



**Rayonier**

*Value From The Ground Up™*

Annual Report 2013

# Financial Highlights

Dollars in millions, except per share amounts

# 2013

# 2012

## Sales & Earnings

Sales	\$1,708	\$1,483
Operating income	423	401
Pro forma operating income <sup>a</sup>	407	401
Net income	374	279
Net income attributed to Rayonier Inc.	372	279
Pro forma net income <sup>a</sup>	314	272

## Financial Condition

Total assets	3,686	3,123
Total debt	1,574	1,270

## Cash Flow

Cash provided by operating activities	545	446
Capital expenditures (excluding strategic capital)	159	158
Pro forma EBITDA <sup>a</sup>	598	547
Cash available for distribution <sup>a</sup>	334	304
Dividends	237	207

## Weighted Average Common Shares Outstanding in Millions

2013	130.1	2012	128.7
------	-------	------	-------

## Per Share

Net income	2.86	2.17
Pro forma net income <sup>a</sup>	2.41	2.11
Dividend	1.86	1.68
Shareholders' equity	13.90	11.66

## Performance Ratios

Operating income to sales	25%	27%
Return on equity	23%	20%
Return on assets	11%	10%

## Debt Ratios

Debt to capital	47%	47%
Debt to market capital <sup>b</sup>	23%	17%

(a) These non-GAAP measures are defined and reconciled on Page 5.

(b) Based on a \$42.10 and \$51.83 per share closing price at December 31, 2013 and 2012, respectively.

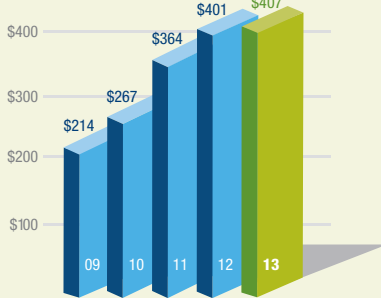




"On behalf of all our Rayonier employees, I thank our owners, our customers, and the citizens of the communities in which we operate and live. We look forward to serving you as two separate Rayonier entities."

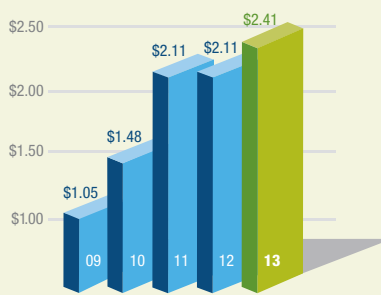
—Paul G. Boynton *Chairman, President and CEO*

### Pro Forma Operating Income<sup>a</sup> (\$ in millions)



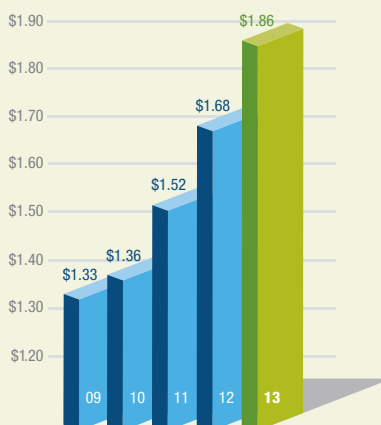
(a) This non-GAAP measure is reconciled on Page 5.

### Pro Forma Earnings Per Share<sup>a</sup>



(a) This non-GAAP measure is reconciled on Page 5.

### Regular Dividend Per Share



## From the Chairman

### Fellow Shareholders:



In 2013, Rayonier achieved transformational milestones in all three of our core businesses that position our land resources and performance fibers segments for long-term growth after our planned separation in 2014. These milestones coincided with outstanding operating performance and strong financial results. We increased our pro forma

earnings per share by 14 percent and generated \$545 million in cash from operating activities.

With the sale of our Georgia sawmills and the completion of our Cellulose Specialties Expansion (CSE), the performance fibers business has successfully initiated its full transition into the specialty chemical sector. We have begun to narrow our focus to higher-value cellulose specialties, a product line for which Rayonier is the global leader and is recognized as the gold standard for quality and service.

