Potlatch Corporation Report to:

State of Idaho Joint Economic Outlook and Revenue Assessment Committee

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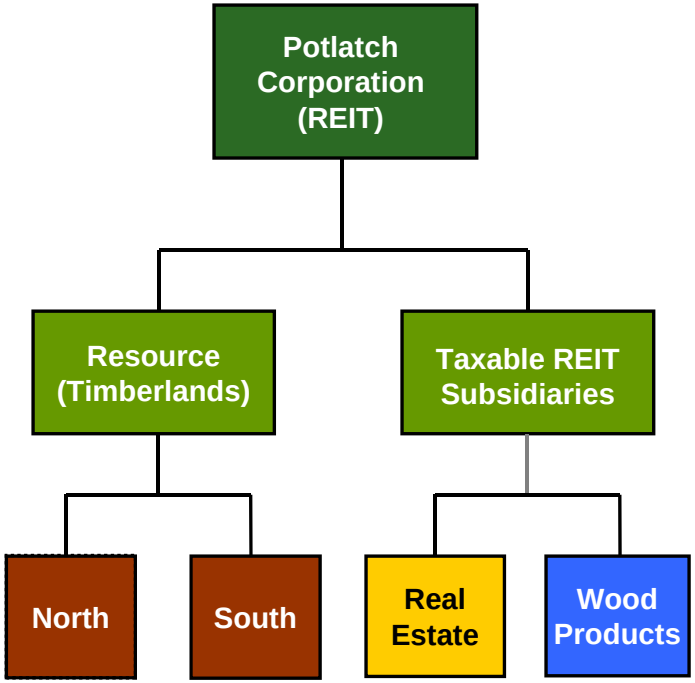
January 3, 2014

Forward-Looking Statement

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, ability of Resource segment to generate more cash flow, strength of the company's balance sheet, debt cost and maturity profile, dividend levels and yields, direction of markets and the economy, housing starts, exports of lumber to China, effect of the pine beetle in the West and lower allowable cuts in the East on Canada's ability to produce additional logs and lumber, biomass opportunities, U.S. GDP, rising home prices, mortgage rates, home ownership rate, housing affordability index, increased home sales, decline of non-current mortgages, household formations, Canadian lumber production, estimated increase in lumber and panel prices, 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; 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.

Potlatch Overview

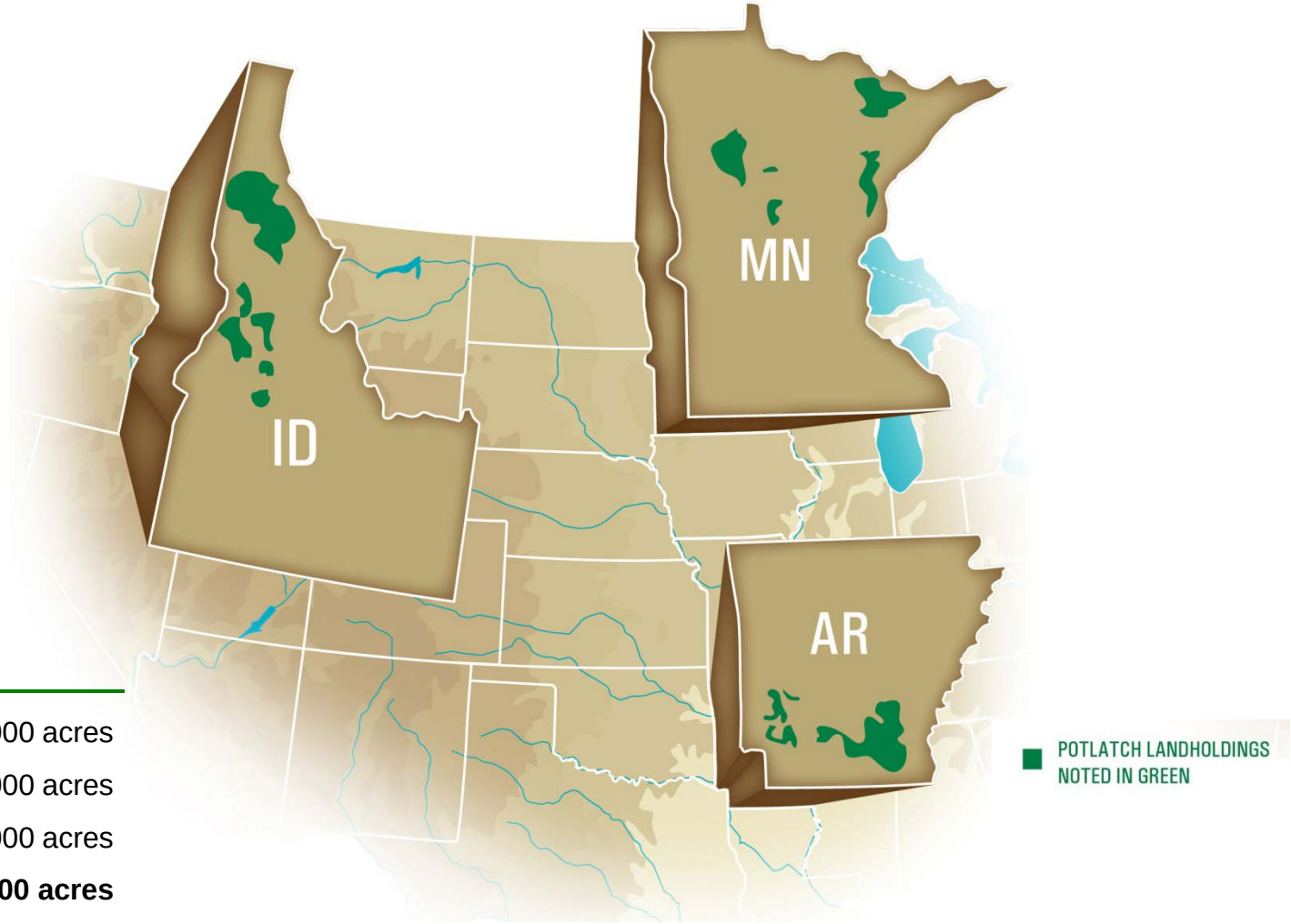


- **Fourth largest U.S. Timber REIT**
  - ✓ ~1.4 million acres of owned timberland
  - ✓ High margin, low risk real estate business
  - ✓ Five wood products manufacturing facilities
- **Enterprise value of $2.0 billion**
  - ✓ Market cap(1) of ~$1.7 billion
  - ✓ Net debt(2) of ~$0.3 billion
- **Strong balance sheet with solid credit metrics**
- **Attractive dividend at $1.40 per share, yielding 3.3%(1)**
  - ✓ Increased 13% in Q4 2013

(1) Based on December 30, 2013 closing stock price of $41.86 per share.
(2) We define net debt as the total of short-term and long-term debt less cash and short-term investments ($320 million total debt less $63 million of cash and short-term investments as of September 30, 2013).

