

2Q 2014 Earnings Release

Potlatch Corporation

Michael J. Covey
Chairman and Chief Executive Officer

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President and Chief Operating Officer

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Vice President and Chief Financial Officer



July 23, 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; expected third quarter 2014 harvest volumes; expected 2014 harvest level; recovery of the U.S. housing market; earnings and cash flows in our Resource, Wood Products and Real Estate segments in the third quarter of 2014; demand and pricing for sawlogs and pulpwood in the North and South in the third and fourth quarters of 2014 and for the full year; demand and pricing for lumber, plywood and residuals in the third quarter of 2014 and for the full year; earnings growth in 2014 and reduced earnings volatility; expected third 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; expected extension of our bank credit lines; 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.

2Q 2014: Total Company Summary

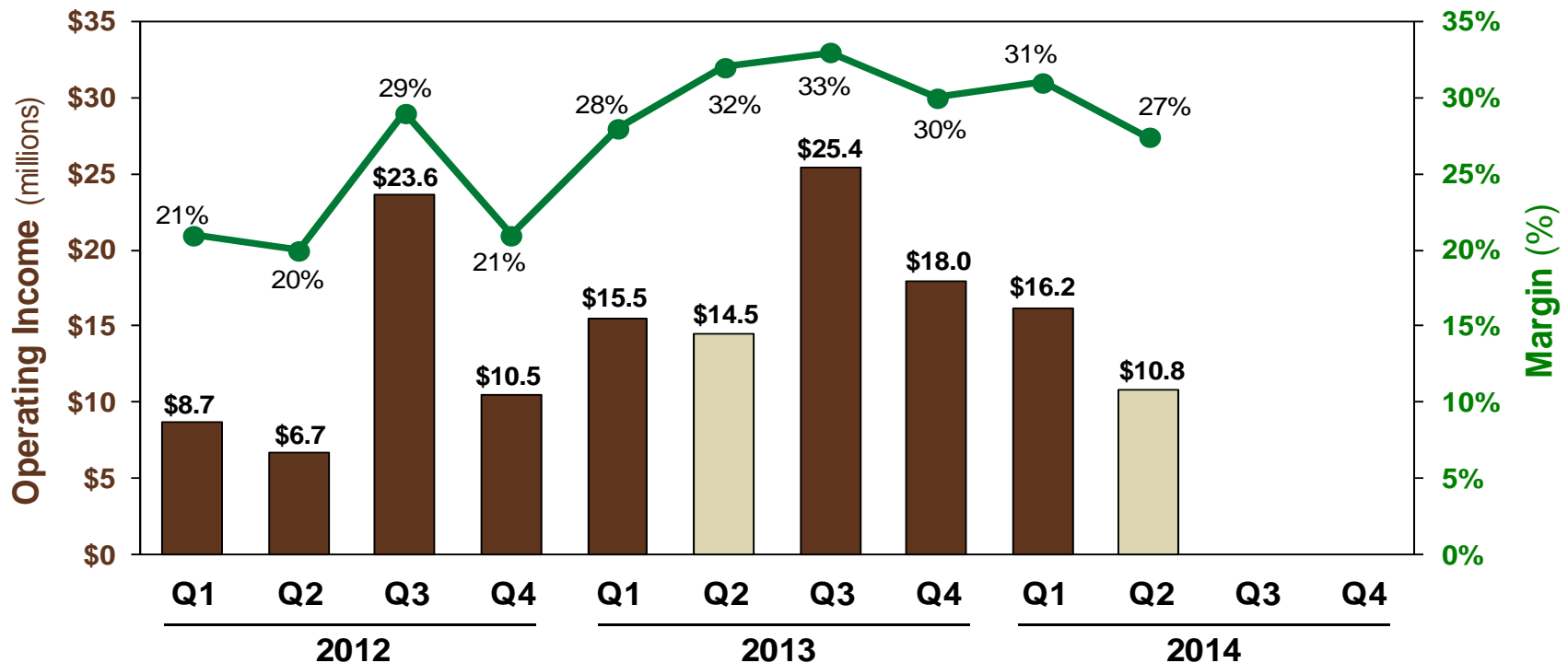
(unaudited, \$ in millions)

