

Rayonier



Third 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 may 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 presentation: the cyclical and competitive nature of the forest products and real estate industries; fluctuations in demand for, or supply of, our Performance Fibers products, timber, wood products or real estate and entry of new competitors into these markets; changes in energy and raw material prices, particularly for our performance fibers and wood products businesses; changes in global market trends and world events, including those that could impact customer demand; 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; the lengthy, uncertain and costly process associated with the ownership or development of real estate, especially in Florida, which also may be affected by changes in law, policy and other political factors beyond our control; unexpected delays in the entry into or closing of real estate transactions; adverse weather conditions, including natural disasters, affecting our timberland and the production, distribution and availability of raw materials such as wood, energy and chemicals; our ability to identify and complete timberland and higher value real estate acquisitions; the geographic concentration of a significant portion of our timberlands; changes in key management and personnel; interest rate and currency movements; our capacity to incur additional debt; changes in import and export controls or taxes; our ability to continue to qualify as a REIT and to fund distributions using cash generated through our taxable REIT subsidiaries; the ability to complete like-kind-exchanges of timberlands and real estate; changes in tax laws that could reduce the benefits associated with REIT status; and additional factors described in 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.



Third Quarter - Highlights

(\$ Millions - Except EPS)

	<u>3Q 2007</u>	<u>2Q 2007</u>	<u>3Q 2006</u>
<u>Profitability</u>			
Sales	334	300	312
Operating income	93	56	66
Pro forma operating income *	93	66	66
Net Income	72	33	55
Earnings Per Share:			
Net income	0.90	0.42	0.70
Pro forma net income *	0.90	0.55	0.63
Average diluted shares outstanding (millions)	79.1	78.8	78.1

	<u>Nine Months Ended September 30</u>	
	<u>2007</u>	<u>2006</u>
<u>Capital Resources and Liquidity</u>		
Cash Provided by Operating Activities	264	222
Cash Used for Investing Activities	(84)	(99)
Cash Used for Financing Activities	(129)	(102)
Adjusted EBITDA *	334	264
Cash Available for Distribution (CAD) *	217	146
	<u>9/30/2007</u>	<u>12/31/06</u>
Debt**	622	659
Debt / Capital	38.7%	41.7%
Cash	92	40

* Non-GAAP measures (see pages 18, 19, and 20 for definitions and reconciliations).

** In October, Rayonier TRS Holdings Inc. issued \$300 million of 3.75% Senior Exchangeable Notes due 2012.



Quarter to Quarter Variance Analysis - 2Q 07 to 3Q 07 (\$ Millions - Except EPS)

	<u>Pretax</u>	<u>Net Income **</u>	<u>EPS</u>
2007 2Q (Pro forma) *	53	43	0.55
Variance			
Timber			
- Price	(5)	(5)	(0.07)
- Volume / Other	(4)	(4)	(0.05)
Real Estate	24	23	0.28
Performance Fibers			
- Volume	3	2	0.02
- Costs/Mix/Other	9	6	0.08
Wood Products	(1)	(1)	(0.01)
Corporate / Other	1	1	0.01
Operating Income	27	22	0.26
Interest / Other	(1)	(1)	(0.01)
Taxes	-	8	0.10
2007 3Q	79	72	0.90

* Non-GAAP measure (see page 19 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.

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

	Third Quarter			September YTD		
	Pretax	Net Income **	EPS	Pretax	Net Income **	EPS
2006 3Q (Pro forma) *	58	50	0.63	126	109	1.40
Variance						
Timber						
- Price	(8)	(8)	(0.11)	(13)	(13)	(0.16)
- Volume/Other	3	3	0.04	2	2	0.03
Real Estate	10	9	0.11	28	27	0.34
Performance Fibers						
- CS Price	9	6	0.08	35	22	0.27
- AM Price	5	3	0.04	12	7	0.09
- Volume	2	1	0.01	2	1	0.01
- Costs/Mix/Other	6	4	0.05	5	4	0.05
Wood Products	2	1	0.01	(7)	(4)	(0.05)
Corporate / Other	(2)	(1)	(0.01)	(4)	(3)	(0.04)
Operating Income	27	18	0.22	60	43	0.54
Interest Expense / Other	(6)	(4)	(0.05)	(10)	(6)	(0.09)
Taxes	-	8	0.10	-	4	0.05
2007 3Q	79	72	0.90	176	150	1.90

* Non-GAAP measure (see page 19 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.

Cash Available for Distribution

(\$ Millions – Except Per Share Data)

	Nine Months Ended September 30	
	2007	2006
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 263.7	\$ 222.3
Capital spending *	(67.4)	(88.0)
Decrease in committed cash	26.3 **	10.9
Equity based compensation adjustments	2.9	4.2
Like-kind exchange tax benefits on third party real estate sales ***	(3.6)	(4.1)
Other	(5.2)	1.0
Cash Available for Distribution	<u>\$ 216.7</u>	<u>\$ 146.3</u>
Shares outstanding	<u>78,001,932</u>	<u>76,646,621</u>
CAD per share	2.78	1.91

* Capital spending excludes strategic acquisitions and dispositions.

