

Rayonier
First Quarter 2004
Supplemental
Material

Safe Harbor

Reported results are preliminary and not final until filing of the First Quarter 2004 Form 10-Q with the Securities and Exchange Commission. Comments about anticipated demand, volumes, pricing, expenses, earnings and dividends are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: changes in global market trends and world events; interest rate and currency movements; fluctuations in demand for cellulose specialties, absorbent materials, timber, wood products or real estate; adverse weather conditions; changes in production costs for wood products or performance fibers, particularly for raw materials such as wood, energy and chemicals; unexpected delays in the closing of land sale transactions; the Company's ability to satisfy complex rules in order to qualify as a REIT; and implementation or revision of governmental policies and regulations affecting the environment, 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.

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First Quarter - Highlights

(\$ Millions - Except Per Share Data)

	1Q 2004 *	Variance to	
		4Q 2003	1Q 2003
<u>Profitability</u>			
Sales	294	22	28
Operating Income	43	35	23
Net Income	76	74	67
Earnings Per Share **	1.49	1.45	1.29
ROE Annualized ***	10.3%	8.7 pts	7.9 pts
<u>Capital Resources and Liquidity</u>			
Cash Provided by Operating Activities	82	47	43
Cash Used for Investing Activities	(20)	12	(1)
Cash (Used for) from Financing Activities	(21)	48	15
Adjusted EBITDA ****	88	42	23
Cash Available for Distribution ****	63	57	39
Repayment of Debt	1	-	(25)
Debt	618	-	(9)
Debt / Capital	44.6%	(1.9 pts)	(2.4 pts)

* Includes reversal of deferred taxes not required after REIT conversion of \$77.9 million or \$1.53 per share and additional taxes for repatriation of foreign earnings of (\$28.2) million or (\$0.55) per share.

** Per GAAP, prior period results have been restated for the Company's 3 for 2 stock split in June 2003 but not for the December 2003 special REIT dividend.

*** Major land sales and REIT conversion costs are not annualized.

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

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Quarter to Quarter Comparisons - 1Q 04 to 4Q 03 *

(\$ Millions - Except EPS)

	Pre- Tax	Net Income	EPS
2003 4Q - Income	(5)	2	0.04
Variance			
Timber and Land			
- Timber Price	2	1	0.02
- Timber Volume / Other	6	4	0.08
- Land Sales	17	11	0.21
Performance Fibers			
- CS Price / Mix	6	4	0.07
- Volume / Cost / Other	6	3	0.08
Wood Products			
- Lumber	(2)	(1)	(0.02)
- MDF	-	-	-
Other Operations	1	1	0.02
Corporate / Other	(1)	(1)	(0.02)
Operating Income	35	22	0.44
Interest Expense	1	-	0.01
Other / Taxes	1	2	0.02
2004 1Q - Income	32	26	0.51

* 1Q 04 excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million or \$1.53 per share and additional taxes for repatriation of foreign earnings of (\$28.2) million or (\$0.55) per share.

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First Quarter Comparisons - 2004 to 2003 *

(\$ Millions - Except EPS)

	Pre- Tax	Net Income	EPS
2003	8	8	0.17 **
Variance			
Timber and Land			
- Timber Price	4	3	0.05
- Timber Volume / Other	2	1	0.03
- Land Sales	15	9	0.18
Performance Fibers			
- CS Price / Mix	4	3	0.06
- AM Price / Mix	4	2	0.05
- Volume / Cost / Other	(1)	-	(0.02)
Wood Products			
- Lumber	4	3	0.05
- MDF	(1)	(1)	(0.01)
Other Operations	2	2	0.03
Corporate / Other	(10)	(7)	(0.13)
Operating Income	23	15	0.29
Interest Expense	1	1	0.02
Other / Taxes	-	2	0.03
2004	32	26	0.51

* 1Q 04 excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million or \$1.53 per share and additional taxes for repatriation of foreign earnings of (\$28.2) million or (\$0.55) per share.

