



Rayonier
Second Quarter 2005
Supplemental
Material

Safe Harbor

Reported results are preliminary and not final until filing of the second quarter 2005 Form 10-Q with the Securities and Exchange Commission and, therefore, remain subject to subsequent event adjustments. Comments about anticipated demand, pricing, earnings, tax planning opportunities and rates, and real estate sales and development opportunities are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: changes in global market trends and world events; interest rate and currency movements; fluctuations in demand for or supply of cellulose specialties, absorbent materials, timber, wood products or real estate and entry of new competitors into these markets; adverse weather conditions affecting production, timber availability and sales, or distribution; changes in production costs for wood products or performance fibers, particularly for raw materials such as wood, energy and chemicals; unexpected delays in the closing of real estate sale transactions; changes in law or policy that might limit or restrict the development of real estate; the ability of the company to identify and complete timberland and higher-value real estate acquisitions; the company's ability to satisfy complex rules in order to qualify as a REIT; the availability of tax deductions and the ability of the company to complete tax-efficient exchanges of real estate; and implementation or revision of governmental policies and regulations affecting the environment, endangered species, import and export controls or taxes, including changes in tax laws that could reduce the benefits associated with REIT status. For additional factors that could impact future results, please see the company's most recent Form 10-K on file with the Securities and Exchange Commission.

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Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Second Quarter		Six Months Ended June	
	Net Income	EPS	Net Income	EPS
2005 Reported Earnings	\$ 16.9	\$ 0.33	\$ 51.3	\$ 1.00
Less Special Items				
MDF write-down	(24.1)	(0.47)	(24.1)	(0.47)
MDF operations	(0.6)	(0.01)	(1.0)	(0.02)
MDF - discontinued operations	(24.7)	(0.48)	(25.1)	(0.49)
Prior years IRS audit settlements	7.2	0.14	16.7	0.33
Total Special Items	(17.5)	(0.34)	(8.4)	(0.16)
2005 Pro Forma Earnings	34.4	0.67	59.7	1.16
2004 Reported Earnings	\$ 43.8	\$ 0.86	\$ 119.3	\$ 2.35
Less Special Items				
Deferred tax reversal (REIT)	-	-	77.9	1.53
Tax on repatriated earnings	-	-	(28.2)	(0.55)
Subtotal	-	-	49.7	0.98
MDF - discontinued operations	(1.0)	(0.02)	(1.7)	(0.03)
Total Special Items	(1.0)	(0.02)	48.0	0.95
2004 Pro Forma Earnings	44.8	0.88	71.3	1.40

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Second Quarter - Highlights

(\$ Millions - Except EPS)

	2Q 2005	Variance to	
		1Q 2005	2Q 2004
Profitability			
Sales	290	15	(36)
Operating Income	49	2	(22)
Income from continuing operations	42	7	(3)
Net Income	17	(18)	(27)
Earnings Per Share:			
Continuing operations	0.81	0.13	(0.07)
Net income	0.33	(0.34)	(0.53)
Pro forma income from continuing operations *	0.67	0.18	(0.21)
ROE Annualized **	19.2%	9.6%	1.9%

	Six Months Ended June 30	
	2005	Variance to 2004
Capital Resources and Liquidity		
Cash Provided by Operating Activities	123	(35)
Cash Used for Investing Activities	(46)	20
Cash Used for Financing Activities	(26)	21
Adjusted EBITDA ***	176	(24)
Cash Available for Distribution (CAD) ***	94	(28)
Debt	687	71
Debt / Capital	46.3%	2.2%

* Second quarter and first quarter 2005 exclude tax benefits of \$7.2 million, or \$0.14 per share, and \$9.5 million, or \$0.19 per share, respectively, resulting from IRS audit settlements.

** Based on year-to-date percent; major land sales and REIT conversion costs are not annualized.

*** Non-GAAP measures (see pages 20 and 21 for definitions and reconciliations).

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Quarter to Quarter Comparisons - 2Q 05 to 1Q 05

(\$ Millions - Except EPS)

	<u>Pretax</u>	<u>Income ***</u>	<u>EPS</u>
2005 1Q Continuing Ops *	35	25	0.49
Variance			
Timber and Real Estate			
- Timber Price / Mix	2	2	0.05
- Timber Volume / Other	(3)	(3)	(0.07)
- Real Estate Sales	(5)	(3)	(0.06)
Performance Fibers			
- Price / Mix	2	1	0.03
- Cost / Volume / Other	4	3	0.05
Wood Products	3	2	0.03
Other Operations	-	-	(0.01)
Corporate / Other	(1)	(1)	(0.02)
Operating Income	2	1	-
Taxes - Excluding LKE	-	7	0.16
Taxes - LKE	-	1	0.02
2005 2Q Continuing Ops **	37	34	0.67

* First quarter 2005 excludes a tax benefit of \$9.5 million, or \$0.19 per share, resulting from an IRS audit settlement.

** Second quarter 2005 excludes a tax benefit of \$7.2 million, or \$0.14 per share, resulting from an IRS audit settlement.

*** No taxes are provided for REIT timber income and a statutory rate is provided for other operations.

Taxes - Excluding LKE includes residual issues in order to balance to the total tax provision.

