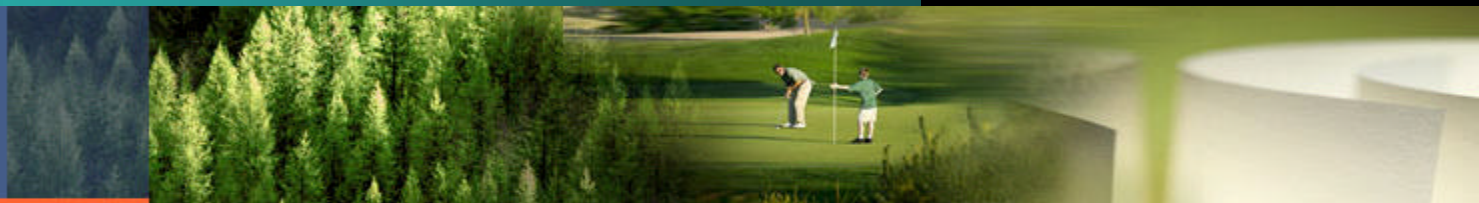
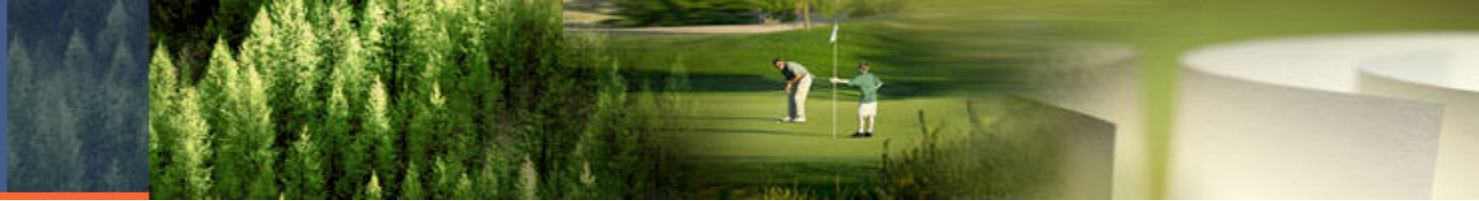


Rayonier



# Fourth Quarter 2006 Supplemental Material



## Safe Harbor

Except for historical information, the statements made in this presentation 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, which include statements regarding anticipated earnings, revenues, volumes, pricing, costs and other statements relating to Rayonier’s financial and operational performance, in some cases are identified by the use of words such as “may,” “will,” “should,” “expect,” “estimate,” “believe,” “anticipate” and other similar language. The following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements contained in this release: changes in global market trends and world events; interest rate and currency movements; changes in key management personnel; fluctuations in demand for, or supply of, cellulose specialty products, absorbent materials, timber, wood products or real estate and entry of new competitors into these markets; adverse weather conditions affecting production, timber availability and sales, or distribution; changes in production costs for wood products or performance fibers, particularly for raw materials such as wood, energy and chemicals; unexpected delays in the entry into or closing of real estate sale transactions; changes in law, policy or political environment that might condition, limit or restrict the development of real estate; the ability of the company to identify and complete timberland and higher-value real estate acquisitions; the company's ability to continue to qualify as a REIT; the ability of the company to complete tax-efficient exchanges of real estate; and implementation or revision of governmental policies, laws and regulations affecting the environment, endangered species, timber harvesting, import and export controls or taxes, including changes in tax laws that could reduce the benefits associated with REIT status. For additional factors that could impact future results, please see the company's most recent Form 10-K on file with the Securities and Exchange Commission. Rayonier assumes no obligation to update these statements except as may be required by law.

# Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Fourth Quarter 2006			Full Year 2006		
	Pretax Income	Net Income	EPS	Pretax Income	Net Income	EPS
<b>2006 Reported Earnings</b>	<b>\$ 56.5</b>	<b>\$ 55.3</b>	<b>\$ 0.71</b>	<b>\$ 190.2</b>	<b>\$ 176.4</b>	<b>\$ 2.26</b>
<b>Less Special Items &amp; Disc. Ops.</b>						
Discontinued Operations -						
Environmental Reserves	-	5.3	0.07	-	5.3	0.07
Sale of portion of New Zealand JV	-	-	-	7.8	6.5	0.08
IRS audit settlements and associated interest expense	-	-	-	0.6	5.3	0.07
Deferred tax adjustment	-	3.7	0.05	-	3.7	0.05
<b>Total</b>	<b>-</b>	<b>9.0</b>	<b>0.12</b>	<b>8.4</b>	<b>20.8</b>	<b>0.27</b>
<b>2006 Pro Forma Earnings *</b>	<b>\$ 56.5</b>	<b>\$ 46.3</b>	<b>\$ 0.59</b>	<b>\$ 181.8</b>	<b>\$ 155.6</b>	<b>\$ 1.99</b>
	Fourth Quarter 2005			Full Year 2005		
	Pretax Income	Net Income	EPS	Pretax Income	Net Income	EPS
<b>2005 Reported Earnings</b>	<b>\$ 65.2</b>	<b>\$ 56.4</b>	<b>\$ 0.73</b>	<b>\$ 190.9</b>	<b>\$ 182.8</b>	<b>\$ 2.36</b>
<b>Less Special Items &amp; Disc. Ops.</b>						
Discontinued Operations - MDF	-	-	-	-	(25.0)	(0.32)
Sale of New Zealand timber assets	37.0	30.5	0.39	37.0	30.5	0.39
Tax benefit on repatriated earnings	-	(0.4)	-	-	25.4	0.33
IRS audit settlements and associated interest expense	-	-	-	4.9	24.8	0.32
Arbitration award	-	-	-	8.2	5.2	0.07
<b>Total</b>	<b>37.0</b>	<b>30.1</b>	<b>0.39</b>	<b>50.1</b>	<b>60.9</b>	<b>0.79</b>
<b>2005 Pro Forma Earnings *</b>	<b>\$ 28.2</b>	<b>\$ 26.3</b>	<b>\$ 0.34</b>	<b>\$ 140.8</b>	<b>\$ 121.9</b>	<b>\$ 1.57</b>

\* Non-GAAP measure

## Fourth Quarter - Highlights

(\$ Millions - Except EPS)

	4Q 2006	3Q 2006	4Q 2005
<b><u>Profitability</u></b>			
Sales	329	312	316
Operating income	68	66	36
Net Income	55	55	56
<b>Earnings Per Share:</b>			
Net income	0.71	0.70	0.73
Pro forma income from continuing operations *	0.59	0.63	0.34
	<b>Full Year</b>		
	<b>2006</b>	<b>2005</b>	
<b><u>Capital Resources and Liquidity</u></b>			
Cash Provided by Operating Activities	307	254	
Cash Used for Investing Activities	(385)	(24)	
Cash Used for Financing Activities	(30)	(216)	
Adjusted EBITDA *	370	353	
Cash Available for Distribution (CAD) *	178	169	
Adjusted ROE *	17.4%	14.5%	
	<b>12/31/06</b>	<b>12/31/05</b>	
Debt	659	559	
Debt / Capital	42.1%	38.7%	
Cash	40	146	
Average diluted shares outstanding (millions)	78.2	77.6	

\* Non-GAAP measures (see pages 3, 18, 19 and 20 for definitions and reconciliations).