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

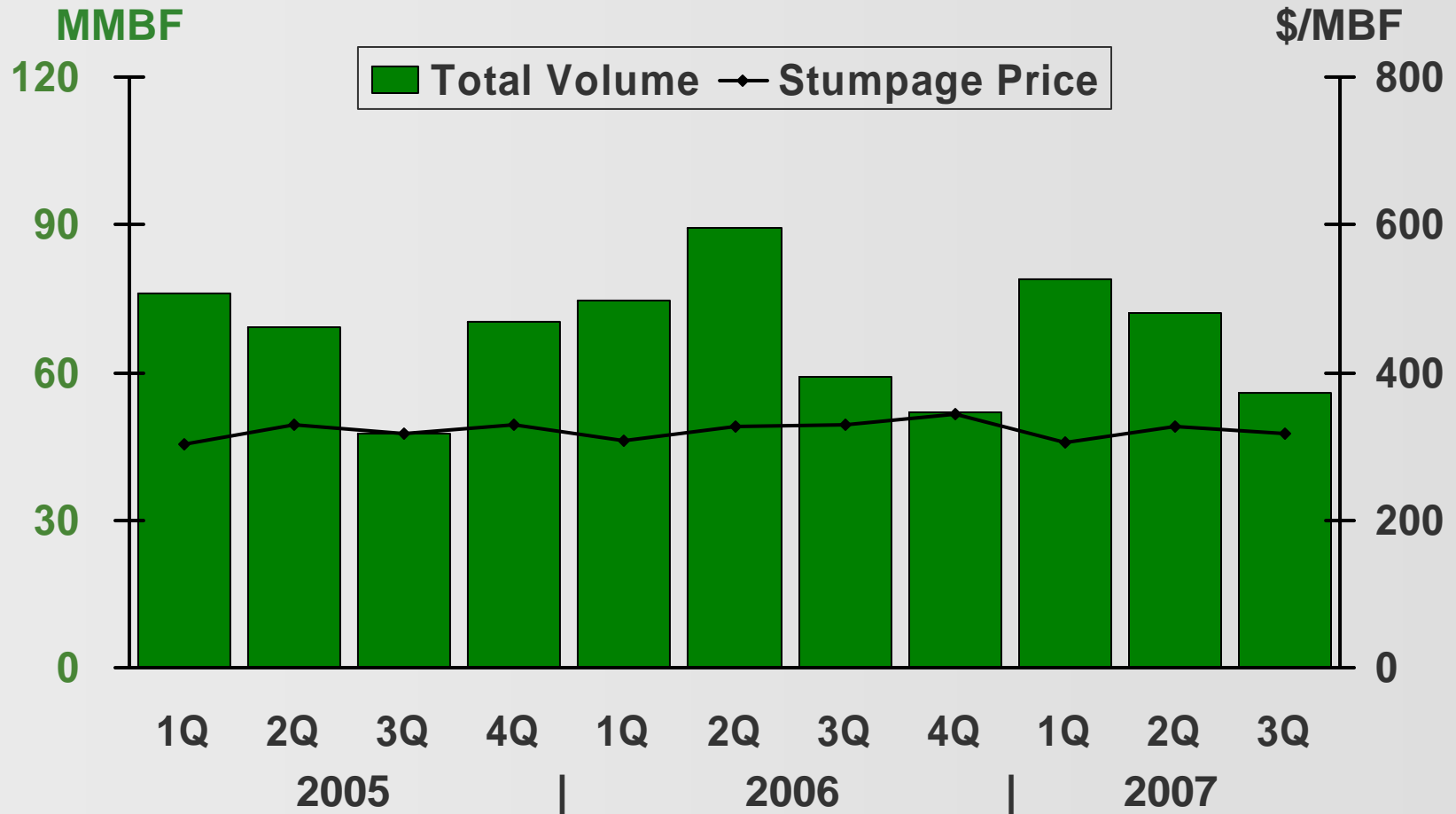
*** Represents taxes that would have been paid if the Company had not completed LKE transactions.



