



# Third Quarter 2011 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 effect of the current economic downturn, which is impacting many areas of our economy, including the housing market, availability and cost of credit, and demand for our products and real estate; 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; changes in global economic conditions and world events, including political changes in particular regions or countries; the uncertainties of potential impacts of climate-related 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 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>3Q 2011</u>	<u>2Q 2011</u>	<u>3Q 2010</u>
Profitability			
Sales	385	357	378
Operating income	108	79	92
Net income	105	56	63
Pro forma net income *	89	56	63
Earnings Per Share: **			
Diluted EPS	0.84	0.45	0.51
Pro forma Diluted EPS *	0.71	0.45	0.51
Average diluted shares (millions)	125.6	126.2	122.2

	<u>Nine Months Ended September 30,</u>	
	<u>2011</u>	<u>2010</u>
<u>Capital Resources and Liquidity</u>		
Cash Provided by Operating Activities	326	473
Cash Used for Investing Activities	(181)	(103)
Cash Used for Financing Activities	(133)	(40)
Adjusted EBITDA **	380	335
Cash Available for Distribution (CAD) *	242	400 ***
	<u>9/30/2011</u>	<u>12/31/2010</u>
Debt	775	768
Debt / Capital	36%	38%
Cash	362	349

\* Non-GAAP measures (see pages 6 and 17-20 for definitions and reconciliations).

\*\* The impact of the August 2011 3-for-2 stock split is reflected for all periods stated.

\*\*\* CAD for the nine months ended September 30, 2010 includes a \$189 million refund for the alternative fuel mixture credit.

# Variance Analysis – 2Q 11 to 3Q 11

(\$ Millions)

Operating Income	
<b>2Q 2011</b>	<b>\$ 79</b>
Variance	
Forest Resources	
- Atlantic and Gulf pricing	(3)
- Atlantic and Gulf volume	2
- Northern region	(3)
- Forest fire losses in Q2	3
Real Estate	23
Performance Fibers	
- Price	(9)
- Volume	10
- Cost / Other	3
Other Operations	2
Corporate / Other	1
<b>3Q 2011</b>	<b>\$ 108</b>

# Variance Analysis – 3Q 10 to 3Q 11

(\$ Millions)

	Operating Income	
	Quarter	Year-to-date
<b>3Q 2010 (Pro forma)*</b>	<b>\$ 92</b>	<b>\$ 213</b>
Variance		
Forest Resources		
- Price	5	20
- Volume	2	-
- Forest fire losses	-	(3)
- Costs / Other	(5)	(9)
Real Estate	(3)	(12)
Performance Fibers		
- Price	25	95
- Volume	(3)	2
- Costs / Other	(9)	(27)
Wood Products	-	(4)
Other Operations	2	-
Corporate/Other	2	-
<b>3Q 2011</b>	<b>\$ 108</b>	<b>\$ 275</b>

\* Non-GAAP measure (See page 18 for reconciliation).

# Cash Available for Distribution\*

(\$ Millions – Except Per Share Data)

	Nine Months Ended September 30,	
	2011	2010
<b>Cash Available for Distribution (CAD)</b>		
Cash provided by operating activities	\$ 326	\$ 473 **
Capital expenditures ***	(87)	(96)
Change in committed cash	-	12
Excess tax benefits on stock-based compensation	5	5
Other	(2)	6
Cash Available for Distribution	<u>\$ 242</u>	<u>\$ 400</u>
Shares outstanding ****	<u>121,827,626</u>	<u>120,824,774</u>
CAD per share	\$ 1.99	\$ 3.31
Dividends per share	\$ 1.12	\$ 1.00

\* Non-GAAP measure (See page 17 for definition).

\*\* Cash provided by operating activities for the nine months ended September 30, 2010 includes a \$189 million refund for the alternative fuel mixture credit.

\*\*\* Capital expenditures excludes strategic capital. Through September 30, 2011, strategic capital totaled \$94 million for timberland acquisitions and \$15 million for the Jesup mill cellulose specialties expansion.

\*\*\*\* The impact of the August 2011 3-for-2 stock split is reflected for all periods stated.

