

Rayonier
First Quarter 2005
Supplemental
Material

Safe Harbor

Reported results are preliminary and not final until filing of the First Quarter 2005 Form 10-Q with the Securities and Exchange Commission and, therefore, remain subject to subsequent event adjustments. Comments about anticipated demand, pricing, expenses, volumes, earnings, real estate sales and timberland acquisitions 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 or supply of cellulose specialties, 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, particularly in the southeastern U.S.; the ability of the Company to identify and complete timberland 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.

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First Quarter - Highlights

(\$ Millions - Except EPS)

	1Q 2005	Variance to	
		4Q 2004	1Q 2004
Profitability			
Sales	286	(11)	(7)
Operating Income	46	21	4
Net Income	34	21	(41)
Earnings Per Share	0.67	0.41	(0.82)
Pro forma Earnings per Share *	0.48	0.22	(0.03)
ROE Annualized **	9.5%	(4.7%)	(0.8%)

Capital Resources and Liquidity

Cash Provided by Operating Activities	76	(6)
Cash Used for Investing Activities	(40)	(21)
Cash Used for Financing Activities	(23)	(2)
Adjusted EBITDA ***	88	-
Cash Available for Distribution (CAD) ***	60	(4)
Debt	661	43
Debt / Capital	45.0%	0.4%

Three Months Ended March 31

	2005	Variance to 2004
Cash Provided by Operating Activities	76	(6)
Cash Used for Investing Activities	(40)	(21)
Cash Used for Financing Activities	(23)	(2)
Adjusted EBITDA ***	88	-
Cash Available for Distribution (CAD) ***	60	(4)
Debt	661	43
Debt / Capital	45.0%	0.4%

* First quarter 2005 excludes a tax benefit of \$9.5 million, or \$0.19 per share, resulting from an IRS audit settlement. First quarter 2004 excludes a net tax benefit of \$49.7 million, or \$0.98 cents per share, relating to REIT conversion.

** Based on year-to-date percent; 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 05 to 4Q 04

(\$ Millions - Except EPS)

	Pre- Tax	Net Income **	EPS
2004 4Q - Income	12	14	0.26
Variance			
Timber and Real Estate			
- Timber Price / Mix	4	4	0.08
- Timber Volume / Other	3	3	0.07
- Real Estate Sales	4	2	0.04
Performance Fibers			
- Price / Mix	1	1	0.02
- Cost / Volume / Other	6	4	0.07
Wood Products			
- Lumber	2	1	0.02
Other Operations	(1)	-	(0.01)
Corporate / Other	2	1	0.02
Operating Income	21	16	0.31
Other	2	1	0.02
Taxes - Excluding LKE	-	(5)	(0.09)
Taxes - LKE	-	(1)	(0.02)
2005 1Q - Income *	35	25	0.48

* First quarter 2005 excludes a tax benefit of \$9.5 million, or \$0.19 per share, resulting from an IRS audit settlement.

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

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First Quarter Comparisons - 2005 to 2004

(\$ Millions - Except EPS)

	Pre- Tax	Net Income ***	EPS
2004 *	32	26	0.51
Variance			
Timber and Real Estate			
- Timber Price	4	4	0.08
- Timber Volume / Other	(3)	(3)	(0.07)
- Real Estate Sales	(8)	(5)	(0.10)
Performance Fibers			
- CS Price / Mix	2	2	0.03
- AM Price / Mix	3	2	0.04
- Volume / Cost / Other	1	-	-
Wood Products			
- Lumber	2	1	0.03
Other Operations	(2)	(1)	(0.03)
Corporate / Other	5	3	0.07
Operating Income	4	3	0.05
Interest Expense	(1)	(1)	(0.02)
Taxes	-	(3)	(0.06)
2005 **	35	25	0.48

* First quarter 2004 excludes a net tax benefit of \$49.7 million, or \$0.98 per share, relating to REIT conversion.

