

**Rayonier**  
**Third Quarter 2003**  
**Supplemental**  
**Material**

# Rayonier

## Third Quarter - Highlights

(\$ Millions - Except Per Share Data)

	3Q 2003	Variance to	
		2Q 2003	3Q 2002
<b><u>Profitability</u></b>			
Sales	268	(28)	(26)
Operating Income	22	(32)	(14)
Net Income	8	(24)	(8)
Earnings Per Share	0.19	(0.55)	(0.18)
ROE Annualized *	0.6%	(5.6 pts)	(6.0 pts)
<b><u>Capital Resources and Liquidity</u></b>			
Cash Provided by Operating Activities	64	(6)	(10)
Cash used for investing activities	(26)	(12)	(3)
Cash (used for) from financing activities	2	14	54
Adjusted EBITDA **	62	(33)	(20)
Free Cash Flow **	26	(18)	(14)
Repayment of Debt	1	(5)	(40)
Debt	620	(2)	(121)
Debt / Capital	44.9%	(0.9pts)	(5.3pts)

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

\*\* Non-GAAP measures (see pages 16-18 for definitions and reconciliations)

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## Quarter to Quarter Comparisons - 3Q 03 to 2Q 03

(\$ Millions - Except EPS)

	Pre-Tax	Net Income	EPS
<b>2003 2Q - Income</b>	<b>42</b>	<b>32</b>	<b>0.74</b>
Variance			
Performance Fibers			
- CS Price / Mix	(1)	(1)	(0.01)
- AM Price / Mix	1	1	0.01
- Volume / Cost / Other	(1)	(1)	(0.02)
Subtotal	(1)	(1)	(0.02)
Timber and Land			
- Timber Price	(1)	(1)	(0.02)
- Timber Volume / Other	(2)	(1)	(0.03)
- Land Sales	(24)	(15)	(0.36)
Wood Products			
- Lumber Price	2	1	0.03
- MDF	(1)	(1)	(0.02)
Other Operations	1	-	0.01
Corporate	(3)	(2)	(0.05)
Intersegment Eliminations and Other	(3)	(1)	(0.04)
<b>Operating Income</b>	<b>(32)</b>	<b>(21)</b>	<b>(0.50)</b>
Interest Expense	-	-	0.01
Other / Taxes	-	(3)	(0.06)
<b>2003 3Q - Income</b>	<b>10</b>	<b>8</b>	<b>0.19</b>

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## Third Quarter / Nine Month Comparisons - 2003 to 2002

(\$ Millions - Except EPS)

