# UNITED STATES SECURITIES AND EXCHANGE COMMISSION
## Washington, D.C. 20549

## FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2019

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

**Commission File Number 1-6780**

**RAYONIER INC.**

(Exact name of registrant as specified in its charter)
Incorporated in the State of North Carolina

**I.R.S. Employer Identification No. 13-2607329**

**1 RAYONIER WAY**
**WILDLIGHT, FL 32097**
**(Principal Executive Office)**

**Telephone Number: (904) 357-9100**

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

| Title of each class | Trading Symbol | Exchange |
|---|---|---|
| COMMON SHARES, NO PAR VALUE | RYN | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | |
|---|---|---|
| Large Accelerated Filer ☒ | Accelerated Filer ☐ | |
| Non-accelerated Filer ☐ | Smaller Reporting Company ☐ | Emerging Growth Company ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of October 25, 2019, there were outstanding 129,313,473 Common Shares of the registrant.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

**RAYONIER INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF INCOME**
**AND COMPREHENSIVE INCOME**
**(Unaudited)**
**(Dollars in thousands, except per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **SALES (NOTE 2)** | $156,417 | $200,890 | $532,764 | $649,991 |
| Costs and Expenses | | | | |
| Cost of sales | (134,463) | (143,261) | (418,169) | (466,167) |
| Selling and general expenses | (10,102) | (10,800) | (30,896) | (31,304) |
| Other operating (expense) income, net (Note 16) | (865) | (451) | (2,799) | 2,577 |
| | (145,430) | (154,512) | (451,864) | (494,894) |
| **OPERATING INCOME** | 10,987 | 46,378 | 80,900 | 155,097 |
| Interest expense | (7,996) | (7,838) | (23,629) | (23,992) |
| Interest and other miscellaneous income, net | 788 | 495 | 3,178 | 4,020 |
| **INCOME BEFORE INCOME TAXES** | 3,779 | 39,035 | 60,449 | 135,125 |
| Income tax expense (Note 9) | (2,251) | (8,396) | (10,208) | (22,443) |
| **NET INCOME** | 1,528 | 30,639 | 50,241 | 112,682 |
| Less: Net income attributable to noncontrolling interest | (1,961) | (7,207) | (7,129) | (12,453) |
| **NET (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC.** | (433) | 23,432 | 43,112 | 100,229 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | |
| Foreign currency translation adjustment, net of income tax expense of $0, $0, $0 and $0 | (28,524) | (10,527) | (28,095) | (30,599) |
| Cash flow hedges, net of income tax (benefit) expense of ($888), ($401), ($644) and ($2,012) | (12,424) | 4,142 | (42,629) | 21,285 |
| Amortization of pension and postretirement plans, net of income tax expense of $0, $711, $0 and $711 | 112 | (542) | 337 | (204) |
| Total other comprehensive (loss) | (40,836) | (6,927) | (70,387) | (9,518) |
| **COMPREHENSIVE (LOSS) INCOME** | (39,308) | 23,712 | (20,146) | 103,164 |
| Less: Comprehensive loss (income) attributable to noncontrolling interest | 5,169 | (4,533) | (197) | (4,004) |
| **COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC.** | ($34,139) | $19,179 | ($20,343) | $99,160 |
| **(LOSS) EARNINGS PER COMMON SHARE (NOTE 12)** | | | | |
| Basic (loss) earnings per share attributable to Rayonier Inc. | — | $0.18 | $0.33 | $0.78 |
| Diluted (loss) earnings per share attributable to Rayonier Inc. | — | $0.18 | $0.33 | $0.77 |

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
**(Dollars in thousands)**

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $56,946 | $148,374 |
| Accounts receivable, less allowance for doubtful accounts of $24 and $8 | 26,059 | 26,151 |
| Inventory (Note 17) | 8,352 | 15,703 |
| Prepaid expenses | 14,894 | 17,016 |
| Other current assets | 279 | 609 |
| Total current assets | 106,530 | 207,853 |
| **TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION** | 2,408,310 | 2,401,327 |
| **HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS (NOTE 7)** | 89,456 | 85,609 |
| **PROPERTY, PLANT AND EQUIPMENT** | | |
| Land | 4,131 | 4,131 |
| Buildings | 22,345 | 22,503 |
| Machinery and equipment | 3,680 | 3,534 |
| Construction in progress | 1,223 | 567 |
| Total property, plant and equipment, gross | 31,379 | 30,735 |
| Less — accumulated depreciation | (9,179) | (7,984) |
| Total property, plant and equipment, net | 22,200 | 22,751 |
| **RESTRICTED CASH (NOTE 18)** | 2,988 | 8,080 |
| **RIGHT-OF-USE ASSETS (NOTE 3)** | 97,432 | — |
| **OTHER ASSETS** | 40,162 | 55,046 |
| **TOTAL ASSETS** | $2,767,078 | $2,780,666 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable | $19,556 | $18,019 |
| Accrued taxes | 8,096 | 3,178 |
| Accrued payroll and benefits | 6,559 | 10,416 |
| Accrued interest | 7,976 | 5,007 |
| Deferred revenue | 15,320 | 10,447 |
| Other current liabilities | 26,262 | 16,474 |
| Total current liabilities | 83,769 | 63,541 |
| **LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS (NOTE 6)** | 972,989 | 972,567 |
| **PENSION AND OTHER POSTRETIREMENT BENEFITS (NOTE 15)** | 23,953 | 29,800 |
| **LONG-TERM LEASE LIABILITY (NOTE 3)** | 88,387 | — |
| **OTHER NON-CURRENT LIABILITIES** | 82,359 | 60,208 |
| **COMMITMENTS AND CONTINGENCIES (NOTES 8 and 10)** | | |
| **SHAREHOLDERS' EQUITY** | | |
| Common Shares, 480,000,000 shares authorized,129,311,893 and 129,488,675 shares issued and outstanding | 886,229 | 884,263 |
| Retained earnings | 602,051 | 672,371 |
| Accumulated other comprehensive (loss) income (Note 19) | (63,216) | 239 |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,425,064 | 1,556,873 |
| Noncontrolling interest | 90,557 | 97,677 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,515,621 | 1,654,550 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $2,767,078 | $2,780,666 |

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**(Unaudited)**
**(Dollars in thousands, except share data)**

| | Common Shares | | Retained Earnings | Accumulated Other Comprehensive (Loss) Income | Non-controlling Interest | Shareholders' Equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| **Balance, January 1, 2019** | 129,488,675 | $884,263 | $672,371 | $239 | $97,677 | $1,654,550 |
| Net income | — | — | 24,794 | — | 2,999 | 27,793 |
| Dividends ($0.27 per share) | — | — | (35,049) | — | — | (35,049) |
| Issuance of shares under incentive stock plans | 26,031 | 597 | — | — | — | 597 |
| Stock-based compensation | — | 1,477 | — | — | — | 1,477 |
| Repurchase of common shares | (1,140) | (33) | — | — | — | (33) |
| Amortization of pension and postretirement plan liabilities | — | — | — | 112 | — | 112 |
| Foreign currency translation adjustment | — | — | — | 4,680 | 1,353 | 6,033 |
| Cash flow hedges | — | — | — | (10,884) | 198 | (10,686) |
| Distribution to minority shareholder | — | — | — | — | (3,594) | (3,594) |
| **Balance, March 31, 2019** | 129,513,566 | $886,304 | $662,116 | ($5,853) | $98,633 | $1,641,200 |
| Net income | — | — | 18,752 | — | 2,168 | 20,920 |
| Dividends ($0.27 per share) | — | — | (35,125) | — | — | (35,125) |
| Issuance of shares under incentive stock plans | 250,344 | 177 | — | — | — | 177 |
| Stock-based compensation | — | 2,344 | — | — | — | 2,344 |
| Repurchase of common shares | (134,194) | (4,207) | — | — | — | (4,207) |
| Amortization of pension and postretirement plan liabilities | — | — | — | 112 | — | 112 |
| Foreign currency translation adjustment | — | — | — | (4,305) | (1,299) | (5,604) |
| Cash flow hedges | — | — | — | (19,465) | (54) | (19,519) |
| **Balance, June 30, 2019** | 129,629,716 | $884,618 | $645,743 | ($29,511) | $99,448 | $1,600,298 |
| Net (loss) income | — | — | (433) | — | 1,961 | 1,528 |
| Dividends ($0.27 per share) | — | — | (34,829) | — | — | (34,829) |
| Issuance of shares under incentive stock plans | 2,423 | 57 | — | — | — | 57 |
| Stock-based compensation | — | 1,562 | — | — | — | 1,562 |
| Repurchase of common shares | (320,246) | (8) | (8,430) | — | — | (8,438) |
| Amortization of pension and postretirement plan liabilities | — | — | — | 112 | — | 112 |
| Foreign currency translation adjustment | — | — | — | (21,918) | (6,606) | (28,524) |
| Cash flow hedges | — | — | — | (11,899) | (525) | (12,424) |
| Distribution to minority shareholder | — | — | — | — | (3,721) | (3,721) |
| **Balance, September 30, 2019** | 129,311,893 | $886,229 | $602,051 | ($63,216) | $90,557 | $1,515,621 |

| | Common Shares | | | Accumulated Other | | |
|---|---|---|---|---|---|---|
| | Shares | Amount | Retained Earnings | Comprehensive Income | Non-controlling Interest | Shareholders' Equity |
| **Balance, January 1, 2018** | 128,970,776 | $872,228 | $707,378 | $13,417 | $99,917 | $1,692,940 |
| Net income | — | — | 40,539 | — | 2,167 | 42,706 |
| Dividends ($0.25 per share) | — | — | (32,634) | — | — | (32,634) |
| Issuance of shares under incentive stock plans | 204,336 | 5,455 | — | — | — | 5,455 |
| Stock-based compensation | — | 1,262 | — | — | — | 1,262 |
| Repurchase of common shares | (811) | (18) | — | — | — | (18) |
| Amortization of pension and postretirement plan liabilities | — | — | — | 159 | — | 159 |
| Foreign currency translation adjustment | — | — | — | 7,606 | 2,082 | 9,688 |
| Cash flow hedges | — | — | — | 16,381 | 234 | 16,615 |
| **Balance, March 31, 2018** | 129,174,301 | $878,927 | $715,283 | $37,563 | $104,400 | $1,736,173 |
| Net income | — | — | 36,258 | — | 3,080 | 39,338 |
| Dividends ($0.27 per share) | — | — | (35,213) | — | — | (35,213) |
| Issuance of shares under incentive stock plans | 357,139 | 2,369 | — | — | — | 2,369 |
| Stock-based compensation | — | 2,212 | — | — | — | 2,212 |
| Repurchase of common shares | (80,172) | (2,948) | — | — | — | (2,948) |
| Amortization of pension and postretirement plan liabilities | — | — | — | 178 | — | 178 |
| Foreign currency translation adjustment | — | — | — | (22,857) | (6,903) | (29,760) |
| Cash flow hedges | — | — | — | 1,717 | (1,189) | 529 |
| **Balance, June 30, 2018** | 129,451,268 | $880,560 | $716,328 | $16,601 | $99,388 | $1,712,877 |
| Cumulative-effect adjustment due to adoption of ASU No. 2018-02 | — | — | $711 | ($711) | — | — |
| Net income | — | — | 23,432 | — | 7,207 | 30,639 |
| Dividends ($0.27 per share) | — | — | (34,940) | — | — | (34,940) |
| Issuance of shares under incentive stock plans | 16,382 | 392 | — | — | — | 392 |
| Stock-based compensation | — | 1,483 | — | — | — | 1,483 |
| Repurchase of common shares | (413) | (14) | — | — | — | (14) |
| Amortization of pension and postretirement plan liabilities | — | — | — | 169 | — | 169 |
| Foreign currency translation adjustment | — | — | — | (8,090) | (2,437) | (10,527) |
| Cash flow hedges | — | — | — | 4,379 | (237) | 4,142 |
| Distribution to minority shareholder | — | — | — | — | (3,122) | (3,122) |
| **Balance, September 30, 2018** | 129,467,237 | $882,421 | $705,531 | $12,348 | $100,799 | $1,701,099 |

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(Dollars in thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| **OPERATING ACTIVITIES** | | |
| Net income | $50,241 | $112,682 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 91,939 | 115,726 |
| Non-cash cost of land and improved development | 9,985 | 17,051 |
| Stock-based incentive compensation expense | 5,383 | 4,957 |
| Deferred income taxes | 8,133 | 21,019 |
| Amortization of losses from pension and postretirement plans | 337 | 507 |
| Other | (760) | 3,470 |
| Changes in operating assets and liabilities: | | |
| Receivables | (1,839) | (15,261) |
| Inventories | (1,107) | 1,085 |
| Accounts payable | 2,021 | (825) |
| All other operating activities | (140) | 640 |
| CASH PROVIDED BY OPERATING ACTIVITIES | 164,193 | 261,051 |
| **INVESTING ACTIVITIES** | | |
| Capital expenditures | (45,271) | (44,137) |
| Real estate development investments | (3,349) | (6,889) |
| Purchase of timberlands | (81,913) | (38,978) |
| Other | (2,219) | 2,132 |
| CASH USED FOR INVESTING ACTIVITIES | (132,752) | (87,872) |
| **FINANCING ACTIVITIES** | | |
| Issuance of debt | — | 1,014 |
| Repayment of debt | — | (54,416) |
| Dividends paid | (106,125) | (101,839) |
| Proceeds from the issuance of common shares under incentive stock plan | 831 | 8,216 |
| Repurchase of common shares | (4,249) | (2,980) |
| Repurchase of common shares made under repurchase program | (8,430) | — |
| Proceeds from shareholder distribution hedge | 135 | 610 |
| Distribution to minority shareholder | (7,315) | (3,122) |
| CASH USED FOR FINANCING ACTIVITIES | (125,153) | (152,517) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | (2,808) | (1,341) |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | | |
| Change in cash, cash equivalents and restricted cash | (96,520) | 19,321 |
| Balance, beginning of year | 156,454 | 172,356 |
| Balance, end of period | $59,934 | $191,677 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | | |
| Cash paid during the period: | | |
| Interest (a) | $20,578 | $20,910 |
| Income taxes | 1,352 | 824 |
| Non-cash investing activity: | | |
| Capital assets purchased on account | 2,271 | 2,848 |

(a) Interest paid is presented net of patronage payments received of $4.0 million and $4.1 million for the nine months ended September 30, 2019 and September 30, 2018, respectively. For additional information on patronage payments, see Note 5 — Debt in the 2018 Form 10-K.

See Notes to Consolidated Financial Statements.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 1. BASIS OF PRESENTATION

The unaudited consolidated financial statements and notes thereto of Rayonier Inc. and its subsidiaries (“Rayonier” or the “Company”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the “SEC”). The year-end balance sheet information was derived from audited financial statements not included herein. In the opinion of management, these financial statements and notes reflect any adjustments (all of which are normal recurring adjustments) necessary for a fair presentation of the results of operations, financial position and cash flows for the periods presented. These statements and notes should be read in conjunction with the financial statements and supplementary data included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC (the “2018 Form 10-K”).

## SUMMARY OF UPDATES TO SIGNIFICANT ACCOUNTING POLICIES

For information on updated significant accounting policies due to the adoption of ASC 842, see Note 3 — Leases. For a full description of our other significant accounting policies, see Note 1 — *Basis of Presentation* in the 2018 Form 10-K.

## RECENTLY ADOPTED STANDARDS

### *ASU 2016-02 (ASC 842)*

The Company adopted Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*, on January 1, 2019 and elected to apply the standard as of that day. As such, the Consolidated Balance Sheet as of September 30, 2019 includes right-of-use assets and lease liabilities related to the rights and obligations created by the Company’s long-term leases. Prior periods have not been restated.

The Company applied the following practical expedients in the transition to the new standard as allowed under ASC 842-10-65-1:

| Practical Expedient | Description |
|---|---|
| Reassessment of expired or existing contracts | The Company elected not to reassess, at the application date, whether any expired or existing contracts contained leases, the lease classification for any expired or existing leases, and the accounting for initial direct costs for any existing leases. |
| Use of hindsight | The Company elected to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of right-of-use assets. |
| Reassessment of existing or expired land easements | The Company elected not to evaluate existing or expired land easements that were not previously accounted for as leases under ASC 840, as allowed under the transition practical expedient. Going forward, new or modified land easements will be evaluated under ASU No. 2016-02. |

See Note 3 — Leases for additional qualitative and quantitative disclosures required under ASU No. 2016-02.

## OTHER RECENTLY ADOPTED STANDARDS

The Company adopted ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* in the first quarter ended March 31, 2019 with no material impact on the consolidated financial statements.

The Company adopted ASU No 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Payment Accounting* in the first quarter ended March 31, 2019 with no impact on the consolidated financial statements.

(Dollar amounts in thousands unless otherwise stated)

## NEW ACCOUNTING STANDARDS

During the nine months ended September 30, 2019, the Financial Accounting Standards Board ("FASB") has not issued any Accounting Standard Updates which are expected to have a material retrospective or future effect on the consolidated financial statements.

## SUBSEQUENT EVENTS

The Company has evaluated events occurring from September 30, 2019 to the date of issuance of these Consolidated Financial Statements for potential recognition or disclosure in the consolidated financial statements. No events were identified that warranted recognition or disclosure.

## 2. REVENUE

### *PERFORMANCE OBLIGATIONS*

The Company recognizes revenues when control of promised goods or services ("performance obligations") is transferred to customers, in an amount that reflects the consideration expected in exchange for those goods or services ("transaction price"). The Company generally satisfies performance obligations within a year of entering into a contract and therefore has applied the disclosure exemption found under ASC 606-10-50-14. Unsatisfied performance obligations as of September 30, 2019 are primarily due to advances on stumpage contracts and unearned license revenue. These performance obligations are expected to be satisfied within the next twelve months. The Company generally collects payment within a year of satisfying performance obligations and therefore has elected not to adjust revenues for a financing component.

### *CONTRACT BALANCES*

The timing of revenue recognition, invoicing and cash collections results in accounts receivable and deferred revenue (contract liabilities) on the Consolidated Balance Sheets. Accounts receivable are recorded when the Company has an unconditional right to consideration for completed performance under the contract. Contract liabilities relate to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Company performs under the contract.

The following table summarizes revenue recognized during the three and nine months ended September 30, 2019 and 2018 that was included in the contract liability balance at the beginning of each year:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue recognized from contract liability balance at the beginning of the year (a) | $874 | $355 | $9,670 | $8,685 |

(a) Revenue recognized was primarily from hunting licenses and the use of advances on pay-as-cut timber sales.

