



Rayonier
Fourth Quarter 2003
Supplemental
Material

Safe Harbor

Reported results are preliminary and not final until filing of the 2003 Form 10-K with the Securities and Exchange Commission. Comments about anticipated demand, 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 or wood products; 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/A on file with the Securities and Exchange Commission.

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Fourth Quarter - Highlights

(\$ Millions - Except Per Share Data)

	4Q 2003	Variance to		Full Year	
		3Q 2003	4Q 2002	2003	Variance to 2002
<u>Profitability</u>					
Sales	272	4	(15)	1,101	(17)
Operating Income	8	(14)	(20)	103	(28)
Net Income	2	(6)	(11)	50	(5)
Earnings Per Share *	0.04	(0.15)	(0.27)	1.16	(0.12)
ROE Annualized **	1.6%	1.0 pts	(4.9 pts)	7.0%	(0.7 pts)
<u>Capital Resources and Liquidity</u>					
Cash Provided by Operating Activities	35	(29)	(14)	208	(45)
Cash Used for Investing Activities	(32)	(6)	(12)	(91)	(14)
Cash (Used for) from Financing Activities	(69)	(70)	29	(115)	127
Adjusted EBITDA ***	46	(16)	(30)	268	(43)
Free Cash Flow ***	(5)	(32)	50	78	17
Repayment of Debt	1	-	(88)	34	(180)
Debt	618	(2)	(35)	618	(35)
Debt / Capital	46.5%	1.6pts	(1.4pts)	46.5%	(1.4pts)

* 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.

** From Continuing Operations; major land sales and REIT conversion costs are not annualized.

*** Non-GAAP measures (see pages 16 and 17 for definitions and reconciliations).

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Quarter to Quarter Comparisons - 4Q 03 to 3Q 03

(\$ Millions - Except EPS)

	Pre- Tax	Net Income	EPS
2003 3Q - Income	10	8	0.19
Variance			
Performance Fibers			
- CS Price / Mix	1	-	-
- AM Price / Mix	(1)	(1)	(0.02)
- Volume / Cost / Other	(7)	(4)	(0.09)
Subtotal	(7)	(5)	(0.11)
Timber and Land			
- Timber Price	4	2	0.06
- Timber Volume / Other	2	2	0.04
- Land Sales	(17)	(11)	(0.25)
Wood Products			
- Lumber Price	3	2	0.04
- MDF	1	-	0.01
Other Operations	1	1	0.02
Corporate	-	-	-
Intersegment Eliminations and Other	(1)	-	(0.01)
Operating Income	(14)	(9)	(0.20)
Interest Expense	-	-	-
Other / Taxes	(1)	3	0.05
2003 4Q - Income	(5)	2	0.04

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Fourth Quarter / Full Year Comparisons - 2003 to 2002

(\$ Millions - Except EPS)