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Second Quarter / First Half Comparisons - 2005 to 2004

(\$ Millions - Except EPS)

	Second Quarter			First Half		
	Pretax	Income ***	EPS	Pretax	Income ***	EPS
2004 Continuing Ops *	60	45	0.88	92	71	1.40
Variance						
Timber and Real Estate						
- Timber Price	7	7	0.14	11	11	0.22
- Timber Volume / Other	(4)	(4)	(0.07)	(7)	(7)	(0.14)
- Real Estate Sales	(25)	(16)	(0.31)	(33)	(21)	(0.41)
Performance Fibers						
- CS Price / Mix	3	1	0.04	5	3	0.07
- AM Price / Mix	3	2	0.04	6	4	0.08
- Volume / Cost / Other	(6)	(3)	(0.08)	(5)	(3)	(0.07)
Wood Products	-	-	(0.01)	2	1	0.02
Other Operations	(2)	(2)	(0.03)	(4)	(3)	(0.06)
Corporate / Other	2	2	0.02	7	5	0.09
Operating Income	(22)	(13)	(0.26)	(18)	(10)	(0.20)
Interest Expense	(1)	(1)	-	(1)	(1)	(0.03)
Taxes	-	3	0.05	-	-	(0.01)
2005 Continuing Ops **	37	34	0.67	73	60	1.16

* First half 2004 excludes a net tax benefit of \$49.7 million, or \$0.98 per share, relating to REIT conversion.

** Second quarter 2005 excludes a tax benefit of \$7.2 million, or \$0.14 per share; first half 2005 excludes tax benefits of \$16.7 million, or \$0.33 per share, resulting from IRS audit settlements.

*** No taxes are provided for REIT timber income and a statutory rate is provided for other operations. Taxes include residual issues in order to balance to the total tax provision.

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Reconciliation of Adjusted EBITDA to CAD

(\$ Millions – Except Per Share Data)

	Six Months Ended June 30	
	2005	2004
Adjusted EBITDA	\$ 175.7	\$ 199.8
Capital spending, net	(43.7)	(34.8)
Income tax benefit (expense) *	3.8	(21.0)
Interest expense	(25.1)	(23.0)
Working capital / other balance sheet changes *	(26.0)	1.9
Like-kind exchange tax benefits on third party land sales **	(0.9)	-
Release of restricted cash ***	12.0	-
Tax benefit on exercise of stock options	(2.2)	(1.7)
Cash Available for Distribution (CAD)	<u>\$ 93.6</u>	<u>\$ 121.2</u>
Average diluted shares outstanding	51,519,064	50,833,270
CAD per share	<u>\$ 1.82</u>	<u>\$ 2.38</u>

* 2004 excludes a net tax benefit of \$49.7 million relating to REIT conversion.

** Represents taxes that would have been paid on third party land sales had the Company not completed like-kind exchange transactions.

