# Rayonier Reports Third Quarter 2005 Results

October 24, 2005

JACKSONVILLE, Fla.--(BUSINESS WIRE)--Oct. 24, 2005--Rayonier (NYSE:RYN) today reported third quarter income from continuing operations of $74.9 million, or 96 cents per share. This compares to $41.6 million, or 54 cents per share, in second quarter 2005 and $25.1 million, or 33 cents per share, in third quarter 2004. Net income for the quarter was $75.0 million, or 96 cents per share. All earnings-per-share data reflect the three-for-two stock split completed October 17, 2005.

Third quarter 2005 results included the following special items:

- An income tax benefit of $25.8 million, or 33 cents per share, associated with the repatriation of foreign earnings.
- Tax and related interest benefits of $8.1 million, or 10 cents per share, from the favorable resolution of tax audits for prior years.
- A gain of $5.2 million, or 7 cents per share, from an arbitration award related to the sharing of insurance proceeds by the company's former parent.

Second quarter 2005 special items included a tax benefit of $7.2 million, or 9 cents per share, related to an IRS audit settlement.

Also, both third and second quarter 2005 results included tax benefits from like-kind exchange (LKE) transactions of approximately $1 million compared to $10 million, or 13 cents per share, in third quarter 2004.

Lee Nutter, Chairman, President and CEO, said: "With strong demand and pricing across all product lines, income from continuing operations was above both the second quarter and last year's third quarter, despite higher raw material and energy costs. Cash flow, including proceeds from the sale of our medium-density-fiberboard business, remained strong, enabling us to reduce debt by 14 percent from the end of the prior quarter."

Excluding the special items, third quarter income from continuing operations was above second quarter primarily due to higher real estate sales, somewhat offset by a normal seasonal decline in Northwest timber sales. On the same basis, compared to third quarter 2004, earnings improved primarily due to increased real estate sales and Northwest timber prices, partially offset by reduced LKE tax benefits.

Cash provided by operating activities for the nine months ended September 30 of $206 million was $26 million below the comparable period in 2004 due to working capital increases. However, Cash Available for Distribution (CAD) of $159 million was $11 million above last year. (CAD is a non-GAAP measure defined and reconciled to GAAP measures in the attached exhibits.)

Sales for the third quarter of $300 million were $9 million and $32 million above second quarter 2005 and third quarter 2004, respectively.

Debt at quarter-end of $590 million was $69 million below year end 2004 primarily due to strong cash flow and proceeds of $40 million from the sale of the medium-density-fiberboard business. Debt less cash of $480 million declined $94 million from year end. The debt-to-capital ratio of 42.2 percent strengthened from 45.3 percent at year end. Cash at September 30, 2005, was $110 million.

Timber

Sales of $46 million and operating income of $16 million were $9 million and $7 million below second quarter, respectively, primarily due to the normal seasonal decline in Northwest volume and higher costs. Compared to third quarter 2004, sales and operating income improved $6 million and $4 million, respectively, mainly due to higher Northwest prices partially offset by lower volume and increased costs.

Real Estate

Sales of $28 million and operating income of $22 million were $13 million and $11 million above second quarter, respectively, and $20 million and $17 million higher than third quarter 2004, respectively, due to increased sales of development and rural properties and higher per acre prices for development properties.

Performance Fibers

Sales of $159 million were $6 million and $16 million above second quarter 2005 and third quarter 2004, respectively, primarily due to higher prices for absorbent materials and cellulose specialty products and increased volumes of cellulose specialty products. However, operating income of $16 million decreased $3 million and $1 million compared to second quarter 2005 and third quarter 2004, respectively, due to higher wood, chemical, and energy costs.

Wood Products

Sales of $36 million and operating income of $5 million were each $1 million below the second quarter. Sales improved $2 million from third quarter 2004 while operating income was essentially unchanged as higher prices were offset by increased manufacturing costs.

Other Operations

Sales of $32 million and essentially breakeven operating results were both $1 million above second quarter. Sales declined $14 million from third quarter 2004 due to weaker trading activity while operating income was unchanged.

Other Items

Corporate expenses of $10.2 million were $1.9 million and $2.2 million above second quarter 2005 and third quarter 2004, respectively, largely due to higher stock price-based incentive compensation.

Intersegment eliminations and other of $2.2 million was $2.6 million and $2 million favorable to second quarter 2005 and third quarter 2004, respectively, primarily due to proceeds from an insurance settlement.

Interest and miscellaneous income of $11.9 million was $10.9 million and $11.2 million above second quarter 2005 and third quarter 2004, respectively, mainly due to the previously noted arbitration award and interest benefits associated with the favorable resolution of tax audits.