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Reconciliation of Adjusted EBITDA to CAD

(\$ Millions – Except EPS)

	Three Months Ended	
	March 31, 2005	March 31, 2004
Adjusted EBITDA	\$ 88.4	\$ 88.2
Capital spending, net	(20.3)	(19.5)
Income tax (expense) benefit *	(0.2)	(6.3)
Interest expense	(12.3)	(11.1)
Working capital / other balance sheet changes *	5.4	13.4
Tax benefit on exercise of stock options	(1.0)	(1.1)
Cash Available for Distribution (CAD)	<u>\$ 60.0</u>	<u>\$ 63.6</u>
Average diluted shares outstanding	51,430,445	50,776,436
CAD per share	<u>\$ 1.17</u>	<u>\$ 1.25</u>

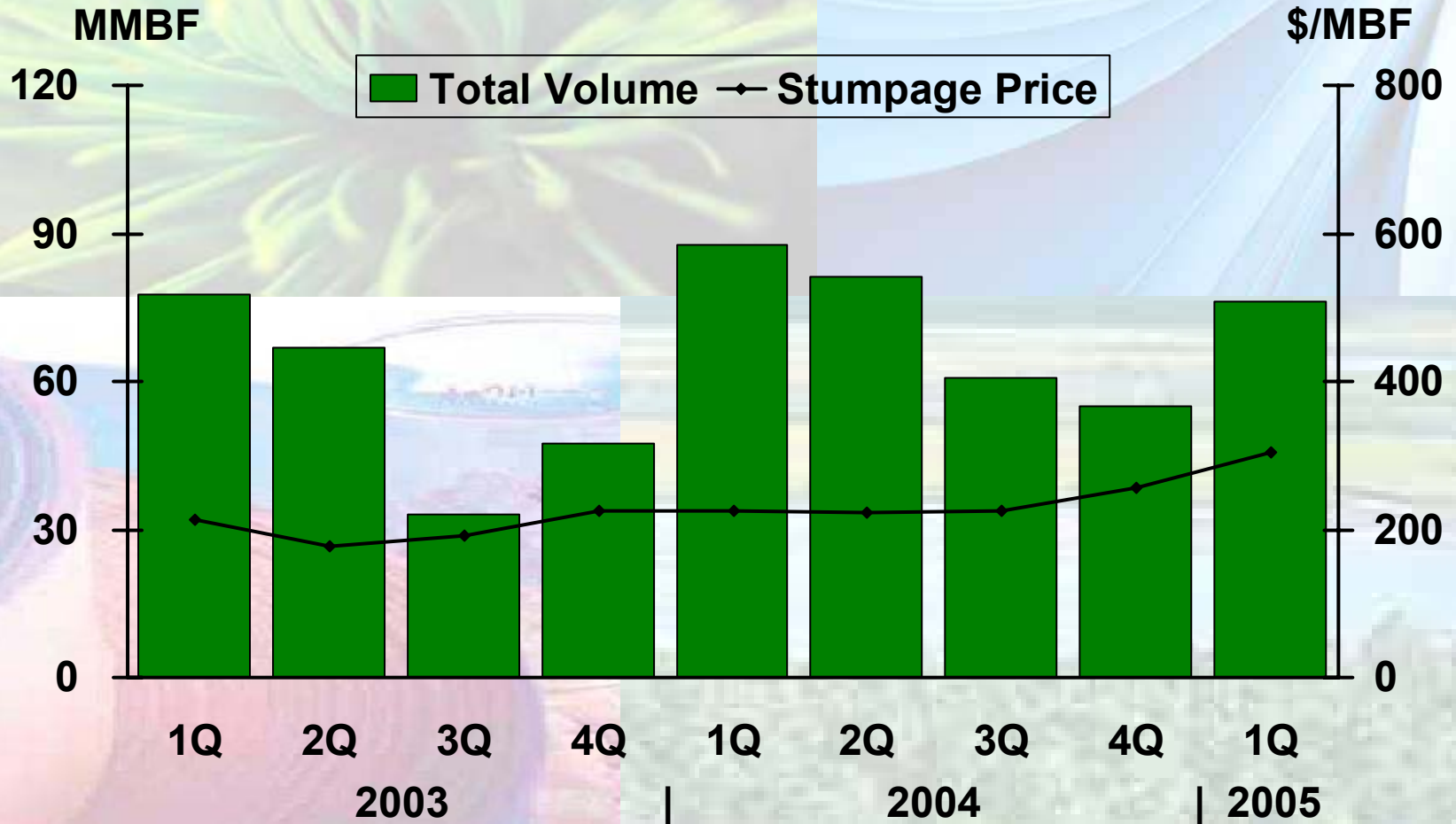
* 2004 excludes a net tax benefit of \$49.7 million relating to REIT conversion.