** Includes proforma effect of 15% share dilution due to special REIT dividend; reported amount was \$0.20.

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

	Three Months Ended					
	March 31, 2004		December 31, 2003		March 31, 2003	
	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ 11.2	35.0	\$ (1.6)	(35.0)	\$ 2.8	35.0
REIT income not subject to federal tax	(6.9)	(21.5)	-	-	-	-
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	1.8	5.7	-	-	-	-
State and local income taxes, permanent differences, tax credits and foreign rate differentials	0.2	0.2	(1.3)	(28.8)	(0.8)	(9.8)
Income tax provision (benefit) before discrete items	\$ 6.3	19.4	\$ (2.9)	(63.8)	\$ 2.0	25.2
Reversal of deferred tax liability	(77.9)	N/M	-	-	-	-
Tax on prior undistributed foreign earnings	28.2	N/M	-	-	-	-
Tax benefit from foreign denominated intercompany loan and interim partial audit settlements	-	-	(3.6)	N/M	(2.3)	N/M
Income tax benefit	<u>\$ (43.4)</u>	<u>N/M</u>	<u>\$ (6.5)</u>	<u>N/M</u>	<u>\$ (0.3)</u>	<u>N/M</u>

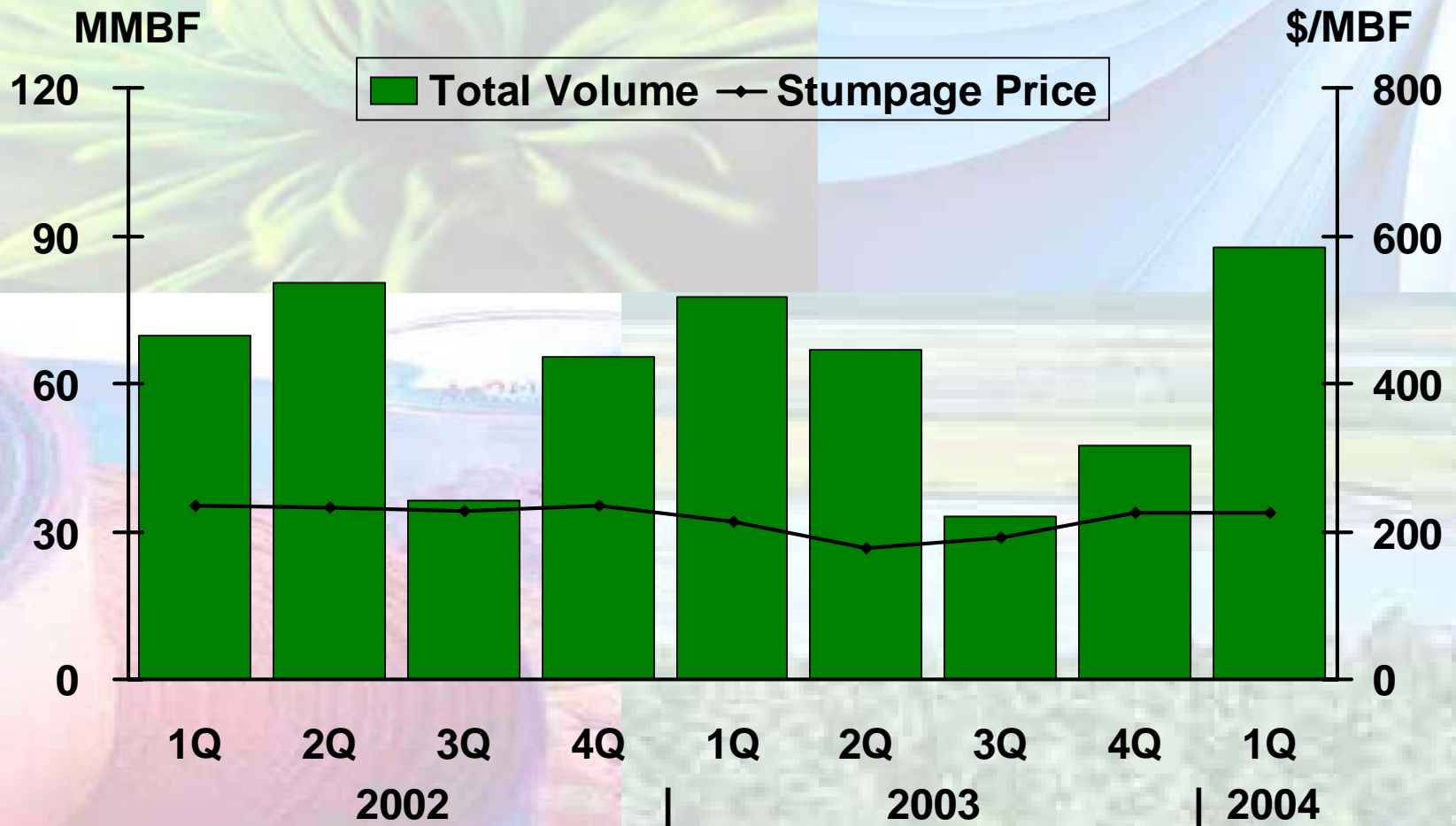
N/M = Not Meaningful



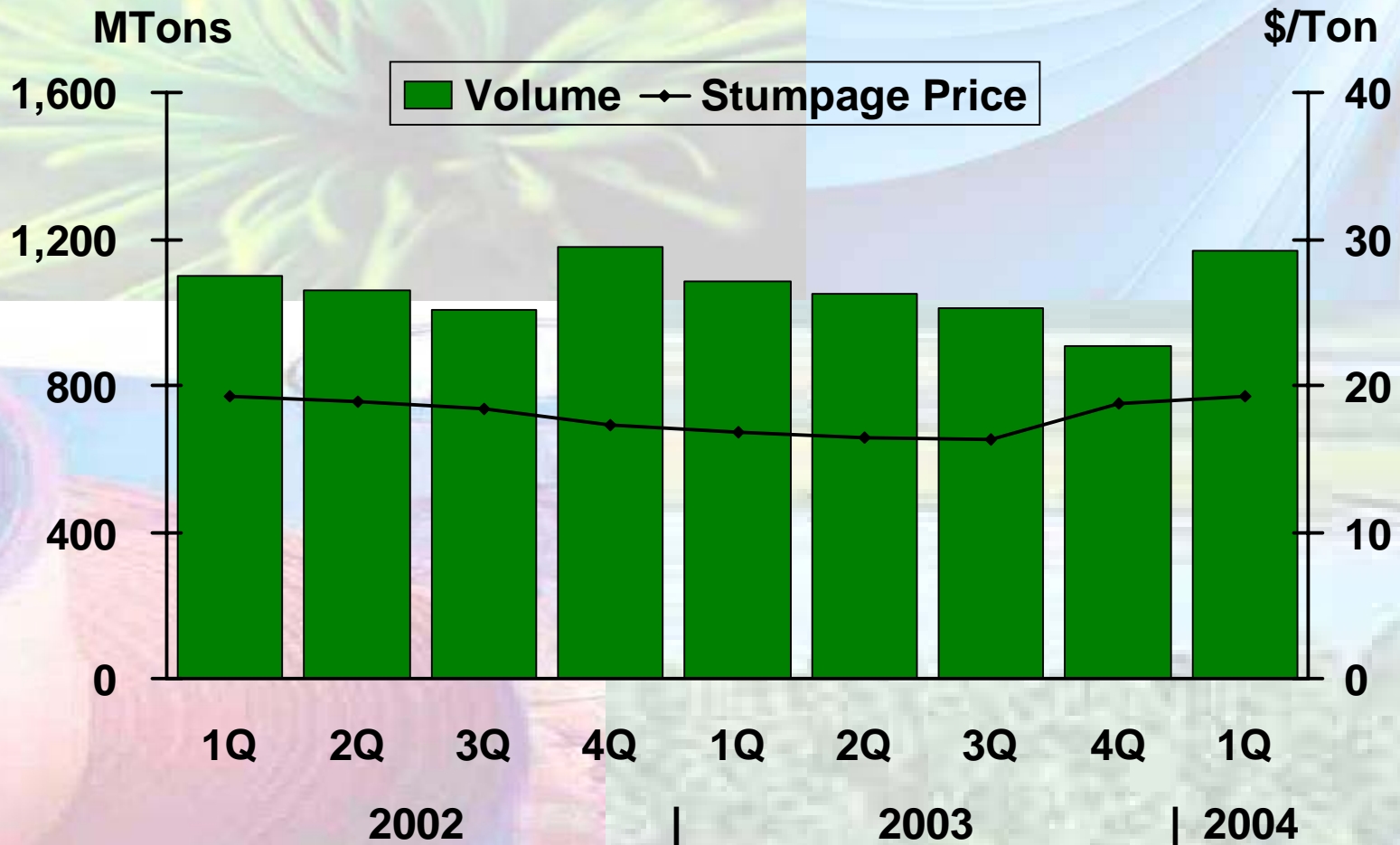
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Markets and Operations