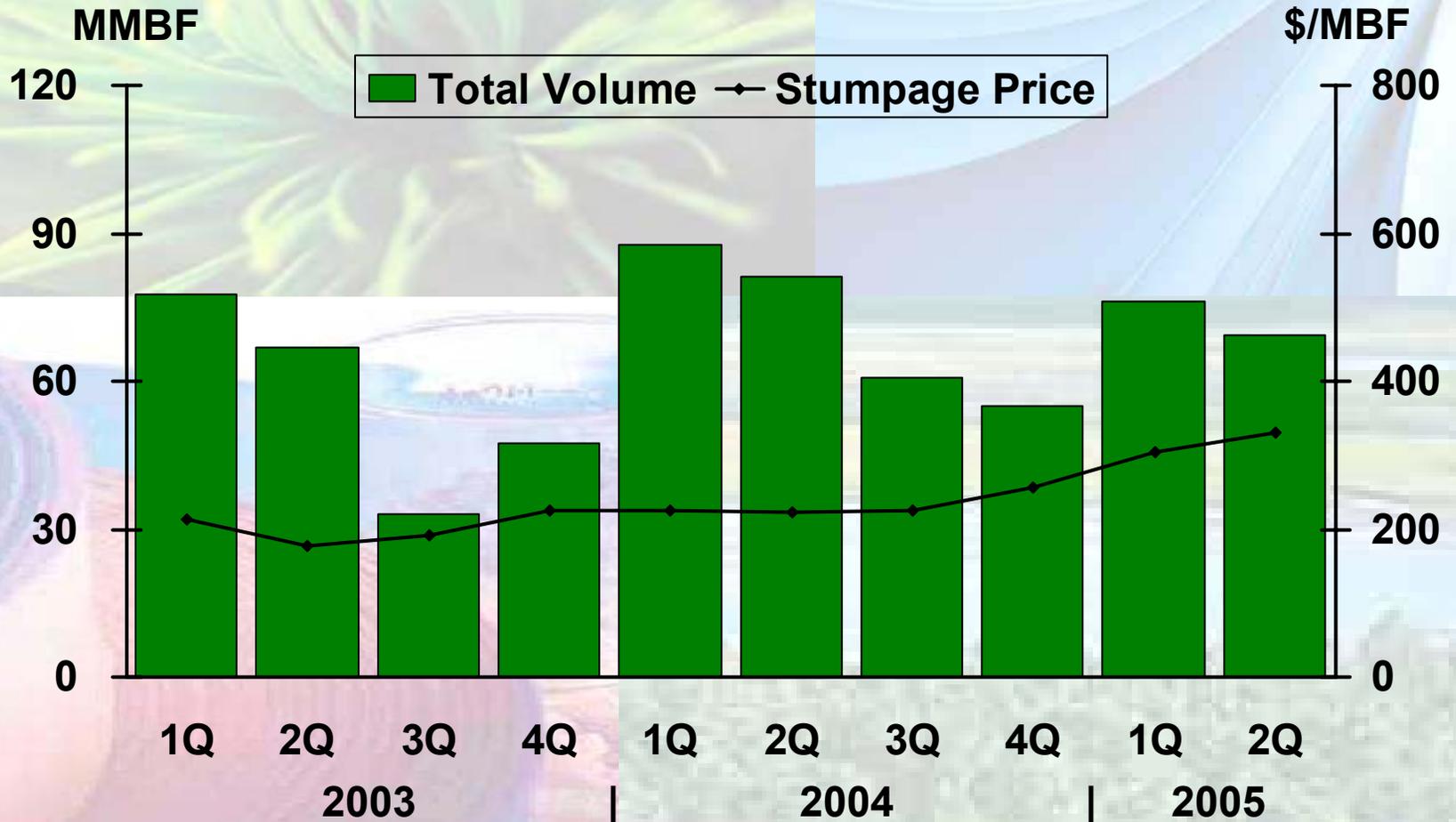
*** Released July 19, 2005



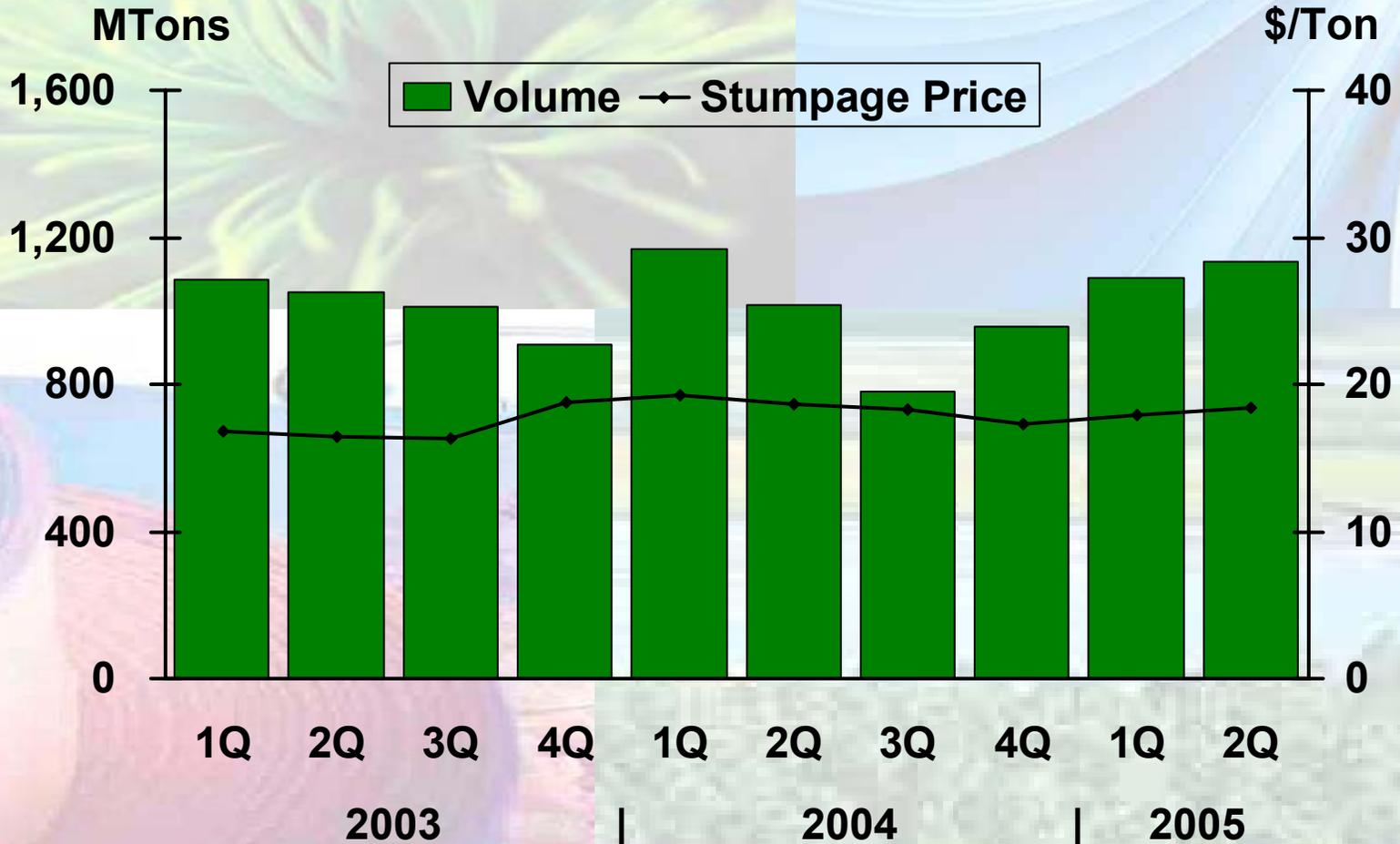
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Markets and Operations