Potlatch Overview

Potlatch owns approximately 1.4 million acres of FSC-certified timberland in Arkansas, Idaho and Minnesota and five wood products manufacturing facilities.



Timberlands[(1)]

Idaho:	806,000 acres
Arkansas:	409,000 acres
Minnesota:	198,000 acres
Total:	**1,413,000 acres**

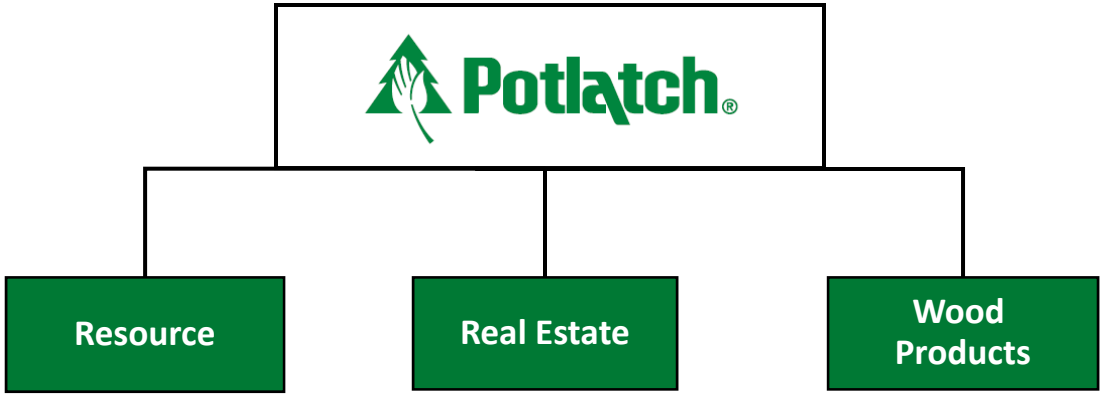
(1) As of September 30, 2013, excludes 1,000 acres in Wisconsin.

Potlatch Overview

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

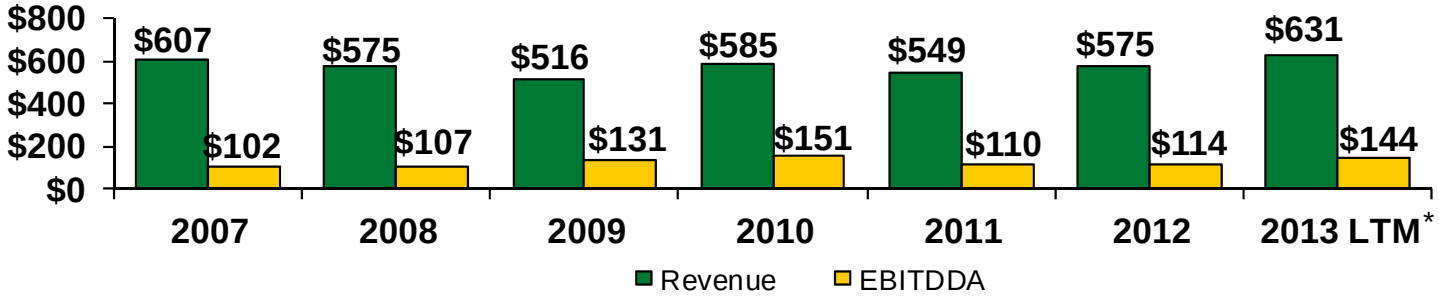
Potlatch Overview

($ in millions)



	Resource	Real Estate	Wood Products
2013 Segment LTM * Revenues(1)	**$229**	**$38**	**$364**
2013 Segment LTM * EBITDDA(2)	**$84**	**$33**	**$70**
Segment EBITDDA Margin(3)	**36.7%**	**86.8%**	**19.2%**

Historical Consolidated Revenue and EBITDDA(1)(2)



** As of September 30, 2013.*
(1) Segment revenues and historical consolidated revenues presented prior to intersegment eliminations.
(2) See page 24 of this presentation for definitions of EBITDDA and segment EBITDDA and page 23 for reconciliations to most comparable GAAP measures.
(3) Segment EBITDDA Margin is defined as Segment EBITDDA divided by Segment Revenues.

Conclusion

- **Potlatch maintains a very attractive asset base of ~1.4 million acres of timberland**
- **Wood Products business is generating solid cash flow**
  - ✓ Industry supply appears to be struggling to keep up with increased demand
- **Real Estate segment has low risk, high margin attributes**
- **Attractive dividend**
- **Strong balance sheet with attractive debt cost and maturity profile**
- **Long-term industry trends are very favorable**
  - ✓ Housing starts on solid recovery path
  - ✓ Exports to China from North America should remain robust
  - ✓ Pine beetle in B.C. and lower AAC in eastern provinces will lower supply from Canada
  - ✓ Biomass continues to hold promise

Idaho's Forest Products Industry

Idaho's forest products industry is very well positioned.

- **Most productive forest in the Inland West**
- **State of the art manufacturing technology**
- **High quality wood fiber and species diversity**
- **Over 100 years of history and experience**
- **Strong markets and efficient transportation**
- **Mature workforce**
- **Favorable policy arena**

Idaho's Forest Products Industry

Idaho's timber supply is stable.

Harvest quantity in thousand board feet, Scribner log scale

	Private	IDL	USFS	Total
2002	765,103	191,008	118,719	1,074,830
2003	727,142	190,615	106,002	1,023,759
2004	853,079	163,474	128,100	1,144,653
2005	811,467	178,905	136,623	1,126,995
2006	779,370	188,532	75,616	1,043,518
2007	735,286	203,047	103,676	1,042,009
2008	596,908	223,659	93,894	914,461
2009	486,058	186,656	73,405	746,119
2010	561,585	276,946	68,536	907,067
2011	615,542	342,932	111,310	1,069,784
2012 (est.)	587,426	356,000	102,663	1,046,089
2013 (est.)	610,000	371,895	109,482	1,091,377

Source: U.S. Forest Service; 2012-2013 estimates by Bureau of Business and Economics Research, University of Montana-Missoula