# Markets and Operations



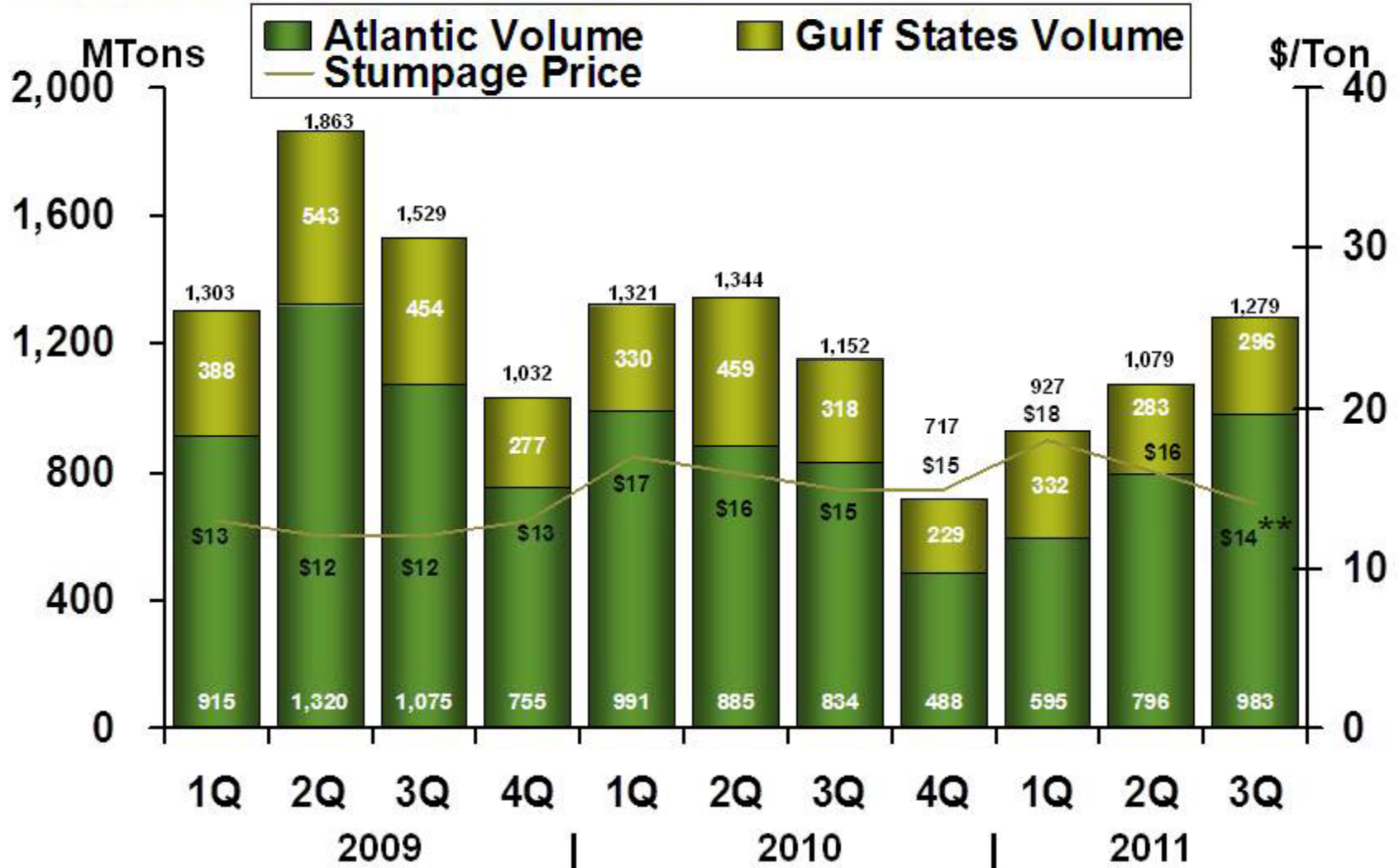
# Northern U.S. Timber Sales \*



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



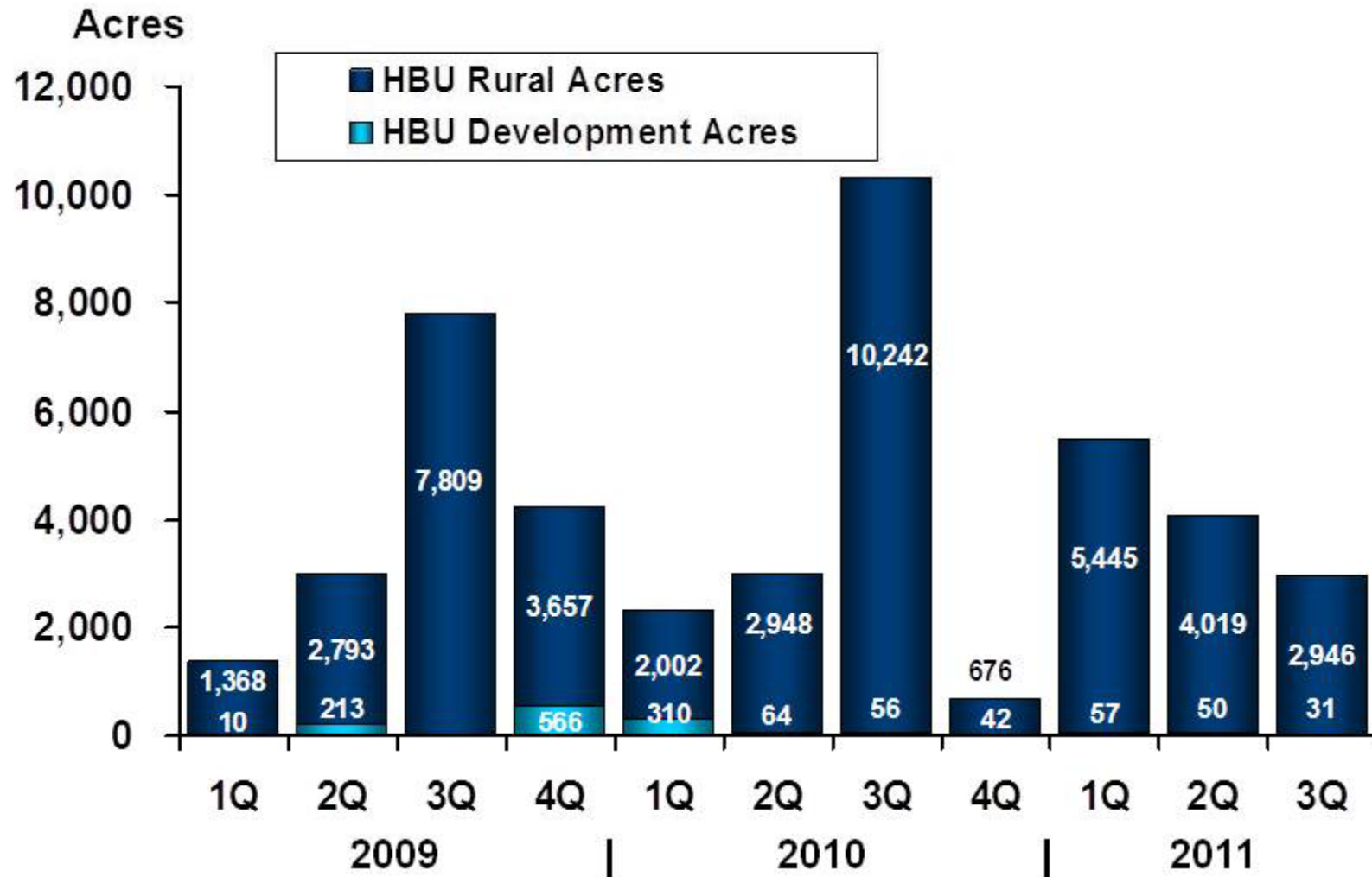
# U.S. Pine Timber Sales \*



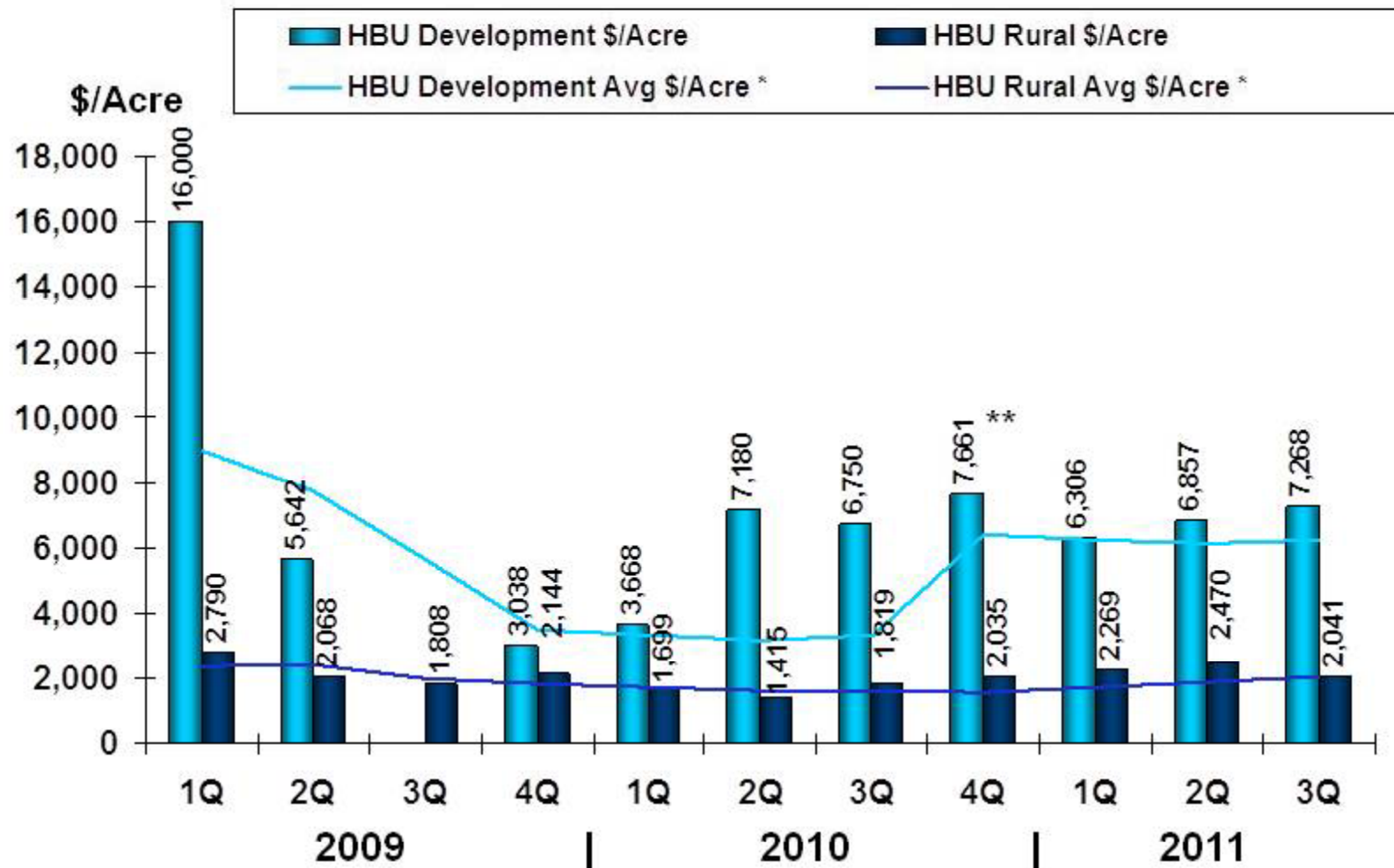
\* U.S. pine timber sales are pine sales in the Atlantic (Florida and Georgia) and Gulf States (Alabama, Arkansas, Louisiana, Oklahoma and Texas) regions.

\*\* Q3 2011 prices were lower due to the impact of fire salvage timber. Q4 2011 prices are expected to return to Q2 2011 levels.