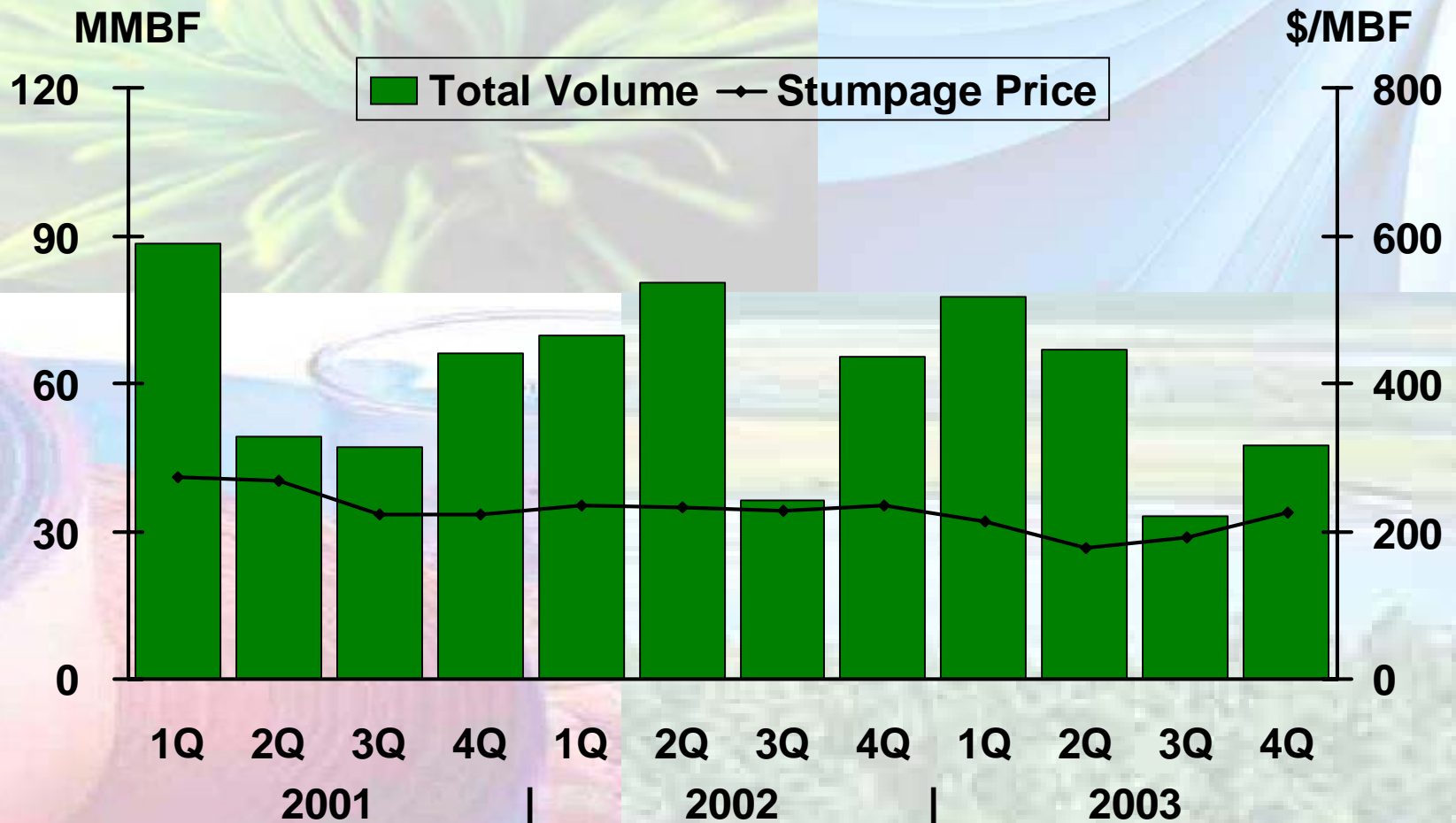
	Fourth Quarter			Full Year		
	Pre-Tax	Net Income	EPS	Pre-Tax	Net Income	EPS
2002	11	13	0.31	70	54	1.28
Variance						
Performance Fibers						
- CS Price / Mix	-	-	-	3	2	0.04
- AM Price / Mix	1	1	0.01	1	1	0.02
- Volume / Cost / Other	(13)	(9)	(0.20)	(42)	(28)	(0.64)
Subtotal	(12)	(8)	(0.19)	(38)	(25)	(0.58)
Timber and Land						
- Timber Price	1	1	0.02	(8)	(5)	(0.12)
- Timber Volume / Other	(7)	(5)	(0.11)	(17)	(11)	(0.24)
- Land Sales	(2)	(2)	(0.05)	40	26	0.60
Wood Products						
- Lumber	7	5	0.11	8	5	0.13
- MDF	(2)	(1)	(0.03)	(4)	(3)	(0.07)
Other Operations	2	2	0.03	3	2	0.03
Corporate	(4)	(3)	(0.06)	(13)	(8)	(0.20)
Intersegment Eliminations and Other	(3)	(2)	(0.03)	1	1	0.03
Operating Income	(20)	(13)	(0.31)	(28)	(18)	(0.42)
Interest Expense	6	4	0.08	14	9	0.21
Other / Taxes	(2)	(2)	(0.04)	-	5	0.09
2003	(5)	2	0.04	56	50	1.16