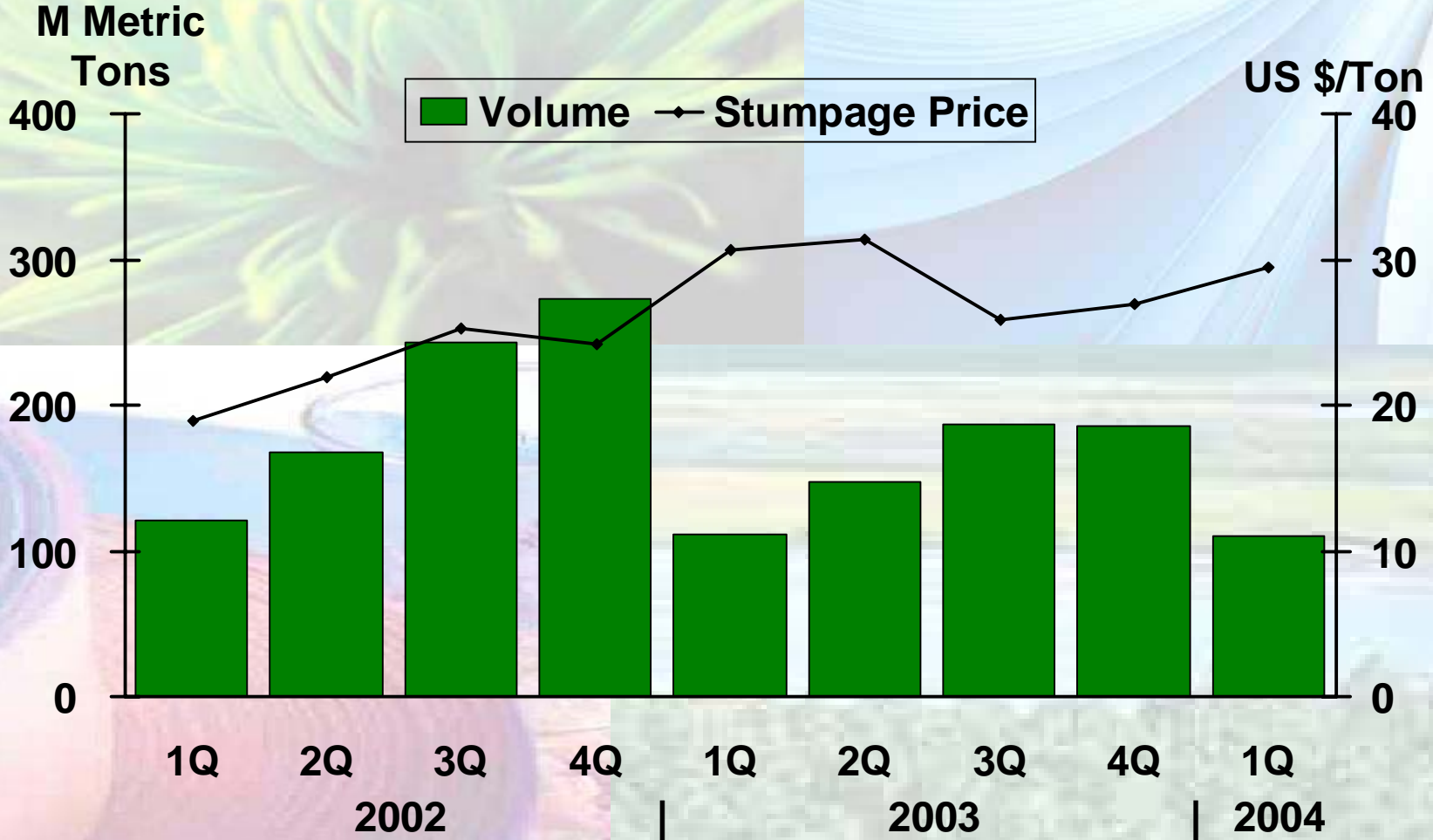
Rayonier Northwest Timber Sales



Rayonier Southeast Pine Timber Sales

