

Rayonier

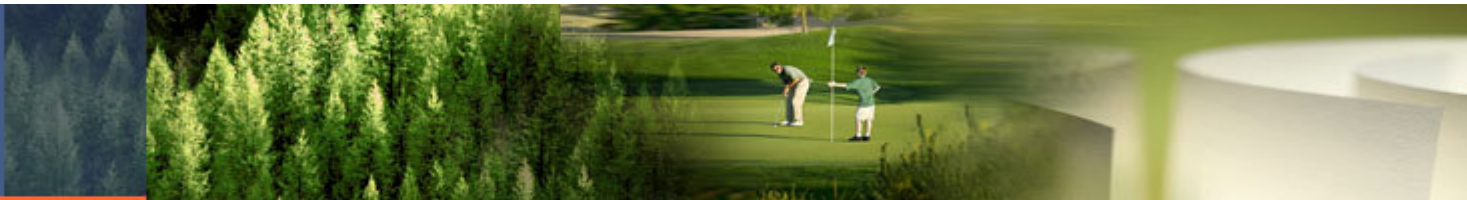


First Quarter 2007 Supplemental Material



Safe Harbor

Except for historical information, the statements made in this presentation 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, which include statements regarding anticipated earnings, revenues, volumes, pricing, costs and other statements relating to Rayonier’s financial and operational performance, in some cases are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “anticipate” and other similar language. The following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements contained in this release: changes in global market trends and world events; interest rate and currency movements; changes in key management personnel; fluctuations in demand for, or supply of, cellulose specialty products, absorbent materials, timber, wood products or real estate and entry of new competitors into these markets; adverse weather conditions and natural disasters, affecting production, timber availability and sales, or distribution; changes in production costs for wood products or performance fibers, particularly for raw materials such as wood, energy and chemicals; unexpected delays in the entry into or closing of real estate sale transactions; changes in law, policy or political environment that might condition, limit or restrict the development of real estate; the ability of the company to identify and complete timberland and higher-value real estate acquisitions; the company's ability to continue to qualify as a REIT; the ability of the company to complete like-kind exchanges of timberland; and implementation or revision of governmental policies, laws and regulations affecting the environment, endangered species, timber harvesting, import and export controls or taxes, including changes in tax laws that could reduce the benefits associated with REIT status. For additional factors that could impact future results, please see the company's most recent Form 10-K on file with the Securities and Exchange Commission. Rayonier assumes no obligation to update these statements except as may be required by law.



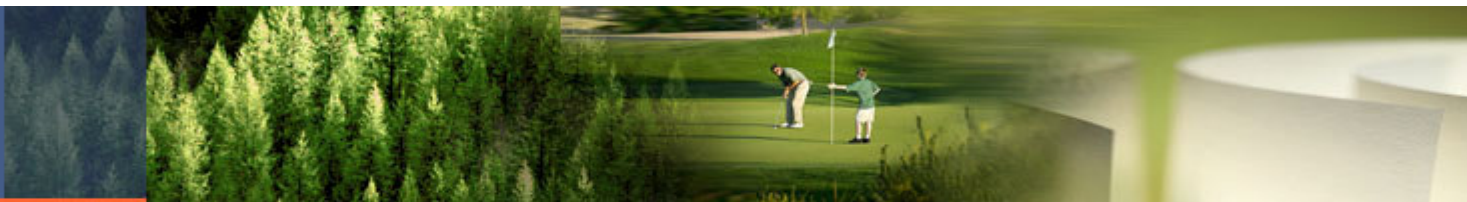
First Quarter - Highlights

(\$ Millions - Except EPS)

	<u>1Q 2007</u>	<u>4Q 2006</u>	<u>1Q 2006</u>
<u>Profitability</u>			
Sales	300	329	277
Operating income	55	68	37
Net Income	35	55	23
Earnings Per Share:			
Net income	0.45	0.71	0.30
Pro forma net income *	0.45	0.59	0.30
Adjusted ROE *	15.2%	20.1%	10.4%
Average diluted shares outstanding (millions)	78.5	78.3	78.0

	<u>Three Months Ended March 31</u>	
	<u>2007</u>	<u>2006</u>
<u>Capital Resources and Liquidity</u>		
Cash Provided by Operating Activities	52	51
Cash Used for Investing Activities	(47)	(40)
Cash Used for Financing Activities	(17)	(31)
Adjusted EBITDA *	97	71
Cash Available for Distribution (CAD) *	61	24
	<u>3/31/07</u>	<u>12/31/06</u>
Debt	671	659
Debt / Capital	42.0%	41.8%
Cash	28	40

* Non-GAAP measures (see pages 17, 18, and 19 for definitions and reconciliations).



Quarter to Quarter Variance Analysis - 1Q 07 to 4Q 06

(\$ Millions - Except EPS)

	Pretax	Income **	EPS
2006 4Q (Pro forma) *	56	46	0.59
Variance			
Timber			
- Volume / Other	7	7	0.09
Real Estate	(15)	(12)	(0.15)
Performance Fibers			
- CS Price / Mix	9	6	0.07
- AM Price / Mix	1	1	0.01
- Volume / Cost / Other	(15)	(10)	(0.12)
Wood Products	1	-	-
Operating Income	(12)	(8)	(0.10)
Interest / Other	(1)	(1)	(0.01)
Taxes	-	(2)	(0.03)
2007 1Q	43	35	0.45

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

** No taxes are provided for REIT timber income and a statutory rate is provided for other operations. Taxes include residual issues in order to balance to the total tax provision.