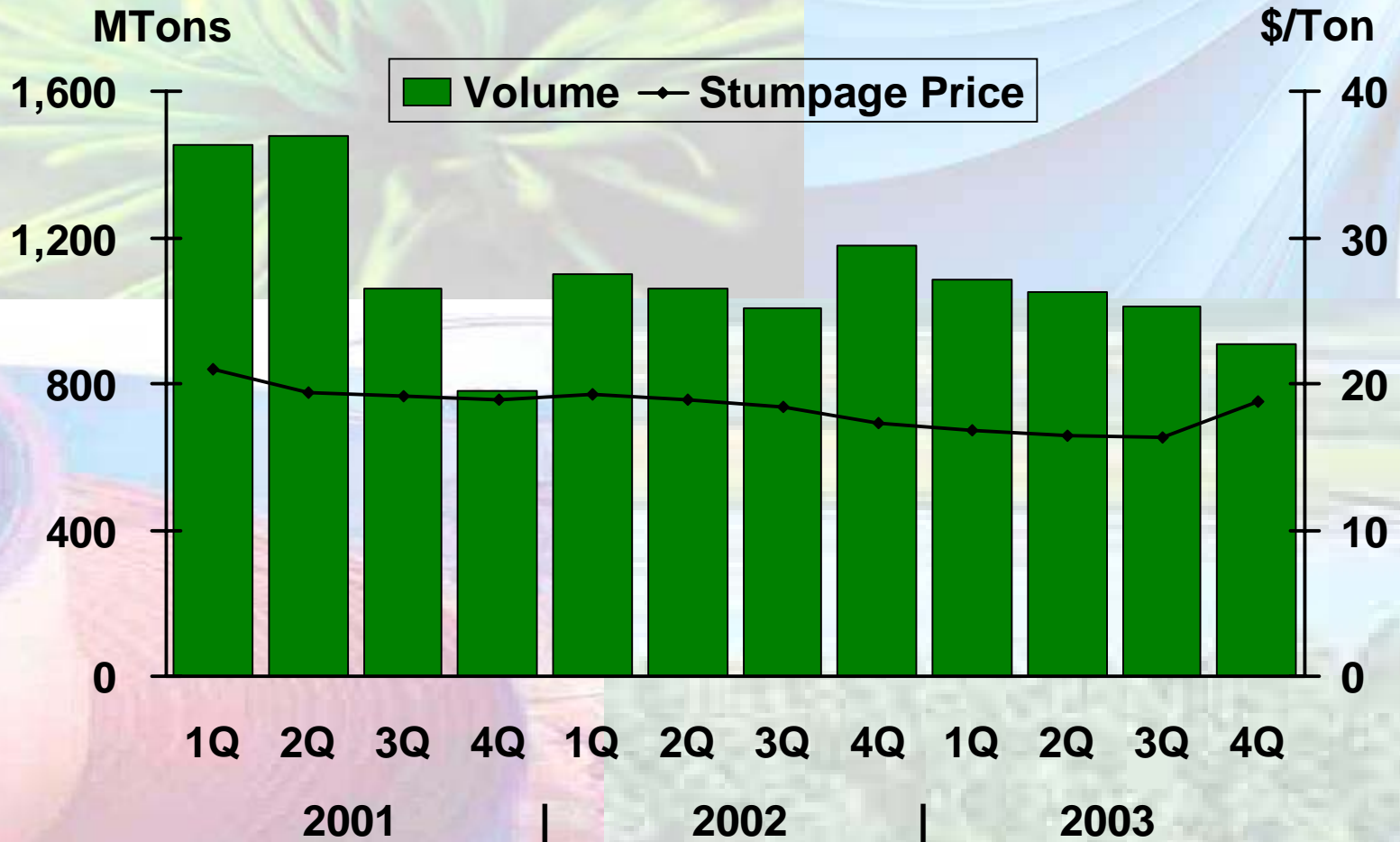
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Markets and Operations