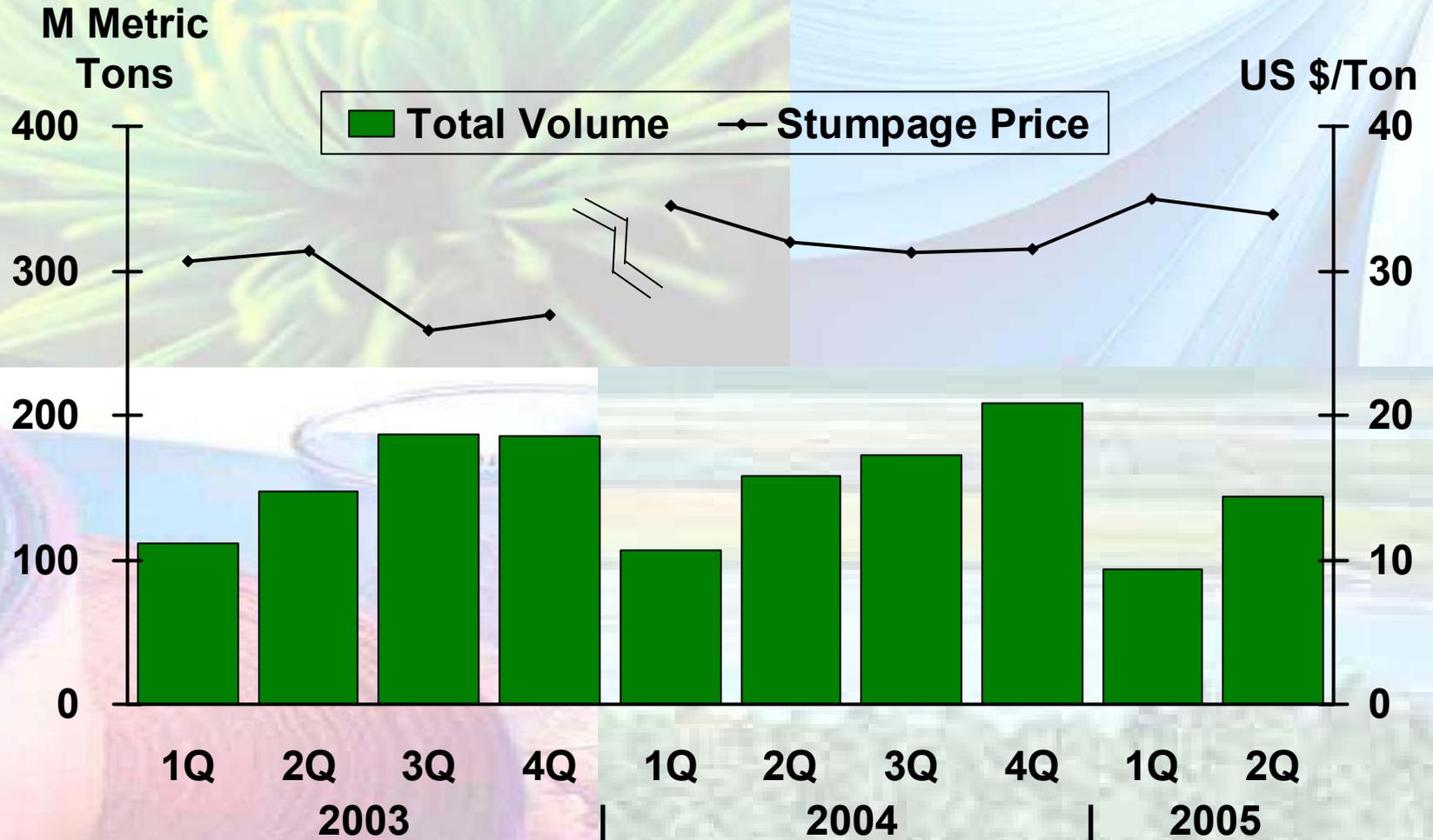
Rayonier Northwest Timber Sales



Rayonier Southeast Pine Timber Sales



Rayonier New Zealand Timber Sales



Note: 2004 and 2005 prices exclude lower value timber sold as logs.

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New Zealand Timber Transactions

- Sale of 118,000 acres to consortium for \$184 million
- Consortium to also purchase 235,000 acres for \$296 million from Carter Holt Harvey; total holdings, 353,000 acres
- Rayonier REIT will have 40-49.7% equity investment in consortium
- Transactions expected to close in the fourth quarter
- Rayonier to manage entire estate (3rd largest in New Zealand)
- Strategically, many positives:
 - Increases asset base and income stream to REIT
 - Reduces asset base in Taxable REIT Subsidiary (TRS)
 - Increases footprint in Australasia
 - Portion of consortium's harvest covered by long term log sales contracts
 - Enables us to utilize our forest management expertise to further increase value
 - Net net, cash to be returned to the U.S.