# HBU Real Estate Acres - Sales



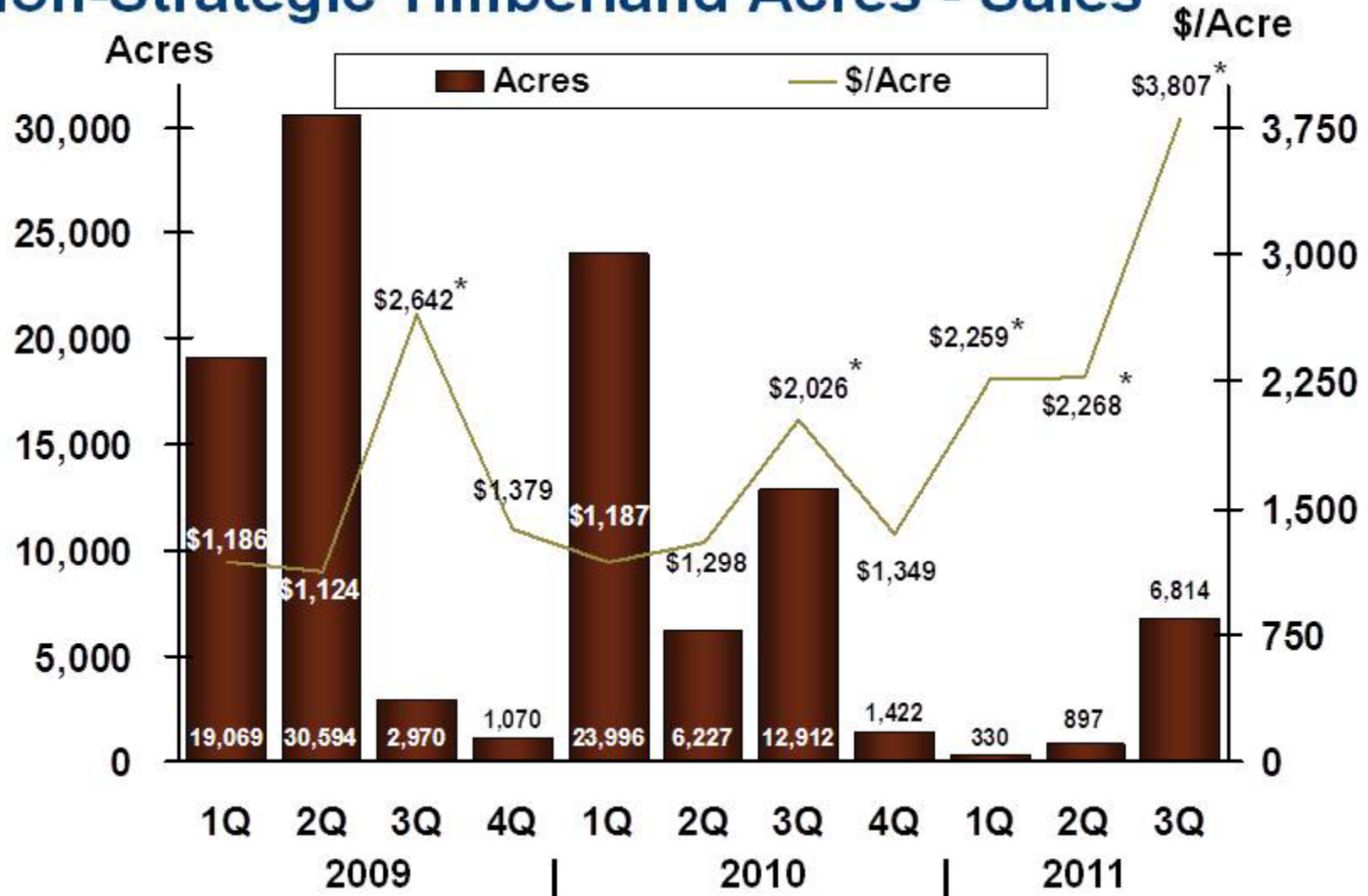
# HBU Real Estate Sales Prices



\* Four