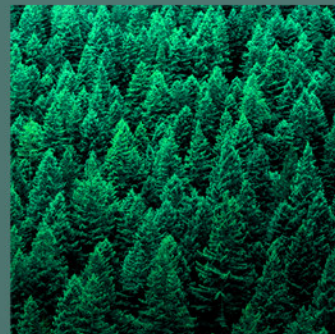


Fourth Quarter 2008 Supplemental Material



Rayonier

Safe Harbor

Certain statements in this document regarding anticipated financial outcomes including earnings guidance, if any, business and market conditions, outlook and other similar statements relating to Rayonier's future financial and operational performance, 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," "anticipate" and other similar language. Forward-looking statements are not guarantees of future performance and undue reliance should not be placed on these statements.

The following important factors, among others, could cause actual results to differ materially from those expressed in forward-looking statements that may have been made in this document: the effect of the current financial crisis, which is impacting many areas of our economy, including the availability and cost of credit, pricing of raw materials and energy, and demand for our products and real estate; the cyclical and competitive nature of the industries in which we operate; fluctuations in demand for, or supply of, our forest products and real estate offerings; entry of new competitors into our markets; changes in global economic conditions and world events, including political changes in particular regions or countries; changes in energy and raw material prices, particularly for our performance fibers and wood products businesses; impacts of the rising cost of fuel, including the cost and availability of transportation for our products, both domestically and internationally, and the cost and availability of third party logging and trucking services; unanticipated equipment maintenance and repair requirements at our manufacturing facilities; the geographic concentration of a significant portion of our timberland; our ability to identify and complete timberland acquisitions; changes in environmental laws and regulations, including laws regarding air emissions and water discharges, remediation of contaminated sites, timber harvesting, delineation of wetlands, and endangered species, that may restrict or adversely impact our ability to conduct our business, or increase the cost of doing so; adverse weather conditions, natural disasters and other catastrophic events such as hurricanes, wind storms and wildfires, which can adversely affect our timberlands and the production, distribution and availability of our products and raw materials such as wood, energy and chemicals; interest rate and currency movements; our capacity to incur additional debt, and any decision we may make to do so; changes in tariffs, taxes or treaties relating to the import and export of our products or those of our competitors; the ability to complete like-kind-exchanges of property; changes in key management and personnel; our ability to continue to qualify as a REIT and to fund distributions using cash generated through our taxable REIT subsidiaries; and changes in tax laws that could reduce the benefits associated with REIT status.

In addition, specifically with respect to our Real Estate business, the following important factors, among others, could cause actual results to differ materially from those expressed in forward-looking statements that may have been made in this document: the cyclical nature of the real estate business generally, including fluctuations in demand for both entitled and unentitled property; the lengthy, uncertain and costly process associated with the ownership, entitlement and development of real estate, especially in Florida, which also may be affected by changes in law, policy and political factors beyond our control; the potential for legal challenges to entitlements and permits in connection with our properties; unexpected delays in the entry into or closing of real estate transactions; the existence of competing developers and communities in the markets in which we own property; the pace of development and the rate and timing of absorption of existing entitled property in the markets in which we own property; changes in the demographics affecting projected population growth and migration to the Southeastern U.S.; changes in environmental laws and regulations, including laws regarding water withdrawal and management and delineation of wetlands, that may restrict or adversely impact our ability to sell or develop properties; the cost of the development of property generally, including the cost of property taxes, labor and construction materials; the timing of construction and availability of public infrastructure; and the availability of financing for real estate development and mortgage loans. Additional factors are described in the company's most recent Form 10-K on file with the Securities and Exchange Commission. Rayonier assumes no obligation to update these statements except as is required by law.

Financial Highlights

(\$ Millions - Except EPS)

	<u>4Q 2008</u>	<u>3Q 2008</u>	<u>4Q 2007</u>
<u>Profitability</u>			
Sales	354	308	282
Operating income	61	49	44
Income from continuing operations	42	40	35
Income / (Loss) from discontinued operations	2	(10)	(1)
Net Income	44	30	34
Earnings Per Share:			
Continuing operations	0.53	0.50	0.44
Pro forma income from continuing operations *	0.53	0.50	0.45
Net income	0.55	0.37	0.44
Average diluted shares (millions)	79.4	79.6	79.3
	<u>Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	
<u>Capital Resources and Liquidity</u>			
Cash Provided by Operating Activities	340	324	
Cash Used for Investing Activities	(330)	(126)	
Cash Used for Financing Activities	(128)	(58)	
Adjusted EBITDA *	406	419	
Cash Available for Distribution (CAD) *	210	236	
Dividends per share	2.00	1.94	
	<u>12/31/2008</u>	<u>12/31/2007</u>	
Debt	771	750	
Debt / Capital	45.5%	43.3%	
Cash	62	181	

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

Variance Analysis - 3Q 08 to 4Q 08 (\$ Millions - Except EPS)

	Income From Continuing Operations		
	Pretax	Net *	EPS
2008 3Q	\$ 39	\$ 40	\$ 0.50
Variance			
Timber			
- Price	2	2	0.03
- Volume / Cost	2	2	0.03
- Other Income	7	7	0.09
Real Estate	16	14	0.17
Performance Fibers			
- Price	9	6	0.07
- Volume / Other	(2)	(1)	(0.01)
- Costs	(18)	(12)	(0.15)
Wood Products	(4)	(3)	(0.04)
Operating Income	12	15	0.19
Interest / Other	(2)	(1)	(0.01)
Taxes **	-	(12)	(0.15)
2008 4Q	\$ 49	\$ 42	\$ 0.53

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

** Third Quarter 2008 included \$7 million of discrete tax benefits.

Variance Analyses - 2007 to 2008

(\$ Millions - Except EPS)