(Dollar amounts in thousands unless otherwise stated)

The following tables present our revenue from contracts with customers disaggregated by product type for the three and nine months ended September 30, 2019 and 2018:

| Three Months Ended | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Elim. | Total |
|---|---|---|---|---|---|---|---|
| **September 30, 2019** | | | | | | | |
| Pulpwood | $19,093 | $2,109 | $7,930 | — | $2,795 | — | $31,927 |
| Sawtimber | 11,581 | 16,064 | 51,415 | — | 22,214 | — | 101,274 |
| Hardwood | 2,338 | — | — | — | — | — | 2,338 |
| **Total Timber Sales** | 33,012 | 18,173 | 59,345 | — | 25,009 | — | 135,539 |
| License Revenue, Primarily From Hunting | 4,351 | 199 | 91 | — | — | — | 4,641 |
| Other Non-Timber/Carbon Revenue | 3,919 | 394 | 2,563 | — | — | — | 6,876 |
| Agency Fee Income | — | — | — | — | 149 | — | 149 |
| **Total Non-Timber Sales** | 8,270 | 593 | 2,654 | — | 149 | — | 11,666 |
| Improved Development | — | — | — | 4,492 | — | — | 4,492 |
| Rural | — | — | — | 3,841 | — | — | 3,841 |
| Non-strategic / Timberlands | — | — | — | 428 | — | — | 428 |
| Other | — | — | — | 451 | — | — | 451 |
| **Total Real Estate Sales** | — | — | — | 9,212 | — | — | 9,212 |
| | | | | | | | |
| Revenue from Contracts with Customers | 41,282 | 18,766 | 61,999 | 9,212 | 25,158 | — | 156,417 |
| Intersegment | — | — | — | — | 34 | (34) | — |
| **Total Revenue** | $41,282 | $18,766 | $61,999 | $9,212 | $25,192 | ($34) | $156,417 |
| | | | | | | | |
| **September 30, 2018** | | | | | | | |
| Pulpwood | $19,998 | $3,560 | $7,278 | — | $2,487 | — | $33,323 |
| Sawtimber | 13,734 | 23,495 | 56,663 | — | 28,321 | — | 122,213 |
| Hardwood | 1,071 | — | — | — | — | — | 1,071 |
| **Total Timber Sales** | 34,803 | 27,055 | 63,941 | — | 30,808 | — | 156,607 |
| License Revenue, Primarily from Hunting | 4,016 | 224 | 98 | — | — | — | 4,338 |
| Other Non-Timber/Carbon Revenue | 843 | 536 | 2,226 | — | — | — | 3,605 |
| Agency Fee Income | — | — | — | — | 172 | — | 172 |
| **Total Non-Timber Sales** | 4,859 | 760 | 2,324 | — | 172 | — | 8,115 |
| Improved Development | — | — | — | 1,352 | — | — | 1,352 |
| Unimproved Development | — | — | — | 1,175 | — | — | 1,175 |
| Rural | — | — | — | 4,489 | — | — | 4,489 |
| Non-strategic / Timberlands | — | — | — | 29,152 | — | — | 29,152 |
| **Total Real Estate Sales** | — | — | — | 36,168 | — | — | 36,168 |
| | | | | | | | |
| Revenue from Contracts with Customers | 39,662 | 27,815 | 66,265 | 36,168 | 30,980 | — | 200,890 |
| Intersegment | — | — | — | — | 30 | (30) | — |
| **Total Revenue** | $39,662 | $27,815 | $66,265 | $36,168 | $31,010 | ($30) | $200,890 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| Nine Months Ended | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Elim. | Total |
|---|---|---|---|---|---|---|---|
| **September 30, 2019** | | | | | | | |
| Pulpwood | $65,202 | $7,196 | $25,278 | — | $10,947 | — | $108,623 |
| Sawtimber | 51,019 | 48,748 | 149,705 | — | 81,104 | — | 330,576 |
| Hardwood | 4,816 | — | — | — | — | — | 4,816 |
| **Total Timber Sales** | 121,037 | 55,944 | 174,983 | — | 92,051 | — | 444,015 |
| License Revenue, Primarily From Hunting | 12,772 | 404 | 287 | — | — | — | 13,463 |
| Other Non-Timber/Carbon Revenue | 14,516 | 1,508 | 5,987 | — | — | — | 22,011 |
| Agency Fee Income | — | — | — | — | 531 | — | 531 |
| **Total Non-Timber Sales** | 27,288 | 1,912 | 6,274 | — | 531 | — | 36,005 |
| Improved Development | — | — | — | 5,007 | — | — | 5,007 |
| Unimproved Development | — | — | — | 15,430 | — | — | 15,430 |
| Rural | — | — | — | 23,304 | — | — | 23,304 |
| Non-strategic / Timberlands | — | — | — | 8,484 | — | — | 8,484 |
| Other | — | — | — | 519 | — | — | 519 |
| **Total Real Estate Sales** | — | — | — | 52,744 | — | — | 52,744 |
| | | | | | | | |
| Revenue from Contracts with Customers | 148,325 | 57,856 | 181,257 | 52,744 | 92,582 | — | 532,764 |
| Intersegment | — | — | — | — | 137 | (137) | — |
| **Total Revenue** | $148,325 | $57,856 | $181,257 | $52,744 | $92,719 | ($137) | $532,764 |
| | | | | | | | |
| **September 30, 2018** | | | | | | | |
| Pulpwood | $61,898 | $11,648 | $20,910 | — | $10,548 | — | $105,004 |
| Sawtimber | 45,452 | 77,172 | 162,627 | — | 105,309 | — | 390,560 |
| Hardwood | 2,882 | — | — | — | — | — | 2,882 |
| **Total Timber Sales** | 110,232 | 88,820 | 183,537 | — | 115,857 | — | 498,446 |
| License Revenue, Primarily from Hunting | 12,137 | 450 | 292 | — | — | — | 12,879 |
| Other Non-Timber/Carbon Revenue | 8,929 | 2,132 | 5,053 | — | — | — | 16,114 |
| Agency Fee Income | — | — | — | — | 460 | — | 460 |
| **Total Non-Timber Sales** | 21,066 | 2,582 | 5,345 | — | 460 | — | 29,453 |
| Improved Development | — | — | — | 3,817 | — | — | 3,817 |
| Unimproved Development | — | — | — | 8,621 | — | — | 8,621 |
| Rural | — | — | — | 10,969 | — | — | 10,969 |
| Non-strategic / Timberlands | — | — | — | 98,685 | — | — | 98,685 |
| **Total Real Estate Sales** | — | — | — | 122,092 | — | — | 122,092 |
| | | | | | | | |
| Revenue from Contracts with Customers | 131,298 | 91,402 | 188,882 | 122,092 | 116,317 | — | 649,991 |
| Intersegment | — | — | — | — | 66 | (66) | — |
| **Total Revenue** | $131,298 | $91,402 | $188,882 | $122,092 | $116,383 | ($66) | $649,991 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

The following tables present our timber sales disaggregated by contract type for the three and nine months ended September 30, 2019 and 2018:

| Three Months Ended | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Trading | Total |
|---|---|---|---|---|---|
| **September 30, 2019** | | | | | |
| Stumpage Pay-as-Cut | $13,077 | — | — | — | $13,077 |
| Stumpage Lump Sum | 1,677 | — | — | — | 1,677 |
| Total Stumpage | 14,754 | — | — | — | 14,754 |
| | | | | | |
| Delivered Wood (Domestic) | 16,597 | 18,173 | 22,722 | 624 | 58,116 |
| Delivered Wood (Export) | 1,661 | — | 36,623 | 24,385 | 62,669 |
| Total Delivered | 18,258 | 18,173 | 59,345 | 25,009 | 120,785 |
| | | | | | |
| Total Timber Sales | $33,012 | $18,173 | $59,345 | $25,009 | $135,539 |
| | | | | | |
| **September 30, 2018** | | | | | |
| Stumpage Pay-as-Cut | $16,984 | — | — | — | $16,984 |
| Stumpage Lump Sum | 284 | 2,143 | — | — | 2,427 |
| Total Stumpage | 17,268 | 2,143 | — | — | 19,411 |
| | | | | | |
| Delivered Wood (Domestic) | 15,856 | 24,912 | 24,771 | 1,813 | 67,352 |
| Delivered Wood (Export) | 1,679 | — | 39,170 | 28,995 | 69,844 |
| Total Delivered | 17,535 | 24,912 | 63,941 | 30,808 | 137,196 |
| | | | | | |
| Total Timber Sales | $34,803 | $27,055 | $63,941 | $30,808 | $156,607 |

| Nine Months Ended | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Trading | Total |
|---|---|---|---|---|---|
| **September 30, 2019** | | | | | |
| Stumpage Pay-as-Cut | $56,257 | — | — | — | $56,257 |
| Stumpage Lump Sum | 4,353 | — | — | — | 4,353 |
| Total Stumpage | 60,610 | — | — | — | 60,610 |
| | | | | | |
| Delivered Wood (Domestic) | 52,977 | 55,944 | 65,161 | 5,417 | 179,499 |
| Delivered Wood (Export) | 7,450 | — | 109,822 | 86,634 | 203,906 |
| Total Delivered | 60,427 | 55,944 | 174,983 | 92,051 | 383,405 |
| | | | | | |
| Total Timber Sales | $121,037 | $55,944 | $174,983 | $92,051 | $444,015 |
| | | | | | |
| **September 30, 2018** | | | | | |
| Stumpage Pay-as-Cut | $59,348 | — | — | — | $59,348 |
| Stumpage Lump Sum | 2,358 | 11,854 | — | — | 14,212 |
| Total Stumpage | 61,706 | 11,854 | — | — | 73,560 |
| | | | | | |
| Delivered Wood (Domestic) | 44,399 | 76,966 | 70,521 | 4,317 | 196,203 |
| Delivered Wood (Export) | 4,127 | — | 113,016 | 111,540 | 228,683 |
| Total Delivered | 48,526 | 76,966 | 183,537 | 115,857 | 424,886 |
| | | | | | |
| Total Timber Sales | $110,232 | $88,820 | $183,537 | $115,857 | $498,446 |

(Dollar amounts in thousands unless otherwise stated)

## 3. LEASES

### *ADOPTION OF ASC 842*

For information on the adoption of ASC 842, including required transition disclosures, see Note 1 — Basis of Presentation.

### *TIMBERLAND LEASES*

U.S. timberland leases typically have initial terms of approximately 30 to 65 years, with renewal provisions in some cases. New Zealand timberland lease terms typically range between 30 and 99 years. New Zealand lease arrangements generally consist of Crown Forest Licenses (“CFLs”), forestry rights and land leases. A CFL is a license arrangement to use government or privately owned land to operate a commercial forest. CFLs generally extend indefinitely and may only be terminated upon a 35-year termination notice. If no termination notice is given, the CFLs renew automatically each year for a one-year term. Alternatively, some CFLs extend for a specific term. Once a CFL is terminated, the Company may be able to obtain a forestry right from the subsequent owner. A forestry right is a license arrangement with a private entity to use their lands to operate a commercial forest. Forestry rights terminate either upon the issuance of a termination notice (which can last 35 to 45 years), completion of harvest, or a specified termination date.

As of September 30, 2019, the New Zealand subsidiary has two CFLs comprising 9,000 acres under termination notice that are being relinquished as harvest activities are concluded, as well as two fixed-term CFLs comprising 3,000 acres expiring in 2062. Additionally, the New Zealand subsidiary has two forestry rights comprising 32,000 acres under termination notice that are being relinquished as harvest activities are concluded.

### *OTHER NON-TIMBERLAND LEASES*

In addition to timberland holdings, the Company leases properties for certain office locations. Significant leased properties include a regional office in Lufkin, Texas; a Pacific Northwest Timber office in Hoquiam, Washington and a New Zealand Timber and Trading headquarters in Auckland, New Zealand.

### *LEASE MATURITIES, LEASE COST AND OTHER LEASE INFORMATION*

The following table details the Company’s undiscounted lease obligations as of September 30, 2019 by type of lease and year of expiration:

| | | Year of Expiration | | | | | |
|---|---|---|---|---|---|---|---|
| **Lease obligations** | **Total** | **Remaining 2019** | **2020** | **2021** | **2022** | **2023** | **Thereafter** |
| Operating lease liabilities | $185,166 | $4,164 | $9,595 | $8,869 | $8,020 | $7,991 | $146,527 |
| **Total Undiscounted Cash Flows** | $185,166 | $4,164 | $9,595 | $8,869 | $8,020 | $7,991 | $146,527 |
| Imputed interest | (87,239) | | | | | | |
| **Balance at September 30, 2019** | 97,927 | | | | | | |
| Less: Current portion | (9,540) | | | | | | |
| **Non-current portion at September 30, 2019** | $88,387 | | | | | | |

(Dollar amounts in thousands unless otherwise stated)

The following table details components of the Company's lease cost for the three and nine months ended September 30, 2019:

| Lease Cost Components | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Operating lease cost | $1,959 | $6,791 |
| Variable lease cost (a) | 54 | 211 |
| Total lease cost (b) | $2,013 | $7,002 |

(a) The majority of timberland leases are subject to increases or decreases based on either the Consumer Price Index, Producer Price Index or market rates.
(b) Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases are expensed on a straight line basis over the lease term. Short-term lease expense was not material for the three and nine months ended September 30,2019.

The following table details components of the Company's lease cost for the nine months ended September 30, 2019:

| Supplemental cash flow information related to leases: | Nine Months Ended September 30, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows from operating leases | $2,152 |
| Investing cash flows from operating leases | 4,639 |
| **Total cash flows from operating leases** | $6,791 |
| | |
| Weighted-average remaining lease term in years - operating leases | 28 |
| Weighted-average discount rate - operating leases | 5% |

The Company applied the following practical expedients upon adoption of the the new standard as allowed under ASC 842:

| Practical Expedient | Description |
|---|---|
| Short-term leases | The Company does not record right-of-use assets or lease liabilities for short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that is reasonably certain to be exercised). |
| Separation of lease and non-lease components | The Company does not separate non-lease components from the associated lease components if they have the same timing and pattern of transfer and, if accounted for separately, would both be classified as an operating lease. |

## 4. NEW ZEALAND SUBSIDIARY

The Company maintains a 77% controlling financial interest in Matariki Forestry Group (the "New Zealand subsidiary"), a joint venture that owns or leases approximately 414,000 legal acres of New Zealand timberland. Accordingly, the Company consolidates the New Zealand subsidiary's balance sheet and results of operations. The portions of the consolidated financial position and results of operations attributable to the New Zealand subsidiary's 23% noncontrolling interest are shown separately within the Consolidated Statements of Income and Comprehensive Income and Consolidated Statements of Shareholders' Equity. Rayonier New Zealand Limited ("RNZ"), a wholly-owned subsidiary of Rayonier Inc., serves as the manager of the New Zealand subsidiary.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

## 5. SEGMENT AND GEOGRAPHICAL INFORMATION

Sales between operating segments are made based on estimated fair market value, and intercompany sales, purchases and profits (losses) are eliminated in consolidation. The Company evaluates financial performance based on segment operating income (loss) and Adjusted EBITDA. Asset information is not reported by segment, as the Company does not produce asset information by segment internally.

Operating income as presented in the Consolidated Statements of Income and Comprehensive Income is equal to segment income. Certain income (loss) items in the Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include interest income (expense), miscellaneous income (expense) and income tax expense, are not considered by management to be part of segment operations and are included under "unallocated interest expense and other."

The following tables summarize the segment information for the three and nine months ended September 30, 2019 and 2018:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **SALES** | **2019** | **2018** | **2019** | **2018** |
| Southern Timber | $41,282 | $39,662 | $148,325 | $131,298 |
| Pacific Northwest Timber | 18,766 | 27,815 | 57,856 | 91,402 |
| New Zealand Timber | 61,999 | 66,265 | 181,257 | 188,882 |
| Real Estate | 9,212 | 36,168 | 52,744 | 122,092 |
| Trading | 25,192 | 31,010 | 92,719 | 116,383 |
| Intersegment Eliminations | (34) | (30) | (137) | (66) |
| Total | $156,417 | $200,890 | $532,764 | $649,991 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **OPERATING INCOME (LOSS)** | **2019** | **2018** | **2019** | **2018** |
| Southern Timber | $9,512 | $9,183 | $45,773 | $37,061 |
| Pacific Northwest Timber | (3,567) | 1,911 | (11,123) | 12,209 |
| New Zealand Timber | 10,104 | 16,416 | 38,621 | 50,141 |
| Real Estate | 425 | 24,726 | 25,920 | 71,645 |
| Trading | (37) | 304 | 271 | 680 |
| Corporate and Other | (5,450) | (6,162) | (18,562) | (16,639) |
| Total Operating Income | 10,987 | 46,378 | 80,900 | 155,097 |
| Unallocated interest expense and other | (7,208) | (7,343) | (20,451) | (19,972) |
| Total Income before Income Taxes | $3,779 | $39,035 | $60,449 | $135,125 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **DEPRECIATION, DEPLETION AND AMORTIZATION** | **2019** | **2018** | **2019** | **2018** |
| Southern Timber | $13,025 | $13,672 | $45,633 | $44,591 |
| Pacific Northwest Timber | 6,299 | 7,802 | 19,170 | 26,687 |
| New Zealand Timber | 7,563 | 7,544 | 21,071 | 21,287 |
| Real Estate | 668 | 5,491 | 5,202 | 22,296 |
| Corporate and Other | 291 | 297 | 863 | 865 |
| Total | $27,846 | $34,806 | $91,939 | $115,726 |

(Dollar amounts in thousands unless otherwise stated)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| NON-CASH COST OF LAND AND IMPROVED DEVELOPMENT | 2019 | 2018 | 2019 | 2018 |
| Real Estate | $4,339 | $2,115 | $9,985 | $17,051 |
| Total | $4,339 | $2,115 | $9,985 | $17,051 |

## 6. DEBT

Rayonier's debt consisted of the following at September 30, 2019:

| | September 30, 2019 |
|---|---|
| Term Credit Agreement borrowings due 2024 at a variable interest rate of 3.7% at September 30, 2019 (a) | $350,000 |
| Senior Notes due 2022 at a fixed interest rate of 3.75% | 325,000 |
| Incremental Term Loan Agreement borrowings due 2026 at a variable interest rate of 4.0% at September 30, 2019 (b) | 300,000 |
| Total debt | 975,000 |
| Less: Deferred financing costs | (2,011) |
| Long-term debt, net of deferred financing costs | $972,989 |

(a) As of September 30, 2019, the periodic interest rate on the term loan facility was LIBOR plus 1.625%. The Company estimates the effective fixed interest rate on the term loan facility to be approximately 3.3% after consideration of interest rate swaps and estimated patronage refunds.

(b) As of September 30, 2019, the periodic interest rate on the incremental term loan was LIBOR plus 1.900%. The Company estimates the effective fixed interest rate on the incremental term loan facility to be approximately 2.8% after consideration of interest rate swaps and estimated patronage refunds.