Markets and Operations

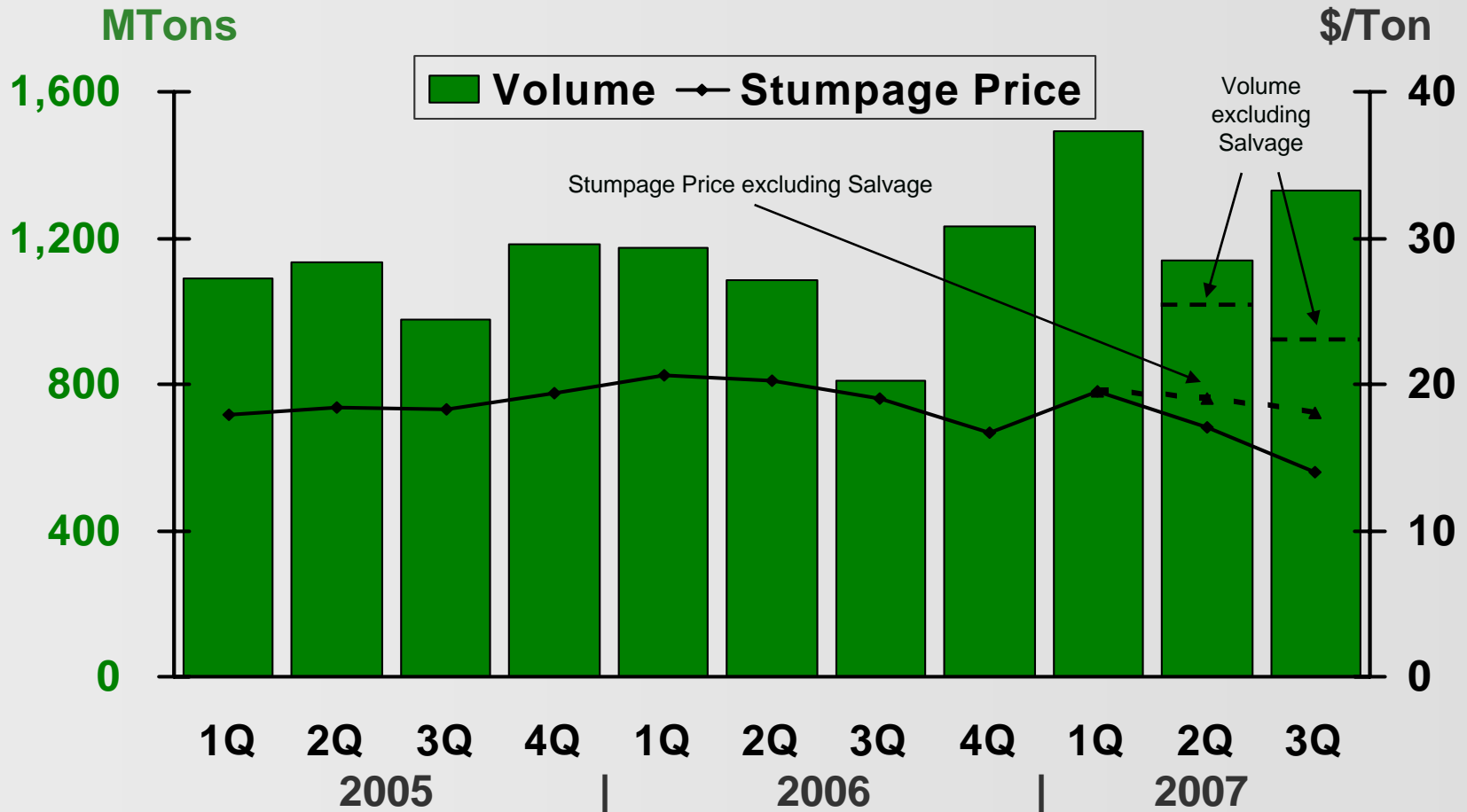


Western Timber Sales *



* The Western region represents the Company's operations in Washington State.