	Income From Continuing Operations					
	Fourth Quarter			Full Year		
	Pretax	Net **	EPS	Pretax	Net **	EPS
2007 (Pro forma) *	\$ 34	\$ 36	\$ 0.45	\$ 207	\$ 184	\$ 2.33
Variance						
Timber						
- Price	(5)	(5)	(0.06)	(35)	(35)	(0.44)
- Volume / Costs	1	1	0.01	(6)	(6)	(0.08)
- Other Income	3	3	0.04	4	4	0.05
Real Estate	24	22	0.28	(12)	(10)	(0.13)
Performance Fibers						
- Price	25	16	0.20	73	46	0.58
- Volume / Other	(1)	(1)	(0.01)	3	2	0.03
- Costs	(32)	(20)	(0.25)	(69)	(44)	(0.55)
Wood Products	(1)	(1)	(0.01)	2	1	(0.01)
Corporate / Other	2	1	0.01	7	4	0.05
Operating Income	16	16	0.21	(33)	(38)	(0.50)
Interest Expense / Other	(1)	(1)	(0.01)	6	4	0.05
Taxes	-	(9)	(0.12)	-	10	0.13
2008	\$ 49	\$ 42	\$ 0.53	\$ 180	\$ 160	\$ 2.01

* Non-GAAP measure (See page 19 for reconciliation).

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

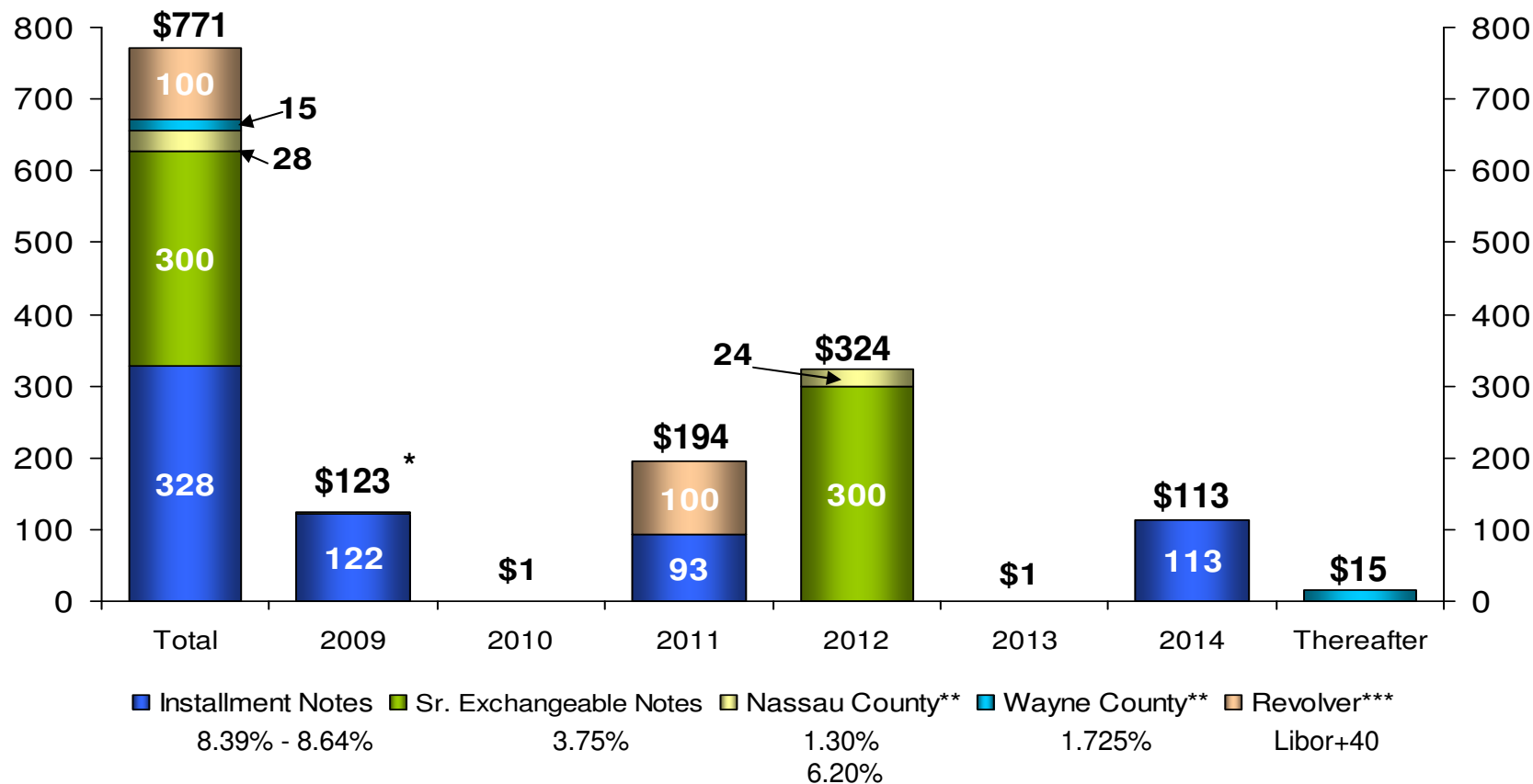
Cash Available for Distribution*

(\$ Millions – Except Per Share Data)

	Year Ended December 31,	
	2008	2007
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 340.2	\$ 324.0
Capital expenditures **	(104.8)	(97.0)
Change in committed cash	(10.0)	16.9 ***
Like-kind exchange tax benefits on real estate sales ****	(12.1)	(3.9)
Other	(2.9)	(4.5)
Cash Available for Distribution	\$ 210.4	\$ 235.5
Shares outstanding	78,814,431	78,216,696
CAD per share	\$ 2.67	\$ 3.01
Dividends per share	\$ 2.00	\$ 1.94

- * Non-GAAP measure (See page 18 for definition).
- ** Capital spending excludes strategic acquisitions.
- *** Primarily 2006 interest paid in 2007 and previously reflected as a reduction in 2006 CAD.
- **** Represents taxes that would have been paid if the Company had not completed LKE transactions.