**WITH AN INVESTMENT OF \$385 MILLION IN THE CSE PROJECT, WE SOLIDIFIED RAYONIER'S POSITION AS THE INDUSTRY LEADER IN THE PRODUCTION OF HIGH-PURITY CELLULOSE FIBER.**

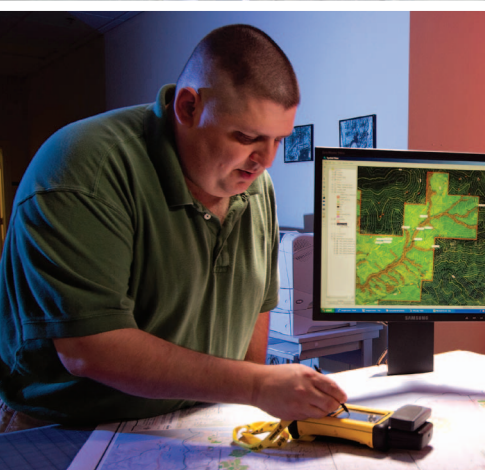
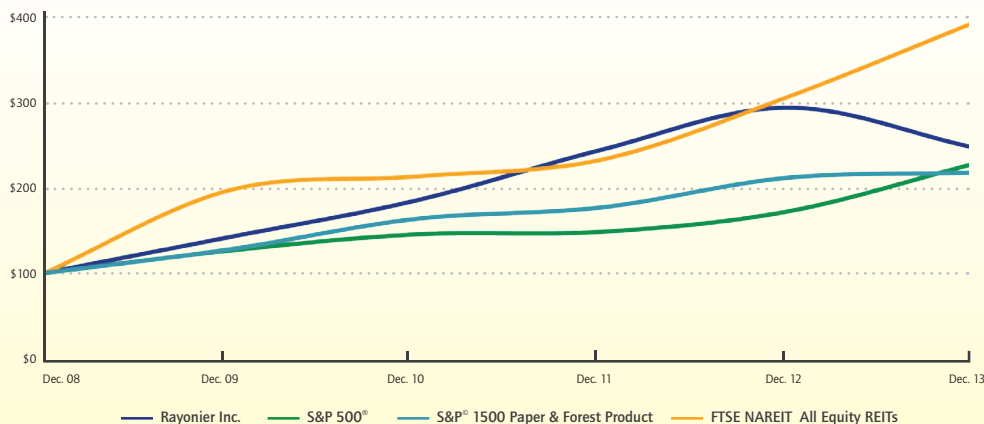
Our land resources business is optimally positioned to capitalize on the rebounding housing and real estate markets. To maximize our return on strong export demand from China, we acquired a majority ownership interest in our New Zealand joint timber venture. We also divested non-strategic assets and reinvested cash into strategic regions.

In real estate, we achieved our first industrial property sale in Southeast Georgia, which will serve as a catalyst in marketing our other HBU properties along the I-95 Coastal Corridor. We've begun discussions with select partners to further position our entitled properties for higher value.

## Comparison of 5-Year Cumulative Total Return\*

Among Rayonier Inc., the S&P 500 Index, the FTSE NAREIT All Equity REITs Index and S&P 1500 Paper & Forest Product Index

\*\$100 invested on 12/31/08 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.



Our success in executing these strategic initiatives in 2013 has positioned Rayonier to separate into two industry-leading companies this year. These initiatives and our planned split will unlock value for our shareholders in 2014 and for many years to come.

### Performance Fibers

With an investment of \$385 million in the CSE project, we solidified Rayonier's position as the industry leader in the production of high-purity cellulose fiber. The conversion increased our production capacity for these high-margin products by 190,000 metric tons. Initial production rates and quality exceeded our estimates, and the qualification process with customers continues to progress. While near-term market conditions have created downward pricing pressure on our cellulose specialties, we have successfully committed additional volumes for 2014, and expect an increase of 30,000 to 50,000 tons above 2013's levels. We expect to place the remaining new capacity in the marketplace within the next several years, as demand for our engineered natural polymers continues to grow.

