



Fourth Quarter 2012 Financial Presentation Material



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 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, particularly in our Performance Fibers business; changes in global economic conditions and world events, including political changes in particular regions or countries; the uncertainties of potential impacts of climate-related weather changes and legislative 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, finance 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 meet all necessary legal requirements to continue to qualify as a REIT and to fund distributions using cash generated through our taxable REIT subsidiaries, and changes in tax laws that could reduce the benefits associated with REIT status.

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>4Q 2012</u>	<u>3Q 2012</u>	<u>4Q 2011</u>
<u>Profitability</u>			
Sales	434	409	388
Operating income	116	113	81
Pro forma operating income *	116	113	88
Net income	76	81	56
Pro forma net income *	76	81	60
Earnings Per Share:			
Diluted EPS	0.59	0.62	0.45
Pro forma diluted EPS*	0.59	0.62	0.48
Average diluted shares (millions)	129.0	130.0	125.5

	<u>Year Ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
<u>Capital Resources and Liquidity</u>		
Cash Provided by Operating Activities	446	432
Cash Used for Investing Activities	(473)	(489)
Cash Provided by (Used for) Financing Activities	229	(215)
EBITDA*	560	492
Cash Available for Distribution (CAD) *	304	287
	<u>12/31/2012</u>	<u>12/31/2011</u>
Debt	1,270	847
Debt / Capital	47%	39%
Cash	281	79

* Non-GAAP measures (see pages 6 and 16-19 for definitions and reconciliations).

Variance Analysis – 3Q 12 to 4Q 12

(\$ Millions)

Operating Income

3Q 2012	\$ 113
Variance	
Forest Resources	
- Price	2
- Volume	1
- Costs / Mix / Other	(5)
- Recreational lease income*	9
Real Estate	3
Performance Fibers	
- Price	(6)
- Volume	6
- Costs / Other	(8)
Wood Products	
- Price	2
- Volume	(1)
4Q 2012	\$ 116

* The majority of recreational lease income is recognized in the fourth quarter.

Variance Analysis – 4Q 11 to 4Q 12

(\$ Millions)

	Operating Income	
	Quarter	Year-to-date
4Q 2011 (Pro forma*)	\$ 88	\$ 363
Variance		
Forest Resources		
- Price	(2)	(9)
- Volume	8	10
- Costs / Mix / Other	(1)	(2)
Real Estate	4	(15)
Performance Fibers		
- Price	24	86
- Volume	(2)	(3)
- Costs / Other	(5)	(22)
Wood Products		
- Price	6	14
- Costs / Other	(2)	(2)
Other Operations	-	(2)
Corporate / Other	(2)	(7)
4Q 2012	\$ 116	\$ 411

* Non-GAAP measure (see page 17 for reconciliation).

Cash Available for Distribution*

(\$ Millions – Except Per Share Data)

	Year Ended December 31,	
	2012	2011
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 446	\$ 432
Capital expenditures **	(158)	(145)
Change in committed cash	6	(6)
Excess tax benefits on stock-based compensation	8	6
Other	2	-
Cash Available for Distribution	<u>\$ 304</u>	<u>\$ 287</u>
Shares outstanding	<u>123,332,444</u>	<u>122,035,177</u>
CAD per share	\$ 2.46	\$ 2.35
Dividends per share	\$ 1.68	\$ 1.52