Principal payments due during the next five years and thereafter are as follows:

| | |
|---|---|
| 2019 | — |
| 2020 | — |
| 2021 | — |
| 2022 | 325,000 |
| 2023 | — |
| Thereafter | 650,000 |
| Total Debt | $975,000 |

### *2019 DEBT ACTIVITY*

During the nine months ended September 30, 2019, the Company made no borrowings or repayments on its Revolving Credit Facility**.** At September 30, 2019, the Company had available borrowings of $198.4 million under the Revolving Credit Facility, net of $1.6 million to secure its outstanding letters of credit.

During the nine months ended September 30, 2019, the New Zealand subsidiary made no borrowings or repayments on its working capital facility. At September 30, 2019, the New Zealand subsidiary had NZ$20.0 million of available borrowings under its working capital facility.

(Dollar amounts in thousands unless otherwise stated)

*DEBT COVENANTS*

In connection with the Company's $350 million term credit agreement (the "Term Credit Agreement"), $300 million incremental term loan agreement (the "Incremental Term Loan Agreement") and $200 million revolving credit facility (the "Revolving Credit Facility"), customary covenants must be met, the most significant of which include interest coverage and leverage ratios.

In addition to these financial covenants listed above, the Senior Notes, Term Credit Agreement, Incremental Term Loan Agreement and Revolving Credit Facility include customary covenants that limit the incurrence of debt and the disposition of assets, among others. At September 30, 2019, the Company was in compliance with all applicable covenants.

## 7. HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS

Rayonier continuously assesses potential alternative uses of its timberlands, as some properties may become more valuable for development, residential, recreation or other purposes. The Company periodically transfers, via a sale or contribution from the real estate investment trust ("REIT") entities to taxable REIT subsidiaries ("TRS"), higher and better use ("HBU") timberlands to enable land-use entitlement, development or marketing activities. The Company also acquires HBU properties in connection with timberland acquisitions. These properties are managed as timberlands until sold or developed. While the majority of HBU sales involve rural and recreational land, the Company also selectively pursues various land-use entitlements on certain properties for residential, commercial and industrial development in order to enhance the long-term value of such properties. For selected development properties, Rayonier also invests in targeted infrastructure improvements, such as roadways and utilities, to accelerate the marketability and improve the value of such properties.

Changes in higher and better use timberlands and real estate development investments from December 31, 2018 to September 30, 2019 are shown below:

| | Higher and Better Use Timberlands and Real Estate Development Investments | | |
|---|---|---|---|
| | Land and Timber | Development Investments | Total |
| **Non-current portion at December 31, 2018** | $59,189 | $26,420 | $85,609 |
| Plus: Current portion (a) | 4,239 | 7,680 | 11,919 |
| **Total Balance at December 31, 2018** | 63,428 | 34,100 | 97,528 |
| Non-cash cost of land and improved development | (1,432) | (4,135) | (5,567) |
| Timber depletion from harvesting activities and basis of timber sold in real estate sales | (2,301) | — | (2,301) |
| Capitalized real estate development investments (b) | — | 3,349 | 3,349 |
| Capital expenditures (silviculture) | 166 | — | 166 |
| Intersegment transfers | 76 | — | 76 |
| **Total Balance at September 30, 2019** | 59,937 | 33,314 | 93,251 |
| Less: Current portion (a) | (341) | (3,454) | (3,795) |
| **Non-current portion at September 30, 2019** | $59,596 | $29,860 | $89,456 |

(a) The current portion of Higher and Better Use Timberlands and Real Estate Development Investments is recorded in Inventory. See Note 17 — Inventory for additional information.

(b) Capitalized real estate development investments include $0.3 million of capitalized interest.

(Dollar amounts in thousands unless otherwise stated)

## 8. COMMITMENTS

At September 30, 2019, the future minimum payments under non-cancellable commitments were as follows:

| | Development Projects (a) | Pension Contributions (b) | Commitments (c) | Total |
|---|---|---|---|---|
| Remaining 2019 | $4,050 | $442 | $941 | $5,433 |
| 2020 | 739 | 3,606 | 3,887 | 8,232 |
| 2021 | 161 | 682 | 798 | 1,641 |
| 2022 | 61 | — | 741 | 802 |
| 2023 | 44 | — | 736 | 780 |
| Thereafter | 108 | — | 429 | 537 |
| | $5,163 | $4,730 | $7,532 | $17,425 |

(a) Consists of payments expected to be made on the Company’s Wildlight development project.
(b) Pension contribution requirements are based on actuarially determined estimates and IRS minimum funding requirements.
(c) Commitments include payments expected to be made on foreign exchange contracts, timberland deeds and other purchase obligations.

## 9. INCOME TAXES

The Company’s timber operations are primarily conducted by the Company’s REIT entity, which is generally not subject to U.S. federal and state income tax. The New Zealand timber operations are conducted by the New Zealand subsidiary, which is subject to corporate-level tax in New Zealand. Non-REIT qualifying operations, which are subject to corporate-level tax, are conducted by various TRS entities. These operations include log trading and certain real estate activities, such as the sale, entitlement and development of HBU properties.

### *PROVISION FOR INCOME TAXES*

The Company’s tax expense is principally related to New Zealand corporate-level tax on the New Zealand subsidiary income. The following table contains the income tax expense recognized on the Consolidated Statements of Income and Comprehensive Income.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Income tax expense | ($2,251) | ($8,396) | ($10,208) | ($22,443) |

### *ANNUAL EFFECTIVE TAX RATE*

The Company’s effective tax rate is below the 21.0% U.S. statutory rate due to tax benefits associated with being a REIT. The following table contains the Company’s annualized effective tax rate.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Annualized effective tax rate after discrete items | 16.6% | 16.5% |

(Dollar amounts in thousands unless otherwise stated)

## 10. CONTINGENCIES

The Company has been named as a defendant in various lawsuits and claims arising in the normal course of business. While the Company has procured reasonable and customary insurance covering risks normally occurring in connection with its businesses, it has in certain cases retained some risk through the operation of large deductible insurance plans, primarily in the areas of executive risk, property, automobile and general liability. These pending lawsuits and claims, either individually or in the aggregate, are not expected to have a material adverse effect on the Company's financial position, results of operations, or cash flow.

## 11. GUARANTEES

The Company provides financial guarantees as required by creditors, insurance programs, and various governmental agencies.

As of September 30, 2019, the following financial guarantees were outstanding:

| Financial Commitments (a) | Maximum Potential Payment |
|---|---|
| Standby letters of credit (b) | $1,585 |
| Surety bonds (c) | 3,487 |
| Total financial commitments | $5,072 |

(a) The Company has not recorded any liabilities for these financial commitments in the Consolidated Balance Sheets. The guarantees are not subject to measurement, as the guarantees are dependent on the Company's own performance.

(b) Approximately $0.6 million of the standby letters of credit serve as credit support for infrastructure at the Company's Wildlight development project. The remaining letters of credit support various insurance related agreements, primarily workers' compensation. These letters of credit will expire at various dates during 2019 and 2020 and will be renewed as required.

(c) Rayonier issues surety bonds primarily to secure performance obligations related to various operational activities and to provide collateral for outstanding claims under the Company's previous workers' compensation self-insurance programs in Washington and Florida. These surety bonds expire at various dates during 2019 and 2020 and are expected to be renewed as required.

(Dollar amounts in thousands unless otherwise stated)

## 12. (LOSS) EARNINGS PER COMMON SHARE

The following table provides details of the calculations of basic and diluted (loss) earnings per common share:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net Income | $1,528 | $30,639 | $50,241 | $112,682 |
| Less: Net income attributable to noncontrolling interest | (1,961) | (7,207) | (7,129) | (12,453) |
| Net (loss) income attributable to Rayonier Inc. | ($433) | $23,432 | $43,112 | $100,229 |
| | | | | |
| Shares used for determining basic (loss) earnings per common share | 129,325,181 | 129,142,931 | 129,293,562 | 129,005,074 |
| Dilutive effect of: | | | | |
| Stock options | — | 73,372 | 13,405 | 85,000 |
| Performance and restricted shares | — | 539,571 | 345,495 | 584,364 |
| Shares used for determining diluted (loss) earnings per common share | 129,325,181 | 129,755,874 | 129,652,462 | 129,674,438 |
| | | | | |
| Basic (loss) earnings per common share attributable to Rayonier Inc.: | — | $0.18 | $0.33 | $0.78 |
| | | | | |
| Diluted (loss) earnings per common share attributable to Rayonier Inc.: | — | $0.18 | $0.33 | $0.77 |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Anti-dilutive shares excluded from the computations of diluted (loss) earnings per share: | | | | |
| Stock options, performance and restricted shares (a) | 611,740 | 150,313 | 421,853 | 192,265 |
| Total | 611,740 | 150,313 | 421,853 | 192,265 |

(a) For the three months ended September 30, 2019, the incremental shares related to stock options, performance shares and restricted shares were not included in the computation of diluted loss per share as their inclusion would have an anti-dilutive effect.

## 13. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to market risk related to potential fluctuations in foreign currency exchange rates and interest rates. The Company uses derivative financial instruments to mitigate the financial impact of exposure to these risks.

Accounting for derivative financial instruments is governed by ASC Topic 815, *Derivatives and Hedging*, (“ASC 815”). In accordance with ASC 815, the Company records its derivative instruments at fair value as either assets or liabilities in the Consolidated Balance Sheets. Changes in the instruments’ fair value are accounted for based on their intended use. Gains and losses on derivatives that are designated and qualify for cash flow hedge accounting are recorded as a component of accumulated other comprehensive (loss) income (“AOCI”) and reclassified into earnings when the hedged transaction materializes. Gains and losses on derivatives that are designated and qualify for net investment hedge accounting are recorded as a component of AOCI and will not be reclassified into earnings until the Company’s investment in its New Zealand operations is partially or completely liquidated. The ineffective portion of any hedge, changes in the fair value of derivatives not designated as hedging instruments and those which are no longer effective as hedging instruments, are recognized immediately in earnings.

### FOREIGN CURRENCY EXCHANGE AND OPTION CONTRACTS

The functional currency of Rayonier’s wholly owned subsidiary, Rayonier New Zealand Limited, and the New Zealand subsidiary is the New Zealand dollar. The New Zealand subsidiary is exposed to foreign currency risk on export sales and ocean freight payments which are mainly denominated in U.S. dollars. The New Zealand subsidiary typically hedges 50% to 90% of its estimated foreign currency exposure with respect to the following twelve months forecasted sales and purchases and up to 75% of the forward 12 to 18 months. Foreign currency exposure from the New Zealand subsidiary’s trading operations is typically hedged based on the following three months forecasted sales and purchases. As of September 30, 2019, foreign currency exchange contracts and foreign currency option contracts had maturity dates through December 2020 and March 2021, respectively.

Foreign currency exchange and option contracts hedging foreign currency risk on export sales and ocean freight payments qualify for cash flow hedge accounting. The Company may de-designate these cash flow hedge relationships in advance or at the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in other comprehensive (loss) income for de-designated hedges remains in accumulated other comprehensive (loss) income until the forecasted transaction affects earnings. Changes in the value of derivative instruments after de-designation are recorded in earnings.

### INTEREST RATE SWAPS

The Company is exposed to cash flow interest rate risk on its variable-rate Term Credit Agreement and Incremental Term Loan Agreement and uses variable-to-fixed interest rate swaps to hedge this exposure. For these derivative instruments, the Company reports the gains/losses from the fluctuations in the fair market value of the hedges in AOCI and reclassifies them to earnings as interest expense in the same period in which the hedged interest payments affect earnings.

(Dollar amounts in thousands unless otherwise stated)

The following table contains information on the outstanding interest rate swaps as of September 30, 2019:

| Outstanding Interest Rate Swaps (a) | | | | | | |
|---|---|---|---|---|---|---|
| Date Entered Into | Term | Notional Amount | Related Debt Facility | Fixed Rate of Swap | Bank Margin on Debt | Total Effective Interest Rate (b) |
| August 2015 | 9 years | $170,000 | Term Credit Agreement | 2.20% | 1.63% | 3.83% |
| August 2015 | 9 years | 180,000 | Term Credit Agreement | 2.35% | 1.63% | 3.98% |
| April 2016 | 10 years | 100,000 | Incremental Term Loan | 1.60% | 1.90% | 3.50% |
| April 2016 | 10 years | 100,000 | Incremental Term Loan | 1.60% | 1.90% | 3.50% |
| July 2016 | 10 years | 100,000 | Incremental Term Loan | 1.26% | 1.90% | 3.16% |

(a) All interest rate swaps have been designated as interest rate cash flow hedges and qualify for hedge accounting.
(b) Rate is before estimated patronage payments.

## CARBON OPTIONS

The New Zealand subsidiary enters into carbon options from time to time to sell carbon assets at certain prices. Changes in fair value of the carbon option contracts are recorded in "Interest and other miscellaneous income, net" as the contracts did not qualify for hedge accounting treatment. As of September 30, 2019, carbon option contracts had maturity dates through April 2020.

The following tables demonstrate the impact, gross of tax, of the Company's derivatives on the Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2019 and 2018.

| | | Three Months Ended September 30, | |
|---|---|---|---|
| | Income Statement Location | 2019 | 2018 |
| **Derivatives designated as cash flow hedges:** | | | |
| Foreign currency exchange contracts | Other comprehensive (loss) | ($2,870) | ($1,402) |
| Foreign currency option contracts | Other comprehensive (loss) | (300) | (29) |
| Interest rate swaps | Other comprehensive (loss) | (10,141) | 5,173 |
| | | | |
| **Derivatives not designated as hedging instruments:** | | | |
| Foreign currency exchange contracts | Interest and other miscellaneous income, net | — | (189) |
| Carbon option contracts | Interest and other miscellaneous income, net | — | (577) |

(Dollar amounts in thousands unless otherwise stated)

| | Income Statement Location | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|
| **Derivatives designated as cash flow hedges:** | | | |
| Foreign currency exchange contracts | Other comprehensive (loss) | ($1,971) | ($6,800) |
| Foreign currency option contracts | Other comprehensive (loss) | (330) | (388) |
| Interest rate swaps | Other comprehensive (loss) | (40,972) | 26,461 |
| | | | |
| **Derivatives designated as a net investment hedge:** | | | |
| Foreign currency exchange contract | Other comprehensive (loss) | — | (344) |
| | | | |
| **Derivatives not designated as hedging instruments:** | | | |
| Foreign currency exchange contracts | Interest and other miscellaneous income, net | 135 | 2,419 |
| Carbon option contracts | Interest and other miscellaneous income, net | 414 | (577) |

During the next 12 months, the amount of the September 30, 2019 AOCI balance, net of tax, expected to be reclassified into earnings as a result of the maturation of the Company’s derivative instruments is a loss of approximately $2.5 million.

The following table contains the notional amounts of the derivative financial instruments recorded in the Consolidated Balance Sheets:

| | Notional Amount September 30, 2019 | Notional Amount December 31, 2018 |
|---|---|---|
| **Derivatives designated as cash flow hedges:** | | |
| Foreign currency exchange contracts | $60,750 | $69,950 |
| Foreign currency option contracts | 28,000 | 24,000 |
| Interest rate swaps | 650,000 | 650,000 |
| | | |
| **Derivative not designated as a hedging instrument:** | | |
| Foreign currency exchange contracts | — | 9,396 |
| Carbon options (a) | 3,115 | 2,517 |

(a) Notional amount for carbon options is calculated as the number of units outstanding multiplied by the spot price as of September 30, 2019.

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

The following table contains the fair values of the derivative financial instruments recorded in the Consolidated Balance Sheets:

| | Location on Balance Sheet | Fair Value Assets / (Liabilities) (a) | |
|---|---|---|---|
| | | September 30, 2019 | December 31, 2018 |
| **Derivatives designated as cash flow hedges:** | | | |
| Foreign currency exchange contracts | Other current liabilities | (3,288) | (1,569) |
| | Other non-current liabilities | (253) | — |
| Foreign currency option contracts | Other current assets | 15 | 217 |
| | Other assets | 138 | 102 |
| | Other current liabilities | (179) | (106) |
| | Other non-current liabilities | (159) | (68) |
| Interest rate swaps | Other assets | 750 | 23,735 |
| | Other non-current liabilities | (17,987) | — |
| **Derivative not designated as a hedging instrument:** | | | |
| Foreign currency exchange contracts | Other current assets | — | 152 |
| | Other current liabilities | — | (24) |
| Carbon options | Other current liabilities | (2) | (322) |
| **Total derivative contracts:** | | | |
| Other current assets | | $15 | $369 |
| Other assets | | 888 | 23,837 |
| Total derivative assets | | $903 | $24,206 |
| Other current liabilities | | (3,469) | (2,021) |
| Other non-current liabilities | | (18,399) | (68) |
| Total derivative liabilities | | ($21,868) | ($2,089) |

(a) See Note 14 — Fair Value Measurements for further information on the fair value of the Company's derivatives including their classification within the fair value hierarchy.

## OFFSETTING DERIVATIVES

Derivative financial instruments are presented at their gross fair values in the Consolidated Balance Sheets. The Company's derivative financial instruments are not subject to master netting arrangements, which would allow the right of offset.

(Dollar amounts in thousands unless otherwise stated)

## 14. FAIR VALUE MEASUREMENTS

*FAIR VALUE OF FINANCIAL INSTRUMENTS*

A three-level hierarchy that prioritizes the inputs used to measure fair value was established in the Accounting Standards Codification as follows:

*Level 1* — Quoted prices in active markets for identical assets or liabilities.

*Level 2* — Observable inputs other than quoted prices included in Level 1.

*Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the carrying amount and estimated fair values of financial instruments held by the Company at September 30, 2019 and December 31, 2018, using market information and what the Company believes to be appropriate valuation methodologies under GAAP:

| | September 30, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | | Carrying Amount | Fair Value | |
| Asset (Liability) (a) | | Level 1 | Level 2 | | Level 1 | Level 2 |
| Cash and cash equivalents | $56,946 | $56,946 | — | $148,374 | $148,374 | — |
| Restricted cash (b) | 2,988 | 2,988 | — | 8,080 | 8,080 | — |
| Long-term debt (c) | (972,989) | — | (981,500) | (972,567) | — | (975,845) |
| Interest rate swaps (d) | (17,237) | — | (17,237) | 23,735 | — | 23,735 |
| Foreign currency exchange contracts (d) | (3,541) | — | (3,541) | (1,442) | — | (1,442) |
| Foreign currency option contracts (d) | (185) | — | (185) | 145 | — | 145 |
| Carbon option contracts (d) | (2) | — | (2) | (322) | — | (322) |

(a) The Company did not have Level 3 assets or liabilities at September 30, 2019 and December 31, 2018.

(b) Restricted cash represents the proceeds from like-kind exchange sales deposited with a third-party intermediary and cash held in escrow for a real estate sale. See Note 18 — Restricted Cash for additional information.

