

**Rayonier**  
**Third Quarter 2005**  
**Supplemental**  
**Material**

# Safe Harbor

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Reported results are preliminary and not final until filing of the third quarter 2005 Form 10-Q with the Securities and Exchange Commission and, therefore, remain subject to adjustment. Statements regarding anticipated demand, pricing, manufacturing costs, earnings, and real estate sales are “forward-looking statements” made pursuant to the safe harbor provisions of federal securities laws. 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, 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 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 closing of real estate sale transactions; changes in law or policy that might 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 satisfy complex rules in order to qualify as a REIT; the availability of tax deductions and the ability of the company to complete tax-efficient exchanges of real estate; and implementation or revision of governmental policies and regulations affecting the environment, endangered species, 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.

# Rayonier

## Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Third Quarter			Nine Months Ended September		
	Pretax Income	Net Income	EPS *	Pretax Income	Net Income	EPS *
<b>2005 Reported Earnings</b>	<b>\$ 53.1</b>	<b>\$ 75.0</b>	<b>\$ 0.96</b>	<b>\$ 125.6</b>	<b>\$ 126.4</b>	<b>\$ 1.63</b>
<b>Less Special Items</b>						
MDF - discontinued operations	-	0.1	-	(25.1)	(24.9)	(0.32)
Prior years IRS audit settlements	-	5.0	0.07	-	21.7	0.29
Interest associated with IRS settlements	4.9	3.1	0.03	4.9	3.1	0.03
Tax benefit on repatriated earnings	-	25.8	0.33	-	25.8	0.33
Arbitration award	8.2	5.2	0.07	8.2	5.2	0.07
<b>Total Special Items</b>	<b>13.1</b>	<b>39.2</b>	<b>0.50</b>	<b>(12.0)</b>	<b>30.9</b>	<b>0.40</b>
<b>2005 Pro Forma Earnings</b>	<b>40.0</b>	<b>35.8</b>	<b>0.46</b>	<b>137.6</b>	<b>95.5</b>	<b>1.23</b>
<b>2004 Reported Earnings</b>	<b>\$ 21.3</b>	<b>\$ 24.1</b>	<b>\$ 0.32</b>	<b>\$ 113.6</b>	<b>\$ 143.4</b>	<b>\$ 1.87</b>
<b>Less Special Items</b>						
Deferred tax reversal (REIT)	-	-	-	-	77.9	1.01
Tax on repatriated earnings	-	-	-	-	(28.2)	(0.37)
Subtotal	-	-	-	-	49.7	0.64
MDF - discontinued operations	-	(1.0)	(0.01)	(1.7)	(1.7)	(0.03)
<b>Total Special Items</b>	<b>-</b>	<b>(1.0)</b>	<b>(0.01)</b>	<b>(1.7)</b>	<b>48.0</b>	<b>0.61</b>
<b>2004 Pro Forma Earnings</b>	<b>21.3</b>	<b>25.1</b>	<b>0.33</b>	<b>115.3</b>	<b>95.4</b>	<b>1.26</b>

\* All per share data reflect the October 2005 3 for 2 stock split.

# Rayonier

## Third Quarter - Highlights

(\$ Millions - Except EPS)

	3Q 2005	Variance to	
		2Q 2005	3Q 2004
<b>Profitability</b>			
Sales	300	9	32
Operating Income	51	2	19
Income from continuing operations	75	33	50
Net Income	75	58	51
<b>Earnings Per Share:</b>			
Continuing operations	0.96	0.42	0.63
Net income	0.96	0.74	0.63
Pro forma income from continuing operations *	0.46	0.01	0.13
ROE Annualized **	14.7%	1.3%	(1.9%)

### Capital Resources and Liquidity

	Nine Months Ended September 30	
	2005	2004
Cash Provided by Operating Activities	206	232
Cash Used for Investing Activities	(78)	(142)
Cash Used for Financing Activities	(150)	(71)
Adjusted EBITDA *	280	269
Cash Available for Distribution (CAD) *	159	149

	9/30/05	12/31/04
Debt	590	659
Debt / Capital	42.2%	45.3%
Cash	110	84
Average diluted shares outstanding (millions)	77.5	76.5

\* Non-GAAP measures (see pages 3, 19, 20 and 21 for definitions and reconciliations).

\*\* Based on year-to-date percent; major land sales and REIT conversion costs are not annualized.

# Rayonier

## Quarter to Quarter Variance Analysis - 3Q 05 to 2Q 05

(\$ Millions - Except EPS)

	<u>Pretax</u>	<u>Income **</u>	<u>EPS</u>
<b>2005 2Q Continuing Ops (Pro forma) *</b>	<b>37</b>	<b>34</b>	<b>0.45</b>
Variance			
Timber Volume / Other	(8)	(8)	(0.10)
Real Estate	12	8	0.10
Performance Fibers			
- CS Price / Mix	1	1	0.01
- AM Price / Mix	2	1	0.01
- Cost / Volume / Other	(6)	(4)	(0.05)
Wood Products	(1)	(1)	(0.01)
Other Operations	1	1	0.01
Corporate / Other	1	-	0.01
<b>Operating Income</b>	<b>2</b>	<b>(2)</b>	<b>(0.02)</b>
Interest Expense / Other	1	1	0.01
Taxes	-	3	0.02
<b>2005 3Q Continuing Ops (Pro forma)</b>	<b>40</b>	<b>36</b>	<b>0.46</b>

\* Non-GAAP measure (see page 21 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.

