



FORESTAR

Information on Execution of Key Initiatives
and Fourth Quarter & Full Year
2015 Financial Results

March 2, 2016

Notice to Investors



This presentation contains “forward-looking statements” within the meaning of the federal securities laws. Forward-looking statements are typically identified by words or phrases such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “forecast,” and other words and terms of similar meaning. These statements reflect management’s current views with respect to future events and are subject to risk and uncertainties. We note that a variety of factors and uncertainties could cause our actual results to differ significantly from the results discussed in the forward-looking statements, including but not limited to: general economic, market, or business conditions; market demand for our non-core assets; changes in commodity prices; opportunities (or lack thereof) that may be presented to us and that we may pursue; fluctuations in costs and expenses including development costs; demand for new housing, including impacts from mortgage credit rates or availability; lengthy and uncertain entitlement processes; cyclical nature of our businesses; accuracy of accounting assumptions; competitive actions by other companies; changes in laws or regulations; and other factors, many of which are beyond our control. Except as required by law, we expressly disclaim any obligation to publicly revise any forward-looking statements contained in this presentation to reflect the occurrence of events after the date of this presentation.

This presentation includes Non-GAAP financial measures. The required reconciliation to GAAP financial measures can be found as an exhibit to this presentation and on our website at www.forestargroup.com.



Significant Progress at Forestar



Four Key Initiatives

Reducing Costs Across the Entire Organization

- Actions taken to eliminate over \$30 million in SG&A

Reviewing Entire Portfolio of Assets

- Multiple NAV scenarios completed for every asset
- Non-core assets - opportunistically exiting

Reviewing Capital Structure

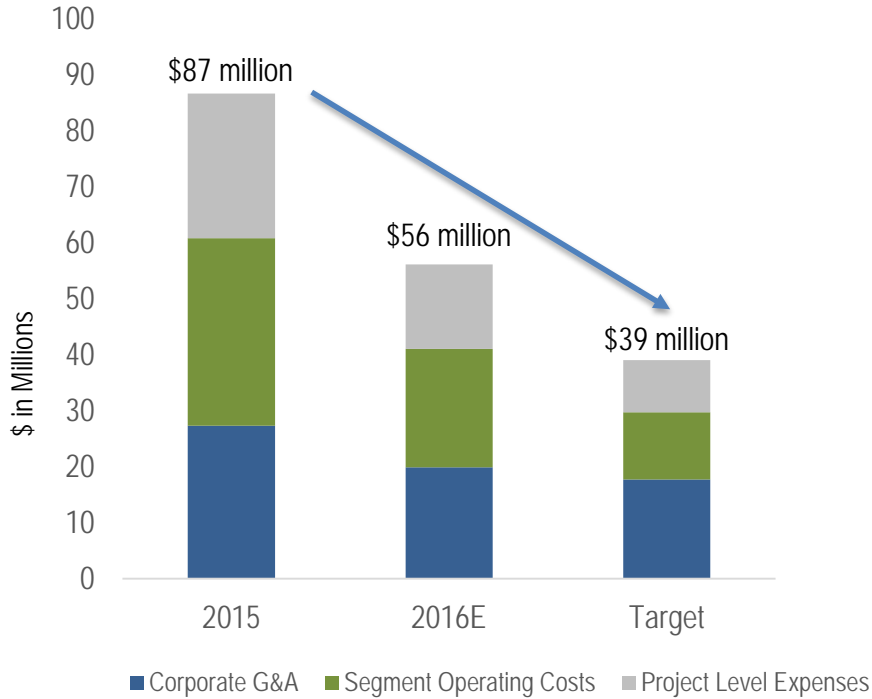
- Retired \$19 million of senior secured notes to yield \$1.6 million in annual interest savings

Providing Additional Information

- Entitlement activities discontinued on 8 projects in Georgia totaling 20,000 acres
- Determined 12 Georgia entitled projects (4,000 planned lots) unlikely to be developed

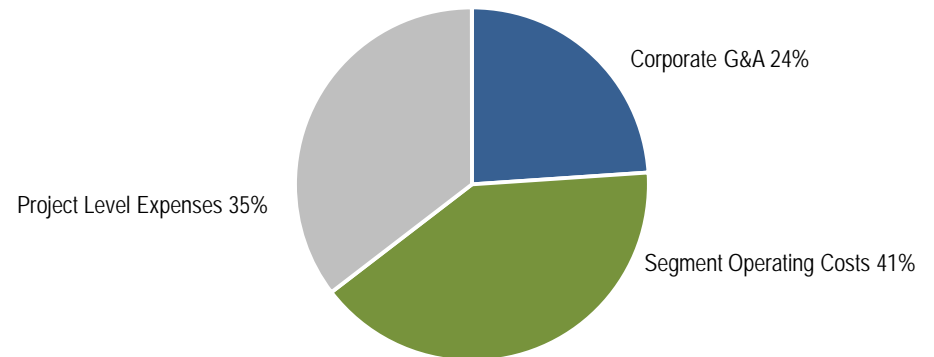
Reducing Costs Across Entire Organization