### Forest Resources

In 2013, we saw sawlog demand and prices benefit from the gradually improving housing market, and Asian demand for sawlogs from our Northwest and New Zealand timberlands remained strong. We expanded our ability to capture future value from strong export demand by increasing our ownership in New Zealand. With this increased ownership and our excellent timber assets in the Pacific Northwest, we are well-positioned to continue to serve the Asian basin with softwood logs.

The sale of our 128,000 acres of New York timberlands will allow us to reinvest the proceeds in core timberlands in our target regions. While our New York holdings have always been a high-quality asset, the property and the markets for its timber were outliers from our core timber operations. Divesting these assets allows us to redeploy the proceeds into timberlands that better align with our strategic focus.

### Real Estate

In Real Estate, we focused on selling select rural parcels for recreational and conservation uses, and secured zoning and entitlements for our higher and better use properties. We were pleased to announce our first sale at Belfast Commerce Centre less than eleven months after achieving its site certification. The leading manufacturer of quartz countertops, Caesarstone, conducted months of research across the Eastern United States before choosing Belfast for its first U.S. manufacturing facility. The sale bolsters

**"The sale of our 128,000 acres of New York timberlands will allow us to reinvest the proceeds in core timberlands in our target regions."**



our ability to market the remaining parcels at the site. We also achieved a staged sale of residential property to a premium national homebuilder on a property south of Jacksonville, Fla.

Chris Corr joined Rayonier's leadership as Senior Vice President, Real Estate, and President, TerraPointe Services, Inc., in mid-2013, bringing decades of real estate experience and an extensive background in land planning and economic development. His vision and experience, combined with the continuing rebound of the real estate market, will help our real estate business deliver even greater value for our shareholders.

### Separation into Two Companies

As announced on January 27, 2014, we will separate our Performance Fibers business from our Forest Resources and Real Estate businesses. As part of our strategic planning process, we began analysis of and preparation for the business separation nearly two years ago. With an improving U.S. housing market, strong timber export markets, and the successful expansion of our cellulose specialties capacity, we concluded that now is the optimal time. Each company will gain the flexibility to pursue its own growth strategies and operating priorities, and to develop individual capital structures and allocations to drive long-term value.

The separation will result in two independent, best-in-class, publicly-traded companies by means of a tax-free spin-off of the Performance Fibers business to Rayonier shareholders. It is expected to be completed in mid-2014.

It has been a privilege to lead the Rayonier team these past several years. I'm proud of the reputation we've built over eight decades as a high-performing company focused on delivering excellent value. I'm proud of the highly disciplined, fully engaged workforce that has driven our success and will continue to do so. The separation marks the next chapter in Rayonier's history. It will allow us to further leverage our strengths and maximize our growth. On behalf of all our Rayonier employees, I thank our owners, our customers, and the citizens of the communities in which we operate and live. We look forward to serving you as two separate Rayonier entities.

Paul G. Boynton  
Chairman, President and CEO

### Pro Forma EBITDA<sup>a</sup>

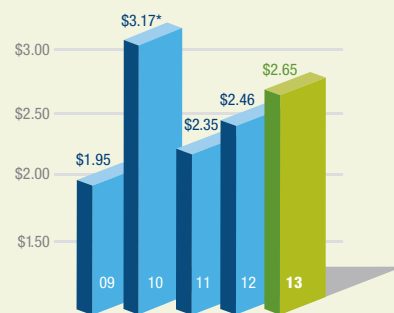
(\$ in millions)



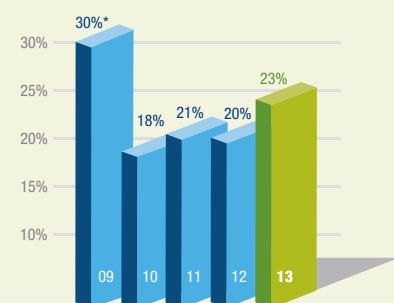
(a) This non-GAAP measure is reconciled on Page 5.