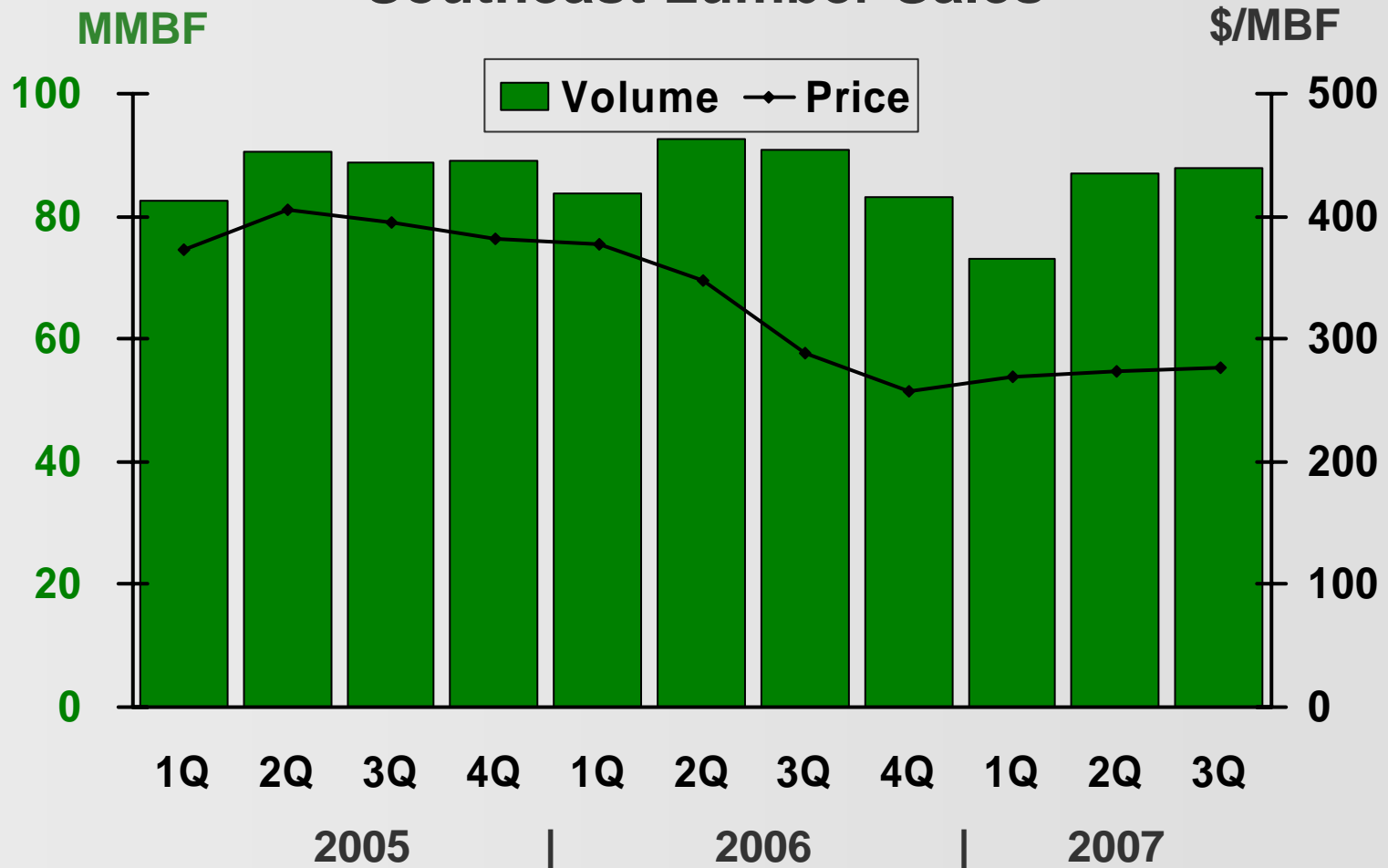
Eastern Pine Timber Sales *



* The Eastern region represents the Company's operations in Florida, Georgia, Alabama, Oklahoma, Arkansas, Texas, Louisiana, and New York.