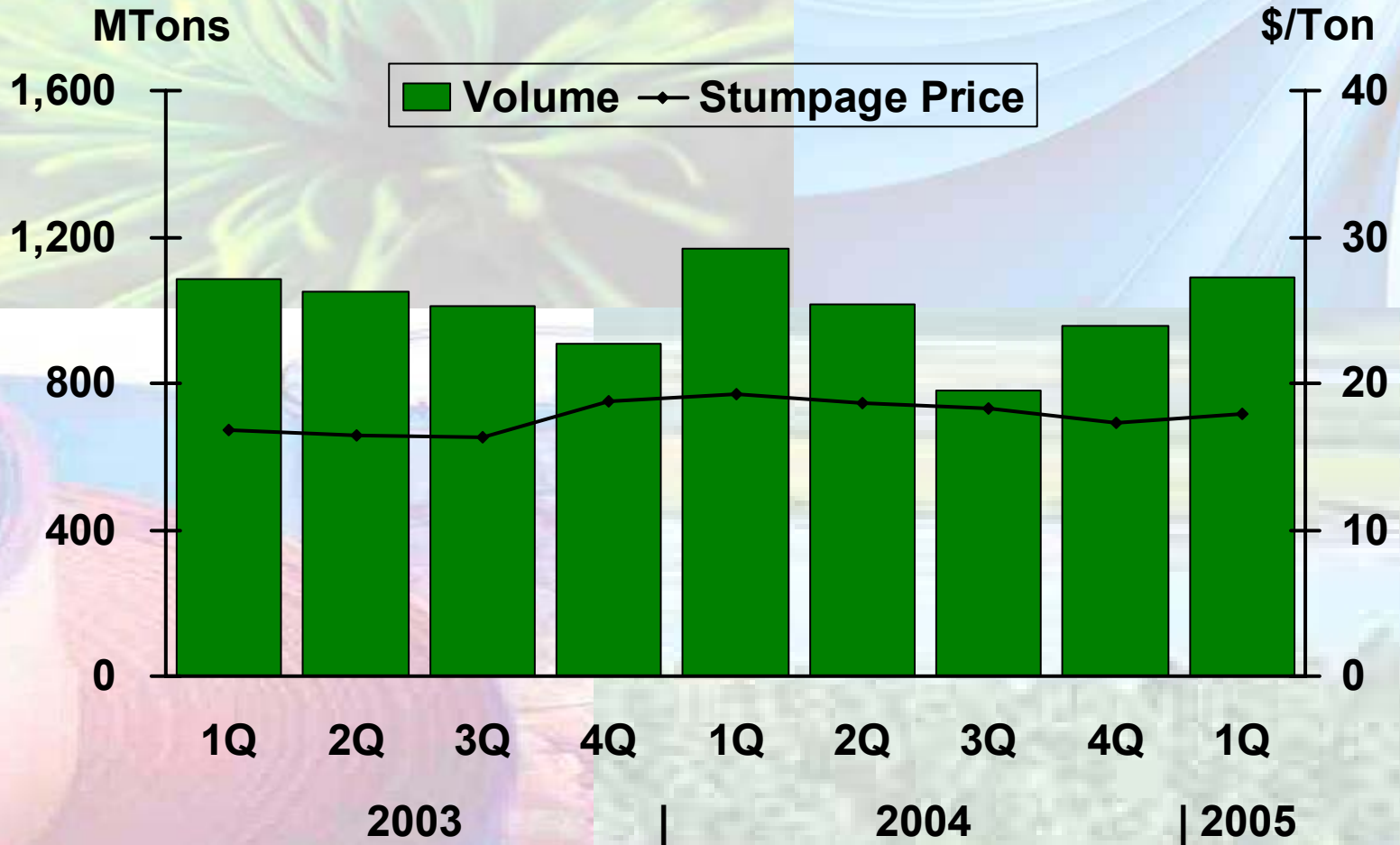
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Markets and Operations