# Rayonier

## Third Quarter / Nine Month Variance Analysis - 2005 to 2004

(\$ Millions - Except EPS)

	Third Quarter			September YTD		
	Pretax	Income *	EPS	Pretax	Income *	EPS
<b>2004 Continuing Ops (Pro forma)</b>	<b>21</b>	<b>25</b>	<b>0.33</b>	<b>114</b>	<b>96</b>	<b>1.26</b>
Variance						
Timber						
- Price	4	4	0.01	15	15	0.16
- Volume / Other	(1)	(1)	-	(8)	(8)	(0.09)
Real Estate	18	12	0.15	(15)	(9)	(0.12)
Performance Fibers						
- CS Price / Mix	5	3	0.02	10	6	0.07
- AM Price / Mix	3	2	0.02	9	6	0.07
- Volume / Cost / Other	(9)	(6)	(0.05)	(14)	(9)	(0.10)
Wood Products	-	-	0.01	1	1	0.02
Other Operations	-	-	-	(4)	(3)	(0.04)
Corporate / Other	(1)	(1)	(0.02)	6	4	0.04
<b>Operating Income</b>	<b>19</b>	<b>13</b>	<b>0.14</b>	<b>-</b>	<b>3</b>	<b>0.01</b>
Interest Expense / Other	-	-	0.02	(1)	(1)	-
Taxes - LKE	-	(9)	(0.12)	-	(8)	(0.11)
Taxes - Excludes LKE	-	7	0.09	-	5	0.07
<b>2005 Continuing Ops (Pro forma)</b>	<b>40</b>	<b>36</b>	<b>0.46</b>	<b>113</b>	<b>95</b>	<b>1.23</b>

\* 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.

# Rayonier

## Reconciliation of Adjusted EBITDA to CAD

(\$ Millions – Except Per Share Data)

	Nine Months Ended September 30	
	2005	2004
<b>Adjusted EBITDA</b>	\$ 280.1	\$ 268.6
Capital spending, net	(51.5)	(52.7)
Interest expense	(35.0)	(34.6)
Income tax benefit (expense) *	25.7	32.5
Accrued / deferred income taxes	(42.9) ***	(34.0) ***
Working capital / other balance sheet changes *	(21.8) ***	(0.1) ***
Like-kind exchange tax benefits on third party land sales **	(2.0)	(9.9)
Like-kind exchange tax benefits on intercompany land sales **	-	(20.2)
Change in committed cash	10.0	2.8
Tax benefit on exercise of stock options	(3.2)	(3.5)
<b>Cash Available for Distribution (CAD)</b>	<u>\$ 159.4</u>	<u>\$ 148.9</u>
Average diluted shares outstanding	77,490,723	76,401,050
<b>CAD per share</b>	<u>\$ 2.06</u>	<u>\$ 1.95</u>

\* 2004 excludes a net tax benefit of \$49.7 million relating to REIT conversion.

\*\* Represents taxes that would have been paid on third party land sales had the Company not completed like-kind exchange transactions.

\*\*\* Reclassification made subsequent to original distribution on October 24, 2005.

