

Third Quarter 2010 Financial Presentation Material



Rayonier

Safe Harbor

Certain statements in this document regarding anticipated financial outcomes including earnings guidance, if any, business and market conditions, outlook and other similar statements relating to Rayonier's future financial and operational performance, are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements are identified by the use of words such as "may," "will," "should," "expect," "estimate," "believe," "anticipate" and other similar language. Forward-looking statements are not guarantees of future performance and undue reliance should not be placed on these statements.

The following important factors, among others, could cause actual results to differ materially from those expressed in forward-looking statements that may have been made in this document: the effect of the current economic downturn, which is impacting many areas of our economy, including the housing market, availability and cost of credit, and demand for our products and real estate; the cyclical and competitive nature of the industries in which we operate; fluctuations in demand for, or supply of, our forest products and real estate offerings; entry of new competitors into our markets; changes in global economic conditions and world events, including political changes in particular regions or countries; the uncertainties of potential impacts of climate-related initiatives; changes in energy and raw material prices, particularly for our Performance Fibers and wood products businesses; impacts of the rising cost of fuel, including the cost and availability of transportation for our products, both domestically and internationally, and the cost and availability of third party logging and trucking services; unanticipated equipment maintenance and repair requirements at our manufacturing facilities; the geographic concentration of a significant portion of our timberland; our ability to identify and complete timberland acquisitions; changes in environmental laws and regulations, including laws regarding air emissions and water discharges, remediation of contaminated sites, timber harvesting, delineation of wetlands, and endangered species, that may restrict or adversely impact our ability to conduct our business, or increase the cost of doing so; adverse weather conditions, natural disasters and other catastrophic events such as hurricanes, wind storms and wildfires, which can adversely affect our timberlands and the production, distribution and availability of our products and raw materials such as wood, energy and chemicals; interest rate and currency movements; our capacity to incur additional debt, and any decision we may make to do so; changes in tariffs, taxes or treaties relating to the import and export of our products or those of our competitors; the ability to complete like-kind exchanges of property; changes in key management and personnel; our ability to continue to qualify as a REIT and to fund distributions using cash generated through our taxable REIT subsidiaries; changes in tax laws that could reduce the benefits associated with REIT status; and potential legal challenges that could reduce the benefits associated with the alternative fuel mixture credit and the cellulosic biofuel producer credit discussed in this document.

In addition, specifically with respect to our Real Estate business, the following important factors, among others, could cause actual results to differ materially from those expressed in forward-looking statements that may have been made in this document: the cyclical nature of the real estate business generally, including fluctuations in demand for both entitled and unentitled property; the current downturn in the housing market, the lengthy, uncertain and costly process associated with the ownership, entitlement and development of real estate, especially in Florida, which also may be affected by changes in law, policy and political factors beyond our control; the potential for legal challenges to entitlements and permits in connection with our properties; unexpected delays in the entry into or closing of real estate transactions; the existence of competing developers and communities in the markets in which we own property; the pace of development and the rate and timing of absorption of existing entitled property in the markets in which we own property; changes in the demographics affecting projected population growth and migration to the Southeastern U.S.; changes in environmental laws and regulations, including laws regarding water withdrawal and management and delineation of wetlands, that may restrict or adversely impact our ability to sell or develop properties; the cost of the development of property generally, including the cost of property taxes, labor and construction materials; the timing of construction and availability of public infrastructure; and the availability of financing for real estate development and mortgage loans.

Additional factors are described in the company's most recent Form 10-K and 10-Q reports on file with the Securities and Exchange Commission. Rayonier assumes no obligation to update these statements except as is required by law.

Financial Highlights

(\$ Millions - Except EPS)

	<u>3Q 2010</u>	<u>2Q 2010</u>	<u>3Q 2009</u>
<u>Profitability</u>			
Sales	378	312	301
Operating income	92	56	111
Pro forma operating income *	92	56	55
Net income	63	39	81
Pro forma net income *	63	39	32
Earnings Per Share:			
Net income	0.77	0.48	1.01
Pro forma net income *	0.77	0.48	0.40
Average diluted shares (millions)	81.5	81.1	80.1

	<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>Capital Resources and Liquidity</u>		
Cash Provided by Operating Activities	473	214
Cash Used for Investing Activities	(103)	(72)
Cash Used for Financing Activities	(40)	(52)
Adjusted EBITDA *	335	280
Cash Available for Distribution (CAD) *	400	166
	<u>9/30/2010</u>	<u>12/31/2009</u>
Debt	766	700
Debt / Capital	38.5%	37.9%
Cash	406	75

* Non-GAAP measures (see pages 6 and 17-21 for definitions and reconciliations).

Variance Analysis – 2Q 10 to 3Q 10 (\$ Millions)

Operating Income

2010 2Q	\$ 56
Variance	
Timber	
- Price	1
- Costs / Other	(1)
Real Estate	27
Performance Fibers	
- Price	9
- Volume	7
- Cost / Other	1
Wood Products - Price	(6)
Other Operations	(1)
Corporate/Other	(1)
2010 3Q	<u>\$ 92</u>

Variance Analysis – 3Q 09 to 3Q 10 (\$ Millions)

	Operating Income	
	Quarter	Year-to-date
2009 3Q (Pro forma) *	\$ 55	\$ 147
Variance		
Timber		
- Price	10	27
- Volume	(2)	(5)
- Costs / Other	-	5
Real Estate	18	1
Performance Fibers		
- Price	18	11
- Volume	3	14
- Costs / Other	(8)	2
Wood Products	1	11
Other Operations	-	3
Corporate/Other	(3)	(3)
2010 3Q (Pro forma)*	\$ 92	\$ 213

* Non-GAAP measure (See pages 18 and 19 for reconciliation).

