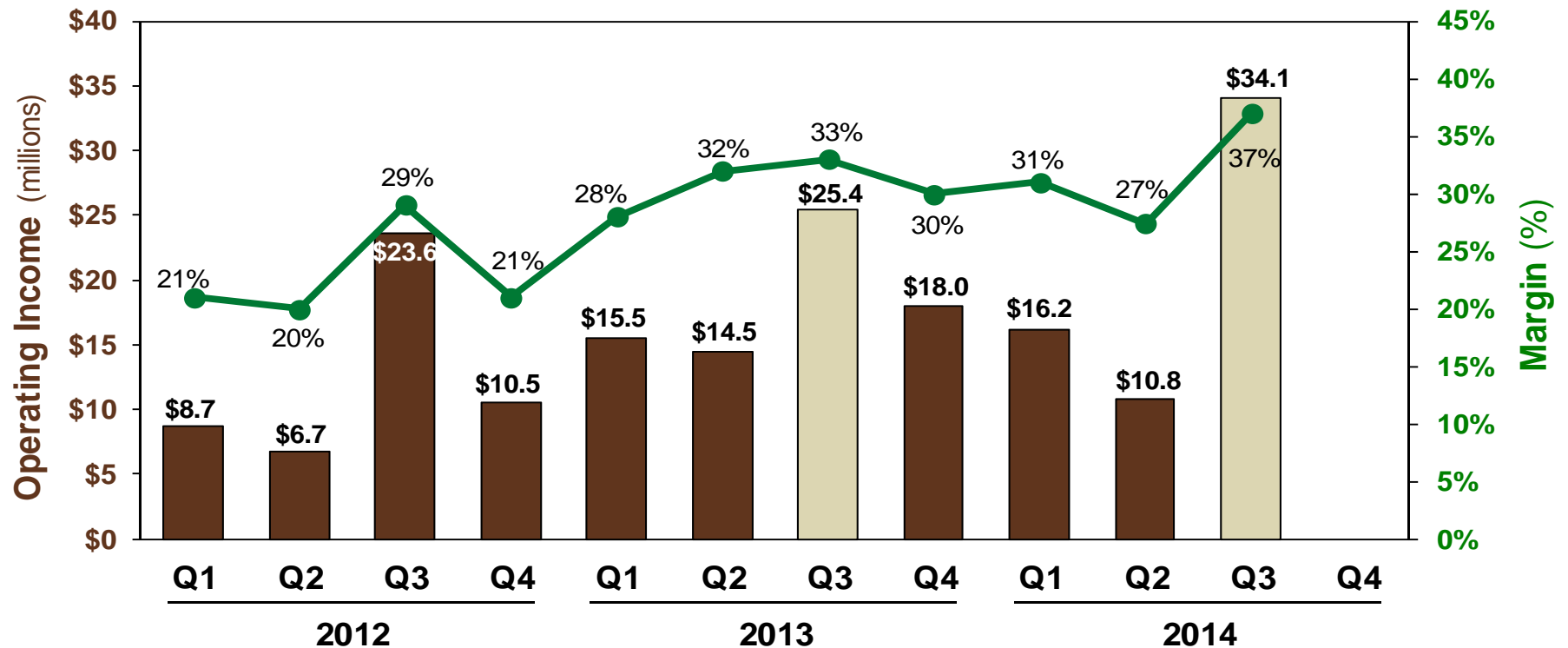
(unaudited, \$ in millions)

	2013				2014			2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD	YTD
Operating income									
Resource	\$ 15.5	\$ 14.5	\$ 25.4	\$ 18.0	\$ 16.2	\$ 10.8	\$ 34.1	\$ 55.4	\$ 61.1
Wood Products	18.9	19.7	11.3	9.0	12.7	14.9	15.8	49.9	43.4
Real Estate	3.1	4.1	6.5	4.6	8.3	12.4	4.6	13.7	25.3
Eliminations and adjustments	0.5	0.2	(0.8)	(0.8)	0.8	0.8	(2.0)	(0.1)	(0.4)
Total operating income	38.0	38.5	42.4	30.8	38.0	38.9	52.5	118.9	129.4
Corporate	(10.6)	(7.3)	(10.5)	(10.2)	(6.7)	(9.2)	(7.6)	(28.4)	(23.5)
Interest expense, net	(6.3)	(5.7)	(5.5)	(5.6)	(5.5)	(5.5)	(5.5)	(17.5)	(16.5)
Environmental remediation charge	(0.8)	(1.7)	(1.0)	-	-	-	-	(3.5)	-
Income before taxes	20.3	23.8	25.4	15.0	25.8	24.2	39.4	69.5	89.4
Income tax provision	(4.8)	(4.6)	(3.2)	(1.3)	(5.5)	(7.9)	(6.2)	(12.6)	(19.6)
Net income	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 20.3	\$ 16.3	\$ 33.2	\$ 56.9	\$ 69.8
Diluted earnings per share	\$ 0.38	\$ 0.47	\$ 0.54	\$ 0.34	\$ 0.50	\$ 0.40	\$ 0.81	\$ 1.40	\$ 1.71
Distributions per share	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.93	\$ 1.05
EBITDA⁽¹⁾	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 41.7	\$ 36.5	\$ 53.3	\$ 107.8	\$ 131.5

(1) Non-GAAP measure. See slide 19 for reconciliation.