quarter rolling weighted average.

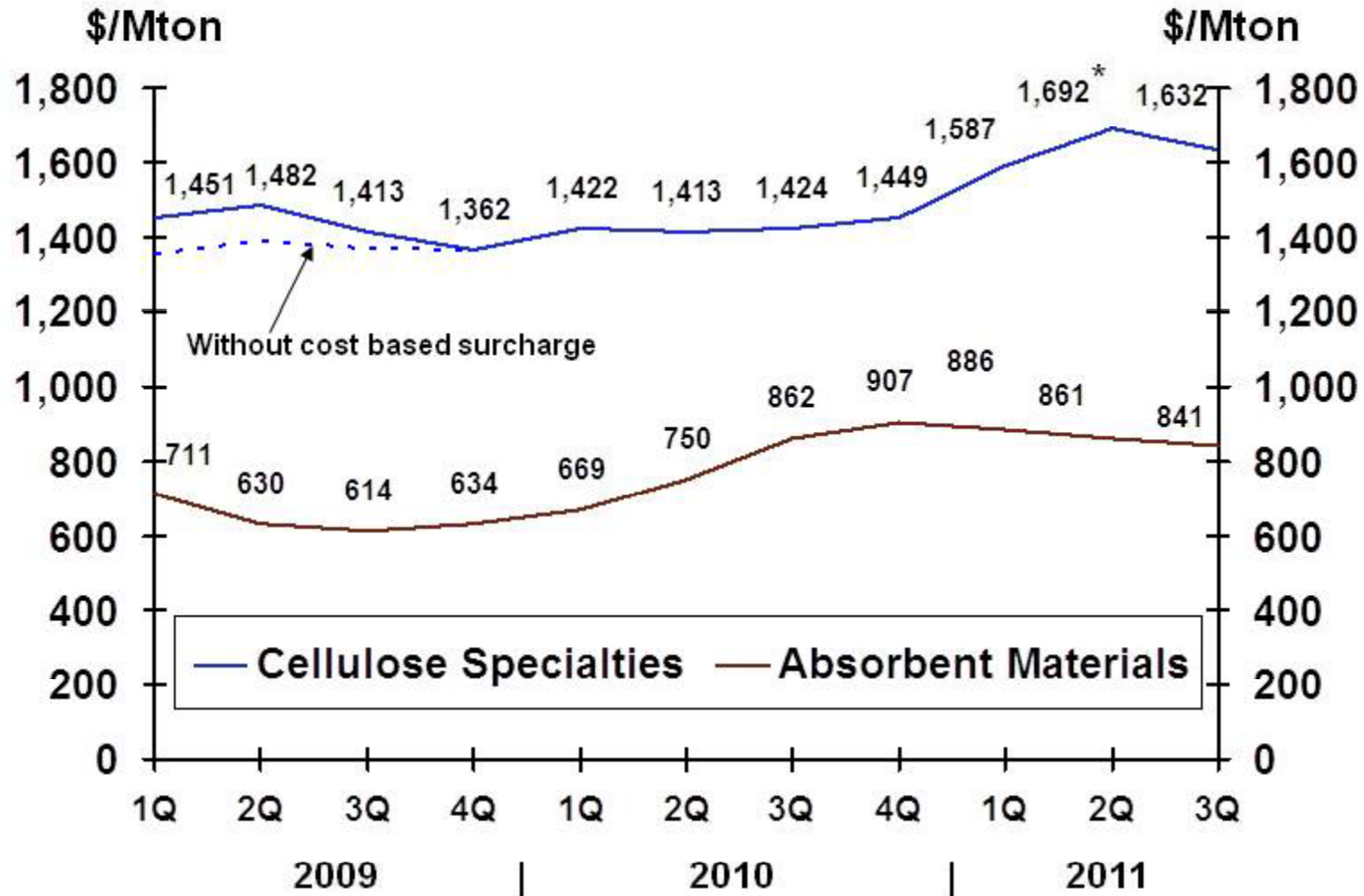
\*\* Excludes \$1.6 million easement sale.