The year-to-date effective tax rate, before discrete items, was 13.9 percent compared to 16.3 percent for the same period in 2004, primarily due to reduced taxes on U.S. manufacturing operations from 2004 tax law changes and lower taxes on foreign operations (see Schedule J for details).

The overall third quarter 2005 income tax benefit of $21.8 million included the impact on taxes of the following previously noted special items: a $25.8 million income tax benefit associated with the repatriation of foreign earnings, a $3.1 million net tax benefit related to favorable tax audits for prior years and a $3.0 million tax expense related to the arbitration award.

Outlook

Fourth quarter 2005 results are expected to be well above fourth quarter 2004 due to increased real estate sales and higher prices for U.S. timber and cellulose specialty products, but somewhat below third quarter 2005 (excluding the aforementioned special items) due to increased performance fibers manufacturing costs partially offset by higher volumes of cellulose specialty products and Northwest timber.

"Global demand for our cellulose specialty products is particularly strong and is expected to result in further price improvement in January 2006 with the completion of annual pricing negotiations under multi-year contracts," Nutter said.

Fourth quarter results will include net cash proceeds of $65 million and a gain of approximately $30 million, or 39 cents per share, from the previously announced sale of the company's New Zealand timberlands to a consortium in which Rayonier holds a 49.7 percent interest. The transaction closed October 3, 2005.

As previously announced, the quarterly cash dividend, beginning with the fourth quarter, has been increased 13.7 percent to 47 cents per share on a post-split basis.

Rayonier has 2.2 million acres of prime timberland and real estate in the U.S. and New Zealand. Its real estate subsidiary, TerraPointe LLC, is charged with maximizing the value of its extensive higher-and-better use properties, particularly in the fast growing counties along Interstate 95 between Savannah, Georgia, and Daytona Beach, Florida, where Rayonier owns approximately 200,000 acres. Rayonier is also the world's leading producer of high performance cellulose specialty products. Approximately 40 percent of the company's sales are outside the U.S. to customers in more than 50 countries.

Reported results are preliminary and not final until filing of the third quarter 2005 Form 10-Q with the Securities and Exchange Commission and, therefore, remain subject to adjustment. Statements regarding anticipated demand, pricing, manufacturing costs, earnings, and real estate sales are "forward-looking statements" made pursuant to the safe harbor provisions of federal securities laws. 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 specialty products, 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. Rayonier assumes no obligation to update these statements except as may be required by law.

A conference call will be held on Monday, October 24, at 2:00 p.m. EDT to discuss these results. Interested parties are invited to listen to the live webcast by logging onto http://www.rayonier.com and following the link. Supplemental materials will be available at the website. A replay will be available on the site shortly after the call where it will be archived for one month. 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
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars, except per share information)

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Sept. 30, 2005 | June 30, 2005 | Sept. 30, 2004 | Sept. 30, 2005 | Sept. 30, 2004 |
| Profitability | | | | | |
| Sales | $ 299.5 | $ 290.3 | $ 267.9 | $ 864.8 | $ 878.3 |

| | | | | | |
|---|---|---|---|---|---|
| Operating income | $ 51.0 | $ 48.9 | $ 32.1 | $ 147.2 | $ 146.4 |
| Income from continuing operations | $ 74.9 | $ 41.6 | $ 25.1 | $ 151.3 | $ 146.1 |
| Discontinued operations | $ 0.1 | $ (24.7) | $ (1.0) | $ (24.9) | $ (2.7) |
| Net income | $ 75.0 | $ 16.9 | $ 24.1 | $ 126.4 | $ 143.4 |
| Income per diluted common share | | | | | |
| Continuing operations | $ 0.96 | $ 0.54 | $ 0.33 | $ 1.95 | $ 1.90 |
| Net income | $ 0.96 | $ 0.22 | $ 0.32 | $ 1.63 | $ 1.87 |
| Pro forma income from continuing operations (see schedule H) | $ 0.46 | $ 0.45 | $ 0.33 | $ 1.23 | $ 1.25 |
| Operating income as a percent of sales | 17.0% | 16.8% | 12.0% | 17.0% | 16.7% |
| ROE (annualized) (a) | 14.7% | 13.4% | 16.6% | 14.7% | 16.6% |

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2005 | 2004 |
| Capital Resources and Liquidity | | |
| Continuing operations: | | |
| Cash provided by operating activities | $ 206.1 | $ 232.4 |
| Cash used for investing activities | $ (77.9) | $ (141.9) |
| Cash used for financing activities | $ (150.0) | $ (71.4) |
| Adjusted EBITDA (b)(d) | $ 280.1 | $ 268.6 |
| Cash Available for Distribution (CAD)(c)(d) | $ 159.4 | $ 148.9 |
| Repayment of debt, net | $ (67.8) | $ (2.8) |
| Debt | $ 589.8 | $ 615.5 |
| Debt / capital | 42.2% | 43.7% |
| Cash | $ 109.6 | $ 41.6 |

(a), (b), (c) and (d), see Schedule C.