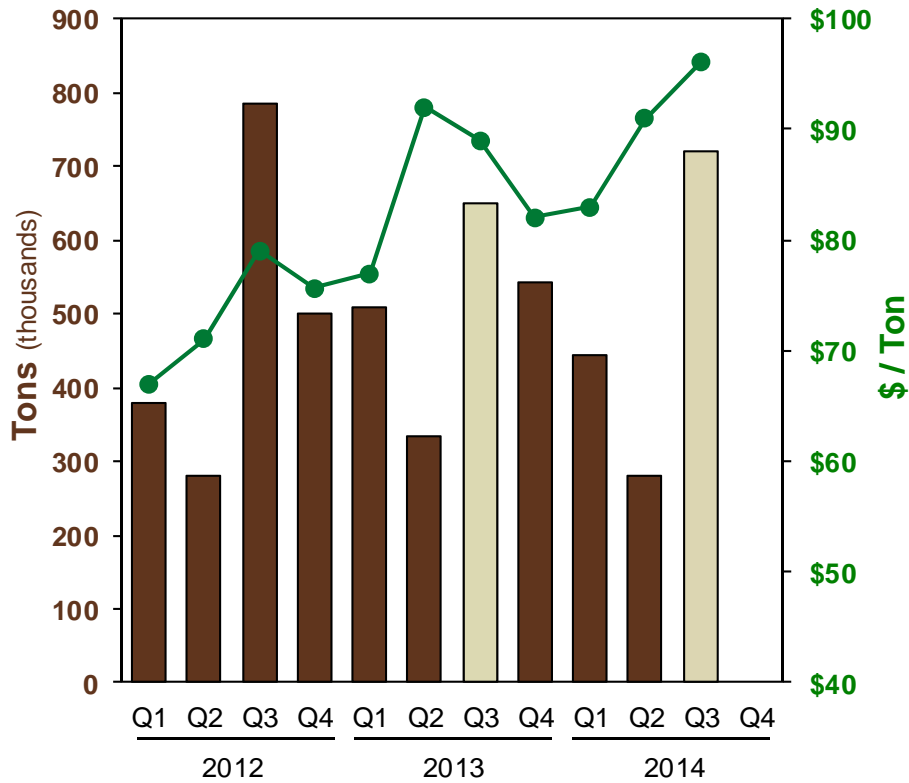
RESOURCE: Segment Summary

- Northern sawlog prices remain strong
- Higher Southern sawlog price realized due to seasonally higher mix of hardwood; pine sawlog prices still at historically low levels
- Harvest volumes seasonally higher, although hampered somewhat by weather