### Cash Available for Distribution

(\$ per share)



### Return on Equity



\*Included \$189 million from the alternative fuel mixture credit ("AFMC")

## Reconciliation of Non-GAAP Measures

Dollars in millions, except per share	2013	2012	2011	2010	2009
<b>Pro Forma EBITDA<sup>a</sup></b>					
Net income	\$374	\$279	\$276	\$218	\$313
Interest, net	41	45	49	49	51
Income tax expense	71	88	31	15	46
Depreciation, depletion and amortization	192	148	136	143	158
Less: Income from disc. ops.	(42)	(8)	1	(2)	6
Less: Income tax expense from disc. ops.	(21)	(3)	-	(1)	3
Less: Depreciation, depletion and amortization from disc. ops.	(1)	(2)	(3)	(4)	(5)
Gain related to consolidation of New Zealand JV	(16)	-	-	-	-
Increase in disposition reserve	-	-	7	-	-
Gain on sale of a portion of New Zealand JV interest	-	-	-	(12)	-
Income related to the AFMC	-	-	-	-	(205)
<b>Pro Forma EBITDA</b>	<b>\$598</b>	<b>\$547</b>	<b>\$497</b>	<b>\$406</b>	<b>\$367</b>
<b>Cash Available for Distribution<sup>b</sup></b>					
Cash provided by operating activities	\$545	\$446	\$432	\$495	\$307
Capital expenditures	(159)	(158)	(145)	(138)	(92)
Change in committed cash	(4)	6	(6)	12	17
Excess tax benefits on stock-based compensation	8	8	6	5	3
Basis of NY timberlands	(54)	-	-	-	-
Other	(2)	2	-	10	(2)
Cash available for distribution	\$334	\$304	\$287	\$384	\$233
Outstanding shares in millions	126.3	123.3	122.0	121.0	119.3
<b>Cash Available for Distribution Per Share</b>	<b>\$2.65</b>	<b>\$2.46</b>	<b>\$2.35</b>	<b>\$3.17</b>	<b>\$1.95</b>

a) Pro Forma EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization excluding discontinued operations and the gain related to the consolidation of the New Zealand joint venture. 2011 excluded the increase in a disposition reserve. 2010 and 2009 excluded the impact of the gain on sale of a portion of the New Zealand interest and income related to the alternative fuel mixture credit ("AFMC"), respectively.

b) Cash Available for Distribution ("CAD") is defined as cash provided by operating activities adjusted for capital spending, strategic divestitures, the change in committed cash, and other items which include cash provided by discontinued operations, 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.



## Board of Directors

Paul G. Boynton  
*Chairman*

C. David Brown, II  
Gov. John E. Bush  
Mark E. Gaumond  
Richard D. Kincaid  
V. Larkin Martin  
James H. Miller  
Thomas I. Morgan  
David W. Oskin  
Ronald Townsend