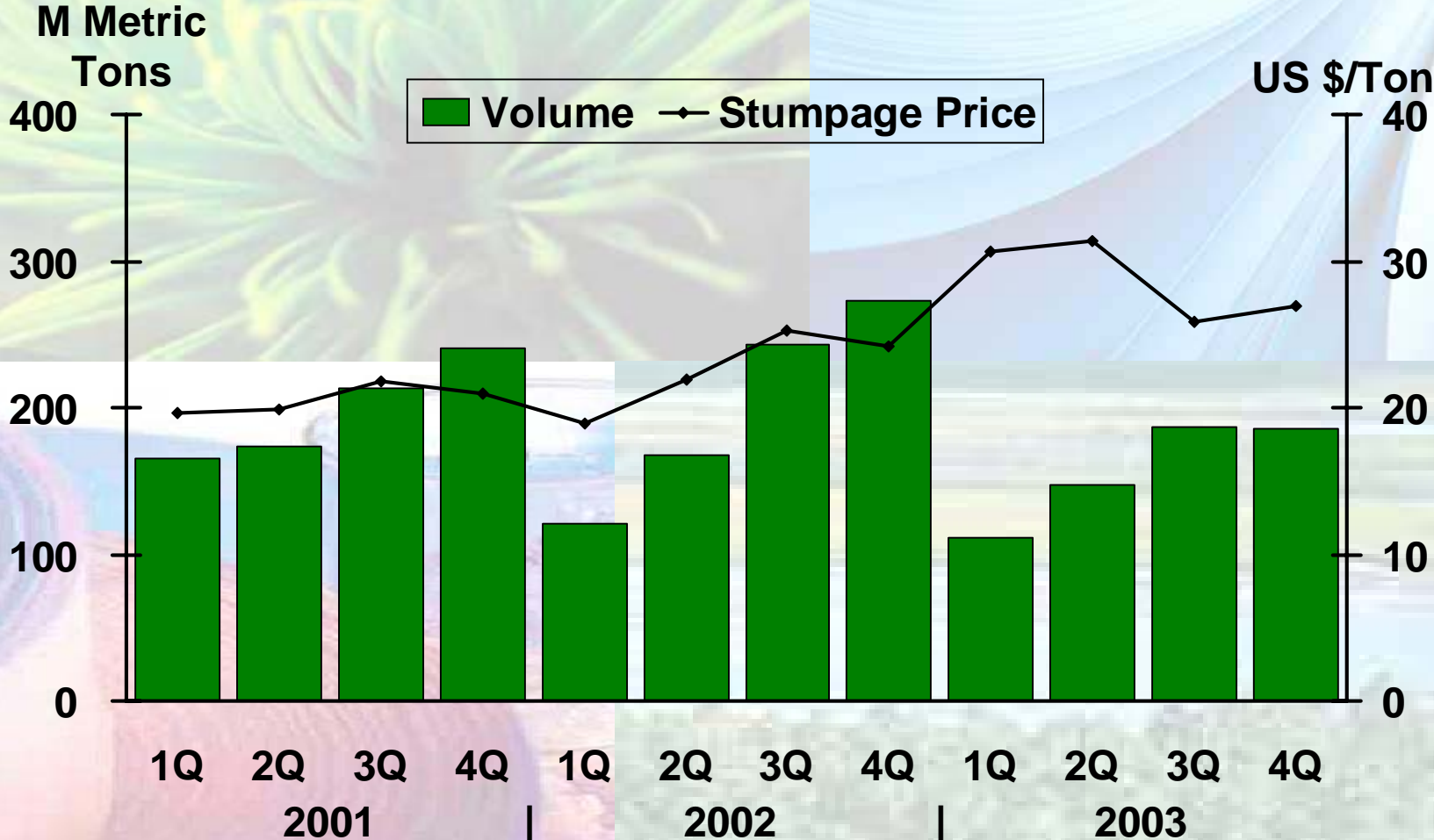
Rayonier Northwest Timber Sales



Rayonier Southeast Pine Timber Sales

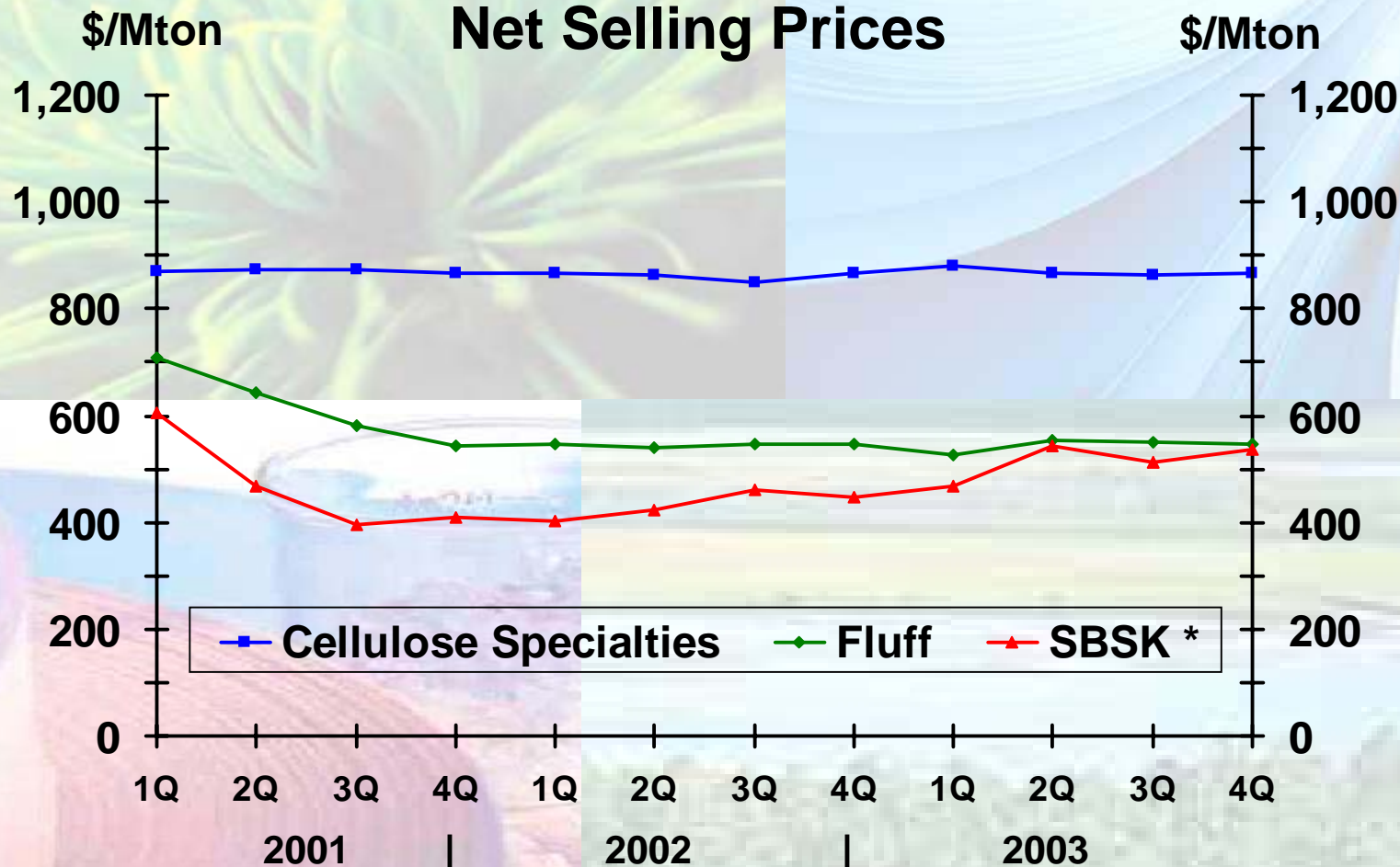


