

## Rayonier Reports Second Quarter 2002 Earnings

July 22, 2002

JACKSONVILLE, Fla., Jul 22, 2002 (BUSINESS WIRE) -- Rayonier (NYSE:RYN) today reported second quarter 2002 income from continuing operations of \$17.5 million, or 62 cents per share. This compared to \$9 million, or 32 cents per share, in first quarter 2002 and \$31.5 million, or \$1.14 per share, in second quarter 2001, which included 75 cents per share from a major land sale. Net income of \$16.2 million, or 57 cents per share, included a loss from discontinued operations of \$1.3 million, or 5 cents per share, related to the sale of New Zealand East Coast timberland operations and associated assets.

Earnings from continuing operations improved compared to first quarter primarily due to lower performance fibers manufacturing costs, increased land sales' margins and higher Northwest U.S. timber volumes. Results were lower than second quarter 2001 primarily due to the major land sale in last year's quarter and lower Southeast U.S. timber volumes, partially offset by higher Northwest U.S. timber volumes.

Sales of \$269 million were essentially flat compared to first quarter but down \$67 million from second quarter 2001, which included \$59 million from the large land sale.

Lee Nutter, Chairman, President and CEO said: "Despite a sluggish global economy, we posted solid results due to continued strong demand for cellulose specialties and our ongoing land sales program. We continued to use our strong cash flow to reduce debt and increase financial flexibility."

EBITDA (defined in Exhibit A) was \$78 million, or \$2.74 per share, compared to \$73 million, or \$2.60 per share, in first quarter 2002 and \$131 million, or \$4.74 per share, in second quarter 2001. Free cash flow (defined in Exhibit A) was \$30 million compared to \$26 million in first quarter 2002 and \$68 million in second quarter 2001. Debt at quarter-end was \$768 million. Net debt (debt less cash invested) at quarter-end was \$738 million, \$57 million lower than the first quarter and \$136 million below second quarter 2001. The net debt-to-capital ratio of 50.2 percent reflects a decline of 2.2 and 5.0 percentage points from first quarter 2002 and second quarter 2001, respectively.

### Performance Fibers

Sales of \$124 million were \$5 million below first quarter primarily due to reduced volume while operating income improved \$4 million to \$11 million driven by lower manufacturing costs. Prices for both cellulose specialties and absorbent materials (primarily fluff pulp) remained steady. Compared to second quarter 2001, sales and operating income declined by \$22 million and \$3 million, respectively, largely due to lower cellulose specialties volume and fluff pulp prices.

### Timber and Land

Sales of \$58 million were \$3 million below the first quarter while operating income of \$32 million was up \$2 million primarily due to increased land sales' margins. Compared to second quarter 2001, sales and operating income were down \$52 million and \$24 million, respectively, due to the \$59 million land sale last year, which contributed \$33 million in operating income. Excluding that transaction, operating income improved due to higher routine land sales.

### Wood Products and Trading

Sales of \$91 million were \$10 million above first quarter and operating income was essentially at break-even, an improvement of \$2 million due to higher trading margins and lumber prices. Compared to second quarter 2001, sales improved \$9 million while operating income was essentially flat.

### Other Items

Corporate and other expense of \$3 million was \$3 million and \$1 million below first quarter 2002 and second quarter 2001, respectively, primarily due to lower stock price-based incentive compensation and the favorable impact of balance sheet related foreign exchange translation.

Interest expense of \$15 million was slightly less than first quarter and \$2 million below second quarter 2001 due to lower debt.

The effective tax rate of 27.8 percent was essentially in line with the first quarter but below the second quarter 2001 rate of 33.8 percent due to lower taxes on foreign operations.

### Outlook

"We continue to see strong demand for our high value cellulose specialty products and fluff pulp pricing appears to be improving," Nutter said. "However, third quarter earnings are expected to be lower than second quarter primarily due to seasonal declines in timber volume."

Rayonier is the world's premier supplier of high performance specialty cellulose fibers and has 2.2 million acres of timberland in the U.S. and New Zealand. Approximately half of Rayonier's sales are outside the U.S. to customers in nearly 60 countries.

Comments about market trends and anticipated prices and earnings 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 that could impact customer demand; interest rate and currency movements; fluctuations in demand for cellulose specialties, absorbent materials, timber, and wood products; the impact of such market factors on the company's timber sales in the U.S. and New Zealand; adverse weather conditions; changes in production costs for wood products and performance fibers, particularly for raw materials such as wood, energy and chemicals; unexpected delays in the closing of land sale transactions or collection of proceeds from installment sales; and implementation or revision of governmental policies and regulations affecting the environment, import and export controls and taxes. 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.

