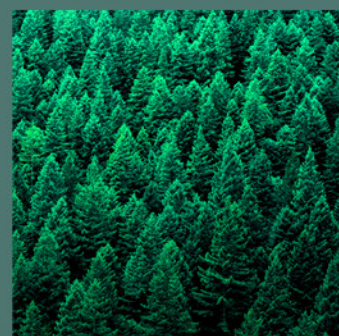


# Second Quarter 2009 Financial Presentation Material



**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 economic downturn, which is impacting many areas of our economy, including the housing market, 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, or the alternative fuel mixture credit discussed in this document.

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 current downturn in the housing market, 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>2Q 2009</u>	<u>1Q 2009</u>	<u>2Q 2008</u>
<b><u>Profitability</u></b>			
Sales	279	279	305
Operating income	134	43	54
Pro forma operating income *	48	43	54
Net Income	108	26	37
Pro forma net income *	28	26	37
<b>Earnings Per Share:</b>			
Net income	1.35	0.33	0.46
Pro forma net income *	0.36	0.33	0.46
Average diluted shares (millions)	79.8	79.3	79.4

	<u>Six Months Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
<b><u>Capital Resources and Liquidity</u></b>		
Cash Provided by Operating Activities	127	155
Cash Used for Investing Activities	(53)	(284)
Cash Used for Financing Activities	(76)	(31)
Adjusted EBITDA *	183	191
Cash Available for Distribution (CAD) *	95	97

	<u>6/30/2009</u>	<u>12/31/2008</u>
Debt	750	747
Debt / Capital	42.5%	44.3%
Cash	60	62

\* Non-GAAP measures (see pages 6, 18, 19, 20 and 21 for definitions and reconciliations).

## Variance Analysis – Q1 09 to Q2 09 (\$ Millions)

<u>Operating Income</u>	
<b>2009 Q1</b>	<b>\$ 43</b>
Variance	
Timber	
- Price	(4)
- Volume / Mix	2
- Cost	5
Real Estate	10
Performance Fibers	
- Price	(2)
- Volume / Mix	(7)
- Cost / Other	3
Wood Products	1
Corporate / Other	(3)
<b>2009 Q2 (Pro forma) *</b>	<b><u>\$ 48</u></b>

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

**Variance Analyses - 2008 to 2009**  
 (\$ Millions)

	Operating Income	
	Quarter	Year-to-date
<b>2008 2Q</b>	<b>\$ 54</b>	<b>\$ 114</b>
Variance		
Timber		
- Price	(12)	(21)
- Volume / Mix	(5)	(10)
- Costs / Other	8	8
Real Estate	10	2
Performance Fibers		
- Price	13	35
- Volume / Mix	(8)	(7)
- Costs	(7)	(26)
Wood Products	(2)	(3)
Corporate / Other	(3)	-
<b>2009 2Q (Pro forma)*</b>	<b>\$ 48</b>	<b>\$ 92</b>

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

## Cash Available for Distribution\*

(\$ Millions – Except Per Share Data)

	Six Months Ended June 30,	
	2009	2008
<b>Cash Available for Distribution (CAD)</b>		
Cash provided by operating activities	\$ 127.2	\$ 154.9
Capital expenditures **	(50.1)	(59.9)
Change in committed cash	20.5	4.9
Like-kind exchange tax benefits on real estate sales ***	-	(5.7)
Other	(2.1)	2.8
Cash Available for Distribution	<u>\$ 95.5</u>	<u>\$ 97.0</u>
Shares outstanding	<u>79,170,914</u>	<u>78,623,522</u>
CAD per share	\$ 1.21	\$ 1.23
Dividends per share	\$ 1.00	\$ 1.00