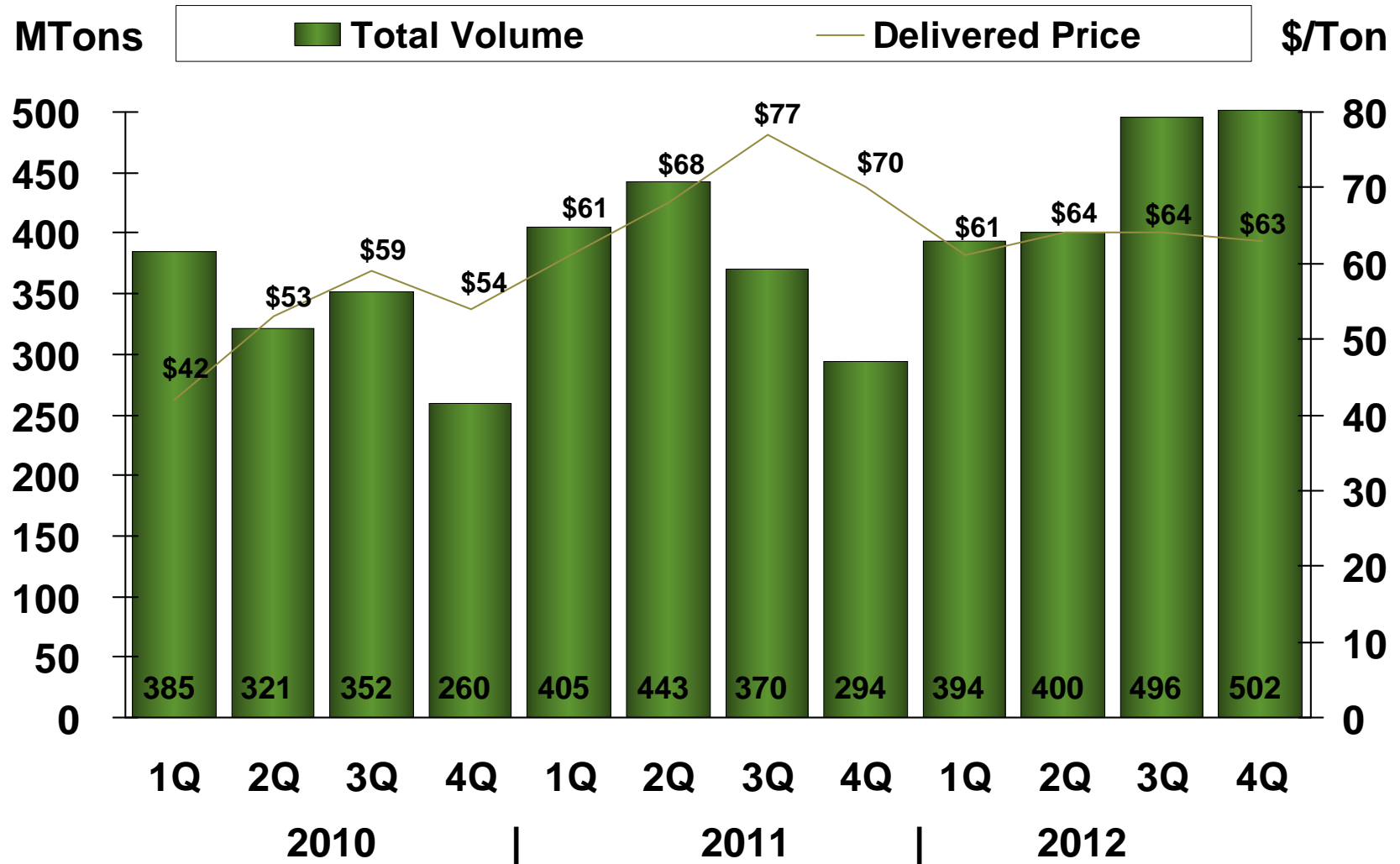
* Non-GAAP measure (See page 16 for definition).

** Capital expenditures exclude strategic capital. For the year ended December 31, 2012, strategic capital totaled \$201 million for the Jesup mill cellulose specialties expansion and \$107 million for timberland acquisitions. For the year ended December 31, 2011, strategic capital totaled \$43 million for the Jesup mill cellulose specialties expansion and \$426 million for timberland acquisitions (including \$105 million of assumed notes).