## Quarter to Quarter Variance Analysis - 4Q 06 to 3Q 06

(\$ Millions - Except EPS)

	<u>Pretax</u>	<u>Income **</u>	<u>EPS</u>
<b>2006 3Q Continuing Ops (Pro forma) *</b>	<b>57</b>	<b>50</b>	<b>0.63</b>
Variance			
Timber			
- Price / Mix	(3)	(3)	(0.04)
- Volume / Other	5	5	0.06
Real Estate	(8)	(5)	(0.06)
Performance Fibers			
- CS Price / Mix	(2)	(1)	(0.02)
- AM Price / Mix	1	1	0.01
- Volume / Cost / Other	13	8	0.10
Wood Products	(1)	(1)	(0.01)
Corporate / Other	(3)	(2)	(0.02)
<b>Operating Income</b>	<b>2</b>	<b>2</b>	<b>0.02</b>
Interest / Other	(2)	(2)	(0.02)
Taxes	-	(4)	(0.04)
<b>2006 4Q Continuing Ops (Pro forma) *</b>	<b>57</b>	<b>46</b>	<b>0.59</b>

\* Non-GAAP measure (see page 19 for 3Q reconciliation and page 3 for 4Q reconciliation).

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



## Fourth Quarter / Full Year Variance Analyses - 2006 to 2005

(\$ Millions - Except EPS)

	Fourth Quarter			Full Year		
	Pretax	Income **	EPS	Pretax	Income **	EPS
<b>2005 Continuing Ops (Pro forma) *</b>	<b>28</b>	<b>26</b>	<b>0.34</b>	<b>141</b>	<b>122</b>	<b>1.57</b>
Variance						
Timber						
- Price	(2)	(2)	(0.03)	7	7	0.09
- Volume / Cost / Other	(2)	(2)	(0.03)	(4)	(4)	(0.05)
Real Estate	14	9	0.11	25	16	0.20
Performance Fibers						
- CS Price / Mix	15	9	0.12	47	30	0.38
- AM Price / Mix	2	1	0.02	2	1	0.02
- Volume / Cost / Other	9	7	0.07	(22)	(14)	(0.18)
Wood Products	(7)	(5)	(0.06)	(19)	(12)	(0.16)
Corporate / Other	3	2	0.03	3	2	0.03
<b>Operating Income</b>	<b>32</b>	<b>19</b>	<b>0.23</b>	<b>39</b>	<b>26</b>	<b>0.33</b>
Interest Expense / Other	(3)	(3)	(0.03)	2	1	0.01
Taxes - LKE	-	-	-	-	2	0.02
Taxes - Excludes LKE	-	4	0.05	-	5	0.06
<b>2006 Continuing Ops (Pro forma) *</b>	<b>57</b>	<b>46</b>	<b>0.59</b>	<b>182</b>	<b>156</b>	<b>1.99</b>

\* Non-GAAP measure (see page 3 for reconciliation).

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

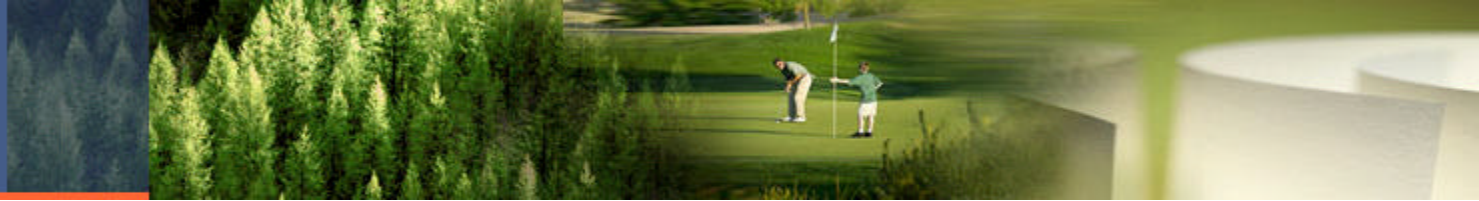
## Cash Available for Distribution

(\$ Millions – Except Per Share Data)

	Full Year	
	2006	2005
<b>Cash Available for Distribution (CAD)</b>		
Cash provided by operating activities	\$ 306.9	\$ 254.1
Capital spending *	(105.5)	(85.3)
Proceeds from matured forward energy contracts	-	3.9
Change in committed cash	(19.1)	1.8
Equity based compensation adjustments/other	0.3	(2.3)
Like-kind exchange tax benefits on third party real estate sales **	(4.8)	(3.2)
Cash Available for Distribution (CAD)	<u>\$ 177.8</u>	<u>\$ 169.0</u>
Shares outstanding	<u>76,879,826</u>	<u>76,092,566</u>
CAD per share	2.31	2.22

\* Capital spending is net of sales and retirements and excludes strategic acquisitions and dispositions.

\*\* Represents taxes that would have been paid if the Company had not completed LKE transactions.