HQ

- Recruiting key real estate personnel
- Active discussions for '06 and '07 closings

Savannah (Georgia)

- Strong interest from developers
- Approximately \$10 million in closings balance of year

St. Mary's (Georgia)

- More mature market with consistent demand
- Approximately \$7 million in closings balance of year

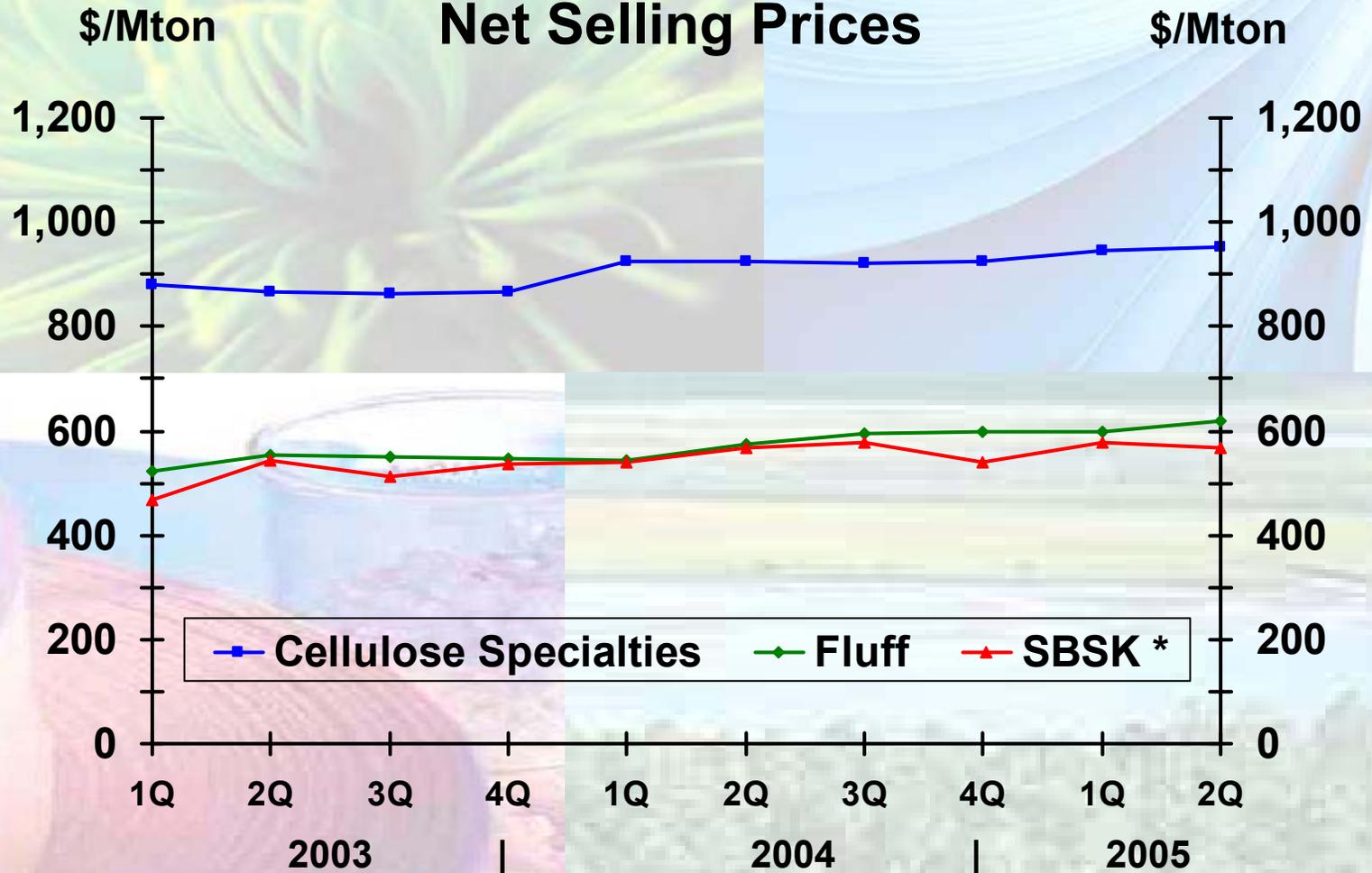
Nassau (Florida)

- St. Mary's river "Bluffs," early planning of this major project underway
- Very active market with high demand
- Solid residential and commercial interest

St. John's/Flagler (Florida)