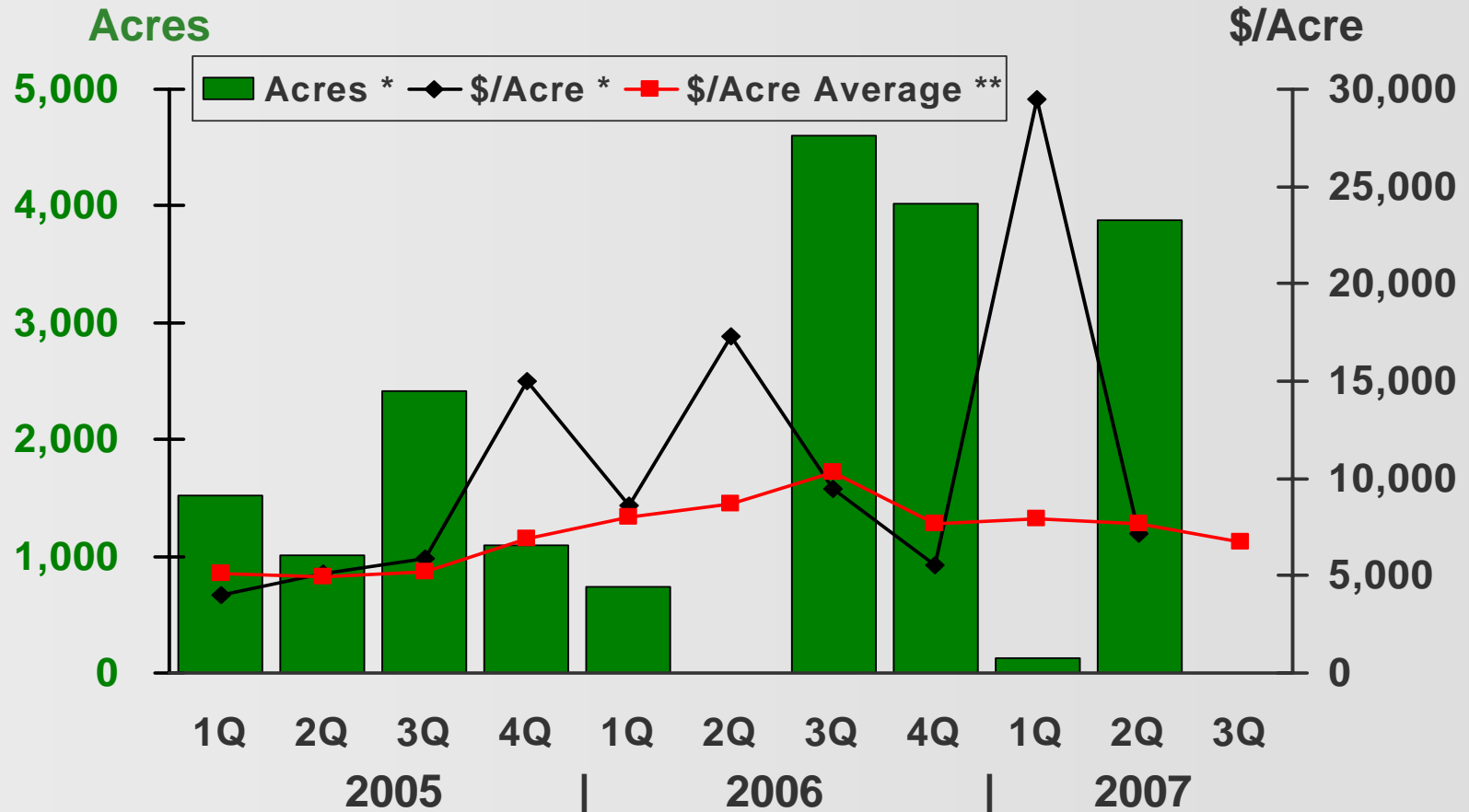


Wood Products Southeast Lumber Sales





Development Acres - Sales



* 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 potential proceeds from participation or the option to receive \$17.5 million in the future.

** Four quarter rolling weighted average.



Real Estate Activity

- **Coastal corridor projects**

- Savannah/Richmond Hill (Georgia)

- Residential and commercial entitlements for 3,300 acres at final regulatory approval level. The property has 4 miles of I-95 frontage.

- Nassau County (Florida)

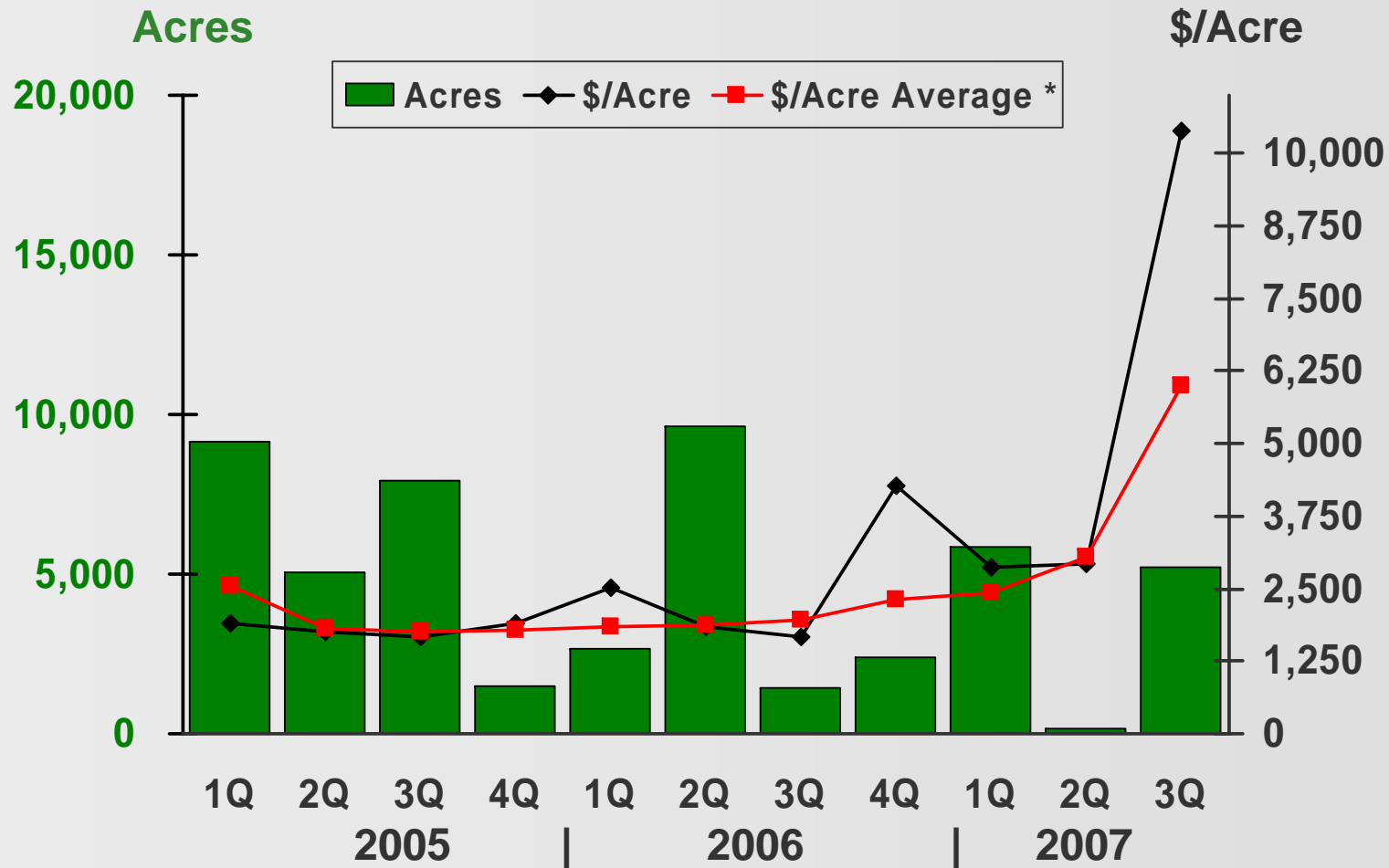
- 24,000 acres with 6 miles of scenic bluffs along St. Marys River.
- Land planning and financial modeling, exploring joint venture opportunities.

