

**Rayonier**  
Second Quarter 2003  
Supplemental  
Material

# Rayonier

## Second Quarter - Highlights

(\$ Millions - Except Per Share Data)

		Variance to	
	2Q 2003	1Q 2003	2Q 2002
<b><u>Profitability</u></b>			
Sales	296	30	27
Operating Income	54	35	14
Net Income	32	24	15
Earnings Per Share	0.74	0.54	0.36
ROE Annualized *	6.0%	2.4 pts	(2.2 pts)
<b><u>Capital Resources and Liquidity</u></b>			
Cash Provided by Operating Activities of Continuing Operations	70	30	1
EBITDA	95	31	17
Free Cash Flow	45	32	1
Repayment of Debt	6	(20)	(42)
Debt	622	(5)	(160)
Debt / Capital	45.8%	(1.2pts)	(5.8pts)

\* From Continuing Operations; major land sales are not annualized.

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## Quarter to Quarter Comparisons - 2Q 03 to 1Q 03

(\$ Millions - Except EPS)


	Pre- Tax	Net Income	EPS
<b>2003 1Q - Income</b>	<b>8</b>	<b>8</b>	<b>0.20</b>
Variance			
Performance Fibers			
- CS Price / Mix	(1)	(1)	(0.02)
- AM Price / Mix	4	3	0.06
- Volume / Cost / Other	1	1	0.02
Subtotal	4	3	0.06
Timber and Land			
- Timber Price	(2)	(1)	(0.03)
- Timber Volume / Other	(3)	(2)	(0.04)
- Land Sales	39	25	0.58
Wood Products			
- Lumber	1	1	0.01
- MDF	-	-	-
Other Operations	(1)	(1)	(0.01)
Corporate	(3)	(2)	(0.04)
Intersegment Eliminations and Other	-	-	-
<b>Operating Income</b>	<b>35</b>	<b>23</b>	<b>0.53</b>
Interest Expense	-	-	-
Other / Taxes	(1)	1	0.01
<b>2003 2Q - Income</b>	<b>42</b>	<b>32</b>	<b>0.74</b>

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## Second Quarter / First Half Comparisons - 2003 to 2002

(\$ Millions - Except EPS)