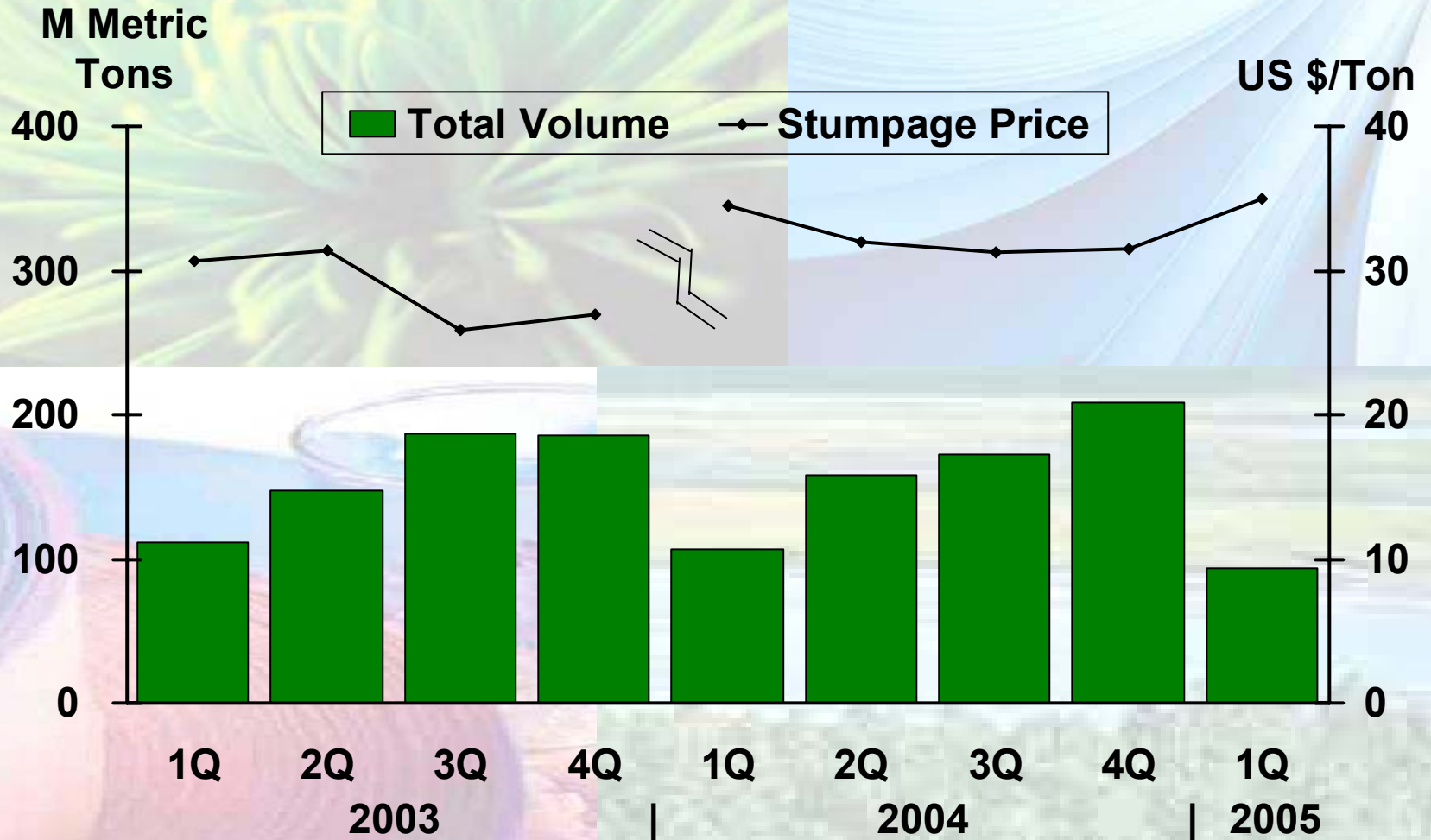
Rayonier Northwest Timber Sales



Rayonier Southeast Pine Timber Sales