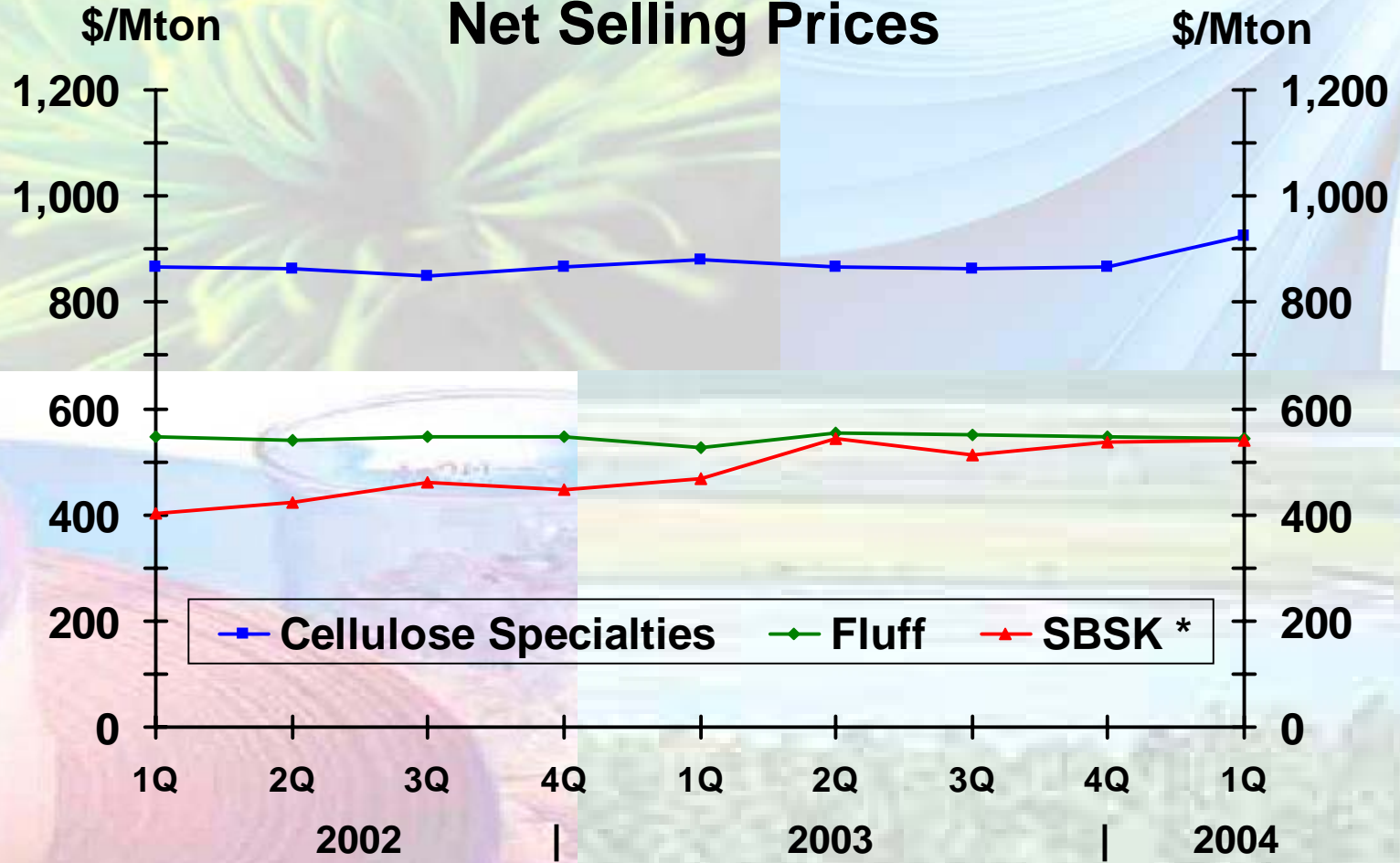


Rayonier New Zealand Timber Sales



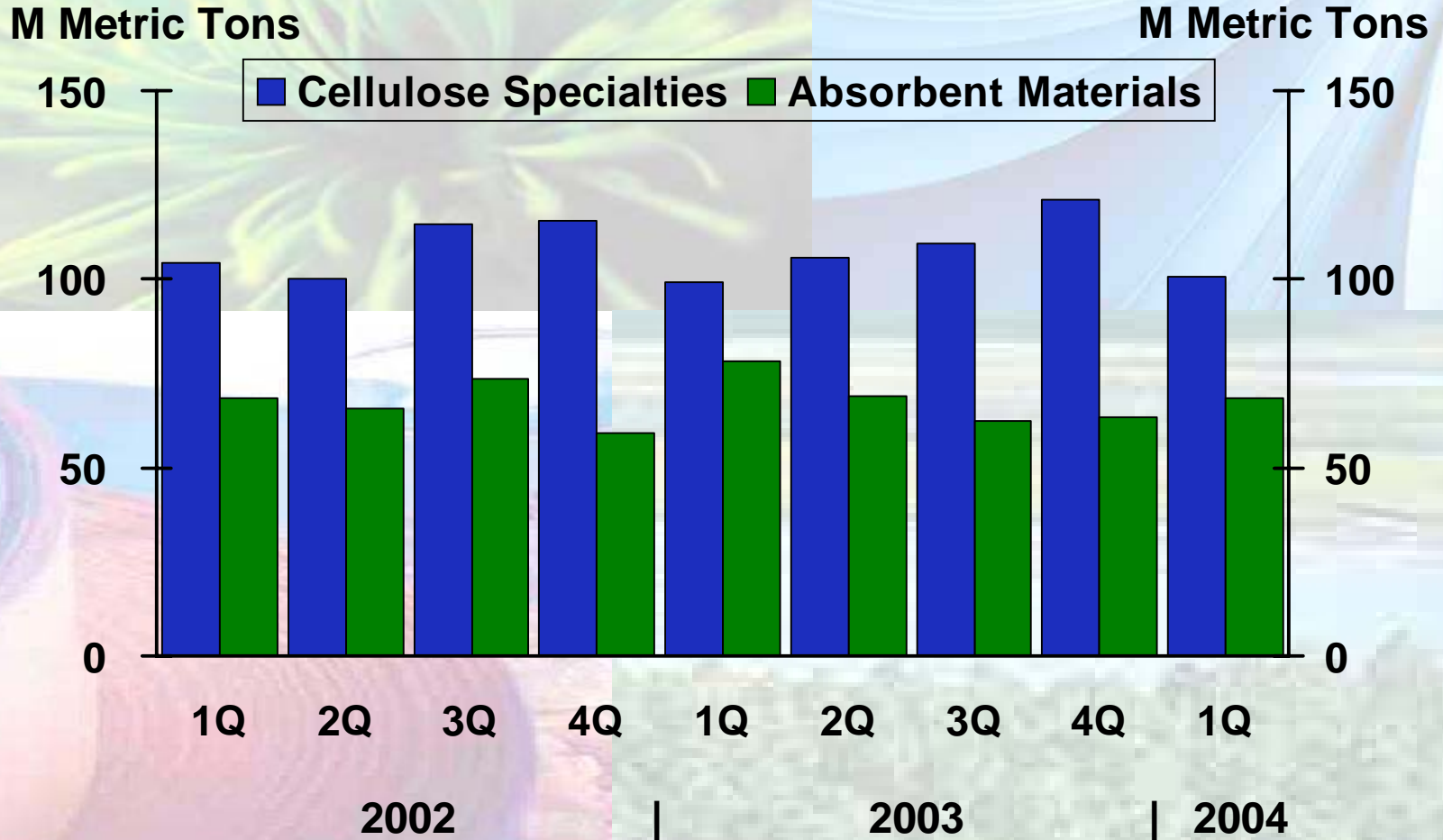