(c) The carrying amount of long-term debt is presented net of capitalized debt costs on non-revolving debt. See Note 6 — Debt for additional information.

(d) See Note 13 — Derivative Financial Instruments and Hedging Activities for information regarding the Consolidated Balance Sheets classification of the Company's derivative financial instruments.

Rayonier uses the following methods and assumptions in estimating the fair value of its financial instruments:

*Cash and cash equivalents and Restricted cash* — The carrying amount is equal to fair market value.

*Debt* — The fair value of fixed rate debt is based upon quoted market prices for debt with similar terms and maturities. The variable rate debt adjusts with changes in the market rate, therefore the carrying value approximates fair value.

*Interest rate swap agreements* — The fair value of interest rate contracts is determined by discounting the expected future cash flows, for each instrument, at prevailing interest rates.

*Foreign currency exchange contracts* — The fair value of foreign currency exchange contracts is determined by a mark-to-market valuation, which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

*Foreign currency option contracts* — The fair value of foreign currency option contracts is based on a mark-to-market calculation using the Black-Scholes option pricing model.

*Carbon option contracts* — The fair value of carbon option contracts is determined by a mark-to-market valuation using the Black-Scholes option pricing model, which estimates fair value by discounting the difference between the contracted forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate.

RAYONIER INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)
(Dollar amounts in thousands unless otherwise stated)

## 15. EMPLOYEE BENEFIT PLANS

The Company has one qualified non-contributory defined benefit pension plan covering a portion of its employees and an unfunded plan that provides benefits in excess of amounts allowable under current tax law in the qualified plan. Both plans are closed to new participants. Effective December 31, 2016, the Company froze benefits for all employees participating in the pension plan. In lieu of the pension plan, the Company provides those employees with an enhanced 401(k) plan match. Employee benefit plan liabilities are calculated using actuarial estimates and management assumptions. These estimates are based on historical information, along with certain assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause the estimates to change.

As of September 30, 2019, the Company has paid $0.9 million of the approximately $1.3 million in current year mandatory pension contribution requirements (based on actuarially determined estimates and IRS minimum funding requirements). Additionally, the Company has paid $5.0 million in discretionary pension contributions during the nine months ended September 30, 2019.

The net pension and postretirement benefit costs (credit) that have been recorded are shown in the following table:

| | | Pension | | Postretirement | |
|---|---|---|---|---|---|
| | | Three Months Ended September 30, | | Three Months Ended September 30, | |
| Components of Net Periodic Benefit Cost (Credit) | Income Statement Location | 2019 | 2018 | 2019 | 2018 |
| Service cost | Selling and general expenses | — | — | $1 | $2 |
| Interest cost | Interest and other miscellaneous income, net | 799 | 755 | 13 | 13 |
| Expected return on plan assets (a) | Interest and other miscellaneous income, net | (777) | (983) | — | — |
| Amortization of losses | Interest and other miscellaneous income, net | 112 | 168 | — | — |
| Net periodic benefit cost (credit) | | $134 | ($60) | $14 | $15 |

| | | Pension | | Postretirement | |
|---|---|---|---|---|---|
| | | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
| Components of Net Periodic Benefit Cost (Credit) | Income Statement Location | 2019 | 2018 | 2019 | 2018 |
| Service cost | Selling and general expenses | — | — | $4 | $5 |
| Interest cost | Interest and other miscellaneous income, net | 2,398 | 2,266 | 40 | 38 |
| Expected return on plan assets (a) | Interest and other miscellaneous income, net | (2,330) | (2,950) | — | — |
| Amortization of losses | Interest and other miscellaneous income, net | 337 | 505 | — | 2 |
| Net periodic benefit cost (credit) | | $405 | ($179) | $44 | $45 |

(a) The weighted-average expected long-term rate of return on plan assets used in computing 2019 net periodic benefit cost for pension benefits is 5.7%.

## 16. OTHER OPERATING (EXPENSE) INCOME, NET

Other operating (expense) income, net consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Foreign currency income | $724 | $242 | $147 | $264 |
| (Loss) gain on sale or disposal of property and equipment | — | (30) | 56 | (3) |
| (Loss) gain on foreign currency exchange and option contracts | (1,619) | (712) | (1,732) | 1,599 |
| Log trading marketing fees | 102 | 66 | 239 | 197 |
| Income from the sale of unused Internet Protocol addresses | — | — | — | 646 |
| Other expense, net | (72) | (17) | (1,509) | (126) |
| Total | ($865) | ($451) | ($2,799) | $2,577 |

(Dollar amounts in thousands unless otherwise stated)

## 17. INVENTORY

As of September 30, 2019 and December 31, 2018, Rayonier's inventory consisted entirely of finished goods, as follows:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Finished goods inventory | | |
| Real estate inventory (a) | $3,795 | $11,919 |
| Log inventory | 4,557 | 3,784 |
| Total inventory | $8,352 | $15,703 |

(a) Represents the cost of HBU real estate (including capitalized development investments) under contract to be sold. See Note 7 — Higher And Better Use Timberlands and Real Estate Development Investments for additional information.

## 18. RESTRICTED CASH

In order to qualify for like-kind exchange ("LKE") treatment, the proceeds from real estate sales must be deposited with a third-party intermediary. These proceeds are accounted for as restricted cash until a suitable replacement property is acquired. In the event LKE purchases are not completed, the proceeds are returned to the Company after 180 days and reclassified as available cash. As of September 30, 2019 and December 31, 2018, the Company had $3.0 million and $8.1 million, respectively, of proceeds from real estate sales classified as restricted cash which were deposited with an LKE intermediary as well as cash held in escrow for a real estate sale.

The following table contains the amounts of restricted cash recorded in the Consolidated Balance Sheets and Consolidated Statements of Cash Flows for the nine months ended September 30, 2019:

| | September 30, 2019 |
|---|---|
| Restricted cash deposited with LKE intermediary | $2,513 |
| Restricted cash held in escrow | 475 |
| Total restricted cash shown in the Consolidated Balance Sheets | 2,988 |
| Cash and cash equivalents | 56,946 |
| Total cash, cash equivalents and restricted cash shown in the Consolidated Statements of Cash Flows | $59,934 |

(Dollar amounts in thousands unless otherwise stated)

## 19. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table summarizes the changes in AOCI by component for the nine months ended September 30, 2019 and the year ended December 31, 2018. All amounts are presented net of tax and exclude portions attributable to noncontrolling interest.

| | Foreign currency translation (loss) gains | Net investment hedges of New Zealand subsidiary | Cash flow hedges | Employee benefit plans | Total |
|---|---|---|---|---|---|
| Balance as of December 31, 2017 | $15,975 | $1,665 | $16,184 | ($20,407) | $13,417 |
| Other comprehensive (loss) income before reclassifications | (16,985) | (344) | 5,944 | (1,594) | (12,979) |
| Amounts reclassified from accumulated other comprehensive (loss) income | — | — | (163) | (36) | (199) |
| Net other comprehensive (loss) income | (16,985) | (344) | 5,781 | (1,630) | (13,178) |
| Balance as of December 31, 2018 | ($1,010) | $1,321 | $21,965 | ($22,037) | $239 |
| Other comprehensive (loss) income before reclassifications | (21,545) | — | (42,529) (a) | — | (64,074) |
| Amounts reclassified from accumulated other comprehensive (loss) income | — | — | 282 | 337 (b) | 619 |
| Net other comprehensive (loss) income | (21,545) | — | (42,247) | 337 | (63,455) |
| Balance as of September 30, 2019 | ($22,555) | $1,321 | ($20,282) | ($21,700) | ($63,216) |

(a) Includes $41.0 million of other comprehensive loss related to interest rate swaps. See Note 13 — Derivative Financial Instruments and Hedging Activities for additional information.

(b) This component of other comprehensive (loss) income is included in the computation of net periodic pension and post-retirement costs. See Note 15 — Employee Benefit Plans for additional information.

The following table presents details of the amounts reclassified in their entirety from AOCI to net income for the nine months ended September 30, 2019 and September 30, 2018:

| Details about accumulated other comprehensive (loss) income components | Amount reclassified from accumulated other comprehensive (loss) income | | Affected line item in the income statement |
|---|---|---|---|
| | September 30, 2019 | September 30, 2018 | |
| Realized loss (gain) on foreign currency exchange contracts | $580 | ($865) | Other operating (expense) income, net |
| Realized (gain) on foreign currency option contracts | (71) | (156) | Other operating (expense) income, net |
| Noncontrolling interest | (117) | 235 | Comprehensive (loss) income attributable to noncontrolling interest |
| Income tax (benefit) expense from gain on foreign currency contracts | (110) | 220 | Income tax expense |
| Net loss (gain) from accumulated other comprehensive income | $282 | ($566) | |

(Dollar amounts in thousands unless otherwise stated)

## 20. CONSOLIDATING FINANCIAL STATEMENTS

The condensed consolidating financial information below follows the same accounting policies as described in the consolidated financial statements, except for the use of the equity method of accounting to reflect ownership interests in wholly-owned subsidiaries, which are eliminated upon consolidation, and the allocation of certain expenses of Rayonier Inc. incurred for the benefit of its subsidiaries.

In March 2012, Rayonier Inc. issued $325 million of 3.75% Senior Notes due 2022. In connection with these notes, the Company provides the following condensed consolidating financial information in accordance with SEC Regulation S-X Rule 3-10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered*.

The subsidiary guarantors, Rayonier Operating Company LLC ("ROC") and Rayonier TRS Holdings Inc., are wholly-owned by the parent company, Rayonier Inc. The notes are fully and unconditionally guaranteed on a joint and several basis by the guarantor subsidiaries.

| | CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME | | | | |
|---|---|---|---|---|---|
| | For the Three Months Ended September 30, 2019 | | | | |
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **SALES** | — | — | $156,417 | — | $156,417 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | (134,463) | — | (134,463) |
| Selling and general expenses | — | (4,725) | (5,377) | — | (10,102) |
| Other operating expense, net | — | (17) | (848) | — | (865) |
| | — | (4,742) | (140,688) | — | (145,430) |
| **OPERATING (LOSS) INCOME** | — | (4,742) | 15,729 | — | 10,987 |
| Interest expense | (3,139) | (4,843) | (14) | — | (7,996) |
| Interest and miscellaneous income (expense), net | (457) | 742 | 503 | — | 788 |
| Equity in income from subsidiaries | 3,163 | 12,660 | — | (15,823) | — |
| **(LOSS) INCOME BEFORE INCOME TAXES** | (433) | 3,817 | 16,218 | (15,823) | 3,779 |
| Income tax expense | — | (654) | (1,597) | — | (2,251) |
| **NET (LOSS) INCOME** | (433) | 3,163 | 14,621 | (15,823) | 1,528 |
| Less: Net income attributable to noncontrolling interest | — | — | (1,961) | — | (1,961) |
| **NET (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC.** | (433) | 3,163 | 12,660 | (15,823) | (433) |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | | |
| Foreign currency translation adjustment, net of income tax | (21,918) | — | (28,524) | 21,918 | (28,524) |
| Cash flow hedges, net of income tax | (11,899) | (10,141) | (2,283) | 11,899 | (12,424) |
| Amortization of pension and postretirement plans, net of income tax | 112 | 112 | — | (112) | 112 |
| Total other comprehensive loss | (33,705) | (10,029) | (30,807) | 33,705 | (40,836) |
| **COMPREHENSIVE (LOSS) INCOME** | (34,138) | (6,866) | (16,186) | 17,882 | (39,308) |
| Less: Comprehensive income attributable to noncontrolling interest | — | — | 5,169 | — | 5,169 |
| **COMPREHENSIVE LOSS ATTRIBUTABLE TO RAYONIER INC.** | ($34,138) | ($6,866) | ($11,017) | $17,882 | ($34,139) |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME For the Three Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **SALES** | — | — | $200,890 | — | $200,890 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | (143,261) | — | (143,261) |
| Selling and general expenses | — | (5,094) | (5,706) | — | (10,800) |
| Other operating (expense) income, net | — | (50) | (401) | — | (451) |
| | — | (5,144) | (149,368) | — | (154,512) |
| **OPERATING (LOSS) INCOME** | — | (5,144) | 51,522 | — | 46,378 |
| Interest expense | (3,138) | (4,676) | (24) | — | (7,838) |
| Interest and miscellaneous income (expense), net | 1,743 | 1,755 | (3,003) | — | 495 |
| Equity in income from subsidiaries | 24,827 | 33,539 | — | (58,366) | — |
| **INCOME BEFORE INCOME TAXES** | 23,432 | 25,474 | 48,495 | (58,366) | 39,035 |
| Income tax expense | — | (647) | (7,749) | — | (8,396) |
| **NET INCOME** | 23,432 | 24,827 | 40,746 | (58,366) | 30,639 |
| Less: Net income attributable to noncontrolling interest | — | — | (7,207) | — | (7,207) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 23,432 | 24,827 | 33,539 | (58,366) | 23,432 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | | |
| Foreign currency translation adjustment, net of income tax | (8,090) | — | (10,527) | 8,090 | (10,527) |
| Cash flow hedges, net of income tax | 4,379 | 5,174 | (1,032) | (4,379) | 4,142 |
| Amortization of pension and postretirement plans, net of income tax | (542) | (542) | — | 542 | (542) |
| Total other comprehensive (loss) income | (4,253) | 4,632 | (11,559) | 4,253 | (6,927) |
| **COMPREHENSIVE INCOME** | 19,179 | 29,459 | 29,187 | (54,113) | 23,712 |
| Less: Comprehensive loss attributable to noncontrolling interest | — | — | (4,533) | — | (4,533) |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $19,179 | $29,459 | $24,654 | ($54,113) | $19,179 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME Nine Months Ended September 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **SALES** | — | — | $532,764 | — | $532,764 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | (418,169) | — | (418,169) |
| Selling and general expenses | — | (15,228) | (15,668) | — | (30,896) |
| Other operating expense, net | — | (1,107) | (1,692) | — | (2,799) |
| | — | (16,335) | (435,529) | — | (451,864) |
| **OPERATING (LOSS) INCOME** | — | (16,335) | 97,235 | — | 80,900 |
| Interest expense | (9,417) | (14,160) | (52) | — | (23,629) |
| Interest and miscellaneous income (expense), net | (1,370) | 2,634 | 1,914 | — | 3,178 |
| Equity in income from subsidiaries | 53,899 | 83,161 | — | (137,060) | — |
| **INCOME BEFORE INCOME TAXES** | 43,112 | 55,300 | 99,097 | (137,060) | 60,449 |
| Income tax expense | — | (1,401) | (8,807) | — | (10,208) |
| **NET INCOME** | 43,112 | 53,899 | 90,290 | (137,060) | 50,241 |
| Less: Net income attributable to noncontrolling interest | — | — | (7,129) | — | (7,129) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 43,112 | 53,899 | 83,161 | (137,060) | 43,112 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | | |
| Foreign currency translation adjustment, net of income tax | (21,544) | (90) | (28,005) | 21,544 | (28,095) |
| Cash flow hedges, net of income tax | (42,248) | (40,973) | (1,656) | 42,248 | (42,629) |
| Amortization of pension and postretirement plans, net of income tax | 337 | 337 | — | (337) | 337 |
| Total other comprehensive loss | (63,455) | (40,726) | (29,661) | 63,455 | (70,387) |
| **COMPREHENSIVE (LOSS) INCOME** | (20,343) | 13,173 | 60,629 | (73,605) | (20,146) |
| Less: Comprehensive loss attributable to noncontrolling interest | — | — | (197) | — | (197) |
| **COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO RAYONIER INC.** | ($20,343) | $13,173 | $60,432 | ($73,605) | ($20,343) |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME<br>Nine Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **SALES** | — | — | $649,991 | — | $649,991 |
| Costs and Expenses | | | | | |
| Cost of sales | — | — | (466,167) | — | (466,167) |
| Selling and general expenses | — | (14,953) | (16,351) | — | (31,304) |
| Other operating (expense) income, net | (12) | 545 | 2,044 | — | 2,577 |
| | (12) | (14,408) | (480,474) | — | (494,894) |
| **OPERATING (LOSS) INCOME** | (12) | (14,408) | 169,517 | — | 155,097 |
| Interest expense | (9,417) | (14,229) | (346) | — | (23,992) |
| Interest and miscellaneous income (expense), net | 7,105 | 3,265 | (6,350) | — | 4,020 |
| Equity in income from subsidiaries | 102,553 | 128,786 | — | (231,339) | — |
| **INCOME BEFORE INCOME TAXES** | 100,229 | 103,414 | 162,821 | (231,339) | 135,125 |
| Income tax expense | — | (861) | (21,582) | — | (22,443) |
| **NET INCOME** | 100,229 | 102,553 | 141,239 | (231,339) | 112,682 |
| Less: Net income attributable to noncontrolling interest | — | — | (12,453) | — | (12,453) |
| **NET INCOME ATTRIBUTABLE TO RAYONIER INC.** | 100,229 | 102,553 | 128,786 | (231,339) | 100,229 |
| **OTHER COMPREHENSIVE (LOSS) INCOME** | | | | | |
| Foreign currency translation adjustment, net of income tax | (23,341) | 452 | (31,051) | 23,341 | (30,599) |
| Cash flow hedges, net of income tax | 22,476 | 26,460 | (5,175) | (22,476) | 21,285 |
| Amortization of pension and postretirement plans, net of income tax | (204) | (204) | — | 204 | (204) |
| Total other comprehensive (loss) income | (1,069) | 26,708 | (36,226) | 1,069 | (9,518) |
| **COMPREHENSIVE INCOME** | 99,160 | 129,261 | 105,013 | (230,270) | 103,164 |
| Less: Comprehensive loss attributable to noncontrolling interest | — | — | (4,004) | — | (4,004) |
| **COMPREHENSIVE INCOME ATTRIBUTABLE TO RAYONIER INC.** | $99,160 | $129,261 | $101,009 | ($230,270) | $99,160 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING BALANCE SHEETS | | | | |
|---|---|---|---|---|---|
| | As of September 30, 2019 | | | | |
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $6,181 | $32,926 | $17,839 | — | $56,946 |
| Accounts receivable, less allowance for doubtful accounts | — | 2,894 | 23,165 | — | 26,059 |
| Inventory | — | — | 8,352 | — | 8,352 |
| Prepaid expenses | — | 2,056 | 12,838 | — | 14,894 |
| Other current assets | — | 97 | 182 | — | 279 |
| Total current assets | 6,181 | 37,973 | 62,376 | — | 106,530 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | 2,408,310 | — | 2,408,310 |
| HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS | — | — | 89,456 | — | 89,456 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 16,803 | 5,397 | — | 22,200 |
| RESTRICTED CASH | — | — | 2,988 | — | 2,988 |
| RIGHT-OF-USE ASSETS | — | 33,893 | 63,539 | — | 97,432 |
| INVESTMENT IN SUBSIDIARIES | 1,692,797 | 2,994,568 | — | (4,687,365) | — |
| INTERCOMPANY RECEIVABLE | 56,257 | (644,851) | 588,594 | — | — |
| OTHER ASSETS | 2 | (2,735) | 42,895 | — | 40,162 |
| **TOTAL ASSETS** | $1,755,237 | $2,435,651 | $3,263,555 | ($4,687,365) | $2,767,078 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | — | $3,381 | $16,175 | — | $19,556 |
| Accrued taxes | — | 227 | 7,869 | — | 8,096 |
| Accrued payroll and benefits | — | 4,217 | 2,342 | — | 6,559 |
| Accrued interest | 6,094 | 1,882 | — | — | 7,976 |
| Deferred revenue | — | — | 15,320 | — | 15,320 |
| Other current liabilities | — | 4,747 | 21,515 | — | 26,262 |
| Total current liabilities | 6,094 | 14,454 | 63,221 | — | 83,769 |
| LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS | 324,079 | 648,910 | — | — | 972,989 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 24,637 | (684) | — | 23,953 |
| LONG-TERM LEASE LIABILITY | — | 29,619 | 58,768 | — | 88,387 |
| OTHER NON-CURRENT LIABILITIES | — | 25,234 | 57,125 | — | 82,359 |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,425,064 | 1,692,797 | 2,994,568 | (4,687,365) | 1,425,064 |
| Noncontrolling interest | — | — | 90,557 | — | 90,557 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,425,064 | 1,692,797 | 3,085,125 | (4,687,365) | 1,515,621 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $1,755,237 | $2,435,651 | $3,263,555 | ($4,687,365) | $2,767,078 |