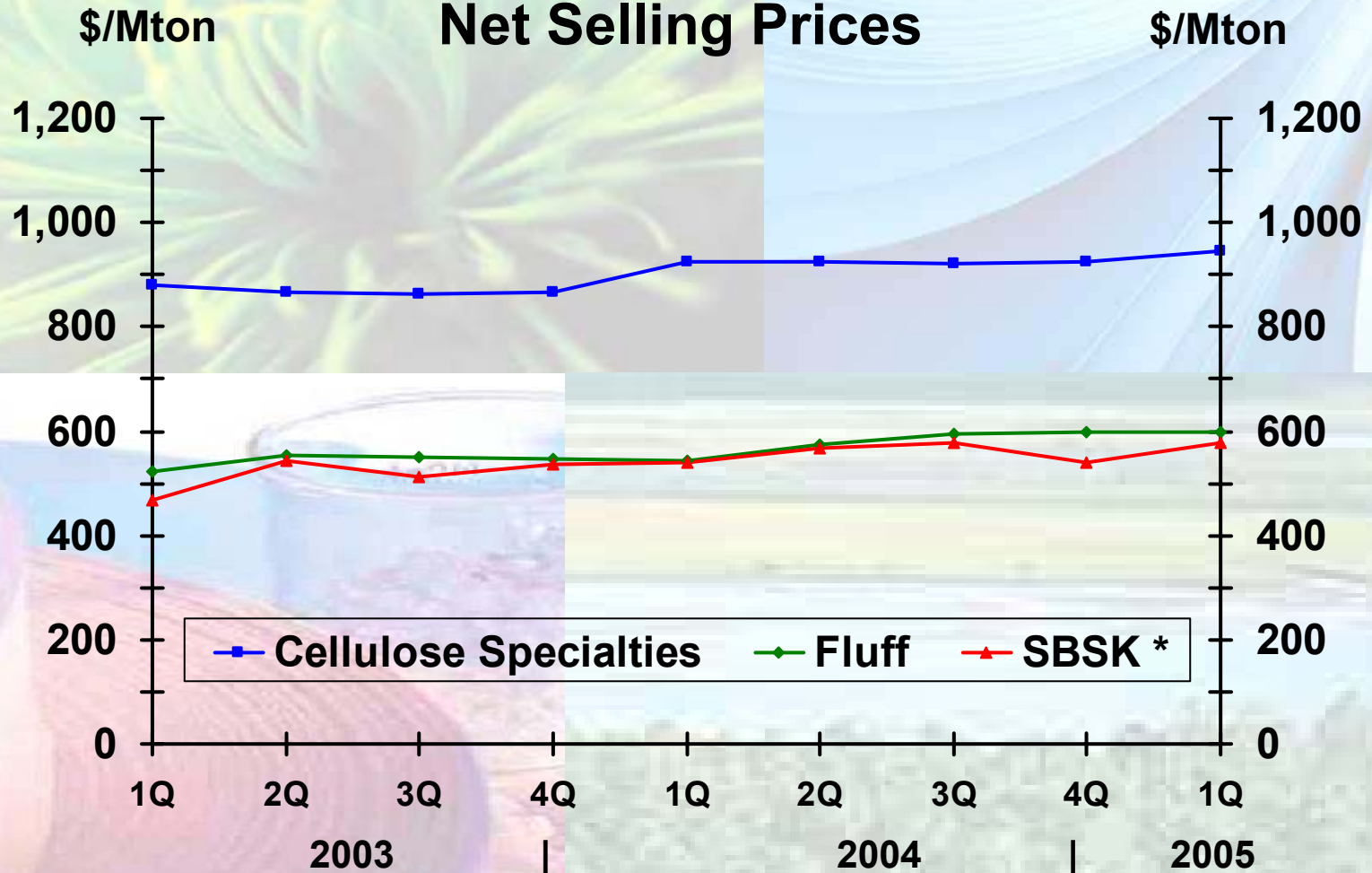


Rayonier New Zealand Timber Sales