Annual SG&A Costs



- Over \$30 million in annual savings expected in 2016
- Significant reduction in workforce – over 50% reduction compared to peak, once initiatives are fully implemented
- Actions taken to reduce costs across organization – “zero-based budgeting”
- Targeting additional \$17 million reduction as non-core asset sales are completed

2016 Annual Savings Breakdown



SG&A costs in 2016 and target are estimates and actual results may vary depending on the timing of asset sales.

Reviewing Entire Portfolio of Assets



NON - CORE ASSETS

Oil & Gas Working Interests	Radisson Hotel	Multifamily	Community Development	Undeveloped Land
Sold Kansas and Nebraska for \$21 MM	Executed agreement for \$130 MM	<p data-bbox="608 464 1078 556">Opportunistically exiting multifamily portfolio</p> <p data-bbox="608 592 1078 656">Denver 360 – Target Q1/16 close</p> <p data-bbox="608 692 1078 792">Eleven on market – Target Q2/16 close</p> <p data-bbox="608 828 1078 1063">Three multifamily assets being marketed for sale by HFF¹:</p> <ul data-bbox="608 921 1078 1063" style="list-style-type: none"> - Dillon - Music Row - Pressler <p data-bbox="608 1099 1078 1149">Market Acklen in Q2/16E</p> <p data-bbox="608 1185 1078 1235">Market Littleton in late 2016E</p> <p data-bbox="608 1270 1078 1363">Market Westlake and Elan in 2017E</p>	<p data-bbox="1110 464 1599 528">Exit non-core communities</p> <p data-bbox="1110 564 1599 706">Discontinued entitlement on 20,000 acres (8 projects) in Georgia</p> <p data-bbox="1110 742 1599 963">Identified 12 Georgia entitled projects (nearly 4,000 planned lots and 5,100 acres) not likely to be developed</p>	<p data-bbox="1632 464 1903 556">Sold 6,900 acres Q4/15 for \$15 MM</p> <p data-bbox="1632 592 1903 728">Pursue opportunistic exit of 89,000² acres</p>

1. Holliday Fenoglio Fowler

2. Includes 20,000 acres in Georgia transferred from Entitlement in Process (EIP) to higher and better use timberland and 5,100 acres in Georgia classified as entitled undeveloped land

Q4 and Full Year 2015 Results Impacted By Non-Cash Oil and Gas Impairments



	Q4 2015	Q4 2014	Full Year 2015	Full Year 2014
<i>(\$ in Millions, except per share data)</i>				
Net Income (Loss) - As Reported	(\$6.2)	(\$11.8)	(\$213.0)	\$16.6
Net Income (Loss) Per Share - As Reported	(\$0.18)	(\$0.34)	(\$6.22)	\$0.38
<u>Special Items:</u>				
Deferred Tax Asset Valuation Allowance	(2.9)	----	96.0	----
Oil & Gas Proved Property Impairments	10.8	10.1	69.6	10.1
Oil & Gas Unproved Leasehold Interest Impairments	13.6	9.8	37.4	11.1
Severance Related Charges	----	3.3	2.2	3.3
Total Special Items After-Tax	\$21.5	\$23.2	\$205.2	\$24.5
Net Income (Loss) – Excluding Special Items	\$15.3	\$11.4	(\$7.8)	\$41.1
Net Income (Loss) Per Share – Excluding Special Items	\$0.45	\$0.32	(\$0.23)	\$0.94

- Q4 2015 and FY 2015 results include charges of (\$21.5) million, or (\$0.63) per share, and (\$205.2) million or (\$5.99) per share respectively, after-tax, principally associated with impairments related to unproved leasehold interests and proved oil and gas properties
- Q4 2014 and FY 2014 results include charges of (\$23.2) million, or (\$0.66) per share, and (\$24.5) million, or (\$0.56) million per share respectively, after-tax, principally associated with impairments related to proved oil and gas properties and unproved leasehold interests