RAYONIER

CONDENSED STATEMENTS OF CONSOLIDATED INCOME
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars, except per share information)

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Sept. 30, 2005 | June 30, 2005 | Sept. 30, 2004 | Sept. 30, 2005 | Sept. 30, 2004 |
| Sales | $ 299.5 | $ 290.3 | $ 267.9 | $ 864.8 | $ 878.3 |
| Costs and expenses | | | | | |
| Cost of sales | 237.7 | 227.0 | 224.6 | 682.1 | 689.1 |
| Selling and general expenses | 16.9 | 15.3 | 12.7 | 46.7 | 44.9 |
| Other operating income, net | (6.1) | (0.9) | (1.5) | (11.2) | (2.1) |
| Operating income | 51.0 | 48.9 | 32.1 | 147.2 | 146.4 |
| Interest expense | (9.8) | (12.8) | (11.5) | (35.0) | (34.6) |
| Interest and miscellaneous income, net | 11.9 | 1.0 | 0.7 | 13.4 | 1.8 |
| Income before taxes | 53.1 | 37.1 | 21.3 | 125.6 | 113.6 |
| Income tax benefit (a) | 21.8 | 4.5 | 3.8 | 25.7 | 32.5 |
| Income from continuing operations | $ 74.9 | $ 41.6 | $ 25.1 | $ 151.3 | $ 146.1 |
| Discontinued operations, net | 0.1 | (24.7) | (1.0) | (24.9) | (2.7) |
| Net income (a) | $ 75.0 | $ 16.9 | $ 24.1 | $ 126.4 | $ 143.4 |
| Income per Common Share: | | | | | |
| Basic | | | | | |
| From continuing operations | $ 0.99 | $ 0.55 | $ 0.34 | $ 2.00 | $ 1.96 |
| Net income | $ 0.99 | $ 0.22 | $ 0.33 | $ 1.67 | $ 1.92 |
| Diluted | | | | | |
| From continuing | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| operations | $ 0.96 | $ 0.54 | $ 0.33 | $ 1.95 | $ 1.90 |
| Net income | $ 0.96 | $ 0.22 | $ 0.32 | $ 1.63 | $ 1.87 |
| Pro forma income from continuing operations (b) | | | | | |
| Adjusted basic EPS | $ 0.47 | $ 0.45 | $ 0.34 | $ 1.25 | $ 1.29 |
| Adjusted diluted EPS | $ 0.46 | $ 0.45 | $ 0.33 | $ 1.23 | $ 1.25 |
| Weighted average Common Shares used for determining | | | | | |
| Basic EPS | 75,658,512 | 75,326,922 | 74,580,075 | 75,390,193 | 74,309,063 |
| Diluted EPS | 77,753,165 | 77,412,110 | 76,685,147 | 77,490,723 | 76,401,050 |

(a) and (b), see Schedule C.



RAYONIER
FOOTNOTES FOR SCHEDULES A AND B
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars, except per share information)

Schedule A

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

(b) 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. See reconciliation on Schedule I.

(c) Cash Available for Distribution (CAD) is defined as cash provided by operating activities less capital spending, the tax benefit on the exercise of stock options, tax benefits associated with certain strategic acquisitions and the change in committed cash. 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. See reconciliation on Schedule H.

(d) Management considers these measures to be important to estimate the enterprise and shareholder values of the Company as a whole and of its core segments, and for allocating capital resources. In addition, analysts, investors and creditors use these measures when analyzing the financial condition and cash generating ability of the Company.

Schedule B

(a) Three months ended September 30, 2005 includes: a tax benefit of $25.8 million associated with the repatriation of foreign earnings; tax benefits and adjustment of accrued interest expense/income of $8.1 million resulting from IRS audit settlements; and a favorable non-operating income adjustment of $5.2 million resulting from an arbitration award. Nine months ended September 30, 2005 also includes tax benefits of $16.7 million resulting from IRS audit settlements. Nine months ended September 30, 2004 includes 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 for a net effect of $49.7 million.