Markets and Operations

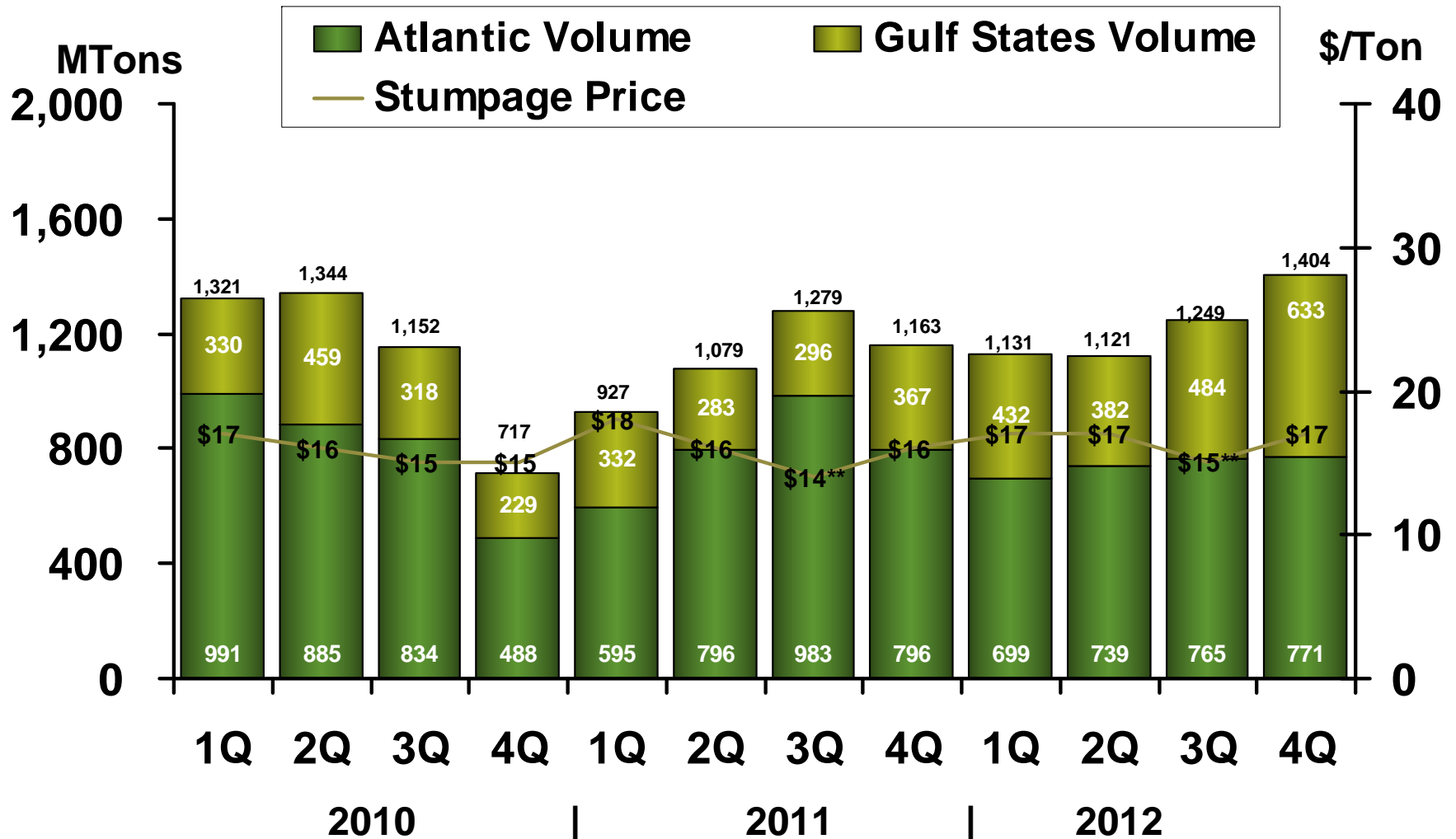


Northern U.S. Timber Sales *



* Chart includes timber sales from Washington state which represent nearly all of the Company's Northern region sales.