Debt Maturity Schedule as of December 31, 2008 (\$ Millions)



* \$122 million due December 31, 2009.

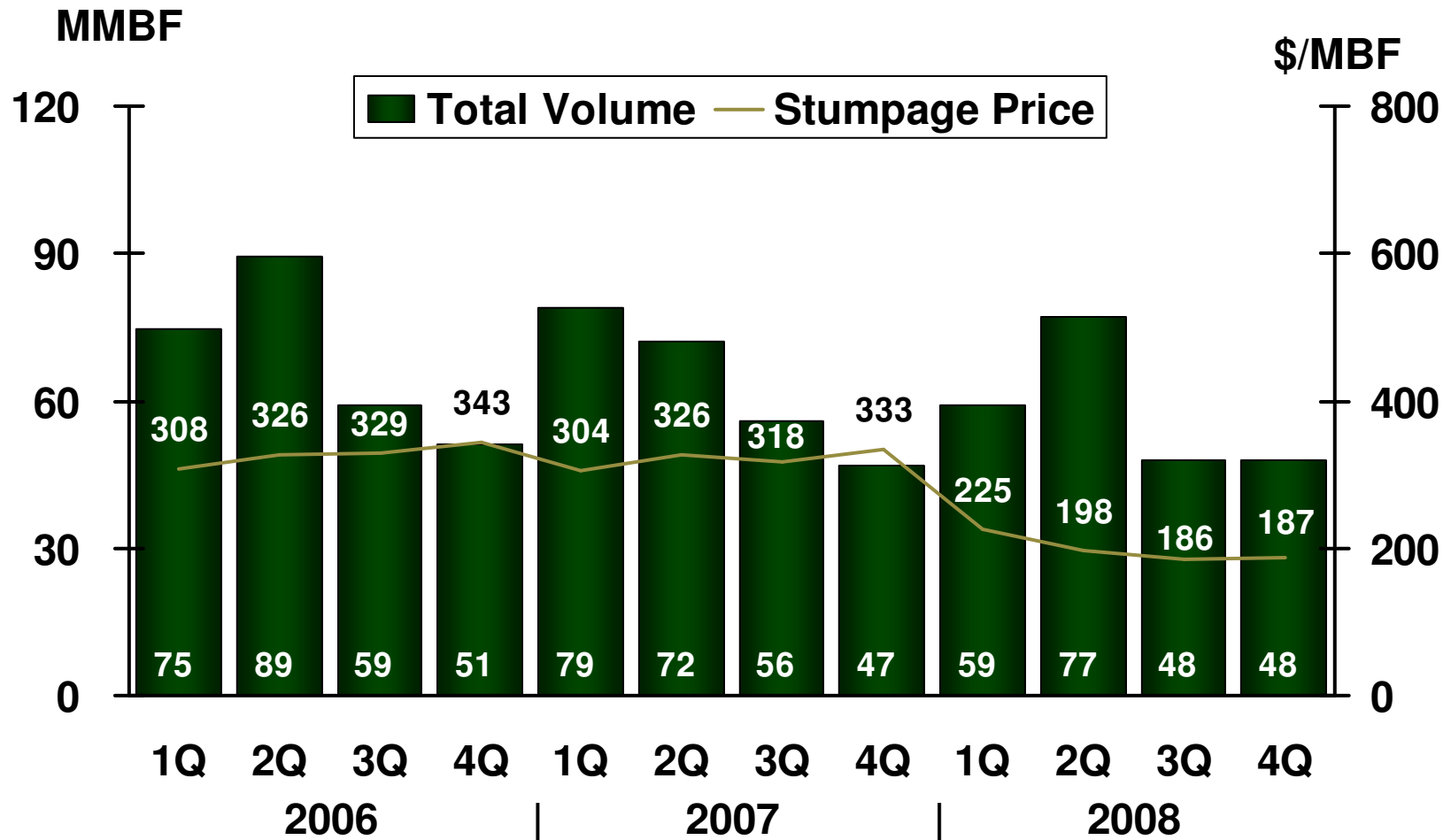
** Rate set weekly (as of December 31, 2008).

*** \$250 million total; \$144 million available (\$6 million is attributable to standby letters of credit as of December 31, 2008).