(b) Three months ended September 30, 2005 excludes: a tax benefit of $0.33 per share associated with the repatriation of foreign earnings; tax benefits and adjustment of accrued interest expense/income of $0.10 per share resulting from IRS audit settlements; and a favorable non-operating income adjustment of $0.07 per share, resulting from an arbitration award. Nine months ended September 30, 2005 also excludes tax benefits of $0.22 per share, resulting from IRS audit settlements. Nine months ended September 30, 2004 includes reversal of deferred taxes not required after REIT conversion of $1.02 per share and additional taxes for repatriation of foreign earnings of ($0.37) per share, for a net effect of $0.65 per share. See reconciliation on Schedule H.

- C -

RAYONIER
BUSINESS SEGMENT SALES AND OPERATING INCOME (LOSS)
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars)

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Sept. 30, 2005 | June 30, 2005 | Sept. 30, 2004 | Sept. 30, 2005 | Sept. 30, 2004 |
| Sales | | | | | |
| Timber | $ 45.5 | $ 54.5 | $ 39.2 | $ 151.9 | $ 141.6 |
| Real Estate | 27.6 | 14.7 | 7.3 | 65.9 | 81.0 |
| Performance Fibers | | | | | |
| Cellulose specialties | 114.8 | 108.0 | 103.3 | 323.9 | 303.6 |
| Absorbent materials | 44.3 | 45.2 | 39.4 | 131.4 | 124.4 |
| Total Performance | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Fibers | 159.1 | 153.2 | 142.7 | 455.3 | 428.0 |
| Wood Products | 35.6 | 36.4 | 33.2 | 102.5 | 95.3 |
| Other Operations | 32.1 | 31.5 | 45.8 | 89.9 | 133.0 |
| Intersegment eliminations | (0.4) | - | (0.3) | (0.7) | (0.6) |
| Total sales | $ 299.5 | $ 290.3 | $ 267.9 | $ 864.8 | $ 878.3 |
| Operating income (loss) | | | | | |
| Timber | $ 16.4 | $ 23.1 | $ 12.6 | $ 63.2 | $ 55.5 |
| Real Estate | 21.8 | 10.7 | 4.9 | 47.8 | 63.6 |
| Performance Fibers | 15.6 | 18.5 | 16.7 | 46.5 | 41.2 |
| Wood Products | 4.6 | 5.7 | 5.0 | 13.6 | 12.3 |
| Other Operations | 0.6 | (0.4) | 0.7 | 0.4 | 5.0 |
| Corporate | (10.2) | (8.3) | (8.0) | (26.1) | (30.9) |
| Intersegment eliminations and other (Including Corporate FX) | 2.2 | (0.4) | 0.2 | 1.8 | (0.3) |
| Total operating income | $ 51.0 | $ 48.9 | $ 32.1 | $ 147.2 | $ 146.4 |

- D -

RAYONIER
CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF CASH FLOWS
SEPTEMBER 30, 2005 (unaudited)
(millions of dollars)

CONDENSED CONSOLIDATED BALANCE SHEETS

| | Sept. 30, 2005 | Dec. 31, 2004 |
|---|---|---|
| Assets | | |
| Current assets | $ 341.6 | $ 369.4 |
| Timber, timberlands and logging roads, net of depletion and amortization | 1,035.4 | 1,053.5 |
| Property, plant and equipment | 1,352.4 | 1,333.3 |
| Less - accumulated depreciation | (986.7) | (936.2) |
| | 365.7 | 397.1 |
| Other assets | 113.6 | 113.9 |

| | | |
|---|---|---|
| | $1,856.3 | $ 1,933.9 |
| | ========== | ========== |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | $ 259.3 | $ 246.7 |
| Deferred income taxes | 5.1 | 46.5 |
| Long-term debt | 556.2 | 610.3 |
| Non-current reserves for dispositions and discontinued operations | 126.2 | 133.9 |
| Other non-current liabilities | 102.3 | 100.1 |
| Shareholders' equity | 807.2 | 796.4 |
| | ---------- | ---------- |
| | $1,856.3 | $ 1,933.9 |
| | ========== | ========== |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Nine Months Ended | |
|---|---|---|
| | Sept. 30, 2005 | Sept. 30, 2004 |
| Cash provided by operating activities of continuing operations: | | |
| Income from continuing operations | $ 151.3 | $ 146.1 |
| Depreciation, depletion, amortization and non-cash cost basis of real estate sold | 119.6 | 120.4 |
| Other non-cash items included in income(1) | (34.0) | (46.8) |
| Changes in working capital and other assets and liabilities | (30.8) | 12.7 |
| | ---------- | ---------- |
| | 206.1 | 232.4 |
| | ---------- | ---------- |
| Cash used for investing activities of continuing operations: | | |
| Capital expenditures, net of sales and retirements | (51.5) | (52.7) |
| Purchase of timberlands | (12.9) | (89.2) |
| Increase in restricted cash | (13.5) | - |
| | ---------- | ---------- |
| | (77.9) | (141.9) |
| | ---------- | ---------- |
| Cash used for financing activities: | | |
| Repayment of debt, net | (67.8) | (2.8) |
| Dividends paid | (93.5) | (83.3) |
| Issuance of common shares | 11.3 | 14.7 |
| | ---------- | ---------- |
| | (150.0) | (71.4) |
| | ---------- | ---------- |
| Effect of exchange rate changes on cash | (0.1) | 0.3 |
| | ---------- | ---------- |
| Cash provided by discontinued operations | 47.4 | 0.8 |
| | ---------- | ---------- |
| Cash and cash equivalents: | | |
| Increase in cash and cash equivalents | 25.5 | 20.2 |
| Balance, beginning of year | 84.1 | 21.4 |
| | ---------- | ---------- |
| Balance, end of period | $ 109.6 | $ 41.6 |
| | ========== | ========== |