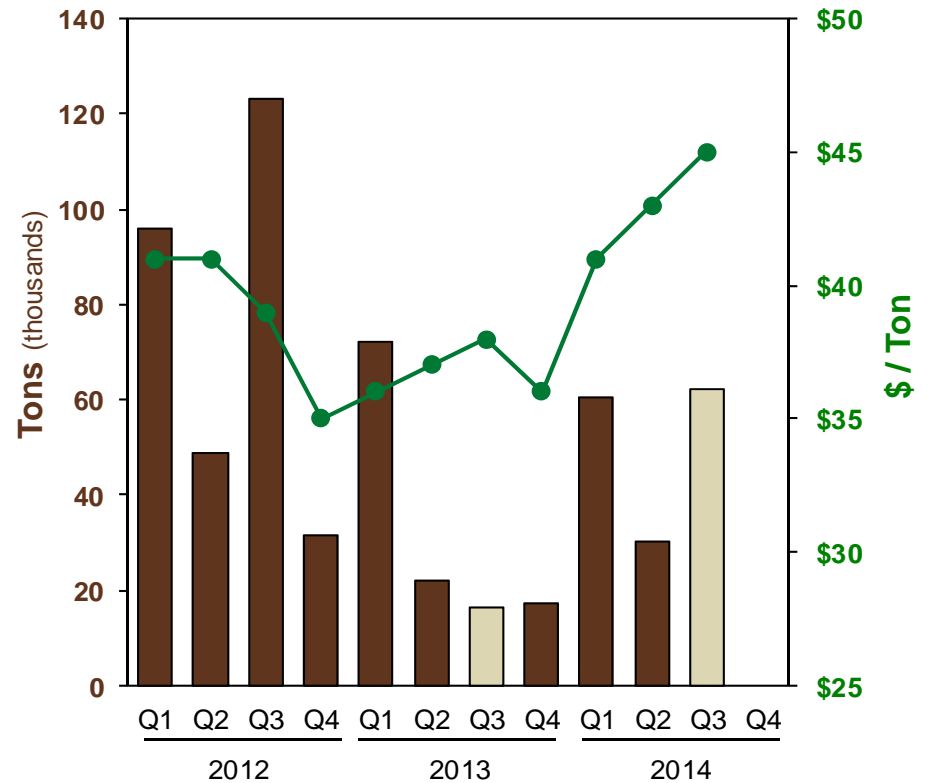


RESOURCE: Northern Region – Volume and Pricing

Sawlog



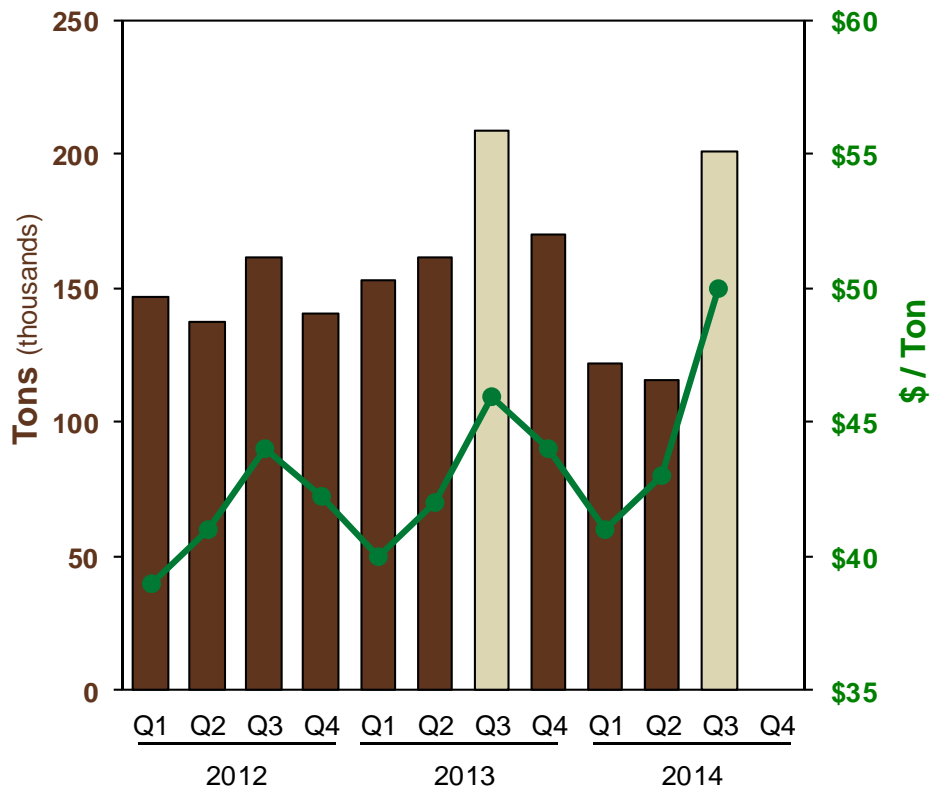
Pulpwood



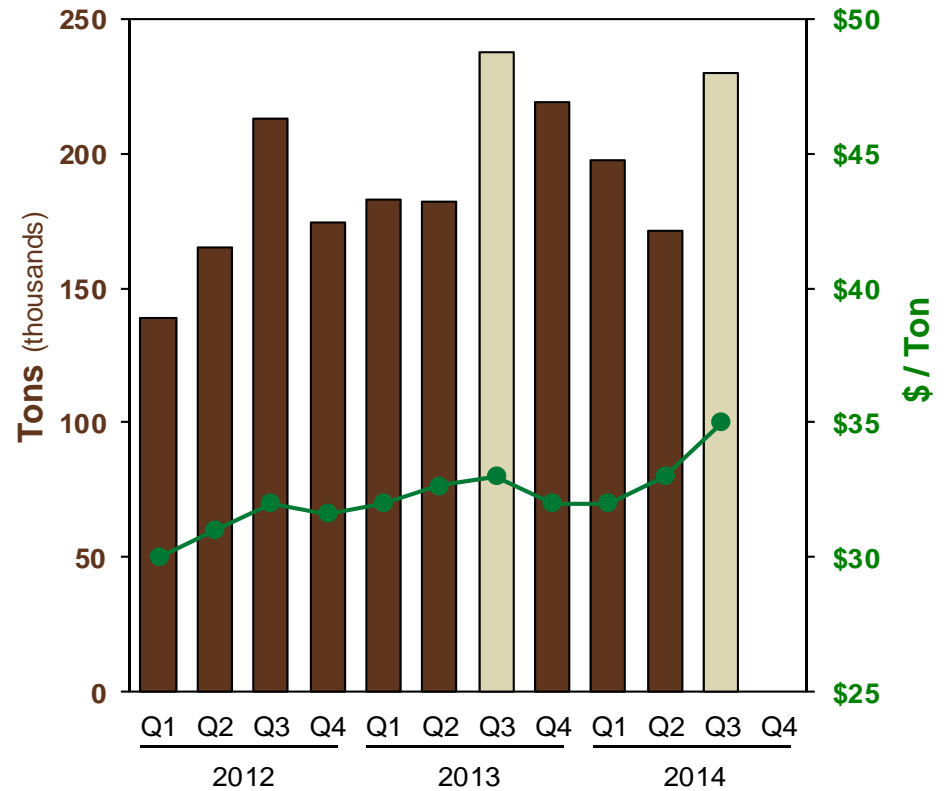
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

