

## Rayonier Reports Third Quarter 2002 Earnings

October 21, 2002

JACKSONVILLE, Fla., Oct 21, 2002 (BUSINESS WIRE) -- Rayonier (NYSE:RYN) today reported third quarter 2002 income from continuing operations of \$15.6 million, or 55 cents per share. This compared with \$17.5 million, or 62 cents per share, in second quarter 2002 and \$6.0 million, or 22 cents per share, in third quarter 2001. Net income of \$15.7 million, or 56 cents per share, included post-closing adjustments of 1 cent per share related to the second quarter 2002 sale of the company's New Zealand East Coast timberland operations.

Earnings from continuing operations were lower compared with second quarter primarily due to a seasonal decline in Northwest U.S. timber sales volume and weaker lumber prices, partially offset by higher land sales. Results were stronger than third quarter 2001 primarily due to increased land sales and reduced performance fibers manufacturing costs and interest expense, partially offset by lower lumber and performance fibers prices.

Sales of \$293 million were \$24 million above second quarter and \$29 million above third quarter 2001, primarily due to higher land sales.

Lee Nutter, Chairman, President and CEO said: "Despite a very challenging economic environment, we posted solid results due to steady demand in performance fibers and a significant contribution from our ongoing land sales program. Our cash flow remained strong enabling us to further reduce debt."

EBITDA (defined in Exhibit A) was \$81 million, or \$2.89 per share, compared with \$78 million, or \$2.74 per share, in the second quarter and \$61 million, or \$2.20 per share, in third quarter 2001. Free cash flow (defined in Exhibit A) was \$39 million compared with \$28 million in the second quarter and \$23 million in third quarter 2001. Debt at quarter-end was \$729 million. Net debt (debt less cash invested) was \$694 million, \$44 million lower than second quarter and \$140 million below third quarter 2001. The net debt-to-capital ratio of 48.5 percent reflects a decline of 1.7 and 5.6 percentage points from second quarter 2002 and third quarter 2001, respectively.

### Performance Fibers

Sales of \$139 million were \$15 million above second quarter primarily due to higher volumes while operating income of \$11 million was essentially unchanged. The favorable impact of higher sales volumes was offset by slightly lower prices. Compared with third quarter 2001, sales increased by \$2 million while operating income rose \$6 million due to reduced manufacturing costs which were partially offset by lower prices.

### Timber and Land

Sales of \$64 million were \$6 million above the second quarter and operating income of \$33 million improved \$1 million primarily due to higher land sales and the favorable impact of balance sheet related foreign exchange translation, partially offset by seasonally lower Northwest U.S. timber sales volume. Compared with third quarter 2001, sales and operating income increased by \$18 million and \$11 million, respectively, primarily due to higher land sales.

### Wood Products and Trading

Sales of \$91 million were essentially unchanged from the second quarter. However, substantially lower lumber prices resulted in an operating loss of \$5 million compared to break-even results in the prior quarter. Compared with third quarter 2001, sales improved \$8 million while operating income declined \$3 million as higher trading activity was more than offset by lower lumber prices.

### Other Items

Corporate and Other expense of \$3.3 million was \$0.5 million and \$0.4 million above second quarter 2002 and third quarter 2001, respectively, primarily due to the unfavorable impact of balance sheet related foreign exchange translation.

Due to lower debt, interest expense of \$14 million was \$1 million and \$2 million below second quarter 2002 and third quarter 2001, respectively.

The effective tax rate of 29.1 percent was slightly higher than the second quarter and significantly above third quarter 2001 which was unusually low primarily due to the positive catch-up effect of re-estimating the annual effective tax rate at that time.

### Pension Liabilities

The severe decline in U.S. equity markets has reduced the value of the company's pension plan assets and lower interest rates have increased the net present value of accumulated benefit obligations. As a result, assuming plan asset values and interest rates remain at September 30, 2002 levels, the company would be required at year-end to record a non-cash, after-tax, charge to Shareholders' Equity of approximately \$30 to \$35 million. Under such circumstances, and taking into account expected changes in key pension assumptions, pension expense for 2003 would increase by approximately \$3 to \$4 million from 2002 levels.

### Outlook

"While we expect continued strong demand for our market leading cellulose specialty products and Southeast U.S. development properties, fourth quarter earnings are expected to be lower than third quarter primarily due to the timing of land sales and higher chemical, fuel and other manufacturing costs in our performance fibers business," Nutter said.

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 45 percent of Rayonier's sales are outside the U.S. to customers in about 60 countries.