First Quarter Variance Analyses - 2007 to 2006 (\$ Millions - Except EPS)

	First Quarter		
	Pretax	Income *	EPS
2006 1Q	27	23	0.30
Variance			
Timber			
- Volume	2	2	0.03
Real Estate	5	3	0.04
Performance Fibers			
- CS Price	13	8	0.11
- AM Price	3	2	0.02
- Volume / Mix	4	3	0.03
- Costs	(3)	(2)	(0.02)
Wood Products	(6)	(4)	(0.05)
Operating Income	18	12	0.16
Interest Expense / Other	(2)	(1)	(0.02)
Taxes		1	0.01
2007 1Q	43	35	0.45

* No taxes are provided for REIT timber income and a statutory rate is provided for other operations. Taxes include residual issues in order to balance to the total tax provision.

Cash Available for Distribution

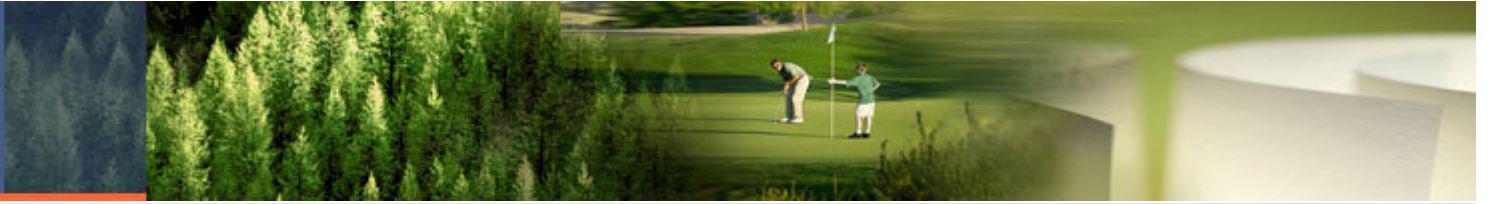
(\$ Millions – Except Per Share Data)

	Three Months Ended March 31	
	2007	2006
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 52.4	\$ 50.8
Capital spending *	(31.4)	(36.5)
Decrease in committed cash	27.8 **	5.9
Equity based compensation adjustments	5.8	4.2
Like-kind exchange tax benefits on third party real estate sales ***	(1.0)	(0.9)
Other	7.2	0.2
Cash Available for Distribution (CAD)	<u>\$ 60.8</u>	<u>\$ 23.7</u>
Shares outstanding	<u>77,406,510</u>	<u>76,490,949</u>
CAD per share	0.79	0.31

* Capital spending excludes strategic acquisitions and dispositions.

** Primarily 2006 interest paid in 2007 and previously reflected as a reduction in 2006 CAD.

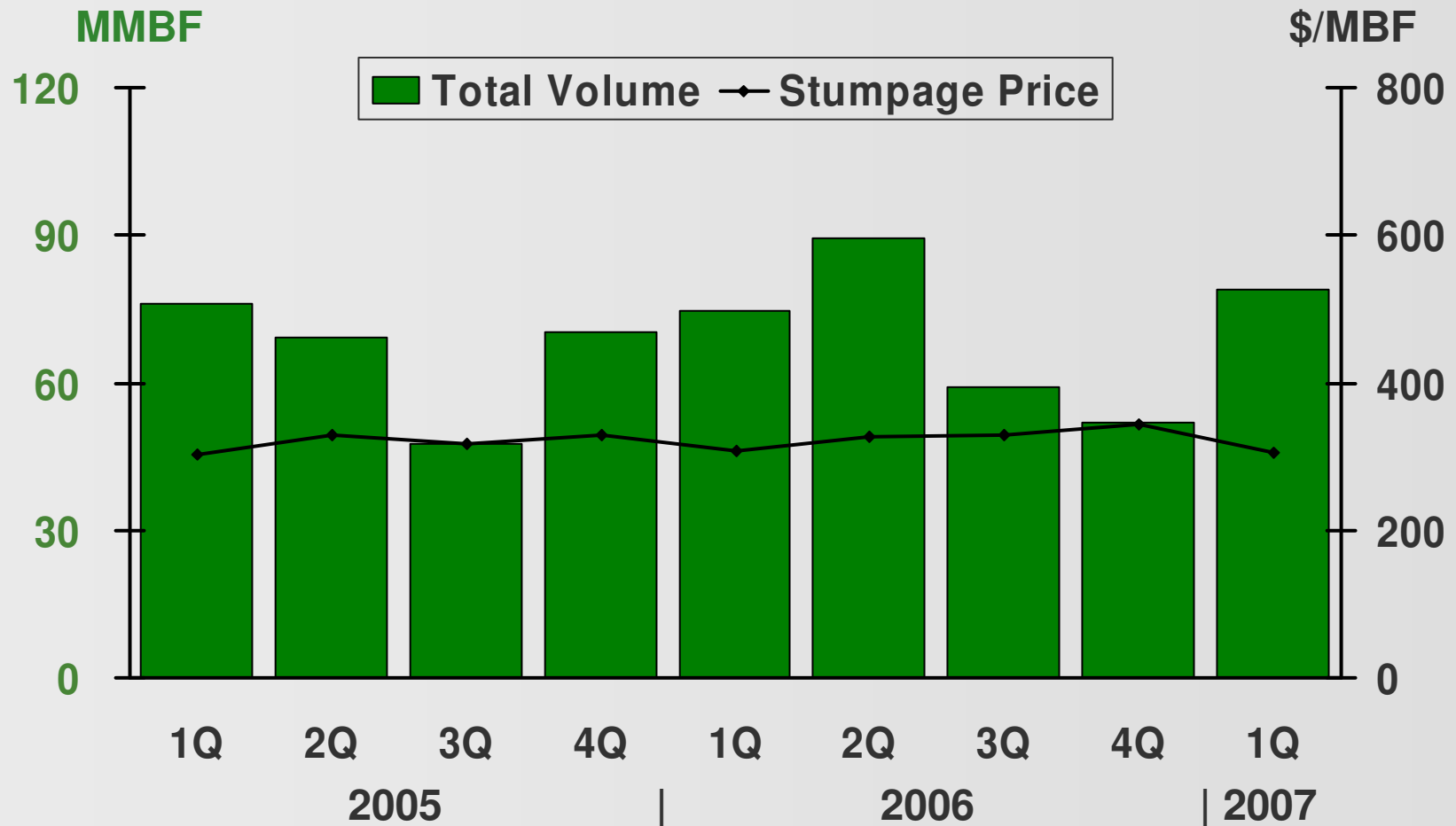
*** Represents taxes that would have been paid if the Company had not completed LKE transactions.