Rayonier New Zealand Timber Sales



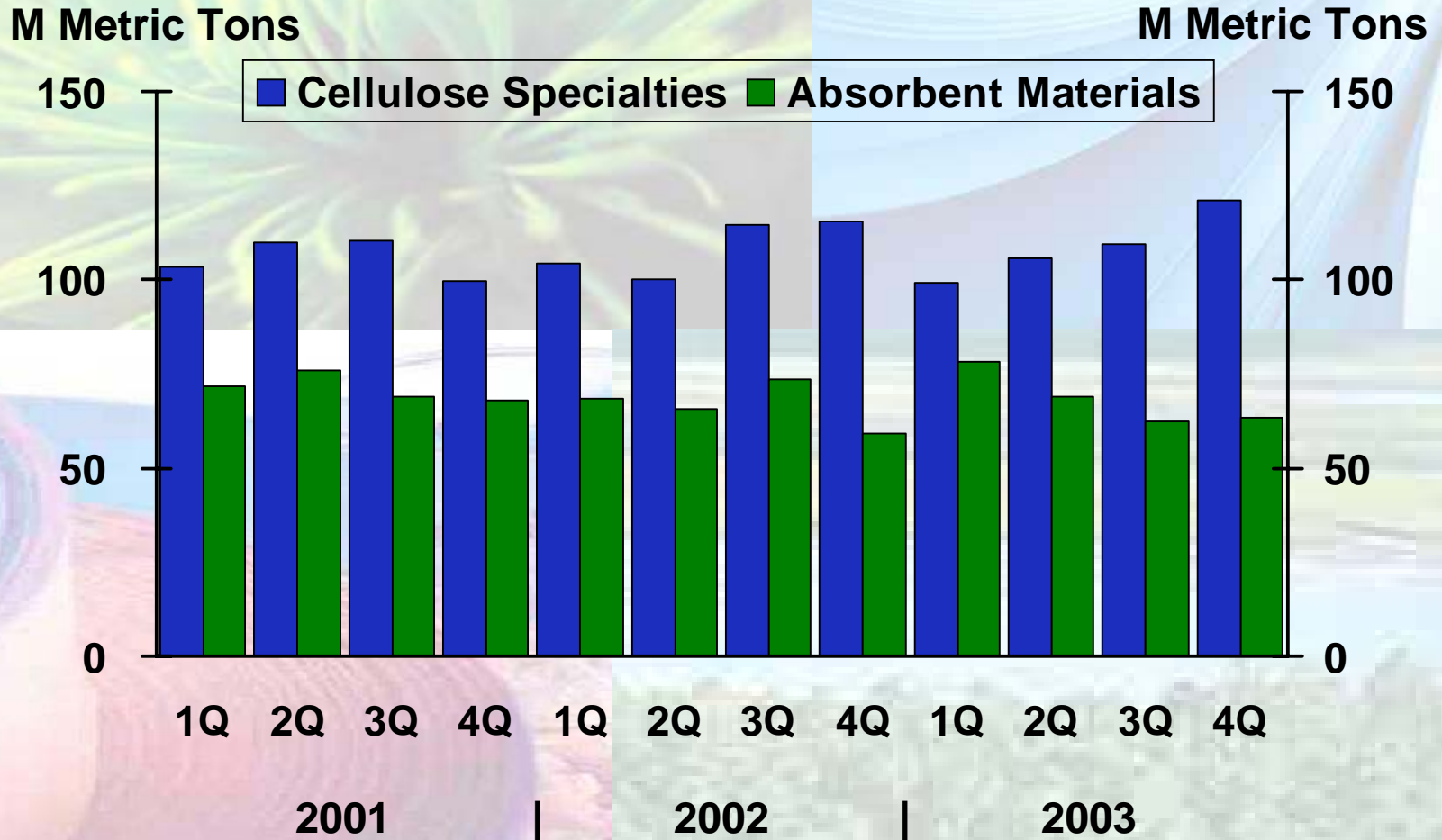
Note: Continuing Operations

Rayonier Performance Fibers Net Selling Prices