Idaho's Forest Products Industry

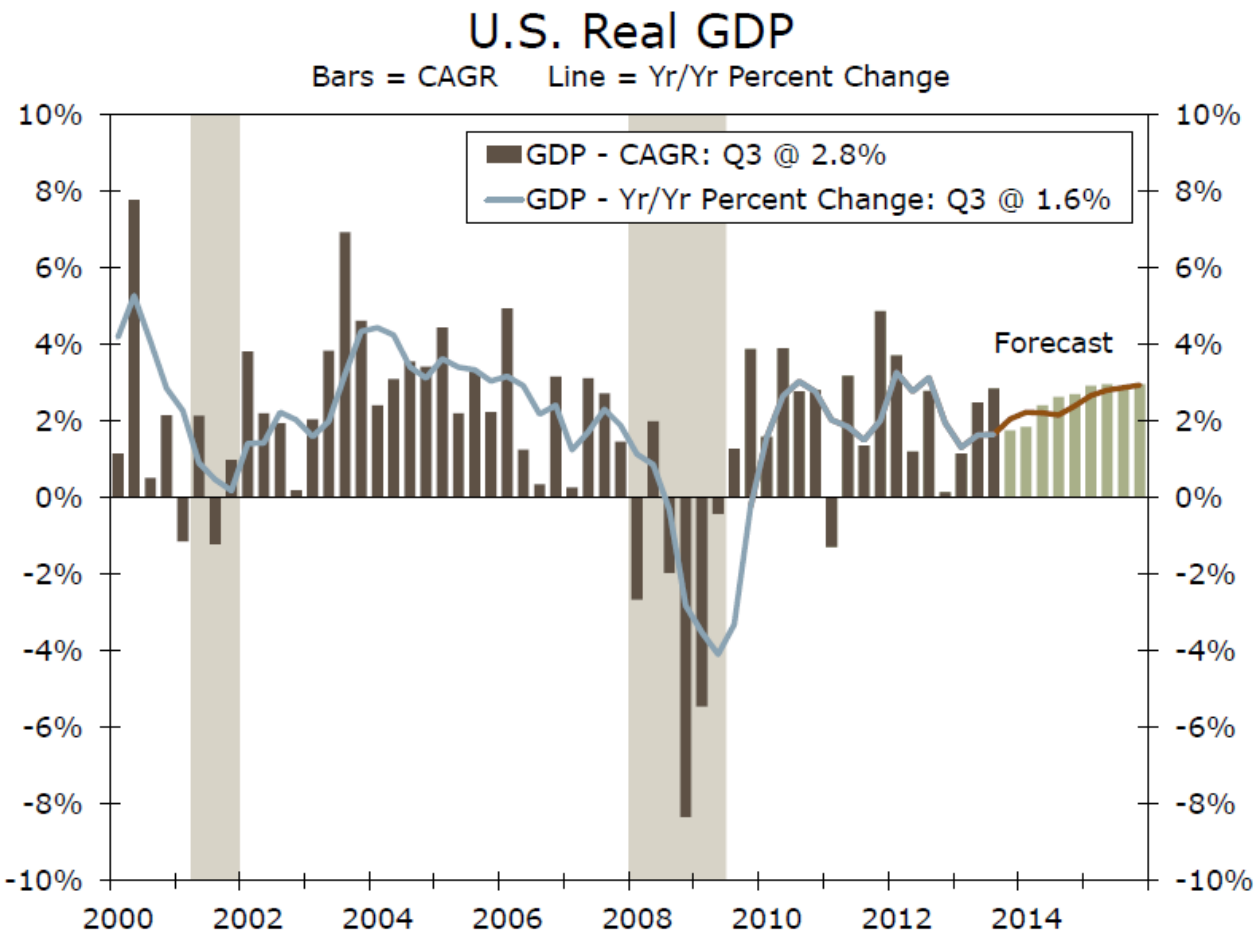
Idaho's forest products industry is a significant contributor to the state's economy.

- **Employment:**
  - ✓ **Over 10,500 direct jobs**
  - ✓ **Over 9,200 indirect jobs**
- **Wages:**
  - ✓ **Annual average wage – $53,000**
  - ✓ **27% higher than the Idaho's average**
  - ✓ **Full benefits**
- **Industry revenues:**
  - ✓ **Over $2.4 billion**
- **Industry contribution to Gross State Product**
  - ✓ **Between 1.5% and 2%**

Source: Jay O'Laughlin, Ph.D., Professor of Forestry & Policy Sciences, Director of Policy Analysis Group, College of Natural Resources, University of Idaho

U.S. Real GDP

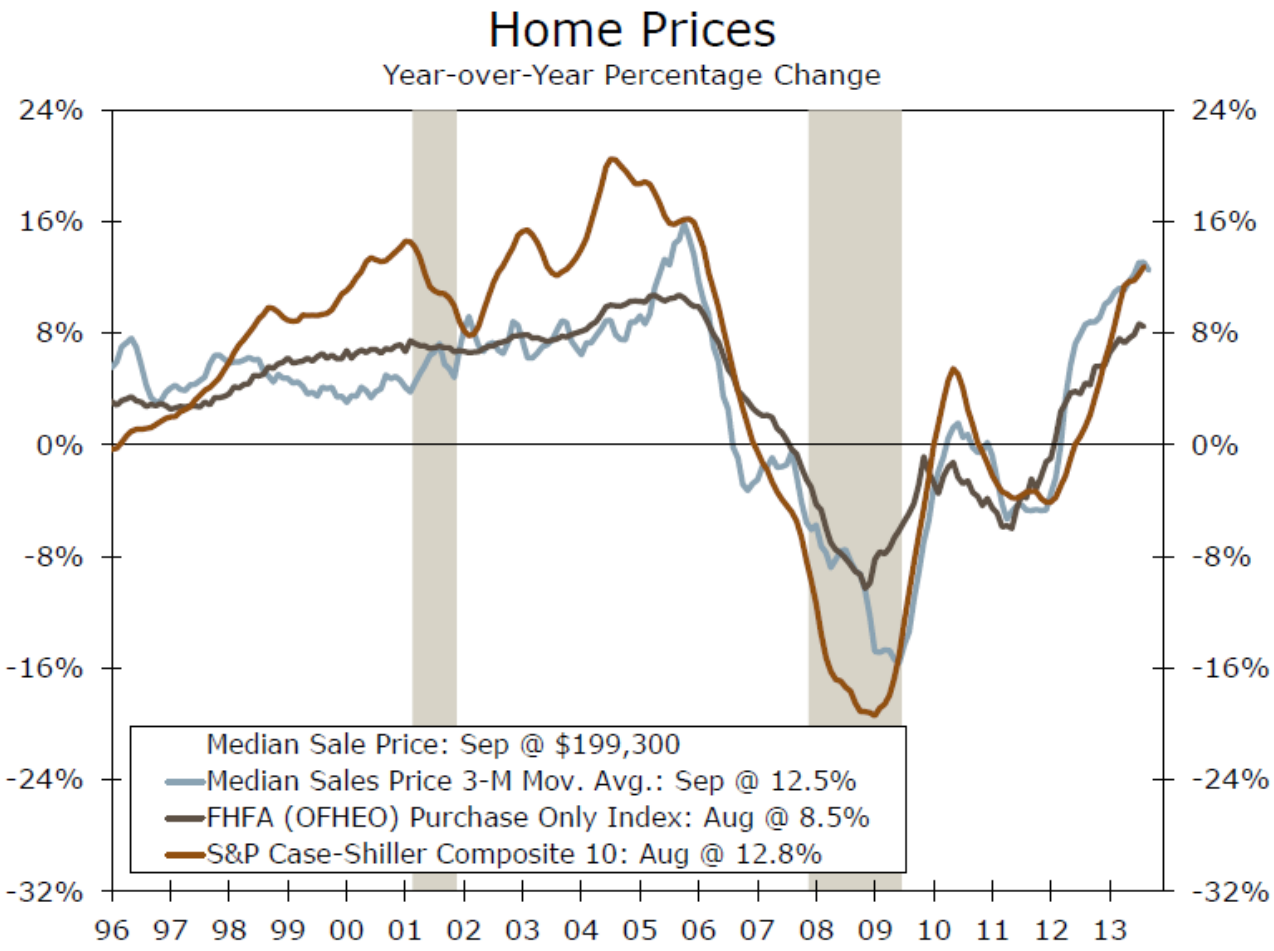
The strength of the U.S. economy and housing starts drive the success of Potlatch and Idaho's forest products industry. Most economists expect the U.S. economy to continue to grow next year.