Note: Continuing Operations

Rayonier Performance Fibers Net Selling Prices



* Source: RISI gross price less typical discounts

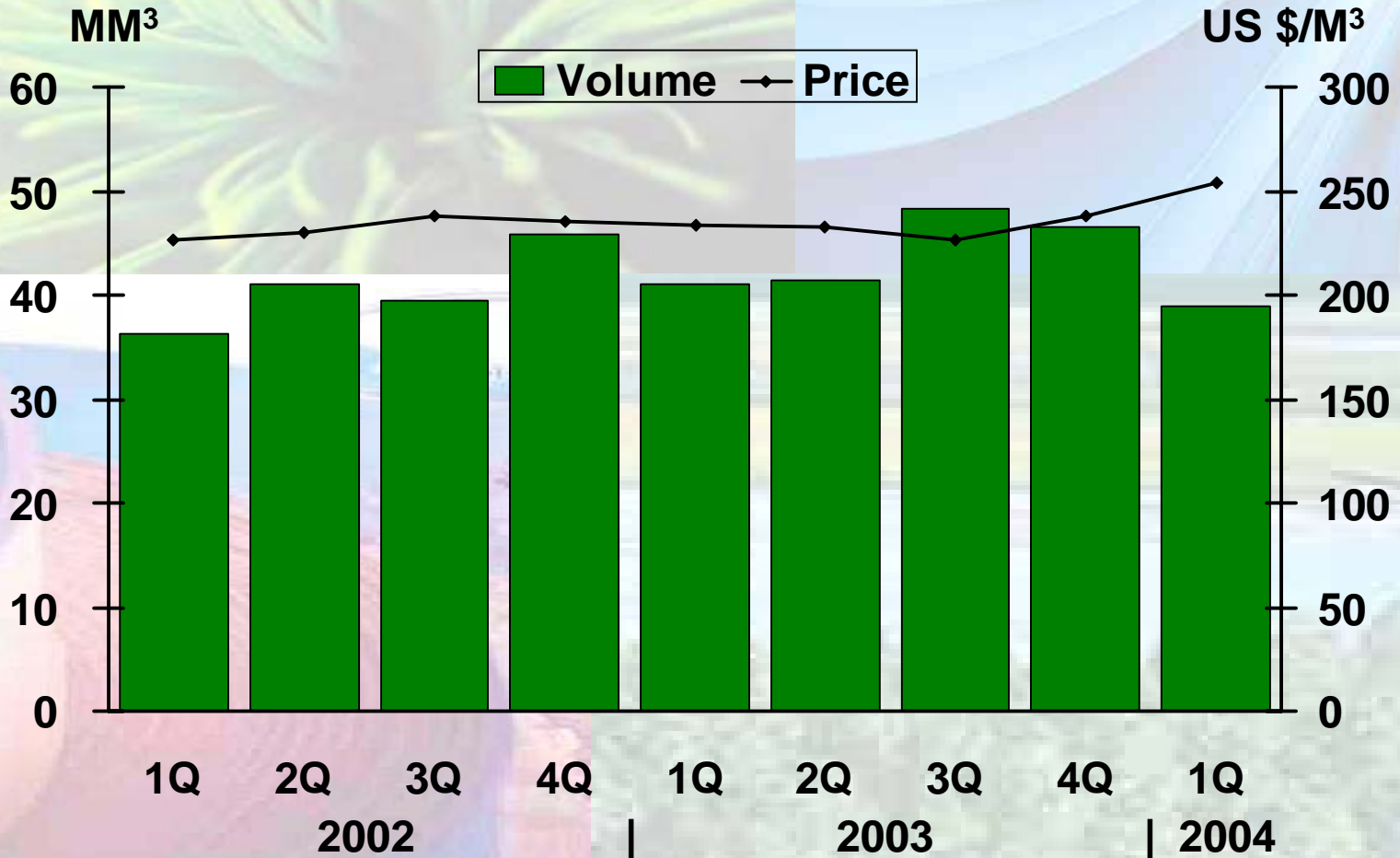
Rayonier Performance Fibers Sales Volumes