RESOURCE: Southern Region – Volume and Pricing

Sawlog



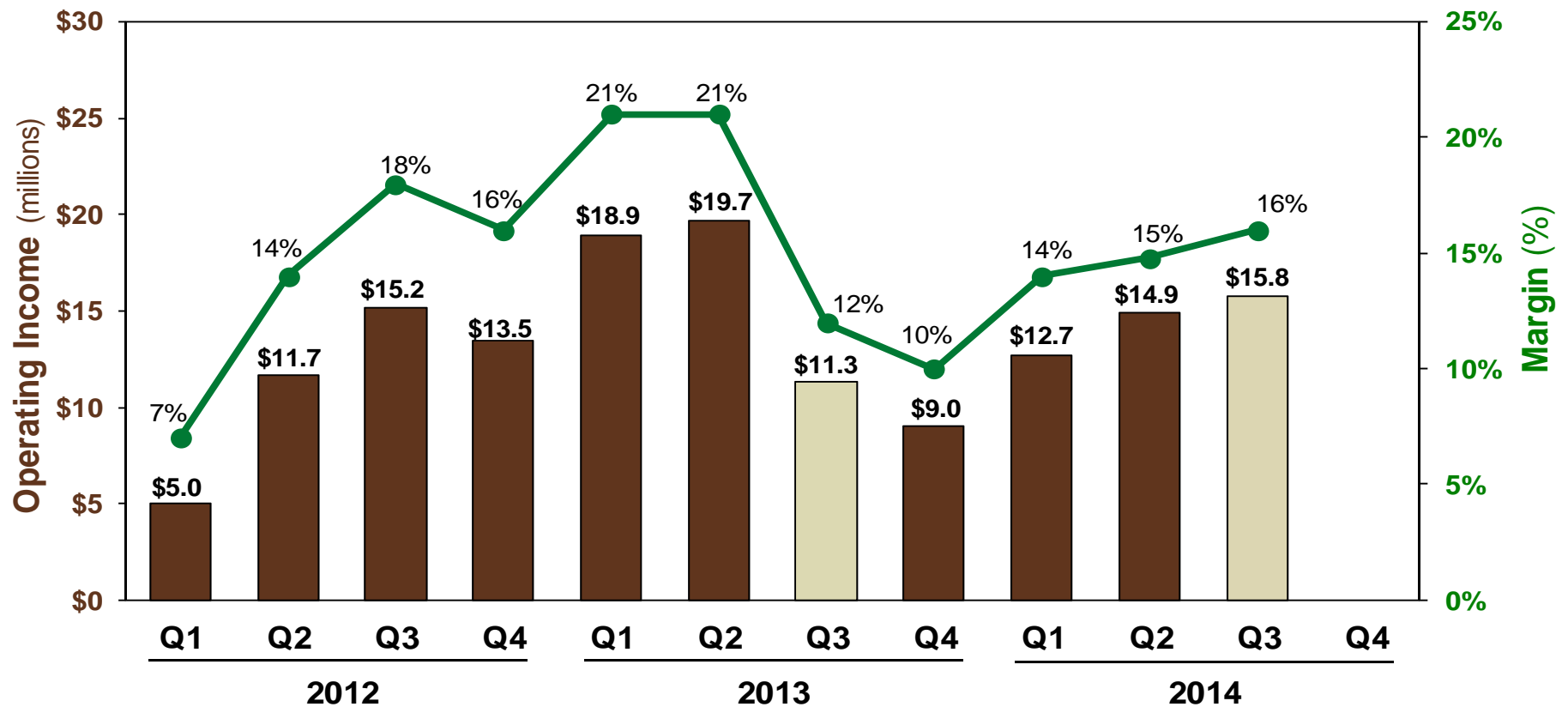
Pulpwood



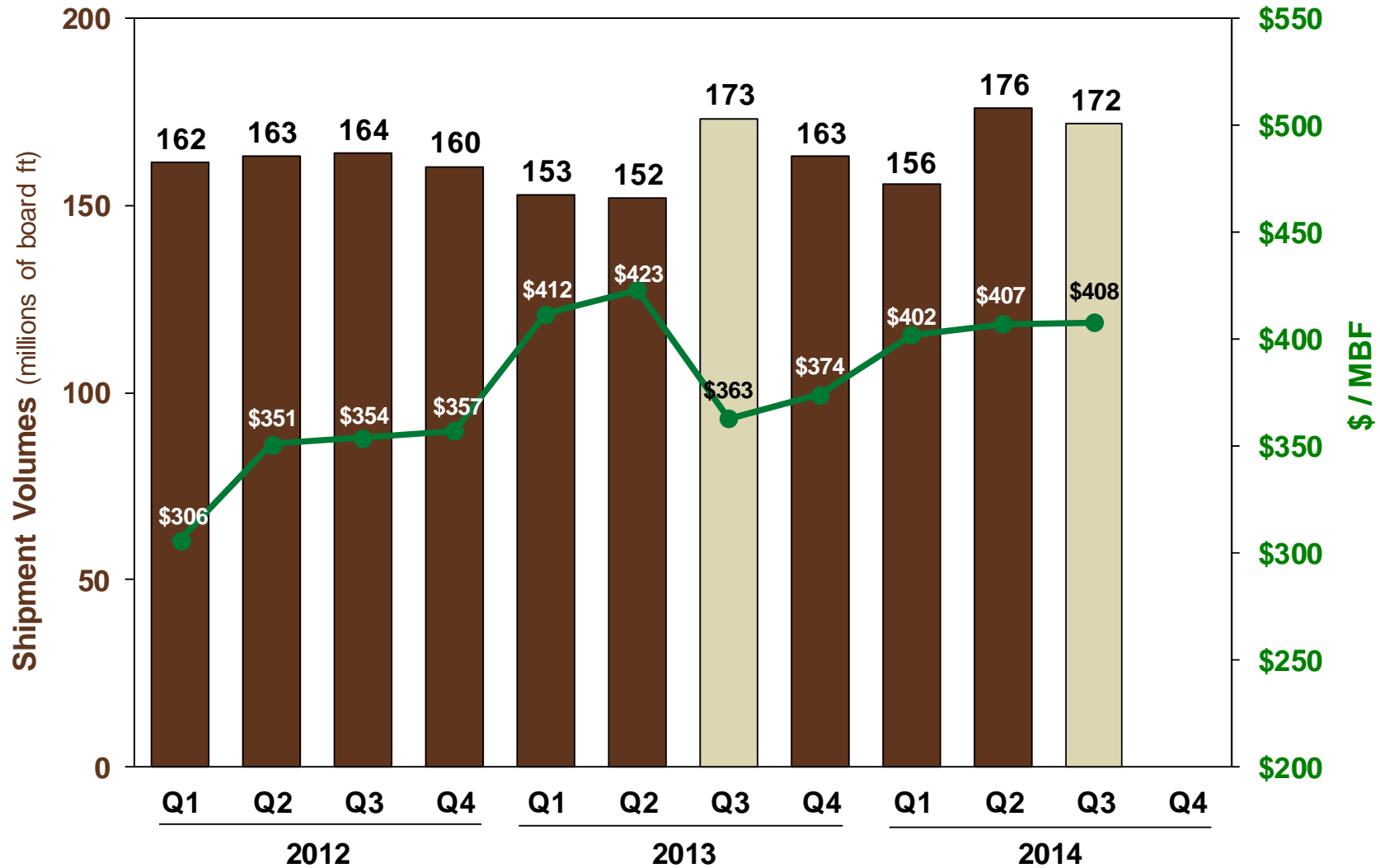
Note: Volumes include tonnage harvested from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