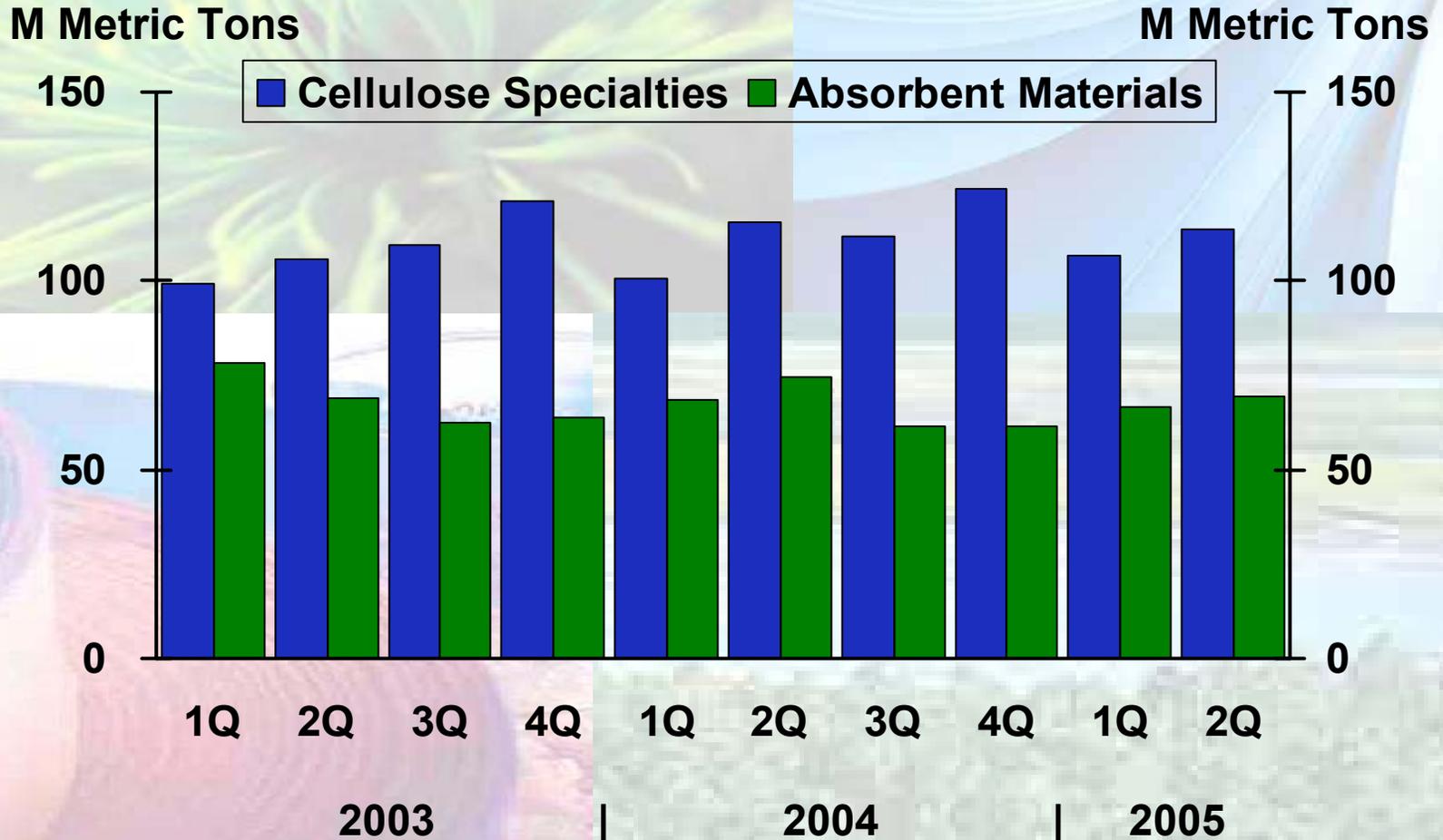
- Significant developer interest with solid backlog
- Several joint venture opportunities