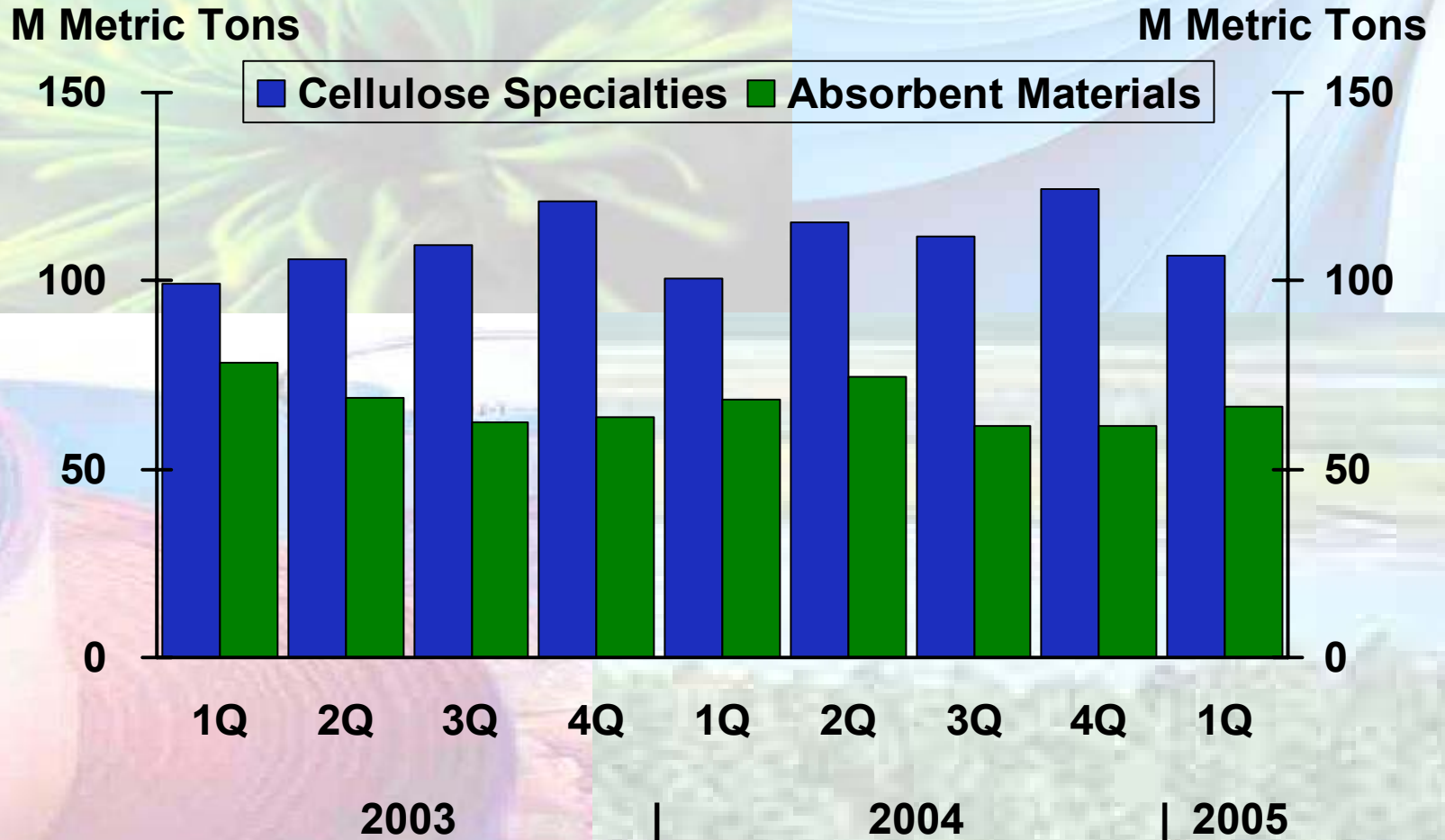
Note: 2004 and 2005 prices exclude lower value timber sold as logs.