Note: Q4 2015 and FY 2015 weighted average diluted shares outstanding were 34.3 million, Q4 2014 and FY 2014 weighted average diluted shares outstanding were 35.0 million and 43.6 million, respectively

Q4 and Full Year 2015 Segment Results



<i>(\$ in Millions)</i>	Q4 2015	Q4 2014	Full Year 2015	Full Year 2014
Segment Earnings (Loss)				
Real Estate	\$37.9	\$30.0	\$67.7	\$96.9
Oil and Gas	(38.4)	(39.0)	(184.4)	(22.7)
Other Natural Resources	<u>(0.1)</u>	<u>3.3</u>	<u>(0.6)</u>	<u>5.5</u>
Total Segment Earnings (Loss)	(\$0.6)	(\$5.7)	(\$117.3)	\$79.7

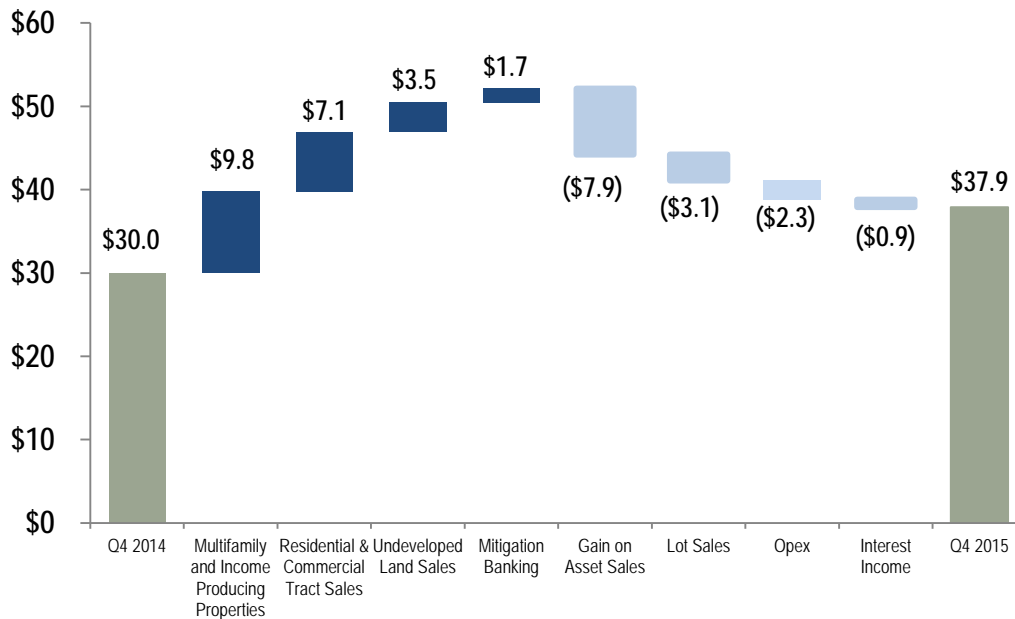
- Q4 and FY 2015 real estate revenues include the sale of Midtown Cedar Hill, a 354-unit multifamily property we developed near Dallas for \$42.9 million, generating \$9.3 million of earnings, reduced debt by \$24.2 million
- Q4 and FY 2015 oil and gas segment results include non-cash impairment charges of (\$37.6) million and (\$164.8) million related respectively, related to unproved leasehold interests and proved oil and gas properties
- Q4 2014 real estate segment results include \$7.6 million in earnings from the sale of over 8,400 acres of timberland and a \$6.6 million gain associated with \$46.5 million in bond proceeds from the Cibolo Canyons Special Improvement District
- Q4 2014 and FY 2014 oil and gas segment results include charges of (\$35.7) million and (\$37.7) million respectively, principally associated with impairments related to unproved leasehold interests, proved oil and gas properties and other costs
- Other natural resources segment results include a \$2.7 million and \$3.4 million gain in Q4 and FY 2014 related to the termination of a timber lease in connection with land sales from the Ironstob venture

Real Estate Segment - Earnings Reconciliation Q4 2015



Segment Earnings Reconciliation Q4 2014 vs. Q4 2015

(\$ in millions)



Q4 2015 Sales Activity

- Sold Midtown Cedar Hill multifamily for \$42.9 million, generating \$9.3 million in earnings and reduced debt \$24.2 million
- Residential Tracts – 59 acres
 - \$110,500 per acre
- Commercial Tracts – 7 acres
 - > \$491,700 per acre
- Undeveloped Land – nearly 7,267 acres
 - Average \$2,200 per acre
- Residential Lots – 363
 - > \$83,700 average price per lot
 - \$35,000 gross profit per lot