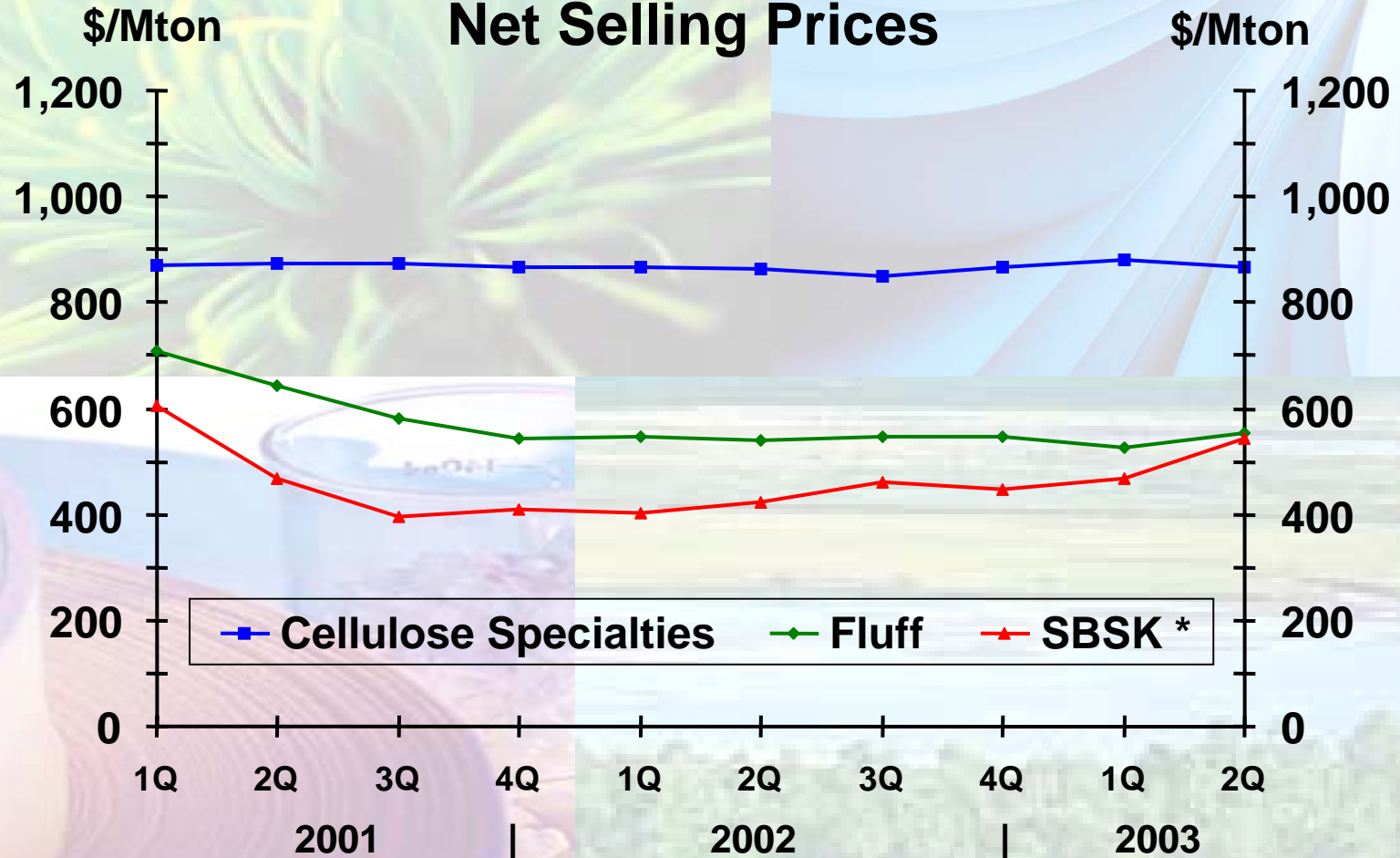
	Second Quarter			First Half		
	Pre-Tax	Net Income	EPS	Pre-Tax	Net Income	EPS
<b>2002</b>	<b>24</b>	<b>16</b>	<b>0.38</b>	<b>37</b>	<b>26</b>	<b>0.61</b>
Variance						
Performance Fibers						
- CS Price / Mix	1	-	0.01	2	1	0.03
- AM Price / Mix	1	1	0.02	(2)	(1)	(0.02)
- Volume / Cost / Other	(10)	(6)	(0.15)	(16)	(10)	(0.25)
Subtotal	(8)	(5)	(0.12)	(16)	(10)	(0.24)
Timber and Land						
- Timber Price	(4)	(3)	(0.08)	(6)	(4)	(0.11)
- Timber Volume / Other	(5)	(4)	(0.05)	(7)	(5)	(0.08)
- Land Sales	37	24	0.56	37	24	0.57
Wood Products						
- Lumber	(1)	(1)	(0.02)	(3)	(2)	(0.05)
- MDF	(1)	(1)	(0.01)	(1)	(1)	(0.02)
Other Operations	(2)	(1)	(0.02)	-	-	-
Corporate	(2)	(1)	(0.04)	(1)	-	(0.02)
Intersegment Eliminations and Other	-	1	0.01	3	2	0.05
<b>Operating Income</b>	<b>14</b>	<b>9</b>	<b>0.23</b>	<b>6</b>	<b>4</b>	<b>0.10</b>
Interest Expense	3	2	0.04	6	4	0.09
Other / Taxes	1	5	0.09	1	6	0.14
<b>2003</b>	<b>42</b>	<b>32</b>	<b>0.74</b>	<b>50</b>	<b>40</b>	<b>0.94</b>