WOOD PRODUCTS: Segment Summary

- Average lumber price realized increased slightly
- Lumber shipments down sequentially; second quarter included catch up from harsh winter

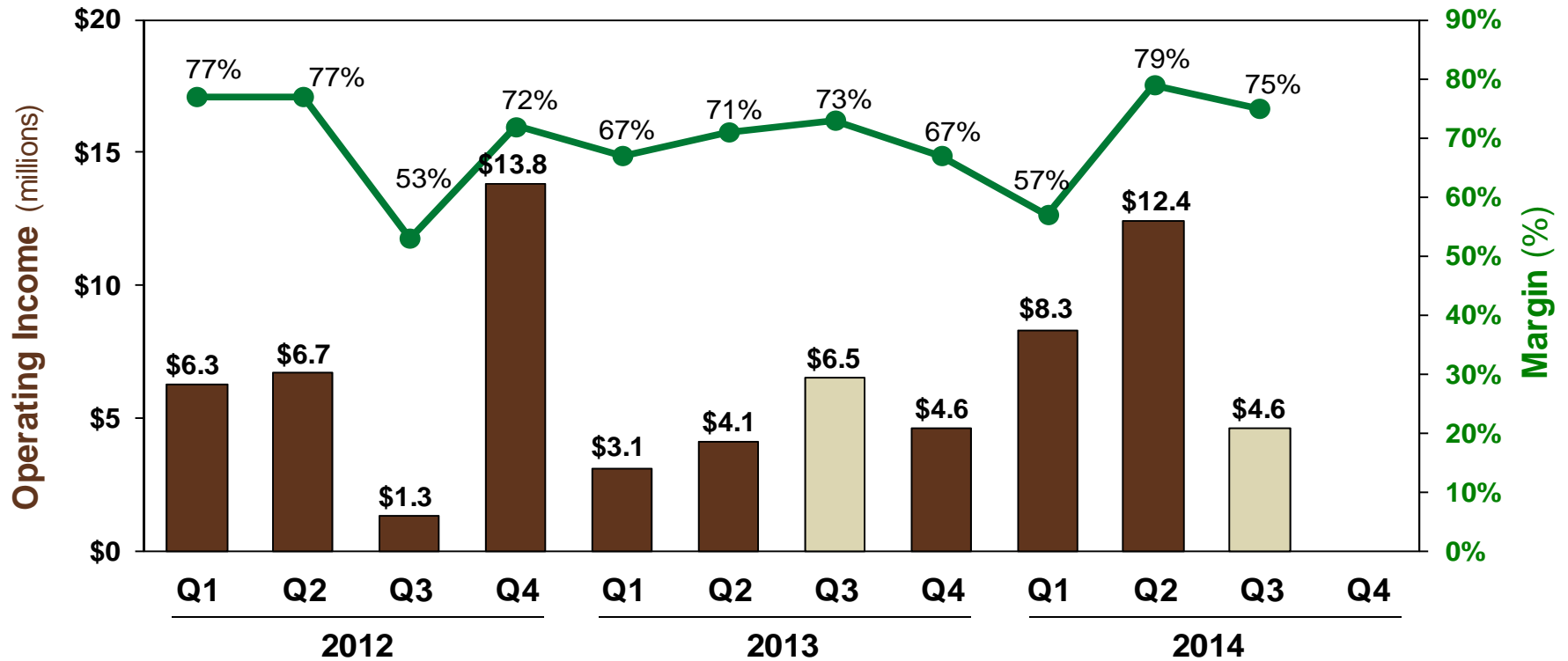


WOOD PRODUCTS: Lumber – Sales Prices and Shipments



REAL ESTATE: Segment Summary

- Closed sale of 11,000 acres of rural recreation property in Idaho in 1Q
- Closed 9,400 acre conservation sale in Minnesota in 2Q
- On track to sell 32,000 to 34,000 acres and expect land basis of 25% in 2014