(Dollar amounts in thousands unless otherwise stated)

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| | CONDENSED CONSOLIDATING BALANCE SHEETS | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2018 | | | | |
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **ASSETS** | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $361 | $104,777 | $43,236 | — | $148,374 |
| Accounts receivable, less allowance for doubtful accounts | — | 3,752 | 22,399 | — | 26,151 |
| Inventory | — | — | 15,703 | — | 15,703 |
| Prepaid expenses | — | 977 | 16,039 | — | 17,016 |
| Other current assets | — | 108 | 501 | — | 609 |
| Total current assets | 361 | 109,614 | 97,878 | — | 207,853 |
| TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION | — | — | 2,401,327 | — | 2,401,327 |
| HIGHER AND BETTER USE TIMBERLANDS AND REAL ESTATE DEVELOPMENT INVESTMENTS | — | — | 85,609 | — | 85,609 |
| NET PROPERTY, PLANT AND EQUIPMENT | — | 16,940 | 5,811 | — | 22,751 |
| RESTRICTED CASH | — | — | 8,080 | — | 8,080 |
| INVESTMENT IN SUBSIDIARIES | 1,833,899 | 3,022,875 | — | (4,856,774) | — |
| INTERCOMPANY RECEIVABLE | 49,461 | (638,424) | 588,963 | — | — |
| OTHER ASSETS | 2 | 19,244 | 35,800 | — | 55,046 |
| **TOTAL ASSETS** | $1,883,723 | $2,530,249 | $3,223,468 | ($4,856,774) | $2,780,666 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | — | $1,616 | $16,403 | — | $18,019 |
| Accrued taxes | — | 8 | 3,170 | — | 3,178 |
| Accrued payroll and benefits | — | 5,848 | 4,568 | — | 10,416 |
| Accrued interest | 3,047 | 1,960 | — | — | 5,007 |
| Deferred revenue | — | — | 10,447 | — | 10,447 |
| Other current liabilities | — | 216 | 16,258 | — | 16,474 |
| Total current liabilities | 3,047 | 9,648 | 50,846 | — | 63,541 |
| LONG-TERM DEBT, NET OF DEFERRED FINANCING COSTS | 323,803 | 648,764 | — | — | 972,567 |
| PENSION AND OTHER POSTRETIREMENT BENEFITS | — | 30,484 | (684) | — | 29,800 |
| OTHER NON-CURRENT LIABILITIES | — | 7,454 | 52,754 | — | 60,208 |
| **TOTAL RAYONIER INC. SHAREHOLDERS' EQUITY** | 1,556,873 | 1,833,899 | 3,022,875 | (4,856,774) | 1,556,873 |
| Noncontrolling interest | — | — | 97,677 | — | 97,677 |
| **TOTAL SHAREHOLDERS' EQUITY** | 1,556,873 | 1,833,899 | 3,120,552 | (4,856,774) | 1,654,550 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $1,883,723 | $2,530,249 | $3,223,468 | ($4,856,774) | $2,780,666 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS | | | | |
|---|---|---|---|---|---|
| | Nine Months Ended September 30, 2019 | | | | |
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES** | ($14,637) | $15,495 | $163,335 | — | $164,193 |
| **INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | (619) | (44,652) | — | (45,271) |
| Real estate development investments | — | — | (3,349) | — | (3,349) |
| Purchase of timberlands | — | — | (81,913) | — | (81,913) |
| Investment in subsidiaries | — | (3,945) | — | 3,945 | — |
| Other | — | (7,304) | 5,085 | — | (2,219) |
| CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | — | (11,868) | (124,829) | 3,945 | (132,752) |
| **FINANCING ACTIVITIES** | | | | | |
| Dividends paid | (104,667) | (25,983) | 24,525 | — | (106,125) |
| Proceeds from the issuance of common shares under incentive stock plan | 831 | — | — | — | 831 |
| Repurchase of common shares | (4,249) | — | — | — | (4,249) |
| Repurchase of common shares made under repurchase program | — | (8,430) | — | — | (8,430) |
| Proceeds from shareholder distribution hedge | — | — | 135 | — | 135 |
| Distribution to minority shareholder | — | — | (7,315) | — | (7,315) |
| Intercompany distributions | 128,542 | (41,065) | (83,532) | (3,945) | — |
| CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES | 20,457 | (75,478) | (66,187) | (3,945) | (125,153) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | (2,808) | — | (2,808) |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | | | | | |
| Change in cash, cash equivalents and restricted cash | 5,820 | (71,851) | (30,489) | — | (96,520) |
| Balance, beginning of year | 361 | 104,777 | 51,316 | — | 156,454 |
| Balance, end of period | $6,181 | $32,926 | $20,827 | — | $59,934 |

**RAYONIER INC. AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**(Unaudited)**
**(Dollar amounts in thousands unless otherwise stated)**

| | CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS Nine Months Ended September 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Rayonier Inc. (Parent Issuer) | Subsidiary Guarantors | Non-guarantors | Consolidating Adjustments | Total Consolidated |
| **CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES** | ($16,590) | $165,283 | $112,358 | — | $261,051 |
| **INVESTING ACTIVITIES** | | | | | |
| Capital expenditures | — | (58) | (44,079) | — | (44,137) |
| Real estate development investments | — | — | (6,889) | — | (6,889) |
| Purchase of timberlands | — | — | (38,978) | — | (38,978) |
| Investment in subsidiaries | — | 40,554 | — | (40,554) | — |
| Other | — | — | 2,132 | — | 2,132 |
| CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | — | 40,496 | (87,814) | (40,554) | (87,872) |
| **FINANCING ACTIVITIES (a)** | | | | | |
| Issuance of debt | — | — | 1,014 | — | 1,014 |
| Repayment of debt | — | (50,000) | (4,416) | — | (54,416) |
| Dividends paid | (101,839) | — | — | — | (101,839) |
| Proceeds from the issuance of common shares under incentive stock plan | 8,216 | — | — | — | 8,216 |
| Repurchase of common shares | (2,980) | — | — | — | (2,980) |
| Proceeds from shareholder distribution hedge | — | — | 610 | — | 610 |
| Distribution to minority shareholder | — | — | (3,122) | — | (3,122) |
| Issuance of intercompany notes | (9,000) | — | 9,000 | — | — |
| Intercompany distributions | 79,874 | (88,074) | (32,354) | 40,554 | — |
| CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES | (25,729) | (138,074) | (29,268) | 40,554 | (152,517) |
| **EFFECT OF EXCHANGE RATE CHANGES ON CASH** | — | — | (1,341) | — | (1,341) |
| **CASH, CASH EQUIVALENTS AND RESTRICTED CASH** | | | | | |
| Change in cash, cash equivalents and restricted cash | (42,319) | 67,705 | (6,065) | — | 19,321 |
| Balance, beginning of year | 48,564 | 25,042 | 98,750 | — | 172,356 |
| Balance, end of period | $6,245 | $92,747 | $92,685 | — | $191,677 |

(a) Non-cash financing activity: In August 2018, Rayonier Inc. waived $308.7 million and $67.2 million of intercompany loans and accrued interest, respectively, due from non-guarantors.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

*When we refer to "we," "us," "our," "the Company," or "Rayonier," we mean Rayonier Inc. and its consolidated subsidiaries. References herein to "Notes to Financial Statements" refer to the Notes to Consolidated Financial Statements of Rayonier Inc. included in Item 1 of this report.*

*This MD&A is intended to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity, and certain other factors which may affect future results. Our MD&A should be read in conjunction with our Consolidated Financial Statements included in Item 1 of this report, our Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K") and information contained in our subsequent reports filed with the Securities and Exchange Commission (the "SEC").*

### FORWARD-LOOKING STATEMENTS

Certain statements in this document regarding anticipated financial outcomes, including Rayonier's earnings guidance, if any, business and market conditions, outlook, expected dividend rate, Rayonier's business strategies, including expected harvest schedules, timberland acquisitions and dispositions, the anticipated benefits of Rayonier's business strategies, and other similar statements relating to Rayonier's future events, developments, or financial or operational performance or results, 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 are identified by the use of words such as "may," "will," "should," "expect," "estimate," "believe," "intend," "project," "anticipate" and other similar language. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. While management believes that these forward-looking statements are reasonable when made, forward-looking statements are not guarantees of future performance or events and undue reliance should not be placed on these statements. The risk factors contained in Item 1A — *Risk Factors* in the 2018 Form 10-K and similar discussions included in other reports that we subsequently file with the SEC, among others, could cause actual results or events to differ materially from the Company's historical experience and those expressed in forward-looking statements made in this document.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any subsequent disclosures the Company makes on related subjects in its subsequent reports filed with the SEC.

### NON-GAAP MEASURES

To supplement Rayonier's financial statements presented in accordance with generally accepted accounting principles in the United States ("GAAP"), Rayonier uses certain non-GAAP measures, including "cash available for distribution," and "Adjusted EBITDA," which are defined and further explained in *Performance and Liquidity Indicators* below. Reconciliation of such measures to the nearest GAAP measures can also be found in *Performance and Liquidity Indicators* below. Rayonier's definitions of these non-GAAP measures may differ from similarly titled measures used by others. These non-GAAP measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with GAAP.

## OUR COMPANY

We are a leading timberland real estate investment trust (“REIT”) with assets located in some of the most productive softwood timber growing regions in the United States and New Zealand. We invest in timberlands and actively manage them to provide current income and attractive long-term returns to our shareholders. Our revenues, operating income and cash flows are primarily derived from the following core business segments: Southern Timber, Pacific Northwest Timber, New Zealand Timber, Real Estate and Trading. As of September 30, 2019, we owned or leased under long-term agreements approximately 2.6 million acres of timberlands located in the U.S. South (1.8 million acres), U.S. Pacific Northwest (379,000 acres) and New Zealand (414,000 gross acres or 295,000 net plantable acres). Our New Zealand operations are conducted by Matariki Forestry Group, a joint venture (the “New Zealand subsidiary”), in which we maintain a 77% ownership interest.

## SEGMENT INFORMATION

The Southern Timber, Pacific Northwest Timber and New Zealand Timber segments include all activities related to the harvesting of timber and other non-timber income activities, such as the licensing of properties for hunting, the leasing of properties for mineral extraction and cell towers, and carbon credit sales.

The Real Estate segment includes all U.S. and New Zealand land or leasehold sales disaggregated into five sales categories: Improved Development, Unimproved Development, Rural, Non-Strategic / Timberlands and Large Dispositions.

The Trading segment primarily reflects the log trading activities that support our New Zealand operations. The Trading segment complements the New Zealand Timber segment by providing added market intelligence, increasing the scale of export operations and achieving cost savings that directly benefit the New Zealand Timber segment. It also provides additional market intelligence that benefits our Southern and Pacific Northwest export log marketing.

## INDUSTRY AND MARKET CONDITIONS

The demand for timber is directly related to the underlying demand for pulp, paper, packaging, lumber and other wood products. The significant majority of timber sold in our Southern Timber segment is consumed domestically. With a higher proportion of pulpwood, our Southern Timber segment relies heavily on downstream markets for pulp and paper, and to a lesser extent wood pellet markets. Our Pacific Northwest Timber segment relies primarily on domestic customers but also exports a significant volume of timber, particularly to China. Both the Southern and Pacific Northwest Timber segments rely on the strength of U.S. lumber markets as well as underlying housing starts. Our New Zealand Timber segment sells timber to domestic New Zealand wood products mills and also exports a significant portion of its volume to markets in China, South Korea and India. In addition to market dynamics in the Pacific Rim, the New Zealand Timber segment is subject to foreign exchange fluctuations, which can impact the operating results of the segment in U.S. dollar terms.

The Company is also subject to the risk of price fluctuations in its major cost components. The primary components of the Company's cost of sales are the cost basis of timber sold (depletion), the cost basis of real estate sold and logging and transportation costs (cut and haul). Depletion includes the amortization of capitalized costs (site preparation, planting and fertilization, real estate taxes, timberland lease payments and certain payroll costs). Other costs include amortization of capitalized costs related to road and bridge construction and software, depreciation of fixed assets and equipment, road maintenance, severance and excise taxes, fire prevention and real estate commissions and closing costs.

For additional information on market conditions impacting our business, see Results of Operations.

## CRITICAL ACCOUNTING POLICIES AND USE OF ESTIMATES

The preparation of financial statements requires us to make estimates, assumptions and judgments that affect our assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. We base these estimates and assumptions on historical data and trends, current fact patterns, expectations and other sources of information we believe are reasonable. Actual results may differ from these estimates. See Note 1 — Basis of Presentation and Note 3 — Leases contained in Part I, Item 1 of this report for a discussion of the Company's updated accounting policies on leases. For a full description of our critical accounting policies, see Item 7 — *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the 2018 Form 10-K.

## DISCUSSION OF TIMBER INVENTORY AND SUSTAINABLE YIELD

See Item 1 — *Business — Discussion of Timber Inventory and Sustainable Yield* in the 2018 Form 10-K.

## OUR TIMBERLANDS

Our timber operations are disaggregated into three geographically distinct segments: Southern Timber, Pacific Northwest Timber and New Zealand Timber. The following table provides a breakdown of our timberland holdings as of September 30, 2019 and December 31, 2018:

| (acres in 000s) | As of September 30, 2019 | | | As of December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Owned | Leased | Total | Owned | Leased | Total |
| **Southern** | | | | | | |
| Alabama | 228 | 14 | 242 | 229 | 14 | 243 |
| Arkansas | — | 9 | 9 | — | 9 | 9 |
| Florida | 308 | 73 | 381 | 290 | 73 | 363 |
| Georgia | 631 | 79 | 710 | 622 | 81 | 703 |
| Louisiana | 128 | — | 128 | 129 | — | 129 |
| Mississippi | 67 | — | 67 | 67 | — | 67 |
| Oklahoma | 92 | — | 92 | 92 | — | 92 |
| South Carolina | 18 | — | 18 | 18 | — | 18 |
| Texas | 178 | — | 178 | 182 | — | 182 |
| | 1,650 | 175 | 1,825 | 1,629 | 177 | 1,806 |
| **Pacific Northwest** | | | | | | |
| Oregon | 61 | — | 61 | 61 | — | 61 |
| Washington | 317 | 1 | 318 | 316 | 1 | 317 |
| | 378 | 1 | 379 | 377 | 1 | 378 |
| **New Zealand (a)** | 185 | 229 | 414 | 178 | 230 | 408 |
| **Total** | 2,213 | 405 | 2,618 | 2,184 | 408 | 2,592 |

(a) Represents legal acres owned and leased by the New Zealand subsidiary, in which Rayonier owns a 77% interest. As of September 30, 2019, legal acres in New Zealand consisted of 295,000 plantable acres and 119,000 non-productive acres.

The following tables detail activity for owned and leased acres in our timberland holdings by state from December 31, 2018 to September 30, 2019:

| (acres in 000s) | Acres Owned | | | | |
|---|---|---|---|---|---|
| | December 31, 2018 | Acquisitions | Sales | Other | September 30, 2019 |
| **Southern** | | | | | |
| Alabama | 229 | — | (1) | — | 228 |
| Florida | 290 | 19 | (1) | — | 308 |
| Georgia | 622 | 10 | (1) | — | 631 |
| Louisiana | 129 | — | (1) | — | 128 |
| Mississippi | 67 | — | — | — | 67 |
| Oklahoma | 92 | — | — | — | 92 |
| South Carolina | 18 | — | — | — | 18 |
| Texas | 182 | — | (4) | — | 178 |
| | 1,629 | 29 | (8) | — | 1,650 |
| **Pacific Northwest** | | | | | |
| Oregon | 61 | — | — | — | 61 |
| Washington | 316 | 2 | (1) | — | 317 |
| | 377 | 2 | (1) | — | 378 |
| **New Zealand (a)** | 178 | 7 | — | — | 185 |
| **Total** | 2,184 | 38 | (9) | — | 2,213 |

(a) Represents legal acres owned by the New Zealand subsidiary, in which Rayonier has a 77% interest.

| (acres in 000s) | Acres Leased | | | | |
|---|---|---|---|---|---|
| | December 31, 2018 | New Leases | Sold/Expired Leases (a) | Other | September 30, 2019 |
| **Southern** | | | | | |
| Alabama | 14 | — | — | — | 14 |
| Arkansas | 9 | — | — | — | 9 |
| Florida | 73 | — | — | — | 73 |
| Georgia | 81 | — | (2) | — | 79 |
| | 177 | — | (2) | — | 175 |
| **Pacific Northwest** | | | | | |
| Washington | 1 | — | — | — | 1 |
| **New Zealand (b)** | 230 | 2 | (3) | — | 229 |
| **Total** | 408 | 2 | (5) | — | 405 |

(a) Includes acres previously under lease that have been harvested and activity for the relinquishment of leased acres.
(b) Represents legal acres leased by the New Zealand subsidiary, in which Rayonier has a 77% interest.