Cash Available for Distribution*

(\$ Millions – Except Per Share Data)

	Nine Months Ended September 30,	
	2010	2009
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 473.2	\$ 214.3
Capital expenditures **	(95.6)	(65.1)
Change in committed cash	11.6	21.8
Other	11.2	(5.4)
Cash Available for Distribution	<u>\$ 400.4</u>	<u>\$ 165.6</u>
Shares outstanding	<u>80,549,849</u>	<u>79,453,170</u>
CAD per share	\$ 4.97	\$ 2.08
Dividends per share	\$ 1.50	\$ 1.50

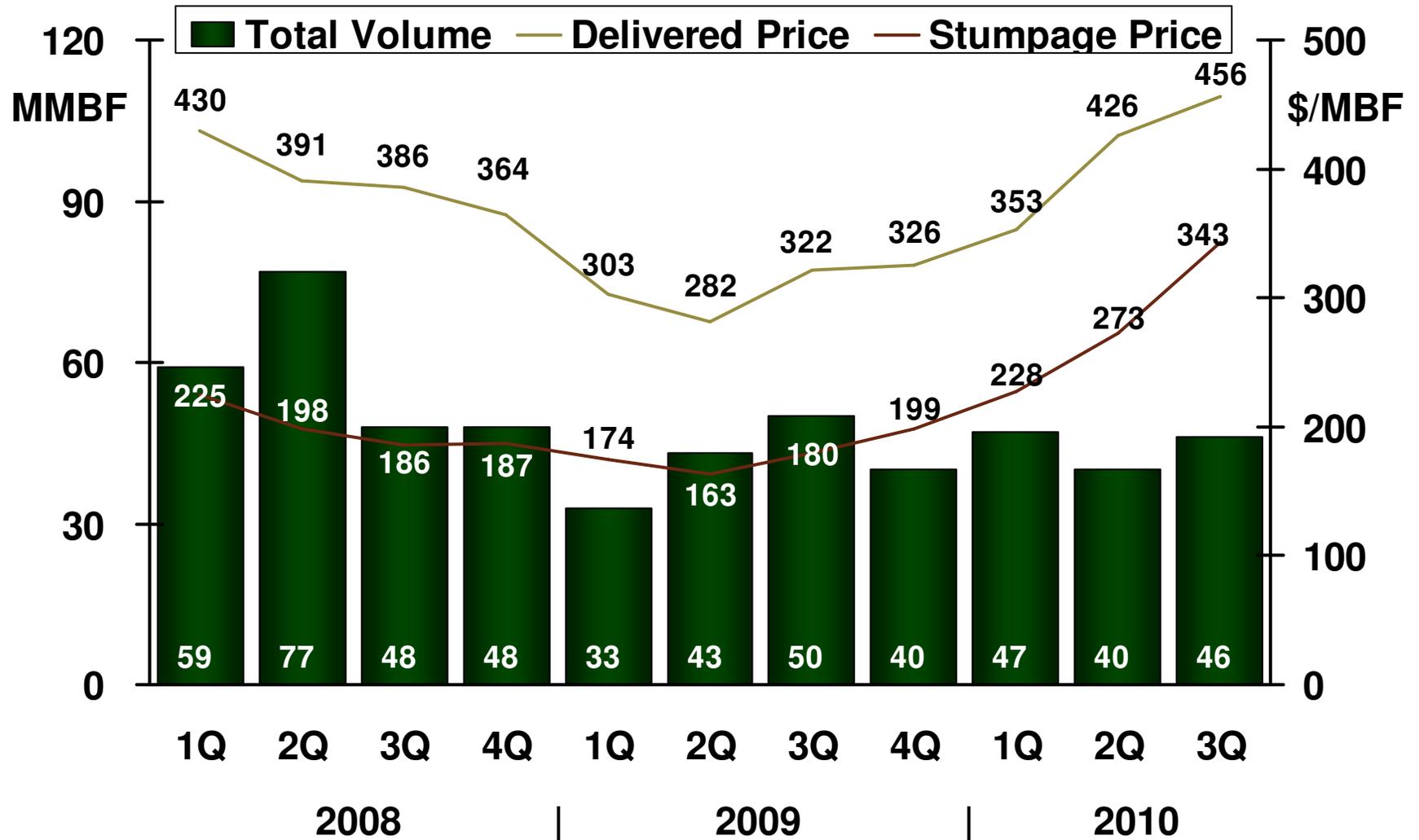
* Non-GAAP measure (See page 17 for definition).