* Source: RISI gross price less typical discounts

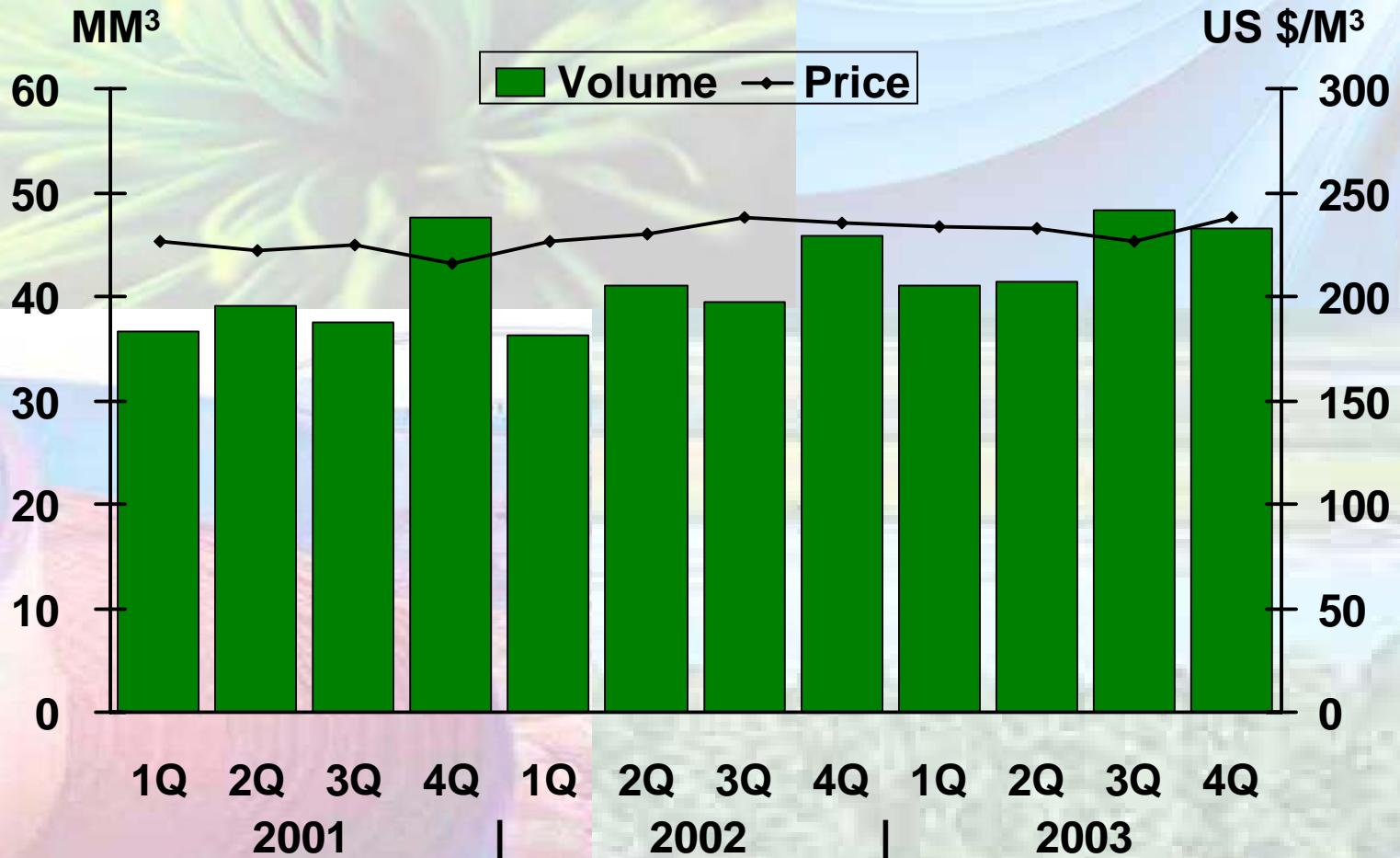
Rayonier Performance Fibers Sales Volumes