FINANCIAL HIGHLIGHTS

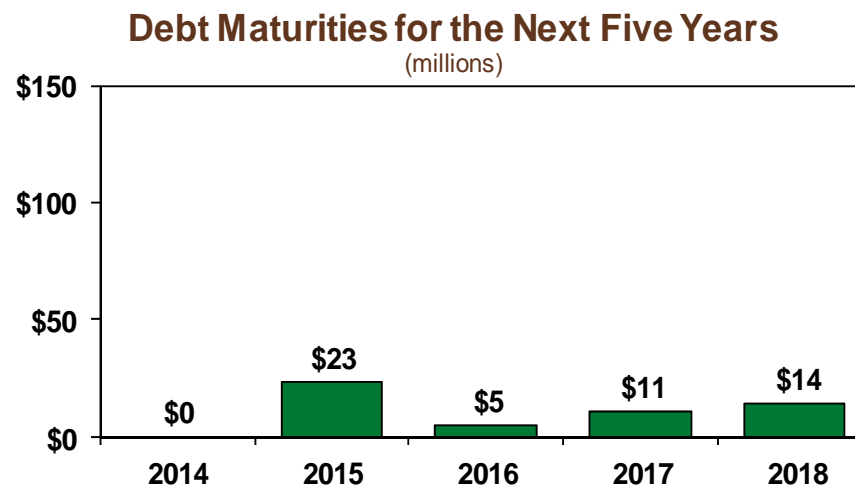
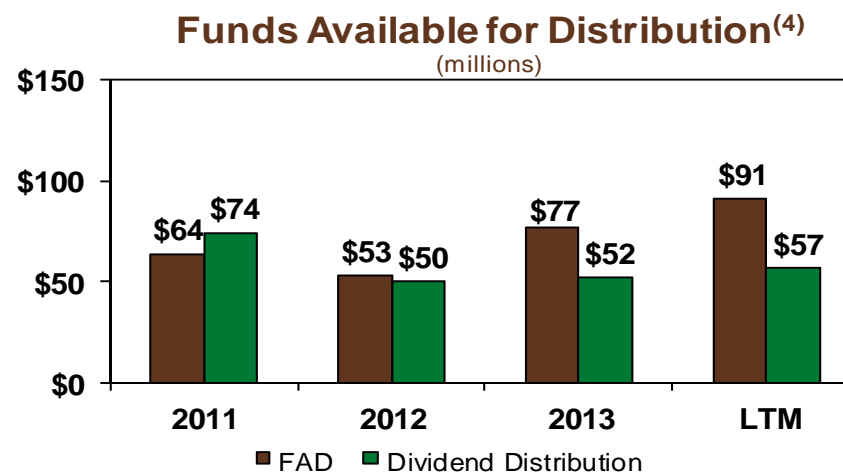
Amounts as of September 30, 2014:	
Unaudited, \$ in millions	
Cash and short-term investments	\$ 73.3
Long-term debt	\$ 319.7
Pension liability	\$ 36.9
Revolver availability	\$ 248.6
Leverage ratio ⁽¹⁾	1.97
Net debt to enterprise value ⁽²⁾	13.1%
Dividend yield ⁽³⁾	3.5%

⁽¹⁾ Leverage ratio, as defined in our debt covenants, is funded indebtedness divided by EBITDA. EBITDA is a non-GAAP measure. For purposes of the covenant, EBITDA presented on slide 19 is modified for equity-based compensation.

⁽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, less cash and short-term investments. Net debt (\$247) plus market capitalization (\$1,632) equals enterprise value. Market capitalization is as of September 30, 2014.

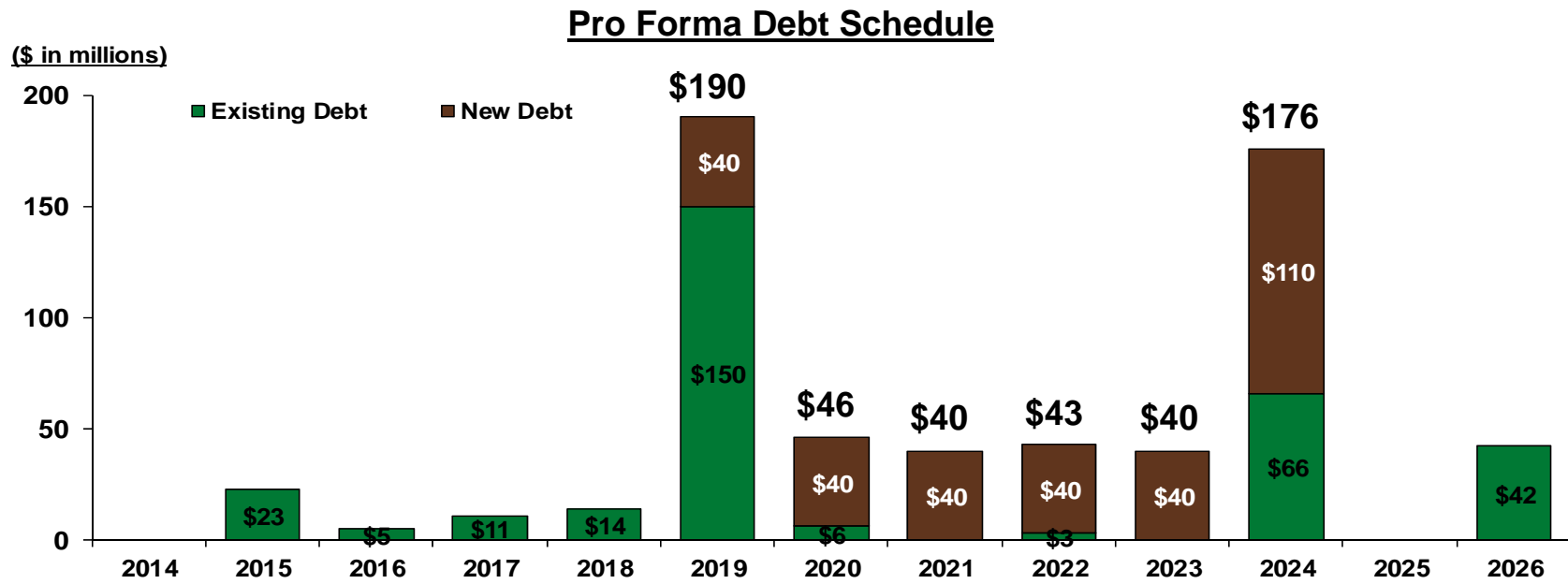
⁽³⁾ Based on the closing stock price of \$40.21 per share as of September 30, 2014.