A conference call will be held on Tuesday, July 23 at 4:15 p.m. EDT to discuss these results. Interested parties are invited to listen to the live webcast by logging onto [www.rayonier.com](http://www.rayonier.com) and following the link. Supplemental materials will be available at the website. A replay will also be available on the

site shortly after the call. Also, investors may access the "listen only" conference call by dialing 913-981-5584.

For further information, visit the company's web site at <http://www.rayonier.com>. Complimentary copies of Rayonier press releases and other financial documents are also available by mail or fax by calling 1-800-RYN-7611.

RAYONIER  
FINANCIAL HIGHLIGHTS (1)  
JUNE 30, 2002 (unaudited)

(millions of dollars, except per share information)

Three Months Ended      Six Months Ended

-----  
June 30, March 31, June 30, June 30, June 30,  
2002 2002 2001 2002 2001  
-----

Profitability

Sales	\$ 269.3	\$ 268.7	\$ 336.7	\$ 538.0	\$ 606.0
Operating income	\$ 39.5	\$ 27.4	\$ 64.4	\$ 66.9	\$ 101.9
Income from continuing operations	\$ 17.5	\$ 9.0	\$ 31.5	\$ 26.5	\$ 43.6
Discontinued operations	\$ (1.3)	\$ 0.4	\$ -	\$ (0.9)	\$ 0.1
Net income (after disc. ops)	\$ 16.2	\$ 9.4	\$ 31.5	\$ 25.6	\$ 43.7
Diluted earnings per share:					
Continuing operations	\$ 0.62	\$ 0.32	\$ 1.14	\$ 0.94	\$ 1.58
Net income (after disc. ops)	\$ 0.57	\$ 0.33	\$ 1.14	\$ 0.90	\$ 1.59
Operating income as a percent of sales	14.7%	10.2%	19.1%	12.4%	16.8%
ROE (annualized) (a)	8.2%	3.3%	9.1%	6.3%	9.4%

Capital Resources and

Liquidity

EBITDA (b)	\$ 77.8	\$ 72.9	\$ 130.7	\$ 150.7	\$ 207.1
Free cash flow (c)	\$ 29.8	\$ 26.0	\$ 67.7	\$ 55.8	\$ 98.7
Decrease in borrowings	\$ 47.2	\$ 35.0	\$ 64.8	\$ 82.2	\$ 93.8
Debt	\$ 768.4	\$ 814.7	\$ 879.2	\$ 768.4	\$ 879.2
Net debt (d)	\$ 737.6	\$ 794.2	\$ 873.2	\$ 737.6	\$ 873.2
Net debt / capital	50.2%	52.4%	55.2%	50.2%	55.2%

(a) From continuing operations; major land sales are not annualized.

(b) EBITDA is defined as earnings from continuing operations before significant non-recurring items, provision for dispositions, interest expense, income taxes, depreciation, depletion, amortization and the non-cash cost of land sales.

(c) Free cash flow is defined as EBITDA plus or minus significant non-recurring items, changes in working capital and long-term assets and liabilities (excluding the non-cash costs of land sales), less income taxes, interest expense, custodial capital spending and prior-year dividend levels.

(d) Net debt is defined as debt less cash invested of \$30.8, \$20.5 and \$6.0, at 6/30/02, 3/31/02, and 6/30/01, respectively.

(1) Prior period amounts were reclassified to reflect the New Zealand East Coast operations as discontinued operations.

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RAYONIER  
STATEMENTS OF CONSOLIDATED INCOME (2)  
JUNE 30, 2002 (unaudited)

(millions of dollars, except per share information)

Three Months Ended      Six Months Ended

-----  
June 30, March 31, June 30, June 30, June 30,  
2002 2002 2001 2002 2001  
-----