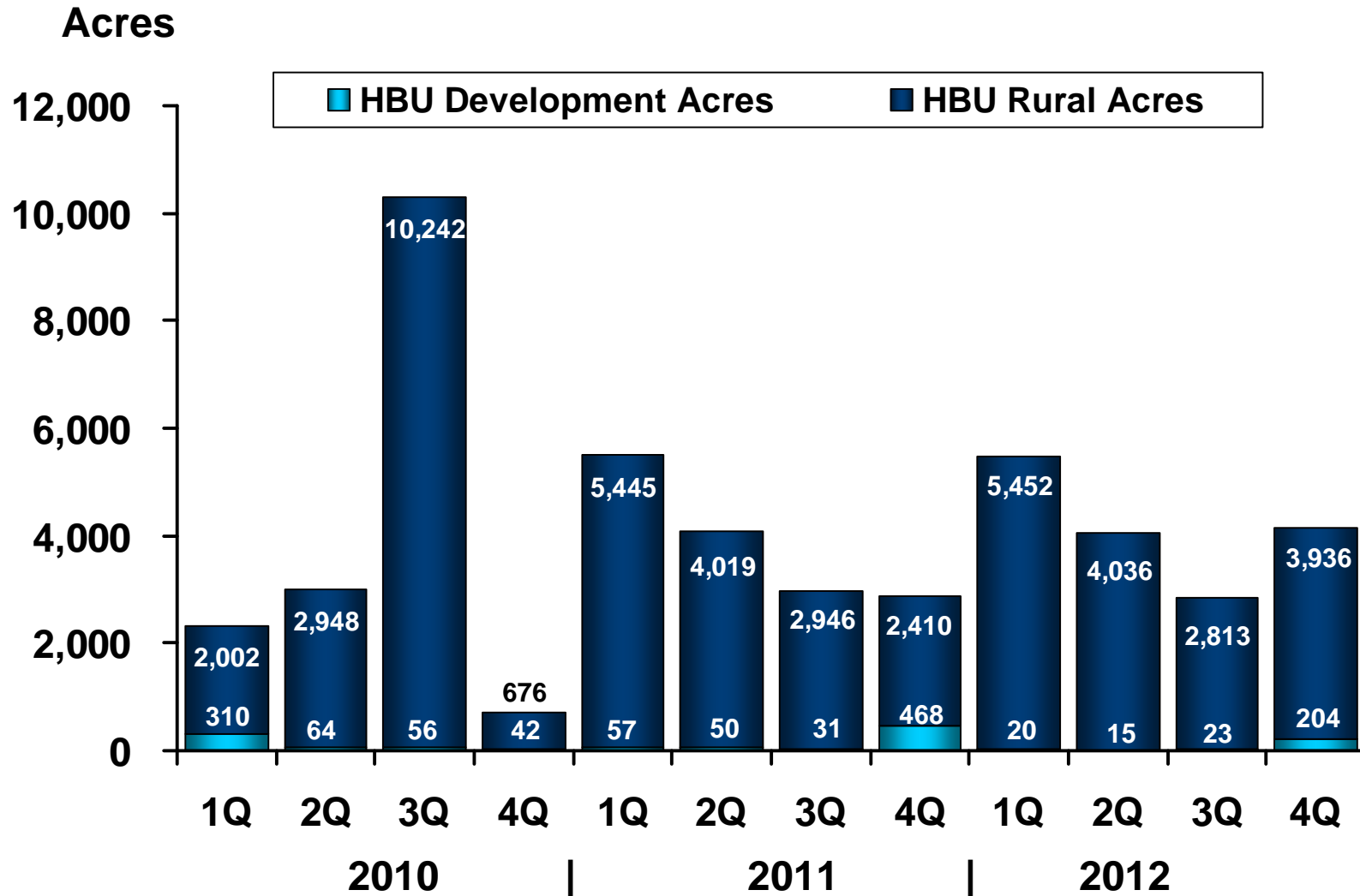
U.S. Pine Timber Sales *



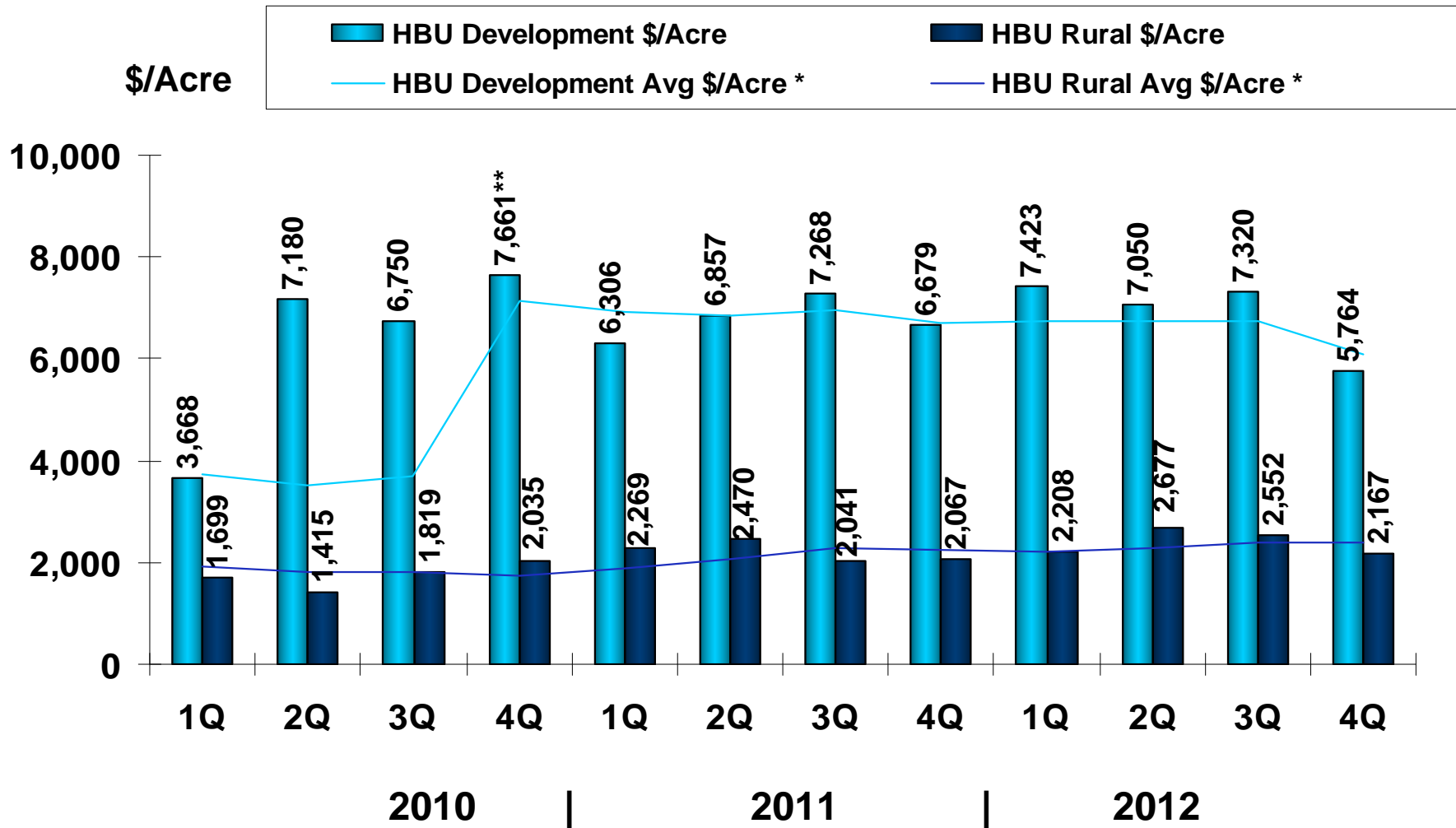
* U.S. pine timber sales are pine sales in the Atlantic (Florida and Georgia) and Gulf States (Alabama, Arkansas, Louisiana, Mississippi, Oklahoma and Texas) regions.