(1) 2005 - mainly the U.S. tax benefit on repatriation of foreign earnings and favorable tax settlements, including interest. 2004 - mainly 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, for a net effect of ($49.7) million.

RAYONIER
SELECTED SUPPLEMENTAL FINANCIAL DATA
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars)

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Sept. 30, 2005 | June 30, 2005 | Sept. 30, 2004 | Sept. 30, 2005 | Sept. 30, 2004 |
| **Geographical Data (Non-U.S.)** | | | | | |
| Sales | | | | | |
| New Zealand | $ 13.1 | $ 14.1 | $ 12.2 | $ 36.1 | $ 36.2 |
| Other | 1.6 | 2.8 | 7.1 | 7.1 | 22.5 |
| Total | $ 14.7 | $ 16.9 | $ 19.3 | $ 43.2 | $ 58.7 |
| Operating income (loss) | | | | | |
| New Zealand | $ 1.5 | $ 0.8 | $ 1.8 | $ 3.0 | $ 3.6 |
| Other | (0.8) | (0.5) | (1.0) | (1.4) | (2.0) |
| Total | $ 0.7 | $ 0.3 | $ 0.8 | $ 1.6 | $ 1.6 |
| **Timber** | | | | | |
| Sales | | | | | |
| Northwest U.S. | $ 18.8 | $ 26.0 | $ 17.0 | $ 71.1 | $ 63.2 |
| Southeast U.S. | 19.1 | 21.6 | 14.9 | 61.6 | 59.0 |
| New Zealand | 7.6 | 6.9 | 7.3 | 19.2 | 19.4 |
| Total | $ 45.5 | $ 54.5 | $ 39.2 | $ 151.9 | $ 141.6 |
| Operating income | | | | | |
| Northwest U.S. | $ 8.8 | $ 16.0 | $ 8.0 | $ 41.2 | $ 33.8 |
| Southeast U.S. | 5.9 | 5.8 | 2.7 | 18.1 | 17.2 |
| New Zealand | 1.7 | 1.3 | 1.9 | 3.9 | 4.5 |
| Total | $ 16.4 | $ 23.1 | $ 12.6 | $ 63.2 | $ 55.5 |
| **Adjusted EBITDA by Segment** | | | | | |
| Timber and Real Estate(1) | $ 58.4 | $ 51.7 | $ 30.1 | $ 170.9 | $ 173.6 |
| Performance Fibers | 35.3 | 37.2 | 37.2 | 100.9 | 100.8 |
| Wood Products | 6.4 | 7.5 | 7.6 | 19.0 | 18.7 |
| Other Operations | 1.2 | 0.1 | 1.2 | 1.5 | 5.9 |
| Corporate and other | 3.2 | (8.3) | (7.3) | (12.2) | (30.4) |

| | | | | | |
|---|---|---|---|---|---|
| Total | $ 104.5 | $ 88.2 | $ 68.8 | $ 280.1 | $ 268.6 |

(1) The Company is in the process of creating separate balance sheet information for the Timber and Real Estate segments.