- Flagler County (Florida)

- Pursuing joint venture opportunity for 6,300 acre Three Lakes property.



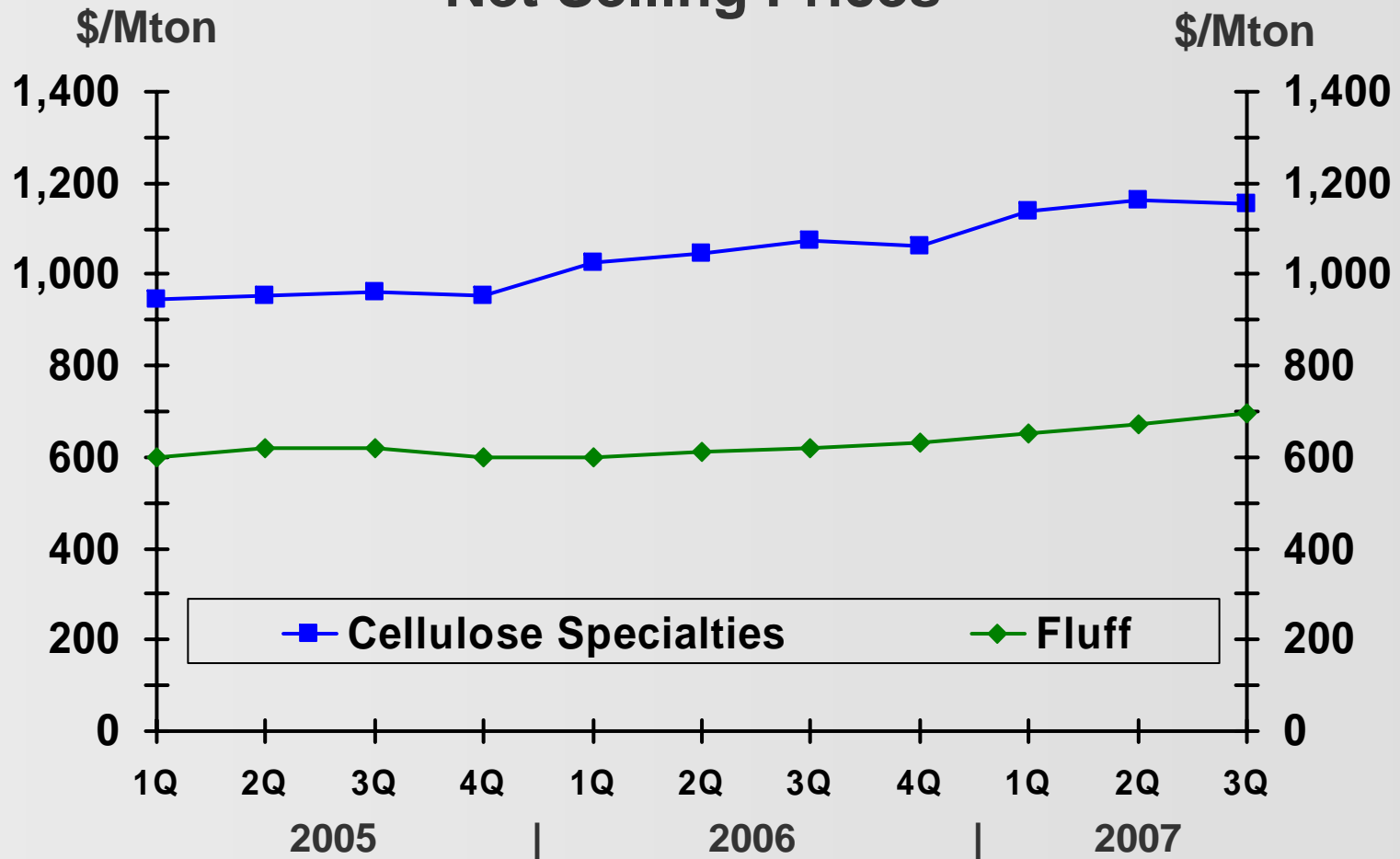
Rural Acres - Sales



* Four quarter rolling weighted average.