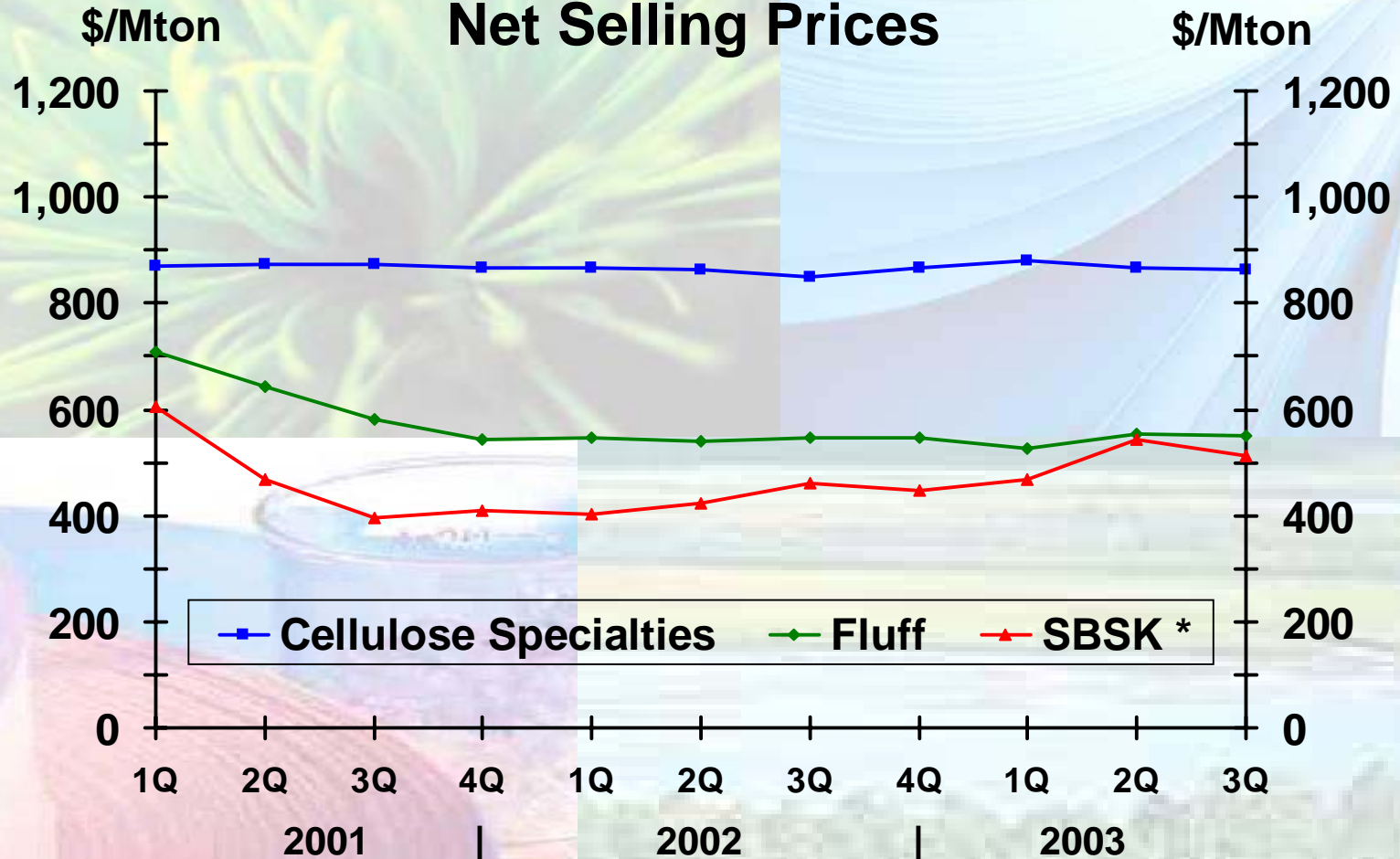
	Third Quarter			September YTD		
	Pre-Tax	Net Income	EPS	Pre-Tax	Net Income	EPS
<b>2002</b>	<b>22</b>	<b>16</b>	<b>0.37</b>	<b>59</b>	<b>41</b>	<b>0.97</b>
Variance						
Performance Fibers						
- CS Price / Mix	1	1	0.01	3	2	0.04
- AM Price / Mix	2	1	0.03	-	-	0.01
- Volume / Cost / Other	(13)	(9)	(0.19)	(29)	(19)	(0.44)
Subtotal	(10)	(7)	(0.15)	(26)	(17)	(0.39)
Timber and Land						
- Timber Price	(3)	(2)	(0.03)	(9)	(6)	(0.14)
- Timber Volume / Other	(3)	(1)	(0.05)	(10)	(6)	(0.13)
- Land Sales	5	3	0.08	42	27	0.65
Wood Products						
- Lumber	4	3	0.07	1	1	0.02
- MDF	(1)	-	(0.02)	(2)	(1)	(0.04)
Other Operations	1	-	-	1	-	-
Corporate	(8)	(6)	(0.12)	(9)	(6)	(0.14)
Intersegment Eliminations and Other	1	1	0.01	4	3	0.06
<b>Operating Income</b>	<b>(14)</b>	<b>(9)</b>	<b>(0.21)</b>	<b>(8)</b>	<b>(5)</b>	<b>(0.11)</b>
Interest Expense	2	1	0.04	8	5	0.13
Other / Taxes	-	-	(0.01)	1	7	0.14
<b>2003</b>	<b>10</b>	<b>8</b>	<b>0.19</b>	<b>60</b>	<b>48</b>	<b>1.13</b>