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**Markets and Operations**

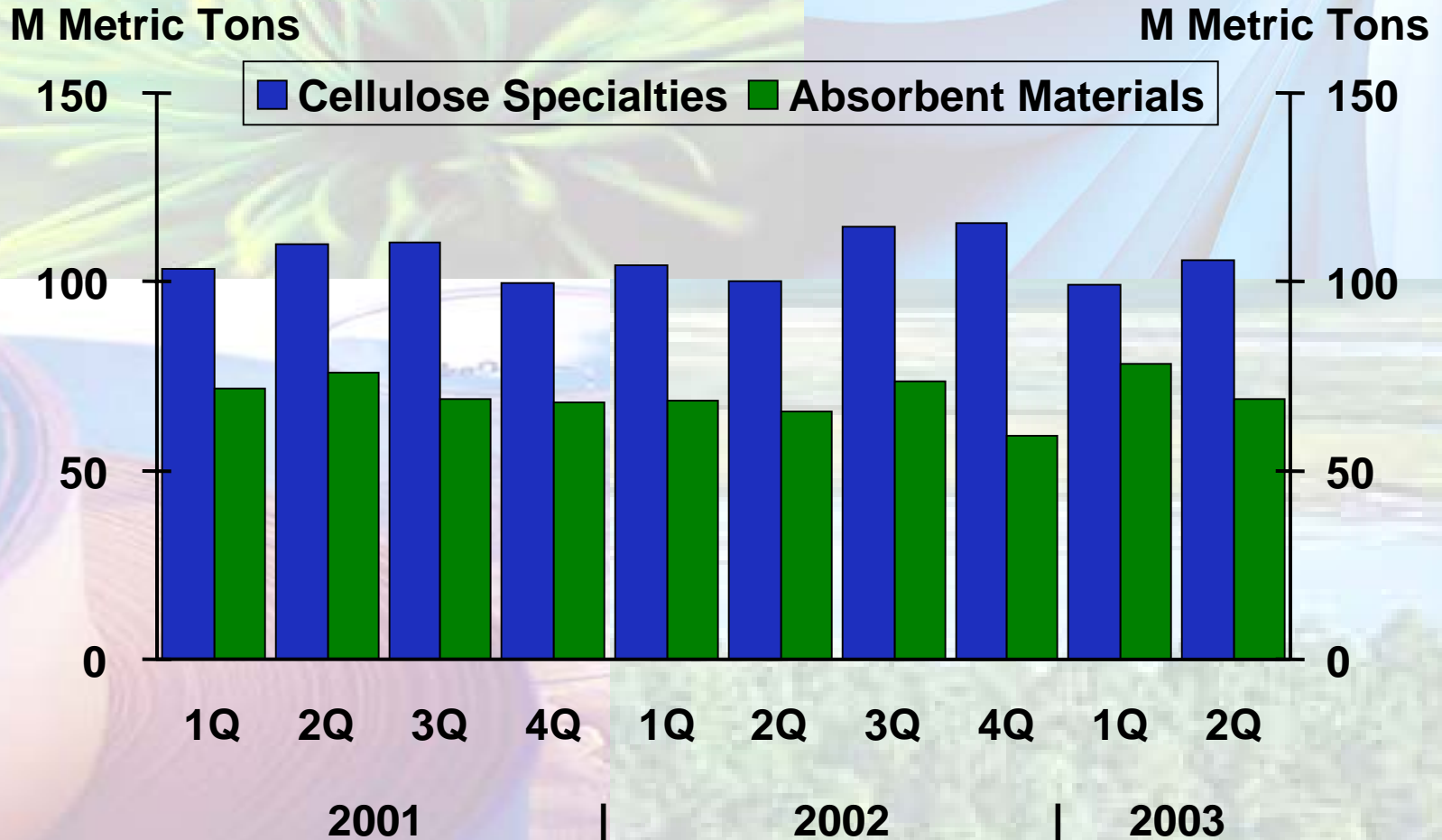
# Rayonier Performance Fibers Net Selling Prices