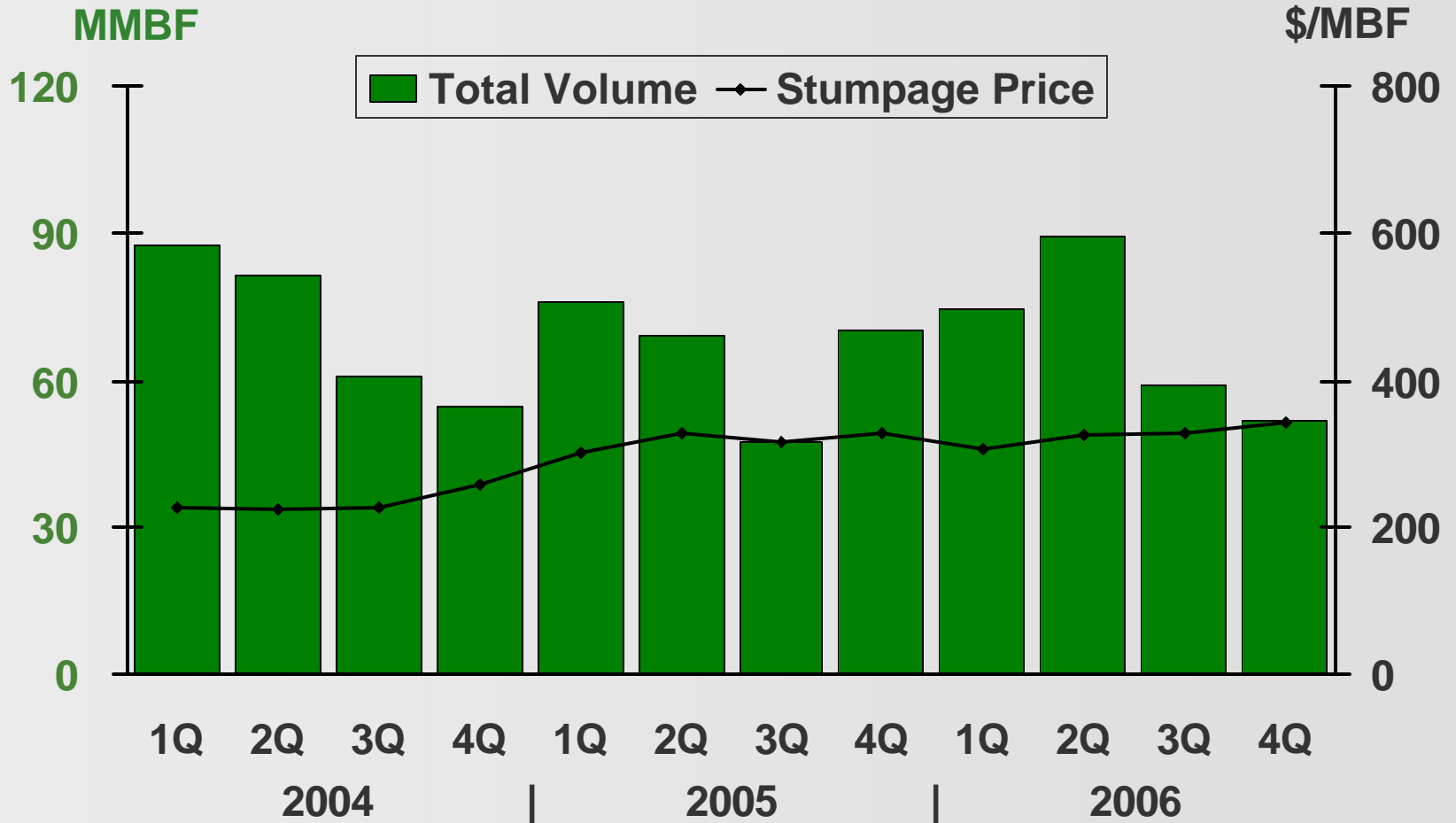


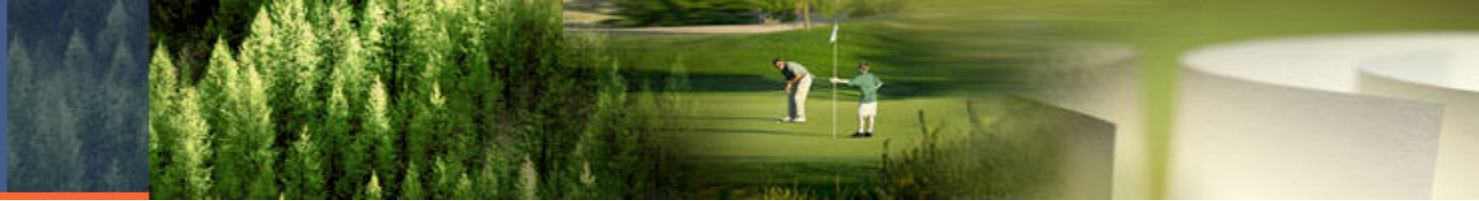
# Markets and Operations



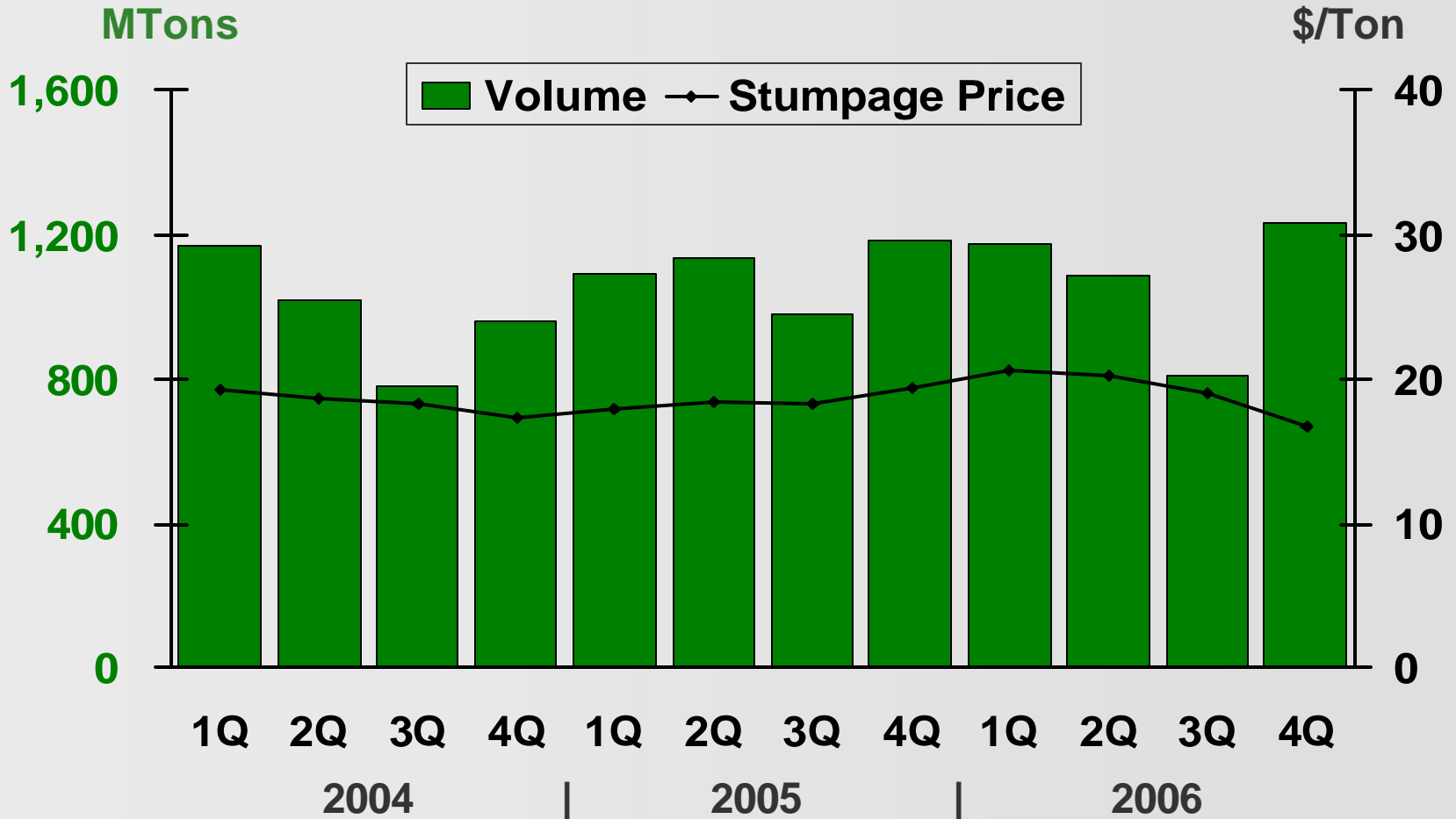


## Northwest Timber Sales