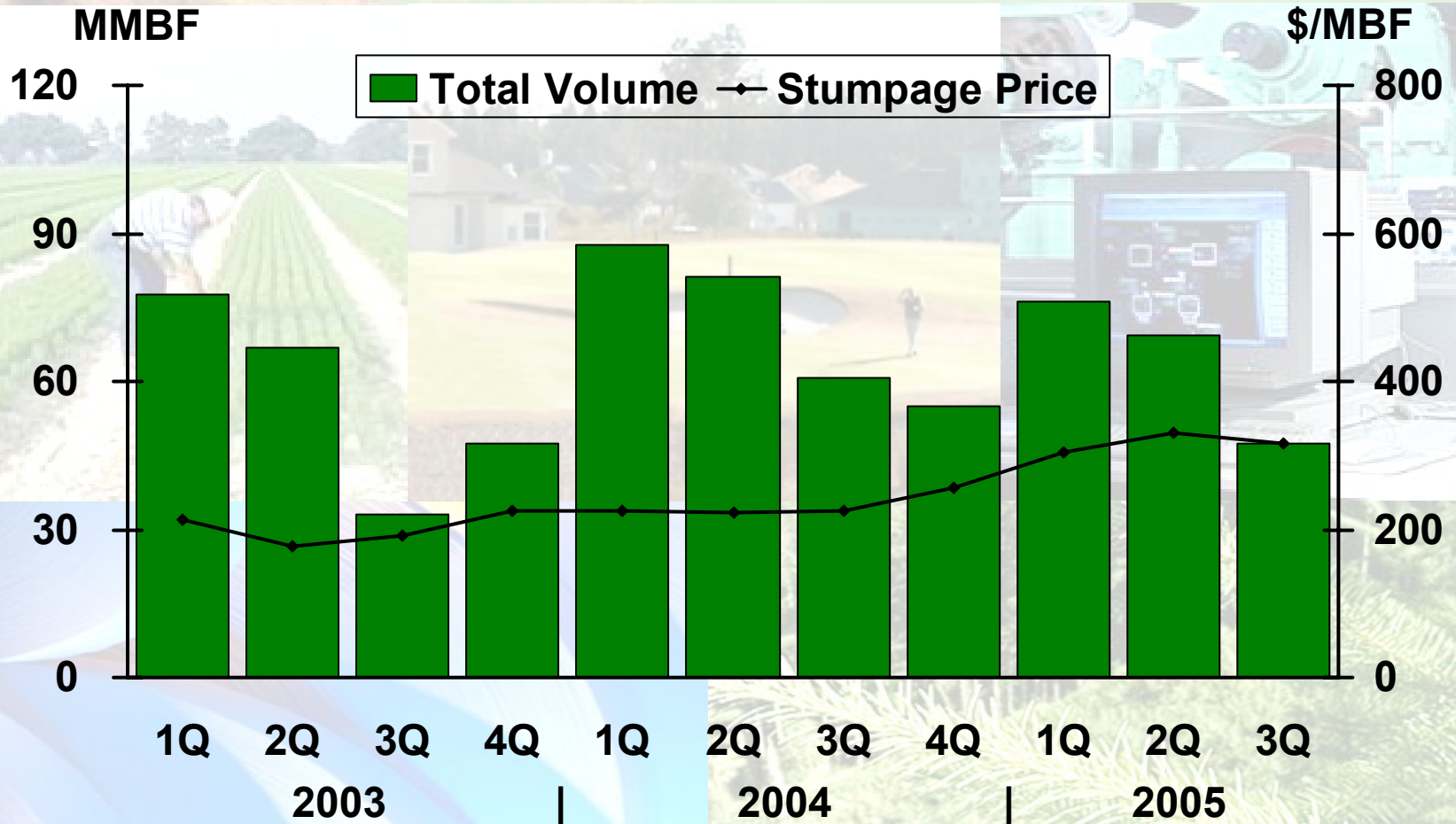


# Rayonier Markets and Operations

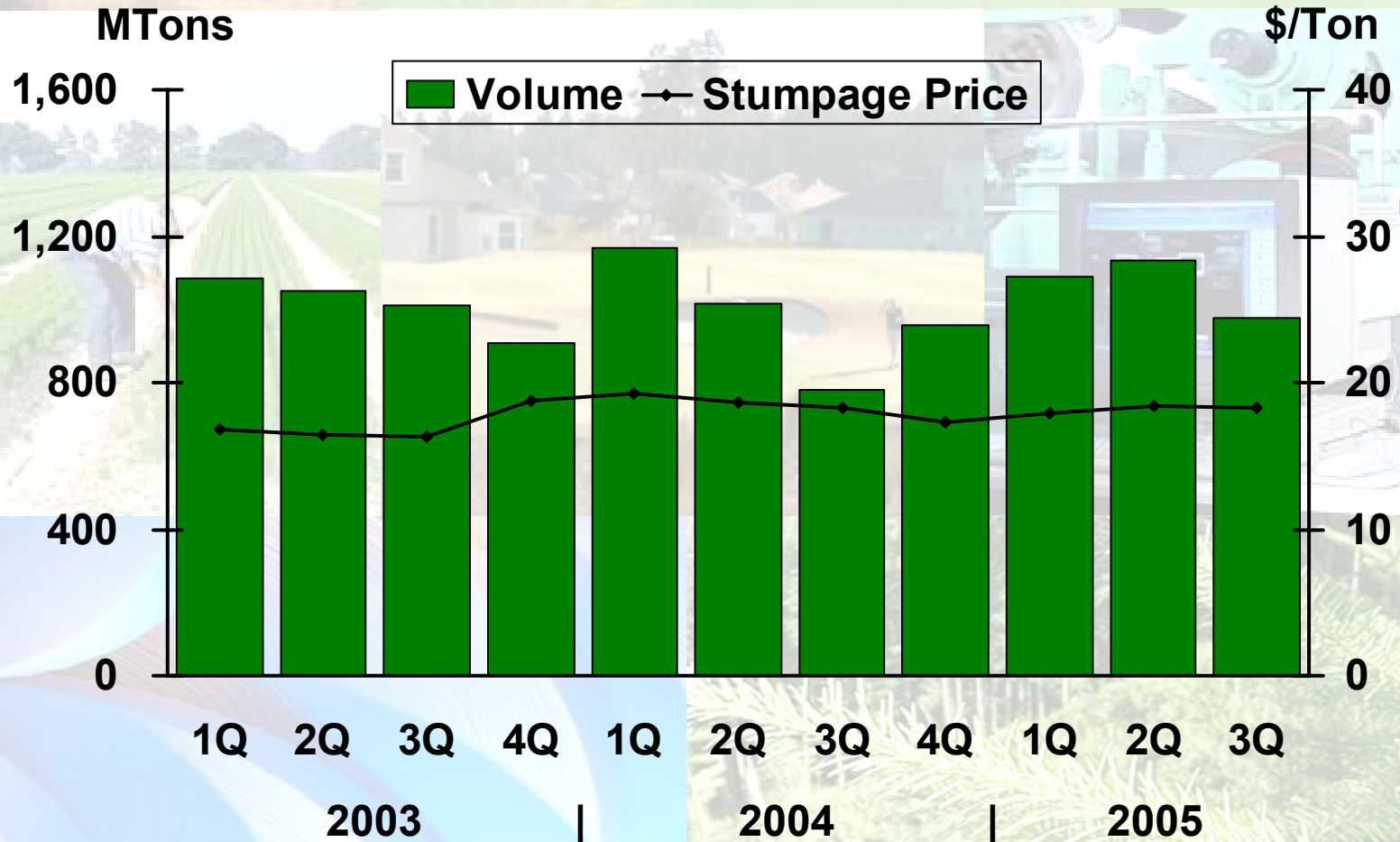




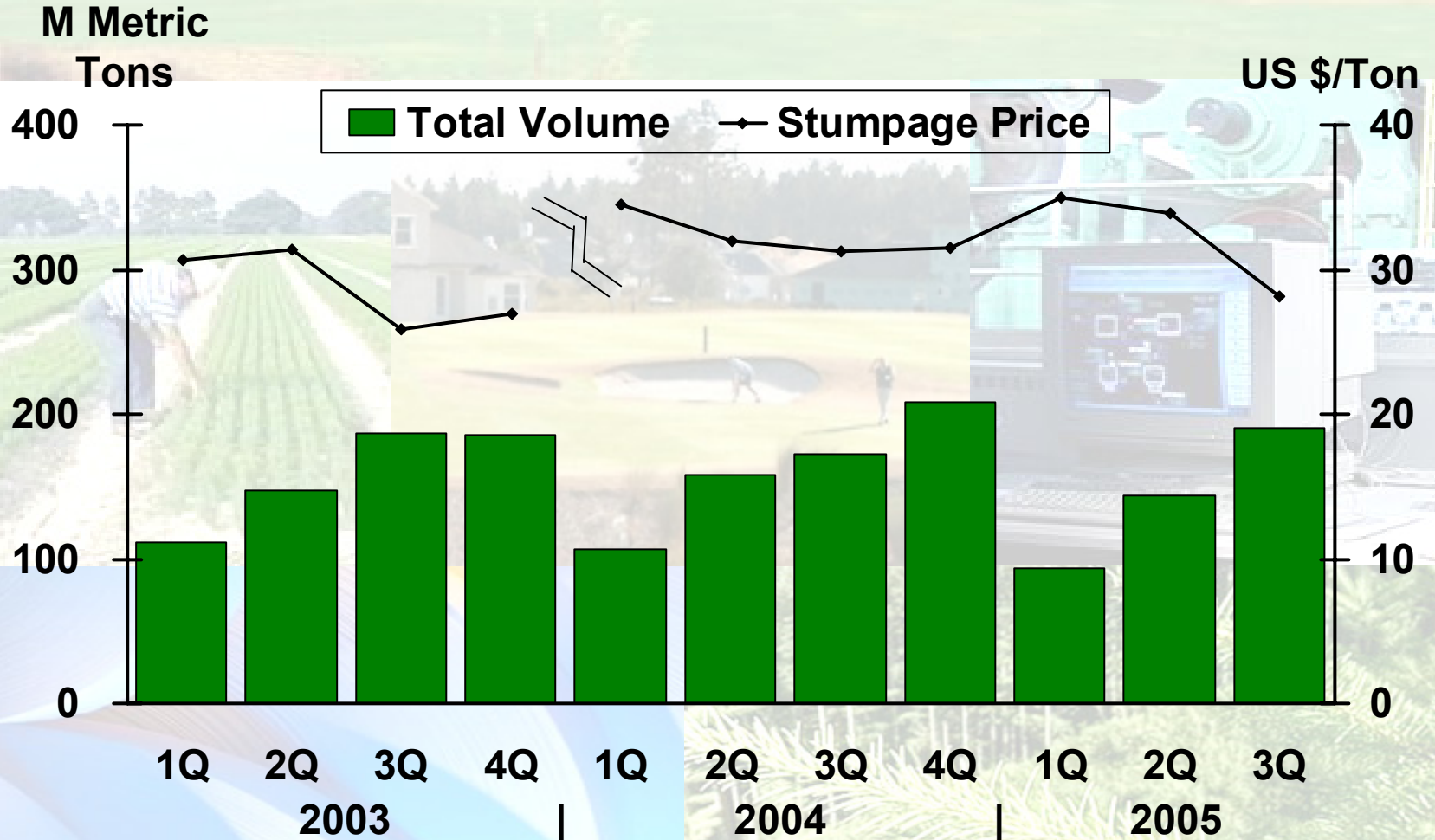