	2013				2014		YTD June	
	Q1	Q2	Q3	Q4	Q1	Q2	2013	2014
Operating income								
Resource	\$ 15.5	\$ 14.5	\$ 25.4	\$ 18.0	\$ 16.2	\$ 10.8	\$ 30.0	\$ 27.0
Wood Products	18.9	19.7	11.3	9.0	12.7	14.9	38.6	27.6
Real Estate	3.1	4.1	6.5	4.6	8.3	12.4	7.2	20.7
Eliminations and adjustments	0.5	0.2	(0.8)	(0.8)	0.8	0.8	0.7	1.6
Total operating income	38.0	38.5	42.4	30.8	38.0	38.9	76.5	76.9
Corporate	(10.6)	(7.3)	(10.5)	(10.2)	(6.7)	(9.2)	(17.9)	(15.9)
Interest expense, net	(6.3)	(5.7)	(5.5)	(5.6)	(5.5)	(5.5)	(12.0)	(11.0)
Environmental remediation charge	(0.8)	(1.7)	(1.0)	-	-	-	(2.5)	-
Income before taxes	20.3	23.8	25.4	15.0	25.8	24.2	44.1	50.0
Income tax provision	(4.8)	(4.6)	(3.2)	(1.3)	(5.5)	(7.9)	(9.4)	(13.4)
Net income	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 20.3	\$ 16.3	\$ 34.7	\$ 36.6
Diluted earnings per share	\$ 0.38	\$ 0.47	\$ 0.54	\$ 0.34	\$ 0.50	\$ 0.40	\$ 0.85	\$ 0.90
Distributions per share	\$ 0.31	\$ 0.31	\$ 0.31	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.62	\$ 0.70
EBITDA⁽¹⁾	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 41.7	\$ 36.5	\$ 68.1	\$ 78.2

(1) Non-GAAP measure. See slide 14 for reconciliation.

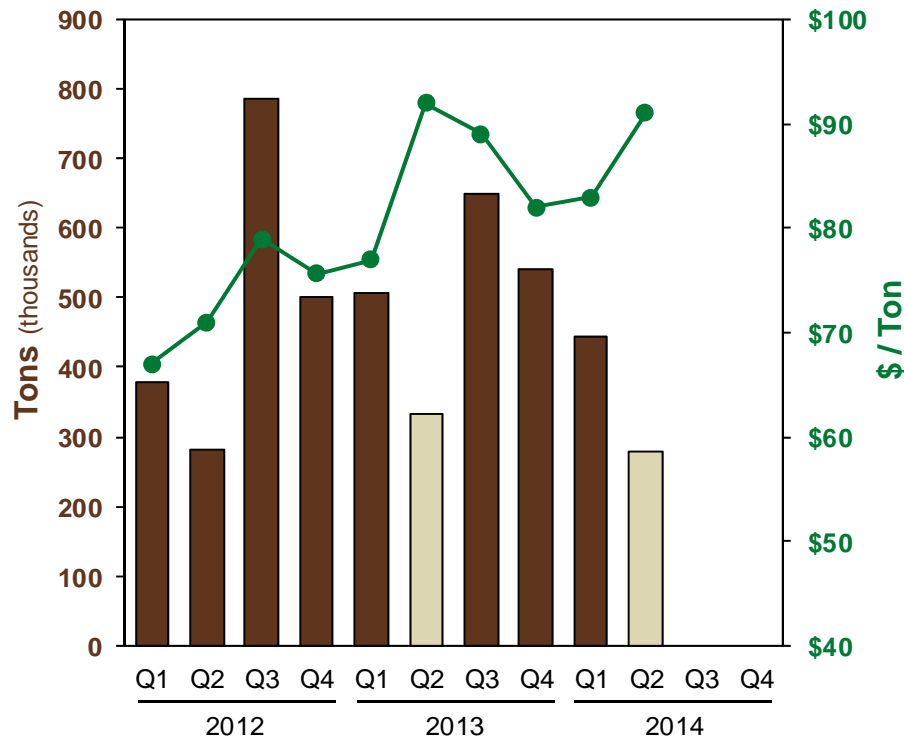
RESOURCE: Segment Summary

- Northern sawlog prices remained strong; pulpwood higher due to new contract
- Higher Southern realization due to seasonally higher mix of hardwood; pine sawlog prices remain flat at historically low levels
- Harvest volumes lower due to spring breakup in the North and wet weather in the South