Markets and Operations

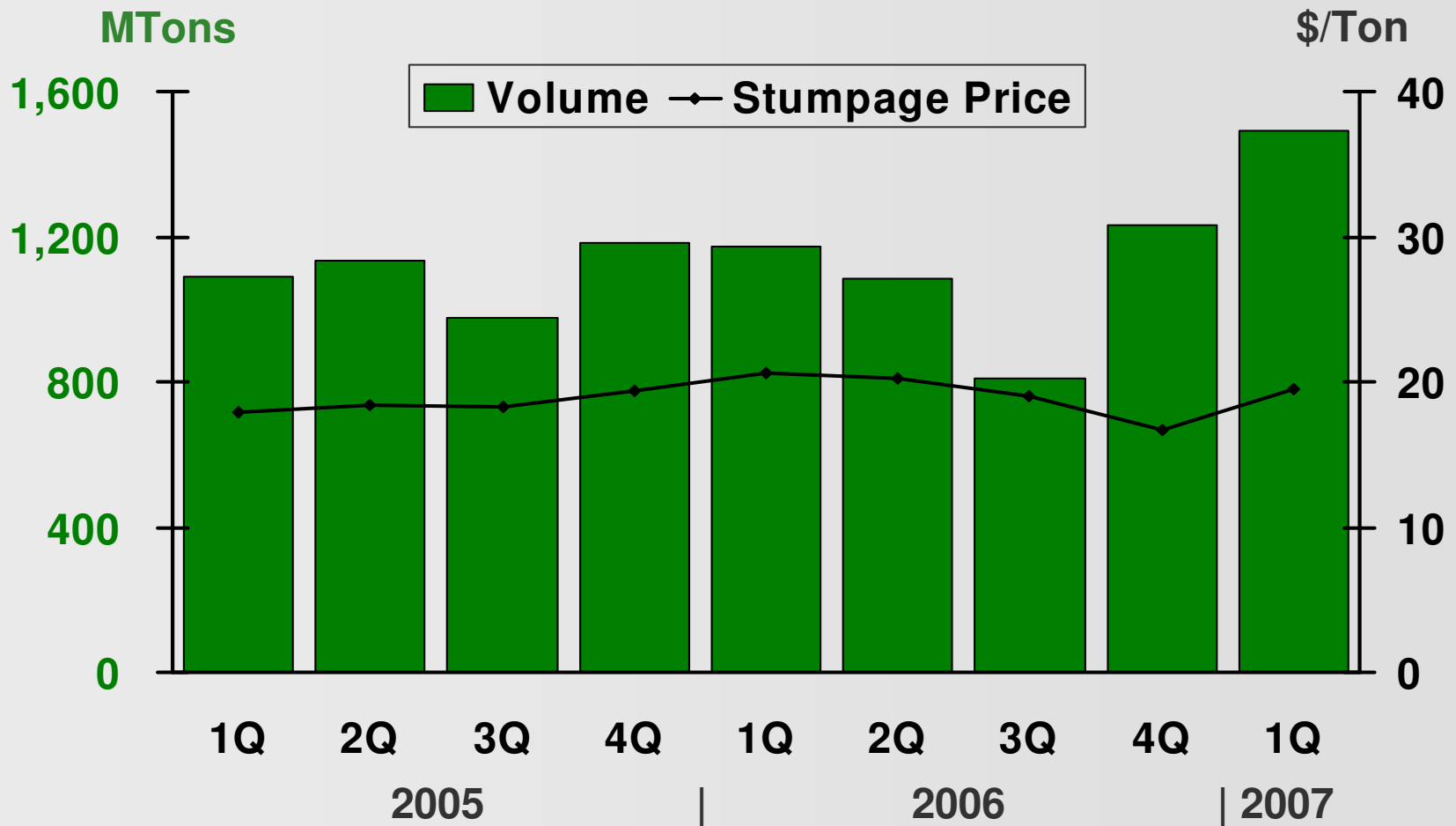


Northwest Timber Sales



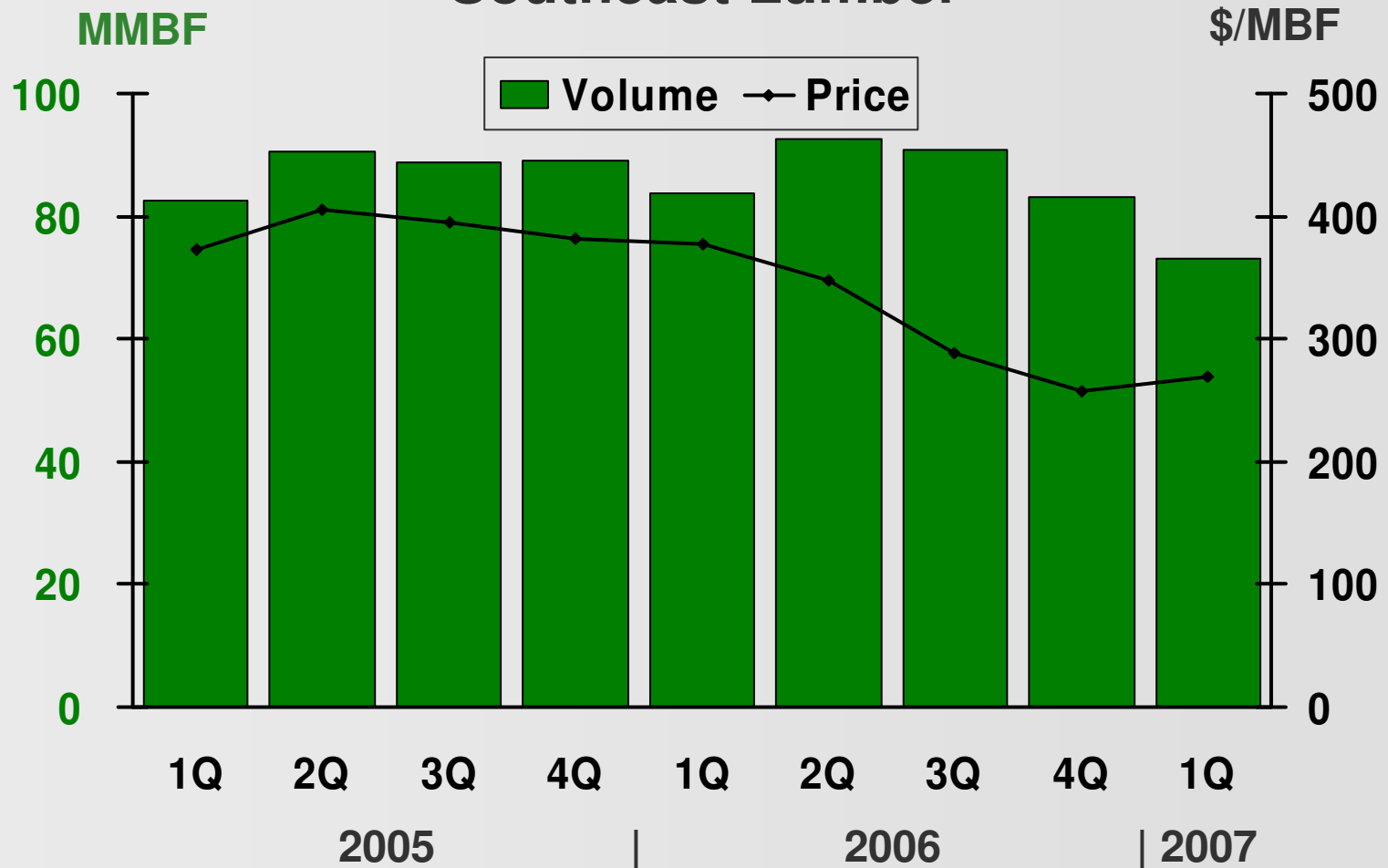


Southern Pine Timber Sales