**Rayonier**

**Markets and Operations**

# Rayonier Performance Fibers Net Selling Prices

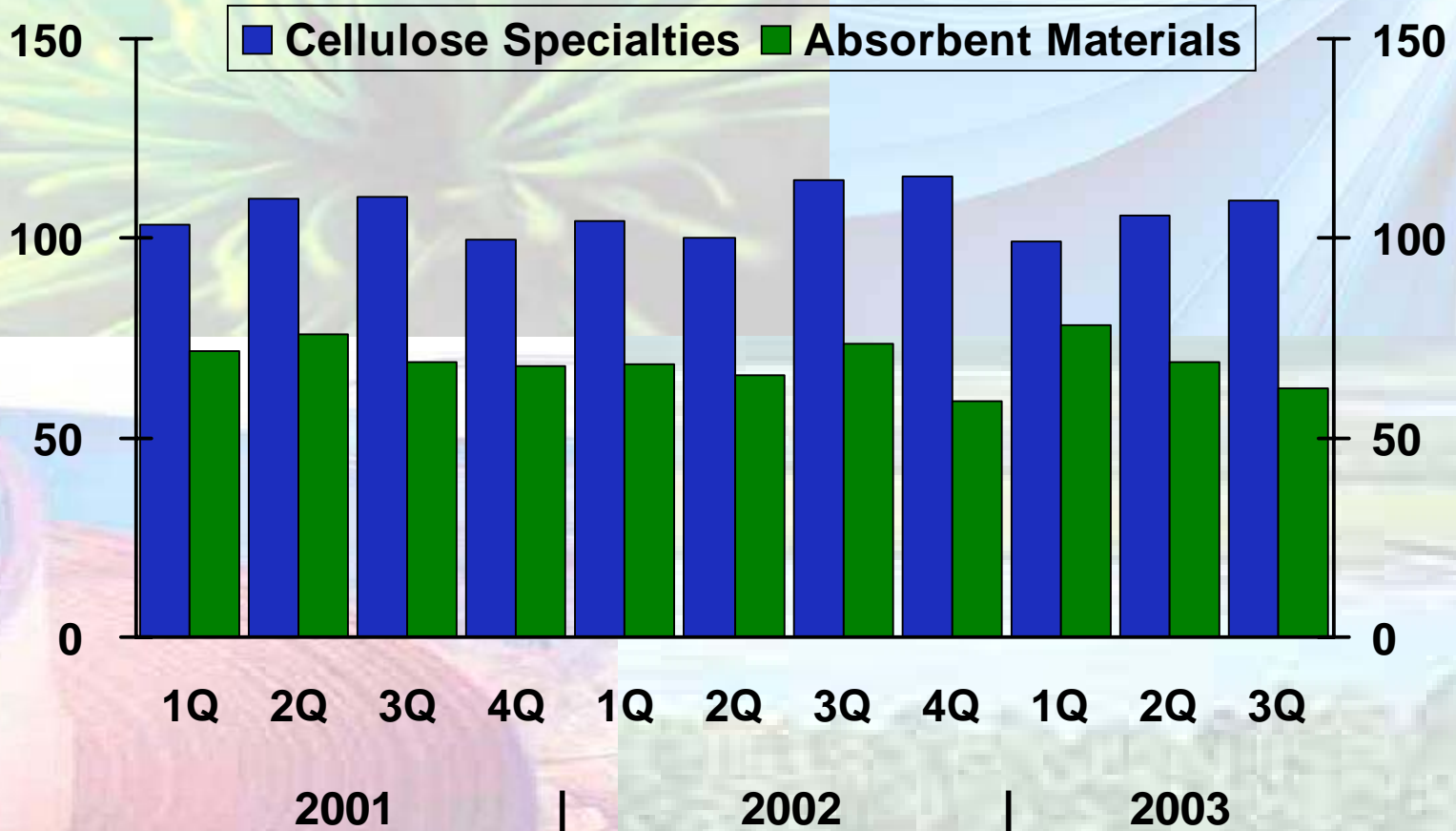