Comments about anticipated demand, expenses 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; interest rate and currency movements; changes in capital markets; fluctuations in demand for cellulose specialties, absorbent materials, timber, and wood products; 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, October 22 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)  
SEPTEMBER 30, 2002 (unaudited)  
(millions of dollars, except per share information)  
Three Months Ended    Nine Months Ended

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Sept.    June    Sept.    Sept.    Sept.  
30,    30,    30,    30,    30,  
2002    2002    2001    2002    2001  
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Profitability

Sales	\$293.1	\$269.3	\$263.9	\$831.1	\$869.9
Operating income	\$35.3	\$39.5	\$21.8	\$102.2	\$123.7
Income from continuing operations	\$15.6	\$17.5	\$6.0	\$42.1	\$49.6
Discontinued operations	\$0.1	\$(1.3)	\$-	\$(0.8)	\$0.1
Net income (after disc. ops)	\$15.7	\$16.2	\$6.0	\$41.3	\$49.7
Diluted earnings per share:					
Continuing operations	\$0.55	\$0.62	\$0.22	\$1.49	\$1.79
Net income (after disc. ops)	\$0.56	\$0.57	\$0.22	\$1.46	\$1.80
Operating income as a percent of sales	12.0%	14.7%	8.3%	12.3%	14.2%
ROE (annualized) (a)	6.6%	8.2%	3.5%	7.1%	8.5%

Capital Resources and

Liquidity

EBITDA (b)	\$81.3	\$77.8	\$61.3	\$232.0	\$268.4
Free cash flow (c)	\$38.6	\$27.9	\$23.2	\$92.5	\$121.9
Decrease in borrowings	\$40.4	\$47.2	\$24.4	\$122.6	\$118.2
Debt	\$728.8	\$768.4	\$854.8	\$728.8	\$854.8
Net debt (d)	\$693.7	\$737.6	\$833.8	\$693.7	\$833.8
Net debt / capital	48.5%	50.2%	54.1%	48.5%	54.1%

(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 \$35.1, \$30.8 and \$21.0, at 9/30/02, 6/30/02, and 9/30/01, 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)

SEPTEMBER 30, 2002 (unaudited)

(millions of dollars, except per share information)

Three Months Ended      Nine Months Ended

	Three Months Ended		Nine Months Ended		
	Sept. 30,	June 30,	Sept.30,	Sept.30,	Sept. 30,
	2002	2002	2001	2002	2001
Sales	\$293.1	\$269.3	\$263.9	\$831.1	\$869.9
Costs and expenses					
Cost of sales	248.0	220.9	235.0	698.1	722.4
Selling and general expenses	8.4	10.3	7.4	30.2	24.6
Other operating expense (income)	1.4	(1.4)	(0.3)	0.6	(0.8)
Operating income	35.3	39.5	21.8	102.2	123.7
Interest expense	(14.3)	(15.1)	(16.5)	(44.6)	(52.9)
Interest and miscellaneous income (expense), net	0.9	-	1.0	1.2	1.2
Income from continuing operations before income taxes	21.9	24.4	6.3	58.8	72.0
Income tax expense	(6.3)	(6.9)	(0.3)	(16.7)	(22.4)
Income from continuing operations	\$15.6	\$17.5	\$6.0	\$42.1	\$49.6
Discontinued operations, net	0.1	(1.3)	-	(0.8)	0.1
Net income (after disc. ops)	\$15.7	\$16.2	\$6.0	\$41.3	\$49.7
Net income per Common Share					
Basic EPS					
From continuing operations	\$0.55	\$0.64	\$0.22	\$1.52	\$1.83
Net income (after disc. ops)	\$0.56	\$0.59	\$0.22	\$1.49	\$1.83
Diluted EPS					
From					

continuing operations	\$0.55	\$0.62	\$0.22	\$1.49	\$1.79
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Net income (after disc. ops)	\$0.56	\$0.57	\$0.22	\$1.46	\$1.80
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Weighted average Common Shares used for determining Basic EPS	27,753,428	27,728,798	27,266,368	27,669,720	27,186,767
Diluted EPS	28,201,286	28,324,784	27,690,303	28,203,231	27,599,697

(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)

SEPTEMBER 30, 2002 (unaudited)  
(millions of dollars)  
Three Months Ended      Nine Months Ended

September    June    September    September    September  
30,    30,    30,    30,    30,  
2002    2002    2001    2002    2001

Sales					
Performance Fibers					
Cellulose specialties	\$97.4	\$86.6	\$96.1	\$274.6	\$282.0
Absorbent materials	41.7	37.5	40.6	117.9	139.5
Total Performance Fibers	139.1	124.1	136.7	392.5	421.5
Timber and Land					
Timber	35.8	45.4	38.9	123.5	146.9
Land	28.3	12.6	7.5	60.0	70.9
Total Timber and Land	64.1	58.0	46.4	183.5	217.8
Wood Products and Trading	90.8	91.3	82.6	263.7	241.8
Intersegment eliminations	(0.9)	(4.1)	(1.8)	(8.6)	(11.2)
Total sales	\$293.1	\$269.3	\$263.9	\$831.1	\$869.9