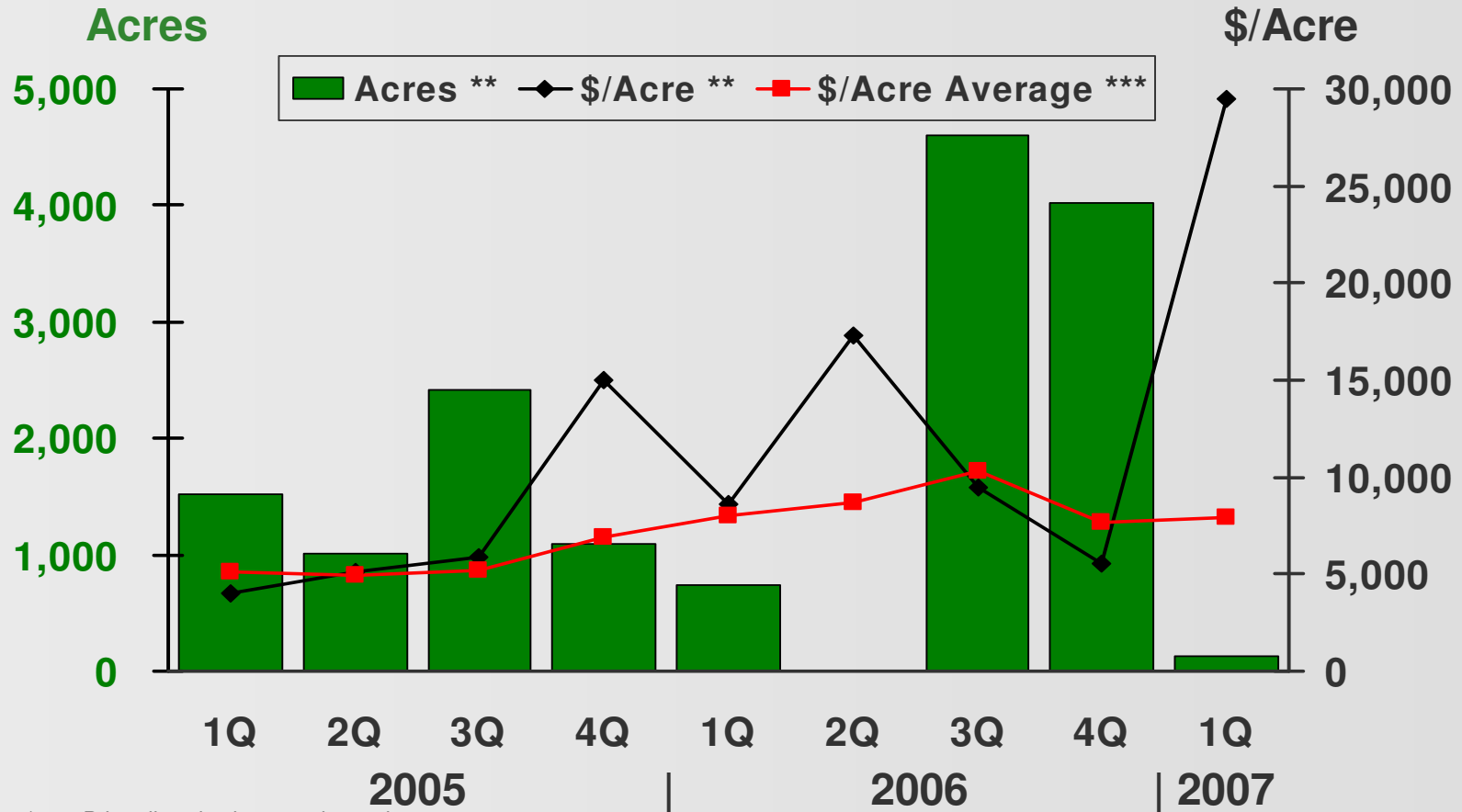


Wood Products Southeast Lumber





Development Acres * - Sales



* Primarily sales in coastal counties.

** 2Q 06 = 7 acres

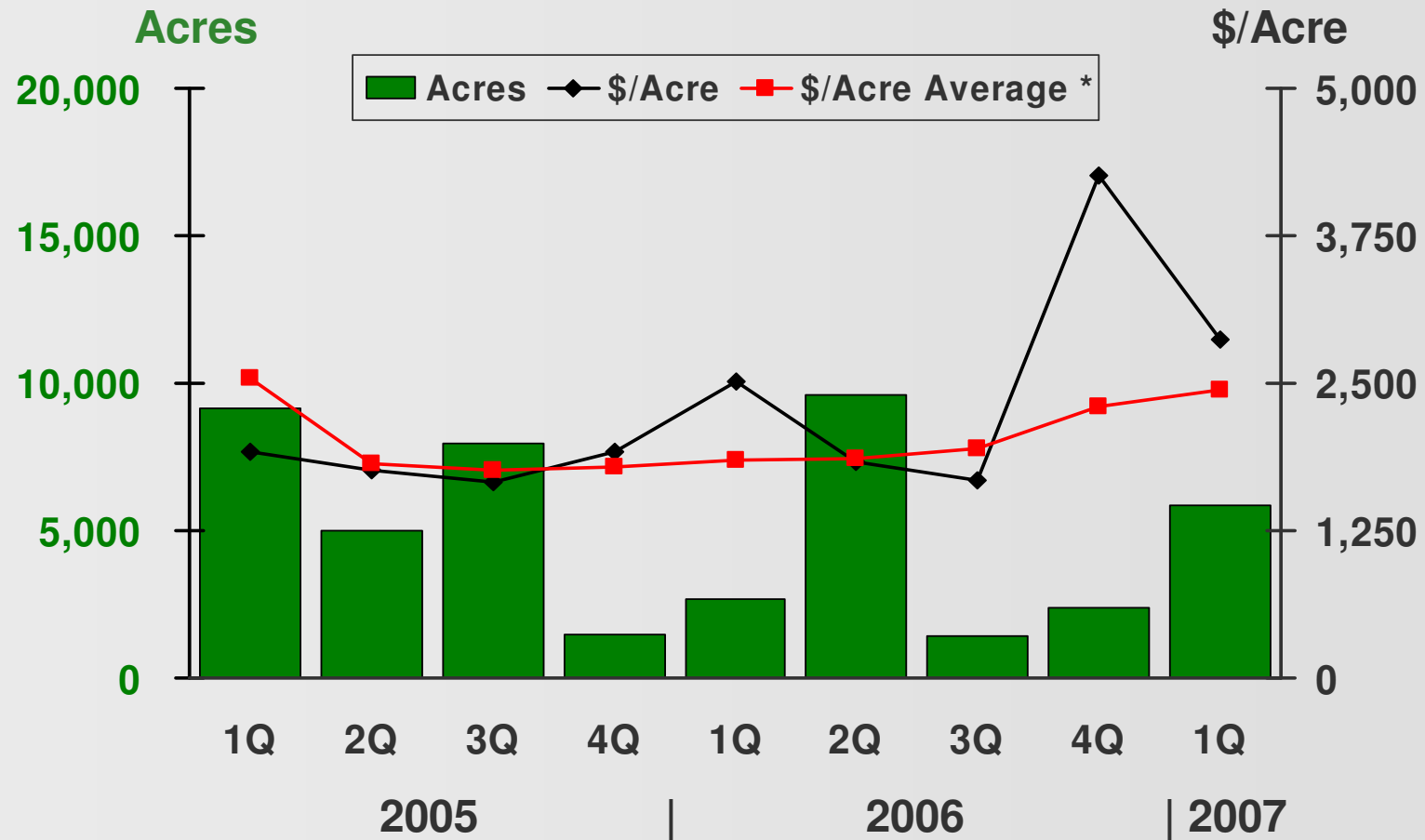
3Q 06 includes 1,950 acre sale to ICI; price per acre includes initial receipt of \$22.6 million in 3Q, but not the \$5.7 million due within 10 years.