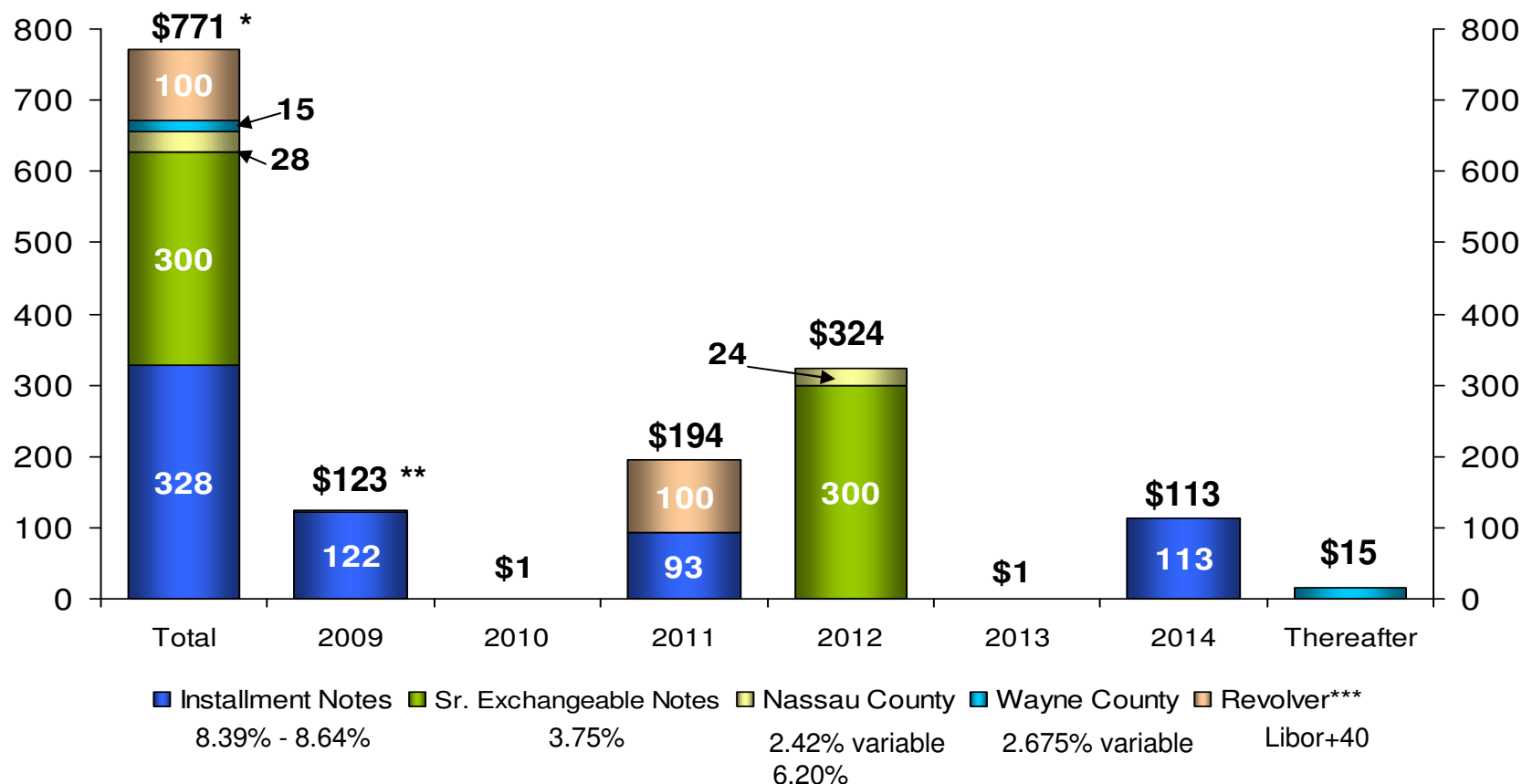
\* Non-GAAP measure (See page 18 for definition).

\*\* Capital spending excludes strategic acquisitions.

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

# Debt Maturity Schedule as of June 30, 2009

(\$ Millions)



\* Due to the adoption of FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*, our Senior Exchangeable Notes are currently valued at \$279M on the company's consolidated balance sheet, but upon maturity the liability will be \$300 million in 2012.

\*\* \$122 million due December 31, 2009.