** Q3 2011 prices were lower due to the impact of fire salvage timber. Q3 2012 prices were lower due to sales mix.

HBU Real Estate Acres - Sales



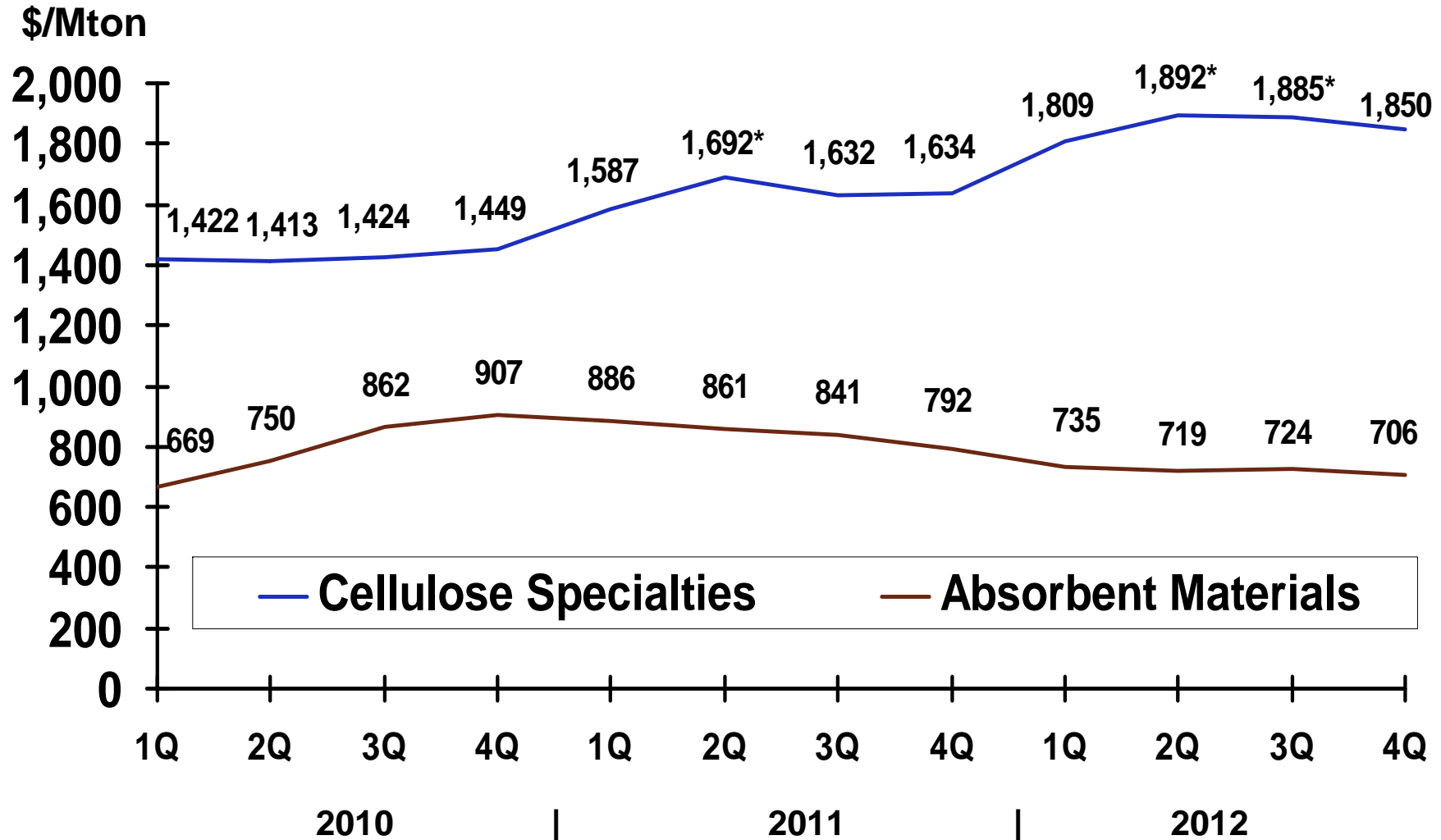
HBU Real Estate Sales Prices



* Four quarter rolling weighted average.