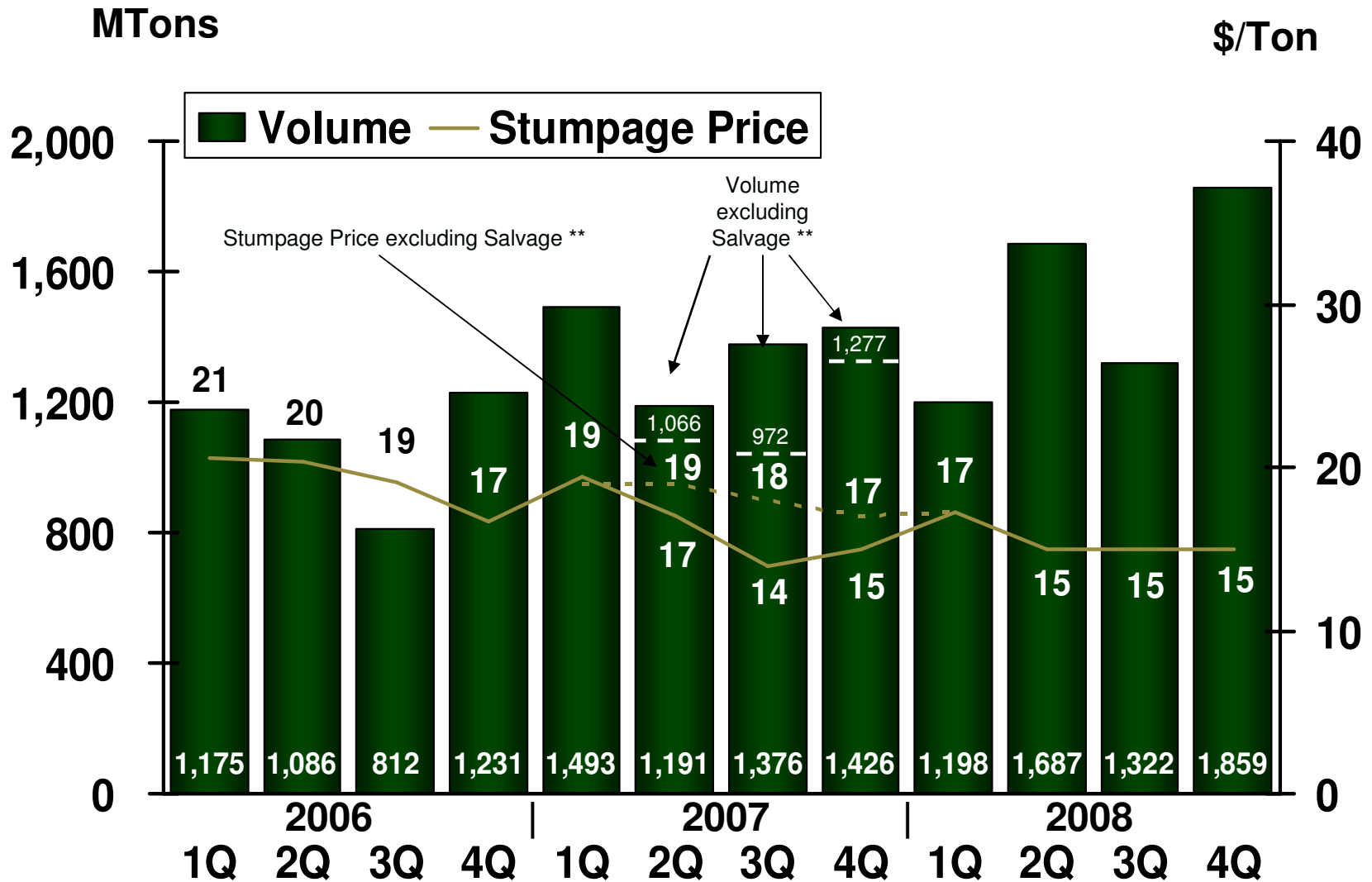
Markets and Operations

Western Timber Sales *



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

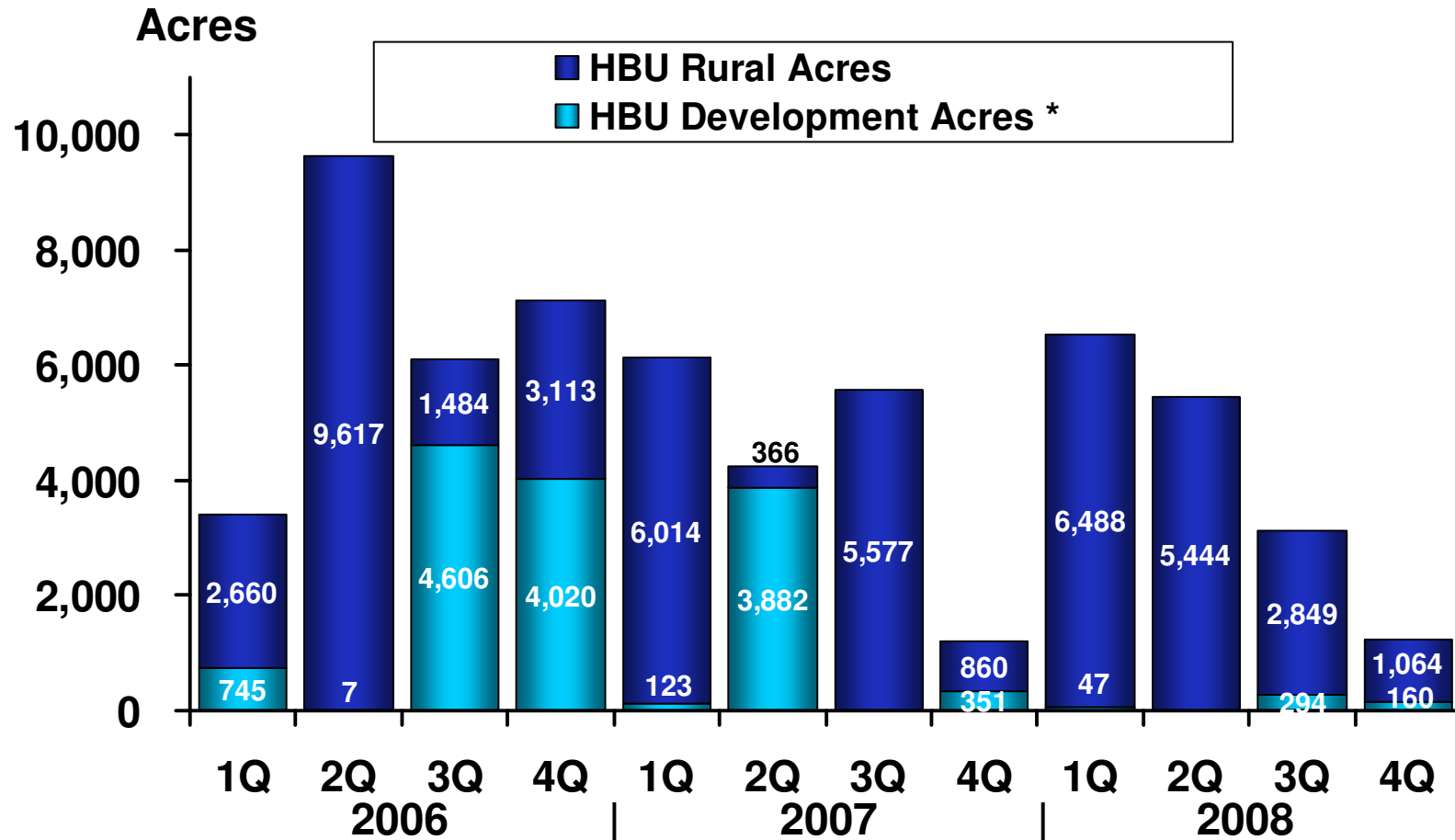
Eastern Pine Timber Sales *



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

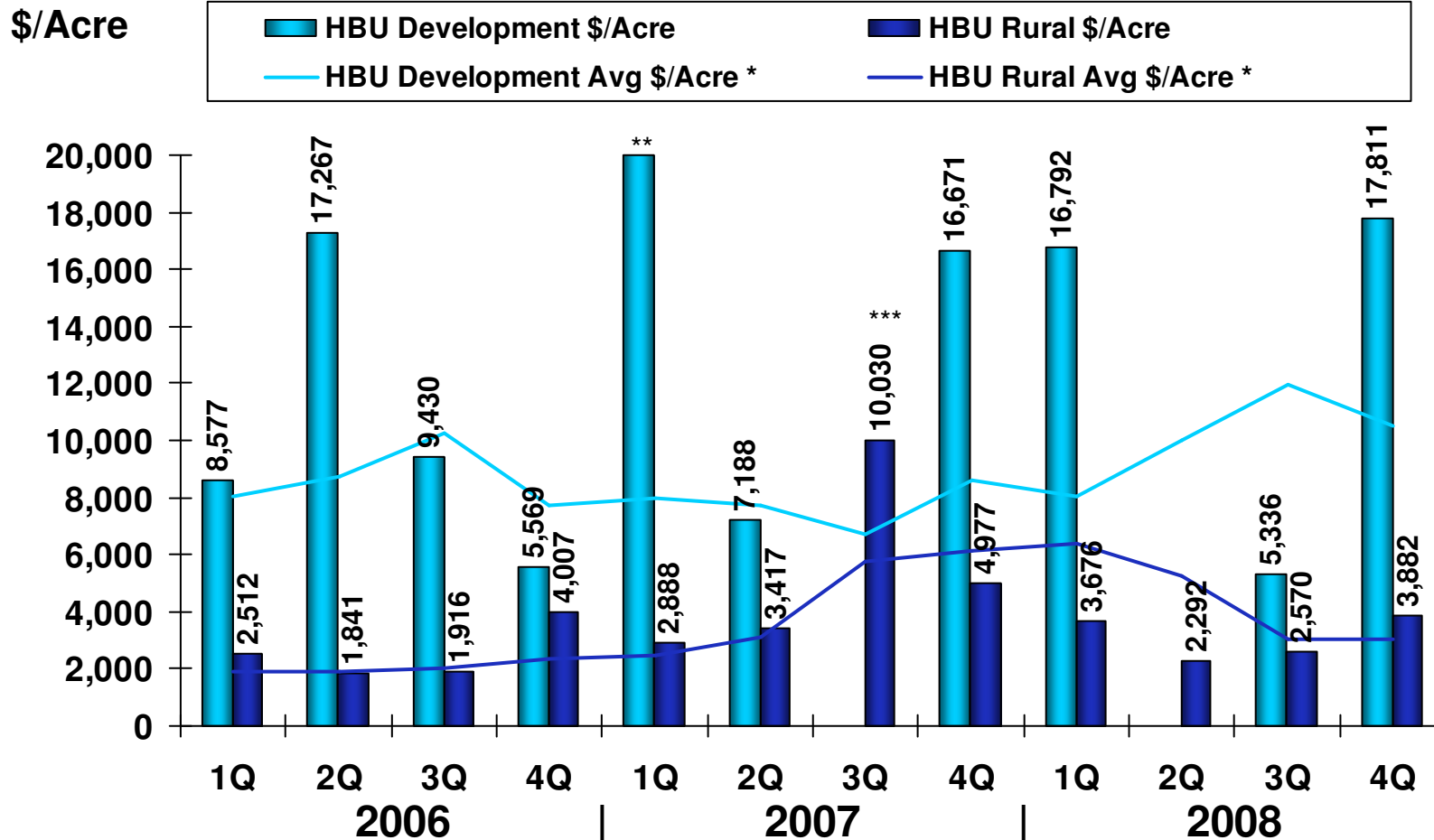
** Salvage volumes and prices are related to second quarter 2007 Southern Georgia and Northern Florida wildfire damaged timber.

HBU Real Estate Acres - Sales



* 3Q 06 includes a 1,950 acre sale to ICI; price per acre includes initial receipt of \$22.6 million in 3Q, but not the \$5.7 million due within 10 years.
 4Q 06 includes a 1,940 acre sale to LandMar; price per acre includes initial receipt of \$10.0 million in 4Q, but not the potential proceeds from participation or the option to receive \$17.5 million in the future.