\* Source: RISI gross price less typical discounts

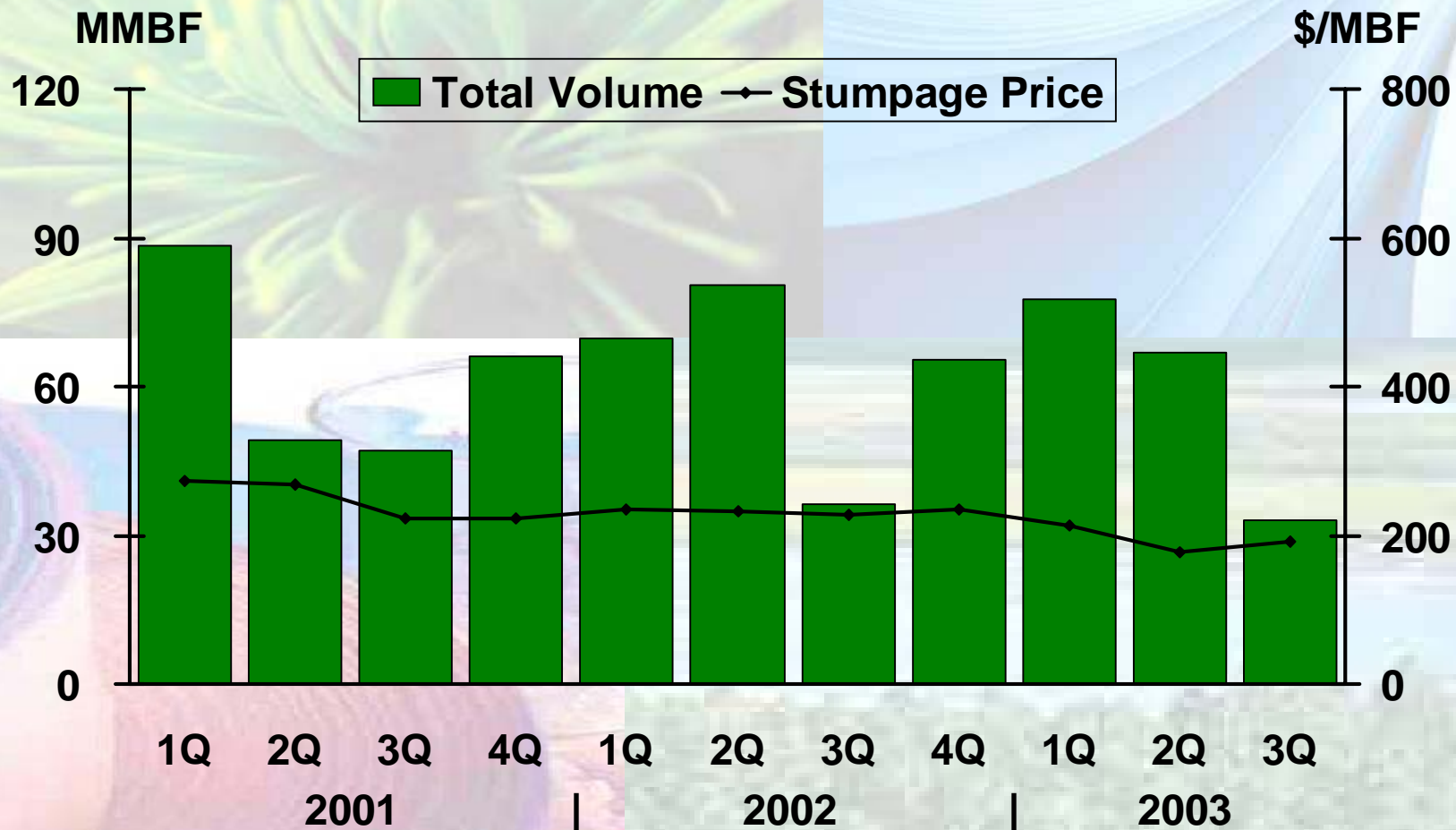
# Rayonier Performance Fibers Sales Volumes