** Capital spending excludes strategic acquisitions.



Markets and Operations

Western Timber Sales *



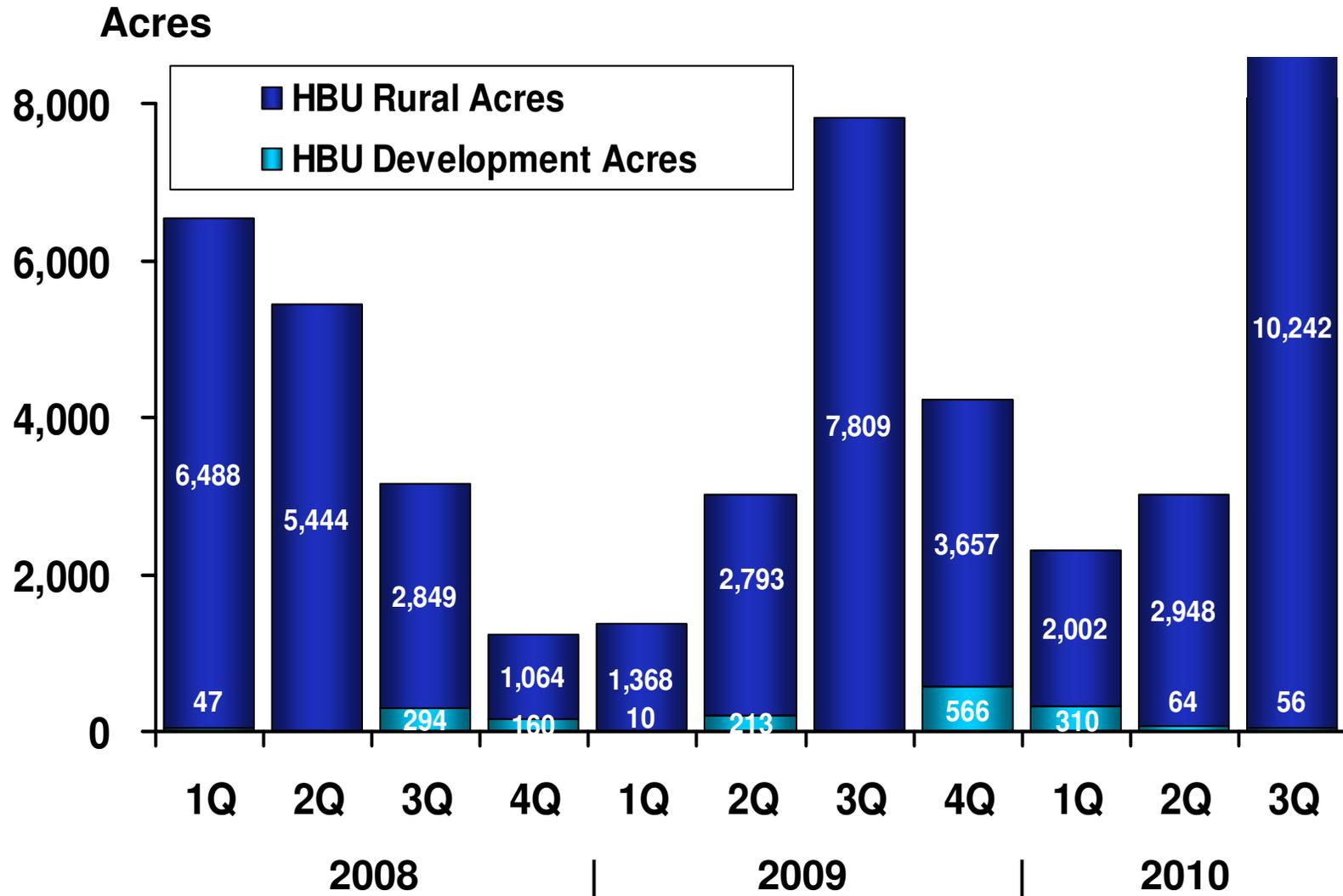
* The Western region represents the Company's operations in Washington State.