HBU Real Estate Sales Prices

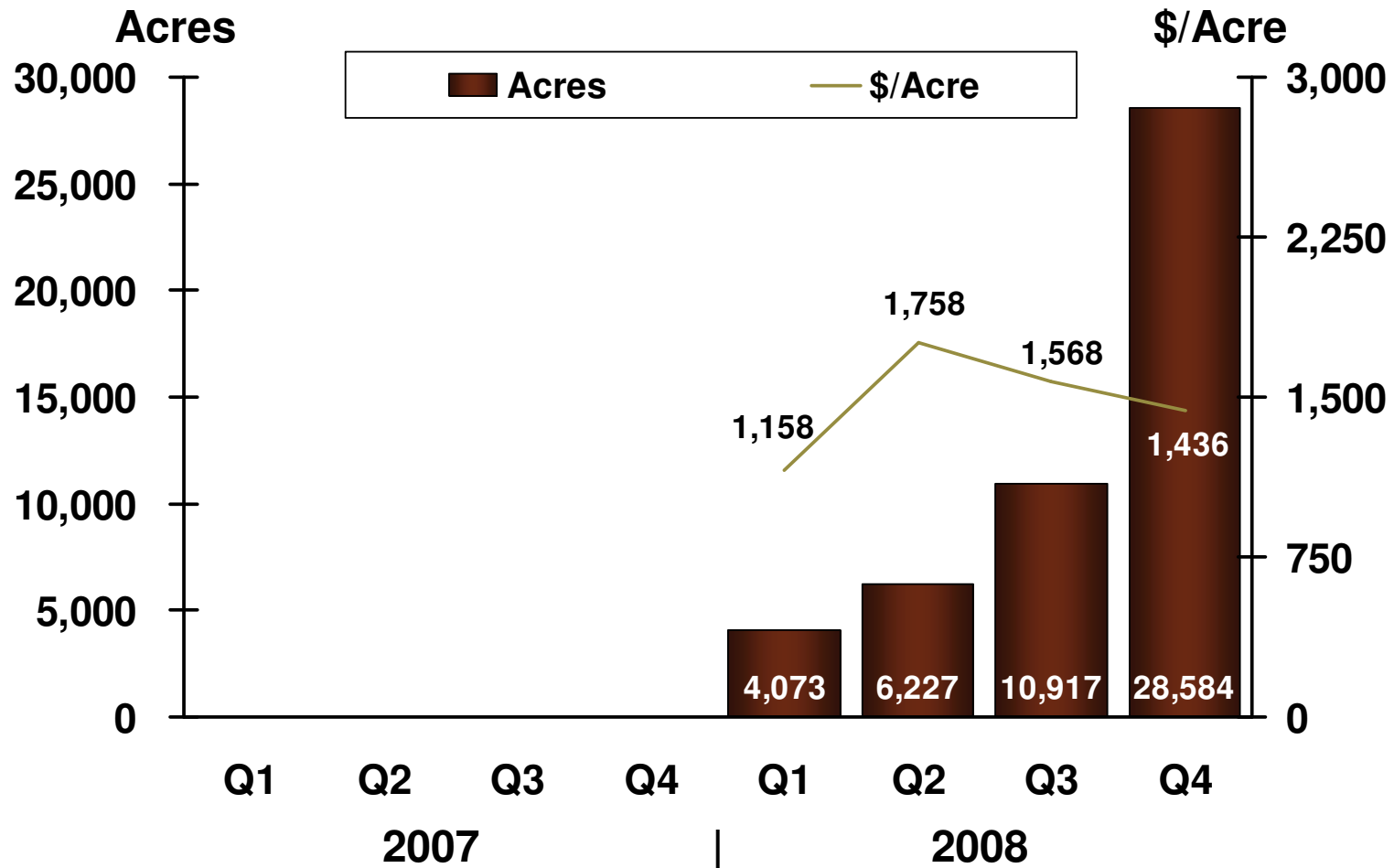


* Four quarter rolling weighted average.