## RESULTS OF OPERATIONS

## CONSOLIDATED RESULTS

The following table provides key financial information by segment and on a consolidated basis:

| Financial Information (in millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Sales** | | | | |
| Southern Timber | $41.3 | $39.7 | $148.3 | $131.3 |
| Pacific Northwest Timber | 18.8 | 27.8 | 57.9 | 91.4 |
| New Zealand Timber | 62.0 | 66.3 | 181.3 | 188.9 |
| Real Estate | | | | |
| Improved Development | 4.5 | 1.4 | 5.0 | 3.8 |
| Unimproved Development | — | 1.2 | 15.4 | 8.6 |
| Rural | 3.8 | 4.5 | 23.3 | 11.0 |
| Non-Strategic / Timberlands | 0.4 | 29.2 | 8.5 | 98.7 |
| Other (a) | 0.5 | — | 0.5 | — |
| Total Real Estate | 9.2 | 36.2 | 52.7 | 122.1 |
| Trading | 25.2 | 31.0 | 92.7 | 116.4 |
| Intersegment Eliminations | (0.1) | — | (0.1) | — |
| **Total Sales** | $156.4 | $200.9 | $532.8 | $650.0 |
| | | | | |
| **Operating Income (Loss)** | | | | |
| Southern Timber | $9.5 | $9.2 | $45.8 | $37.1 |
| Pacific Northwest Timber | (3.6) | 1.9 | (11.1) | 12.2 |
| New Zealand Timber | 10.1 | 16.4 | 38.6 | 50.1 |
| Real Estate | 0.4 | 24.7 | 25.9 | 71.6 |
| Trading | — | 0.3 | 0.3 | 0.7 |
| Corporate and Other | (5.4) | (6.2) | (18.6) | (16.6) |
| **Operating Income** | 11.0 | 46.4 | 80.9 | 155.1 |
| Interest expense, interest income and other | (7.2) | (7.4) | (20.5) | (20.0) |
| Income tax expense | (2.3) | (8.4) | (10.2) | (22.4) |
| **Net Income** | 1.5 | 30.6 | 50.2 | 112.7 |
| Less: Net income attributable to noncontrolling interest | (1.9) | (7.2) | (7.1) | (12.5) |
| **Net (Loss) Income Attributable to Rayonier Inc.** | ($0.4) | $23.4 | $43.1 | $100.2 |
| | | | | |
| **Adjusted EBITDA (b)** | | | | |
| Southern Timber | $22.5 | $22.9 | $91.4 | $81.7 |
| Pacific Northwest Timber | 2.7 | 9.7 | 8.0 | 38.9 |
| New Zealand Timber | 17.7 | 24.0 | 59.7 | 71.4 |
| Real Estate | 5.4 | 32.3 | 41.1 | 111.0 |
| Trading | — | 0.3 | 0.3 | 0.7 |
| Corporate and Other | (5.1) | (5.9) | (17.7) | (15.8) |
| **Total Adjusted EBITDA** | $43.2 | $83.3 | $182.8 | $287.9 |

(a) Includes marketing fees and deferred revenue adjustments related to Improved Development sales.
(b) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators.

| Southern Timber Overview | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Sales Volume (in thousands of tons)** | | | | |
| Pine Pulpwood | 829 | 828 | 2,705 | 2,676 |
| Pine Sawtimber | 369 | 427 | 1,575 | 1,510 |
| **Total Pine Volume** | 1,198 | 1,255 | 4,280 | 4,186 |
| Hardwood | 82 | 75 | 209 | 202 |
| **Total Volume** | 1,280 | 1,330 | 4,490 | 4,388 |
| | | | | |
| Percentage Delivered Sales | 37% | 34% | 34% | 29% |
| Percentage Stumpage Sales | 63% | 66% | 66% | 71% |
| | | | | |
| **Net Stumpage Pricing (dollars per ton)** | | | | |
| Pine Pulpwood | $15.53 | $16.74 | $17.01 | $16.64 |
| Pine Sawtimber | 23.16 | 25.55 | 25.43 | 26.06 |
| Weighted Average Pine | $17.88 | $19.74 | $20.10 | $20.04 |
| Hardwood | 20.47 | 13.34 | 17.26 | 12.20 |
| Weighted Average Total | $18.05 | $19.36 | $19.97 | $19.67 |
| | | | | |
| **Summary Financial Data (in millions of dollars)** | | | | |
| Timber Sales | $33.0 | $34.8 | $121.0 | $110.2 |
| Less: Cut, Haul & Freight | (9.9) | (9.1) | (31.4) | (23.9) |
| **Net Stumpage Sales** | $23.1 | $25.7 | $89.7 | $86.3 |
| | | | | |
| Non-Timber Sales | 8.3 | 4.9 | 27.3 | 21.1 |
| **Total Sales** | $41.3 | $39.7 | $148.3 | $131.3 |
| | | | | |
| Operating Income | $9.5 | $9.2 | $45.8 | $37.1 |
| (+) Depreciation, depletion and amortization | 13.0 | 13.7 | 45.6 | 44.6 |
| **Adjusted EBITDA (a)** | $22.5 | $22.9 | $91.4 | $81.7 |
| | | | | |
| **Other Data** | | | | |
| Period-End Acres (in thousands) | 1,825 | 1,812 | 1,825 | 1,812 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators.

| Pacific Northwest Timber Overview | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Sales Volume (in thousands of tons)** | | | | |
| Pulpwood | 56 | 73 | 172 | 242 |
| Sawtimber | 205 | 237 | 622 | 822 |
| **Total Volume** | 261 | 310 | 794 | 1,063 |
| | | | | |
| **Sales Volume (converted to MBF)** | | | | |
| Pulpwood | 5,277 | 6,878 | 16,286 | 22,907 |
| Sawtimber | 28,039 | 32,194 | 83,587 | 108,418 |
| **Total Volume** | 33,316 | 39,072 | 99,873 | 131,325 |
| | | | | |
| Percentage Delivered Sales | 100% | 90% | 100% | 83% |
| Percentage Sawtimber Sales | 79% | 77% | 79% | 77% |
| | | | | |
| **Delivered Log Pricing (in dollars per ton)** | | | | |
| Pulpwood | $37.87 | $48.93 | $41.89 | $47.94 |
| Sawtimber | 78.26 | 102.74 | 78.36 | 100.46 |
| Weighted Average Log Price | $69.64 | $89.37 | $70.47 | $87.34 |
| | | | | |
| **Summary Financial Data (in millions of dollars)** | | | | |
| Timber Sales | $18.2 | $27.1 | $55.9 | $88.8 |
| Less: Cut and Haul | (10.6) | (11.5) | (33.0) | (34.5) |
| **Net Stumpage Sales** | $7.6 | $15.6 | $22.9 | $54.3 |
| | | | | |
| Non-Timber Sales | 0.6 | 0.8 | 1.9 | 2.6 |
| **Total Sales** | $18.8 | $27.8 | $57.9 | $91.4 |
| | | | | |
| Operating Income (Loss) | ($3.6) | $1.9 | ($11.1) | $12.2 |
| (+) Depreciation, depletion and amortization | 6.3 | 7.8 | 19.2 | 26.7 |
| **Adjusted EBITDA (a)** | $2.7 | $9.7 | $8.0 | $38.9 |
| | | | | |
| **Other Data** | | | | |
| Period-End Acres (in thousands) | 379 | 378 | 379 | 378 |
| Sawtimber (in dollars per MBF) | $575 | $741 | $591 | $759 |
| Estimated Percentage of Export Volume | 18% | 23% | 20% | 24% |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators.

| New Zealand Timber Overview | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Sales Volume (in thousands of tons)** | | | | |
| Domestic Pulpwood (Delivered) | 132 | 136 | 369 | 390 |
| Domestic Sawtimber (Delivered) | 235 | 243 | 634 | 663 |
| Export Pulpwood (Delivered) | 34 | 21 | 111 | 60 |
| Export Sawtimber (Delivered) | 354 | 323 | 927 | 907 |
| **Total Volume** | 754 | 724 | 2,042 | 2,020 |
| | | | | |
| **Delivered Log Pricing (in dollars per ton)** | | | | |
| Domestic Pulpwood | $38.47 | $37.54 | $38.91 | $37.36 |
| Domestic Sawtimber | 75.29 | 80.74 | 80.17 | 84.43 |
| Export Sawtimber | 95.51 | 114.54 | 106.81 | 117.74 |
| Weighted Average Log Price | $78.68 | $88.35 | $85.68 | $90.84 |
| | | | | |
| **Summary Financial Data (in millions of dollars)** | | | | |
| Timber Sales | $59.3 | $63.9 | $175.0 | $183.5 |
| Less: Cut and Haul | (23.2) | (22.2) | (66.3) | (65.1) |
| Less: Port and Freight Costs | (13.6) | (13.7) | (35.9) | (36.7) |
| **Net Stumpage Sales** | $22.6 | $28.1 | $72.8 | $81.7 |
| | | | | |
| Non-Timber Sales / Carbon Credits | 2.7 | 2.3 | 6.3 | 5.3 |
| **Total Sales** | $62.0 | $66.3 | $181.3 | $188.9 |
| | | | | |
| Operating Income | $10.1 | $16.4 | $38.6 | $50.1 |
| (+) Depreciation, depletion and amortization | 7.6 | 7.5 | 21.1 | 21.3 |
| **Adjusted EBITDA (a)** | $17.7 | $24.0 | $59.7 | $71.4 |
| | | | | |
| **Other Data** | | | | |
| New Zealand Dollar to U.S. Dollar Exchange Rate (b) | 0.6554 | 0.6755 | 0.6676 | 0.7032 |
| Net Plantable Period-End Acres (in thousands) | 295 | 290 | 295 | 290 |
| Export Sawtimber (in dollars per JAS $m^3$) | $111.05 | $133.18 | $124.19 | $136.90 |
| Domestic Sawtimber (in $NZD per tonne) | $126.36 | $131.48 | $132.10 | $132.39 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators.

(b) Represents the period average rate.

| Real Estate Overview | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 | Nine Months Ended September 30, 2019 | Nine Months Ended September 30, 2018 |
|---|---|---|---|---|
| **Sales (in millions of dollars)** | | | | |
| Improved Development | $4.5 | $1.3 | $5.0 | $3.8 |
| Unimproved Development | — | 1.2 | 15.4 | 8.6 |
| Rural | 3.8 | 4.5 | 23.3 | 11.0 |
| Non-Strategic / Timberlands - U.S. | 0.4 | 1.0 | 8.5 | 70.6 |
| Non-Strategic / Timberlands - N.Z. | — | 28.1 | — | 28.1 |
| Other (a) | 0.5 | — | 0.5 | — |
| **Total Sales** | $9.2 | $36.2 | $52.7 | $122.1 |
| | | | | |
| **Acres Sold** | | | | |
| Improved Development | 21.7 | 5.2 | 23.7 | 13.3 |
| Unimproved Development | — | 126 | 791 | 751 |
| Rural | 1,121 | 1,420 | 6,176 | 2,906 |
| Non-Strategic / Timberlands - U.S. | 202 | 789 | 3,298 | 22,700 |
| Non-Strategic / Timberlands - N.Z. (b) | — | 4,996 | — | 4,996 |
| **Total Acres Sold** | 1,345 | 7,336 | 10,289 | 31,366 |
| | | | | |
| **Gross Price per Acre (dollars per acre)** | | | | |
| Improved Development | $207,325 | $260,721 | $211,166 | $284,225 |
| Unimproved Development | — | 9,325 | 19,507 | 11,486 |
| Rural | 3,425 | 3,161 | 3,773 | 3,775 |
| Non-Strategic / Timberlands | 2,117 | 1,309 | 2,573 | 3,109 |
| Non-Strategic / Timberlands - N.Z. | — | 5,628 | — | 5,628 |
| **Weighted Average (Total)** | $6,513 | $4,929 | $5,076 | $3,892 |
| **Weighted Average (Adjusted) (c)** | $3,225 | $4,749 | $4,600 | $3,772 |
| | | | | |
| Operating Income | $0.4 | $24.7 | $25.9 | $71.6 |
| (+) Depreciation, depletion and amortization - U.S. | 0.7 | 1.0 | 5.2 | 17.8 |
| (+) Depreciation, depletion and amortization - N.Z. | — | 4.5 | — | 4.5 |
| (+) Non-cash cost of land and improved development - U.S. | 4.3 | 2.1 | 10.0 | 17.1 |
| **Adjusted EBITDA (d)** | $5.4 | $32.3 | $41.1 | $111.0 |

(a) Includes marketing fees and deferred revenue adjustments related to Improved Development sales.
(b) New Zealand Non-Strategic / Timberlands represents productive acres.
(c) Excludes Improved Development.
(d) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators.

| Capital Expenditures By Segment (in millions of dollars) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Timber Capital Expenditures** | | | | |
| Southern Timber | | | | |
| Reforestation, silviculture and other capital expenditures | $3.8 | $7.3 | $12.3 | $13.7 |
| Property taxes | 1.7 | 1.8 | 5.3 | 5.0 |
| Lease payments | 0.3 | 0.5 | 2.2 | 2.5 |
| Allocated overhead | 1.0 | 1.0 | 3.2 | 3.0 |
| **Subtotal Southern Timber** | $6.8 | $10.5 | $22.9 | $24.3 |
| Pacific Northwest Timber | | | | |
| Reforestation, silviculture and other capital expenditures | 2.1 | 1.8 | 5.7 | 5.3 |
| Property taxes | 0.2 | 0.2 | 0.6 | 0.5 |
| Allocated overhead | 0.8 | 0.6 | 2.3 | 1.8 |
| **Subtotal Pacific Northwest Timber** | $3.1 | $2.6 | $8.7 | $7.6 |
| New Zealand Timber | | | | |
| Reforestation, silviculture and other capital expenditures | 3.3 | 3.3 | 7.2 | 7.1 |
| Property taxes | 0.2 | 0.1 | 0.5 | 0.5 |
| Lease payments | 1.1 | 0.9 | 3.2 | 2.4 |
| Allocated overhead | 0.6 | 0.7 | 2.0 | 2.1 |
| **Subtotal New Zealand Timber** | $5.2 | $5.0 | $12.9 | $12.1 |
| **Total Timber Segments Capital Expenditures** | $15.1 | $18.1 | $44.5 | $43.9 |
| Real Estate | — | 0.1 | 0.2 | 0.2 |
| Corporate | 0.6 | — | 0.6 | — |
| **Total Capital Expenditures** | $15.8 | $18.2 | $45.3 | $44.1 |
| | | | | |
| **Timberland Acquisitions** | | | | |
| Southern Timber | $26.4 | $2.9 | $42.3 | $27.3 |
| Pacific Northwest Timber | — | — | 3.6 | — |
| New Zealand Timber | 29.1 | 4.9 | 36.0 | 11.7 |
| **Subtotal Timberland Acquisitions** | $55.5 | $7.8 | $81.9 | $39.0 |
| | | | | |
| **Real Estate Development Investments (a)** | $2.4 | $2.4 | $3.3 | $6.9 |

(a) The nine months ended September 30, 2019 includes $3.7 million of reimbursements from community development bonds.

The following tables summarize sales, operating income and Adjusted EBITDA variances for September 30, 2019 versus September 30, 2018 (millions of dollars):

| Sales | Southern Timber | | Pacific Northwest Timber | | New Zealand Timber | | Real Estate | | Trading | Intersegment Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Three Months Ended September 30, 2018** | $39.7 | | $27.8 | | $66.3 | | $36.2 | | $31.0 | — | $200.9 |
| Volume | (1.0) | | (2.5) | | 2.7 | | (29.5) | | (1.4) | — | (31.7) |
| Price | (1.7) | | (5.5) | | (6.8) | | 2.1 | | (4.4) | — | (16.3) |
| Non-timber sales | 3.4 | | (0.2) | | 0.4 | | — | | — | — | 3.6 |
| Foreign exchange (a) | — | | — | | (0.8) | | — | | — | — | (0.8) |
| Other | 0.9 | (b) | (0.8) | (b) | 0.2 | (c) | 0.4 | (d) | — | (0.1) | 0.7 |
| **Three Months Ended September 30, 2019** | $41.3 | | $18.8 | | $62.0 | | $9.2 | | $25.2 | ($0.1) | $156.4 |

(a) Net of currency hedging impact.
(b) Includes variance due to stumpage versus delivered sales.
(c) Includes variance due to domestic versus export sales.
(d) Includes $0.4 million of deferred revenue adjustments in the three months ended September 30, 2019.

| Sales | Southern Timber | | Pacific Northwest Timber | | New Zealand Timber | | Real Estate | | Trading | Intersegment Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nine Months Ended September 30, 2018** | $131.3 | | $91.4 | | $188.9 | | $122.1 | | $116.4 | — | $650.0 |
| Volume | 2.0 | | (13.8) | | 2.0 | | (82.0) | | (16.2) | — | (108.0) |
| Price | 1.3 | | (17.7) | | (10.3) | | 12.2 | | (7.6) | — | (22.1) |
| Non-timber sales | 6.2 | | (0.7) | | 1.2 | | — | | 0.1 | — | 6.8 |
| Foreign exchange (a) | — | | — | | (3.8) | | — | | — | — | (3.8) |
| Other | 7.5 | (b) | (1.3) | (b) | 3.3 | (c) | 0.4 | (d) | — | (0.1) | 9.9 |
| **Nine Months Ended September 30, 2019** | $148.3 | | $57.9 | | $181.3 | | $52.7 | | $92.7 | ($0.1) | $532.8 |

(a) Net of currency hedging impact.
(b) Includes variance due to stumpage versus delivered sales.
(c) Includes variance due to domestic versus export sales.
(d) Includes $0.4 million of deferred revenue adjustments in the nine months ended September 30, 2019.

| Operating Income | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|
| **Three Months Ended September 30, 2018** | $9.2 | $1.9 | $16.4 | $24.7 | $0.3 | ($6.2) | $46.4 |
| Volume | (0.4) | (0.9) | 0.9 | (23.1) | — | — | (23.5) |
| Price | (1.7) | (5.5) | (6.8) | 2.1 | — | — | (11.9) |
| Cost | (1.1) | 0.8 | (0.8) | (0.5) | (0.3) | 0.8 | (1.1) |
| Non-timber income | 3.4 | (0.2) | 0.4 | — | — | — | 3.6 |
| Foreign exchange (a) | — | — | — | — | — | — | — |
| Depreciation, depletion & amortization | 0.1 | 0.3 | — | 0.4 | — | — | 0.8 |
| Non-cash cost of land and improved development | — | — | — | (3.6) | — | — | (3.6) |
| Other (b) | — | — | — | 0.4 | — | — | 0.4 |
| **Three Months Ended September 30, 2019** | $9.5 | ($3.6) | $10.1 | $0.4 | — | ($5.4) | $11.0 |

(a) Net of currency hedging impact.
(b) Includes $0.4 million of deferred revenue adjustments in the three months ended September 30, 2019.