\* Source: RISI gross price less typical discounts

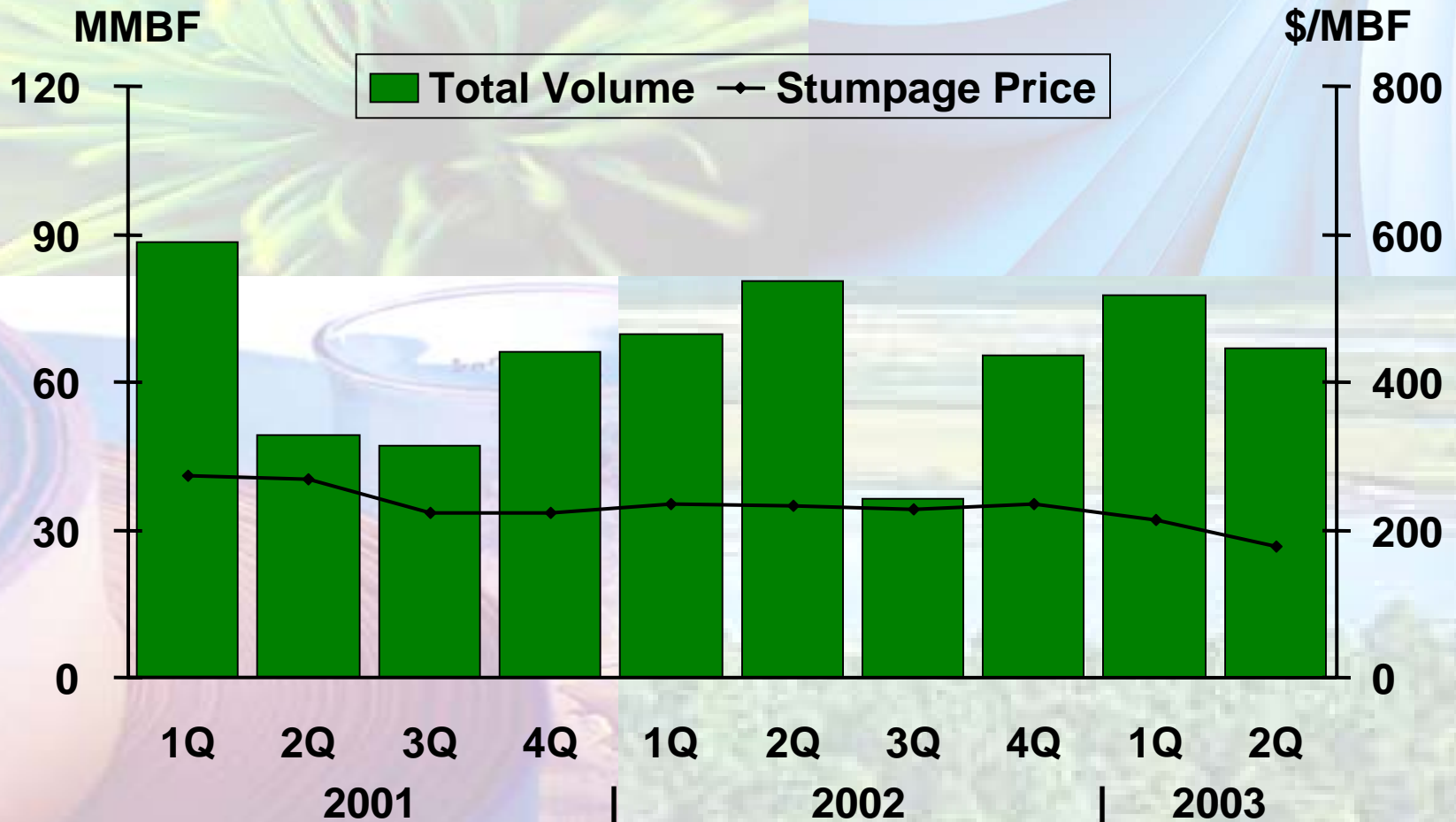
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## Performance Fibers Sales Volumes