Note: Includes ventures

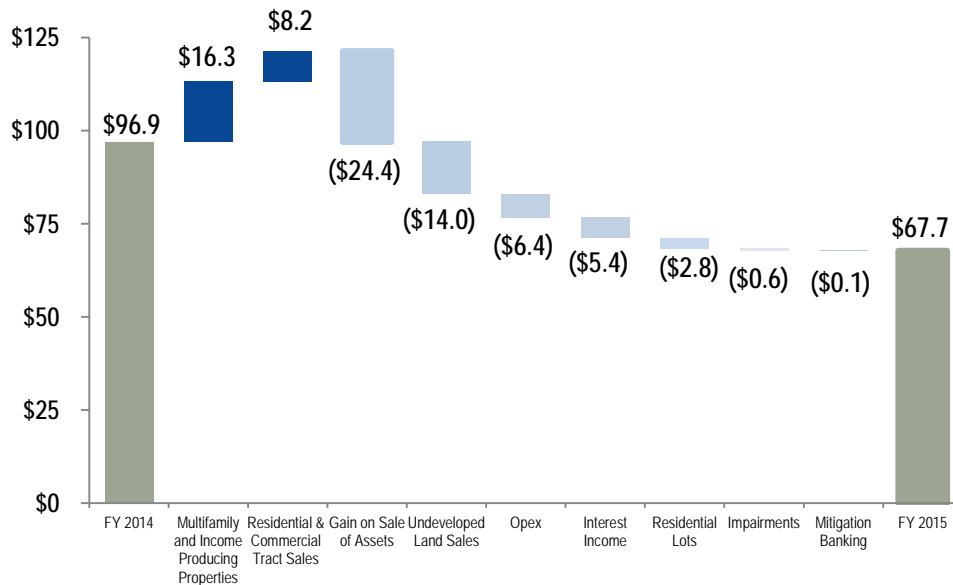
Real Estate Segment - Earnings Reconciliation FY 2015



Segment Earnings Reconciliation

FY 2014 vs. FY 2015

(\$ in millions)



FY 2015 Sales Activity

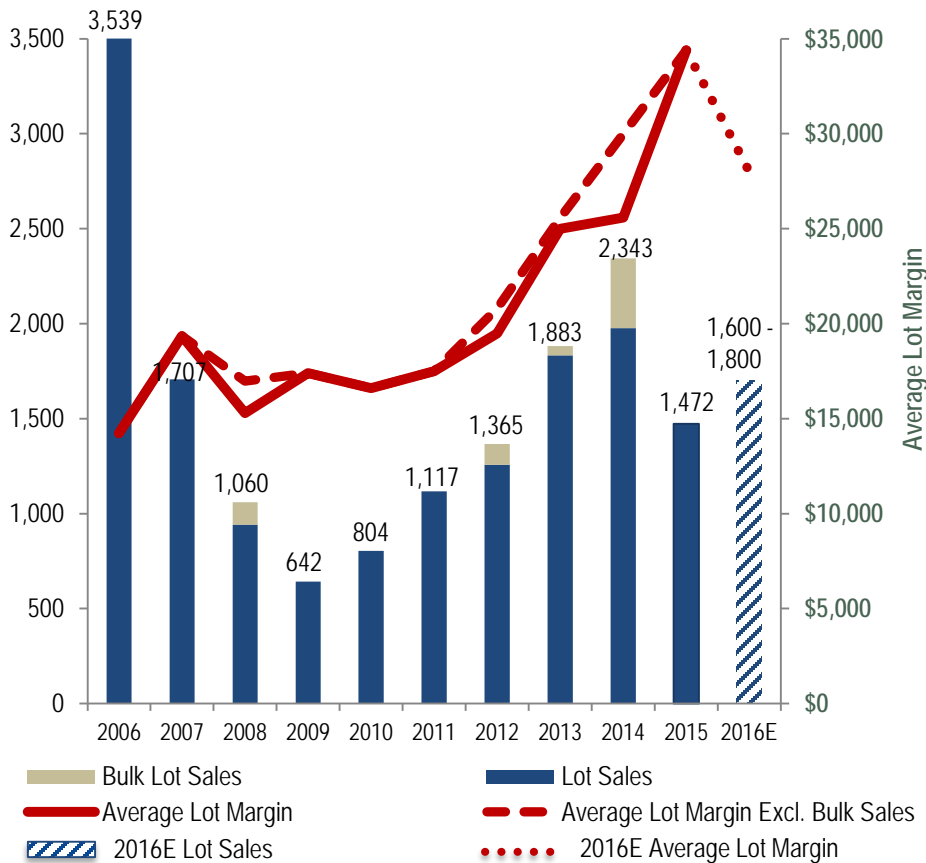
- Sold Midtown Cedar Hill multifamily for \$42.9 million, generating \$9.3 million in earnings, reduced debt \$24.2 million
- Commercial Tracts – 63 acres
 - Approximately \$248,300 per acre
- Residential Tracts – 1,062 acres
 - Almost \$10,600 per acre
- Undeveloped Land – 13,862 acres
 - Almost \$2,300 per acre
- Residential Lots – 1,472 lots
 - \$77,200 average price per lot
 - \$34,400 gross profit per lot - up 34% vs. 2014