Source: Wells Fargo Securities Economic Group, Special Commentary, Housing Chartbook July 2013

Home Prices are Increasing

Rising home prices help give consumers the confidence they need to 'pull the trigger' on buying a new house or to remodel their existing home. Importantly, home prices have begun rising again after years of declines.

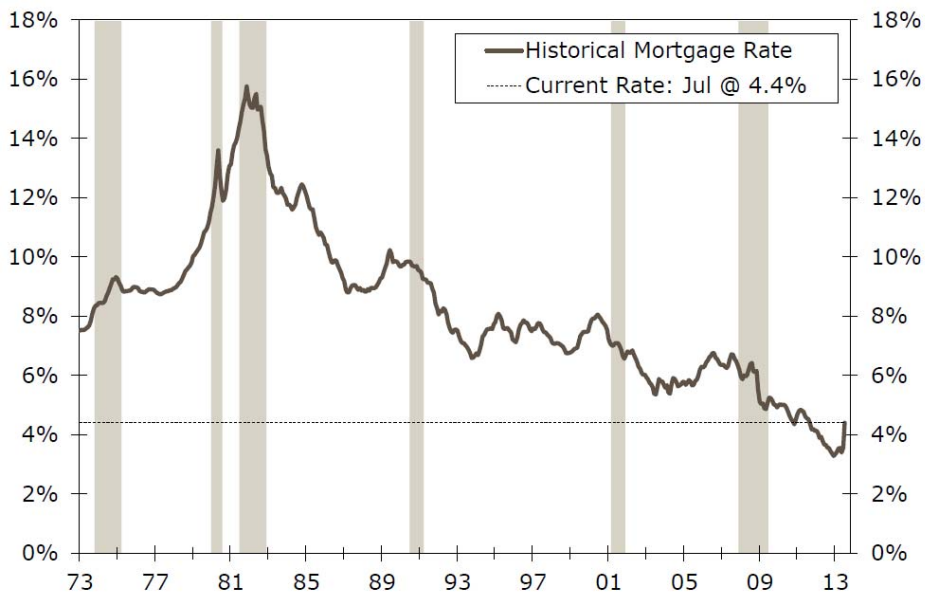


Owning a Home is Now Very Affordable

Mortgage rates have recently increased, though they are still at very low levels...