Eastern Pine Timber Sales *

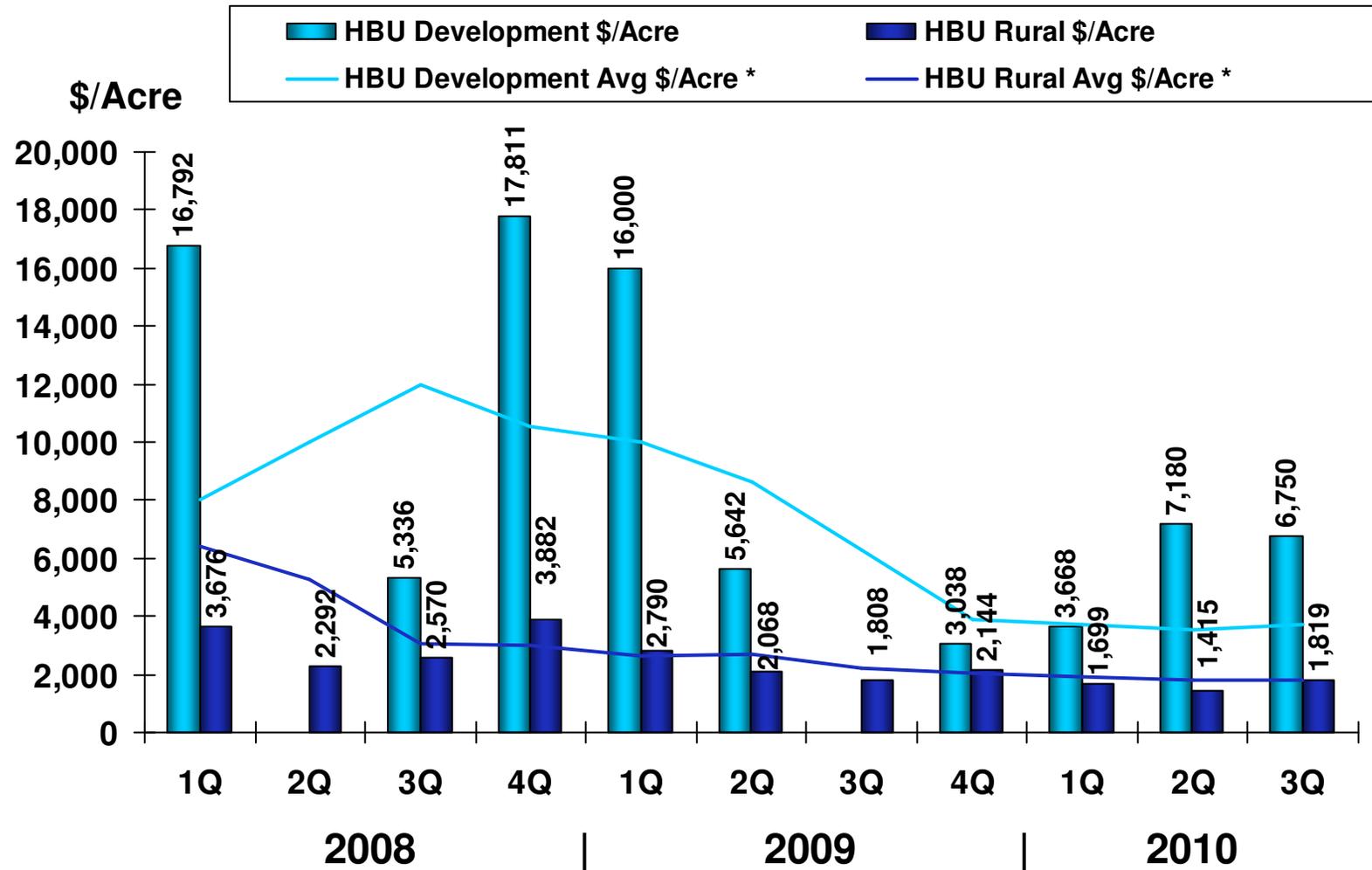


* The Eastern region represents the Company's operations in Alabama, Arkansas, Florida, Georgia, Louisiana, New York, Oklahoma and Texas.