RAYONIER
SELECTED OPERATING INFORMATION
SEPTEMBER 30, 2005 (unaudited)

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Sept. 30, 2005 | June 30, 2005 | Sept. 30, 2004 | Sept. 30, 2005 | Sept. 30, 2004 |
| Timber | | | | | |
| Sales volume - | | | | | |
| Timber | | | | | |
| Northwest U.S., in millions of board feet | 48 | 69 | 61 | 193 | 230 |
| Southeast U.S., in thousands of short green tons | 1,080 | 1,206 | 842 | 3,507 | 3,231 |
| New Zealand, in thousands of metric tons | 191 | 143 | 173 | 428 | 437 |
| Timber sales volume - Intercompany | | | | | |
| Southeast U.S., in thousands of short green tons | 18 | 2 | 8 | 41 | 29 |
| New Zealand, in thousands of metric tons | 1 | 1 | 7 | 3 | 7 |
| Real Estate | | | | | |
| Acres sold | | | | | |
| TerraPointe - Development | 2,411 | 1,006 | 675 | 4,937 | 3,500 |
| TerraPointe - Rural | 7,930 | 5,028 | 1,284 | 22,107 | 26,297 |
| Northwest U.S. | 44 | 151 | 174 | 275 | 217 |
| Total | 10,385 | 6,185 | 2,133 | 27,319 | 30,014(1) |
| Performance Fibers | | | | | |
| Sales Volume | | | | | |
| Cellulose specialties, in thousands of metric tons | 120 | 113 | 112 | 340 | 328 |
| Absorbent materials, in thousands of metric | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| tons | 65 | 69 | 61 | 201 | 204 |
| Production as a percent of capacity | 103.8% | 102.8% | 98.5% | 103.1% | 98.9% |
| | | | | | |
| Lumber | | | | | |
| Sales volume, in millions of board feet | 89 | 90 | 87 | 262 | 261 |

(1) Includes 5,487 acres associated with a Northeast Florida sale ($26 million) of timber lease rights.



RAYONIER
RECONCILIATION OF NON-GAAP MEASURES
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars, except per share information)

| | Nine Months Ended | |
|---|---|---|
| | Sept. 30, 2005 | Sept. 30, 2004 |
| Cash Available for Distribution | | |
| Cash provided by operating activities | $ 206.1 | $ 232.4 |
| Capital spending (a) | (51.5) | (52.7) |
| Like-kind exchange tax benefits on third party land sales (b) | (2.0) | (9.9) |
| Like-kind exchange tax benefits on intercompany land sales (b) | - | (20.2) |
| Decrease in committed cash | 10.0 | 2.8 |
| Tax benefit on exercise of stock options | (3.2) | (3.5) |
| Cash Available for Distribution | $ 159.4 | $ 148.9 |

(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.

| | Three Months Ended | | | Nine Months Ended | |
|---|---|---|---|---|---|
| | Sept. 30, 2005 | June 30, 2005 | Sept. 30, 2004 | Sept. 30, 2005 | Sept. 30, 2004 |
| Income from Continuing Operations per Common Share | | | | | |
| Basic EPS | $ 0.99 | $ 0.55 | $ 0.34 | $ 2.00 | $ 1.96 |
| Diluted EPS | $ 0.96 | $ 0.54 | $ 0.33 | $ 1.95 | $ 1.90 |

| | | | | | |
|---|---|---|---|---|---|
| Deferred taxes not required after REIT conversion | | | | | |
| Basic EPS | - | - | - | - | (1.05) |
| Diluted EPS | - | - | - | - | (1.02) |
| Taxes associated with repatriation of foreign earnings | | | | | |
| Basic EPS | (0.34) | - | - | (0.34) | 0.38 |
| Diluted EPS | (0.33) | - | - | (0.33) | 0.37 |
| IRS audit settlements including adjustment of accrued interest | | | | | |
| Basic EPS | (0.11) | (0.10) | - | (0.34) | - |
| Diluted EPS | (0.10) | (0.09) | - | (0.32) | - |
| Arbitration award | | | | | |
| Basic EPS | (0.07) | - | - | (0.07) | - |
| Diluted EPS | (0.07) | - | - | (0.07) | - |
| Pro forma income from Continuing Operations per Common Share | | | | | |
| Adjusted basic EPS | $ 0.47 | $ 0.45 | $ 0.34 | $ 1.25 | $ 1.29 |
| Adjusted diluted EPS | $ 0.46 | $ 0.45 | $ 0.33 | $ 1.23 | $ 1.25 |