Note: Includes ventures

Focused on Value Through Community Development



Annual Lot Sales and Average Lot Margin



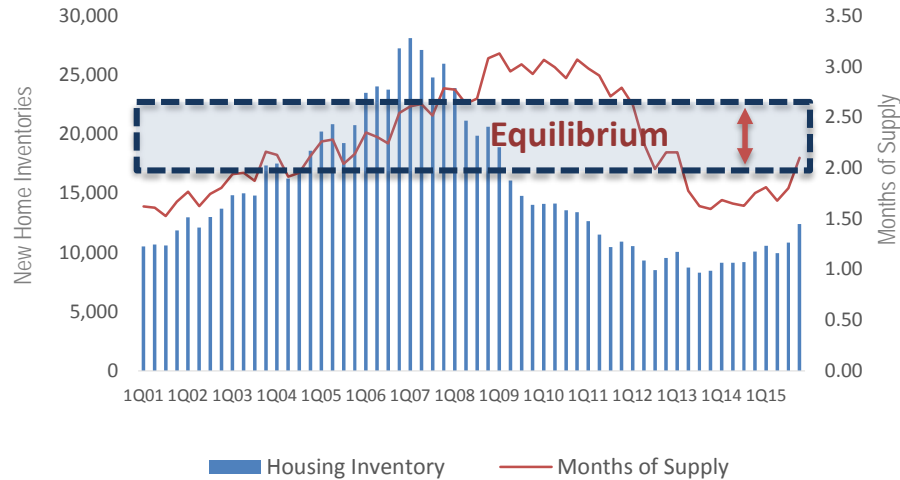
- Strategically positioned to leverage development expertise with regional and private builders
- Value created through development of existing portfolio and strategic and disciplined acquisitions which diversify portfolio

2015 Investments:

- Development Costs = \$78 million
 - Current development projects
- New Site Acquisitions = \$28 million
 - 5 community sites – 933 planned units/lots
- Joint Ventures = \$21 million
 - 6 ventures with 1,069 units/lots
- Driving lot sales, residential and commercial tract sales
 - Anticipate 1,600 – 1,800 lot sales in 2016
 - Marketing ~330 acres of commercial tracts
 - ~ 260 acres San Joaquin River = Antioch, CA industrial site

Stable Market Demand in Most Texas Markets

Texas New Home Inventory Within Equilibrium

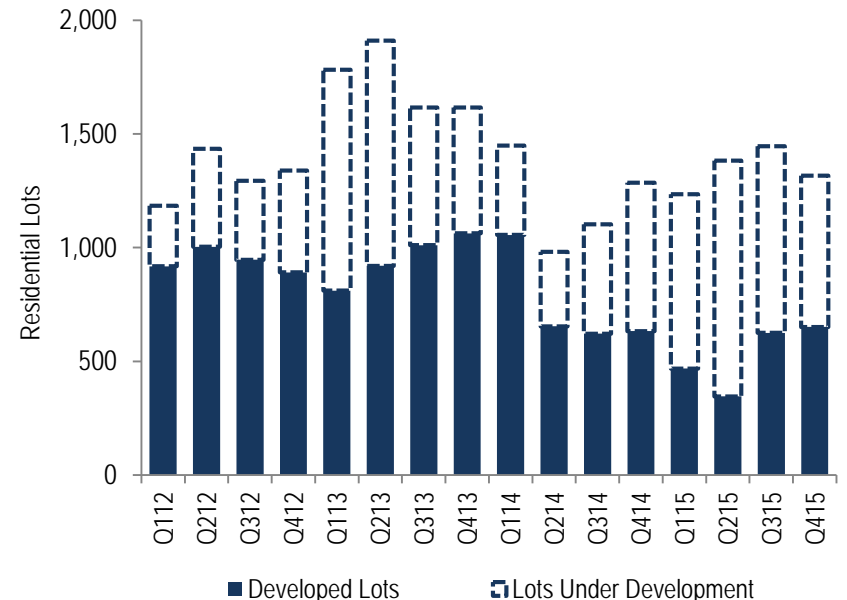


- New home inventories remain in equilibrium in Texas
- Job growth in Dallas, Austin and San Antonio holding well above U.S. average
- Houston job growth lower