** Excluded \$1.6 million easement sale.

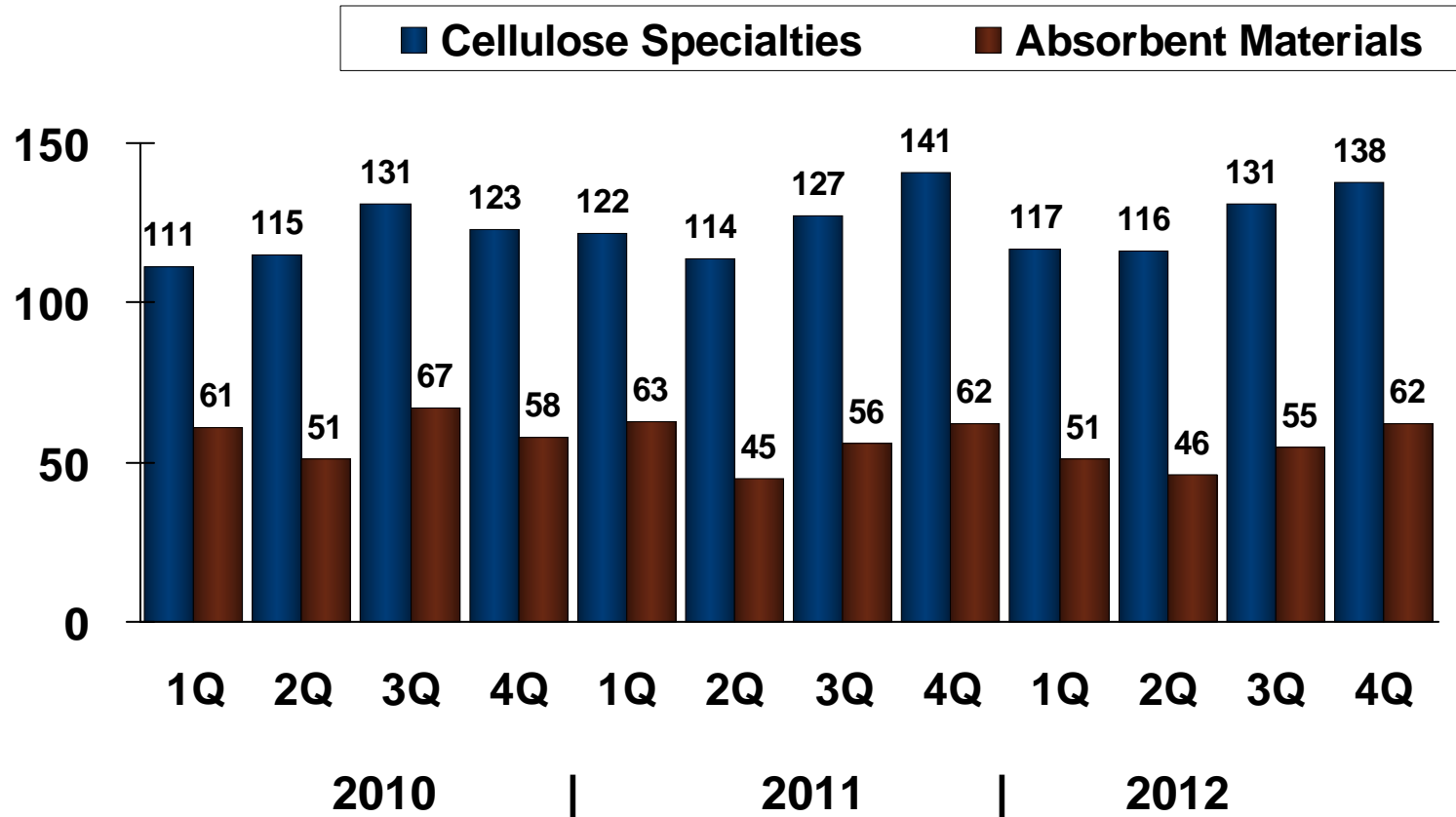
Performance Fibers Net Selling Prices



* Prices were higher in Q2 2011, Q2 2012 and Q3 2012 due to sales mix.

Performance Fibers Sales Volumes

M Metric Tons



Earnings Per Share from Continuing Operations

(\$ / Share)

	2013	Excluding Wood Products *	Actual		Pro forma **
		2012	2012	2011	2011
First Quarter	Well above	\$ 0.41	\$ 0.42	\$ 0.47	\$ 0.47
Second Quarter		0.52	0.54	0.45	0.45
Third Quarter		0.61	0.62	0.84	0.71
Fourth Quarter		<u>0.57</u>	<u>0.59</u>	<u>0.45</u>	<u>0.48</u>
Full Year	Slightly higher	<u>\$ 2.11</u>	<u>\$ 2.17</u>	<u>\$ 2.20</u>	<u>\$ 2.11</u>

* See page 23 for further details.

** Pro forma earnings per share is a non-GAAP measure (see page 17 for reconciliation). Full year 2011 earnings per share excluding Wood Products was \$ 2.11.