⁽⁴⁾ FAD is a non-GAAP measure. See slide 21 for a reconciliation of FAD.



Long-Term Debt

- **New 2019 – 2021 maturities will be variable rate (\$120 million in total)**
 - ✓ Lower annual interest expense of \$2 million relative to fixed rate option at current LIBOR level
 - ✓ Repay without make-whole requirement
- **New 2022 – 2024 maturities will be fixed rate (\$190 million in total)**
 - ✓ Lock in historically low interest rates for long period
- **Cost**
 - ✓ Weighted average interest rate of proposed mix of new debt (based on current LIBOR): 3%



Appendix



STATISTICS: Resource

(unaudited)

	2013				2014			2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD	YTD
Fee Volumes (tons)									
Northern Region									
Sawlog	507,346	333,924	649,063	541,304	443,084	279,831	720,460	1,490,333	1,443,375
Pulpwood	72,359	21,904	16,538	17,197	60,579	30,124	62,340	110,801	153,043
Stumpage	20,470	1,489	1,537	1,901	10,968	2,475	1,862	23,496	15,305
Total	600,175	357,317	667,138	560,402	514,631	312,430	784,662	1,624,630	1,611,723
Southern Region									
Sawlog	153,280	161,410	209,121	170,336	121,910	115,855	200,838	523,811	438,603
Pulpwood	182,918	182,262	237,511	219,090	197,829	171,136	229,635	602,691	598,600
Stumpage	-	-	181	8,172	4,975	952	1,095	181	7,022
Total	336,198	343,672	446,813	397,598	324,714	287,943	431,568	1,126,683	1,044,225
Total Fee Volume	936,373	700,989	1,113,951	958,000	839,345	600,373	1,216,230	2,751,313	2,655,948
Sales Price/Unit (\$ per ton)									
Northern Region									
Sawlog	\$ 77	\$ 92	\$ 89	\$ 82	\$ 83	\$ 91	\$ 96	\$ 86	\$ 91
Pulpwood	\$ 36	\$ 37	\$ 38	\$ 36	\$ 41	\$ 43	\$ 45	\$ 36	\$ 43
Stumpage	\$ 8	\$ 5	\$ 12	\$ 12	\$ 11	\$ 11	\$ 11	\$ 8	\$ 11
Southern Region									
Sawlog	\$ 40	\$ 42	\$ 46	\$ 44	\$ 41	\$ 43	\$ 50	\$ 43	\$ 46
Pulpwood	\$ 32	\$ 33	\$ 33	\$ 32	\$ 32	\$ 33	\$ 35	\$ 33	\$ 33
Stumpage	\$ -	\$ -	\$ 45	\$ 11	\$ 11	\$ 34	\$ 19	\$ 45	\$ 15

STATISTICS: Wood Products & Real Estate

(unaudited)

	2013				2014			2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD	YTD
Wood Products									
Lumber Shipments (MBF)	152,862	151,967	173,355	163,033	155,596	176,046	171,818	478,184	503,460
Lumber Sales Prices (\$ per MBF)	\$ 412	\$ 423	\$ 363	\$ 374	\$ 402	\$ 407	\$ 408	\$ 398	\$ 404
Real Estate									
Acres Sold									
HBU Development	229	534	2,899	1,137	68	1,424	1,876	3,662	3,368
Rural Real Estate	2,278	3,110	2,116	1,990	13,203	10,821	1,721	7,504	25,745
Non-Strategic Timberlands	979	1,128	279	2,283	228	838	202	2,386	1,268
	3,486	4,772	5,294	5,410	13,499	13,083	3,799	13,552	30,381
Revenues by Product Type (millions)									
HBU Development	\$ 0.6	\$ 1.1	\$ 6.0	\$ 2.1	\$ 0.2	\$ 2.9	\$ 3.9	\$ 7.7	\$ 7.0
Rural Real Estate	3.2	4.0	2.7	2.5	14.0	12.2	2.2	9.9	28.4
Non-Strategic Timberlands	0.8	0.7	0.2	2.3	0.2	0.7	0.1	1.7	1.0
	\$ 4.6	\$ 5.8	\$ 8.9	\$ 6.9	\$ 14.4	\$ 15.8	\$ 6.2	\$ 19.3	\$ 36.4
Sales Price per Acre									
HBU Development	\$ 2,802	\$ 2,053	\$ 2,055	\$ 1,813	\$ 2,783	\$ 2,025	\$ 2,096	\$ 2,102	\$ 2,080
Rural Real Estate	\$ 1,416	\$ 1,279	\$ 1,295	\$ 1,254	\$ 1,066	\$ 1,125	\$ 1,245	\$ 1,325	\$ 1,103
Non-Strategic Timberlands	\$ 785	\$ 652	\$ 608	\$ 1,004	\$ 793	\$ 807	\$ 610	\$ 701	\$ 773
Transactions by Product Type									
HBU Development	8	13	18	16	4	12	15	39	31
Rural Real Estate	25	36	30	13	20	25	25	91	70
Non-Strategic Timberlands	8	16	5	12	3	5	4	29	12
	41	65	53	41	27	42	44	159	113