Rayonier Performance Fibers Net Selling Prices



* Source: RISI gross price less typical discounts

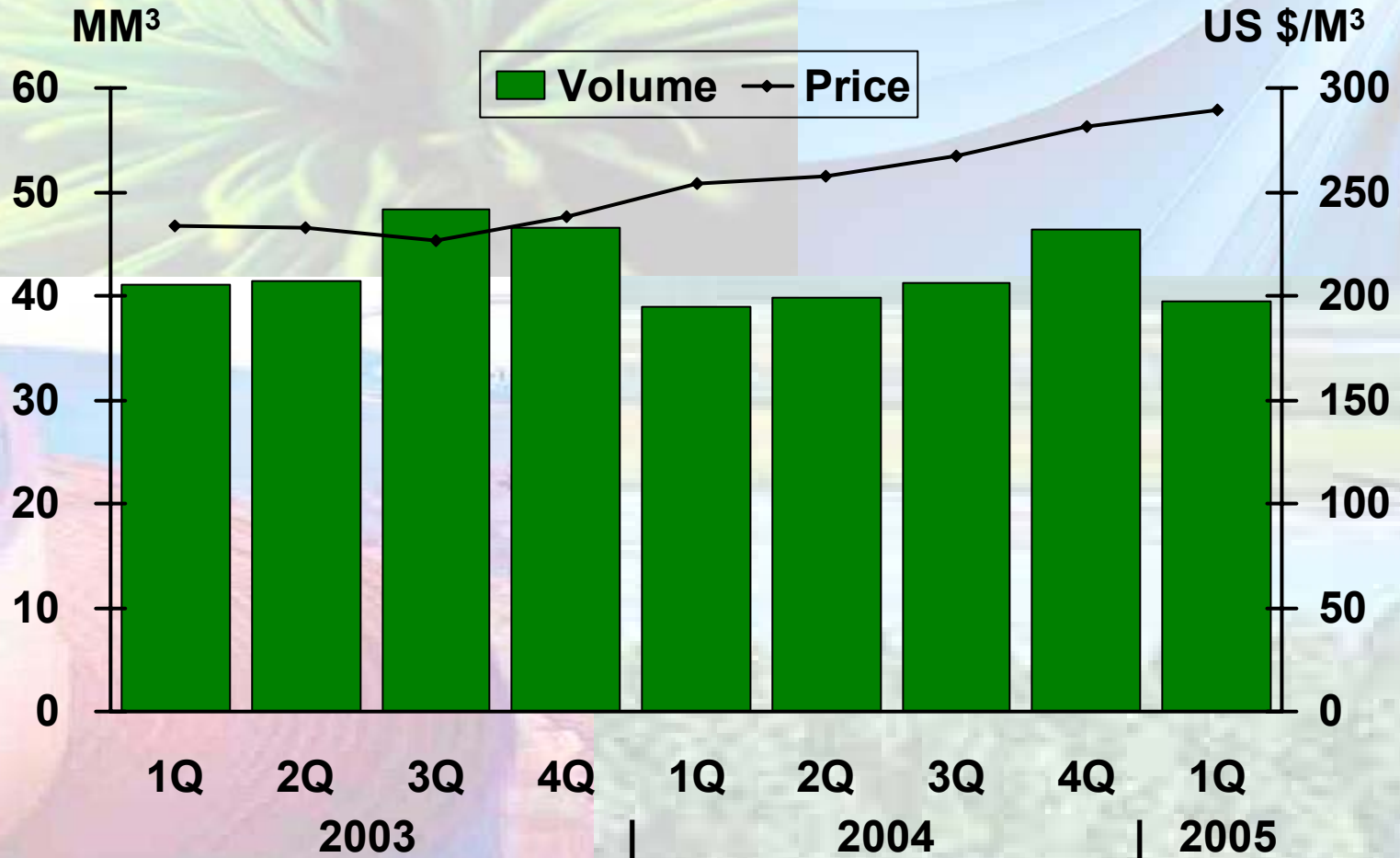
Rayonier Performance Fibers Sales Volumes