Appendix



Definitions of Non-GAAP Measures

EBITDA is defined as earnings before interest, taxes, depreciation, depletion and amortization. EBITDA is a non-GAAP measure used by our Chief Operating Decision Maker, existing shareholders and potential shareholders to measure how the Company is performing relative to the assets under management.

Cash Available for Distribution (CAD) is defined as cash provided by operating activities adjusted for capital spending, 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 strategic acquisitions. 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 December 31, 2011		Three Months Ended September 30, 2011		Year Ended December 31, 2011	
	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share
Operating Income	\$ 81		\$ 108		\$ 356	
Increase in disposition reserve	7		-		7	
Pro Forma Operating Income	\$ 88		\$ 108		\$ 363	
Net Income	\$ 56	\$ 0.45	\$ 105	\$ 0.84	\$ 276	\$ 2.20
Reversal of reserve related to the taxability of the AFMC	-	-	(16)	(0.13)	(16)	(0.12)
Increase in disposition reserve	4	0.03			4	0.03
Pro Forma Net Income	\$ 60	\$ 0.48	\$ 89	\$ 0.71	\$ 264	\$ 2.11

EBITDA by Segment

(\$ Millions)

Three Months Ended	Forest Resources	Real Estate	Performance Fibers	Wood Products	Trading	Corporate and other	Total
December 31, 2012							
Operating income	\$ 19	\$ 11	\$ 94	\$ 3	\$ -	\$ (11)	\$ 116
Depreciation, depletion and amortization	23	3	19	1	-	-	46
EBITDA	<u>\$ 42</u>	<u>\$ 14</u>	<u>\$ 113</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ (11)</u>	<u>\$ 162</u>
September 30, 2012							
Operating income	\$ 11	\$ 8	\$ 101	\$ 2	\$ -	\$ (9)	\$ 113
Depreciation, depletion and amortization	19	1	15	1	-	-	36
EBITDA	<u>\$ 30</u>	<u>\$ 9</u>	<u>\$ 116</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ (9)</u>	<u>\$ 149</u>
December 31, 2011							
Operating income (loss)*	\$ 14	\$ 7	\$ 76	\$ (1)	\$ 1	\$ (16)	\$ 81
Depreciation, depletion and amortization	15	2	16	1	-	-	34
EBITDA	<u>\$ 29</u>	<u>\$ 9</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ (16)</u>	<u>\$ 115</u>

* Operating income (loss) for the three months ended December 31, 2011 included a \$7 million increase in a disposition reserve.

EBITDA by Segment

(\$ Millions)

Year Ended	Forest Resources	Real Estate	Performance Fibers	Wood Products	Trading	Corporate and other	Total
December 31, 2012							
Operating income	\$ 46	\$ 32	\$ 359	\$ 10	\$ -	\$ (36)	\$ 411
Depreciation, depletion and amortization	75	8	61	3	-	2	149
EBITDA	<u>\$ 121</u>	<u>\$ 40</u>	<u>\$ 420</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ (34)</u>	<u>\$ 560</u>
December 31, 2011							
Operating income (loss)	\$ 47	\$ 47	\$ 298	\$ (2)	\$ 1	\$ (35)	\$ 356
Depreciation, depletion and amortization	63	12	56	3	-	2	136
EBITDA	<u>\$ 110</u>	<u>\$ 59</u>	<u>\$ 354</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (33)</u>	<u>\$ 492</u>

* Operating income (loss) for the year ended December 31, 2011 included a \$7 million increase in a disposition reserve.

Forest Resources Supplemental Financial Data

(\$ Millions)

	Three Months Ended			Year Ended	
	December 31, 2012	September 30, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Forest Resources					
Sales					
Atlantic	\$ 17	\$ 16	\$ 20	\$ 64	\$ 71
Gulf States	15	11	9	45	31
Northern	30	30	21	110	102
New Zealand *	3	3	2	11	11
Total	<u>\$ 65</u>	<u>\$ 60</u>	<u>\$ 52</u>	<u>\$ 230</u>	<u>\$ 215</u>
Operating income					
Atlantic	\$ 9	\$ 3	\$ 7	\$ 17	\$ 11
Gulf States	3	1	2	6	2
Northern	6	7	4	21	29
New Zealand / Other	1	-	1	2	5
Total	<u>\$ 19</u>	<u>\$ 11</u>	<u>\$ 14</u>	<u>\$ 46</u>	<u>\$ 47</u>