Texas Job Growth vs. National Average

December 2015 vs. December 2014	
Austin	3.7%
Dallas / Fort Worth	3.0%
Houston	0.8%
San Antonio	3.5%
U.S. Average	1.9%

Forestar: > 1,300 Lots Under Option Contract

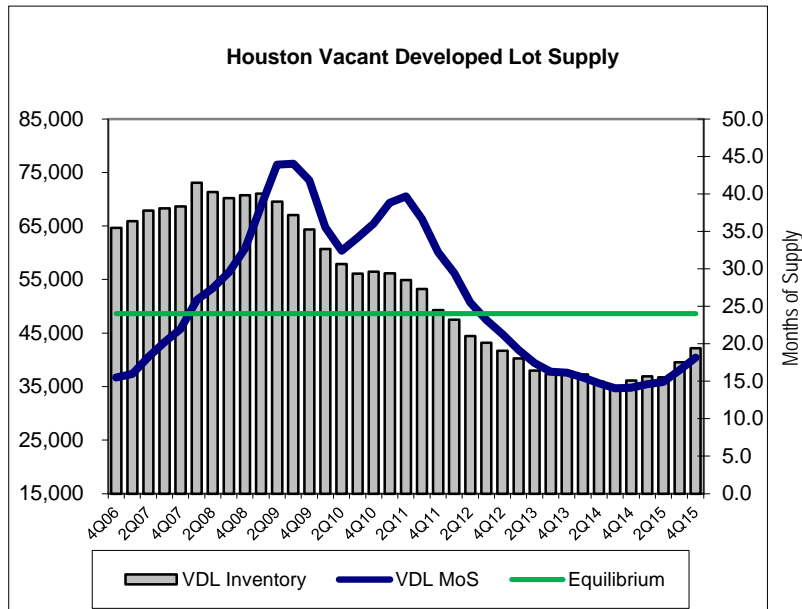


No Builder Option Terminations

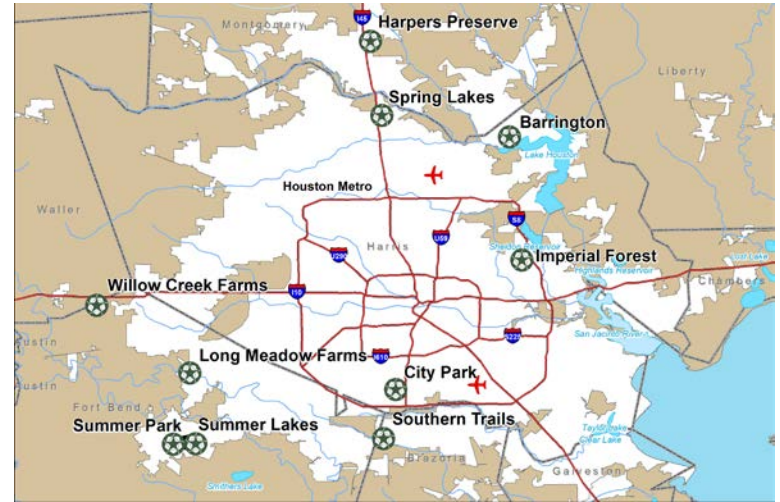
Lower Houston Job Growth; Markets Remain Balanced With Low Housing Inventory

Houston Housing Market

- Houston #1 in single-family new home permits in U.S. with significant future expected population growth
- Housing starts down 8.9% in Q4 2015 vs year-ago
- Vacant developed lot (VDL) supply below equilibrium
- New home inventory at 7.1 months; only modestly above equilibrium



Forestar Houston Communities



(\$ in millions)	Texas	Houston
Community Development ¹		
Projects	39	10
Pipeline:		
Residential Lots	9,162	2,757
Commercial Acres	637	348
Investment	\$283	\$51

Forestar Houston communities well positioned with 2016E Houston lot sales consistent with 2015