Rayonier Wood Products Southeast Lumber



Rayonier Wood Products Medium Density Fiberboard (MDF)



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Earnings Per Share - From Continuing Operations

(\$)

	2004	2003	
		Proforma *	As Reported
First Quarter	? ← Up	0.17	0.20**
Second Quarter		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 - 1/27/04	1.33		

* 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.

*** Includes REIT expenses (\$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).



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Appendix

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RECONCILIATION OF NON-GAAP MEASURES

(\$ Millions)

	4Q 2003	3Q 2003	4Q 2002	Full Year	
				2003	2002
Adjusted EBITDA *					
Cash provided by operating activities	\$ 35.4	\$ 64.0	\$ 48.9	\$ 208.2	\$ 252.9
Income tax expense	(6.5)	2.3	(1.8)	5.8	14.9
Interest expense	11.8	12.1	17.1	48.7	62.4
Working capital increases (decreases)	11.5	(17.7)	0.9	16.8	(5.8)
Other balance sheet changes	(6.1)	1.3	11.4	(11.2)	(12.8)
Adjusted EBITDA	<u>\$ 46.1</u>	<u>\$ 62.0</u>	<u>\$ 76.5</u>	<u>\$ 268.3</u>	<u>\$ 311.6</u>
Free cash flow					
Cash provided by operating activities	\$ 35.4	\$ 64.0	\$ 48.9	\$ 208.2	\$ 252.9
Custodial capital spending, net	(28.6)	(18.1)	(16.1)	(75.9)	(65.6)
Purchase of assets previously leased	-	(5.4)	-	(5.4)	-
Dividends at prior year level	(10.2)	(10.1)	(10.0)	(40.4)	(39.9)
Required debt repayments *	(0.8)	(1.2)	(78.3)	(3.5)	(83.2)
Tax benefit on exercise of stock options	(1.2)	(2.8)	-	(4.8)	(2.5)
Free cash flow	<u>\$ (5.4)</u>	<u>\$ 26.4</u>	<u>\$ (55.5)</u>	<u>\$ 78.2</u>	<u>\$ 61.7</u>
Discretionary debt repayments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10.0</u>	<u>\$ 30.0</u>	<u>\$ 130.0</u>
Custodial capital spending, net *					
Capital expenditures, net of sales and retirements	\$ 31.9	\$ 20.6	\$ 19.6	\$ 85.2	\$ 76.7
Discretionary capital expenditures	(3.3)	(2.5)	(3.5)	(9.3)	(11.1)
Custodial capital spending, net	<u>\$ 28.6</u>	<u>\$ 18.1</u>	<u>\$ 16.1</u>	<u>\$ 75.9</u>	<u>\$ 65.6</u>

* Required debt 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:

* Custodial Capital Spending, net, 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.