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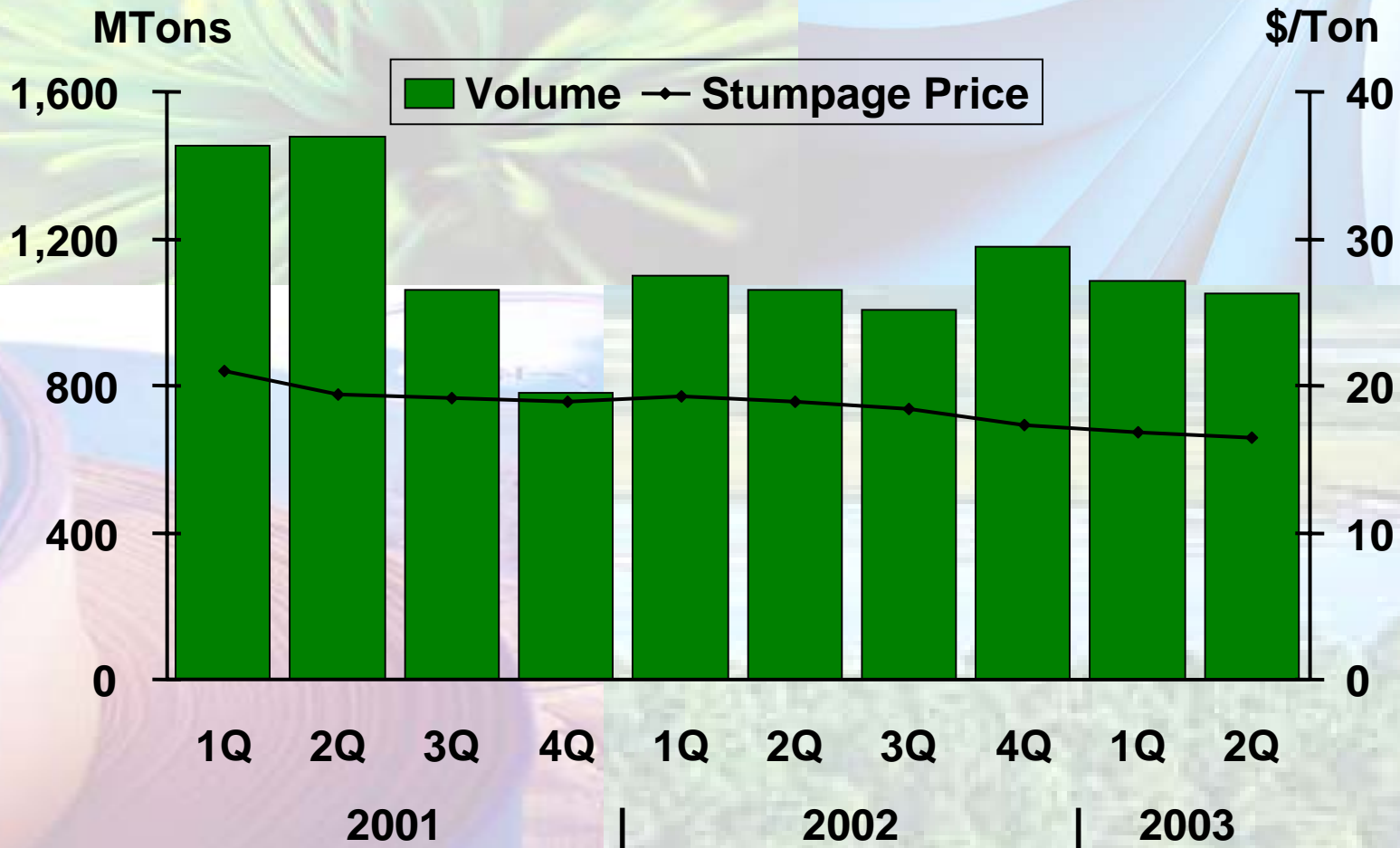
## Northwest Timber Sales





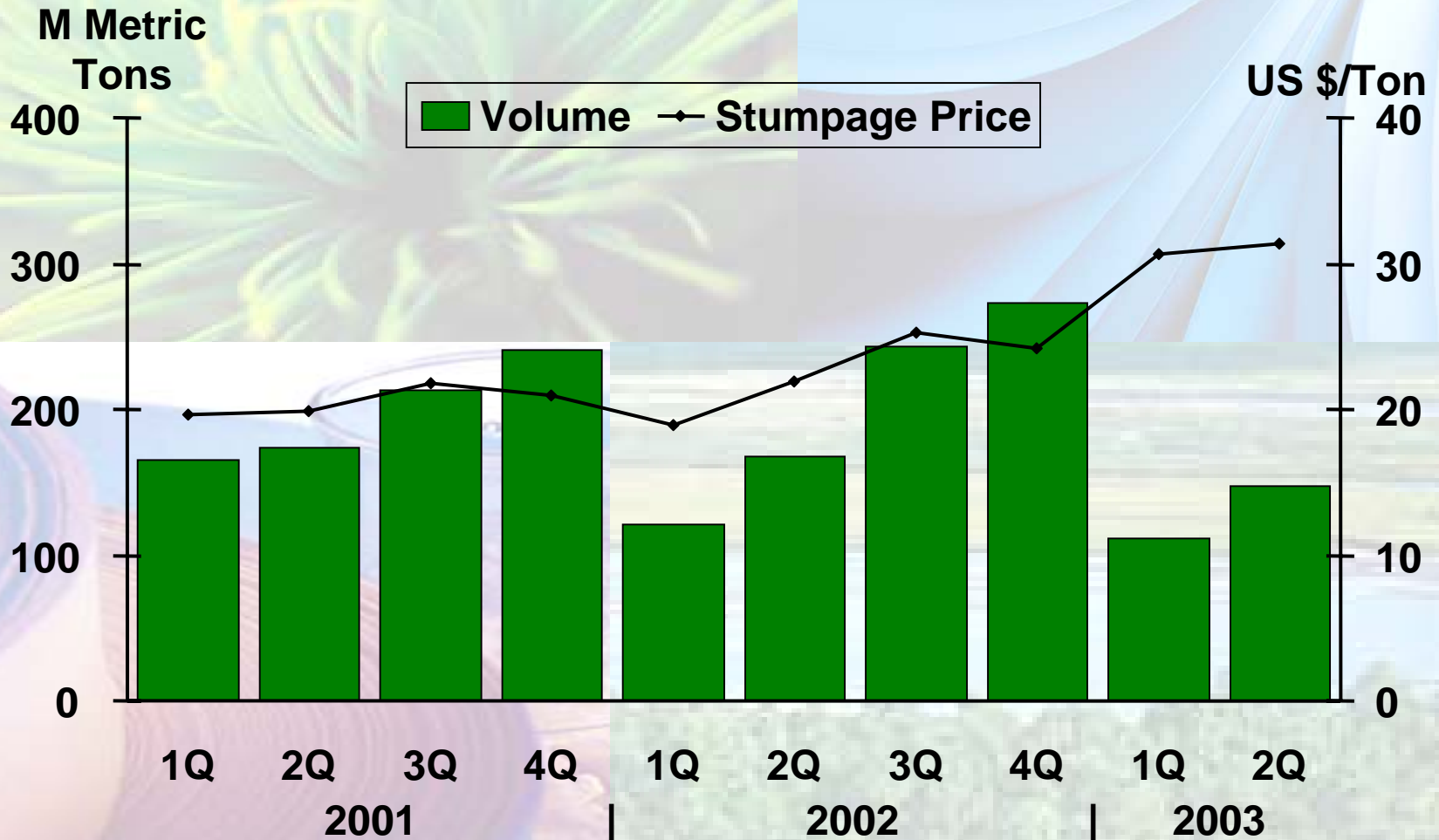
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## Southeast Pine Timber Sales