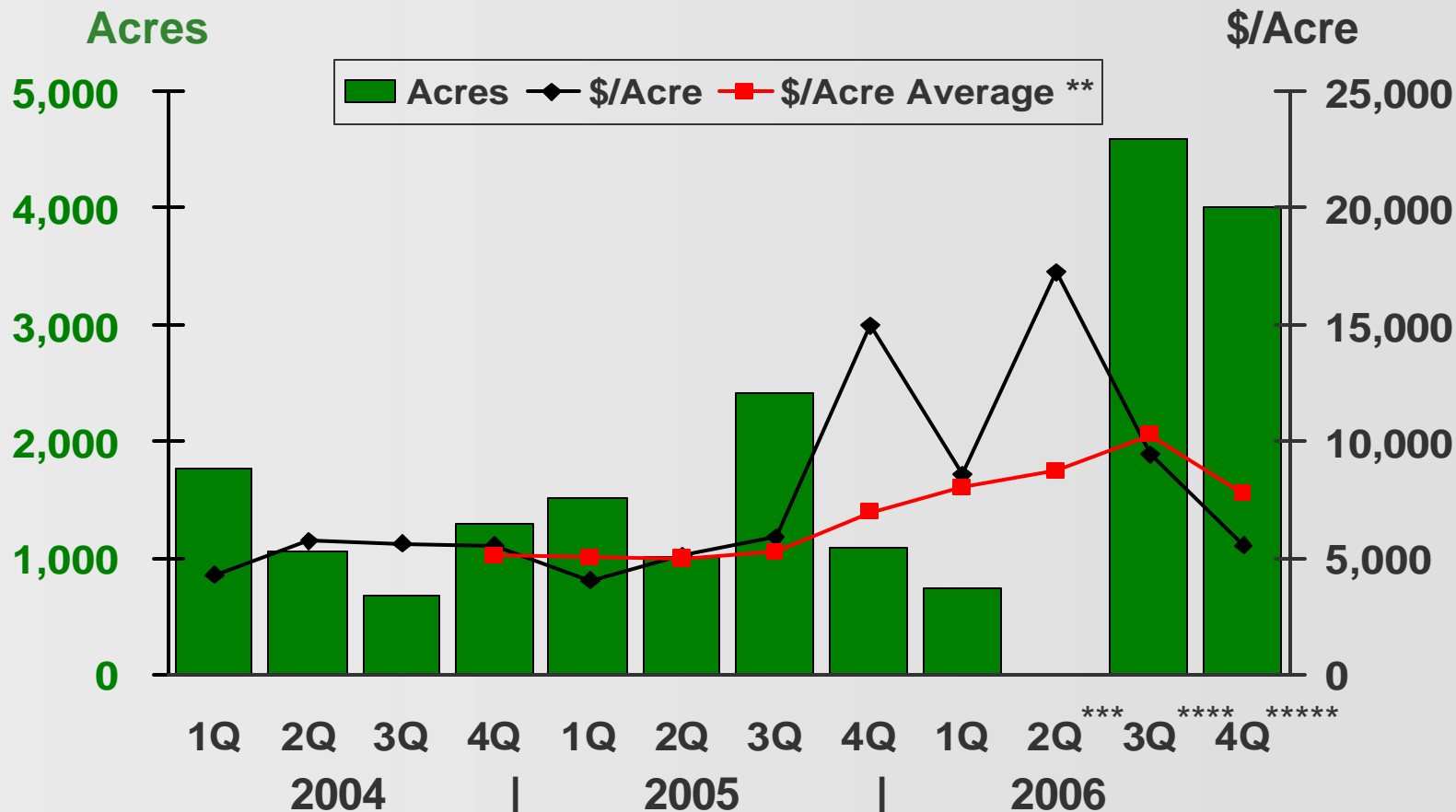


## Southeast Pine Timber Sales





## Development Acres \* - Sales



\* Primarily sales in coastal counties.

\*\* Four quarter rolling weighted average.