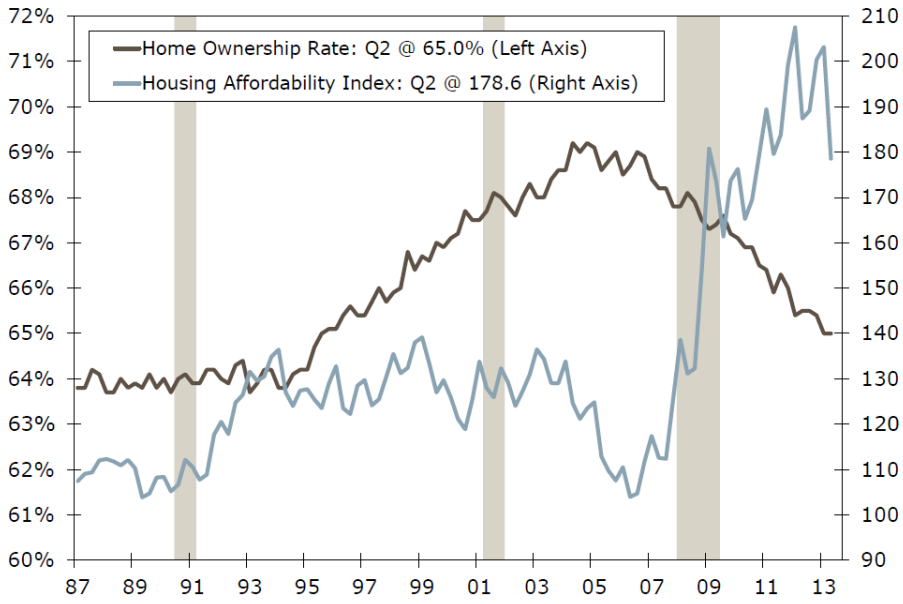
Putting affordability at high levels

30-Year Conventional Mortgage Rate



Home Ownership vs. Housing Affordability

Percentage, Index



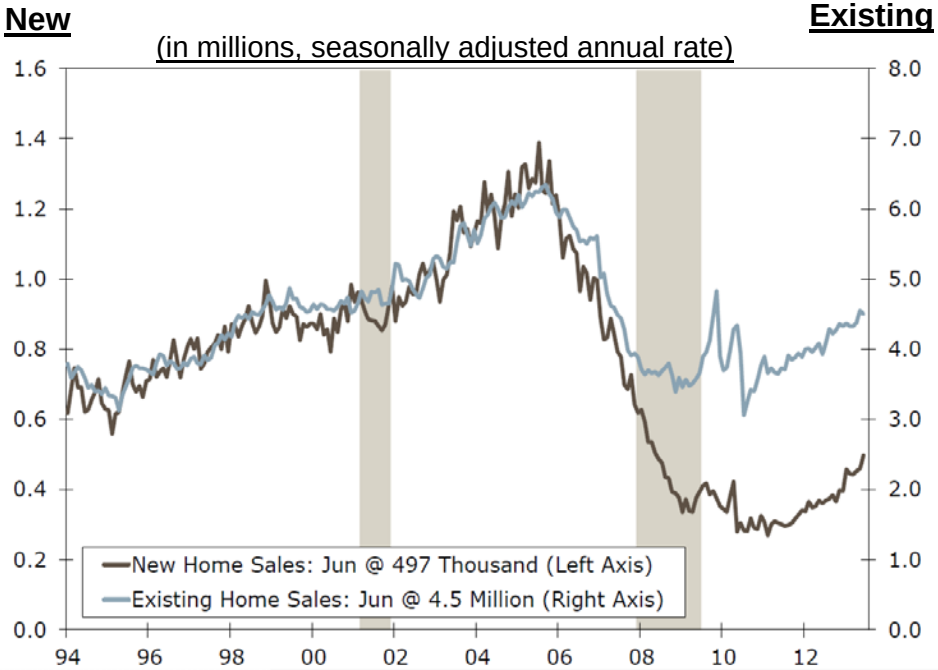
Source: Wells Fargo Securities Economic Group, Special Commentary, Housing Chartbook July 2013

Home Sales are Improving while Delinquencies Decline

Both new and existing home sales are working their way higher

The percent of non-current mortgages continues to decline as the housing market improves

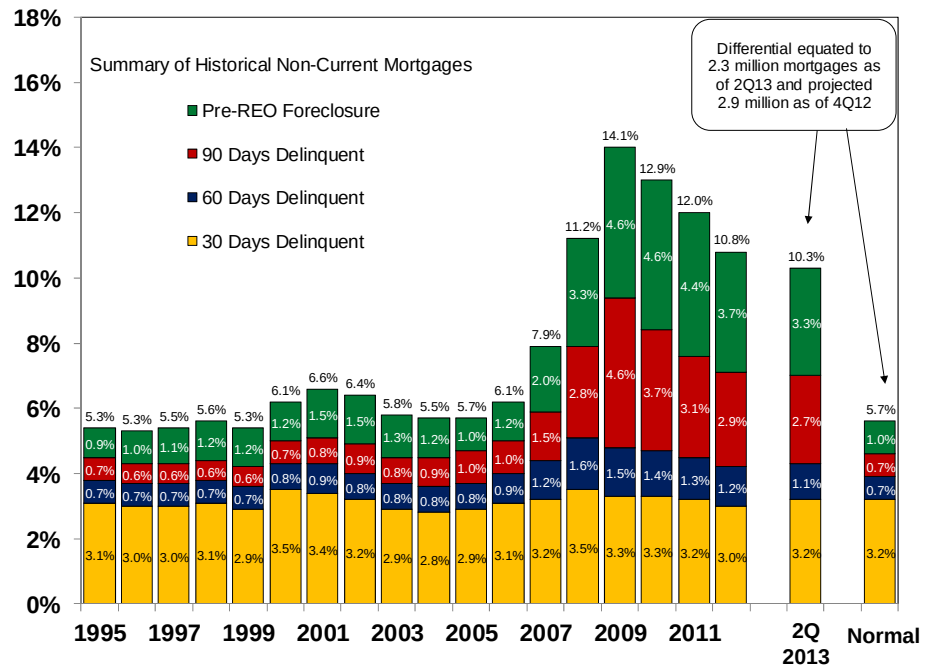
New and Existing Home Sales



Source: Wells Fargo Securities Economic Group, Special Commentary, Housing Chartbook July 2013

Summary of Historical Non-Current Mortgages

Percentage, Index



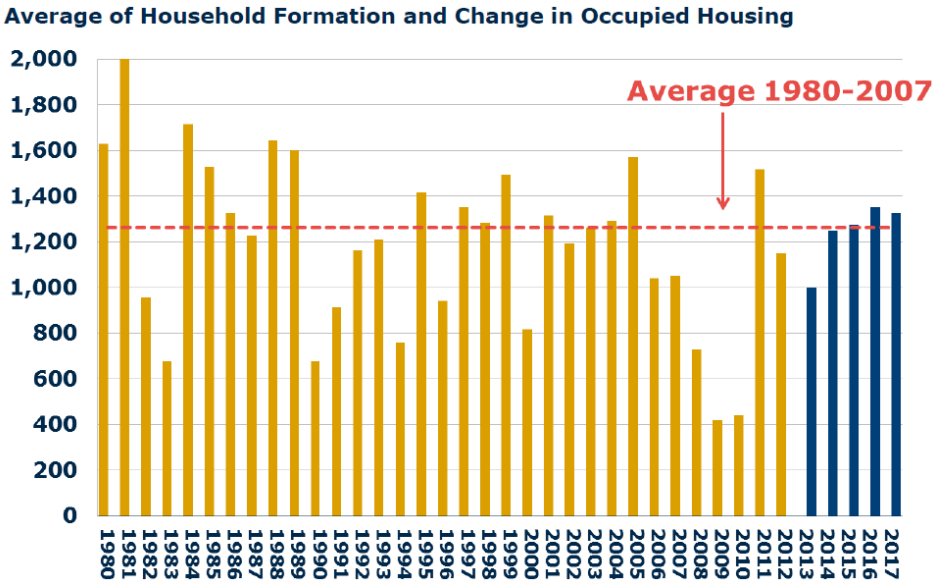
Source: MBA, Zelman and Associates analysis September 2013

Household Formation Drives Housing Starts

Household formations are expected to normalize…

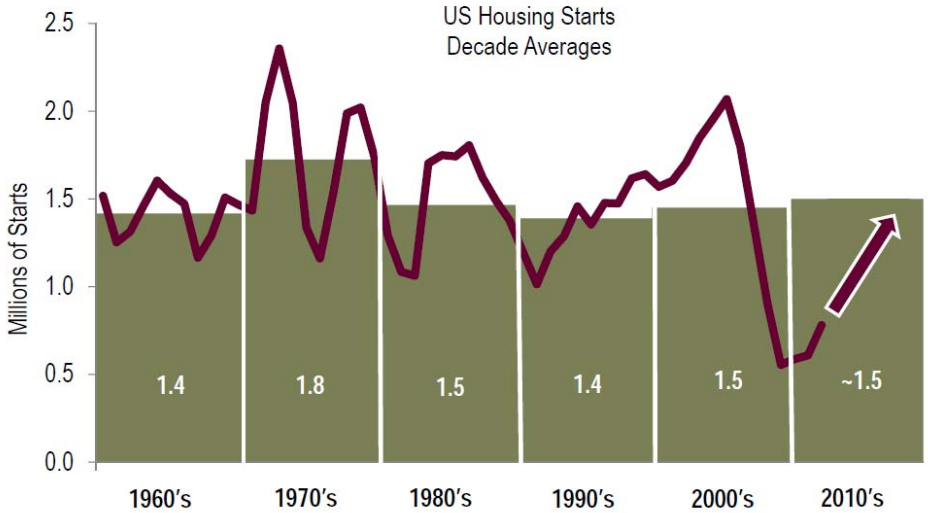
Pushing up home buyer traffic and housing starts

U.S. Household Formation



Source: FEA

U.S. Demographics Indicate Fundamental Demand Should Grow to 1.5 million Starts



Source: US Census Bureau, Harvard Joint Center for Housing Studies, Plum Creek Estimates

Forecast U.S. Housing Starts

Housing starts are expected to work their way higher over the next several years, as virtually every economist expects.