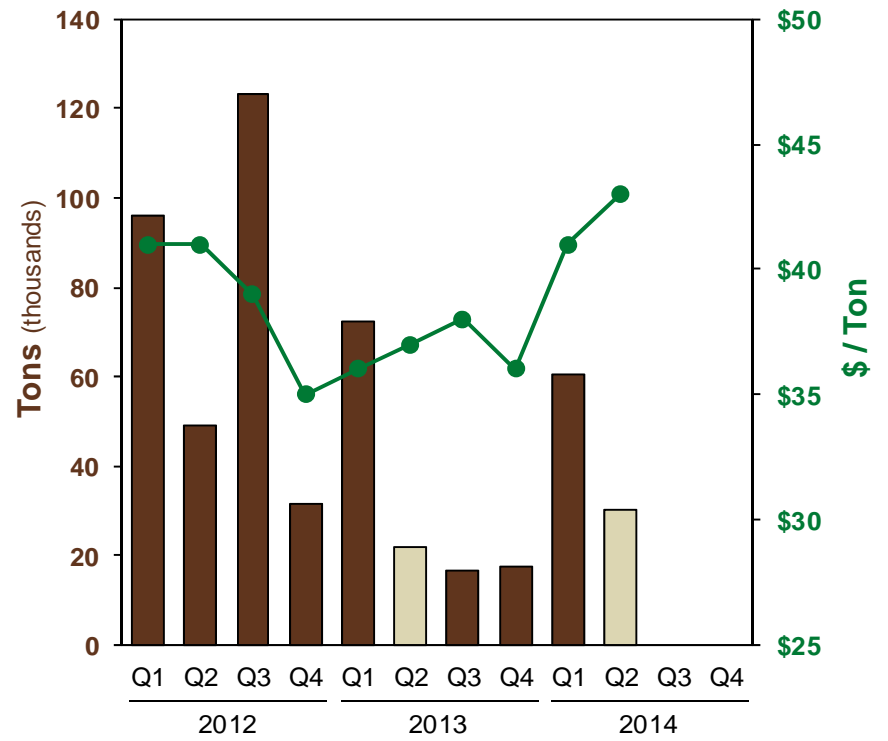


RESOURCE: Northern Region – Volume and Pricing

Sawlog



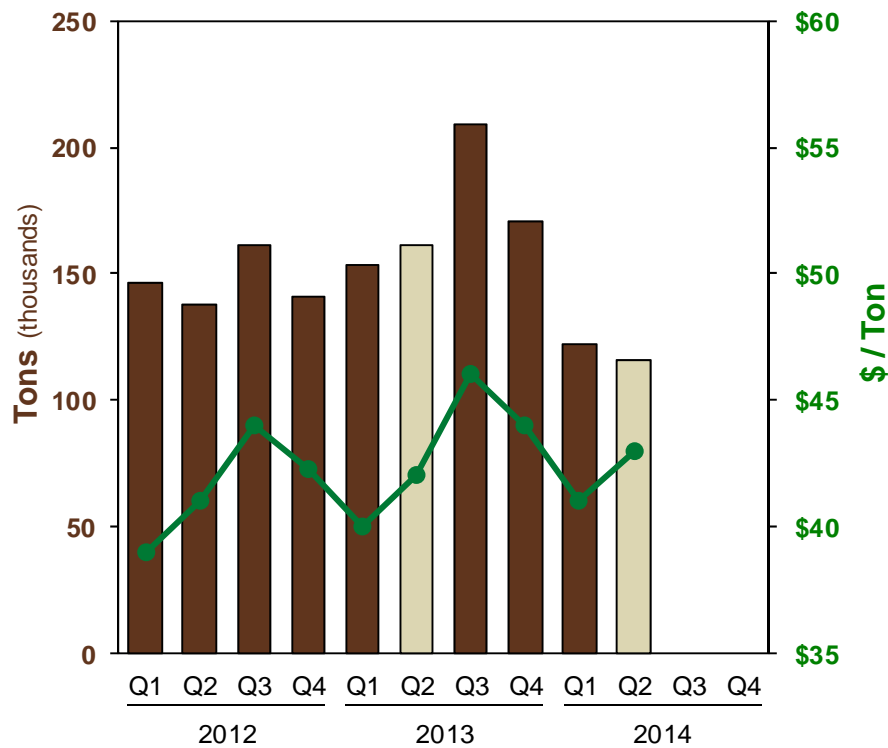
Pulpwood



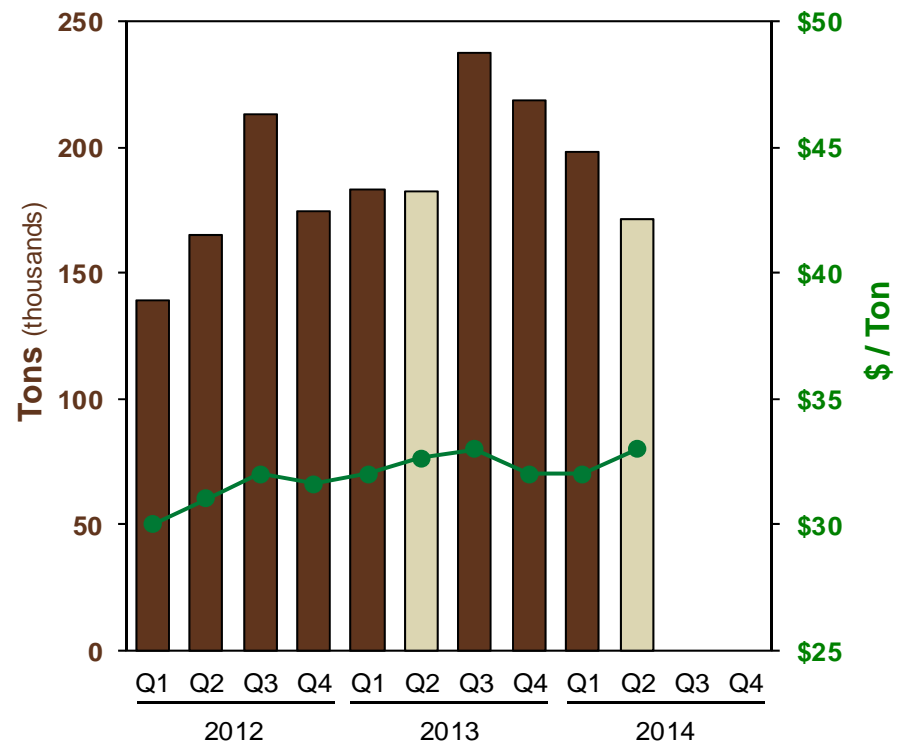
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