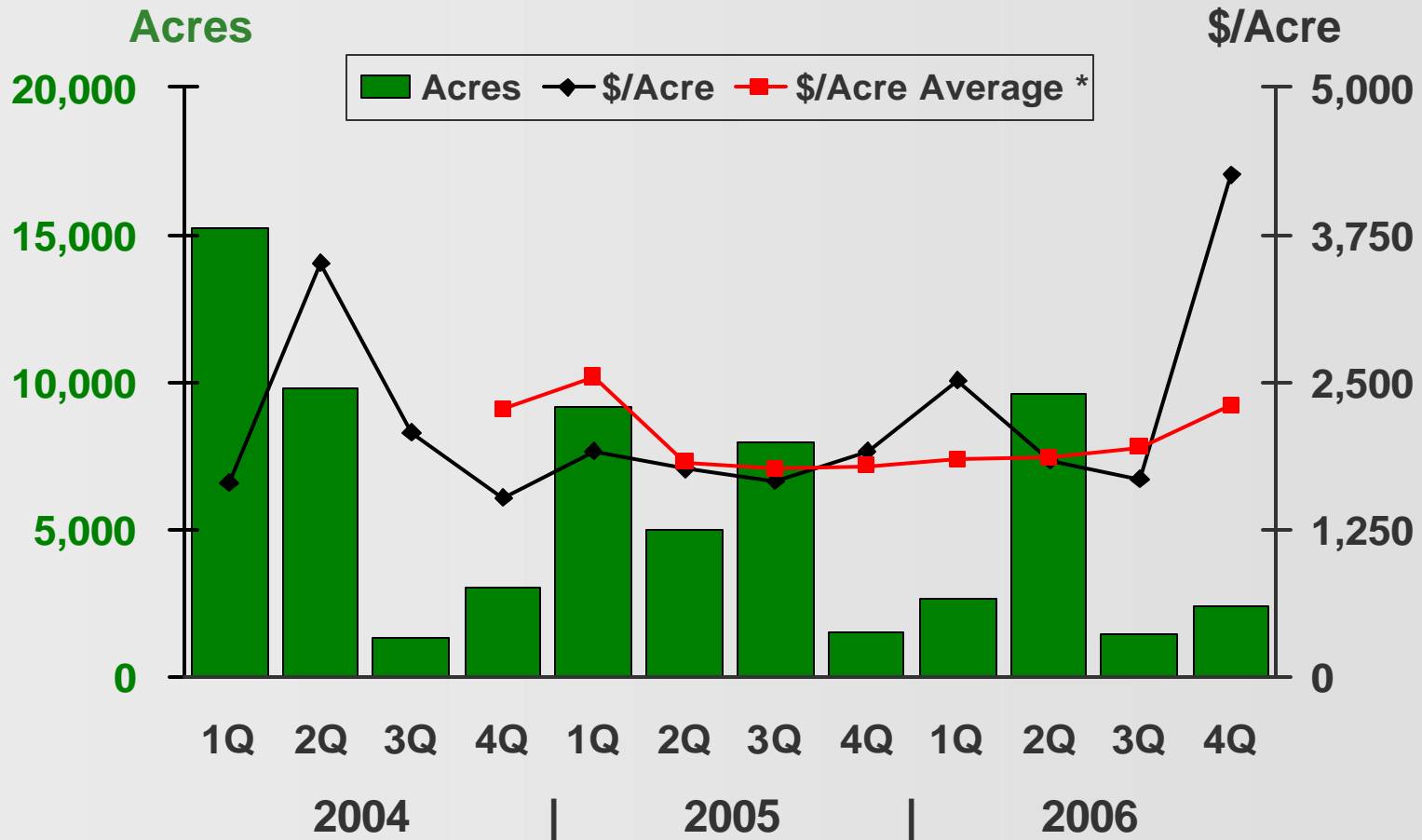
\*\*\* 7 acres

\*\*\*\* Includes 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.

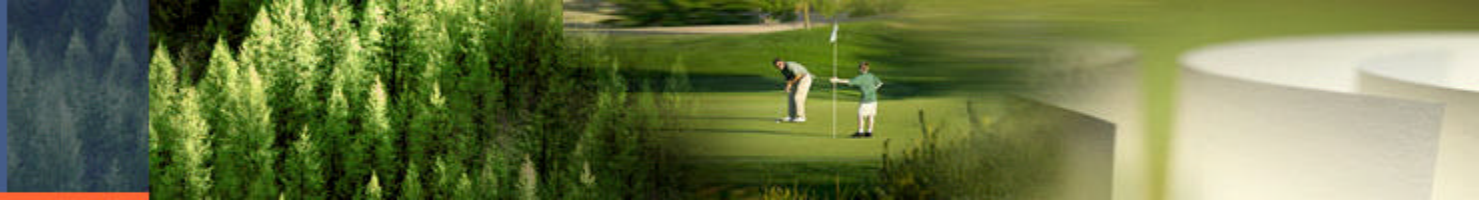
\*\*\*\*\* Includes 1,940 acre sale to LandMar; price per acre includes initial receipt of \$10.0 million in 4Q, but not the proceeds from participation or the option to receive \$17.5 million in the future.