4Q 06 includes 1,940 acre sale to LandMar; price per acre includes initial receipt of \$10.0 million in 4Q, but not the proceeds from participation or the option to receive \$17.5 million in the future.

*** Four quarter rolling weighted average.



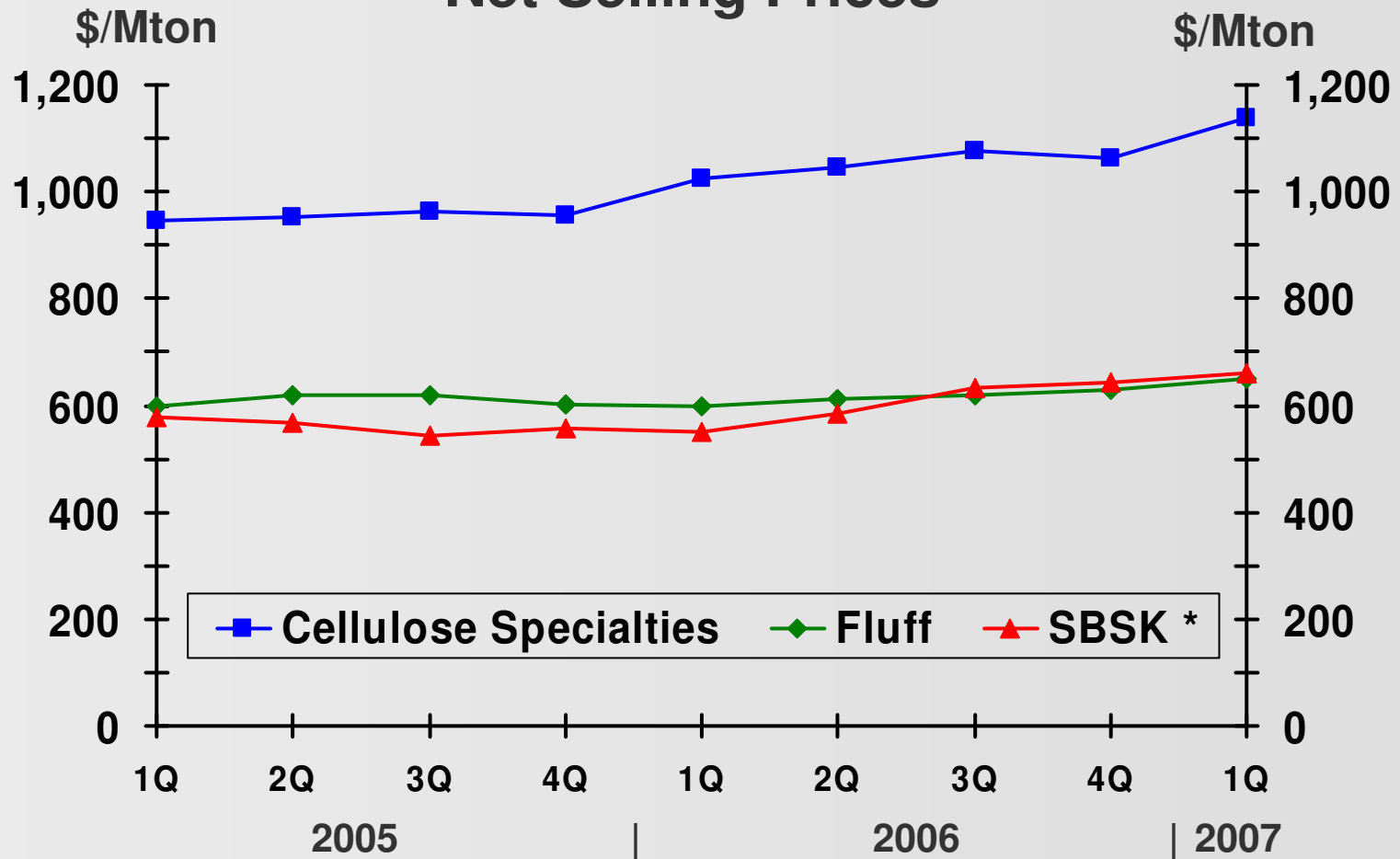
Rural Acres - Sales



* Four quarter rolling weighted average.



Performance Fibers Net Selling Prices



* Source: RISI gross price less typical discounts.