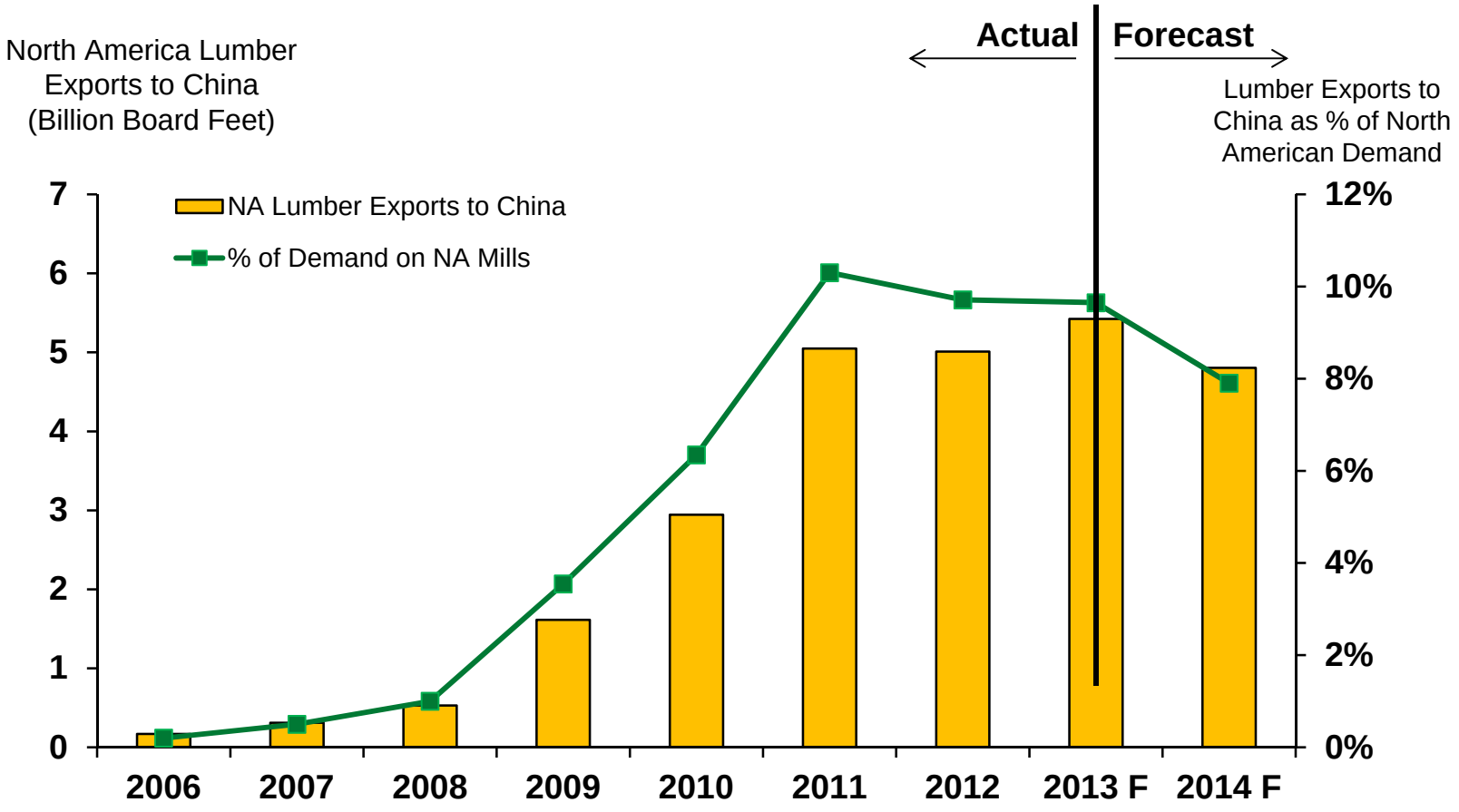
Forecasts (000)	2013	2014
RISI-Dec 6	930	1,200
Royal Bank of Canada-Dec 16	930	1,227
NAHB-Dec 7	921	1,147
Mesirow Financial-Dec 12	910	1,040
Forest Economic Adv.-Nov 7	925	1,148
Wells Fargo-Dec 11	950	1,100
APA-Dec 18	935	1,095
Mortgage Bankers-Nov 26	913	1,040
Average	927	1,124
	+19%	+21%

Source: APA, Housing Starts December 2013.

North American Exports of Lumber to China

Other economic factors also influence Idaho's near and long-term success. Chinese demand for North American lumber is still relatively strong.