HBU Real Estate Acres - Sales

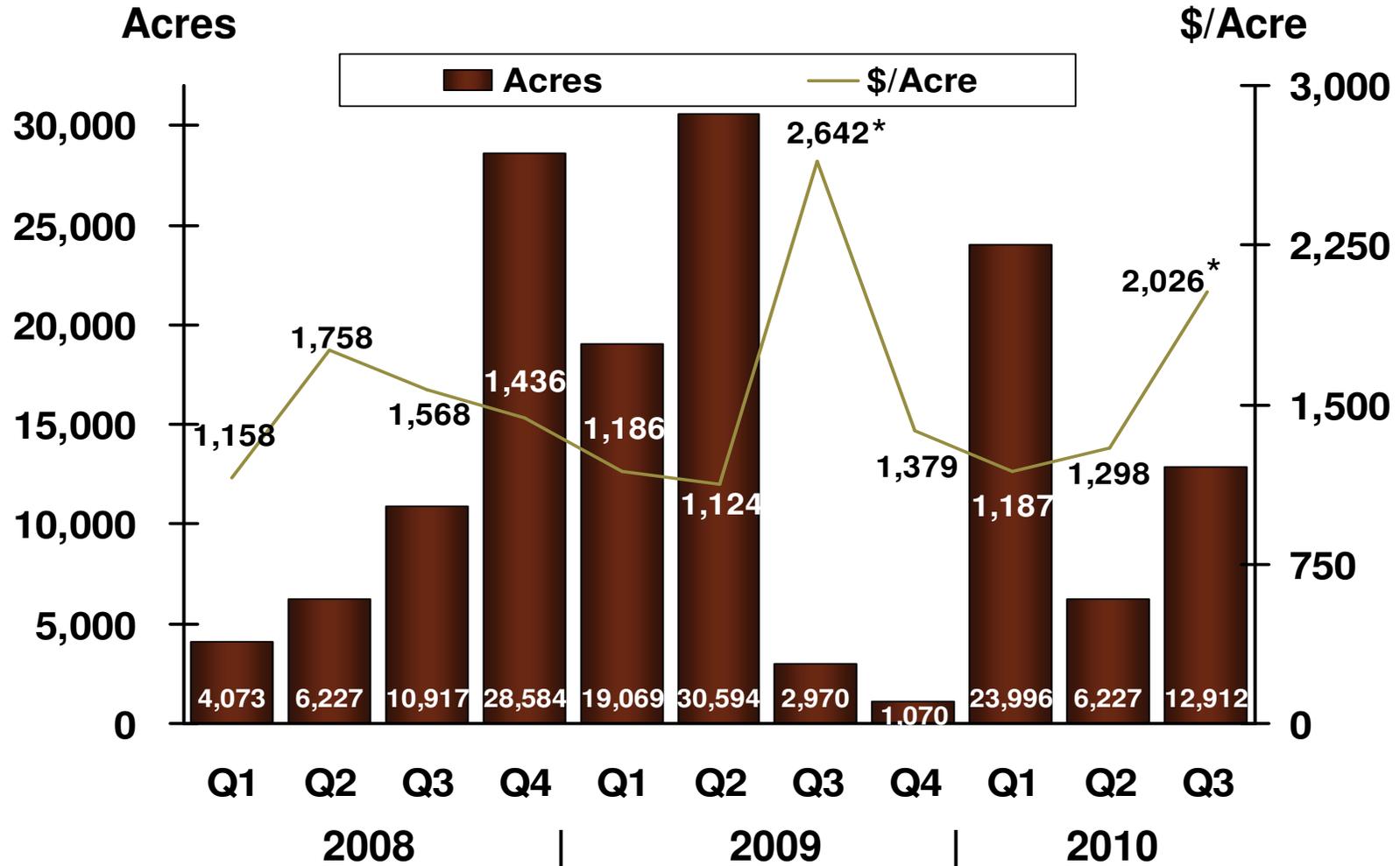


HBU Real Estate Sales Prices



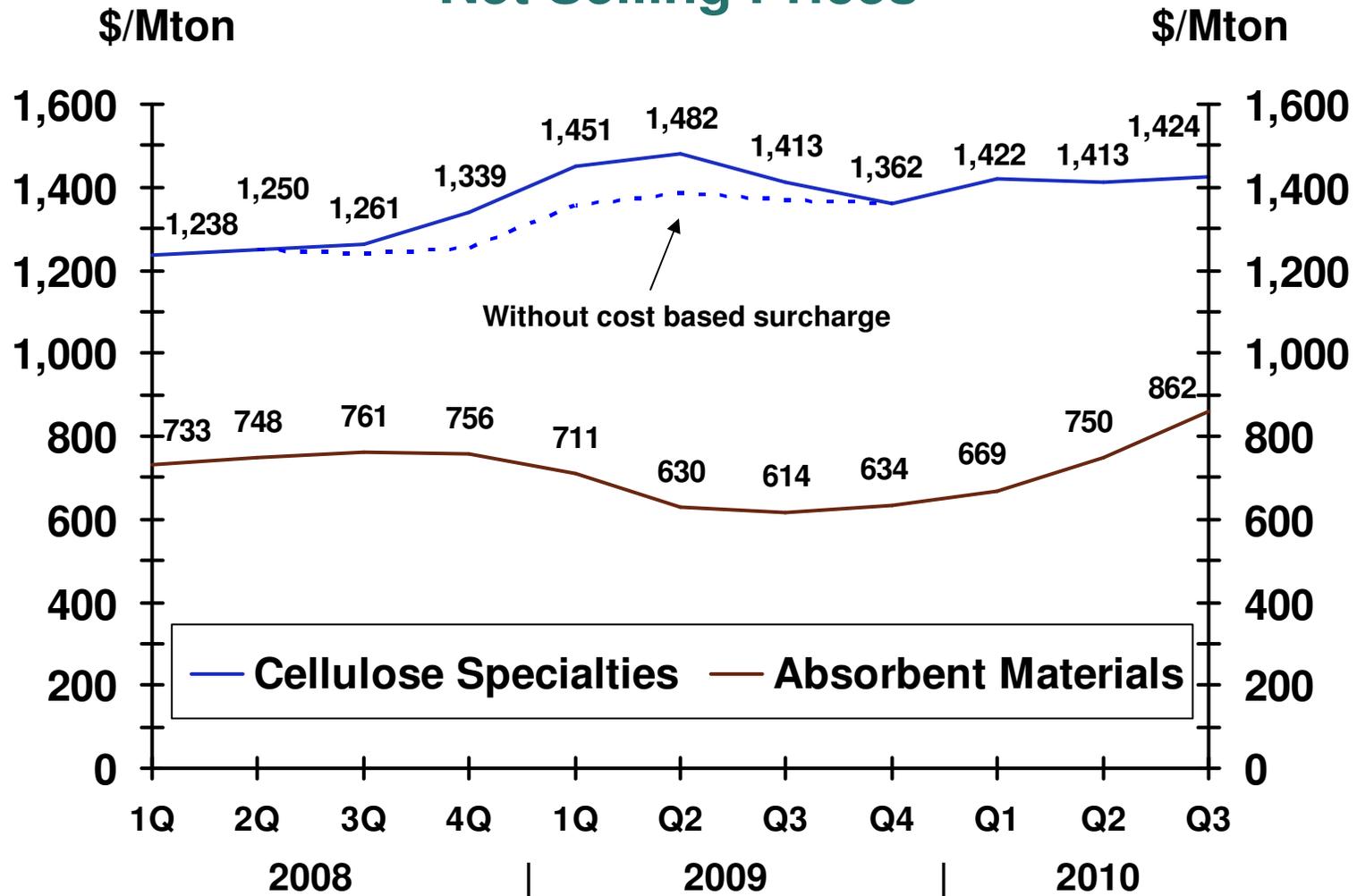
* Four quarter rolling weighted average.