- H -

RAYONIER
RECONCILIATION OF NON-GAAP MEASURES (1)
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars)

| | Timber and Real Estate | Performance Fibers | Wood Products |
|---|---|---|---|
| Adjusted EBITDA | | | |
| Three Months Ended September 30, 2005 | | | |
| Cash provided by operating activities | $ 61.8 | $ 19.7 | $ 8.6 |

| | | | |
|---|---|---|---|
| Income tax benefit | - | - | - |
| Interest expense | - | - | - |
| Working capital increases (decreases) | 1.0 | 16.3 | (2.2) |
| Other balance sheet changes | (4.4) | (0.7) | - |
| Adjusted EBITDA | $ 58.4 | $ 35.3 | $ 6.4 |
| June 30, 2005 | | | |
| Cash provided by operating activities | $ 37.6 | $ 28.8 | $ 6.9 |
| Income tax benefit | - | - | - |
| Interest expense | - | - | - |
| Working capital increases (decreases) | 9.4 | 8.3 | 0.7 |
| Other balance sheet changes | 4.7 | 0.1 | (0.1) |
| Adjusted EBITDA | $ 51.7 | $ 37.2 | $ 7.5 |
| September 30, 2004 | | | |
| Cash provided by operating activities | $ 26.9 | $ 47.0 | $ 8.2 |
| Income tax benefit | - | - | - |
| Interest expense | - | - | - |
| Working capital increases (decreases) | (0.1) | (9.5) | (0.6) |
| Other balance sheet changes | 3.3 | (0.3) | - |
| Adjusted EBITDA | $ 30.1 | $ 37.2 | $ 7.6 |
| Nine Months Ended September 30, 2005 | | | |
| Cash provided by operating activities | $ 171.8 | $ 74.3 | $ 17.1 |
| Income tax benefit | - | - | - |
| Interest expense | - | - | - |
| Working capital increases (decreases) | 1.9 | 27.3 | 1.9 |
| Other balance sheet changes | (2.8) | (0.7) | - |
| Adjusted EBITDA | $ 170.9 | $ 100.9 | $ 19.0 |
| September 30, 2004 | | | |
| Cash provided by operating activities | $ 180.9 | $ 93.3 | $ 17.0 |
| Income tax benefit | - | - | - |
| Interest expense | - | - | - |
| Working capital increases (decreases) | (11.5) | 6.4 | 1.7 |
| Other balance sheet changes | 4.2 | 1.1 | - |
| Adjusted EBITDA | $ 173.6 | $ 100.8 | $ 18.7 |

| | Other Operations | Corporate and other | Total |
|---|---|---|---|
| Adjusted EBITDA | | | |
| Three Months Ended | | | |

| | | | |
|---|---|---|---|
| September 30, 2005 | | | |
| Cash provided by operating activities | $ 2.8 | $ (9.7) | $ 83.2 |
| Income tax benefit | - | (21.8) | (21.8) |
| Interest expense | - | 9.8 | 9.8 |
| Working capital increases (decreases) | (1.7) | (3.6) | 9.8 |
| Other balance sheet changes | - | 28.6 (a) | 23.5 |
| Adjusted EBITDA | $ 1.1 | $ 3.3 | $ 104.5 |
| June 30, 2005 | | | |
| Cash provided by operating activities | $ 2.5 | $ (28.3) | $ 47.5 |
| Income tax benefit | - | (4.5) | (4.5) |
| Interest expense | - | 12.8 | 12.8 |
| Working capital increases (decreases) | (2.0) | 4.6 | 21.0 |
| Other balance sheet changes | (0.4) | 7.1 | 11.4 |
| Adjusted EBITDA | $ 0.1 | $ (8.3) | $ 88.2 |
| September 30, 2004 | | | |
| Cash provided by operating activities | $ 6.2 | $ (13.6) | $ 74.7 |
| Income tax benefit | - | (3.8) | (3.8) |
| Interest expense | - | 11.5 | 11.5 |
| Working capital increases (decreases) | (5.1) | (5.4) | (20.7) |
| Other balance sheet changes | 0.1 | 4.0 | 7.1 |
| Adjusted EBITDA | $ 1.2 | $ (7.3) | $ 68.8 |
| Nine Months Ended September 30, 2005 | | | |
| Cash provided by operating activities | $ 1.6 | $ (58.7) | $ 206.1 |
| Income tax benefit | - | (25.7) | (25.7) |
| Interest expense | - | 35.0 | 35.0 |
| Working capital increases (decreases) | (1.6) | 0.4 | 29.9 |
| Other balance sheet changes | 1.5 | 36.8 (a) | 34.8 |
| Adjusted EBITDA | $ 1.5 | $ (12.2) | $ 280.1 |
| September 30, 2004 | | | |
| Cash provided by operating activities | $ 12.2 | $ (71.0) | $ 232.4 |
| Income tax benefit | - | (32.5) | (32.5) |
| Interest expense | - | 34.6 | 34.6 |
| Working capital increases (decreases) | (5.7) | (19.4) | (28.5) |
| Other balance sheet changes | (0.6) | 57.9 (b) | 62.6 |
| Adjusted EBITDA | $ 5.9 | $ (30.4) | $ 268.6 |

(1) Unusual, non-trade intercompany items between the segments have been eliminated.