EBITDA RECONCILIATION

(unaudited, \$ in millions)

	2013				2014			2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD	YTD
GAAP net income	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 20.3	\$ 16.3	\$ 33.2	\$ 56.9	\$ 69.8
Interest expense, net ⁽¹⁾	6.3	5.7	5.5	5.6	5.5	5.5	5.5	17.5	16.5
Income tax provision	4.8	4.6	3.2	1.3	5.5	7.9	6.2	12.6	19.6
Depreciation, depletion & amortization	6.4	4.8	7.7	6.6	5.8	4.6	7.9	18.9	18.3
Basis of real estate sold	0.4	0.4	1.1	1.0	4.6	2.2	0.5	1.9	7.3
EBITDA⁽²⁾	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 41.7	\$ 36.5	\$ 53.3	\$ 107.8	\$ 131.5

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

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

EBITDA RECONCILIATION: By Segment

(unaudited, \$ in millions)

	2013				2014			2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD	YTD
Resource									
Operating Income	\$ 15.5	\$ 14.5	\$ 25.4	\$ 18.0	\$ 16.2	\$ 10.8	\$ 34.1	\$ 55.4	\$ 61.1
Depreciation, depletion and amortization	4.6	3.0	5.9	4.6	3.9	2.8	6.0	13.5	12.7
Resource EBITDA	20.1	17.5	31.3	22.6	20.1	13.6	40.1	68.9	73.8
Wood Products									
Operating income	18.9	19.7	11.3	9.0	12.7	14.9	15.8	49.9	43.4
Depreciation and amortization	1.5	1.5	1.6	1.6	1.5	1.5	1.5	4.6	4.5
Wood Products EBITDA	20.4	21.2	12.9	10.6	14.2	16.4	17.3	54.5	47.9
Real Estate									
Operating Income	3.1	4.1	6.5	4.6	8.3	12.4	4.6	13.7	25.3
Basis of land and depreciation	0.6	0.6	1.2	1.2	5.2	2.2	0.6	2.4	8.0
Real Estate EBITDA	3.7	4.7	7.7	5.8	13.5	14.6	5.2	16.1	33.3
Eliminations and adjustments ⁽¹⁾	0.5	0.2	(0.8)	(0.8)	0.8	0.8	(2.0)	(0.1)	(0.4)
Corporate									
Corporate expense	(10.6)	(7.3)	(10.5)	(10.2)	(6.7)	(9.2)	(7.6)	(28.4)	(23.5)
Environmental remediation charge	(0.8)	(1.7)	(1.0)	-	-	-	-	(3.5)	-
Depreciation, amortization and basis of land adjustment	0.1	0.1	0.1	0.2	(0.2)	0.3	0.3	0.3	0.4
Corporate EBITDA	(11.3)	(8.9)	(11.4)	(10.0)	(6.9)	(8.9)	(7.3)	(31.6)	(23.1)
EBITDA⁽²⁾	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 41.7	\$ 36.5	\$ 53.3	\$ 107.8	\$ 131.5

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

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



FAD RECONCILIATION

(unaudited, \$ in millions)

	2013				2014			2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	YTD	YTD
GAAP net income	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 20.3	\$ 16.3	\$ 33.2	\$ 56.9	\$ 69.8
Depreciation, depletion & amortization	6.9	5.2	8.0	6.9	6.1	4.9	8.3	20.1	19.3
Basis of real estate sold	0.4	0.4	1.1	1.0	4.6	2.2	0.5	1.9	7.3
Capital expenditures ⁽²⁾	(4.6)	(5.8)	(6.5)	(6.7)	(3.6)	(8.8)	(7.8)	(16.9)	(20.2)
Funds Available for Distribution⁽²⁾	\$ 18.2	\$ 19.0	\$ 24.8	\$ 14.9	\$ 27.4	\$ 14.6	\$ 34.2	\$ 62.0	\$ 76.2

(1) Depreciation, depletion & amortization includes amortized interest expense from bond discounts and deferred loan fees.

(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, 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)

	2013				2014		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Current assets	\$ 122.9	\$ 120.3	\$ 134.9	\$ 130.4	\$ 139.1	\$ 145.1	\$ 144.1
Less: Current liabilities	(68.0)	(58.6)	(59.3)	(50.3)	(49.5)	(54.9)	(60.0)
Working capital	54.9	61.7	75.6	80.1	89.6	90.2	84.1
Less: Cash	(4.3)	(6.4)	(6.0)	(5.6)	(9.4)	(9.3)	(8.3)
Less: Short-term investments	(55.4)	(44.1)	(56.8)	(52.3)	(66.9)	(73.9)	(65.0)
Add: Current installments on long-term debt	9.0	-	-	-	-	-	-
Operating Working Capital	\$ 4.2	\$ 11.2	\$ 12.8	\$ 22.2	\$ 13.3	\$ 7.0	\$ 10.8