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

Selected Operating Information

	Three Months Ended			Year Ended	
	December 31, 2012	September 30, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Forest Resources					
Sales Volume, in thousands of short green tons					
Atlantic	903	847	842	3,310	3,406
Gulf States	657	509	389	2,011	1,335
Northern	551	529	343	1,947	1,665
Total	<u>2,111</u>	<u>1,885</u>	<u>1,574</u>	<u>7,268</u>	<u>6,406</u>
Real Estate					
Acres sold					
HBU Development	203	23	468	261	606
HBU Rural	3,936	2,813	2,410	16,237	14,821
Non-Strategic Timberlands	7,846	5,624	4,151	14,425	12,191
Total	<u>11,985</u>	<u>8,460</u>	<u>7,029</u>	<u>30,923</u>	<u>27,618</u>
Performance Fibers					
Sales Volume, in thousands of metric tons					
Cellulose specialties	138	131	141	503	504
Absorbent materials	62	55	62	214	227
Total	<u>200</u>	<u>186</u>	<u>203</u>	<u>717</u>	<u>731</u>
Wood Products					
Sales volume, in millions of board feet					
	66	76	71	287	264

Income Tax Analysis

(\$ Millions)

	Three Months Ended				Year Ended			
	December 31, 2012		December 31, 2011		December 31, 2012		December 31, 2011	
Income tax expense at federal statutory rate	\$ 38	35.0%	\$ 26	35.0%	\$ 128	35.0%	\$ 109	35.0%
REIT income not subject to tax	(8)	(7.5%)	(7)	(9.3%)	(26)	(7.1%)	(32)	(10.4%)
Income tax expense at federal statutory rates	30	27.5%	19	25.7%	102	27.9%	77	24.6%
Installment note prepayment	-	-	(2)	(2.2%)	-	-	(11)	(3.7%)
Built-in gains tax holiday	-	-	(2)	(2.2%)	-	-	(6)	(1.9%)
CBPC for AFMC exchange	(1)	(0.5%)	-	-	(12)	(3.3%)	(6)	(1.9%)
2012 deferred tax asset write-down / other	3	2.4%	1	1.3%	(2)	(0.5%)	(5)	(1.5%)
Pro forma income tax expense	32	29.4%	16	22.6%	88	24.1%	49	15.6%
AFMC reserve reversal	-	-	-	-	-	-	(16)	(5.1%)
Increase in disposition reserve	-	-	(3)	(4.4%)	-	-	(3)	(0.6%)
Income tax expense as reported	<u>\$ 32</u>	<u>29.4%</u>	<u>\$ 13</u>	<u>18.2%</u>	<u>\$ 88</u>	<u>24.1%</u>	<u>\$ 30</u>	<u>9.9%</u>

2012 Restated to Exclude Wood Products

(\$ Millions except per share data)

	Three Months Ended				Year Ended
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012	December 31, 2012
Sales	\$ 336	\$ 348	\$ 386	\$ 413	\$ 1,483
Costs and Expenses					
Cost of sales	236	243	259	292	1,030
Selling and general expenses	19	16	16	16	67
Other operating (income) expense, net	(1)	(5)	-	(8)	(14)
Operating income	82	94	111	113	400
Interest expense	(11)	(16)	(8)	(9)	(44)
Income before taxes	71	78	103	104	356
Income tax expense	(18)	(12)	(23)	(31)	(84)
INCOME FROM CONTINUING OPERATIONS	53	66	80	73	272
DISCONTINUED OPERATIONS, NET *	1	3	1	2	7
NET INCOME	\$ 54	\$ 69	\$ 81	\$ 75	\$ 279
EARNINGS PER SHARE					
Continuing Operations	\$ 0.41	\$ 0.52	\$ 0.61	\$ 0.57	\$ 2.11
Discontinued Operations	0.01	0.02	0.01	0.02	0.06
Net Income	\$ 0.42	\$ 0.54	\$ 0.62	\$ 0.59	\$ 2.17

* In January 2013, the Company announced the sale of its Wood Products business. For comparative purposes in 2013, the 2012 operating results for Wood Products will be reclassified as a discontinued operation.

Market Price and Dividend History

	High	Low	Dividends
2012			
Fourth Quarter	\$ 51.86	\$ 47.45	\$ 0.44
Third Quarter	\$ 51.87	\$ 44.82	\$ 0.44
Second Quarter	\$ 46.04	\$ 41.33	\$ 0.40
First Quarter	\$ 47.56	\$ 43.38	\$ 0.40
2011			
Fourth Quarter	\$ 45.28	\$ 34.68	\$ 0.40
Third Quarter	\$ 45.37	\$ 35.34	\$ 0.40
Second Quarter	\$ 44.88	\$ 39.64	\$ 0.36
First Quarter	\$ 41.81	\$ 35.28	\$ 0.36
2010			
Fourth Quarter	\$ 36.35	\$ 32.13	\$ 0.36
Third Quarter	\$ 34.19	\$ 28.76	\$ 0.33
Second Quarter	\$ 33.81	\$ 27.71	\$ 0.33
First Quarter	\$ 30.94	\$ 26.47	\$ 0.33

Wood Products Sales