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## New Zealand Timber Sales



Note: Continuing Operations

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## Wood Products

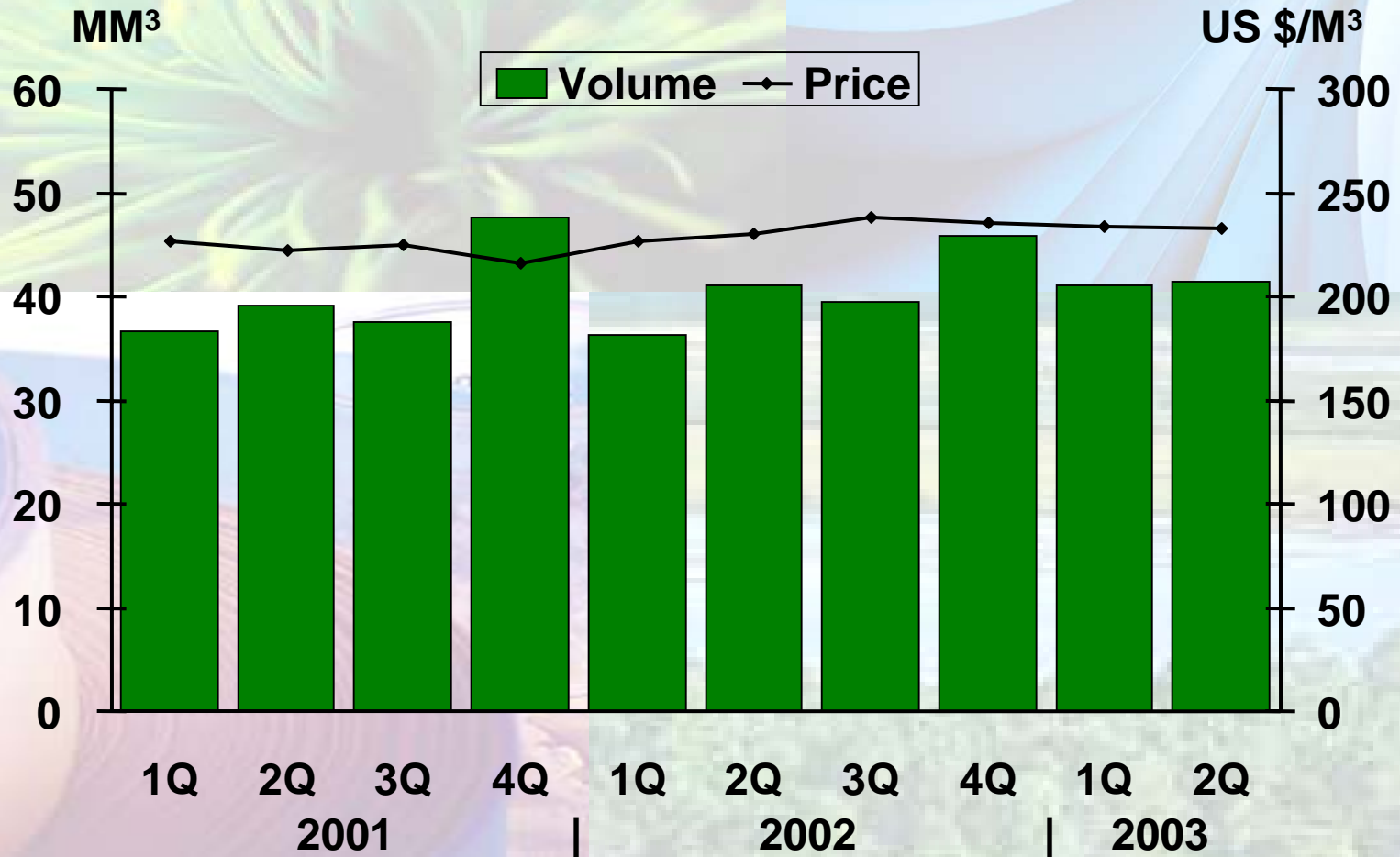