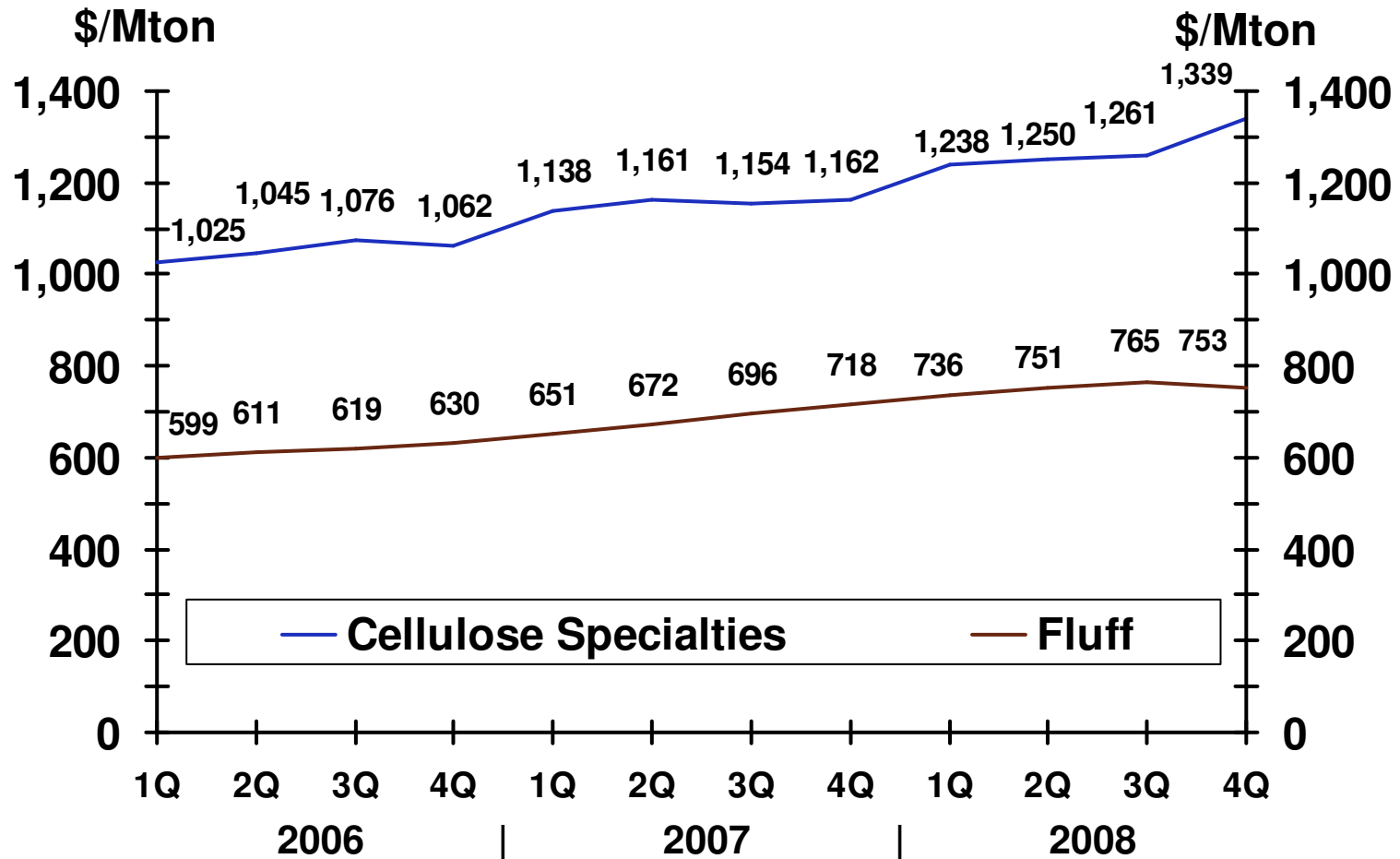
** 1st Quarter 2007 HBU Development \$/Acre was \$29,490 on 123 acres.

*** 3rd quarter 2007 includes a 3,100 acre sale to an industrial buyer at \$15,000 / acre.

Non-Strategic Timberland Acres - Sales



Performance Fibers Net Selling Prices

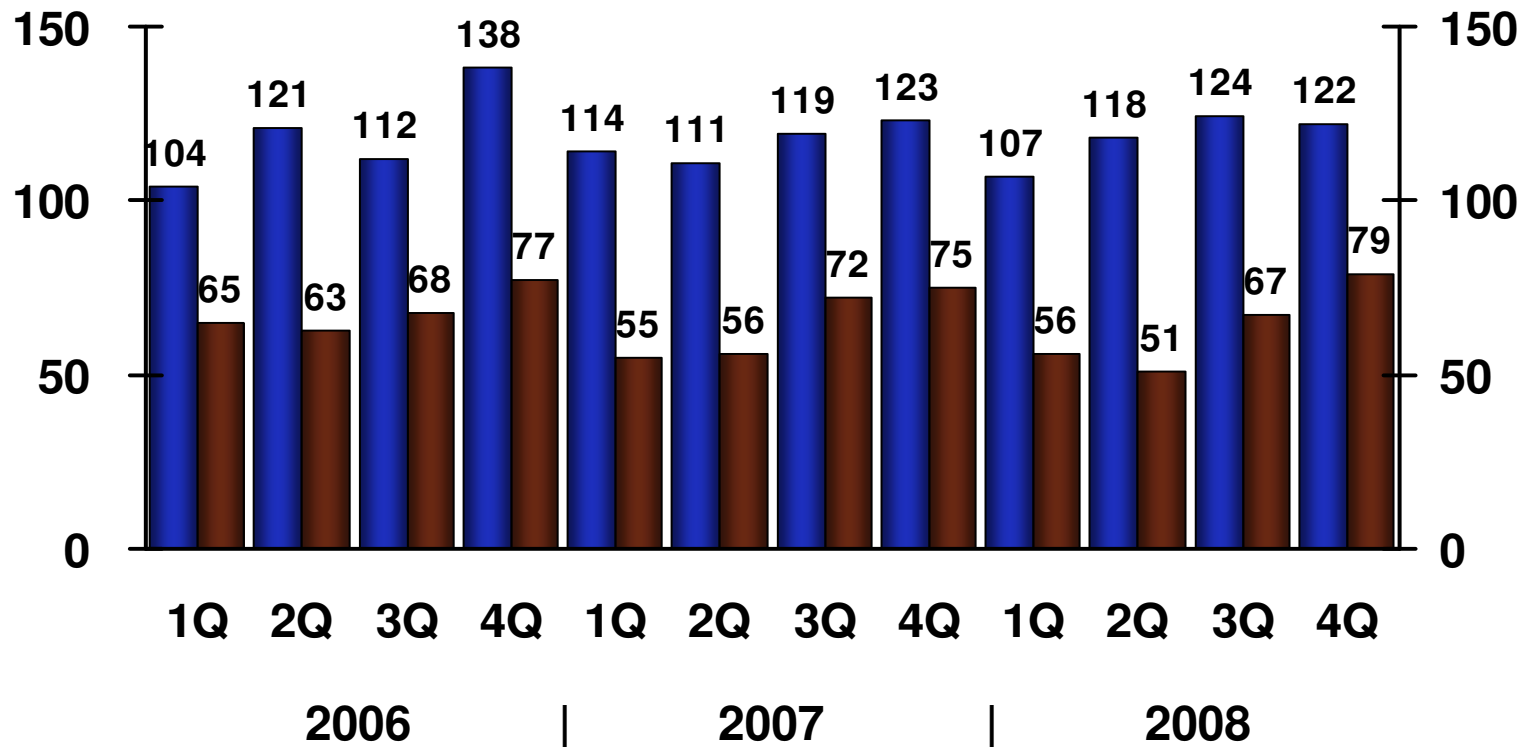


Performance Fibers Sales Volumes

M Metric Tons

M Metric Tons

■ Cellulose Specialties ■ Absorbent Materials



Earnings Per Share from Continuing Operations (\$ / Share)