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Appendix

Real Estate Segment KPI's

	Q4 2015	Q4 2014	FY 2015**	FY 2014*
Residential Lot Sales				
Lots Sold	363	509	1,472	2,343
Average Price / Lot	\$83,700	\$71,800	\$77,200	\$58,100
Gross Profit / Lot***	\$35,000	\$35,700	\$34,400	\$25,600
Commercial Tract Sales				
Acres Sold	7	25	63	32
Average Price / Acre	\$491,700	\$227,500	\$248,300	\$258,600
Land Sales				
Acres Sold	7,267	8,963	13,862	22,137
Average Price / Acre	\$2,200	\$2,100	\$2,300	\$2,200
Segment Revenues (\$ in Millions)	\$102.6	\$60.0	\$202.8	\$213.1
Segment Earnings (\$ in Millions)	\$37.9	\$30.0	\$67.7	\$96.9

*FY 2014 real estate segment results include \$10.5 million gain associated with the exchange of 10,000 acres of timber leases into 5,400 acres of undeveloped land, \$7.6 million gain associated with acquisition of our partner's interest in Eleven venture and \$6.6 million gain associated with \$46.5 million of bond proceeds received from Cibola Canyons Special Improvement District.

**FY 2015 real estate segment results include revenues of \$42.9 million and earnings of \$9.3 million associated with the sale of Midtown Cedar Hill multifamily community we developed near Dallas.

*** FY 2014 gross profit per lot was approximately \$30,000 per lot, excluding almost 370 bulk lot sales.

Oil and Gas Segment KPI's

	Q4 2015**	Q4 2014**	FY 2015***	FY 2014***
Fee Leasing Activity				
Net Fee Acres Leased	---	40	3,343	3,905
Avg. Bonus / Acre	---	\$200	\$298	\$320
Total Oil and Gas Interests*				
Oil Produced (Barrels)	235,600	236,900	1,046,400	869,700
Average Price / Barrel	\$36.97	\$63.91	\$42.89	\$83.43
NGL Produced (Barrels)	30,800	22,900	112,100	61,400
Average Price / Barrel	\$8.59	\$38.42	\$13.81	\$41.02
Natural Gas Produced (MMCF)	503.6	614.1	2,134.8	2,060.2
Average Price / MCF	\$2.26	\$3.77	\$2.60	\$4.19
Total BOE	350,400	362,100	1,514,300	1,274,500
Average Price / BOE	\$28.86	\$50.63	\$34.33	\$65.68
Segment Revenues (\$ in millions)	\$10.1	\$18.2	\$52.9	\$84.3
Segment Earnings (Loss) (\$ in millions)	(\$38.4)	(\$39.0)	(\$184.4)	(\$22.7)
Producing Wells (<i>end of period</i>)	903	944	903	944

* Includes our share of venture production: 39 MMcf in Q4 2015, 168 MMcf FY 2015, 47 MMcf in Q4 2014, 200 MMcf FY 2014

** Fourth quarter 2015 and fourth quarter 2014 oil and gas segment results include (\$37.6) and (\$30.6) million respectively of non-cash impairment charges related to proved oil and gas properties and unproved leasehold interests.

*** FY 2015 and FY 2014 oil and gas segment results include (\$164.8) million and (\$32.7) million respectively of non-cash impairment charges related to proved oil and gas properties and unproved leasehold interests.

Other Natural Resources Segment KPI's



	Q4 2015	Q4 2014	FY 2015	FY 2014
Fiber Sales				
Pulpwood Tons Sold	40,600	52,000	149,700	209,900
Average Pulpwood Price / Ton	\$10.51	\$9.49	\$9.71	\$10.62
Sawtimber Tons Sold	23,200	20,000	77,000	120,000
Average Sawtimber Price / Ton	\$20.04	\$22.94	\$20.86	\$22.47
Total Tons Sold	63,800	72,000	226,700	329,900
Average Price / Ton	\$13.98	\$13.22	\$13.50	\$14.93
Recreational Leases				
Average Acres Leased	93,500	107,800	98,300	110,500
Average Lease Rate / Acre	\$9.11	\$9.00	\$9.17	\$9.13
Segment Revenues (\$ in Millions)	\$1.3	\$2.1	\$6.7	\$9.4
Segment Earnings (Loss) (\$ in Millions) *	(\$0.1)	\$3.3	(\$0.6)	\$5.5



*Note: Segment results include costs of \$0.4 million in Q4 2015, \$2.7 million FY 2015 and \$0.4 million in Q4 2014, \$2.9 million FY 2014 associated with the development of our water initiatives
 Note: Q4 and FY 2014 segment earnings include a \$2.7 and \$3.4 million gain on termination of timber lease in connection with the sale of land from Ironstob venture near Atlanta.