### Southeast Lumber



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## Wood Products

### Medium Density Fiberboard (MDF)



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## Earnings Per Share - From Continuing Operations

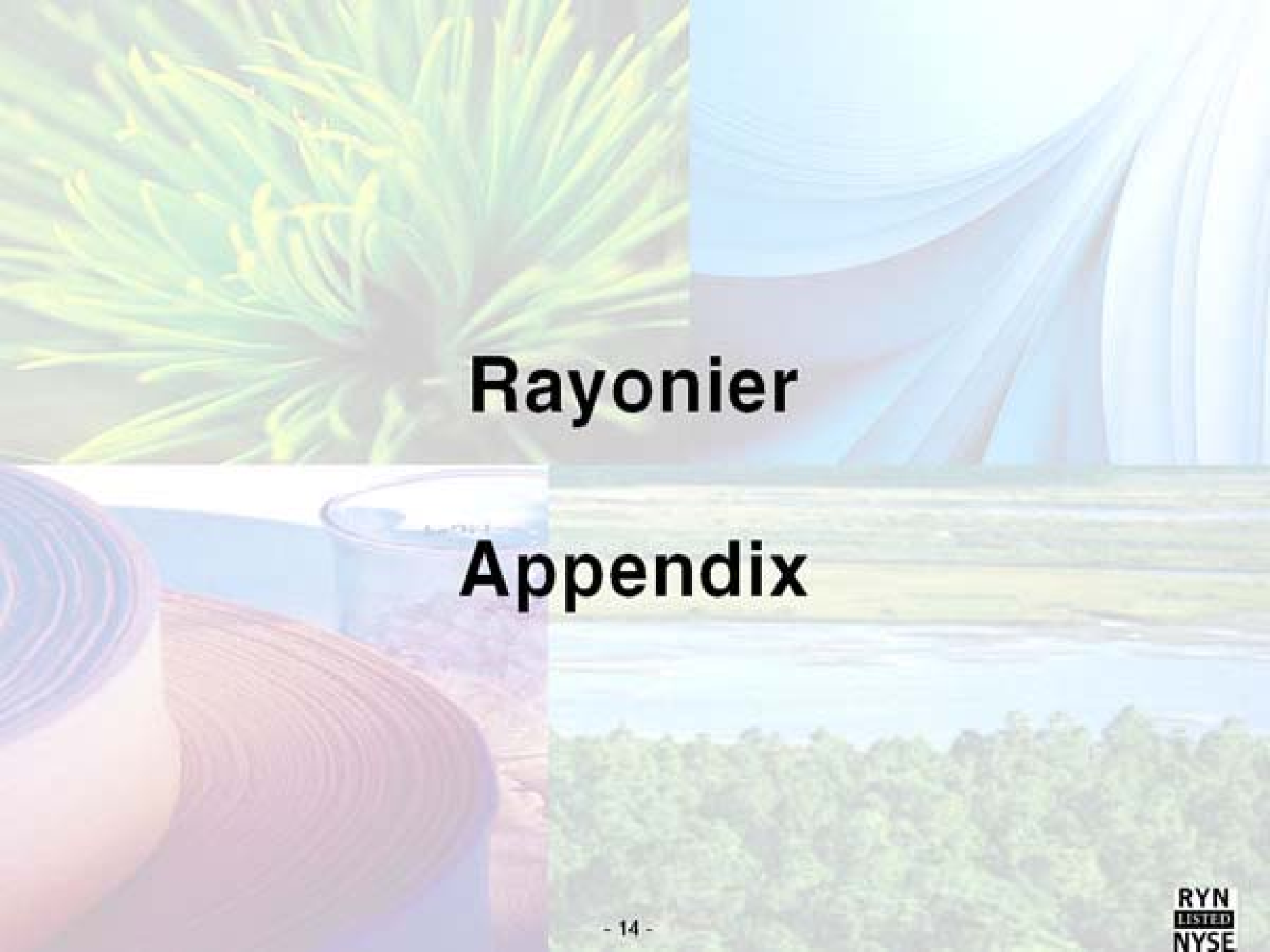
(\$)