	<u>2009</u>	Actual	2007	
		<u>2008</u>	<u>Pro forma *</u>	<u>Actual</u>
First Quarter		\$ 0.50	\$ 0.44	\$ 0.44
Second Quarter		0.48	0.55	0.42
Third Quarter		0.50	0.89	0.89
Fourth Quarter		<u>0.53</u>	<u>0.45</u>	<u>0.44</u>
Full Year	? ← Lower	<u>\$ 2.01</u>	<u>\$ 2.33</u>	<u>\$ 2.19</u>

* Second quarter 2007 excludes \$0.13 per share and fourth quarter 2007 excludes \$0.01 per share for the impact of the wildfires in Southeast Georgia and Northeast Florida.

Appendix

Definitions of Non-GAAP Measures

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization and the non-cash cost basis of real estate sold. Adjusted EBITDA is a non-GAAP measure of operating cash generating capacity of the Company.

Cash Available for Distribution (CAD) is defined as cash provided by operating activities less capital spending, adjusted for the tax benefits associated with certain strategic acquisitions, the change in committed cash, less cash provided by discontinued operations and other items which include the proceeds from matured energy forward contracts and the change in capital expenditures purchased on account. CAD is a non-GAAP measure of cash generated during a period that is available for dividend distribution, repurchase of the Company's common shares, debt reduction and for strategic acquisitions net of associated financing. CAD is not necessarily indicative of the CAD that may be generated in future periods.

Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Three Months Ended						Year Ended			
	December 31, 2008		September 30, 2008		December 31, 2007		December 31, 2008		December 31, 2007	
	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share
Operating Income	\$60.8		\$49.0		\$43.6		\$223.1		\$245.3	
Forest fire loss	-		-		0.8		-		10.9	
Pro Forma Operating Income	\$60.8		\$49.0		\$44.4		\$223.1		\$256.2	
Income from Continuing Operations	\$42.1	\$0.53	\$39.7	\$0.50	\$34.9	\$0.44	\$159.6	\$2.01	\$173.2	\$2.19
Forest fire loss	-	-	-	-	0.8	0.01	-	-	10.9	0.14
Pro Forma Income from Continuing Operations	\$42.1	\$0.53	\$39.7	\$0.50	\$35.7	\$0.45	\$159.6	\$2.01	\$184.1	\$2.33

Reconciliation of Non-GAAP Measures (\$ Millions)

	Year Ended December 31,	
	2008	2007
Adjusted EBITDA		
Cash provided by operating activities	\$ 340.2	\$ 324.0
Income tax expense ****	31.4	23.7
Interest, net ****	42.5	48.6
Working capital and other	(8.6)	22.2
Adjusted EBITDA	\$ 405.5	\$ 418.5
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 340.2	\$ 324.0
Capital expenditures *	(104.8)	(97.0)
Change in committed cash	(10.0)	16.9 **
Like-kind exchange tax benefits on real estate sales ***	(12.1)	(3.9)
Other	(2.9)	(4.5)
Cash Available for Distribution	\$ 210.4	\$ 235.5

- * Capital spending excludes strategic acquisitions.
- ** Primarily 2006 interest paid in 2007 and previously reflected as a reduction in 2006 CAD.
- *** Represents taxes that would have been paid if the Company had not completed LKE transactions.
- **** Includes taxes and interest associated with discontinued operations.

Reconciliation of Statutory Income Tax to Reported Income Tax

(\$ Millions - Except Percentages)

	Continuing Operations									
	Three Months Ended						Year Ended			
	December 31, 2008		September 30, 2008		December 31, 2007		December 31, 2008		December 31, 2007	
	\$	%	\$	%	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (17.1)	(35.0)	\$ (13.6)	(35.0)	\$ (11.8)	(35.0)	\$ (63.0)	(35.0)	\$ (68.7)	(35.0)
REIT income not subject to federal tax	12.7	24.3	8.1	20.9	11.5	34.1	40.6	22.1	55.1	28.1
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(2.5)	(3.5)	(0.8)	(2.1)	(3.0)	(8.8)	(5.3)	(2.5)	(12.8)	(6.5)
Foreign, state and local income taxes, foreign exchange rate changes and permanent differences	0.7	1.3	0.2	0.6	0.6	1.8	0.4	0.2	0.3	0.1
Income tax expense before discrete items	\$ (6.2)	(12.9)	\$ (6.1)	(15.6)	\$ (2.7)	(7.9)	\$ (27.3)	(15.2)	\$ (26.1)	(13.3)
Taxing authority settlements and FIN 48 adj	0.4	0.8	3.8	9.7	1.1	3.2	4.1	2.3	(4.4)	(2.2)
Return to accrual adjustment / other	(0.8)	(1.5)	3.2	8.2	2.9	8.6	2.9	1.6	7.4	3.7
Income tax (expense) / benefit	<u>\$ (6.6)</u>	<u>(13.6)</u>	<u>\$ 0.9</u>	<u>2.3</u>	<u>\$ 1.3</u>	<u>3.9</u>	<u>\$ (20.3)</u>	<u>(11.3)</u>	<u>\$ (23.1)</u>	<u>(11.8)</u>

Wood Products Southeast Lumber Sales