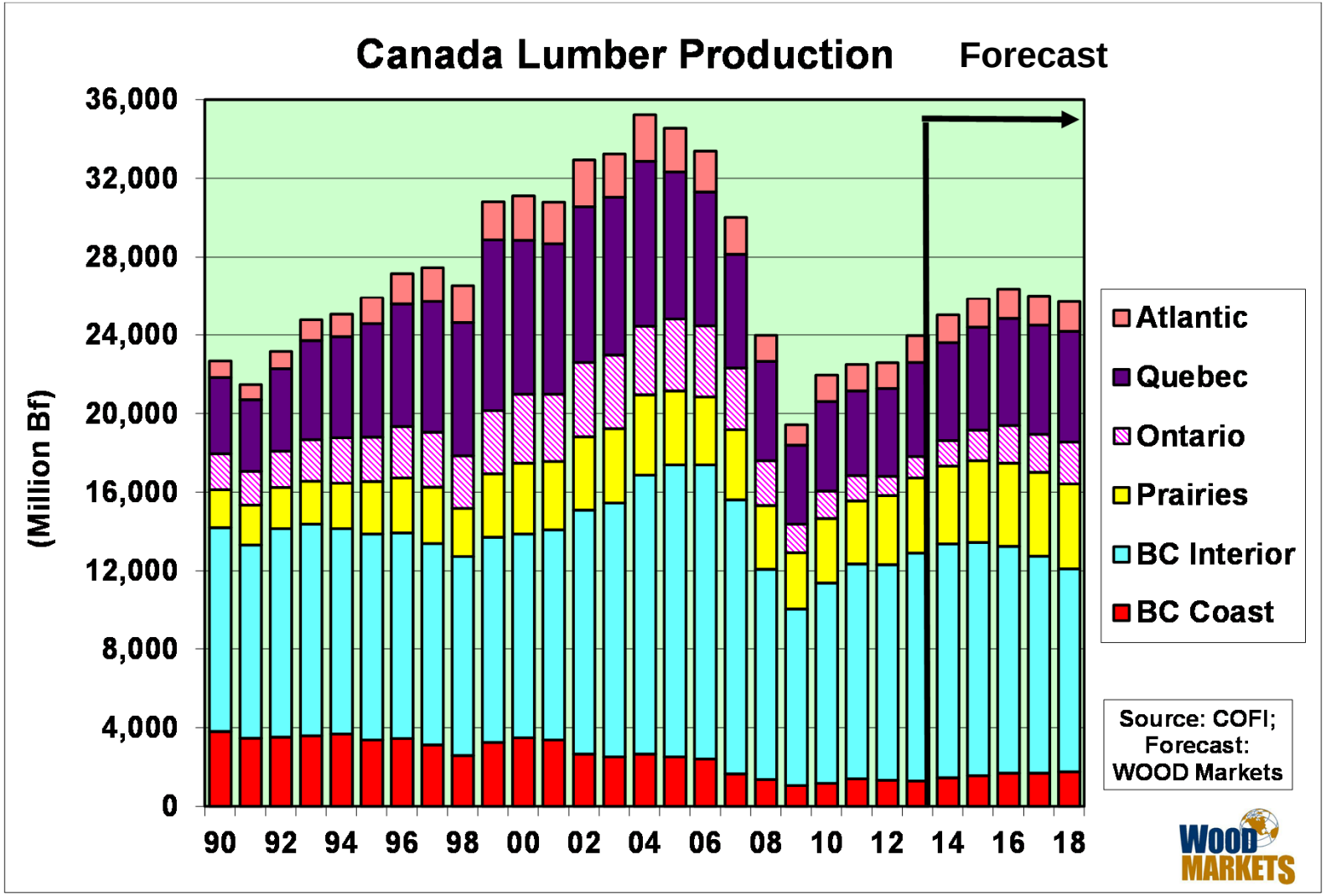
Softwood Lumber Exports to China (% of Total Demand on North America Mills)



Source: RISI North American Demand & FEA (Export to China).

Canadian Lumber Production Outlook

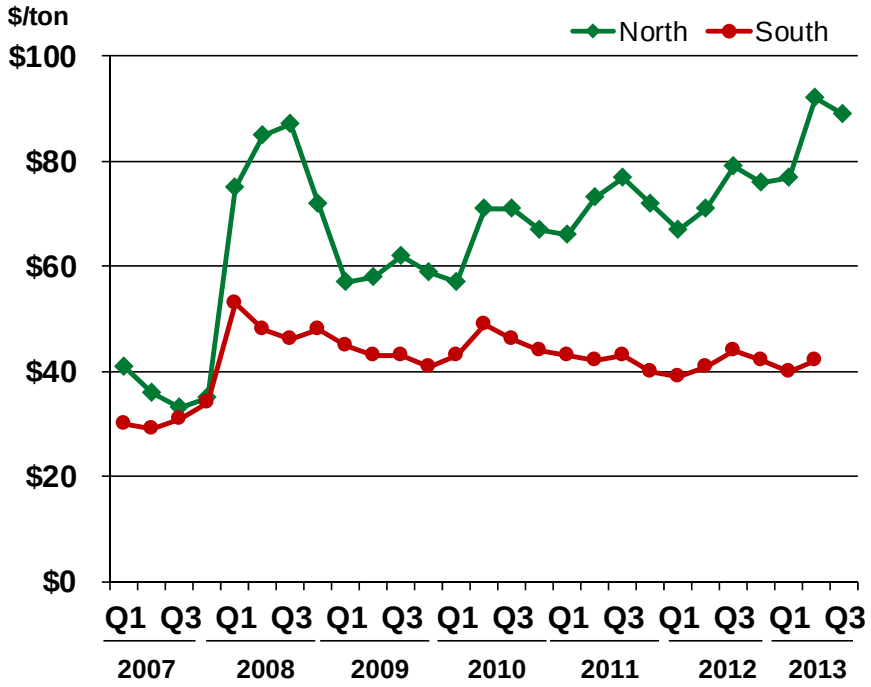
The mountain pine beetle impact will limit Canada's lumber production over the next several years.



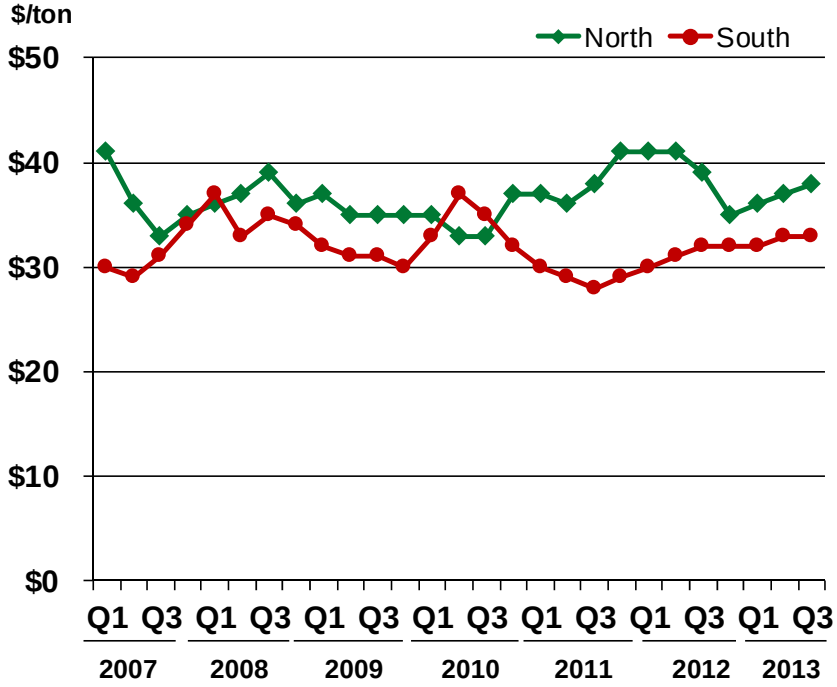
Potlatch Sawlog and Pulpwood

Pricing in the Northern and Southern Regions (Delivered)