Non-Strategic Timberland Acres - Sales



* Third quarter 2009 and third quarter 2010 include a proportionately higher percentage of sales in the Pacific Northwest where the price per acre is traditionally higher than the Southeast.

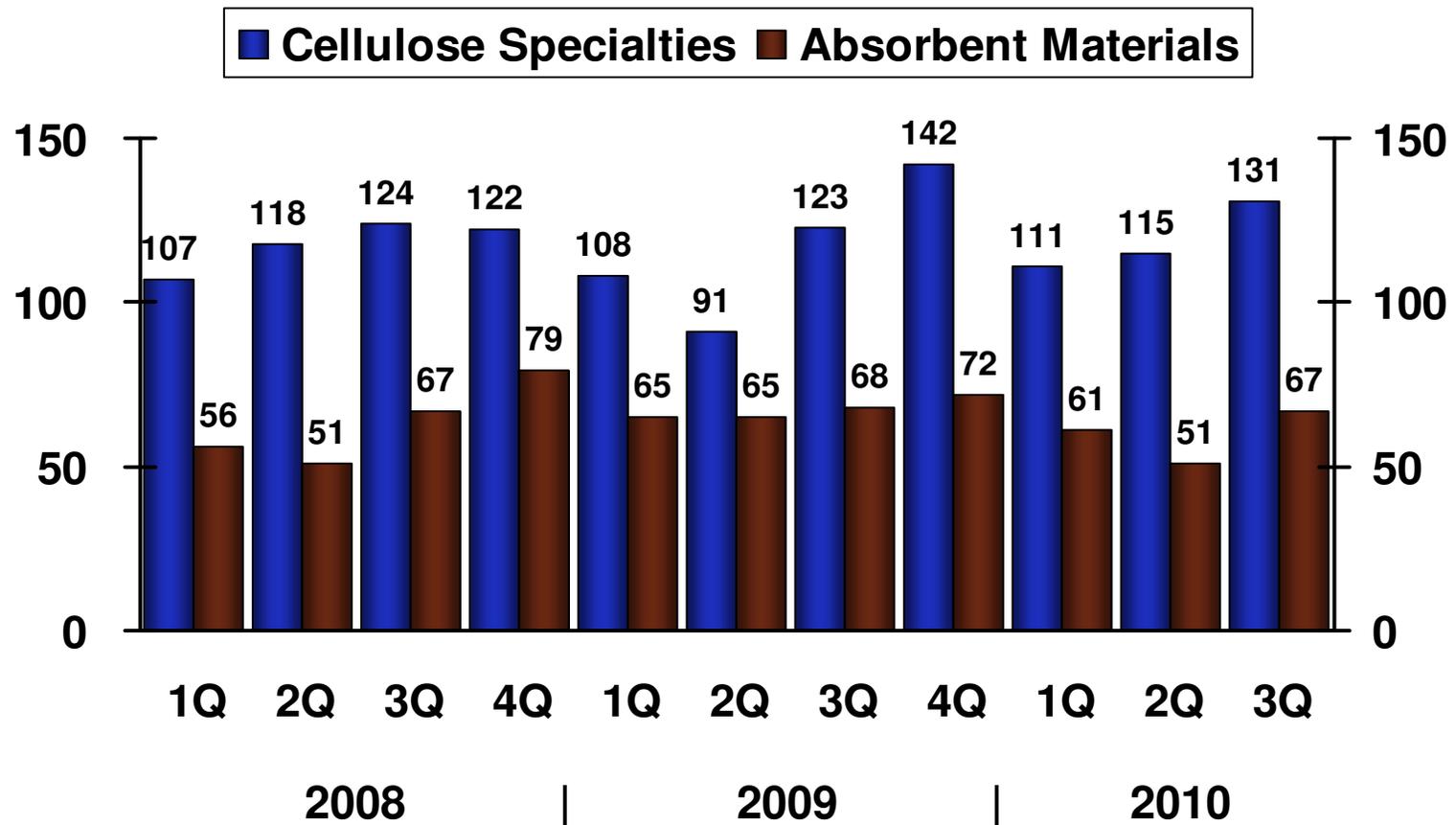
Performance Fibers Net Selling Prices



Performance Fibers Sales Volumes

M Metric Tons

M Metric Tons



Earnings Per Share

(\$ / Share)

	Pro forma *		Actual	
	2010	2009	2010	2009
First Quarter	\$ 0.56	\$ 0.33	\$ 0.71	\$ 0.33
Second Quarter	0.48	0.36	0.48	1.35
Third Quarter	0.77	0.40	0.77	1.01
Fourth Quarter		<u>0.42</u>	<u> </u>	<u>1.21</u>
Full Year	(\$2.05 - \$2.20)	<u>\$ 1.50</u>	<u> </u>	<u>\$ 3.91</u>

* First Quarter 2010 pro forma earnings per share excludes a \$0.15 benefit for the gain on sale of a portion of the company's interest in the New Zealand joint venture. Second, third and fourth quarter 2009 pro forma results exclude a per share benefit from the alternative fuel mixture credit of \$0.99, \$0.61 and \$0.79 respectively. Pro forma earnings per share is a non-GAAP measure, see page 18 for reconciliation. 2010 full year excludes any cellulosic biofuel producer credit benefit that may be realized in the fourth quarter.