# Rayonier Northwest Timber Sales



# Rayonier Southeast Pine Timber Sales



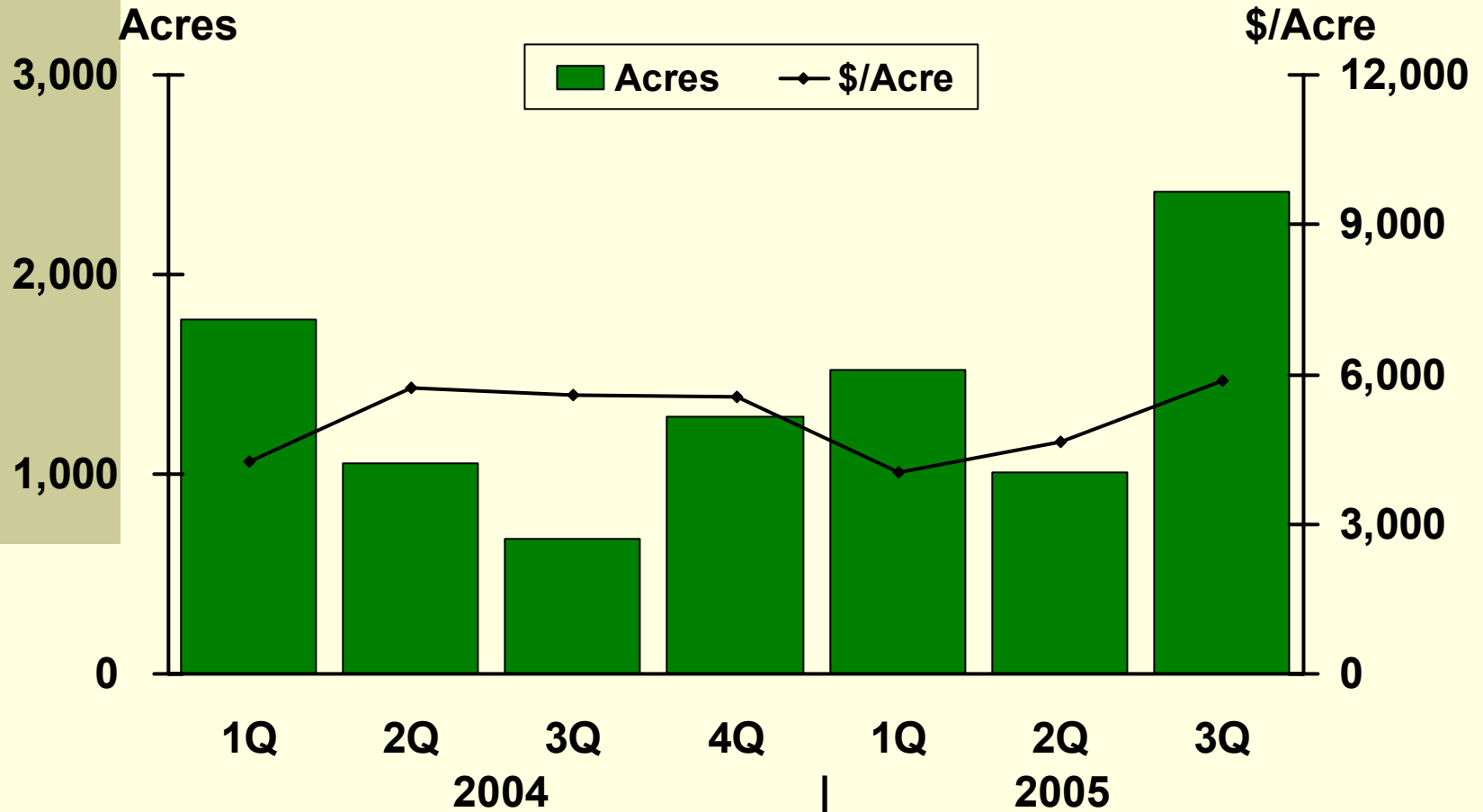
# Rayonier New Zealand Timber Sales



Note: 2004 and 2005 