M Metric Tons

M Metric Tons

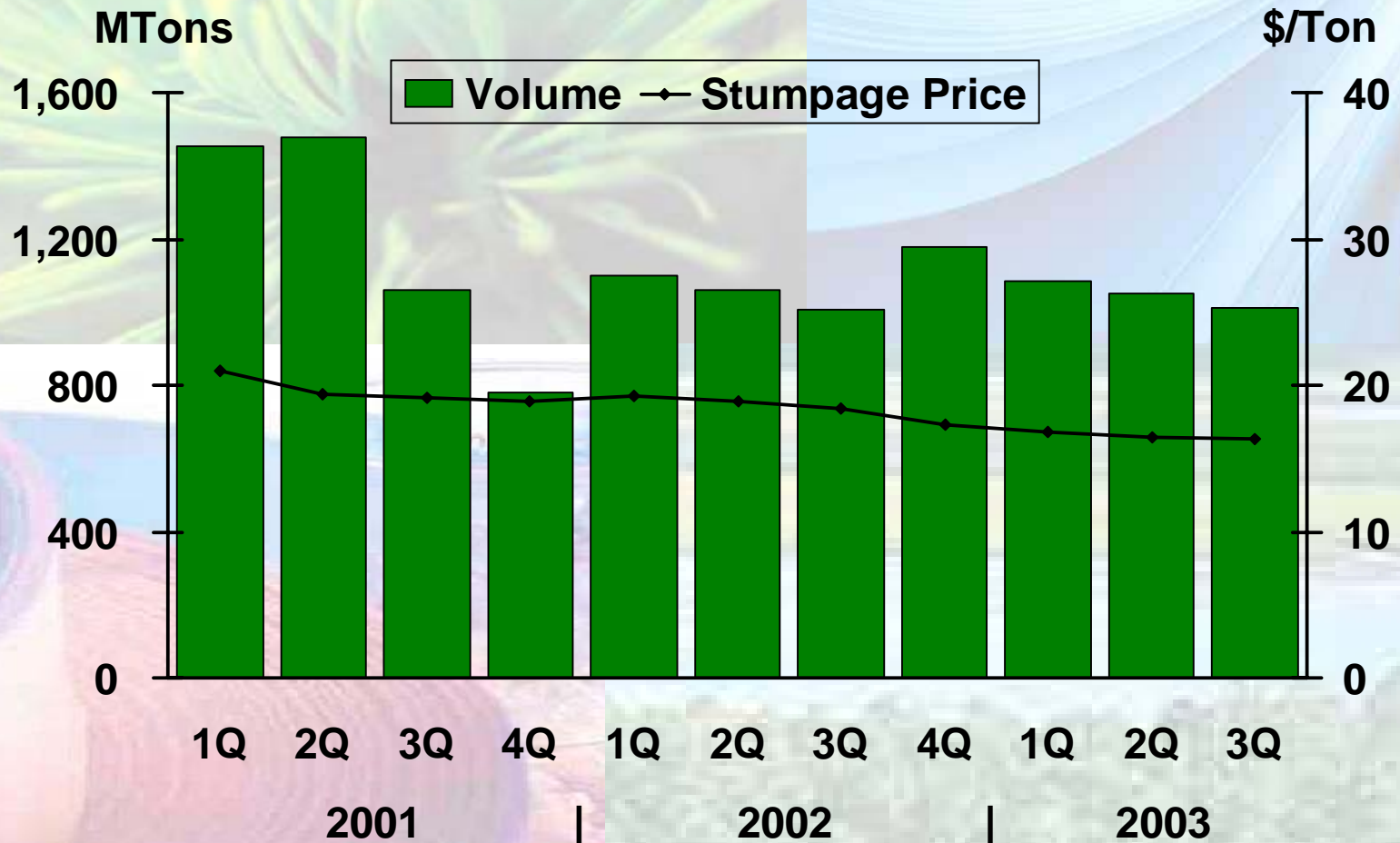


# Rayonier Northwest Timber Sales

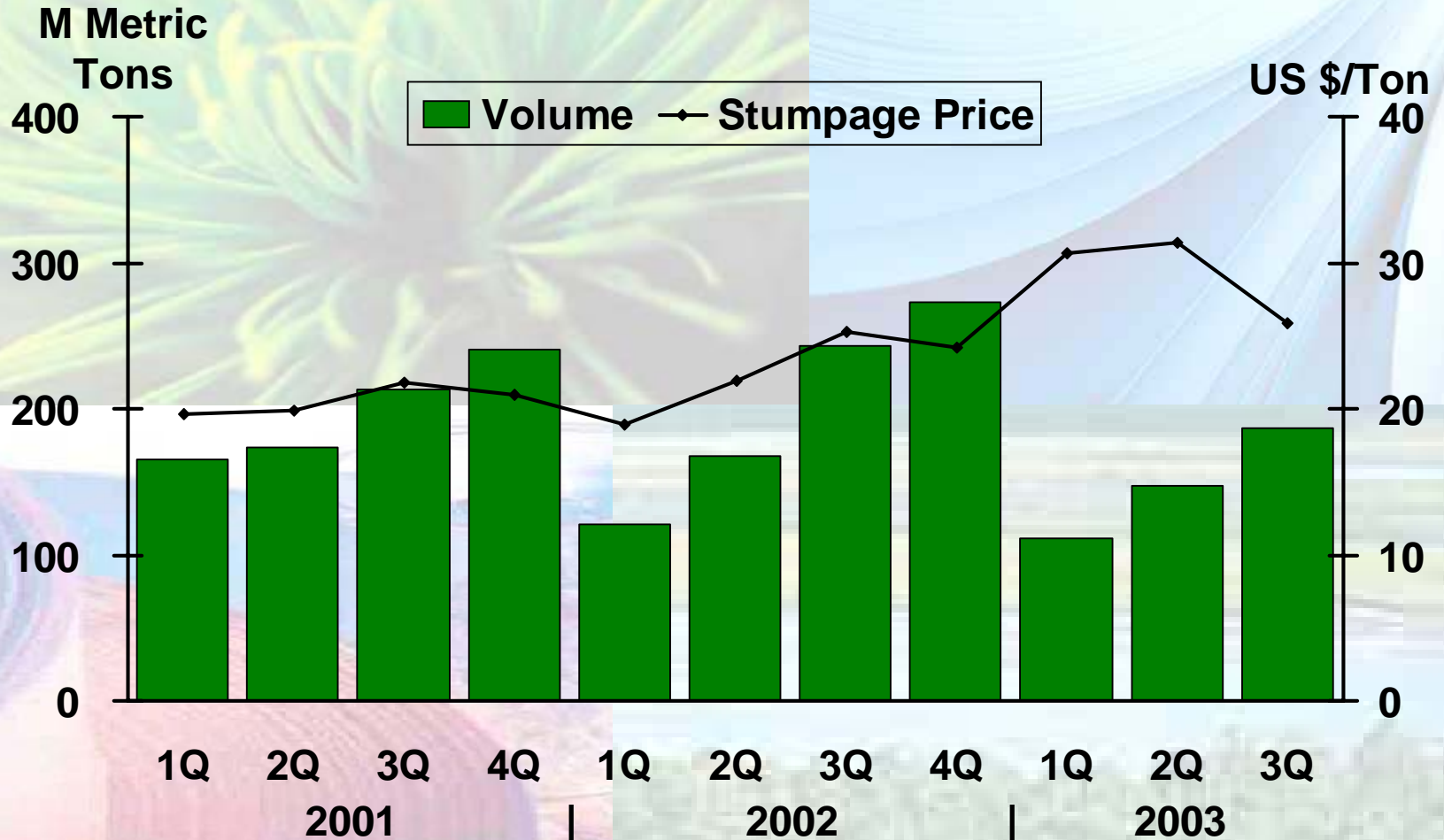




# Rayonier Southeast Pine Timber Sales

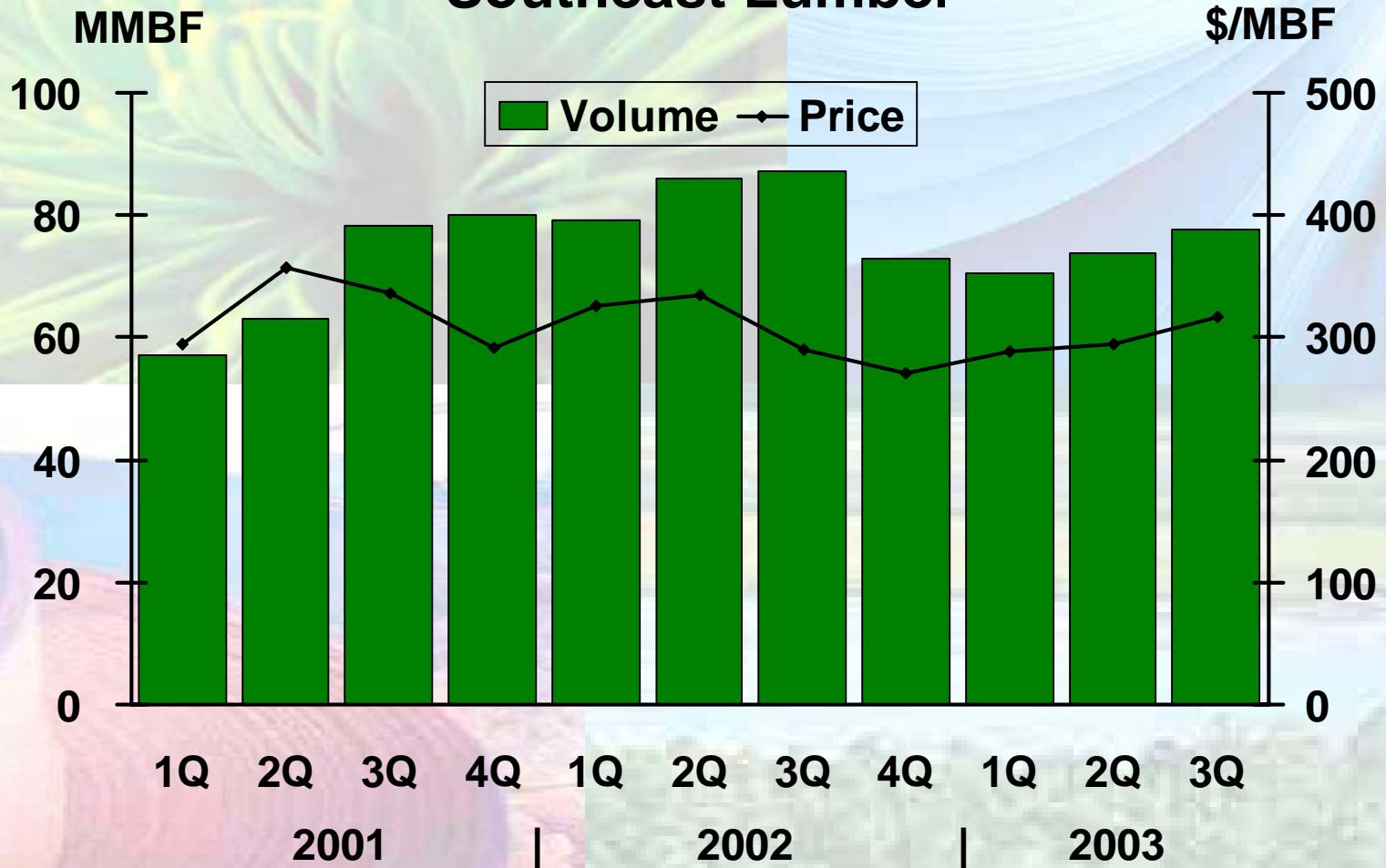