	<u>2003</u>	<u>2002</u>
First Quarter	0.20	0.21
Second Quarter	0.15 *	0.41
Third Quarter	?	0.37
Fourth Quarter		<u>0.31</u>
Total Year	?	1.30
First Call Estimate for 2003 - 7/18/03	1.49	

Annotations: A downward arrow points from the 0.15 value to the question mark below it. A horizontal arrow points from the 0.37 value to the 0.15 value, labeled "Down".

\* Excludes Matanzas Marsh sale (\$0.59 per share)

**Note: Expected movements in EPS are forward looking statements. For a list of important factors which could cause actual results to differ materially, please refer to our earnings release and the 2002 Form 10-K filed with the SEC.**



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## Appendix

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## Economic Impact of the Matanzas Marsh Land Sale (\$ Millions - Except Per Share Data)

	<u>Original Closing</u>	<u>Survey Adjustment</u>	<u>Final Closing</u>
<b>Acres</b>	8,465	369	8,834
<b>Sales</b>	\$ 39.9	\$ 1.8	\$ 41.7
Costs and expenses			
Non-cash costs	2.5	-	2.5
Cash costs	0.1	-	0.1
<b>Operating income</b>	<u>37.3</u>	<u>1.8</u>	<u>39.1</u>
Income tax expense	<u>(13.4)</u>	<u>(0.7)</u>	<u>(14.1)</u>
<b>Net income</b>	<u>\$ 23.9</u>	<u>\$ 1.1</u>	<u>\$ 25.0</u>
<b>Diluted EPS</b>	<u>\$ 0.56</u>	<u>\$ 0.03</u>	<u>\$ 0.59</u>
<b>EBITDA</b>	<u>\$ 39.8</u>	<u>\$ 1.8</u>	<u>\$ 41.6</u>

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## RECONCILIATION OF NON-GAAP MEASURES

(\$ Millions)

	<u>2Q 2003</u>	<u>1Q 2003</u>	<u>2Q 2002</u>
<b>EBITDA</b>			
Cash provided by operating activities of continuing operations	\$ 69.5	\$ 39.3	\$ 68.8
Income tax expense (benefit)	10.3	(0.3)	6.7
Interest expense	12.4	12.4	15.3
Working capital increases (decreases)	17.4	5.6	(11.2)
Other balance sheet changes	(14.2)	7.8	(0.7)
<b>EBITDA</b>	<u>\$ 95.4</u>	<u>\$ 64.8</u>	<u>\$ 78.9</u>
<b>Free Cash Flow</b>			
Cash provided by operating activities of continuing operations	\$ 69.5	\$ 39.3	\$ 68.8
Custodial capital spending, net	(13.2)	(16.0)	(13.2)
Dividends at prior year level	(10.1)	(10.0)	(10.0)
Tax benefit on exercise of stock options	(0.8)	-	(1.1)
<b>Free Cash Flow</b>	<u>\$ 45.4</u>	<u>\$ 13.3</u>	<u>\$ 44.5</u>



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## DEFINITIONS OF NON-GAAP MEASURES

**EBITDA** is defined as earnings from continuing operations before interest expense, income taxes, depreciation, depletion, amortization and the non-cash cost of land sales. EBITDA is a non-GAAP measure of gross cash generating capacity of the company.

**Free Cash Flow** is defined as cash provided by operating activities of continuing operations less net custodial capital spending, dividends at prior year level and the tax benefit on the exercise of stock options. Free cash flow is a non-GAAP measure of discretionary cash available for capital expenditures, paying dividends above the prior year level, repurchasing the company's common shares and/or reducing debt.