prices exclude lower value timber sold as logs.



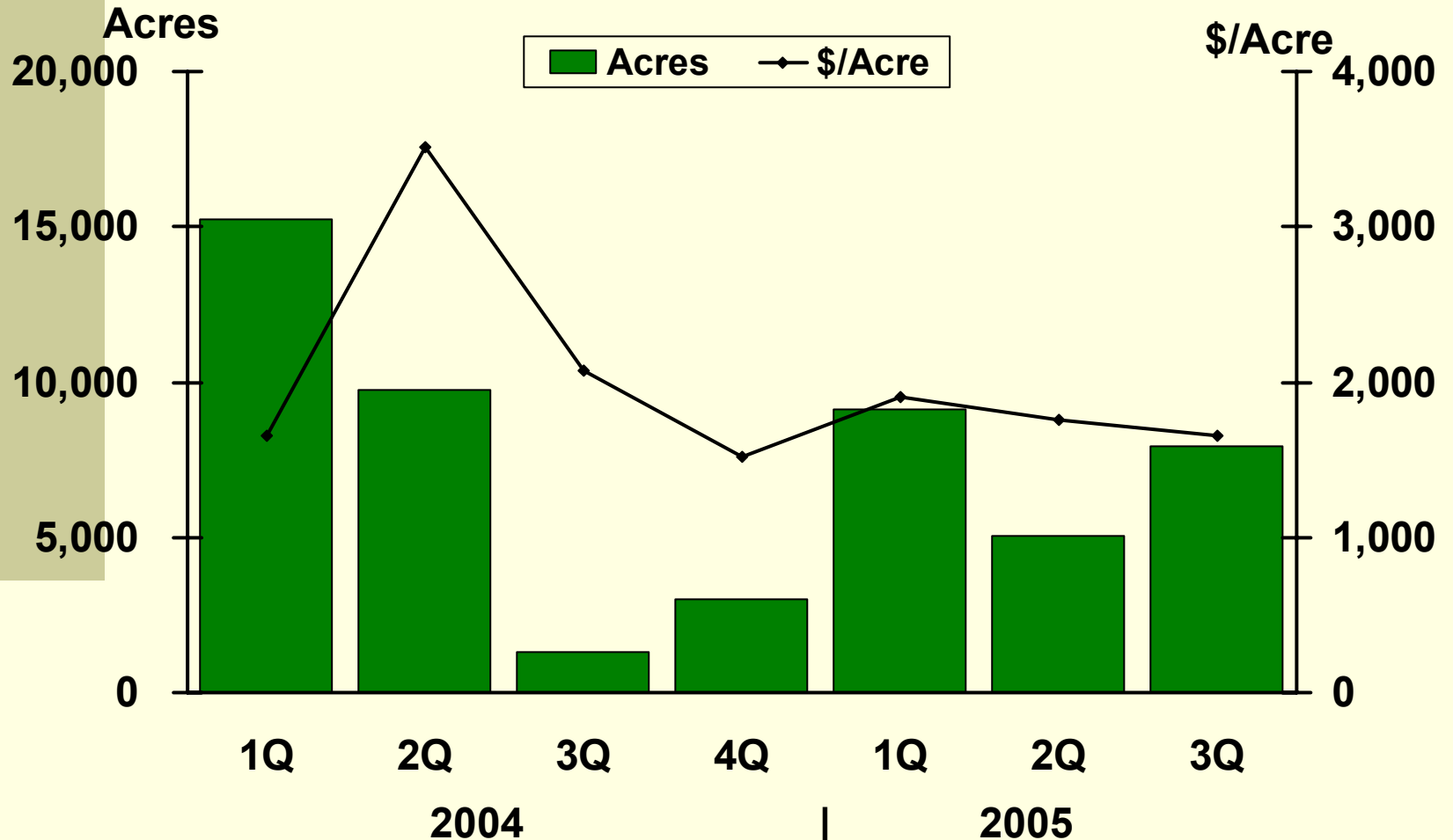
# Development Acres \* - Sales



\* Primarily sales in coastal counties.