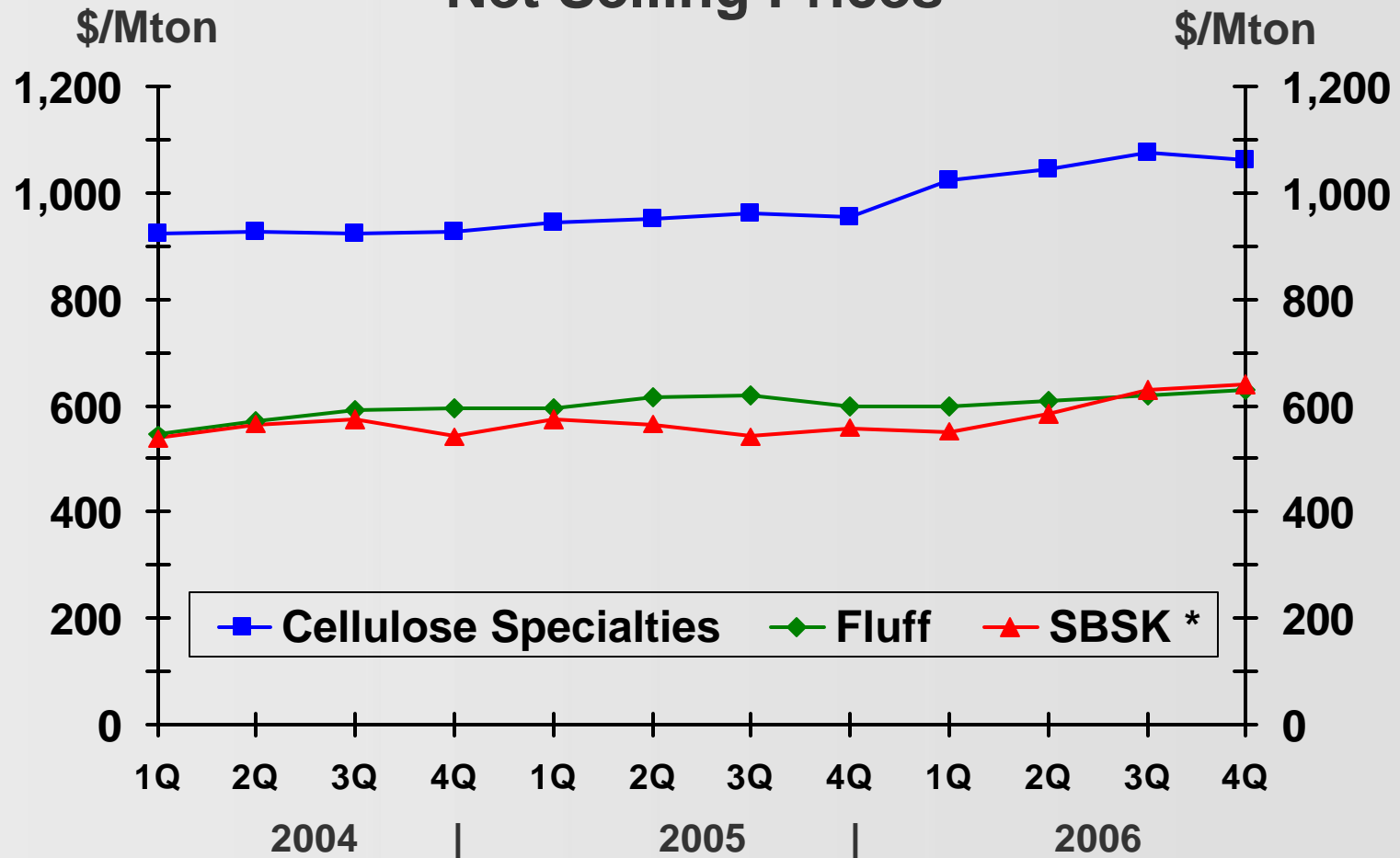
## Rural Acres - Sales



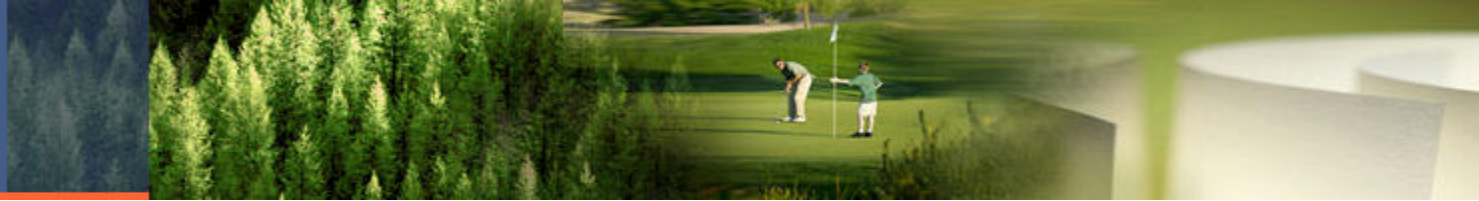
\* Four quarter rolling weighted average.



## Performance Fibers Net Selling Prices



\* Source: RISI gross price less typical discounts.