RESOURCE: Southern Region – Volume and Pricing

Sawlog



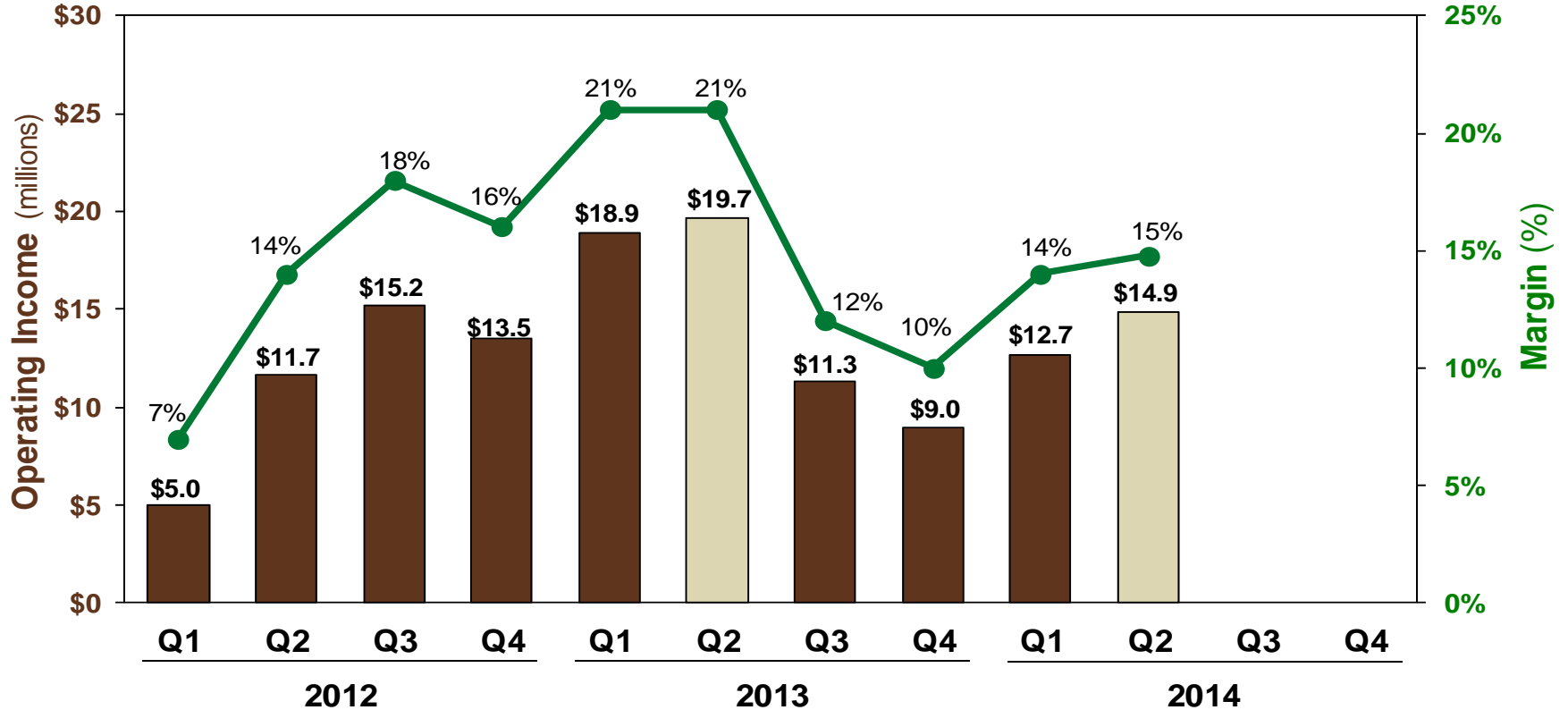
Pulpwood



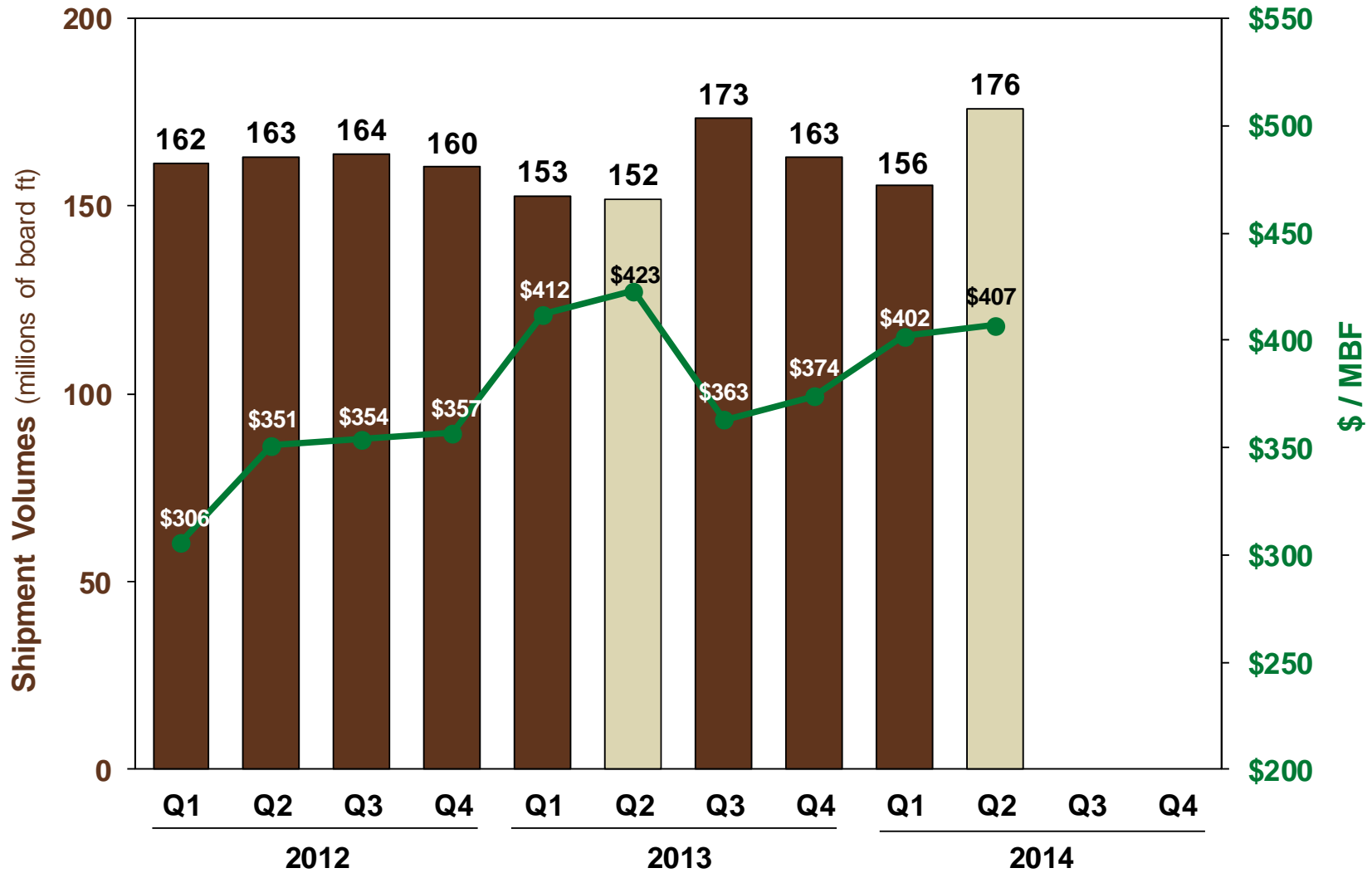
Note: Volumes include tonnage produced from company-owned fee land, while pricing data includes revenue generated from both company-owned fee land and non-fee stumpage purchased from third parties.

WOOD PRODUCTS: Segment Summary

- Operating earnings increased sequentially due primarily to volume
- Average lumber price realized was flat 2Q vs. 1Q on a mill basis
- Expect prices to continue to strengthen in second half