# Rural Acres \* - Sales

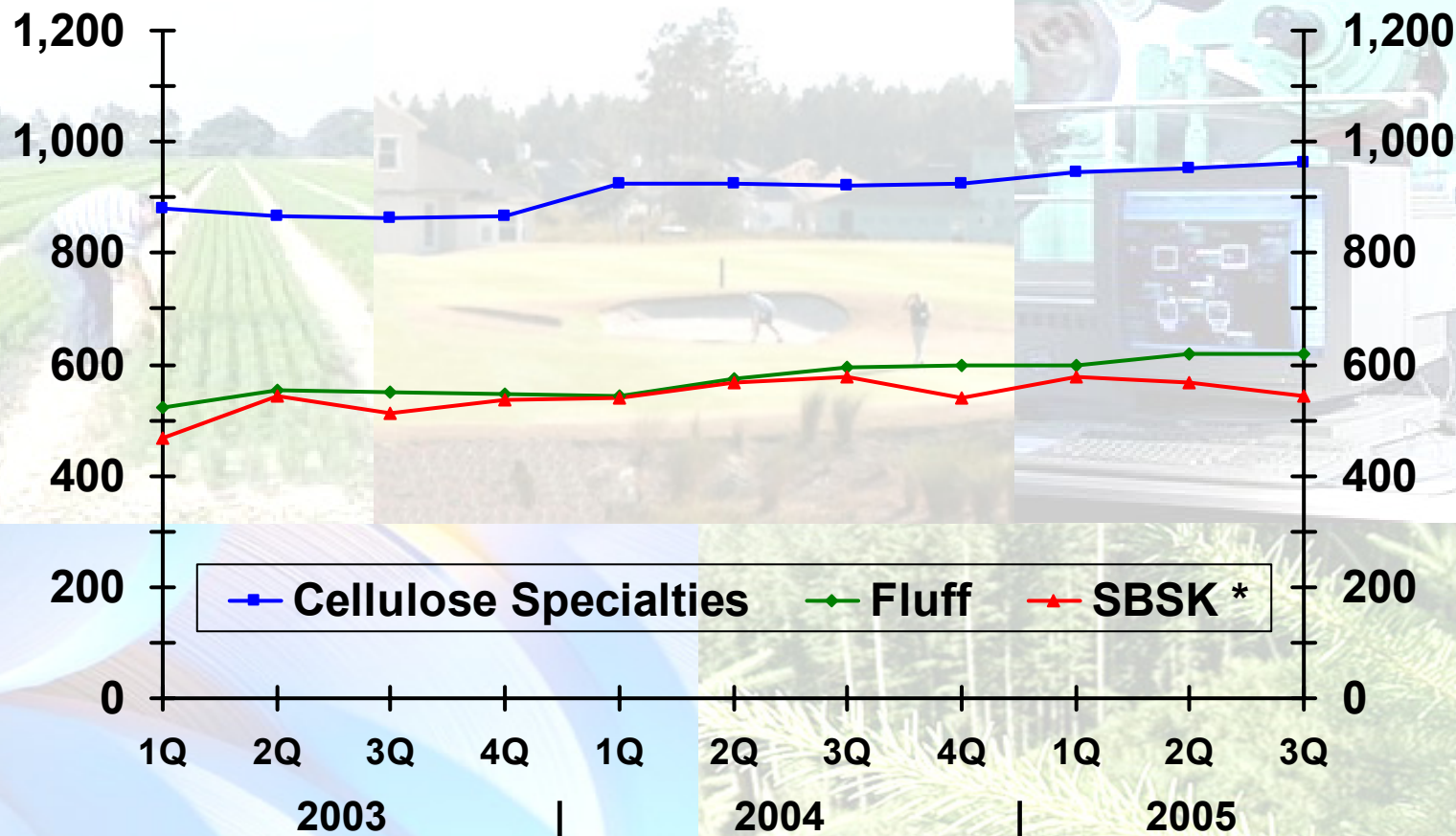


\* Also includes non-development sales in coastal counties.