## Reconciliation of Reported to Pro Forma Earnings

Dollars in millions	December 31, 2013		December 31, 2012		December 31, 2011		December 31, 2010		December 31, 2009	
	\$	Per diluted share	\$	Per diluted share	\$	Per diluted share	\$	Per diluted share	\$	Per diluted share
<b>Operating Income</b>	\$423		\$401		\$357		\$279		\$419	
Gain related to consolidation of New Zealand JV	(16)		-		-		-		-	
Increase in disposition reserve	-		-		7		-		-	
Gain on sale of a portion of New Zealand JV interest	-		-		-		(12)		-	
AFMC	-		-		-		-		(205)	
<b>Pro Forma Operating Income</b>	<b>\$407</b>		<b>\$401</b>		<b>\$364</b>		<b>\$267</b>		<b>\$214</b>	
<b>Net Income Attributable to Rayonier Inc.</b>	\$372	\$2.86	\$279	\$2.17	\$276	\$2.20	\$218	\$1.79	\$313	\$2.60
Gain related to consolidation of New Zealand JV	(16)	(0.13)	-	-	-	-	-	-	-	-
Discontinued operations	(42)	(0.32)	(7)	(0.06)	1	0.01	(2)	(0.02)	6	0.05
Reversal of reserve related to the taxability of the AFMC	-	-	-	-	(16)	(0.13)	-	-	-	-
Increase in disposition reserve	-	-	-	-	4	0.03	-	-	-	-
Cellulosic biofuel producer credit	-	-	-	-	-	-	(24)	(0.20)	-	-
Gain on sale of a portion of New Zealand JV interest	-	-	-	-	-	-	(12)	(0.09)	-	-
AFMC	-	-	-	-	-	-	-	-	(193)	(1.60)
<b>Pro Forma Net Income</b>	<b>\$314</b>	<b>\$2.41</b>	<b>\$272</b>	<b>\$2.11</b>	<b>\$265</b>	<b>\$2.11</b>	<b>\$180</b>	<b>\$1.48</b>	<b>\$126</b>	<b>\$1.05</b>

# Stockholder Information

## Corporate Headquarters

Rayonier Inc.  
1301 Riverplace Blvd.  
Suite 2300  
Jacksonville, FL 32207  
904-357-9100

## About Your Shares

Rayonier common shares are listed on the New York Stock Exchange under the ticker symbol RYN.

## Common Stock Activity

2013	High	Low	Dividend
Fourth Quarter	\$58.84	\$39.49	\$0.49
Third Quarter	59.87	53.84	0.49
Second Quarter	60.62	51.04	0.44
First Quarter	59.72	52.17	0.44

2012	High	Low	Dividend
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

## Transfer Agent and Registrar

Please contact Computershare for all essential shareholder services, including:

- Changes of address
- Lost certificates or dividend checks
- Changes in registered ownership
- Certificates of transfer

Rayonier Inc.  
c/o Computershare  
PO Box 43006  
Providence, RI 02940-3006

Shareholder website:  
[www.computershare.com/investor](http://www.computershare.com/investor)

Shareholder Online Inquiries:  
<https://www-us.computershare.com/investor/Contact>

Inside the U.S. 800-659-0158  
Outside the U.S. 201-680-6578

## Dividend Reinvestment

The Rayonier Automatic Dividend Reinvestment and Cash Payment Plan is available to all registered shareholders. For information on how to participate, visit the website [www.computershare.com/investor](http://www.computershare.com/investor) or contact Computershare:

Inside the U.S. 800-659-0158  
Outside the U.S. 201-680-6578

## Rayonier Investor Relations

Additional copies of this Annual Report and copies of Rayonier's 2013 Form 10-K (without exhibits) are available, at no charge, upon request to Rayonier Investor Relations. You may also request these materials by calling 904-357-9100.

Visit us online at [rayonier.com](http://rayonier.com) for more information about our businesses, products and governance practices. You may also use our website to access:

- Current and previous annual reports
- Press releases
- Earnings and dividends news
- SEC filings
- Investor presentations

## Contact Information

### Investor Relations

H. Edwin Kiker, Vice President,  
Investor Relations  
904-357-9100  
[investorrelations@rayonier.com](mailto:investorrelations@rayonier.com)

### Media Relations

Russell Schweiss, Director,  
Corporate Communications  
904-357-9100  
[mediarelations@rayonier.com](mailto:mediarelations@rayonier.com)

## Annual Meeting

To Be Announced



*Value From The Ground Up™*

© 2014 Rayonier Inc. All rights reserved.



*Value From The Ground Up™*

Rayonier Inc.  
1301 Riverplace Blvd.  
Suite 2300  
Jacksonville, Florida 32207

[rayonier.com](http://rayonier.com)



*Good for you. Good for our forests.®*  
SFI-00023