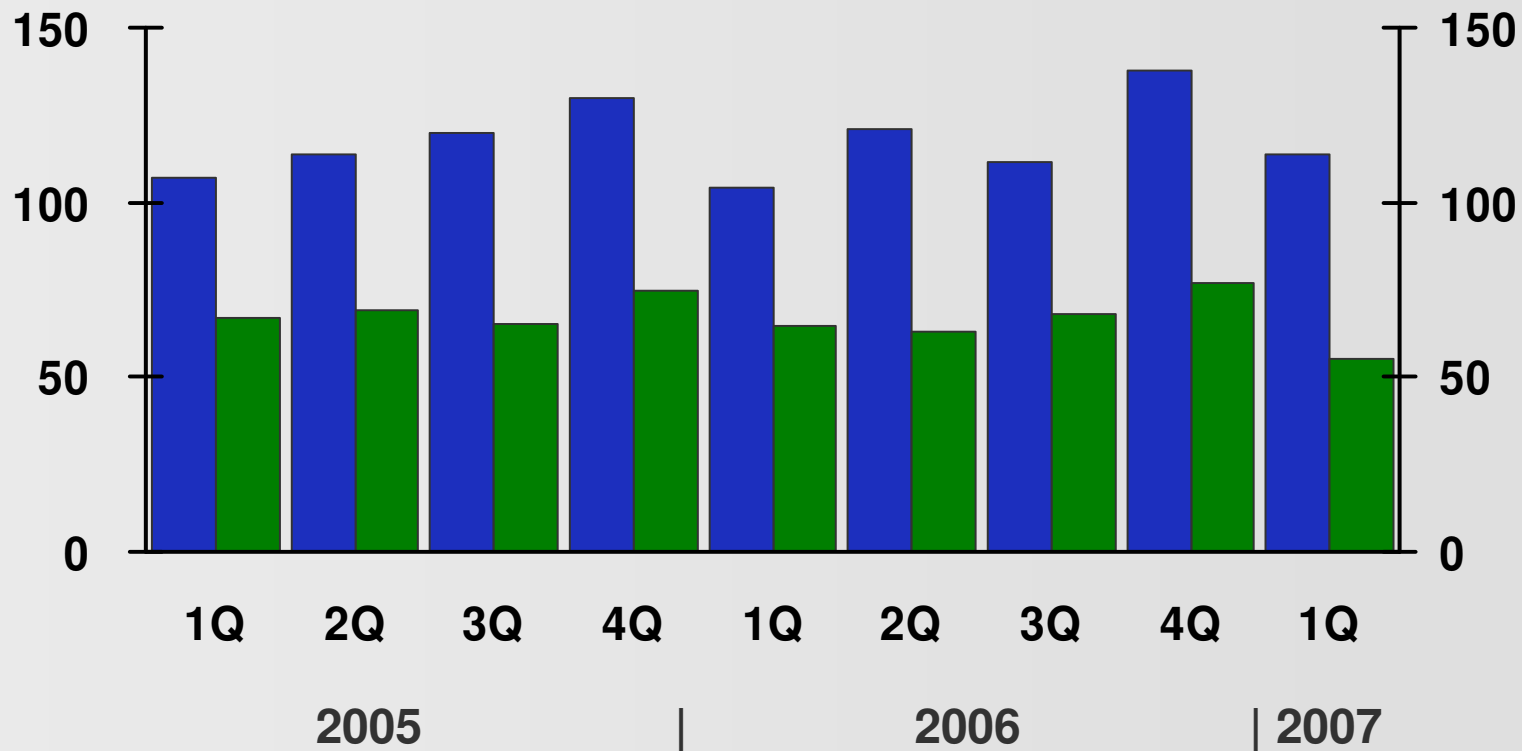


Performance Fibers Sales Volumes

M Metric Tons

M Metric Tons

■ Cellulose Specialties ■ Absorbent Materials



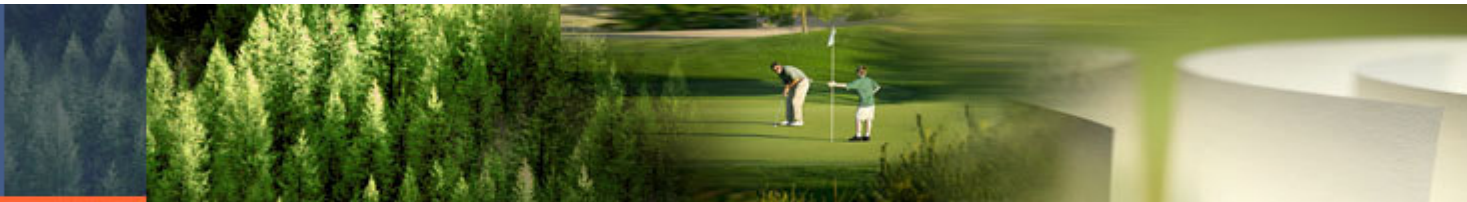


Earnings Per Share (\$ / Share)

	<u>2007</u>	<u>2006</u>	
		<u>Pro forma *</u>	<u>Actual</u>
First Quarter	0.45	0.30	0.30
Second Quarter	? ← Slightly above**	0.47	0.55
Third Quarter		0.63	0.70
Fourth Quarter		<u>0.59</u>	<u>0.71</u>
Full Year	? ← Comparable**	<u><u>1.99</u></u>	<u><u>2.26</u></u>

* Second quarter excludes the gain on the sale of a portion of our interest in a New Zealand JV of \$0.08 per share. Third quarter excludes IRS audit settlements and associated interest expense of \$0.07 per share. Fourth quarter excludes a benefit from a deferred tax adjustment of \$0.05 per share and a benefit from discontinued operations (environmental reserves) of \$0.07 per share.