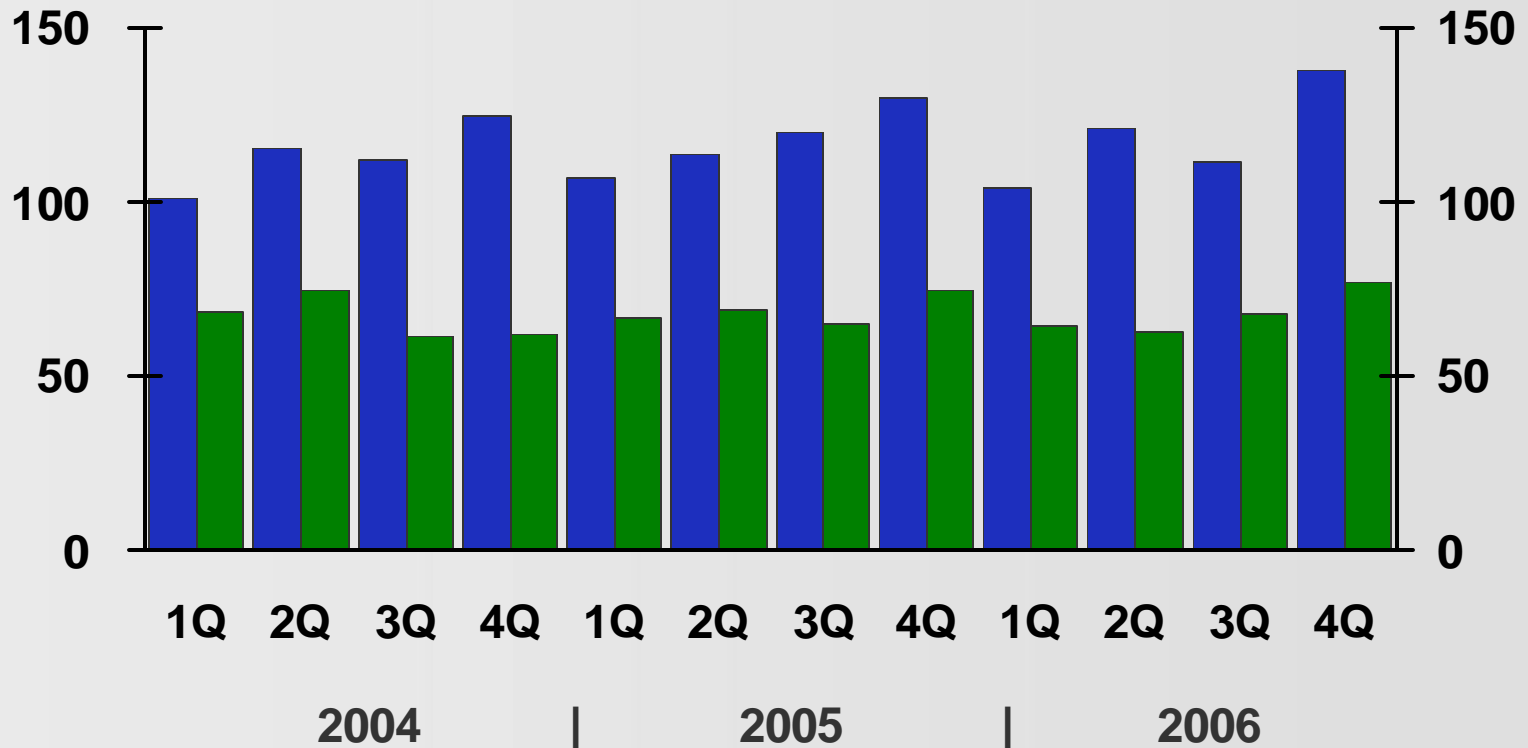


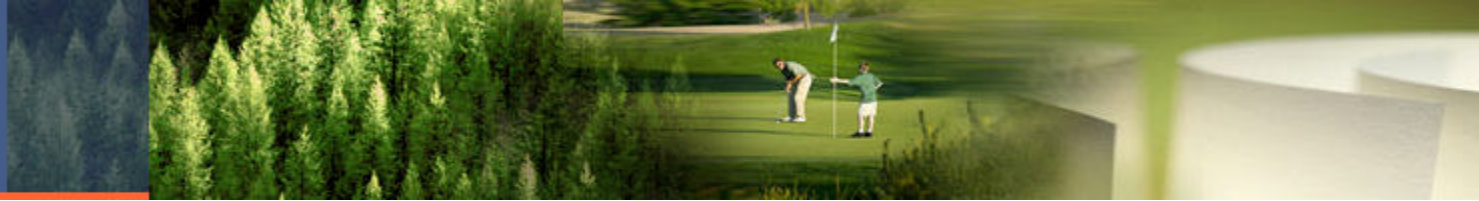
## Performance Fibers Sales Volumes

M Metric Tons

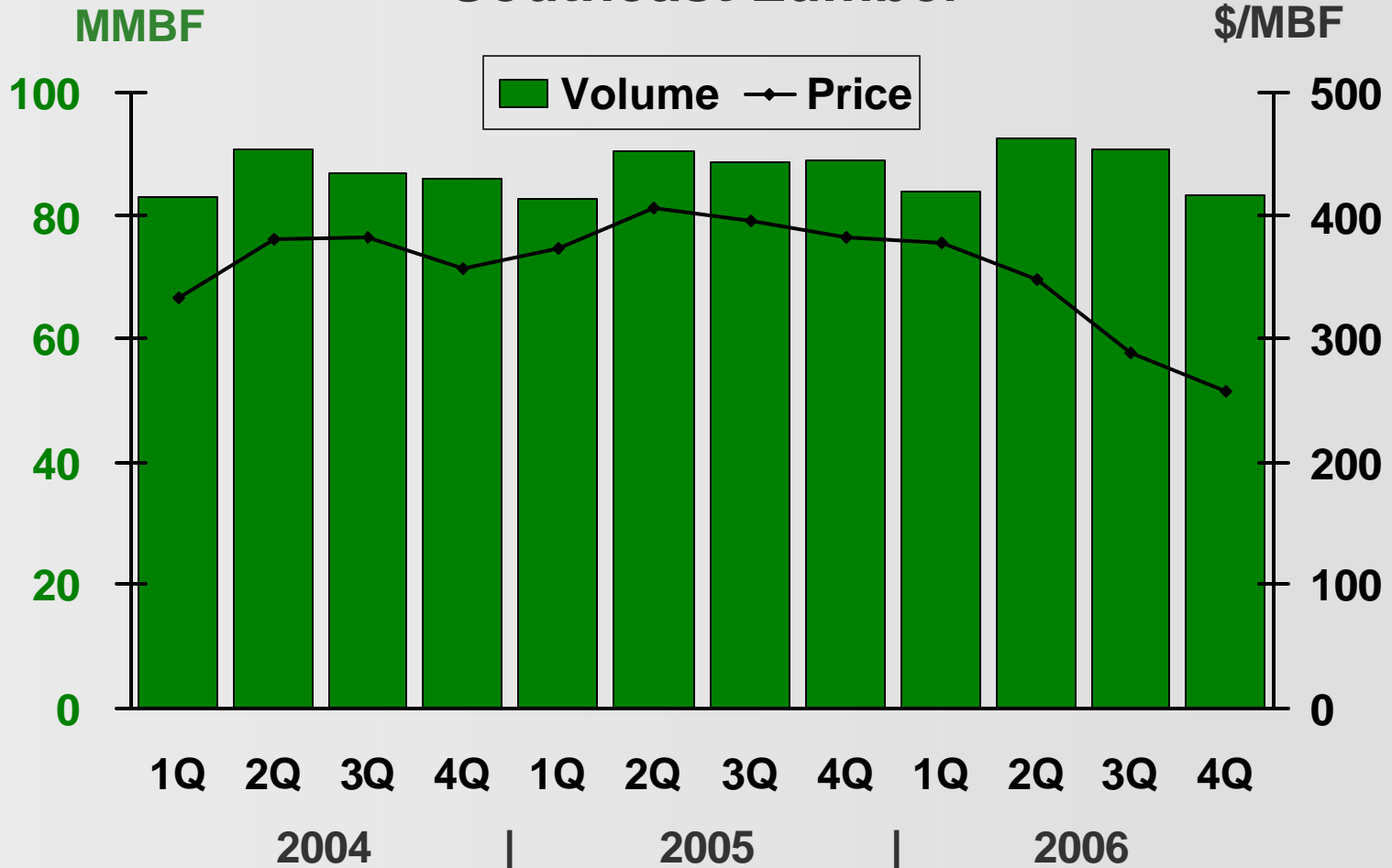
M Metric Tons

■ Cellulose Specialties ■ Absorbent Materials





## Wood Products Southeast Lumber





## Earnings Per Share - From Continuing Operations (\$ / Share)

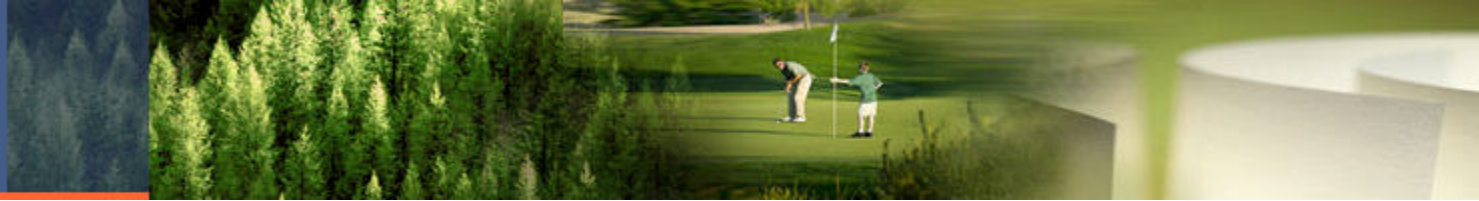
	2007	Pro forma		Actual	
		2006 *	2005 **	2006	2005
First Quarter	? ← Slightly below	0.30	0.33	0.30	0.45
Second Quarter		0.47	0.44	0.55	0.54
Third Quarter		0.63	0.46	0.70	0.96
Fourth Quarter		0.59	0.34	0.64	0.73
Full Year	? ← Generally in line with	1.99	1.57	2.19	2.68