| Operating Income | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|
| **Nine Months Ended September 30, 2018** | $37.1 | $12.2 | $50.1 | $71.6 | $0.7 | ($16.6) | $155.1 |
| Volume | 1.0 | (5.3) | 0.7 | (55.1) | — | — | (58.7) |
| Price | 1.3 | (17.7) | (10.3) | 12.2 | — | — | (14.5) |
| Cost | 0.1 | (0.4) | (0.8) | (1.4) | (0.4) | (0.3) | (3.2) |
| Non-timber income | 6.3 | (0.7) | 0.9 | — | — | — | 6.5 |
| Foreign exchange (a) | — | — | (1.3) | — | — | — | (1.3) |
| Depreciation, depletion & amortization | — | 0.8 | (0.7) | 2.3 | — | — | 2.4 |
| Non-cash cost of land and improved development | — | — | — | (4.1) | — | — | (4.1) |
| Other (b) | — | — | — | 0.4 | — | (1.7) | (1.3) |
| **Nine Months Ended September 30, 2019** | $45.8 | ($11.1) | $38.6 | $25.9 | $0.3 | ($18.6) | $80.9 |

(a) Net of currency hedging impact.
(b) Real Estate includes $0.4 million of deferred revenue adjustments in the nine months ended September 30, 2019. Corporate and Other includes legal expenses of $1.1 million and the sale of unused Internet Protocol addresses of $0.6 million in the prior year period.

| Adjusted EBITDA (a) | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|
| **Three Months Ended September 30, 2018** | $22.9 | $9.7 | $24.0 | $32.3 | $0.3 | ($5.9) | $83.3 |
| Volume | (1.0) | (2.1) | 1.2 | (28.9) | — | — | (30.8) |
| Price | (1.7) | (5.5) | (6.8) | 2.1 | — | — | (11.9) |
| Cost | (1.1) | 0.8 | (0.8) | (0.5) | (0.3) | 0.8 | (1.1) |
| Non-timber income | 3.4 | (0.2) | 0.4 | — | — | — | 3.6 |
| Foreign exchange (b) | — | — | (0.3) | — | — | — | (0.3) |
| Other (c) | — | — | — | 0.4 | — | — | 0.4 |
| **Three Months Ended September 30, 2019** | $22.5 | $2.7 | $17.7 | $5.4 | — | ($5.1) | $43.2 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators below.
(b) Net of currency hedging impact.
(c) Includes $0.4 million of deferred revenue adjustments in the three months ended September 30, 2019.

| Adjusted EBITDA (a) | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|
| **Nine Months Ended September 30, 2018** | $81.7 | $38.9 | $71.4 | $111.0 | $0.7 | ($15.8) | $287.9 |
| Volume | 2.0 | (12.1) | 0.9 | (81.1) | — | — | (90.3) |
| Price | 1.3 | (17.7) | (10.3) | 12.2 | — | — | (14.5) |
| Cost | 0.1 | (0.4) | (0.8) | (1.4) | (0.4) | (0.2) | (3.1) |
| Non-timber income | 6.3 | (0.7) | 0.9 | — | — | — | 6.5 |
| Foreign exchange (b) | — | — | (2.4) | — | — | — | (2.4) |
| Other (c) | — | — | — | 0.4 | — | (1.7) | (1.3) |
| **Nine Months Ended September 30, 2019** | $91.4 | $8.0 | $59.7 | $41.1 | $0.3 | ($17.7) | $182.8 |

(a) Adjusted EBITDA is a non-GAAP measure defined and reconciled in Performance and Liquidity Indicators below.
(b) Net of currency hedging impact.
(c) Real Estate includes $0.4 million of deferred revenue adjustments in the nine months ended September 30, 2019. Corporate and Other includes legal expenses of $1.1 million and the sale of unused Internet Protocol addresses of $0.6 million in the prior year period.

*SOUTHERN TIMBER*

Third quarter sales of $41.3 million (which included non-timber sales of $8.3 million) increased $1.6 million, or 4%, versus the prior year period primarily due to higher pipeline easement revenue. Harvest volumes decreased 4% to 1.28 million tons versus 1.33 million tons in the prior year period, largely driven by weaker sawtimber demand, particularly in log export markets. Average pine sawtimber stumpage prices decreased 9% to $23.16 per ton versus $25.55 per ton in the prior year period, driven in part by an oversupply in the domestic market from sawtimber initially targeted for export. Average pine pulpwood stumpage prices decreased 7% to $15.53 per ton versus $16.74 per ton in the prior year period, due to increased supply resulting from dry weather conditions during the quarter as well as geographic mix, as an increased proportion of volume was harvested from lower-priced regions. Overall, weighted-average stumpage prices (including hardwood) decreased 7% to $18.05 per ton versus $19.36 per ton in the prior year period. Operating income of $9.5 million increased $0.3 million versus the prior year period as higher non-timber income ($3.4 million) and lower depletion rates ($0.1 million) were largely offset by lower volumes ($0.4 million), lower net stumpage prices ($1.7 million) and higher lease and other expenses ($1.1 million). Third quarter Adjusted EBITDA of $22.5 million was $0.4 million below the prior year period.

Year-to-date sales of $148.3 million increased $17.0 million, or 13%, versus the prior year period. Harvest volumes increased 2% to 4.49 million tons versus 4.39 million tons in the prior year period, primarily due to elevated volumes in the first quarter as a result of constrained supply caused by wet ground conditions. Average pine sawtimber stumpage prices decreased 2% to $25.43 per ton versus $26.06 per ton in the prior year period due to weaker end markets, particularly in the third quarter. Average pine pulpwood stumpage prices increased 2% to $17.01 per ton versus $16.64 per ton in the prior year period, driven primarily by strong pricing on sales committed during the first quarter's wet weather. Overall, weighted average stumpage prices (including hardwood) increased 2% to $19.97 per ton versus $19.67 per ton in the prior year period. Operating income of $45.8 million increased $8.7 million versus the prior year period as a result of higher non-timber income ($6.3 million), higher net stumpage prices ($1.3 million), higher volumes ($1.0 million) and lower overhead and other expenses ($0.1 million). Year-to-date Adjusted EBITDA of $91.4 million was $9.7 million above the prior year period.

*PACIFIC NORTHWEST TIMBER*

Third quarter sales of $18.8 million decreased $9.0 million, or 33%, versus the prior year period. Harvest volumes decreased 16% to 261,000 tons versus 310,000 tons in the prior year period, as we deferred harvest in response to soft market conditions. Average delivered sawtimber prices decreased 24% to $78.26 per ton versus $102.74 per ton in the prior year period, while average delivered pulpwood prices decreased 23% to $37.87 per ton versus $48.93 per ton in the prior year period. The decrease in delivered sawtimber prices was driven by weak export market conditions due to the ongoing U.S.-China trade dispute as well as competition from lower-priced European salvage timber. The decrease in delivered pulpwood prices was driven primarily by excess supply in the market. Operating loss of $3.6 million versus operating income of $1.9 million in the prior year period was due primarily to lower net stumpage prices ($5.5 million), lower volumes ($0.9 million) and lower non-timber income ($0.2 million), partially offset by lower road maintenance and other costs ($0.8 million) and lower depletion rates ($0.3 million). Third quarter Adjusted EBITDA of $2.7 million was $7.0 million below the prior year period.

Year-to-date sales of $57.9 million decreased $33.5 million, or 37%, versus the prior year period. Harvest volumes decreased 25% to 794,000 tons, versus 1,063,000 tons in the prior year period, as we deferred harvest in response to challenging export and domestic market conditions. Average delivered sawtimber prices decreased 22% to $78.36 per ton from $100.46 per ton in the prior year period, and average delivered pulpwood prices decreased 13% to $41.89 per ton from $47.94 per ton in the prior year period. The decrease in delivered sawtimber prices was driven by uncertainty in the export market resulting from the ongoing trade dispute between the U.S. and China as well as weaker U.S. lumber markets. The decrease in delivered pulpwood prices was driven primarily by the elimination of export options for pulp and small diameter sawlogs. Operating loss of $11.1 million versus operating income of $12.2 million in the prior year period was primarily due to lower net stumpage prices ($17.7 million), lower volumes ($5.3 million), lower non-timber income ($0.7 million) and higher overhead and other costs ($0.4 million), partially offset by lower depletion rates ($0.8 million). Year-to-date Adjusted EBITDA of $8.0 million was $30.9 million below the prior year period.

*NEW ZEALAND TIMBER*

Third quarter sales of $62.0 million decreased $4.3 million, or 6%, versus the prior year period. Harvest volumes increased 4% to 754,000 tons versus 724,000 tons in the prior year period. Average delivered prices for export sawtimber decreased 17% to $95.51 per ton versus $114.54 per ton in the prior year period, while average delivered prices for domestic sawtimber decreased 7% to $75.29 per ton versus $80.74 per ton in the prior year period. The decrease in export sawtimber prices was primarily due to increased competition from lower-cost log and lumber imports into China as well as a general slowdown in the Chinese economy. The decrease in domestic sawtimber prices (in U.S. dollar terms) was driven in part by the fall in the NZ$/US$ exchange rate (US$0.66 per NZ$1.00 versus US$0.68 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices decreased 4% versus the prior year period, following the negative trend in the export market. Operating income of $10.1 million decreased $6.3 million versus the prior year period as a result of lower net stumpage prices ($6.8 million) and higher roading costs ($0.8 million), partially offset by higher volumes ($0.9 million) and higher non-timber income ($0.4 million). Third quarter Adjusted EBITDA of $17.7 million was $6.3 million below the prior year period.

Year-to-date sales of $181.3 million decreased $7.6 million, or 4%, versus the prior year. Harvest volumes were flat at 2.04 million tons versus 2.02 million tons in the prior year. Average delivered prices for export sawtimber decreased 9% to $106.81 per ton versus $117.74 per ton in the prior year, while average delivered prices for domestic sawtimber decreased 5% to $80.17 per ton versus $84.43 per ton in the prior year. The decrease in export sawtimber prices was primarily due to increased competition from lower-cost lumber imports into China and higher log inventories at China ports. The decrease in the domestic sawtimber prices (in US dollar terms) was driven primarily by the fall in the NZ$/US$ exchange rate (US$0.67 per NZ$1.00 versus US$0.70 per NZ$1.00). Excluding the impact of foreign exchange rates, domestic sawtimber prices remained flat versus the prior year period. Operating income of $38.6 million decreased $11.5 million versus the prior year period as a result of lower net stumpage prices ($10.3 million), unfavorable foreign exchange rate ($1.3 million), higher roading costs ($0.8 million) and higher depletion rates ($0.7 million), partially offset by higher non-timber revenue ($0.9 million) and higher volumes ($0.7 million). Year-to-date Adjusted EBITDA of $59.7 million was $11.7 million below the prior year period.

*REAL ESTATE*

Third quarter sales of $9.2 million decreased $27.0 million versus the prior year period, while operating income of $0.4 million decreased $24.3 million versus the prior year period due to a lower number of acres sold (1,345 acres sold versus 7,336 acres sold in the prior year period), partially offset by a significant increase in weighted-average prices ($6,513 per acre versus $4,929 per acre in the prior year period).

Improved Development sales of $4.5 million in the Wildlight development project consisted of 21.7 acres of commercial property ($207,000 per acre).This compares to prior year period sales of $1.3 million, which consisted of 2.2 acres of commercial property for $0.5 million ($225,000 per acre) and 20 residential lots for $0.8 million ($42,000 per lot or $288,000 per acre).

There were no Unimproved Development sales in the third quarter. This compares to prior year period sales of $1.2 million, which consisted of 126 acres at an average price of $9,325 per acre.

Rural sales of $3.8 million consisted of 1,121 acres at an average price of $3,425 per acre. This compares to prior year period sales of $4.5 million, which consisted of 1,420 acres at an average price of $3,161 per acre.

Non-strategic / Timberland sales of $0.4 million consisted of 202 acres at an average price of $2,117 per acre. This compares to prior year period sales of $29.2 million, which consisted of 5,785 acres at an average price of $5,039 per acre, including a $28.1 million timberland sale in New Zealand consisting of 4,996 productive acres at an average price of $5,628 per acre. Third quarter Adjusted EBITDA of $5.4 million was $26.9 million below the prior year period.

Year-to-date sales of $52.7 million decreased $69.4 million versus the prior year period, while operating income of $25.9 million decreased $45.7 million versus the prior year period. Sales and operating income decreased in the first nine months due primarily to a lower number of acres sold (10,289 acres sold versus 31,366 acres sold in the prior year period), partially offset by higher weighted-average prices ($5,076 per acre versus $3,892 per acre). Year-to-date Adjusted EBITDA of $41.1 million decreased $69.9 million versus the prior year.

### *TRADING*

Third quarter sales of $25.2 million decreased $5.8 million versus the prior year period primarily due to lower volumes and prices. Sales volumes decreased 5% to 270,000 tons versus 283,000 tons in the prior year period. The Trading segment generated breakeven results versus operating income of $0.3 million in the prior year period, due to lower trading margins resulting from lower volumes and prices.

Year-to-date sales of $92.7 million decreased $23.7 million versus the prior year period primarily due to lower volumes. Sales volumes decreased 14% to 876,000 tons versus 1,018,000 tons in the the prior year period. Operating income and Adjusted EBITDA of $0.3 million decreased $0.4 million versus the prior year period.

## OTHER ITEMS

### *CORPORATE AND OTHER EXPENSE / ELIMINATIONS*

Third quarter corporate and other operating expenses of $5.4 million decreased $0.8 million versus the prior year period, primarily due to variances in overhead costs allocated to operating segments ($0.3 million), lower legal expenses ($0.3 million) and lower compensation and benefit expenses ($0.2 million).

Year-to-date corporate and other operating expenses of $18.6 million increased $1.9 million versus the prior year period due to elevated legal expenses ($1.3 million) and the prior year income from the sale of unused Internet Protocol addresses ($0.6 million).

### *INTEREST EXPENSE*

Third quarter interest expense of $8.0 million increased $0.1 million versus the prior year period.

Year-to-date interest expense of $23.6 million decreased $0.4 million versus the prior year period due to lower average outstanding debt versus the prior year period.

### *INTEREST AND MISCELLANEOUS INCOME, NET*

Third quarter and year-to-date non-operating income of $0.8 million and $3.2 million, respectively, includes interest income and favorable mark-to-market adjustments on carbon options.

### *INCOME TAX EXPENSE*

Third quarter and year-to-date income tax expense of $2.3 million and $10.2 million decreased $6.1 million and $12.2 million, respectively, versus the prior year period as a result of lower taxable income. The New Zealand subsidiary is the primary driver of income tax expense.

## OUTLOOK

Based on challenging export and domestic market conditions across our timber segments, we expect to achieve full-year Adjusted EBITDA toward the lower end of our prior guidance. In our Southern Timber segment, we now expect full-year harvest volumes of 6.0 to 6.1 million tons as we have pulled back harvest volumes in certain markets impacted by the decline in sawtimber demand, although we anticipate continued solid pulpwood demand in our key market areas. In our Pacific Northwest Timber segment, we are on track to achieve full-year harvest volumes of approximately 1.2 million tons as we anticipate a modest improvement in domestic demand and pricing. In our New Zealand Timber segment, full-year harvest volumes are expected to remain between 2.7 and 2.8 million tons. Pricing in New Zealand has improved modestly from mid-year lows, but still remains well below average pricing in the first half of the year. In our Real Estate segment, following a relatively light third quarter, we expect a strong fourth quarter contribution based on a number of transactions that are either under contract or in active negotiation.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal source of cash is cash flow from operations, primarily the harvesting of timber and sales of real estate. As a REIT, our main use of cash is dividends. We also use cash to maintain the productivity of our timberlands through replanting and silviculture. Our operations have generally produced consistent cash flow and required limited capital resources. Short-term borrowings have helped fund working capital needs while acquisitions of timberlands generally require funding from external sources or Large Dispositions.

## SUMMARY OF LIQUIDITY AND FINANCING COMMITMENTS

| (millions of dollars) | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | $56.9 | $148.4 |
| Total debt (a) | 975.0 | 975.0 |
| Shareholders' equity | 1,515.6 | 1,654.6 |
| Total capitalization (total debt plus equity) | 2,490.6 | 2,629.6 |
| Debt to capital ratio | 39% | 37% |
| Net debt to enterprise value (b)(c) | 20% | 19% |

(a) Total debt as of September 30, 2019 and December 31, 2018 is presented gross of deferred financing costs of $2.0 million and $2.4 million, respectively.
(b) Net debt is calculated as total debt less cash and cash equivalents.
(c) Enterprise value is calculated as the number of shares outstanding multiplied by the Company's share price plus net debt as of September 30, 2019 and December 31, 2018.

## CASH FLOWS

The following table summarizes our cash flows from operating, investing and financing activities for the nine months ended September 30, 2019 and 2018.

| (millions of dollars) | 2019 | 2018 |
|---|---|---|
| Cash provided by (used for): | | |
| Operating activities | $164.2 | $261.1 |
| Investing activities | (132.8) | (87.9) |
| Financing activities | (125.2) | (152.5) |

### *CASH PROVIDED BY OPERATING ACTIVITIES*

Cash provided by operating activities decreased $96.9 million primarily due to lower operating results.

### *CASH USED FOR INVESTING ACTIVITIES*

Cash used for investing activities increased $44.9 million versus the prior year period primarily due to an increase in timberland acquisitions ($42.9 million), higher capital expenditures ($1.1 million) and other investing activities ($4.4 million), partially offset by lower real estate development investments ($3.5 million).

### *CASH USED FOR FINANCING ACTIVITIES*

Cash used for financing activities decreased $27.3 million from the prior year period primarily due to a decrease in net debt repayments ($53.4 million), partially offset by a decreases in equity issuances ($7.4 million) and shareholder distribution hedge proceeds ($0.5 million) and increases in dividends paid ($4.3 million), shares repurchased ($9.7 million) and minority shareholder distributions ($4.2 million).

## EXPECTED 2019 EXPENDITURES

Capital expenditures in 2019 are expected to be between $65 million and $67 million, excluding any strategic timberland acquisitions we may make. Capital expenditures are expected to primarily consist of seedling planting, fertilization and other silvicultural activities, property taxes, lease payments, allocated overhead and other capitalized costs. Aside from capital expenditures, we may also acquire timberland as we actively evaluate acquisition opportunities.

Real estate development investments in 2019 are expected to be between $7 million and $9 million, net of reimbursements from community development bonds. Expected real estate development investments are primarily related to Wildlight, our mixed-use community development project located north of Jacksonville, Florida at the interchange of I-95 and State Road A1A.

Our 2019 dividend payments are expected to be approximately $139 million assuming no change in the quarterly dividend rate of $0.27 per share or material changes in the number of shares outstanding.

Future share repurchases, if any, will depend on the Company's liquidity and cash flow, as well as general market conditions and other considerations including capital allocation priorities.

We have paid $0.9 million of the approximately $1.3 million in current year mandatory pension contribution requirements. Additionally, the Company has paid $5.0 million in discretionary pension contributions during 2019.

Cash tax payments in 2019 are expected to be approximately $2 million, primarily related to the New Zealand subsidiary.