# Rayonier Performance Fibers Net Selling Prices

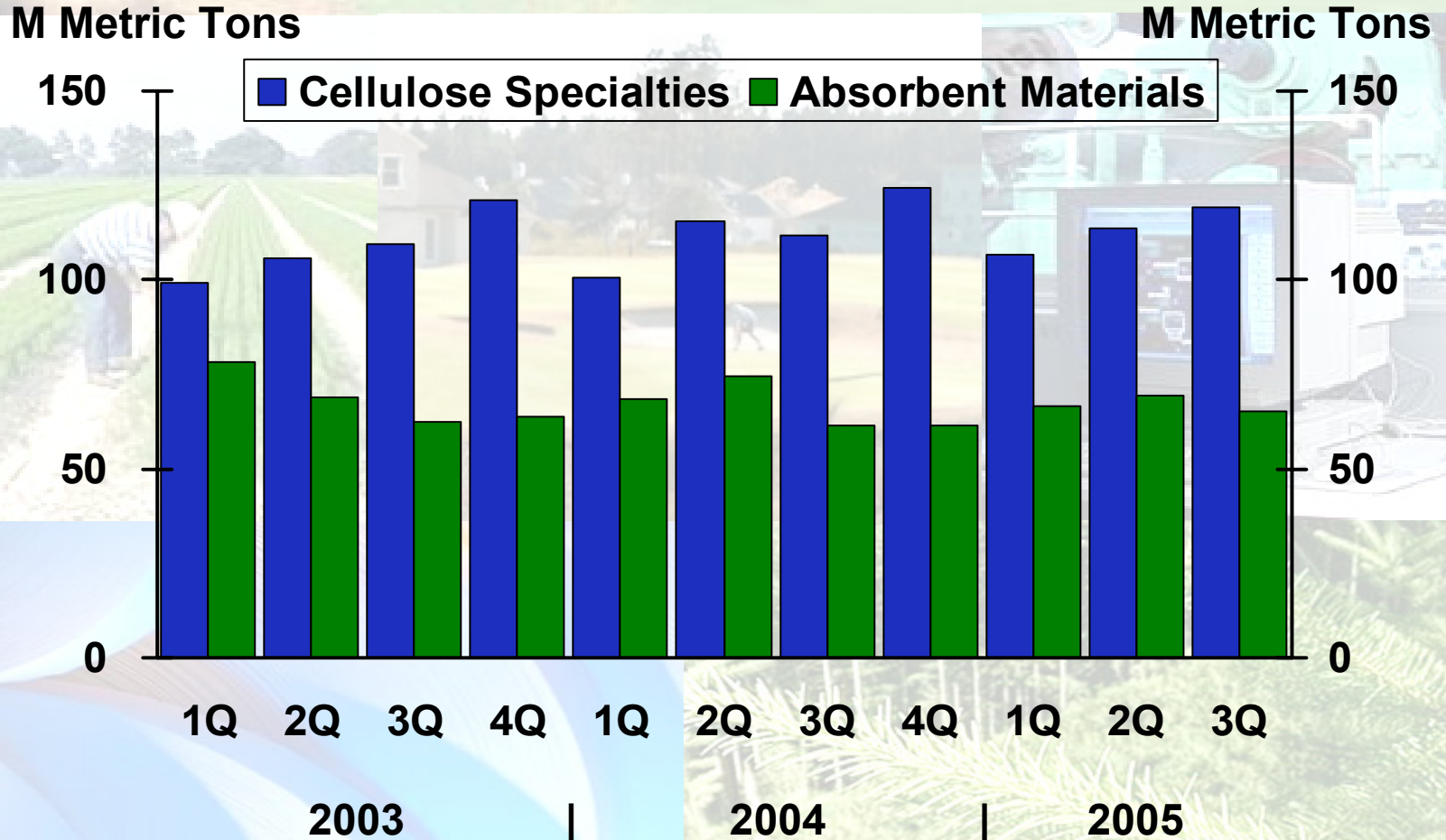
\$/Mton

\$/Mton

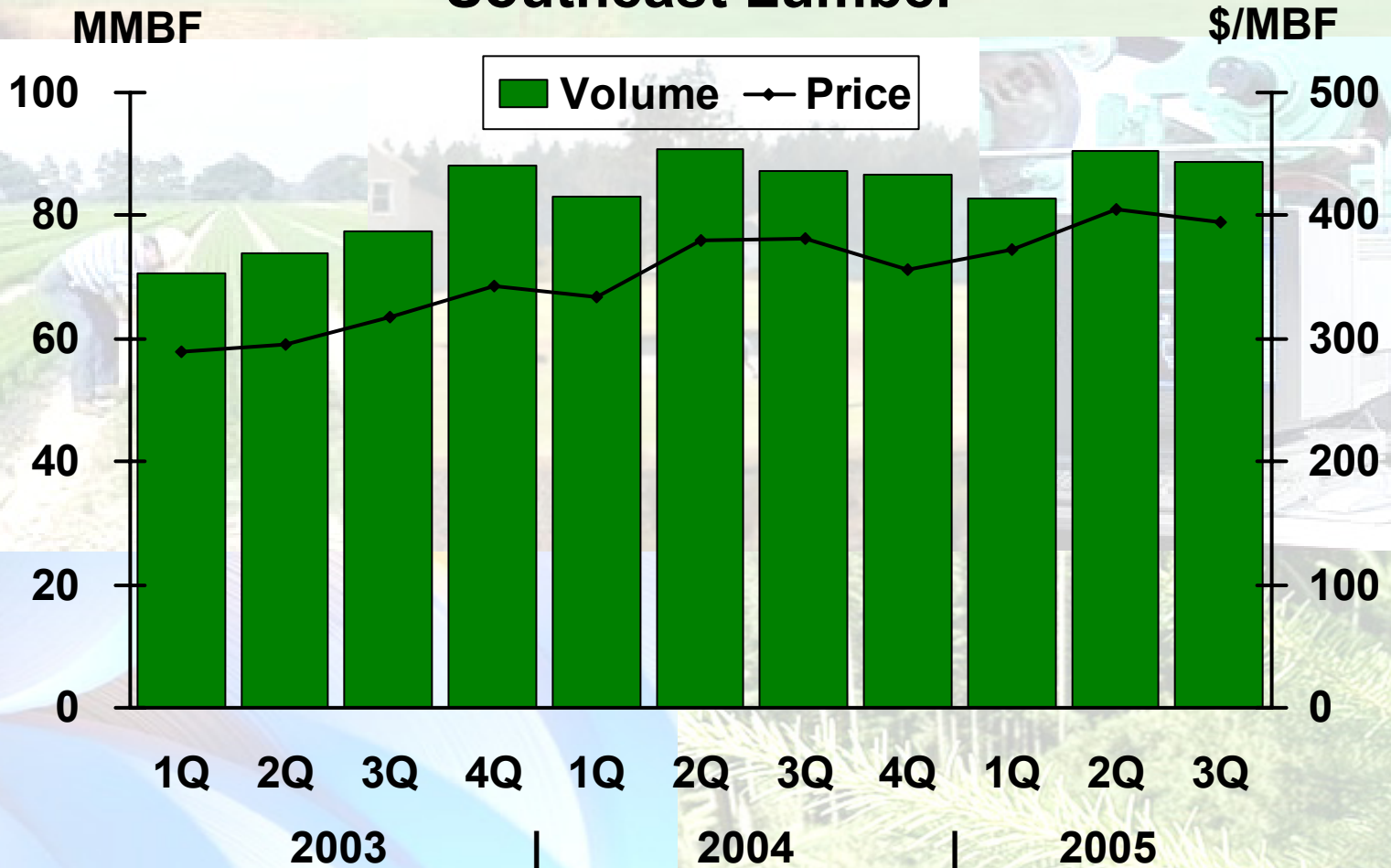


\* Source: RISI gross price less typical discounts.

# Rayonier Performance Fibers Sales Volumes



# Rayonier Wood Products Southeast Lumber





# Rayonier

## Earnings Per Share - From Continuing Operations \*

(\$)

	Pro forma		Actuals	
	2005 **	2004 ***	2005	2004
First Quarter	0.33	0.35	0.45	1.00
Second Quarter	0.45	0.58	0.54	0.58
Third Quarter	0.46	0.33	0.96	0.33
Fourth Quarter	?	0.18		0.18
Full Year	?	1.44		2.09
First Call Estimate for 2005 - 10/21/05	1.58			

4Q Vs 3Q  
Somewhat below

Up

Up

\* Excludes MDF.