SAWLOG

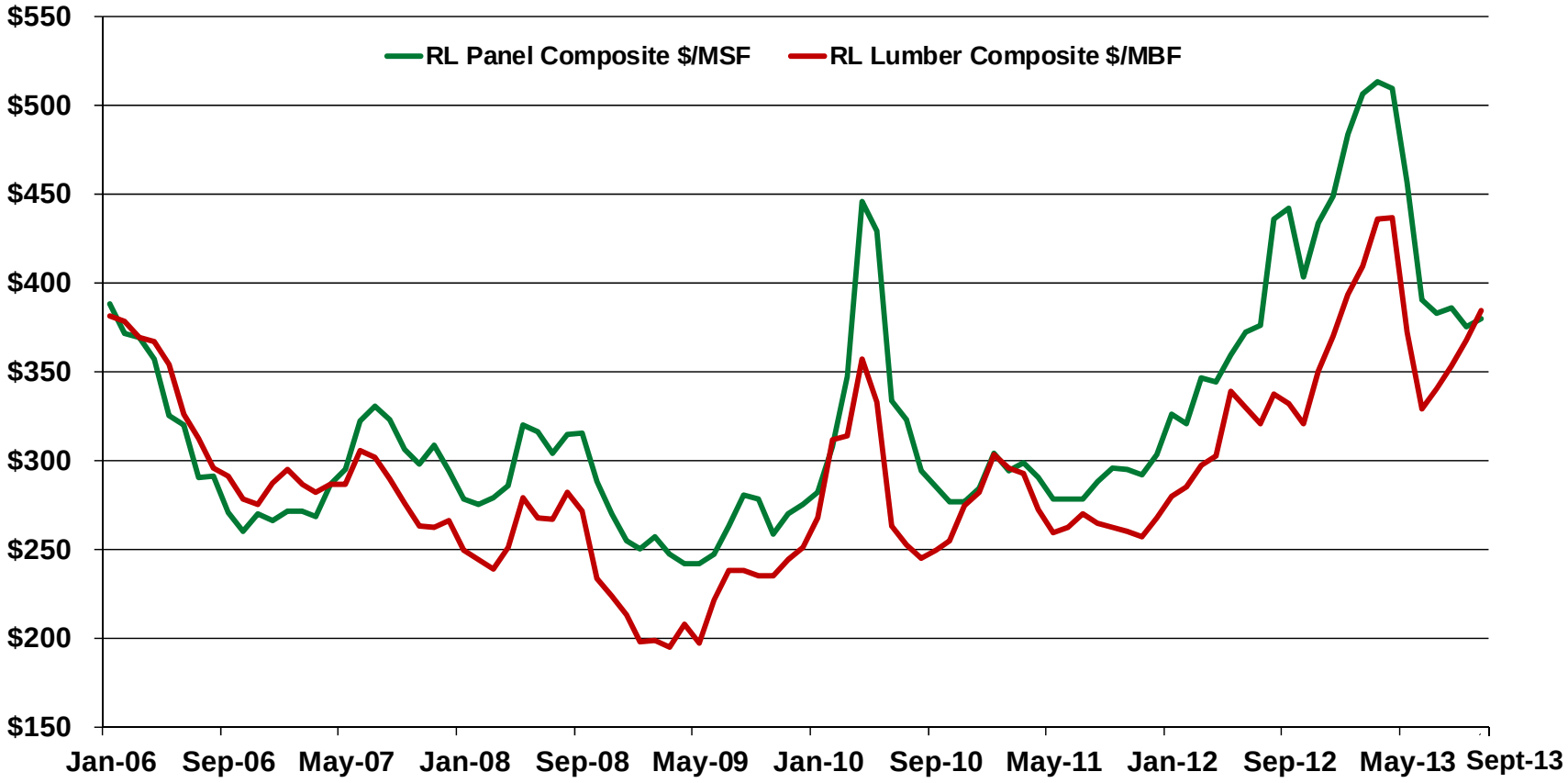


PULPWOOD



Historic Lumber & Panel Prices

Both lumber and panel prices have been increasing along with the housing recovery.



Source: Random Lengths – October 2013.

Summary

The outlook for wood products is solid, with continued pricing gains expected next year and beyond. Resource will also have a good year in 2014.

Factor		Wood Products Outlook		Resource Outlook
U.S. Housing	+	Recovering nicely	+	Increasing demand
Asian Markets	+	Firm demand	+	Firm demand
Canadian Timber and Lumber	−	Peaking supply	+	Decreasing supply
Earnings Outlook	+	**= Continued Strength**	+	**= Modest growth**

Appendix

EBITDDA and Segment EBITDDA Reconciliation

($ in millions)

	Fiscal Year						
	2007	2008	2009[1]	2010	2011	2012	2013 LTM
Consolidated							
Net income	$ 74	$ 73	$ 81	$ 40	$ 40	$ 43	$ 71
Adjustments:							
Income tax (benefit) provision	(17)	(25)	(16)	5	4	17	19
Add:							
Net cash interest expense	15	20	20	26	25	23	22
Depreciation, depletion, and amortization	26	30	35	31	29	26	27
Basis of real estate sold	4	9	11	49	14	5	5
Non-cash asset impairment and eliminations	-	-	-	-	(2)	-	-
Consolidated EBITDDA	$ 102	$ 107	$ 131	$ 151	$ 110	$ 114	$ 144
Resource							
Operating income	$ 82	$ 76	$ 82	$ 62	$ 60	$ 50	$ 66
Depreciation, depletion, and amortization	15	19	23	21	17	16	18
Resource Segment EBITDDA	$ 97	$ 95	$ 105	$ 83	$ 77	$ 66	$ 84
Real Estate							
Operating income	$ 17	$ 32	$ 49	$ 30	$ 31	$ 28	$ 27
Basis of real estate sold	4	9	11	49	14	6	6
Depreciation	-	-	-	-	1	-	-
Real Estate Segment EBITDDA	$ 21	$ 41	$ 60	$ 79	$ 46	$ 34	$ 33
Wood Products							
Operating income (loss)	$ 4	$ (14)	$ (21)	$ 7	$ 7	$ 45	$ 64
Depreciation	10	10	10	8	8	7	6
Wood Products Segment EBITDDA	$ 14	$ (4)	$ (11)	$ 15	$ 15	$ 52	$ 70

(1) Consolidated and Wood Products EBITDDA includes a $3 million asset impairment charge.

Definitions of Non-GAAP Measures

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.

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