\* Second quarter excludes the gain on the sale of a portion of our interest in a New Zealand JV of \$0.08 per share. Third quarter excludes IRS audit settlements and associated interest expense of \$0.07 per share. Fourth quarter excludes a benefit from a deferred tax adjustment of \$0.05 per share.

\*\* First quarter excludes a tax benefit of \$0.12 per share resulting from an IRS audit settlement. Second quarter excludes a tax benefit of \$0.10 per share resulting from an IRS audit settlement. Third quarter excludes: tax benefits of \$0.33 per share associated with the repatriation of foreign earnings; tax benefits and adjustment of accrued interest expense/income of \$0.10 per share resulting from IRS audit settlements; and a favorable non-operating income adjustment of \$0.07 per share, resulting from an arbitration award. Fourth quarter excludes the gain on the sale of New Zealand timber assets of \$0.39 per share.

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





# Appendix



## Definitions of Non-GAAP Measures

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

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

**Adjusted ROE** is defined as income from continuing operations less special items (pro forma earnings) divided by average equity.



## Reconciliation of Reported to Pro Forma Earnings

(\$ Millions – Except EPS)

	Third Quarter		
	Pretax Income	Net Income	EPS
<b>2006 Reported Earnings</b>	<b>\$ 57.7</b>	<b>\$ 55.0</b>	<b>\$ 0.70</b>
<b>Less Special Item</b>			
IRS audit settlements and associated interest expense	0.6	5.3	0.07
<b>2006 Pro Forma Earnings</b>	<b>57.1</b>	<b>49.7</b>	<b>0.63</b>

## Reconciliation of Non-GAAP Measures

(\$ Millions)

	Full Year	
	2006	2005
<b>Adjusted EBITDA</b>		
Cash provided by operating activities	\$ 306.9	\$ 254.1
Income tax expense / (benefit)	19.1	(16.9)
Interest, net	39.1	38.8
Working capital increases (decreases)	(2.3)	16.4
Other balance sheet changes	7.3	60.4
Adjusted EBITDA	<u>\$ 370.1</u>	<u>\$ 352.8</u>
<b>Cash Available for Distribution (CAD)</b>		
Cash provided by operating activities	\$ 306.9	\$ 254.1
Capital spending *	(105.5)	(85.3)
Proceeds from matured forward energy contracts	-	3.9
Change in committed cash	(19.1)	1.8
Equity based compensation adjustments/other	0.3	(2.3)
Like-kind exchange tax benefits on third party real estate sales **	(4.8)	(3.2)
Cash Available for Distribution (CAD)	<u>\$ 177.8</u>	<u>\$ 169.0</u>

\* Capital Spending is net of sales and retirements and excludes strategic acquisitions and dispositions.

\*\* Represents taxes that would have been paid if the Company had not completed LKE transactions.



## Reconciliation of Statutory Income Tax to Reported Income Tax

(\$ Millions - Except Percentages)

	Three Months Ended						Year Ended			
	December 31, 2006		September 30, 2006		December 31, 2005		December 31, 2006		December 31, 2005	
	\$	%	\$	%	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (19.7)	(35.0)	\$ (20.2)	(35.0)	\$ (22.8)	(35.0)	\$ (66.5)	(35.0)	\$ (66.8)	(35.0)
REIT income not subject to federal tax	12.5	22.2	14.4	25.0	11.1	17.0	46.3	24.4	39.9	20.9
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(4.0)	(7.1)	(2.8)	(4.9)	(2.9)	(4.4)	(12.7)	(6.7)	(11.6)	(6.1)
Discrete items included in pretax income	-	-	-	-	-	-	-	-	4.9	1.6 *
Foreign, state and local income taxes, foreign exchange rate changes and permanent differences	(0.5)	(0.8)	0.5	0.7	4.9	7.5	1.8	1.0	8.4	4.4
Income tax expense before discrete items	\$ (11.7)	(20.7)	\$ (8.1)	(14.2)	\$ (9.7)	(14.9)	\$ (31.1)	(16.3)	\$ (25.2)	(14.2)
Favorable IRS audit settlements	-	-	4.8	8.3	-	-	5.3	2.8	19.8	11.0 *
Built-in gain adjustments	1.5	2.7	2.8	4.9	-	-	4.3	2.2	-	-
Return to accrual adjustments	-	-	(1.2)	(2.1)	(0.2)	(0.3)	(0.3)	(0.2)	(0.3)	(0.2)
Prior year foreign tax credit reserve	-	-	(1.0)	(1.7)	-	-	(1.0)	(0.5)	-	-
Deferred tax adjustments	3.7	6.6	-	-	1.5	2.3	3.7	2.0	1.5	0.8
U.S. tax (expense) benefit on repatriation of foreign earnings	-	-	-	-	(0.4)	(0.6)	-	-	25.4	13.3
Tax on favorable arbitration award	-	-	-	-	-	-	-	-	(3.0)	(1.2) *
Exchange rate changes on tax on undistributed foreign earnings	-	-	-	-	-	-	-	-	1.6	0.8
Non-realizability of New Zealand tax credits on U.S. withholding tax for prior years' intercompany note interest	-	-	-	-	-	-	-	-	(2.9)	(1.5)
Income tax (expense) benefit	\$ (6.5)	(11.4)	\$ (2.7)	(4.8)	\$ (8.8)	(13.5)	\$ (19.1)	(10.0)	\$ 16.9	8.8

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



## 2006 Dividend Tax Characteristics to Shareholder

	<u>Actual</u>
Capital Gains	100%
Return of Capital	-
Ordinary Income	-
	<u>100%</u>