# Non-Strategic Timberland Acres - Sales



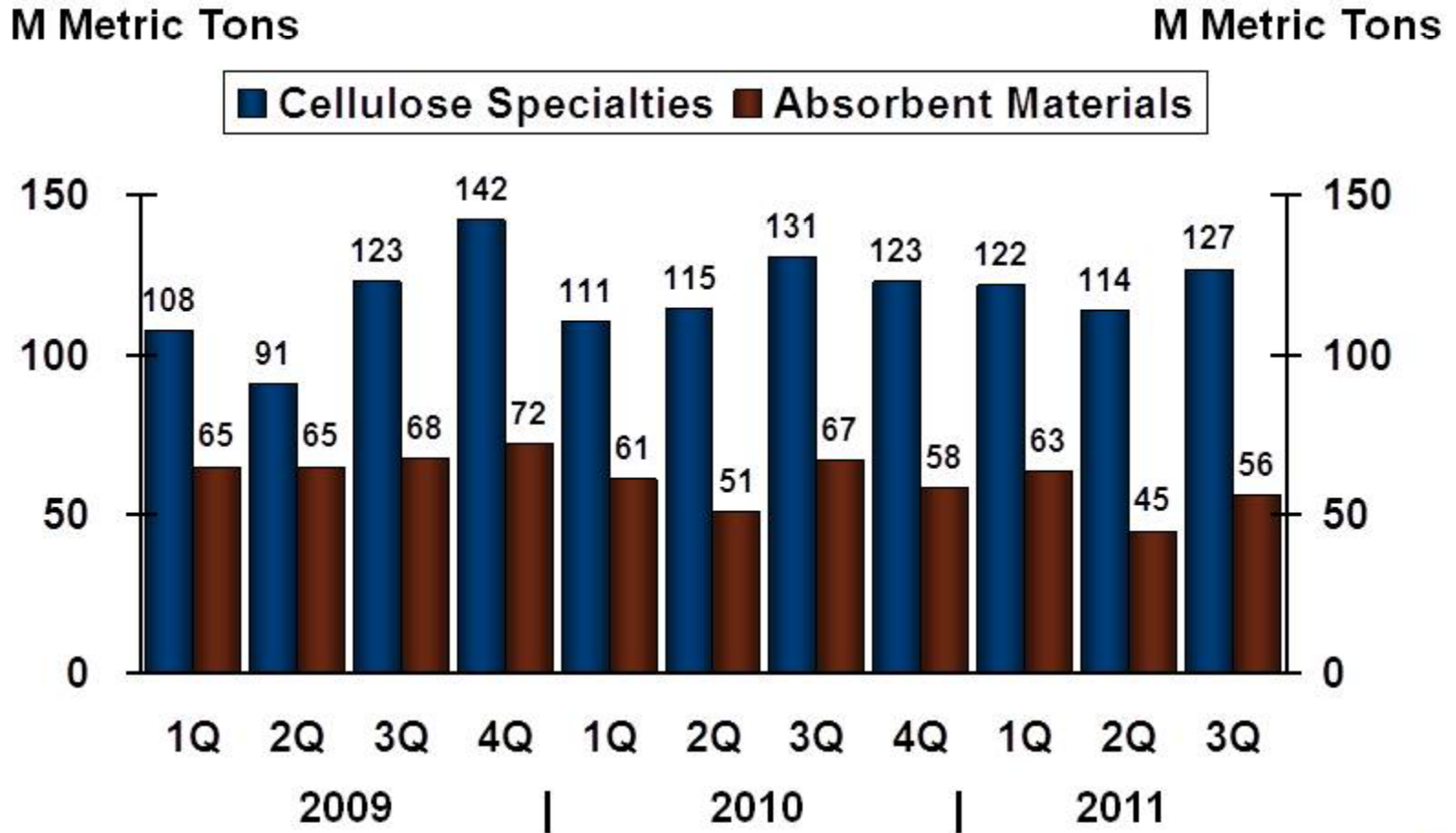
\* Period includes a proportionately higher percentage of sales in the Pacific Northwest where the price per acre is traditionally higher than the Southeast.