\*\* First quarter excludes a tax benefit of \$0.12 per share resulting from a IRS audit settlement. Second quarter excludes a tax benefit of \$0.09 per share resulting from a IRS audit settlement. Third quarter excludes: tax benefits of \$0.33 per share associated with the repatriation of foreign earnings; tax benefits and adjustment of accrued interest expense/income of \$0.10 per share resulting from IRS audit settlements; and a favorable non-operating income adjustment of \$0.07 per share, resulting from a favorable arbitration award.

\*\*\* First quarter excludes a net tax benefit of \$0.65 per share relating to REIT conversion.

All per share data reflect the October 2005 3 for 2 stock split.



# Rayonier Appendix



# Rayonier

## 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, tax benefit on the exercise of stock options, tax benefits associated with certain strategic acquisitions and change in committed cash. 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.

# Rayonier

## Reconciliation of Non-GAAP Measures

(\$ Millions)

	Nine Months Ended September 30	
	2005	2004
<b>Adjusted EBITDA</b>		
Cash provided by operating activities	\$ 206.1	\$ 232.4
Income tax benefit	(25.7)	(32.5)
Interest expense	35.0	34.6
Working capital increases (decreases)	29.9	(28.5)
Other balance sheet changes	34.8	62.6
Adjusted EBITDA	<u>\$ 280.1</u>	<u>\$ 268.6</u>
<b>Cash Available for Distribution (CAD)</b>		
Cash provided by operating activities	\$ 206.1	\$ 232.4
Capital spending (a)	(51.5)	(52.7)
Like-kind exchange tax benefits on third party real estate sales (b)	(2.0)	(9.9)
Like-kind exchange tax benefits on intercompany land sales (b)	-	(20.2)
Change in committed cash	10.0	2.8
Tax benefit on exercise of stock options	(3.2)	(3.5)
Cash Available for Distribution (CAD)	<u>\$ 159.4</u>	<u>\$ 148.9</u>

(a) Capital Spending is net of sales and retirements and excludes strategic acquisitions.

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

# Rayonier

## Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Second Quarter		
	Pretax Income	Net Income	EPS
<b>2005 Reported Earnings</b>	<b>\$ 37.1</b>	<b>\$ 16.9</b>	<b>\$ 0.22</b>
<b>Less Special Items</b>			
MDF - discontinued operations	-	(24.7)	(0.32)
Prior years IRS audit settlements	-	7.2	0.09
<b>Total Special Items</b>	<b>-</b>	<b>(17.5)</b>	<b>(0.23)</b>
<b>2005 Pro Forma Earnings</b>	<b>37.1</b>	<b>34.4</b>	<b>0.45</b>

# Rayonier

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

	Three Months Ended						Nine Months Ended			
	September 30, 2005		June 30, 2005		September 30, 2004		September 30, 2005		September 30, 2004	
	\$	%	\$	%	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (18.6)	(35.0)	\$ (13.0)	(35.0)	\$ (7.5)	(35.0)	\$ (44.0)	(35.0)	\$ (39.8)	(35.0)
REIT income not subject to federal tax	10.4	19.6	9.9	26.7	9.7	45.3	28.8	22.9	30.8	27.1
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(3.2)	(6.0)	(2.6)	(7.0)	(1.7)	(7.9)	(8.7)	(6.8)	(10.0)	(8.8)
Discrete items included in pretax income										
State and local income taxes, foreign exchange rate changes and permanent differences	4.9	6.5 **	-	-	-	-	4.9	2.2 **	-	-
	2.3	4.3	0.5	1.2	3.5	16.3	3.5	2.8	0.4	0.4
Income tax (expense) benefit before discrete items *	\$ (4.2)	(10.6)	\$ (5.2)	(14.1)	\$ 4.0	18.7	\$ (15.5)	(13.9)	\$ (18.6)	(16.3)
U.S. tax benefit on repatriation of foreign earnings	25.8	48.6	-	-	-	-	25.8	20.5	-	-
Favorable IRS audit settlements, including reversal of accrued interest expense	3.1	6.9 **	7.2	19.4	-	-	19.8	16.4 **	-	-
Tax on favorable arbitration award	(3.0)	(3.9) **	-	-	-	-	(3.0)	(1.4) **	-	-
Exchange rate changes on tax on undistributed foreign earnings	0.2	0.4	2.5	6.7	(1.6)	(7.5)	1.6	1.3	-	-
Return to accrual adjustment	(0.1)	(0.2)	-	-	1.4	6.5	(0.1)	(0.1)	1.4	1.2
Non-realizability of New Zealand tax credits on U.S. withholding tax for prior years' intercompany note interest	-	-	-	-	-	-	(2.9)	(2.4)	-	-
Income tax benefit (expense) *	<u>\$ 21.8</u>	<u>41.2</u>	<u>\$ 4.5</u>	<u>12.0</u>	<u>\$ 3.8</u>	<u>17.7</u>	<u>\$ 25.7</u>	<u>20.4</u>	<u>\$ (17.2)</u>	<u>(15.1)</u>

\* Nine months ended September 30, 2004 excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million and additional taxes for repatriation of foreign earnings of (\$28.2) million.

\*\* Adjusted for change in pretax income due to discrete items.

# Rayonier

## MDF – Discontinued Operations \*

(\$ Millions - Except Per Share Data)

	Year 2003	2004				2005		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q
Sales	\$ 41.3	\$ 9.9	\$ 10.3	\$ 11.0	\$ 13.0	\$ 11.4	\$ 11.5	9.0
Operating (Loss) Income	(3.4)	(0.6)	(1.0)	(1.0)	(0.4)	(0.8)	(1.4)	-
Net Income	(3.1)	(0.7)	(1.1)	(1.0)	(0.5)	(0.4)	(0.6)	0.1
EPS	(0.07)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	-
EBITDA	3.9	1.1	0.9	0.7	1.6	0.9	0.5	1.4

\* Excludes write-down related to the planned sale of the MDF business.