Rayonier Wood Products Southeast Lumber



Rayonier Wood Products Medium Density Fiberboard (MDF)



Rayonier Earnings Per Share (\$)

	2004	2003	
		Proforma **	As Reported
First Quarter	0.51*	0.17	0.20 ***
Second Quarter	? ← Reasonably Close	0.65	0.74
Third Quarter		0.16	0.19
Fourth Quarter		0.04	0.04
Total Year	? ↑	1.02	1.16
First Call Estimate for 2004 - 4/27/04	1.34		

* Excludes reversal of deferred taxes not required after REIT conversion of \$1.53 per share and additional taxes for repatriation of foreign earnings of (\$0.55) per share - net \$0.98 per share.

** Earnings adjusted to reflect proforma effect of 15 percent share dilution due to special REIT dividend.

*** Restated to reflect June 2003 3 for 2 stock split.

Note: Includes REIT expenses - 2004 (\$0.07 in 1Q), 2003 (\$0.01 in 2Q, \$0.08 in 3Q and \$0.03 in 4Q) and estimated REIT related delays in realizing Northwest timber earnings - (\$0.06 in 4Q 2003).



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Appendix

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RECONCILIATION OF NON-GAAP MEASURES

(\$ Millions)

	<u>1Q 2004</u>	<u>4Q 2003</u>	<u>1Q 2003</u>
Adjusted EBITDA			
Cash provided by operating activities	\$ 82.0	\$ 35.4	\$ 39.3
Income tax benefit	(43.4)	(6.5)	(0.3)
Interest expense	11.1	11.8	12.4
Working capital increases (decreases)	(18.6)	14.6	6.2
Other balance sheet changes	57.1	(9.2)	7.2
Adjusted EBITDA	<u>\$ 88.2</u>	<u>\$ 46.1</u>	<u>\$ 64.8</u>
Cash Available for Distribution			
Cash provided by operating activities	\$ 82.0	\$ 35.4	\$ 39.3
Custodial capital spending	(18.3)	(28.6)	(16.0)
Tax benefit on exercise of stock options	(1.1)	(1.2)	-
Cash Available for Distribution	<u>\$ 62.6</u>	<u>\$ 5.6</u>	<u>\$ 23.3</u>
Custodial Capital Spending			
Capital expenditures, net of sales and retirements	\$ 19.5	\$ 31.9	\$ 18.2
Discretionary capital expenditures	(1.2)	(3.3)	(2.2)
Custodial Capital Spending *	<u>\$ 18.3</u>	<u>\$ 28.6</u>	<u>\$ 16.0</u>

* Custodial Capital Spending, a non-GAAP measure, is defined as capital expenditures, net of proceeds from 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.

Cash Available for Distribution is defined as cash provided by operating activities less custodial capital spending and the tax benefit on the exercise of stock options. Cash Available for Distribution is a non-GAAP measure of cash generated during a period that is available for dividend distribution, discretionary capital expenditures, repurchasing the Company's common shares and/or reducing debt within the period. Cash Available for Distribution is not necessarily indicative of the Cash Available for Distribution that may be generated in future periods.