# Performance Fibers Net Selling Prices



\* Prices were higher in Q2 2011 due to sales mix.

# Performance Fibers Sales Volumes



# Earnings Per Share\*

(\$ / Share)

	Pro forma **		Actual	
	2011	2010	2011	2010
First Quarter	\$ 0.47	\$ 0.38	\$ 0.47	\$ 0.47
Second Quarter	0.45	0.32	0.45	0.32
Third Quarter	0.71	0.51	0.84	0.51
Fourth Quarter	<u>                    </u>	<u>0.28</u>	<u>                    </u>	<u>0.48</u>
Full Year	<u>\$2.07 - \$2.15</u>	<u>\$ 1.49</u>	<u>                    </u>	<u>\$ 1.79</u>

\* The impact of the August 2011 3-for-2 stock split is reflected for all periods stated.

\*\* First Quarter 2010 pro forma earnings per share excludes a \$0.09 benefit for the gain on sale of a portion of the Company's interest in the New Zealand joint venture. Fourth Quarter 2010 pro forma earnings per share excludes a \$0.20 benefit from the cellulosic biofuel producer credit. Third quarter 2011 excludes a \$0.13 benefit related to the taxability of the alternative fuel mixture credit. Pro forma earnings per share is a non-GAAP measure, see page 18 for reconciliation.

# Appendix





## Definitions of Non-GAAP Measures

**Adjusted EBITDA** is defined as earnings before interest, taxes, depreciation, depletion, amortization and the non-cash cost basis of real estate sold. Adjusted 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 tax benefits associated with certain strategic acquisitions, 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 net of associated financing. 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						Nine Months Ended			
	Sept. 30, 2011		Dec 31, 2010		Mar 31, 2010		Sept. 30, 2011		Sept. 30, 2010	
	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share
Operating Income	\$ 108		\$ 57		\$ 77		\$ 275		\$ 225	
Gain on sale of portion of New Zealand JV Interest	-		-		(12)		-		(12)	
<b>Pro Forma Operating Income</b>	<b>\$ 108</b>		<b>\$ 57</b>		<b>\$ 65</b>		<b>\$ 275</b>		<b>\$ 213</b>	
Net Income	\$ 105	\$ 0.84	\$ 59	\$ 0.48	\$ 57	\$ 0.47	\$ 220	\$ 1.75	\$ 158	\$ 1.30
Reversal of tax reserve related to the taxability of the Alternative Fuel Mixture Credit	(16)	(0.13)	-	-	-	-	(16)	(0.13)	-	-
Cellulosic Biofuel Producer Credit	-	-	(24)	(0.20)	-	-	-	-	-	-
Gain on sale of portion of New Zealand JV Interest	-	-	-	-	(11)	(0.09)	-	-	(11)	(0.09)
<b>Pro Forma Net Income</b>	<b>\$ 89</b>	<b>\$ 0.71</b>	<b>\$ 35</b>	<b>\$ 0.28</b>	<b>\$ 46</b>	<b>\$ 0.38</b>	<b>\$ 204</b>	<b>\$ 1.62</b>	<b>\$ 147</b>	<b>\$ 1.21</b>

# Adjusted EBITDA by Segment

(\$ Millions)

	Forest Resources	Real Estate	Performance Fibers	Wood Products	Trading	Corporate and other	Total
<b>Three Months Ended</b>							
September 30, 2011							
Operating income (loss)	\$ 11	\$ 28	\$ 75	\$ (1)	\$ 1	\$ (6)	\$ 108
Depreciation, depletion and amortization	17	6	16	-	-	-	39
Non-cash cost of real estate sold	-	1	-	-	-	-	1
Adjusted EBITDA	<u>\$ 28</u>	<u>\$ 35</u>	<u>\$ 91</u>	<u>\$ (1)</u>	<u>\$ 1</u>	<u>\$ (6)</u>	<u>\$ 148</u>
June 30, 2011							
Operating income (loss)	\$ 12	\$ 5	\$ 71	\$ (1)	\$ (1)	\$ (7)	\$ 79
Depreciation, depletion and amortization	16	2	12	1	-	-	31
Non-cash cost of real estate sold	-	2	-	-	-	-	2
Adjusted EBITDA	<u>\$ 28</u>	<u>\$ 9</u>	<u>\$ 83</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (7)</u>	<u>\$ 112</u>
September 30, 2010							
Operating income (loss)	\$ 9	\$ 31	\$ 62	\$ (1)	\$ (1)	\$ (8)	\$ 92
Depreciation, depletion and amortization	15	9	14	1	-	-	39
Non-cash cost of real estate sold	-	3	-	-	-	-	3
Adjusted EBITDA	<u>\$ 24</u>	<u>\$ 43</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (8)</u>	<u>\$ 134</u>