Sales	\$ 269.3	\$ 268.7	\$ 336.7	\$ 538.0	\$ 606.0
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Costs and expenses					
Cost of sales	220.9	229.2	262.7	450.1	487.4
Selling and general expenses	10.3	11.5	9.6	21.8	17.2
Other operating expense (income)	(1.4)	0.6	-	(0.8)	(0.5)
-----					
Operating income	39.5	27.4	64.4	66.9	101.9
Interest expense	(15.1)	(15.2)	(17.5)	(30.3)	(36.4)
Interest and miscellaneous income (expense), net	-	0.3	0.7	0.3	0.2
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Income from continuing operations before income taxes	24.4	12.5	47.6	36.9	65.7
Income tax expense	(6.9)	(3.5)	(16.1)	(10.4)	(22.1)
-----					
Income from continuing operations	\$ 17.5	\$ 9.0	\$ 31.5	\$ 26.5	\$ 43.6
Discontinued operations, net	(1.3)	0.4	-	(0.9)	0.1
-----					
Net income (after disc. ops)	\$ 16.2	\$ 9.4	\$ 31.5	\$ 25.6	\$ 43.7
=====					
Net income per Common Share					
Basic EPS					
From continuing operations	\$ 0.64	\$ 0.33	\$ 1.16	\$ 0.97	\$ 1.61
=====					
Net income (after disc. ops)	\$ 0.59	\$ 0.34	\$ 1.16	\$ 0.93	\$ 1.61
=====					
Diluted EPS					
From continuing operations	\$ 0.62	\$ 0.32	\$ 1.14	\$ 0.94	\$ 1.58
=====					
Net income (after disc. ops)	\$ 0.57	\$ 0.33	\$ 1.14	\$ 0.90	\$ 1.59
=====					
Weighted average Common Shares used for determining					
Basic EPS	27,728,798	27,526,125	27,166,182	27,628,014	27,145,778
=====					
Diluted EPS	28,324,784	28,085,833	27,584,236	28,208,579	27,558,542
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(2) Prior period amounts were reclassified to reflect the New Zealand East Coast operations as discontinued operations.

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RAYONIER  
BUSINESS SEGMENT SALES AND OPERATING INCOME (3)

JUNE 30, 2002 (unaudited)

(millions of dollars)

Three Months Ended      Six Months Ended

-----  
June 30, March 31, June 30, June 30, June 30,  
2002 2002 2001 2002 2001  
-----

Sales  
Performance Fibers

Cellulose specialties	\$ 86.6	\$ 90.6	\$ 95.9	\$ 177.2	\$ 185.9
Absorbent materials	37.5	38.7	49.9	76.2	98.9

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Total Performance					
Fibers	124.1	129.3	145.8	253.4	284.8

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Timber and Land					
Timber	45.4	42.3	47.7	87.7	108.0
Land	12.6	19.1	62.2	31.7	63.4

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Total Timber and Land	58.0	61.4	109.9	119.4	171.4

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Wood Products and Trading	91.3	81.6	82.6	172.9	159.2
Intersegment eliminations	(4.1)	(3.6)	(1.6)	(7.7)	(9.4)

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Total sales	\$ 269.3	\$ 268.7	\$ 336.7	\$ 538.0	\$ 606.0

=====					
Operating income (loss)					
Performance Fibers	\$ 10.7	\$ 6.6	\$ 13.2	\$ 17.3	\$ 27.9
Timber and Land					
Timber	20.9	20.7	21.3	41.6	56.7
Land	10.7	8.6	34.4	19.3	35.2

-----					
Total Timber and Land	31.6	29.3	55.7	60.9	91.9
Wood Products and Trading	-	(2.4)	(0.3)	(2.4)	(7.0)
Corporate and other	(2.8)	(6.1)	(4.2)	(8.9)	(10.9)

-----					
Total operating income	\$ 39.5	\$ 27.4	\$ 64.4	\$ 66.9	\$ 101.9

(3) Prior period amounts were reclassified to reflect the New Zealand East Coast operations as discontinued operations.

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RAYONIER  
FUNDS FLOW SUMMARY (4)  
JUNE 30, 2002 (unaudited)  
(millions of dollars)

Six Months Ended

-----  
June 30, June 30,  
2002 2001  
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Income from continuing operations		\$ 26.5	\$ 43.6
Depreciation, depletion and amortization		80.2	96.8
Non-cash cost of land sales		3.3	8.2

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Subtotal		110.0	148.6
Capital expenditures		(35.6)	(38.8)
Working capital changes		(10.9)	(3.1)
Dividends		(19.9)	(19.6)
Proceeds from stock options exercised		13.6	4.0
Share repurchases		(1.1)	-
All other		9.1	2.1

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Subtotal		65.2	93.2
Cash provided by discontinued operations		17.0	0.6

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Decrease in borrowings		\$ 82.2	\$ 93.8

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 (4) Prior period amounts were reclassified to reflect the New Zealand East Coast operations as discontinued operations.