(a) Includes U.S. tax benefit on repatriation of foreign earnings of

($25.8) million and favorable tax settlements, net of interest.
(b) Includes reversal of deferred taxes not required after REIT conversion of ($77.9) million partly offset by additional taxes for repatriation of foreign earnings of $28.2 million.



RAYONIER
RECONCILIATION OF STATUTORY INCOME TAX TO REPORTED INCOME TAX
SEPTEMBER 30, 2005 (unaudited)

(millions of dollars, except percentages)

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | Sept. 30, 2005 | | June 30, 2005 | | Sept. 30, 2004 | |
| | $ | % | $ | % | $ | % |
| Income tax provision at the U.S. statutory rate | $(18.6) | (35.0) | $(13.0) | (35.0) | $ (7.5) | (35.0) |
| REIT income not subject to federal tax | 10.4 | 19.6 | 9.9 | 26.7 | 9.7 | 45.3 |
| Lost deduction on REIT interest expense and overhead expenses associated with REIT activities | (3.2) | (6.0) | (2.6) | (7.0) | (1.7) | (7.9) |
| Discrete items included in pretax income | 4.9 | 6.5 (2) | - | - | - | - |
| State and local income taxes, foreign exchange rate changes and permanent differences | 2.3 | 4.3 | 0.5 | 1.2 | 3.5 | 16.3 |
| Income tax (expense) benefit before discrete items (1) | $ (4.2) | (10.6) | $ (5.2) | (14.1) | $ 4.0 | 18.7 |
| U.S. tax benefit on repatriation of foreign earnings | 25.8 | 48.6 | - | - | - | - |
| Favorable IRS audit settlements, including adjustment of accrued interest expense / income | 3.1 | 6.9 (2) | 7.2 | 19.4 | - | - |
| Tax on favorable | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| arbitration award | (3.0) | (3.9)(2) | - | - | - | - |
| Exchange rate changes on tax on undistributed foreign earnings | 0.2 | 0.4 | 2.5 | 6.7 | (1.6) | (7.5) |
| Return to accrual adjustments | (0.1) | (0.2) | - | - | 1.4 | 6.5 |
| Non-realizability of New Zealand tax credits on U.S. withholding tax for prior years' intercompany note interest | - | - | - | - | - | - |
| Income tax benefit (expense) (1) | $ 21.8 | 41.2 | $ 4.5 | 12.0 | $ 3.8 | 17.7 |

| | Nine Months Ended | | | |
|---|---|---|---|---|
| | Sept. 30, 2005 | | Sept. 30, 2004 | |
| | $ | % | $ | % |
| Income tax provision at the U.S. statutory rate | $(44.0) | (35.0) | $(39.8) | (35.0) |
| REIT income not subject to federal tax | 28.8 | 22.9 | 30.8 | 27.1 |
| Lost deduction on REIT interest expense and overhead expenses associated with REIT activities | (8.7) | (6.8) | (10.0) | (8.8) |
| Discrete items included in pretax income | 4.9 | 2.2 (2) | - | - |
| State and local income taxes, foreign exchange rate changes and permanent differences | 3.5 | 2.8 | 0.4 | 0.4 |
| Income tax (expense) benefit before discrete items (1) | $(15.5) | (13.9) | $(18.6) | (16.3) |
| U.S. tax benefit on repatriation of foreign | | | | |

| | | | | |
|---|---|---|---|---|
| earnings | 25.8 | 20.5 | - | - |
| Favorable IRS audit settlements, including adjustment of accrued interest expense / income | 19.8 | 16.4 (2) | - | - |
| Tax on favorable arbitration award | (3.0) | (1.4)(2) | - | - |
| Exchange rate changes on tax on undistributed foreign earnings | 1.6 | 1.3 | - | - |
| Return to accrual adjustments | (0.1) | (0.1) | 1.4 | 1.2 |
| Non-realizability of New Zealand tax credits on U.S. withholding tax for prior years' intercompany note interest | (2.9) | (2.4) | - | - |
| | ------- | ------- | ------- | ------- |
| Income tax benefit (expense) (1) | $ 25.7 | 20.4 | $(17.2) | (15.1) |
| | ======= | ======= | ======= | ======= |

(1) Nine months ended September 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, for a net effect of $49.7 million.

(2) Adjusted for change in pretax income due to discrete items.

- J -

CONTACT:
Rayonier, Jacksonville
Media Contact:
Jay Fredericksen, 904-357-9106
or
Investor Contact:
Parag Bhansali, 904-357-9155

SOURCE: Rayonier