Rayonier Performance Fibers Net Selling Prices

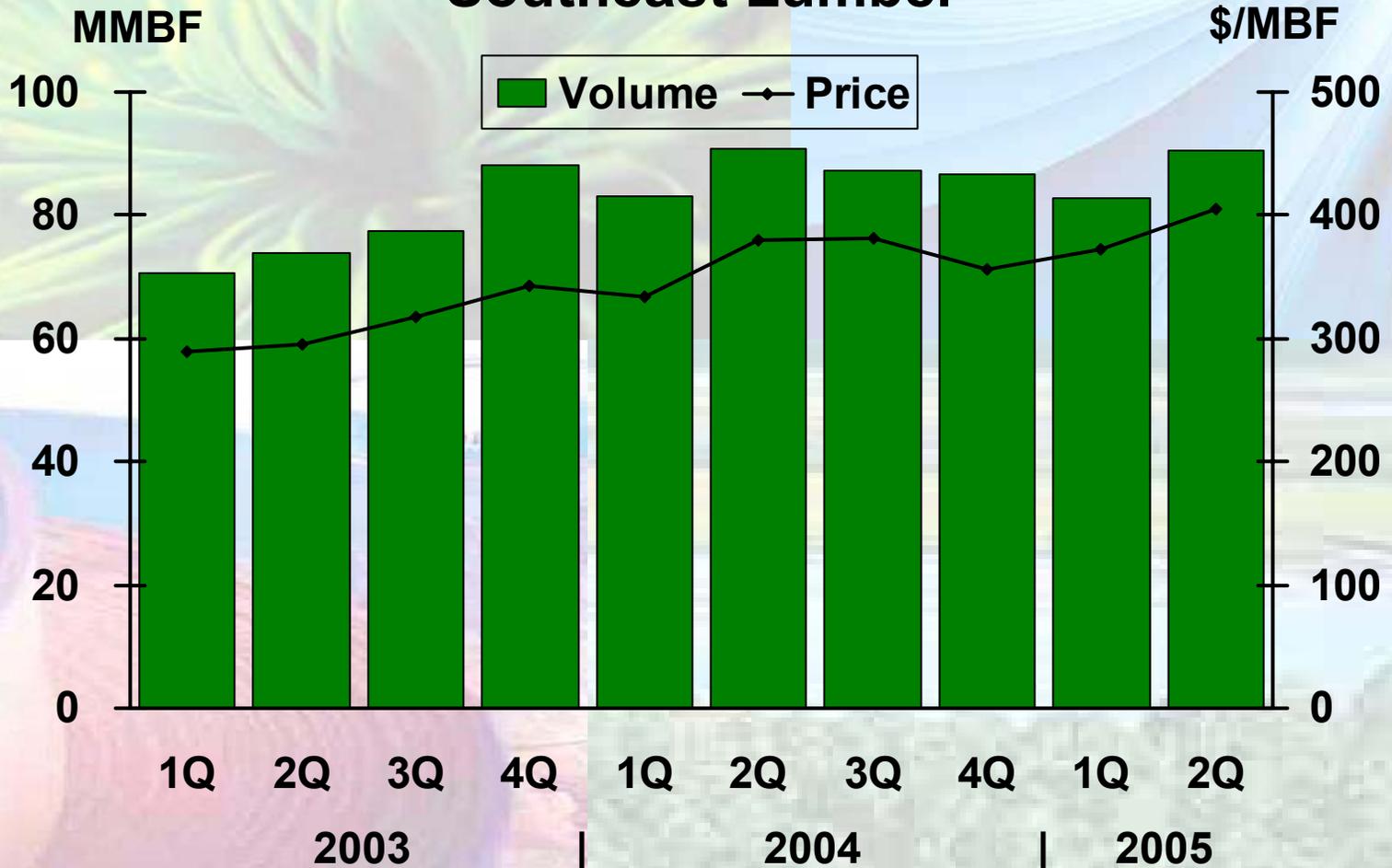


* Source: RISI gross price less typical discounts.

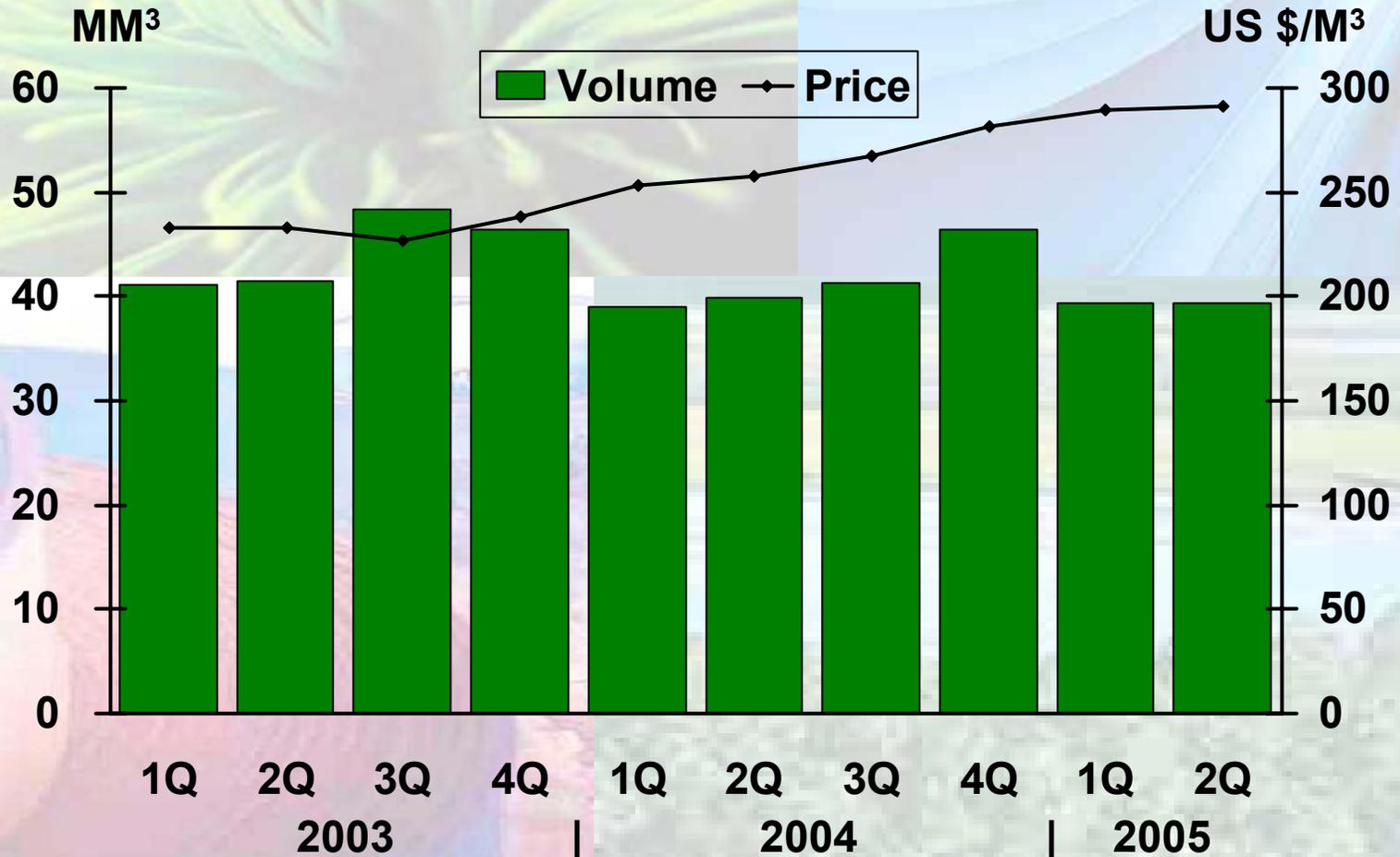
Rayonier Performance Fibers Sales Volumes



Rayonier Wood Products Southeast Lumber



Rayonier Wood Products Medium Density Fiberboard (MDF)



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Earnings Per Share - From Continuing Operations *

(\$)

	Pro forma		Restated/Actuals	
	2005 **	2004 ***	2005	2004
First Quarter	0.49	0.52	0.68	1.50
Second Quarter	0.67	0.88	0.81	0.88
Third Quarter	?	← Up 0.49		0.49
Fourth Quarter	?	← Up 0.27		0.27
Full Year	?	2.16		3.14
First Call Estimate for 2005 - 7/25/05	↑ Up 2.20			

* Excludes MDF.