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RAYONIER

SELECTED SUPPLEMENTAL FINANCIAL DATA (5)

JUNE 30, 2002 (unaudited)

(millions of dollars, except per share information)

Three Months Ended Six Months Ended

-----  
 June 30, March 31, June 30, June 30, June 30,  
 2002 2002 2001 2002 2001  
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Geographical Data

(Non-U.S.)

Sales

New Zealand	\$ 17.5	\$ 19.8	\$ 16.6	\$ 37.3	\$ 33.4
Other	11.5	13.3	13.2	24.8	25.2

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 Total \$ 29.0 \$ 33.1 \$ 29.8 \$ 62.1 \$ 58.6  
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Operating income

(loss)

New Zealand	\$ 2.5	\$ (0.6)	\$ (0.2)	\$ 1.9	\$ (4.6)
Other	0.4	(1.4)	(0.3)	(1.0)	(0.8)

-----  
 Total \$ 2.9 \$ (2.0) \$ (0.5) \$ 0.9 \$ (5.4)  
 =====

Timber and Land

Sales

Northwest U.S.	\$ 21.3	\$ 17.3	\$ 13.5	\$ 38.6	\$ 38.2
Southeast U.S.	33.0	35.6	91.8	68.6	123.9
New Zealand	3.7	8.5	4.6	12.2	9.3

-----  
 Total \$ 58.0 \$ 61.4 \$ 109.9 \$ 119.4 \$ 171.4  
 =====

Operating income

(loss)

Northwest U.S.	\$ 15.6	\$ 12.8	\$ 8.7	\$ 28.4	\$ 28.8
Southeast U.S.	16.0	17.2	45.8	33.2	59.9
New Zealand	-	(0.7)	1.2	(0.7)	3.2

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 Total \$ 31.6 \$ 29.3 \$ 55.7 \$ 60.9 \$ 91.9  
 =====

EBITDA per Share

Performance Fibers \$ 1.04 \$ 0.86 \$ 1.18 \$ 1.90 \$ 2.40

Timber and Land 1.67 1.91 3.59 3.58 5.56

Wood Products and

Trading 0.14 0.04 0.12 0.18 -

Corporate and other (0.11) (0.21) (0.15) (0.32) (0.44)

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 Total \$ 2.74 \$ 2.60 \$ 4.74 \$ 5.34 \$ 7.52  
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(5) Prior period amounts were reclassified to reflect the New Zealand East Coast operations as discontinued operations.

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RAYONIER

SELECTED OPERATING INFORMATION (6)

JUNE 30, 2002 (unaudited)

Three Months Ended Six Months Ended

-----  
 June 30, March 31, June 30, June 30, June 30,  
 2002 2002 2001 2002 2001  
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Performance Fibers

Sales Volume  
 Cellulose specialties, in thousands of metric tons 101 104 110 205 213  
 Absorbent materials, in thousands of metric tons 66 70 75 136 147  
 Production as a percent of capacity 99.5% 96.3% 98.1% 98.0% 98.4%

Timber and Land

Sales volume - Timber  
 Northwest U.S., in millions of board feet 80 70 49 150 137  
 Southeast U.S., in thousands of short green tons 1,191 1,241 1,611 2,432 3,186  
 New Zealand, in thousands of metric tons (7) 168 121 174 289 338

Timber sales volume -

Intercompany  
 Northwest U.S., in millions of board feet 19 15 6 34 35  
 Southeast U.S., in thousands of short green tons 3 5 16 8 30  
 New Zealand, in thousands of metric tons (7) 10 13 9 23 25

Acres sold 3,995 18,900 57,858 22,895 58,273

Wood Products and

Trading

Lumber sales volume, in millions of board feet 86 79 63 165 120  
 Medium-density fiberboard sales volume, in thousands of cubic meters 41 36 39 77 76

Log trading sales

volume  
 North America, in millions of board feet 32 27 37 59 86  
 New Zealand, in thousands of cubic meters 85 75 74 160 162

Other, in thousands of cubic meters 86 118 109 204 232

(6) Prior period amounts were reclassified to reflect the New Zealand East Coast operations as discontinued operations.

(7) 2001 volume restated from cubic meters to metric tons

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