### *PERFORMANCE AND LIQUIDITY INDICATORS*

The discussion below is presented to enhance the reader's understanding of our operating performance, liquidity, and ability to generate cash and satisfy rating agency and creditor requirements. This information includes two measures of financial results: Adjusted Earnings before Interest, Taxes, Depreciation, Depletion and Amortization ("Adjusted EBITDA") and Cash Available for Distribution ("CAD"). These measures are not defined by Generally Accepted Accounting Principles ("GAAP"), and the discussion of Adjusted EBITDA and CAD is not intended to conflict with or change any of the GAAP disclosures described above.

Management uses CAD as a liquidity measure. CAD is a non-GAAP measure that management uses to measure cash generated during a period that is available for common stock dividends, distributions to the New Zealand minority shareholder, repurchase of the Company's common shares, debt reduction, strategic acquisitions and real estate development investments. We define CAD as cash provided by operating activities adjusted for capital spending (excluding timberland acquisitions) and working capital and other balance sheet changes. CAD is not necessarily indicative of the CAD that may be generated in future periods.

Management uses Adjusted EBITDA as a performance measure. Adjusted EBITDA is a non-GAAP measure that management uses to make strategic decisions about the business and that investors can use to evaluate the operational performance of the assets under management. It removes the impact of specific items that management believes do not directly reflect the core business operations on an ongoing basis. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, depletion, amortization, the non-cash cost of land and improved development, non-operating income and expense and Large Dispositions.

We reconcile Adjusted EBITDA to Net Income for the consolidated Company and to Operating Income (Loss) for the segments, as those are the most comparable GAAP measures for each. The following table provides a reconciliation of Net Income to Adjusted EBITDA for the respective periods (in millions of dollars):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Net Income to Adjusted EBITDA Reconciliation** | | | | |
| Net income | $1.5 | $30.6 | $50.2 | $112.7 |
| Interest, net | 7.4 | 7.2 | 21.2 | 22.5 |
| Income tax expense | 2.3 | 8.4 | 10.2 | 22.4 |
| Depreciation, depletion and amortization | 27.8 | 34.8 | 91.9 | 115.7 |
| Non-cash cost of land and improved development | 4.3 | 2.1 | 10.0 | 17.1 |
| Non-operating (income) expense | (0.2) | 0.1 | (0.8) | (2.6) |
| Adjusted EBITDA | $43.2 | $83.3 | $182.8 | $287.9 |

The following tables provide a reconciliation of Operating Income (Loss) by segment to Adjusted EBITDA by segment for the respective periods (in millions of dollars):

| Three Months Ended | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|
| **September 30, 2019** | | | | | | | |
| Operating income (loss) | $9.5 | ($3.6) | $10.1 | $0.4 | — | ($5.4) | $11.0 |
| Depreciation, depletion and amortization | 13.0 | 6.3 | 7.6 | 0.7 | — | 0.3 | 27.8 |
| Non-cash cost of land and improved development | — | — | — | 4.3 | — | — | 4.3 |
| Adjusted EBITDA | $22.5 | $2.7 | $17.7 | $5.4 | — | ($5.1) | $43.2 |
| | | | | | | | |
| **September 30, 2018** | | | | | | | |
| Operating income | $9.2 | $1.9 | $16.4 | $24.7 | $0.3 | ($6.2) | $46.4 |
| Depreciation, depletion and amortization | 13.7 | 7.8 | 7.5 | 5.5 | — | 0.3 | 34.8 |
| Non-cash cost of land and improved development | — | — | — | 2.1 | — | — | 2.1 |
| Adjusted EBITDA | $22.9 | $9.7 | $24.0 | $32.3 | $0.3 | ($5.9) | $83.3 |

| Nine Months Ended | Southern Timber | Pacific Northwest Timber | New Zealand Timber | Real Estate | Trading | Corporate and Other | Total |
|---|---|---|---|---|---|---|---|
| **September 30, 2019** | | | | | | | |
| Operating income (loss) | $45.8 | ($11.1) | $38.6 | $25.9 | $0.3 | ($18.6) | $80.9 |
| Depreciation, depletion and amortization | 45.6 | 19.2 | 21.1 | 5.2 | — | 0.9 | 91.9 |
| Non-cash cost of land and improved development | — | — | — | 10.0 | — | — | 10.0 |
| Adjusted EBITDA | $91.4 | $8.0 | $59.7 | $41.1 | $0.3 | ($17.7) | $182.8 |
| | | | | | | | |
| **September 30, 2018** | | | | | | | |
| Operating income | $37.1 | $12.2 | $50.1 | $71.6 | $0.7 | ($16.6) | $155.1 |
| Depreciation, depletion and amortization | 44.6 | 26.7 | 21.3 | 22.3 | — | 0.9 | 115.7 |
| Non-cash cost of land and improved development | — | — | — | 17.1 | — | — | 17.1 |
| Adjusted EBITDA | $81.7 | $38.9 | $71.4 | $111.0 | $0.7 | ($15.8) | $287.9 |

The following table provides a reconciliation of Cash Provided by Operating Activities to Adjusted CAD (in millions of dollars):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Cash provided by operating activities | $164.2 | $261.1 |
| Capital expenditures (a) | (45.3) | (44.1) |
| Working capital and other balance sheet changes | (3.3) | 5.0 |
| CAD | 115.6 | 222.0 |
| Mandatory debt repayments | — | — |
| CAD after mandatory debt repayments | 115.6 | 222.0 |
| | | |
| Cash used for investing activities | ($132.8) | ($87.9) |
| Cash used for financing activities | ($125.2) | ($152.5) |

(a) Capital expenditures exclude timberland acquisitions.

The following table provides supplemental cash flow data (in millions):

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Purchase of timberlands | ($81.9) | ($39.0) |
| Real Estate Development Investments (a) | (3.3) | (6.9) |
| Distributions to New Zealand minority shareholder (b) | (7.3) | (6.5) |

(a) The nine months ended September 30, 2019 includes $3.7 million of reimbursements from community development bonds.

(b) The nine months ended September 30, 2018 includes $3.4 million of debt repayments on the New Zealand subsidiary noncontrolling interest shareholder loan.

## *LIQUIDITY FACILITIES*

### 2019 DEBT ACTIVITY

See Note 6 — Debt for additional information.

### OFF-BALANCE SHEET ARRANGEMENTS

We utilize off-balance sheet arrangements to provide credit support for certain suppliers and vendors in case of their default on critical obligations, and collateral for outstanding claims under the Company's previous workers' compensation self-insurance programs. These arrangements consist of standby letters of credit and surety bonds. As part of our ongoing operations, we also periodically issue guarantees to third parties. Off-balance sheet arrangements are not considered a source of liquidity or capital resources and do not expose us to material risks or material unfavorable financial impacts. See Note 11 — Guarantees for details on the letters of credit, surety bonds and guarantees as of September 30, 2019.

## CONTRACTUAL FINANCIAL OBLIGATIONS

In addition to using cash flow from operations and proceeds from Large Dispositions, we finance our operations through the issuance of debt and by entering into leases. These financial obligations are recorded in accordance with accounting rules applicable to the underlying transaction, with the result that some are recorded as liabilities on the Consolidated Balance Sheets, while others are required to be disclosed in the Notes to Consolidated Financial Statements and Management's Discussion and Analysis.

The following table aggregates our contractual financial obligations as of September 30, 2019 and anticipated cash spending by period:

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| **Contractual Financial Obligations (in millions)** | **Total** | **Remaining 2019** | **2020-2021** | **2022-2023** | **Thereafter** |
| Long-term debt (a) | $975.0 | — | — | $325.0 | $650.0 |
| Interest payments on long-term debt (b) | 177.9 | 12.3 | 74.2 | 55.9 | 35.5 |
| Operating leases — timberland (c) | 175.0 | 3.5 | 15.6 | 14.4 | 141.5 |
| Operating leases — PP&E, offices (c) | 7.9 | 0.4 | 3.1 | 1.6 | 2.8 |
| Commitments — derivatives (d) | 7.1 | 0.9 | 4.3 | 1.5 | 0.4 |
| Commitments — other (e) | 10.3 | 4.6 | 5.5 | 0.1 | 0.1 |
| Total contractual cash obligations | $1,353.2 | $21.7 | $102.7 | $398.5 | $830.3 |

(a) The book value of long-term debt, net of deferred financing costs, is currently recorded at $973.0 million on the Company's Consolidated Balance Sheet, but upon maturity the liability will be $975.0 million.

(b) Projected interest payments for variable rate debt were calculated based on outstanding principal amounts and interest rates as of September 30, 2019.

(c) Excludes anticipated renewal options.

(d) Commitments — derivatives represents payments expected to be made on derivative financial instruments (foreign exchange contracts and interest rate swaps). See Note 13 — Derivative Financial Instruments and Hedging Activities.

(e) Commitments — other includes pension contribution requirements based on actuarially determined estimates and IRS minimum funding requirements, payments expected to be made on the Company's Wildlight development project, payments made on timberland deeds and other purchase obligations.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in interest rates, commodity prices and foreign exchange rates. Our objective is to minimize the economic impact of these market risks. We use derivatives in accordance with policies and procedures approved by the Audit Committee of the Board of Directors. Derivatives are managed by a senior executive committee whose responsibilities include initiating, managing and monitoring resulting exposures. We do not enter into financial instruments for trading or speculative purposes.

*Interest Rate Risk*

We are exposed to interest rate risk through our variable rate debt, primarily due to changes in LIBOR. However, we use interest rate swaps to manage our exposure to interest rate movements on our term credit agreements by swapping existing and anticipated future borrowings from floating rates to fixed rates. As of September 30, 2019, we had $650 million of U.S. long-term variable rate debt. The notional amount of outstanding interest rate swap contracts with respect to this debt at September 30, 2019 was also $650 million. The term credit agreement and associated interest rate swaps mature in August 2024 and the incremental term loan agreement and associated interest rate swaps mature in May 2026. At this borrowing level, a hypothetical one-percentage point increase/decrease in interest rates would result in no corresponding increase/decrease in interest payments and expense over a 12-month period.

The fair market value of our long-term fixed interest rate debt is also subject to interest rate risk. The estimated fair value of our long-term fixed rate debt at September 30, 2019 was $332 million compared to the $325 million principal amount. We use interest rates of debt with similar terms and maturities to estimate the fair value of our debt. Generally, the fair market value of fixed-rate debt will increase as interest rates fall and decrease as interest rates rise. A hypothetical one-percentage point increase/decrease in prevailing interest rates at September 30, 2019 would result in a corresponding decrease/increase in the fair value of our long-term fixed rate debt of approximately $8 million.

We estimate the periodic effective interest rate on our U.S. long-term fixed and variable rate debt to be approximately 3.3% after consideration of interest rate swaps and estimated patronage refunds, excluding unused commitment fees on the revolving credit facility.

The following table summarizes our outstanding debt, interest rate swaps and average interest rates, by year of expected maturity and their fair values at September 30, 2019:

| (Dollars in thousands) | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| **Variable rate debt:** | | | | | | | | |
| Principal amounts | — | — | — | — | — | $650,000 | $650,000 | $650,000 |
| Average interest rate (a)(b) | — | — | — | — | — | 3.83% | 3.83% | — |
| **Fixed rate debt:** | | | | | | | | |
| Principal amounts | — | — | — | $325,000 | — | — | $325,000 | $331,500 |
| Average interest rate (b) | — | — | — | 3.75% | — | — | 3.75% | — |
| **Interest rate swaps:** | | | | | | | | |
| Notional amount | — | — | — | — | — | $650,000 | $650,000 | ($17,237) |
| Average pay rate (b) | — | — | — | — | — | 1.91% | 1.91% | — |
| Average receive rate (b) | — | — | — | — | — | 2.08% | 2.08% | — |

(a) Excludes estimated patronage refunds.
(b) Interest rates as of September 30, 2019.

*Foreign Currency Exchange Rate Risk*

The functional currency of the Company's New Zealand-based operations and New Zealand subsidiary is the New Zealand dollar. Through these operations and our ownership in the New Zealand subsidiary, we are exposed to foreign currency risk on cash held in foreign currencies, shareholder distributions which are paid in U.S. dollars and on foreign export sales and ocean freight payments that are predominantly denominated in U.S. dollars. To mitigate these risks, the New Zealand subsidiary routinely enters into foreign currency exchange contracts and foreign currency option contracts to hedge a portion of the New Zealand subsidiary's foreign exchange exposure.

*Sales and Expense Exposure*

At September 30, 2019, the New Zealand subsidiary had foreign currency exchange contracts with a notional amount of $61 million and foreign currency option contracts with a notional amount of $28 million outstanding related to foreign export sales and ocean freight payments. The amount hedged represents a portion of forecasted U.S. dollar denominated export timber and log trading sales proceeds over the next 18 months and next 3 months, respectively.

The following table summarizes our outstanding foreign currency exchange rate risk contracts at September 30, 2019:

| (Dollars in thousands) | 0-1 months | 1-2 months | 2-3 months | 3-6 months | 6-12 months | 12-18 months | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| ***Foreign exchange contracts to sell U.S. dollar for New Zealand dollar*** | | | | | | | | |
| Notional amount | $6,500 | $7,250 | — | $10,000 | $31,000 | $6,000 | $60,750 | ($3,541) |
| Average contract rate | 1.5949 | 1.5936 | — | 1.5908 | 1.5874 | 1.5845 | 1.5892 | |
| | | | | | | | | |
| ***Foreign currency option contracts to sell U.S. dollar for New Zealand dollar*** | | | | | | | | |
| Notional amount | $2,000 | $2,000 | $2,000 | $6,000 | $4,000 | $12,000 | $28,000 | ($185) |
| Average strike price | 1.5305 | 1.5418 | 1.5402 | 1.5123 | 1.5246 | 1.5823 | 1.5495 | |

## Item 4. CONTROLS AND PROCEDURES

*DISCLOSURE CONTROLS AND PROCEDURES*

Rayonier management is responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities Exchange Act of 1934 (the “Exchange Act”), are designed with the objective of ensuring information required to be disclosed by the Company in reports filed under the Exchange Act, such as this quarterly report on Form 10-Q, is (1) recorded, processed, summarized and reported or submitted within the time periods specified in the SEC’s rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Because of the inherent limitations in all control systems, no control evaluation can provide absolute assurance that all control exceptions and instances of fraud have been prevented or detected on a timely basis. Even systems determined to be effective can provide only reasonable assurance that their objectives are achieved.

Based on an evaluation of our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q, our management, including the Chief Executive Officer and Chief Financial Officer, concluded the design and operation of the disclosure controls and procedures were effective as of September 30, 2019.

In the quarter ended September 30, 2019, based upon the evaluation required by Rule 13a-15(d) under the Exchange Act, there were no changes in our internal control over financial reporting that would materially affect or are reasonably likely to materially affect our internal control over financial reporting.

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## PART II. OTHER INFORMATION

### Item 1. LEGAL PROCEEDINGS

The information set forth in Note 10 — Contingencies in the “Notes to Consolidated Financial Statements” under Item 1 of Part I of this report is incorporated herein by reference.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

### ISSUER PURCHASES OF EQUITY SECURITIES

In February 2016, the Board of Directors approved the repurchase of up to $100 million of Rayonier’s common shares (the “share repurchase program”) to be made at management’s discretion. The program has no time limit and may be suspended or discontinued at any time. There were 320,016 shares repurchased under this program in the third quarter of 2019. Based on the period-end closing stock price of $28.20 at September 30, 2019, there was $90.9 million, or approximately 3,222,716 shares remaining under this program.

The following table provides information regarding our purchases of Rayonier common shares during the quarter ended September 30, 2019:

| Period | Total Number of Shares Purchased (a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b) | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (c) |
|---|---|---|---|---|
| July 1 to July 31 | 202 | 30.52 | — | 7,297,169 |
| August 1 to August 31 | 319,826 | 26.34 | 319,815 | 7,268,654 |
| September 1 to September 30 | 218 | 26.52 | 201 | 7,100,105 |
| Total | 320,246 | | 320,016 | |

(a) Includes 230 shares of the Company’s common shares purchased in July, August and September from current employees in non-open market transactions. The shares were sold by current employees of the Company in exchange for cash that was used to pay withholding taxes associated with the vesting of share-based awards under the Company’s stock incentive plan. The price per share surrendered is based on the closing price of the Company’s common shares on the respective vesting dates of the awards.

(b) Purchases made in open-market transactions under the $100 million share repurchase program announced on February 10, 2016.

(c) Maximum number of shares authorized to be purchased as of September 30, 2019 include 3,877,389 under the 1996 anti-dilutive program and approximately 3,222,716 under the share repurchase program. Maximum number of shares authorized to be purchased at the end of July, August and September are based on month-end closing stock prices of $29.04, $26.80 and $28.20, respectively.

## Item 6. EXHIBITS

| | | |
|---|---|---|
| 31.1 | Chief Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 31.2 | Chief Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith |
| 32 | Certification of Periodic Financial Reports Under Section 906 of the Sarbanes-Oxley Act of 2002 | Furnished herewith |
| 101 | The following financial information from our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2019, formatted in Extensible Business Reporting Language ("XBRL"), includes: (i) the Consolidated Statements of Income and Comprehensive Income for the Three and Nine Months Ended September 30, 2019 and 2018; (ii) the Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018; (iii) the Consolidated Statements of Changes in Shareholders' Equity for the Nine Months Ended September 30, 2019 and 2018; (iv) the Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018; and (v) the Notes to Consolidated Financial Statements | Filed herewith |
| 104 | The cover page from the Company's Quarterly Report on Form 10-Q from the quarter ended September 30, 2019, formatted in Inline XBRL (included as Exhibit 101). | |

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RAYONIER INC.
(Registrant)

By: /s/ APRIL TICE

April Tice
*Vice President, Financial Services and Corporate Controller*
*(Duly Authorized Officer, Principal Accounting Officer)*

Date: November 1, 2019

**EXHIBIT 31.1**

**CERTIFICATION**

I, David L. Nunes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ DAVID L. NUNES

David L. Nunes
*President and Chief Executive Officer, Rayonier Inc.*

**EXHIBIT 31.2**

**CERTIFICATION**

I, Mark McHugh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayonier Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2019

/s/ MARK MCHUGH

Mark McHugh
*Senior Vice President and Chief Financial Officer, Rayonier Inc.*

**EXHIBIT 32**

**CERTIFICATION**

The undersigned hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that to our knowledge:

1. The quarterly report on Form 10-Q of Rayonier Inc. (the "Company") for the period ended September 30, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 1, 2019

| | |
|---|---|
| /s/ DAVID L. NUNES | /s/ MARK MCHUGH |
| David L. Nunes | Mark McHugh |
| *President and Chief Executive Officer, Rayonier Inc.* | *Senior Vice President and*<br>*Chief Financial Officer, Rayonier Inc.* |