Performance Fibers Net Selling Prices



* Source: RISI gross price less typical discounts.

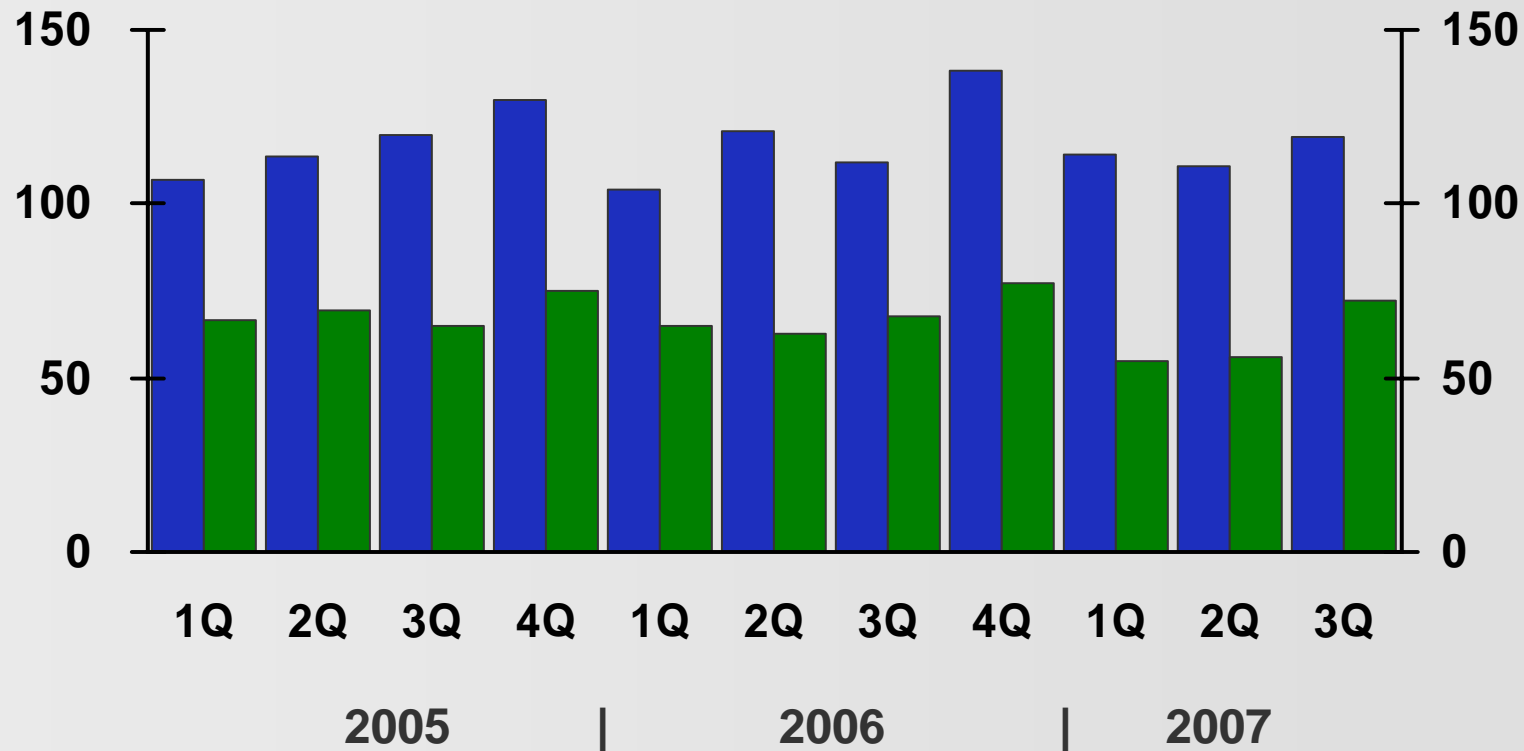


Performance Fibers Sales Volumes

M Metric Tons

M Metric Tons

■ Cellulose Specialties ■ Absorbent Materials





Earnings Per Share (\$ / Share)

	Pro Forma		Actual	
	2007 *	2006 **	2007	2006
First Quarter	0.45	0.30	0.45	0.30
Second Quarter	0.55	0.47	0.42	0.55
Third Quarter	0.90	0.63	0.90	0.70
Fourth Quarter	0.35 - 0.42	<u>0.59</u>		<u>0.71</u>
Full Year	2.25 - 2.32	<u><u>1.99</u></u>		<u><u>2.26</u></u>

* Second quarter excludes the impact of the wildfires in Southeast Georgia and Northeast Florida of \$0.13 per share.