Operating income (loss)					
Performance Fibers	\$10.8	\$10.7	\$4.6	\$28.1	\$32.5
Timber and Land					
Timber	14.2	20.9	16.1	55.8	72.8
Land	18.6	10.7	5.6	37.9	40.8
Total Timber and Land	32.8	31.6	21.7	93.7	113.6
Wood Products					

and Trading	(5.0)	-	(1.6)	(7.4)	(8.6)
Corporate and other	(3.3)	(2.8)	(2.9)	(12.2)	(13.8)

Total operating income	\$35.3	\$39.5	\$21.8	\$102.2	\$123.7
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(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)  
SEPTEMBER 30, 2002 (unaudited)  
(millions of dollars)

Nine Months Ended

	September 30, 2002	September 30, 2001
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Income from continuing operations	\$42.1	\$49.6
Depreciation, depletion and amortization	120.4	134.8
Non-cash cost of land sales	8.2	8.7

Subtotal	170.7	193.1
Capital expenditures	(57.4)	(56.7)
Working capital changes	9.8	13.0
Cash balance increase	(27.2)	(15.8)
Dividends	(29.9)	(29.4)
Proceeds from stock options exercised	14.2	6.9
Share repurchases	(3.1)	(2.0)
All other	21.3	6.6

Subtotal	98.4	115.7
Cash provided by discontinued operations	24.2	2.5

Decrease in borrowings	\$122.6	\$118.2
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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)  
SEPTEMBER 30, 2002 (unaudited)  
(millions of dollars, except per share information)

Three Months Ended      Nine Months Ended

	September 30, 2002	June 30, 2002	September 30, 2001	September 30, 2002	September 30, 2001
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Geographical Data  
(Non-U.S.)

Sales

New

Zealand	\$20.2	\$17.5	\$17.5	\$57.5	\$50.9
Other	8.5	11.5	5.0	33.3	30.2

Total	\$28.7	\$29.0	\$22.5	\$90.8	\$81.1
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Operating income (loss)

New

Zealand	\$2.0	\$2.5	\$1.3	\$3.9	\$1.4
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Other	0.1	0.4	(0.8)	(0.9)	(1.6)
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Total	\$2.1	\$2.9	\$0.5	\$3.0	\$(0.2)
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Timber and Land

Sales

Northwest

U.S.	\$9.7	\$21.3	\$11.3	\$48.3	\$49.5
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Southeast

U.S.	48.1	33.0	28.4	116.7	152.3
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New

Zealand	6.3	3.7	6.7	18.5	16.0
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Total	\$64.1	\$58.0	\$46.4	\$183.5	\$217.8
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Operating

income (loss)

Northwest

U.S.	\$4.8	\$15.6	\$6.7	\$33.2	\$35.5
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Southeast

U.S.	23.7	16.0	12.4	56.9	72.3
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New

Zealand	4.3	-	2.6	3.6	5.8
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Total	\$32.8	\$31.6	\$21.7	\$93.7	\$113.6
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EBITDA per Share

Performance

Fibers	\$1.02	\$1.04	\$0.82	\$2.92	\$3.22
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Timber and

Land	2.02	1.67	1.38	5.60	6.94
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Wood

Products

and Trading	(0.03)	0.14	0.08	0.15	0.08
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Corporate

and other	(0.12)	(0.11)	(0.08)	(0.44)	(0.52)
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Total	\$2.89	\$2.74	\$2.20	\$8.23	\$9.72
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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)

SEPTEMBER 30, 2002 (unaudited)

Three Months Ended      Nine Months Ended

September	June	September	September	September
30,	30,	30,	30,	30,
2002	2002	2001	2002	2001

Performance Fibers

Sales Volume

Cellulose specialties,  
in thousands of

metric tons	114	101	110	319	323
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Absorbent materials,  
in thousands of

metric tons	75	66	69	211	216
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Production as a percent

of capacity	98.3%	99.5%	88.2%	98.2%	96.4%
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Timber and Land

Sales volume - Timber

Northwest U.S., in

millions of board feet	36	80	48	186	185
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Southeast U.S., in thousands of short green tons	1,165	1,191	1,184	3,597	4,370
New Zealand, in thousands of metric tons (7)	243	168	213	532	551
Timber sales volume - Intercompany					
Northwest U.S., in millions of board feet	2	19	9	36	44
Southeast U.S., in thousands of short green tons	13	3	2	21	32
New Zealand, in thousands of metric tons (7)	16	10	9	39	34
Acres sold	14,657	3,995	2,678	37,552	60,951
Wood Products and Trading					
Lumber sales volume, in millions of board feet	87	86	79	252	199
Medium-density fiberboard sales volume, in thousands of cubic meters	40	41	37	117	113
Log trading sales volume					
North America, in millions of board feet	32	32	42	91	128
New Zealand, in thousands of metric tons	91	85	55	251	217
Other, in thousands of cubic meters	46	86	31	250	263

(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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