# Rayonier New Zealand Timber Sales

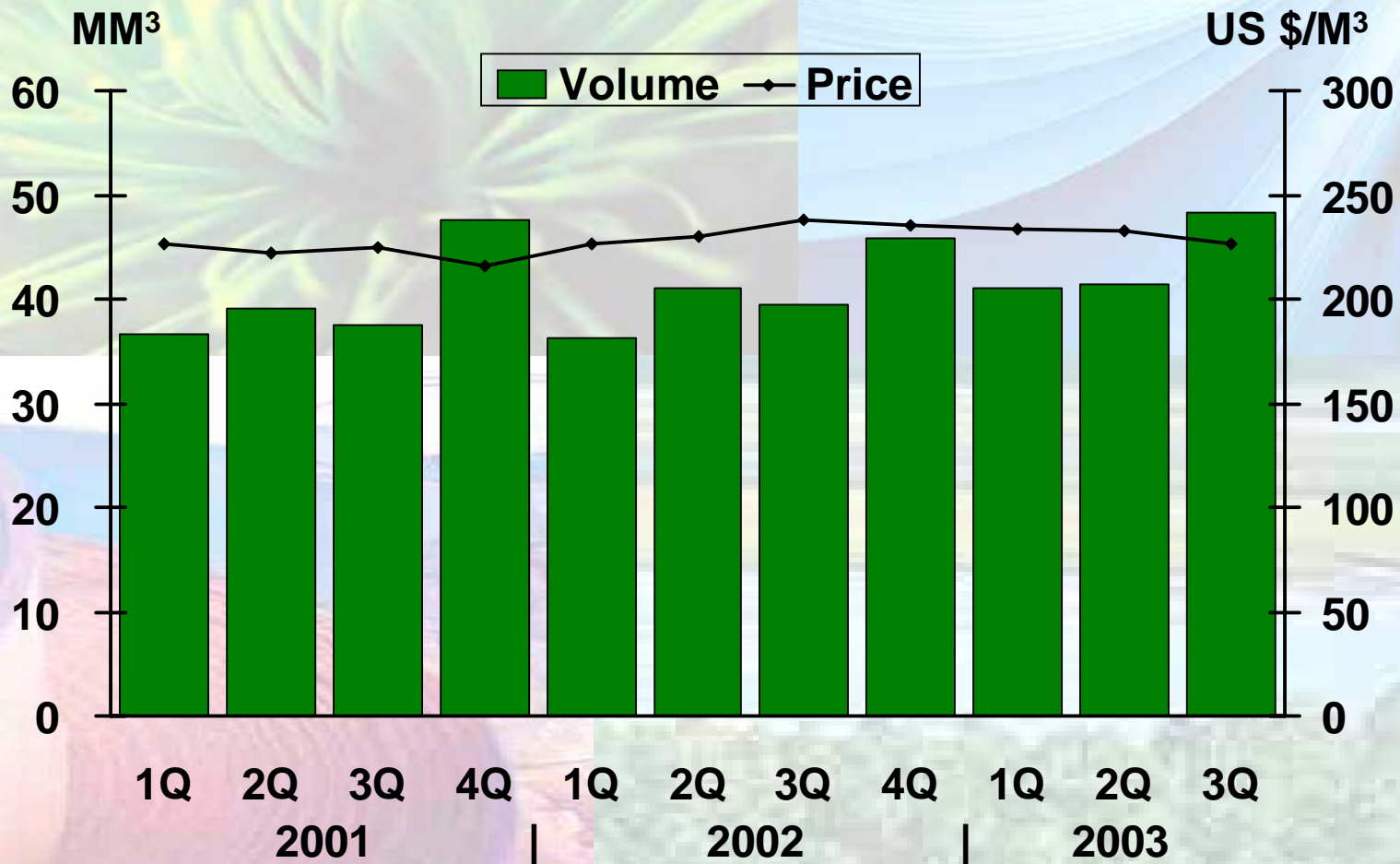


Note: Continuing Operations

# Rayonier Wood Products Southeast Lumber



# Rayonier 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	0.74	0.41
Third Quarter	0.19	0.37
Fourth Quarter *	Down ↓ ~ <u>0.00</u>	<u>0.31</u>
Total Year *	~ 1.13	1.30
First Call Estimate for 2003 - 10/20/03	1.22	

\* Includes REIT expenses and delays in realizing Northwest timber earnings as contract terms of sale are revised (\$0.11 in fourth quarter and \$0.20 for the year).