Appendix

Definitions of Non-GAAP Measures

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization and the non-cash cost basis of real estate sold. Adjusted EBITDA is a non-GAAP measure of the operating cash generating capacity of the Company.

Cash Available for Distribution (CAD) is defined as cash provided by operating activities adjusted for capital spending, the tax benefits associated with certain strategic acquisitions, the change in committed cash, and other items which include cash provided by discontinued operations, proceeds from matured energy forward contracts, excess tax benefits on stock based compensation and the change in capital expenditures purchased on account. CAD is a non-GAAP measure of cash generated during a period that is available for dividend distribution, repurchase of the Company's common shares, debt reduction and for strategic acquisitions net of associated financing. CAD is not necessarily indicative of the CAD that may be generated in future periods.

Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Three Months Ended											
	Sep 30, 2010		June 30, 2010		Mar 31, 2010		Dec 31, 2009		Sep 30, 2009		June 30, 2009	
	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share
Operating Income	\$ 92.1		\$ 56.3		\$ 76.9		\$ 120.9		\$ 111.1		\$ 134.2	
Gain on sale of portion of New Zealand JV Interest	-		-		(12.4)		-		-		-	
Alternative Fuel Mixture Credit	-		-		-		(63.5)		(55.8)		(85.9)	
Pro Forma Operating Income	\$ 92.1		\$ 56.3		\$ 64.5		\$ 57.4		\$ 55.3		\$ 48.3	
Net Income	\$ 62.9	\$ 0.77	\$ 38.5	\$ 0.48	\$ 57.0	\$ 0.71	\$ 97.7	\$ 1.21	\$ 81.1	\$ 1.01	\$ 107.7	\$ 1.35
Gain on sale of portion of New Zealand JV Interest	-	-	-	-	(11.5)	(0.15)	-	-	-	-	-	-
Alternative Fuel Mixture Credit	-	-	-	-	-	-	(64.3)	(0.79)	(49.1)	(0.61)	(79.3)	(0.99)
Pro Forma Net Income	\$ 62.9	\$ 0.77	\$ 38.5	\$ 0.48	\$ 45.5	\$ 0.56	\$ 33.4	\$ 0.42	\$ 32.0	\$ 0.40	\$ 28.4	\$ 0.36

Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Nine Months Ended			
	September 30, 2010		September 30, 2009	
	\$	Per Diluted Share	\$	Per Diluted Share
Operating Income	\$ 225.3		\$ 288.6	
Gain on sale of portion of New Zealand JV interest	(12.4)		-	
Alternative Fuel Mixture Credit	-		(141.8)	
Pro Forma Operating Income	\$ 212.9		\$ 146.8	
Net Income	\$ 158.4	\$ 1.95	\$ 214.8	\$ 2.69
Gain on sale of portion of New Zealand JV interest	(11.5)	(0.14)	-	-
Alternative Fuel Mixture Credit	-	-	(128.5)	(1.61)
Pro Forma Net Income	\$ 146.9	\$ 1.81	\$ 86.3	\$ 1.08

Adjusted EBITDA by Segment (\$ Millions)

Three Months Ended	<u>Timber</u>	<u>Real Estate</u>	<u>Performance Fibers</u>	<u>Wood Products</u>	<u>Trading</u>	<u>Corporate and other</u>	<u>Total</u>
September 30, 2010							
Operating Income	\$ 9.2	\$ 30.8	\$ 62.3	\$ (1.4)	\$ (0.8)	\$ (8.0)	\$ 92.1
Depreciation, depletion and amortization	14.8	9.3	13.9	0.9	-	0.2	39.1
Non-cash cost of real estate sold	-	3.1	-	-	-	-	3.1
Adjusted EBITDA	<u>\$ 24.0</u>	<u>\$ 43.2</u>	<u>\$ 76.2</u>	<u>\$ (0.5)</u>	<u>\$ (0.8)</u>	<u>\$ (7.8)</u>	<u>\$ 134.3</u>
June 30, 2010							
Operating Income	\$ 8.7	\$ 4.1	\$ 45.0	\$ 4.3	\$ 0.7	\$ (6.5)	\$ 56.3
Depreciation, depletion and amortization	17.2	2.5	12.2	1.1	-	0.2	33.2
Non-cash cost of real estate sold	-	1.2	-	-	-	-	1.2
Adjusted EBITDA	<u>\$ 25.9</u>	<u>\$ 7.8</u>	<u>\$ 57.2</u>	<u>\$ 5.4</u>	<u>\$ 0.7</u>	<u>\$ (6.3)</u>	<u>\$ 90.7</u>
September 30, 2009							
Pro forma Operating Income *	\$ 1.0	\$ 12.8	\$ 49.5	\$ (2.0)	\$ (1.3)	\$ (4.7)	\$ 55.3
Depreciation, depletion and amortization	19.1	4.7	15.1	1.0	-	0.2	40.1
Non-cash cost of real estate sold	-	1.1	-	-	-	-	1.1
Adjusted EBITDA	<u>\$ 20.1</u>	<u>\$ 18.6</u>	<u>\$ 64.6</u>	<u>\$ (1.0)</u>	<u>\$ (1.3)</u>	<u>\$ (4.5)</u>	<u>\$ 96.5</u>

* Pro forma operating income is a non-GAAP measure, see page 18 for reconciliation.