Rayonier Wood Products Southeast Lumber



Rayonier Wood Products Medium Density Fiberboard (MDF)



Rayonier Earnings Per Share (\$)

	2005	2004
First Quarter *	0.48	0.51
Second Quarter	?	0.86
Third Quarter		0.47
Fourth Quarter		0.26
Full Year	?	2.10
First Call Estimate for 2005 - 4/25/05	2.01	

1Q to 2Q
 Up | Down ←

* First quarter 2005 excludes IRS tax audit settlement benefit of \$0.19 per share. First quarter 2004 excludes a net tax benefit of \$0.98 per share relating to REIT conversion.



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Appendix

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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.

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Reconciliation of Non-GAAP Measures

(\$ Millions)

	<u>1Q 2005</u>	<u>4Q 2004</u>	<u>1Q 2004</u>
Adjusted EBITDA			
Cash provided by operating activities	\$ 75.8	\$ 61.3	\$ 82.0
Income tax expense (benefit)	0.2	(1.2)	(43.4)
Interest expense	12.3	12.2	11.1
Working capital (decreases) increases	1.5	(8.4)	(18.6)
Other balance sheet changes	(1.4)	(0.3)	57.1
Adjusted EBITDA	<u>\$ 88.4</u>	<u>\$ 63.6</u>	<u>\$ 88.2</u>
Cash Available for Distribution (CAD)			
Cash provided by operating activities	\$ 75.8		\$ 82.0
Capital spending (a)	(20.3)		(19.5)
Change in committed cash	5.5		2.2
Tax benefit on exercise of stock options	(1.0)		(1.1)
Cash Available for Distribution (CAD)	<u>\$ 60.0</u>		<u>\$ 63.6</u>

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

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Reconciliation of Statutory Income Tax to Reported Income Tax

(\$ Millions - Except Percentages)

	Three Months Ended					
	March 31, 2005		December 31, 2004		March 31, 2004	
	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (12.1)	(35.0)	\$ (4.3)	(35.0)	\$ (11.2)	(35.0)
REIT income not subject to federal tax	8.4	24.3	5.4	43.7	6.9	21.5
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(2.7)	(7.7)	(1.6)	(12.9)	(1.8)	(5.7)
State and local income taxes, foreign exchange rate changes and permanent differences	0.7	1.9	4.7	38.1	(0.2)	(0.2)
Income tax (expense) benefit before discrete items *	\$ (5.7)	(16.5)	\$ 4.2	33.9	\$ (6.3)	(19.4)
Exchange rate changes on tax on undistributed foreign earnings	(1.1)	(3.2)	(3.0)	(24.3)	-	-
Non-realizability of New Zealand tax credits on U.S. withholding tax for prior years' intercompany note interest	(2.9)	(8.4)	-	-	-	-
Tax benefit from prior years' audit settlement	9.5	27.6	-	-	-	-
Income tax (expense) benefit *	<u>\$ (0.2)</u>	<u>(0.5)</u>	<u>\$ 1.2</u>	<u>9.6</u>	<u>\$ (6.3)</u>	<u>(19.4)</u>

* First quarter ended March 31, 2004 excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million and additional tax for repatriation of foreign earnings of (\$28.2) million.