Reconciliation of Non-GAAP Financial Measures

(Unaudited)

Forestar's Segment EBITDA is a non-GAAP financial measure within the meaning of Regulation G of the Securities and Exchange Commission. Non-GAAP financial measures are not in accordance with, or an alternative to, U.S. Generally Accepted Accounting Principles (GAAP). The company believes presenting non-GAAP Segment EBITDA is helpful to analyze financial performance without the impact of items that may obscure trends in the company's underlying performance. A detailed reconciliation is provided below outlining the differences between these non-GAAP measures and the directly related GAAP measures.

	Fourth Quarter		Full Year	
	2015	2014	2015	2014
<i>(\$ in millions)</i>				
Real Estate				
Segment Earnings in accordance with GAAP	\$37.9	\$30.0	\$67.7	\$96.9
Depreciation, Depletion & Amortization	<u>1.8</u>	<u>1.7</u>	<u>7.6</u>	<u>3.7</u>
Real Estate Segment EBITDA	<u>\$39.7</u>	<u>\$31.7</u>	<u>\$75.3</u>	<u>\$100.6</u>
Oil & Gas				
Segment Earnings (Loss) in accordance with GAAP	(\$38.4)	(\$39.0)	(\$184.4)	(\$22.7)
Depreciation, Depletion & Amortization	<u>4.2</u>	<u>8.8</u>	<u>28.8</u>	<u>29.5</u>
Oil and Gas Segment EBITDA	<u>(\$34.2)</u>	<u>(\$30.2)</u>	<u>(\$155.6)</u>	<u>\$6.8</u>
Other Natural Resources				
Segment Earnings in accordance with GAAP	(\$0.1)	\$3.3	(\$0.6)	\$5.5
Depreciation, Depletion & Amortization	<u>0.1</u>	<u>0.1</u>	<u>0.5</u>	<u>0.5</u>
Other Natural Resources Segment EBITDA	<u>\$---</u>	<u>\$3.4</u>	<u>(\$0.1)</u>	<u>\$6.0</u>
Total Segment				
Total Segment Earnings (Loss) in accordance with GAAP	(\$0.6)	(\$5.7)	(\$117.3)	\$79.7
Depreciation, Depletion & Amortization	<u>6.1</u>	<u>10.6</u>	<u>36.9</u>	<u>33.7</u>
Total Segment EBITDA	<u>\$5.5</u>	<u>\$4.9</u>	<u>(\$80.4)</u>	<u>\$113.4</u>

Reconciliation of Non-GAAP Financial Measures

(Unaudited)

In our fourth quarter and full year 2015 earnings release and conference call presentation materials furnished to the Securities and Exchange Commission on Form 8-K on March 2, 2016, we used certain non-GAAP financial measures. The non-GAAP financial measures should not be relied upon to the exclusion of GAAP financial measures. These non-GAAP financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our GAAP financial statements and the accompanying reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety.

Reconciliation of Non-GAAP Financial Measures (Unaudited)

The following table shows a reconciliation of net income before special items and earnings per share excluding special items to net income and earnings per share (the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles, or GAAP). Net income excluding special items and earnings per share excluding special items are useful to evaluate the performance of the company because it excludes non-recurring non-cash impairments and other costs, which management believes are not indicative of the ongoing operating results of the business. A reconciliation of net income and earnings per share excluding special items to net income and earnings per share as computed under GAAP is illustrated below:

	Fourth Quarter		Full Year	
<i>(\$ in millions except per share data)</i>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net Income (Loss) – As Reported	(\$6.2)	(\$11.8)	(\$213.0)	\$16.6
Net Income (Loss) Per Share – As Reported	(\$0.18)	(\$0.34)	(\$6.22)	\$0.38
Special Items				
Deferred Tax Asset Valuation	(2.9)	----	96.0	----
Oil & Gas Proved Property Impairments	10.8	10.1	69.6	10.1
Oil & Gas Unproved Leasehold Interest Impairments	13.6	9.8	37.4	11.1
Severance and Other Costs	----	3.3	2.2	3.3
Total Special Items (after-tax)	\$21.5	\$23.2	\$205.2	\$24.5
Total Special Items Per Share (after-tax)	\$0.63	\$0.66	\$5.99	\$0.56
Net Income (Loss) – Excluding Special Items	\$15.3	\$11.4	(\$7.8)	\$41.1
Net Income (Loss) Per Share – Excluding Special Items	\$0.45	\$0.32	(\$0.23)	\$0.94



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