** First quarter excludes tax benefit of \$0.19 per share and second quarter excludes tax benefit of \$0.14 per share, resulting from IRS audit settlements.

*** First quarter excludes a net tax benefit of \$0.98 per share relating to REIT conversion.



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Appendix

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Definitions of Non-GAAP Measures

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

Cash Available for Distribution (CAD) is defined as cash provided by operating activities less capital spending, tax benefit on the exercise of stock options, tax benefits associated with certain strategic acquisitions and change in committed cash. Cash Available for Distribution 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. Cash Available for Distribution is not necessarily indicative of the Cash Available for Distribution that may be generated in future periods.

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Reconciliation of Non-GAAP Measures

(\$ Millions)

	Six Months Ended June 30	
	2005	2004
Adjusted EBITDA		
Cash provided by operating activities	\$ 122.9	\$ 157.7
Income tax benefit	(3.8)	(28.7)
Interest expense	25.1	23.1
Working capital increases (decreases)	20.1	(7.8)
Other balance sheet changes	11.4	55.5
Adjusted EBITDA	<u>\$ 175.7</u>	<u>\$ 199.8</u>
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 122.9	\$ 157.7
Capital spending (a)	(43.7)	(34.8)
Like-kind exchange tax benefits on third party real estate sales (b)	(0.9)	-
Release of restricted cash (c)	12.0	-
Change in committed cash	5.5	-
Tax benefit on exercise of stock options	(2.2)	(1.7)
Cash Available for Distribution (CAD)	<u>\$ 93.6</u>	<u>\$ 121.2</u>

(a) Capital Spending is net of sales and retirements and excludes strategic acquisitions.

(b) Represents taxes that would have been paid if the Company had not completed LKE transactions.

(c) Released July 19, 2005.

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Reconciliation of Statutory Income Tax to Reported Income Tax (\$ Millions - Except Percentages)

	Three Months Ended						Six Months Ended			
	June 30, 2005		March 31, 2005		June 30, 2004		June 30, 2005		June 30, 2004	
	\$	%	\$	%	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (13.0)	(35.0)	\$ (12.4)	(35.0)	\$ (20.9)	(35.0)	\$ (25.4)	(35.0)	\$ (32.3)	(35.0)
REIT income not subject to federal tax	9.9	26.7	8.4	23.7	14.2	23.8	18.3	25.2	21.1	22.9
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(2.6)	(7.0)	(2.7)	(7.6)	(6.5)	(10.9)	(5.3)	(7.3)	(8.3)	(9.0)
State and local income taxes, foreign exchange rate changes and permanent differences	0.5	1.2	0.5	1.4	(3.2)	(5.4)	1.0	1.4	(3.1)	(3.4)
Income tax (expense) benefit before discrete items *	\$ (5.2)	(14.1)	\$ (6.2)	(17.5)	\$ (16.4)	(27.5)	\$ (11.4)	(15.7)	\$ (22.6)	(24.5)
Exchange rate changes on tax on undistributed foreign earnings	2.5	6.7	(1.1)	(3.1)	1.6	2.7	1.4	1.9	1.6	1.7
Non-realizability of New Zealand tax credits on U.S. withholding tax for prior years' intercompany note interest	-	-	(2.9)	(8.2)	-	-	(2.9)	(4.0)	-	-
Tax benefit from prior years' audit settlement	7.2	19.4	9.5	26.8	-	-	16.7	23.1	-	-
Income tax benefit (expense) *	\$ 4.5	12.0	\$ (0.7)	(2.0)	\$ (14.8)	(24.8)	\$ 3.8	5.3	\$ (21.0)	(22.8)

* Six months ended June 30, 2004 excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million and additional taxes for repatriation of foreign earnings of (\$28.2) million.

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Pro Forma Earnings Per Share Including MDF *

(\$)

	2005 **		2004 ***
First Quarter	0.48		0.51
Second Quarter	0.65		0.86
Third Quarter	?	← Up	0.47
Fourth Quarter	?	← Up	0.26
Full Year	?		2.10
First Call Estimate for 2005 - 7/25/05	2.20	↑ Up	

2Q to 3Q
Comparable

- * Includes MDF operations.
- ** First quarter excludes tax benefit of \$0.19 per share and second quarter excludes tax benefit of \$0.14 per share, resulting from IRS audit settlements.
- *** First quarter excludes a net tax benefit of \$0.98 per share relating to REIT conversion.

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MDF – Discontinued Operations *

(\$ Millions - Except Per Share Data)

	Year 2003	2004				2005	
		1Q	2Q	3Q	4Q	1Q	2Q
Sales	\$ 41.3	\$ 9.9	\$ 10.3	\$ 11.0	\$ 13.0	\$ 11.4	\$ 11.5
Operating (Loss) Income	(3.4)	(0.6)	(1.0)	(1.0)	(0.4)	(0.8)	(1.4)
Net Income	(3.1)	(0.7)	(1.1)	(1.0)	(0.5)	(0.4)	(0.6)
EPS	(0.07)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)
EBITDA	3.9	1.1	0.9	0.7	1.6	0.9	0.5

* Excludes write-down related to the planned sale of the MDF business.