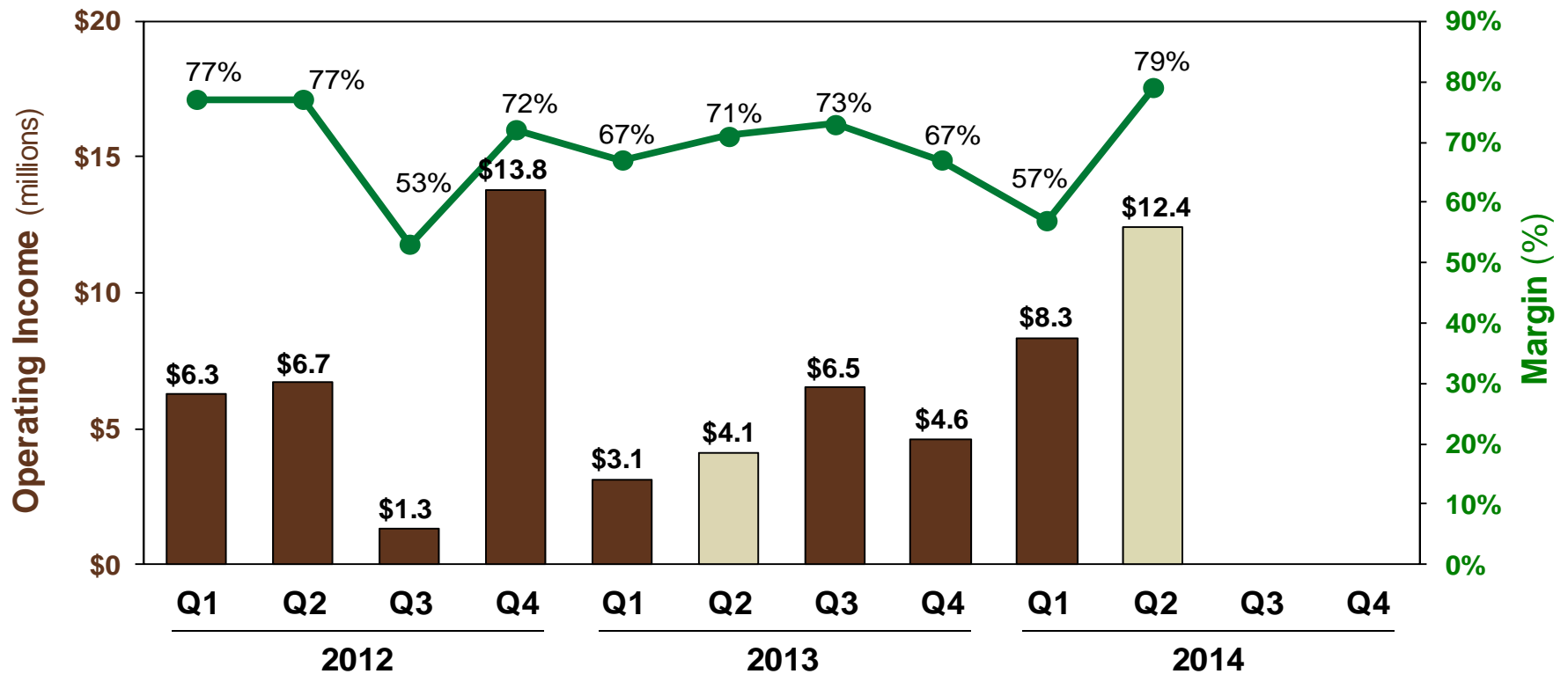


WOOD PRODUCTS: Lumber – Sales Prices and Shipments



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 30,000 to 35,000 acres and expect land basis of 20-25% in 2014



FINANCIAL HIGHLIGHTS

Amounts as of June 30, 2014:

Unaudited, \$ in millions

Cash and short-term investments	\$ 83.2
Long-term debt	\$ 320.0
Pension liability	\$ 40.9
Undrawn revolver	\$ 248.6
Leverage ratio⁽¹⁾	2.14
Net debt to enterprise value⁽²⁾	12.4%
Dividend yield⁽³⁾	3.4%

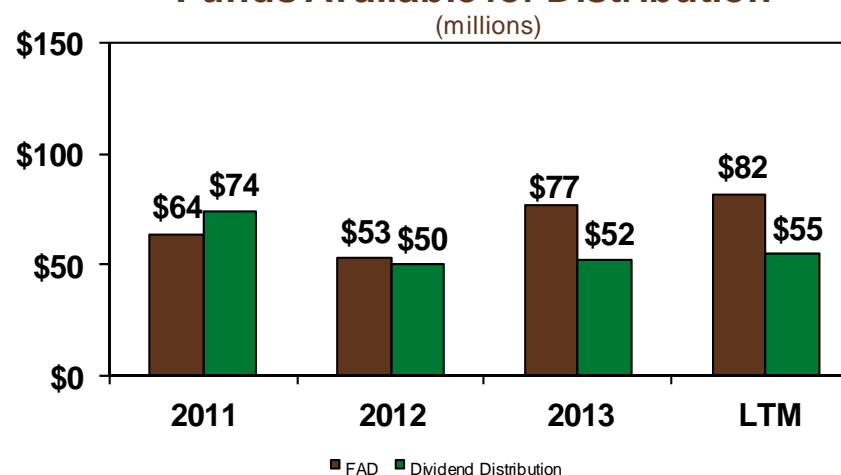
⁽¹⁾ Leverage ratio, as defined in our debt covenants, is funded indebtedness divided by EBITDA. EBITDA is a non-GAAP measure. For purposes of the covenant, EBITDA presented on slide 14 is modified for equity-based compensation.

⁽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 (\$237) plus market capitalization (\$1,680) equals enterprise value. Market capitalization is as of June 30, 2014.