** 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.



Appendix



Definitions of Non-GAAP Measures

Adjusted EBITDA is defined as earnings from 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. 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 for strategic acquisitions net of associated financing. CAD is not necessarily indicative of the CAD 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						Nine Months Ended			
	September 30, 2007		June 30, 2007		September 30, 2006		September 30, 2007		September 30, 2006	
	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share
Operating Income	\$ 92.7		\$ 55.7		\$ 65.8		\$ 203.6		\$ 161.9	
Sale of NZ timber assets	-		-		-		-		(7.8)	
Forest fire loss	-		10.1		-		10.1		-	
Pro Forma Operating Income	\$ 92.7		\$ 65.8		\$ 65.8		\$ 213.7		\$ 154.1	
Net Income	\$ 71.5	\$ 0.90	\$ 33.3	\$ 0.42	\$ 55.1	\$ 0.70	\$ 139.9	\$ 1.77	\$ 121.2	\$ 1.55
Sale of NZ timber assets	-	-	-	-	-	-	-	-	(6.5)	(0.08)
Tax reserves and associated interest	-	-	-	-	(5.3)	(0.07)	-	-	(5.3)	(0.07)
Forest fire loss	-	-	10.1	0.13	-	-	10.1	0.13	-	-
Pro Forma Net Income	\$ 71.5	\$ 0.90	\$ 43.4	\$ 0.55	\$ 49.8	\$ 0.63	\$ 150.0	\$ 1.90	\$ 109.4	\$ 1.40
Annualized pro forma net income							\$ 200.0		\$ 145.9	
Divided by: average equity							\$ 950.9		\$ 908.7	
Adjusted ROE							21.0%		16.1%	



Reconciliation of Non-GAAP Measures (\$ Millions)

	Nine Months Ended September 30	
	2007	2006
Adjusted EBITDA		
Cash provided by operating activities	\$ 263.7	\$ 222.3
Income tax expense	25.1	12.6
Interest, net	38.4	28.1
Working capital decreases	(2.3)	(3.9)
Other balance sheet changes	9.3	4.6
Adjusted EBITDA	\$ 334.2	\$ 263.7
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 263.7	\$ 222.3
Capital spending *	(67.4)	(88.0)
Decrease in committed cash	26.3 **	10.9
Equity based compensation adjustments	2.9	4.2
Like-kind exchange tax benefits on third party real estate sales ***	(3.6)	(4.1)
Other	(5.2)	1.0
Cash Available for Distribution	\$ 216.7	\$ 146.3

* 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						Nine Months Ended			
	September 30, 2007		June 30, 2007		September 30, 2006		September 30, 2007		September 30, 2006	
	\$	%	\$	%	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (27.7)	(35.0)	\$ (15.1)	(35.0)	\$ (20.2)	(35.0)	\$ (57.7)	(35.0)	\$ (46.9)	(35.0)
REIT income not subject to federal tax	23.9	30.2	9.0	20.8	14.4	25.0	43.6	26.4	33.8	25.3
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(3.8)	(4.9)	(2.9)	(6.7)	(2.8)	(4.9)	(9.8)	(5.9)	(8.7)	(6.5)
Foreign, state and local income taxes, foreign exchange rate changes and permanent differences	(0.1)	-	-	-	0.5	0.7	-	-	2.3	1.6
Income tax expense before discrete items *	\$ (7.7)	(9.7)	\$ (9.0)	(20.9)	\$ (8.1)	(14.2)	\$ (23.9)	(14.5)	\$ (19.5)	(14.6)
Return to accrual adjustment	2.0	2.5	-	-	(1.2)	(2.1)	2.0	1.3	(0.3)	(0.2)
Taxing authority settlements and FIN 48 adj.	(5.5)	(7.0)	-	-	4.8	8.3	(5.5)	(3.3)	5.3	4.0
Change in valuation allowance	3.6	4.6	-	-	-	-	3.6	2.1	-	-
Deferred tax adjustments / other	-	-	(0.9)	(2.1)	1.8	3.2	(1.3)	(0.8)	1.9	1.4
Income tax expense *	<u>\$ (7.6)</u>	<u>(9.6)</u>	<u>\$ (9.9)</u>	<u>(23.0)</u>	<u>\$ (2.7)</u>	<u>(4.8)</u>	<u>\$ (25.1)</u>	<u>(15.2)</u>	<u>\$ (12.6)</u>	<u>(9.4)</u>

* The effective tax rate before discrete items and excluding the forest fires loss was 13.7 percent for the nine months ended September 30, 2007. For the same period, the effective tax rate including discrete items and excluding the forest fires loss was 14.3 percent.