** Excluding the impact of the wildfires in Southeast Georgia.



Appendix

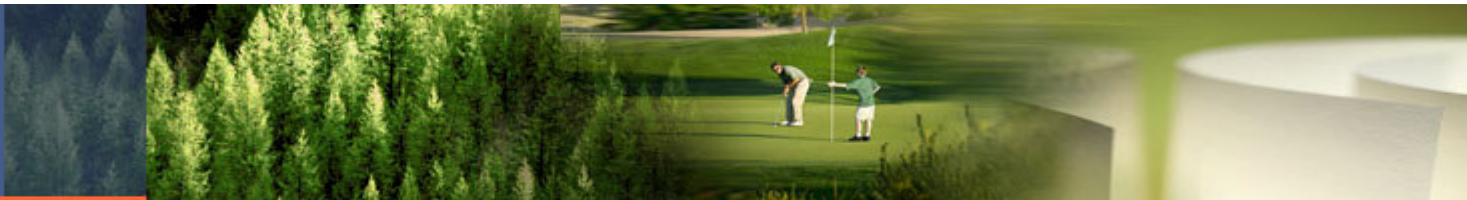


Definitions of Non-GAAP Measures

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

Cash Available for Distribution (CAD) is defined as cash provided by operating activities less capital spending, adjusted for equity based compensation amounts, the tax benefits associated with certain strategic acquisitions, the change in committed cash and other items which include the proceeds from matured energy forward contracts and the change in capital spending purchased on account. Cash Available for Distribution 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 for strategic acquisitions net of associated financing. Cash Available for Distribution is not necessarily indicative of the Cash Available for Distribution that may be generated in future periods.

Adjusted ROE is defined as annualized pro forma earnings divided by average equity.



Reconciliation of Reported to Pro Forma Earnings and Adjusted ROE

(\$ Millions – Except EPS)

	Three Months Ended					
	March 31, 2007		December 31, 2006		March 31, 2006	
	Net Income	Per Diluted Share	Net Income	Per Diluted Share	Net Income	Per Diluted Share
Net Income	\$ 35.1	\$ 0.45	\$ 55.2	\$ 0.71	\$ 23.2	\$ 0.30
Discontinued Operations - Environmental Reserves	-	-	(5.3)	(0.07)	-	-
Deferred Tax Adjustment	-	-	(3.7)	(0.05)	-	-
Pro Forma Net Income *	\$ 35.1	\$ 0.45	\$ 46.2	\$ 0.59	\$ 23.2	\$ 0.30
Annualized Pro Forma Net Income	\$ 140.4		\$ 184.8		\$ 92.8	
Divided by: Average Equity	\$ 922.1		\$ 920.9		\$ 889.0	
Adjusted ROE *	15.2%		20.1%		10.4%	

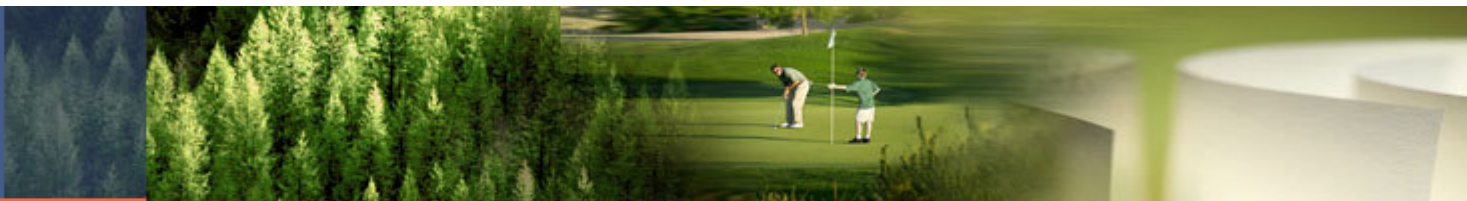
* Non-GAAP measure

Reconciliation of Non-GAAP Measures

(\$ Millions)

	Three Months Ended March 31	
	2007	2006
Adjusted EBITDA		
Cash provided by operating activities	\$ 52.4	\$ 50.8
Income tax expense	7.5	4.0
Interest, net	12.6	10.0
Working capital increases	29.6	10.4
Other balance sheet changes	(4.6)	(4.4)
Adjusted EBITDA	<u>\$ 97.5</u>	<u>\$ 70.8</u>
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 52.4	\$ 50.8
Capital spending *	(31.4)	(36.5)
Decrease in committed cash	27.8 **	5.9
Equity based compensation adjustments	5.8	4.2
Like-kind exchange tax benefits on third party real estate sales ***	(1.0)	(0.9)
Other	7.2	0.2
Cash Available for Distribution (CAD)	<u>\$ 60.8</u>	<u>\$ 23.7</u>

- * Capital Spending excludes strategic acquisitions and dispositions.
 ** Primarily 2006 interest paid in 2007 and previously reflected as a reduction in 2006 CAD.
 *** Represents taxes that would have been paid if the Company had not completed LKE transactions.



Reconciliation of Statutory Income Tax to Reported Income Tax (\$ Millions - Except Percentages)

	Three Months Ended					
	March 31, 2007		December 31, 2006		March 31, 2006	
	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (14.9)	(35.0)	\$ (19.6)	(35.0)	\$ (9.6)	(35.0)
REIT income not subject to federal tax	10.7	25.2	12.5	22.2	8.0	29.4
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(3.1)	(7.2)	(4.0)	(7.1)	(3.2)	(11.8)
Foreign, state and local income taxes, foreign exchange rate changes and permanent differences	0.2	0.3	(0.5)	(0.8)	0.3	1.0
Income tax expense before discrete items	\$ (7.1)	(16.7)	\$ (11.6)	(20.7)	\$ (4.5)	(16.4)
Built-in gain adjustments	-	-	1.5	2.7	-	-
Deferred tax adjustments	-	-	3.7	6.6	-	-
Other	(0.4)	(0.9)	-	-	0.5	1.8
Income tax expense	<u>\$ (7.5)</u>	<u>(17.6)</u>	<u>\$ (6.4)</u>	<u>(11.4)</u>	<u>\$ (4.0)</u>	<u>(14.6)</u>