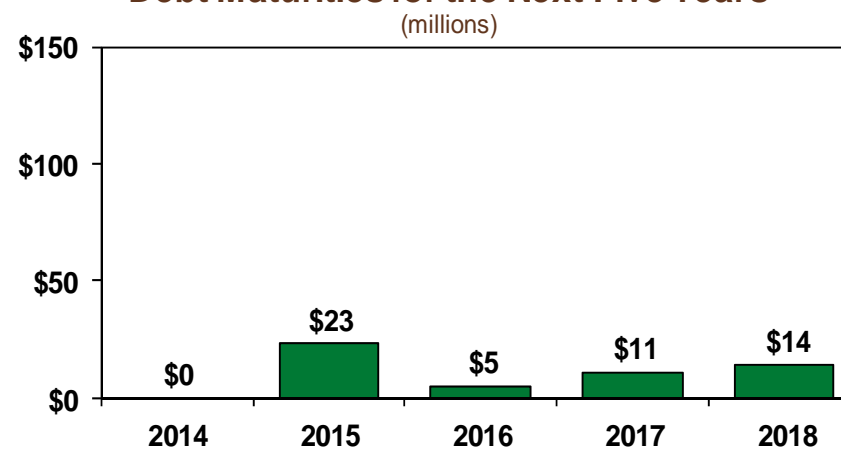
⁽³⁾ Based on the closing stock price of \$41.40 per share as of June 30, 2014.

⁽⁴⁾ FAD is a non-GAAP measure. See slide 16 for a reconciliation of FAD.

Funds Available for Distribution⁽⁴⁾



Debt Maturities for the Next Five Years



Appendix



STATISTICS: Resource

(unaudited)

	2013				2014		2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	YTD	YTD
Fee Volumes (tons)								
Northern Region								
Sawlog	507,346	333,924	649,063	541,304	443,084	279,831	841,270	722,915
Pulpwood	72,359	21,904	16,538	17,197	60,579	30,124	94,263	90,703
Stumpage	20,470	1,489	1,537	1,901	10,968	2,475	21,959	13,443
Total	600,175	357,317	667,138	560,402	514,631	312,430	957,492	827,061
Southern Region								
Sawlog	153,280	161,410	209,121	170,336	121,910	115,855	314,690	237,765
Pulpwood	182,918	182,262	237,511	219,090	197,829	171,136	365,180	368,965
Stumpage	-	-	181	8,172	4,975	952	-	5,927
Total	336,198	343,672	446,813	397,598	324,714	287,943	679,870	612,657
Total Fee Volume	936,373	700,989	1,113,951	958,000	839,345	600,373	1,637,362	1,439,718
Sales Price/Unit (\$ per ton)								
Northern Region								
Sawlog	\$ 77	\$ 92	\$ 89	\$ 82	\$ 83	\$ 91	\$ 83	\$ 86
Pulpwood	\$ 36	\$ 37	\$ 38	\$ 36	\$ 41	\$ 43	\$ 36	\$ 42
Stumpage	\$ 8	\$ 5	\$ 12	\$ 12	\$ 11	\$ 11	\$ 8	\$ 11
Southern Region								
Sawlog	\$ 40	\$ 42	\$ 46	\$ 44	\$ 41	\$ 43	\$ 41	\$ 42
Pulpwood	\$ 32	\$ 33	\$ 33	\$ 32	\$ 32	\$ 33	\$ 33	\$ 32
Stumpage	\$ -	\$ -	\$ 45	\$ 11	\$ 11	\$ 34	\$ -	\$ 14

STATISTICS: Wood Products & Real Estate

(unaudited)

	2013				2014		YTD June	
	Q1	Q2	Q3	Q4	Q1	Q2	2013	2014
Wood Products								
Lumber Shipments (MBF)	152,862	151,967	173,355	163,033	155,596	176,046	304,829	331,642
Lumber Sales Prices (\$ per MBF)	\$ 412	\$ 423	\$ 363	\$ 374	\$ 402	\$ 407	\$ 418	\$ 403
Real Estate								
Acres Sold								
HBU Development	229	534	2,899	1,137	68	1,424	763	1,492
Rural Real Estate	2,278	3,110	2,116	1,990	13,203	10,821	5,388	24,024
Non-Strategic Timberlands	979	1,128	279	2,283	228	838	2,107	1,066
	3,486	4,772	5,294	5,410	13,499	13,083	8,258	26,582
Revenues by Product Type (millions)								
HBU Development	\$ 0.6	\$ 1.1	\$ 6.0	\$ 2.1	\$ 0.2	\$ 2.9	\$ 1.7	\$ 3.1
Rural Real Estate	3.2	4.0	2.7	2.5	14.0	12.2	7.2	26.2
Non-Strategic Timberlands	0.8	0.7	0.2	2.3	0.2	0.7	1.5	0.9
	\$ 4.6	\$ 5.8	\$ 8.9	\$ 6.9	\$ 14.4	\$ 15.8	\$ 10.4	\$ 30.2
Sales Price per Acre								
HBU Development	\$ 2,802	\$ 2,053	\$ 2,055	\$ 1,813	\$ 2,783	\$ 2,025	\$ 2,277	\$ 2,059
Rural Real Estate	\$ 1,416	\$ 1,279	\$ 1,295	\$ 1,254	\$ 1,066	\$ 1,125	\$ 1,337	\$ 1,093
Non-Strategic Timberlands	\$ 785	\$ 652	\$ 608	\$ 1,004	\$ 793	\$ 807	\$ 713	\$ 804
Transactions by Product Type								
HBU Development	8	13	18	16	4	12	21	16
Rural Real Estate	25	36	30	13	20	25	61	45
Non-Strategic Timberlands	8	16	5	12	3	5	24	8
	41	65	53	41	27	42	106	69