# Adjusted EBITDA by Segment

(\$ Millions)

	Forest Resources	Real Estate	Performance Fibers	Wood Products	Trading	Corporate and other	Total
<b>Nine Months Ended</b>							
September 30, 2011							
Operating income (loss)	\$ 34	\$ 40	\$ 222	\$ (1)	\$ 1	\$ (21)	\$ 275
Depreciation, depletion and amortization	48	11	40	2	-	1	102
Non-cash cost of real estate sold	-	3	-	-	-	-	3
Adjusted EBITDA	<u>\$ 82</u>	<u>\$ 54</u>	<u>\$ 262</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (20)</u>	<u>\$ 380</u>
September 30, 2010							
Adjusted operating income *	\$ 26	\$ 52	\$ 152	\$ 3	\$ 1	\$ (21)	\$ 213
Depreciation, depletion and amortization	49	21	42	3	-	1	116
Non-cash cost of real estate sold	-	6	-	-	-	-	6
Adjusted EBITDA	<u>\$ 75</u>	<u>\$ 79</u>	<u>\$ 194</u>	<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ (20)</u>	<u>\$ 335</u>

\* Adjusted operating income is a non-GAAP measure, see page 18 for reconciliation.

# Forest Resources Supplemental Financial Data

(\$ Millions)

	Three Months Ended			Nine Months Ended	
	Sept 30, 2011	June 30, 2011	Sept 30, 2010	Sept 30, 2011	Sept 30, 2010
<b>Forest Resources</b>					
Sales					
Atlantic	\$ 20	\$ 18	\$ 18	\$ 50	\$ 59
Gulf States	7	7	7	23	24
Northern	27	29	20	81	53
New Zealand *	3	3	2	8	7
Total	<u>\$ 57</u>	<u>\$ 57</u>	<u>\$ 47</u>	<u>\$ 162</u>	<u>\$ 143</u>
Operating income					
Atlantic	\$ 2	\$ -	\$ 4	\$ 4	\$ 12
Gulf States	-	-	1	-	7
Northern	8	11	4	26	7
New Zealand /Other	1	1	-	4	-
Total	<u>\$ 11</u>	<u>\$ 12</u>	<u>\$ 9</u>	<u>\$ 34</u>	<u>\$ 26</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			Nine Months Ended	
	Sept. 30, 2011	June 30, 2011	Sept. 30, 2010	Sept. 30, 2011	Sept. 30, 2010
<b>Forest Resources</b>					
Sales Volume, in thousands of short green tons					
Atlantic	1,056	863	924	2,563	2,982
Gulf States	301	299	326	946	1,125
Northern	409	476	369	1,321	1,083
	<u>1,766</u>	<u>1,638</u>	<u>1,619</u>	<u>4,830</u>	<u>5,190</u>
<b>Real Estate</b>					
Acres sold					
HBU Development	31	50	56	138	431
HBU Rural	2,946	4,019	10,242	12,411	15,192
Non-Strategic Timberlands	6,814	897	12,912	8,040	43,134
Total	<u>9,791</u>	<u>4,966</u>	<u>23,210</u>	<u>20,589</u>	<u>58,757</u>
<b>Performance Fibers</b>					
Sales Volume, in thousands of metric tons					
Cellulose specialties	127	114	131	363	357
Absorbent materials	56	45	67	165	179
Total	<u>183</u>	<u>159</u>	<u>198</u>	<u>528</u>	<u>536</u>
<b>Lumber</b>					
Sales volume, in millions of board feet					
	66	70	60	192	180

# Market Price and Dividend History\*

(\$ / Share)

	High	Low	Dividends
<b>2011</b>			
Third Quarter	\$ 45.37	\$ 36.66	\$ 0.40
Second Quarter	\$ 44.88	\$ 39.64	\$ 0.36
First Quarter	\$ 41.81	\$ 35.28	\$ 0.36
<b>2010</b>			
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
<b>2009</b>			
Fourth Quarter	\$ 29.28	\$ 25.25	\$ 0.33
Third Quarter	\$ 30.00	\$ 22.42	\$ 0.33
Second Quarter	\$ 27.86	\$ 19.57	\$ 0.33
First Quarter	\$ 21.60	\$ 14.85	\$ 0.33

\* The impact of the August 2011 3-for-2 stock split is reflected in all periods presented.

# Wood Products Southeast Lumber Sales