Adjusted EBITDA by Segment (\$ Millions)

Nine Months Ended	<u>Timber</u>	<u>Real Estate</u>	<u>Performance Fibers</u>	<u>Wood Products</u>	<u>Trading</u>	<u>Corporate and other</u>	<u>Total</u>
September 30, 2010							
Pro forma Operating Income *	\$ 26.0	\$ 52.3	\$ 152.2	\$ 2.9	\$ 0.5	\$ (21.0)	\$ 212.9
Depreciation, depletion and amortization	48.8	21.3	41.9	3.1	-	0.6	115.7
Non-cash cost of real estate sold	-	6.5	-	-	-	-	6.5
Adjusted EBITDA	<u>\$ 74.8</u>	<u>\$ 80.1</u>	<u>\$ 194.1</u>	<u>\$ 6.0</u>	<u>\$ 0.5</u>	<u>\$ (20.4)</u>	<u>\$ 335.1</u>
September 30, 2009							
Pro forma Operating Income *	\$ (0.9)	\$ 51.4	\$ 125.1	\$ (8.1)	\$ (2.6)	\$ (18.1)	\$ 146.8
Depreciation, depletion and amortization	58.5	22.2	42.0	3.4	-	0.7	126.8
Non-cash cost of real estate sold	-	6.3	-	-	-	-	6.3
Adjusted EBITDA	<u>\$ 57.6</u>	<u>\$ 79.9</u>	<u>\$ 167.1</u>	<u>\$ (4.7)</u>	<u>\$ (2.6)</u>	<u>\$ (17.4)</u>	<u>\$ 279.9</u>

* Pro forma operating income is a non-GAAP measure, see page 19 for reconciliation.

Timber Supplemental Financial Data (\$ Millions)

	Three Months Ended			Nine Months Ended	
	Sept. 30, 2010	June 30, 2010	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2009
Timber					
Sales					
Western U.S.	\$ 20.2	\$ 16.6	\$ 14.8	\$ 52.1	\$ 34.8
Eastern U.S.	24.8	29.8	29.5	84.2	84.3
New Zealand *	2.3	2.5	2.2	7.1	5.9
Total	\$ 47.3	\$ 48.9	\$ 46.5	\$ 143.4	\$ 125.0
Operating income / (loss)					
Western U.S.	\$ 4.6	\$ 2.4	\$ (0.4)	\$ 7.3	\$ (6.7)
Eastern U.S.	4.5	5.4	2.4	18.2	8.8
New Zealand / Other **	0.1	0.9	(1.0)	0.5	(3.0)
Total	\$ 9.2	\$ 8.7	\$ 1.0	\$ 26.0	\$ (0.9)

* Represents timberland management fees for services provided to the Matariki Forestry Group ("Matariki") of which Rayonier has a 26 percent equity interest.

** Primarily equity earnings related to the Matariki joint venture's timber activities.

Selected Operating Information

	Three Months Ended			Nine Months Ended	
	Sept. 30, 2010	June 30, 2010	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2009
Timber					
Sales Volume					
Western U.S. in millions of board feet	46	40	50	132	126
Eastern U.S. in thousands of short green tons	1,266	1,449	1,726	4,131	5,317
Real Estate					
Acres sold					
HBU Development	56	64	-	431	223
HBU Rural	10,242	2,948	7,809	15,192	11,971
Non-Strategic Timberlands	12,912	6,227	2,970	43,134	52,663
Total	23,210	9,239	10,779	58,757	64,857
Performance Fibers					
Sales Volume					
Cellulose specialties, in thousands of metric tons	131	115	123	357	321
Absorbent materials, in thousands of metric tons	67	51	68	179	198
Lumber					
Sales volume, in millions of board feet	60	65	57	180	167

Market Price and Dividend History

(\$ / Share)

	High	Low	Dividends
2010			
Third Quarter	\$ 51.29	\$ 43.14	\$ 0.50
Second Quarter	\$ 50.72	\$ 41.57	\$ 0.50
First Quarter	\$ 46.41	\$ 39.70	\$ 0.50
2009			
Fourth Quarter	\$ 43.92	\$ 37.88	\$ 0.50
Third Quarter	\$ 45.00	\$ 33.63	\$ 0.50
Second Quarter	\$ 41.79	\$ 29.35	\$ 0.50
First Quarter	\$ 32.40	\$ 22.28	\$ 0.50
2008			
Fourth Quarter	\$ 47.09	\$ 26.58	\$ 0.50
Third Quarter	\$ 49.54	\$ 40.60	\$ 0.50
Second Quarter	\$ 48.00	\$ 41.88	\$ 0.50
First Quarter	\$ 47.37	\$ 35.36	\$ 0.50

Wood Products Southeast Lumber Sales