**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/A filed with the SEC.**

## Rayonier Other Items

- Regular fourth quarter dividend declared October 17, payable November 10
- Details regarding REIT related special taxable E&P distribution will be announced in early November
- Distribution of E&P to be paid in December



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# Appendix

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## RECONCILIATION OF NON-GAAP MEASURES\*

(\$ Millions)

	Performance Fibers	Timber and Land	Wood Products	Other Operations	Corporate and other	Total
<b>Adjusted EBITDA</b>						
<b>Three Months Ended</b>						
<b>September 30, 2003</b>						
Cash provided by operating activities	\$ 14.4	\$ 63.7	\$ 2.6	\$ (0.5)	\$ (16.2)	\$ 64.0
Income tax expense	-	-	-	-	2.3	2.3
Interest expense	-	-	-	-	12.1	12.1
Working capital increases (decreases)	7.9	(11.0)	(0.2)	0.4	(14.8)	(17.7)
Other balance sheet changes	(0.4)	(4.6)	(0.1)	-	6.4	1.3
Adjusted EBITDA	<u>\$ 21.9</u>	<u>\$ 48.1</u>	<u>\$ 2.3</u>	<u>\$ (0.1)</u>	<u>\$ (10.2)</u>	<u>\$ 62.0</u>
<b>June 30, 2003</b>						
Cash provided by operating activities	\$ 25.7	\$ 80.4	\$ (0.8)	\$ 0.8	\$ (36.6)	\$ 69.5
Income tax expense	-	-	-	-	10.3	10.3
Interest expense	-	-	-	-	12.4	12.4
Working capital increases (decreases)	(2.9)	(0.7)	1.6	(2.1)	21.5	17.4
Other balance sheet changes	(0.5)	(2.1)	-	0.6	(12.2)	(14.2)
Adjusted EBITDA	<u>\$ 22.3</u>	<u>\$ 77.6</u>	<u>\$ 0.8</u>	<u>\$ (0.7)</u>	<u>\$ (4.6)</u>	<u>\$ 95.4</u>
<b>September 30, 2002</b>						
Cash provided by operating activities	\$ 39.7	\$ 61.2	\$ 0.2	\$ (2.2)	\$ (25.4)	\$ 73.5
Income tax expense	-	-	-	-	6.4	6.4
Interest expense	-	-	-	-	14.5	14.5
Working capital increases (decreases)	(9.5)	(0.4)	(1.1)	3.1	15.4	7.5
Other balance sheet changes	(0.5)	(4.0)	(0.2)	(0.8)	(14.1)	(19.6)
Adjusted EBITDA	<u>\$ 29.7</u>	<u>\$ 56.8</u>	<u>\$ (1.1)</u>	<u>\$ 0.1</u>	<u>\$ (3.2)</u>	<u>\$ 82.3</u>

\* Unusual, non-trade intercompany items between the segments have been eliminated.



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## RECONCILIATION OF NON-GAAP MEASURES

(\$ Millions)

	<u>3Q 2003</u>	<u>2Q 2003</u>	<u>3Q 2002</u>
<b>Free cash flow</b>			
Cash provided by operating activities	\$ 64.0	\$ 69.5	\$ 73.5
Custodial capital spending, net	(18.1)	(13.2)	(21.4)
Purchase of assets previously leased	(5.4)	-	-
Dividends at prior year level	(10.1)	(10.1)	(10.0)
Required debt repayments *	(1.2)	(0.7)	(1.2)
Tax benefit on exercise of stock options	(2.8)	(0.8)	(0.1)
Free cash flow	<u>\$ 26.4</u>	<u>\$ 44.7</u>	<u>\$ 40.8</u>

\* The required repayments represent debt that matured and was paid during the period. In addition to the required payments, the Company made discretionary debt repayments as indicated below:

<b>Discretionary debt repayments</b>	<u>\$ -</u>	<u>\$ 5.0</u>	<u>\$ 40.0</u>
<b>Custodial capital spending, net *</b>			
Capital expenditures, net of sales and retirements	20.6	14.5	23.5
Discretionary capital expenditures	<u>(2.5)</u>	<u>(1.3)</u>	<u>(2.1)</u>
Custodial capital spending, net	<u>18.1</u>	<u>13.2</u>	<u>21.4</u>

\* Net Custodial Capital Spending, a non-GAAP measure, is defined as capital expenditures, net of retirements, required to maintain the Company's current earnings level over the cycle and to keep facilities and equipment in safe and reliable condition as well as in compliance with regulatory requirements.

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## DEFINITIONS OF NON-GAAP MEASURES

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

**Free cash flow** is defined as cash provided by operating activities less net custodial capital spending, dividends at prior year level, required debt repayments and the tax benefit on the exercise of stock options. Free cash flow is a non-GAAP measure of cash generated during a period that was available for discretionary capital expenditures, increasing dividends above the prior year level, repurchasing the Company's common shares and/or reducing debt within the period. Free cash flow is not necessarily indicative of the free cash flow that may be generated in future periods.