EBITDA RECONCILIATION

(unaudited, \$ in millions)

	2013				2014		YTD June	
	Q1	Q2	Q3	Q4	Q1	Q2	2013	2014
GAAP net income	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 20.3	\$ 16.3	\$ 34.7	\$ 36.6
Interest expense, net ⁽¹⁾	6.3	5.7	5.5	5.6	5.5	5.5	12.0	11.0
Income tax provision	4.8	4.6	3.2	1.3	5.5	7.9	9.4	13.4
Depreciation, depletion & amortization	6.4	4.8	7.7	6.6	5.8	4.6	11.2	10.4
Basis of real estate sold	0.4	0.4	1.1	1.0	4.6	2.2	0.8	6.8
EBITDA⁽²⁾	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 41.7	\$ 36.5	\$ 68.1	\$ 78.2

(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		YTD June	
	Q1	Q2	Q3	Q4	Q1	Q2	2013	2014
Resource								
Operating Income	\$ 15.5	\$ 14.5	\$ 25.4	\$ 18.0	\$ 16.2	\$ 10.8	\$ 30.0	\$ 27.0
Depreciation, depletion and amortization	4.6	3.0	5.9	4.6	3.9	2.8	7.6	6.7
Resource EBITDA	20.1	17.5	31.3	22.6	20.1	13.6	37.6	33.7
Wood Products								
Operating income	18.9	19.7	11.3	9.0	12.7	14.9	\$ 38.6	27.6
Depreciation and amortization	1.5	1.5	1.6	1.6	1.5	1.5	3.0	3.0
Wood Products EBITDA	20.4	21.2	12.9	10.6	14.2	16.4	41.6	30.6
Real Estate								
Operating Income	3.1	4.1	6.5	4.6	8.3	12.4	\$ 7.2	20.7
Basis of Land and depreciation	0.6	0.6	1.2	1.2	5.2	2.2	1.2	7.4
Real Estate EBITDA	3.7	4.7	7.7	5.8	13.5	14.6	8.4	28.1
Eliminations and adjustments ⁽¹⁾	0.5	0.2	(0.8)	(0.8)	0.8	0.8	0.7	1.6
Corporate								
Corporate expense	(10.6)	(7.3)	(10.5)	(10.2)	(6.7)	(9.2)	(17.9)	(15.9)
Environmental remediation charge	(0.8)	(1.7)	(1.0)	-	-	-	(2.5)	-
Depreciation, amortization and basis of land adjustment	0.1	0.1	0.1	0.2	(0.2)	0.3	0.2	0.1
Corporate EBITDA	(11.3)	(8.9)	(11.4)	(10.0)	(6.9)	(8.9)	(20.2)	(15.8)
EBITDA⁽²⁾	\$ 33.4	\$ 34.7	\$ 39.7	\$ 28.2	\$ 41.7	\$ 36.5	\$ 68.1	\$ 78.2

(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.

FFO & FAD RECONCILIATION

(unaudited, \$ in millions)

	2013				2014		YTD June	
	Q1	Q2	Q3	Q4	Q1	Q2	2013	2014
GAAP net income	\$ 15.5	\$ 19.2	\$ 22.2	\$ 13.7	\$ 20.3	\$ 16.3	\$ 34.7	\$ 36.6
Depreciation, depletion & amortization	6.9	5.2	8.0	6.9	6.1	4.9	12.1	11.0
Basis of real estate sold	0.4	0.4	1.1	1.0	4.6	2.2	0.8	6.8
Funds from Operations⁽¹⁾	\$ 22.8	\$ 24.8	\$ 31.3	\$ 21.6	\$ 31.0	\$ 23.4	\$ 47.6	\$ 54.4
Capital expenditures ⁽²⁾	(4.6)	(5.8)	(6.5)	(6.7)	(3.6)	(8.8)	(10.4)	(12.4)
Funds Available for Distribution⁽²⁾	\$ 18.2	\$ 19.0	\$ 24.8	\$ 14.9	\$ 27.4	\$ 14.6	\$ 37.2	\$ 42.0

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

(2) 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. 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.

(3) 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
Current assets	\$ 122.9	\$ 120.3	\$ 134.9	\$ 130.4	\$ 139.1	\$ 145.1
Less: Current liabilities	(68.0)	(58.6)	(59.3)	(50.3)	(49.5)	(54.9)
Working capital	54.9	61.7	75.6	80.1	89.6	90.2
Less: Cash	(4.3)	(6.4)	(6.0)	(5.6)	(9.4)	(9.3)
Less: Short-term investments	(55.4)	(44.1)	(56.8)	(52.3)	(66.9)	(73.9)
Add: Current installments on long-term debt	9.0	-	-	-	-	-
Operating Working Capital	\$ 4.2	\$ 11.2	\$ 12.8	\$ 22.2	\$ 13.3	\$ 7.0