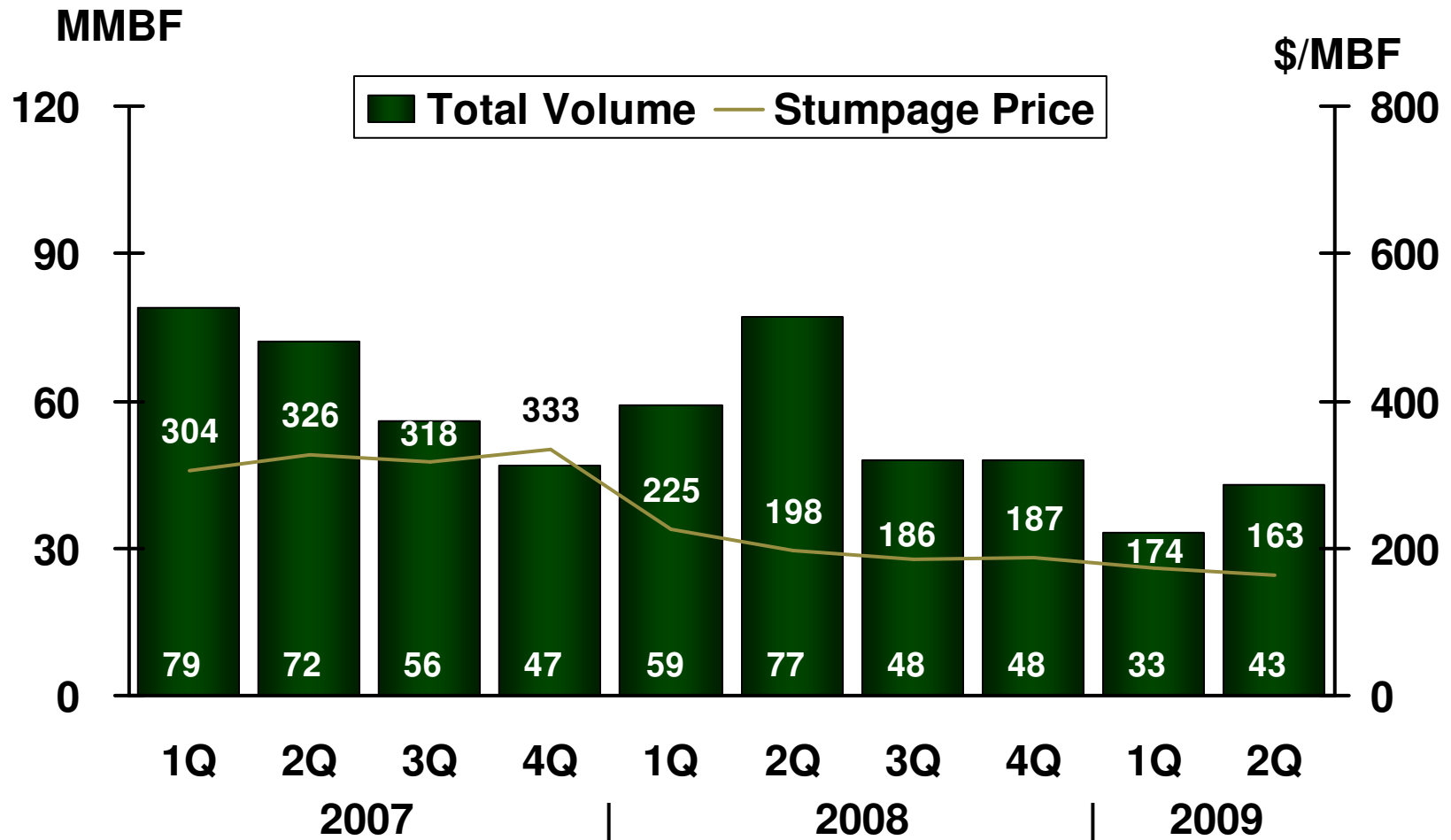
\*\*\* \$250 million total; \$145 million available (\$5 million is attributable to standby letters of credit as of June 30, 2009).



# Markets and Operations

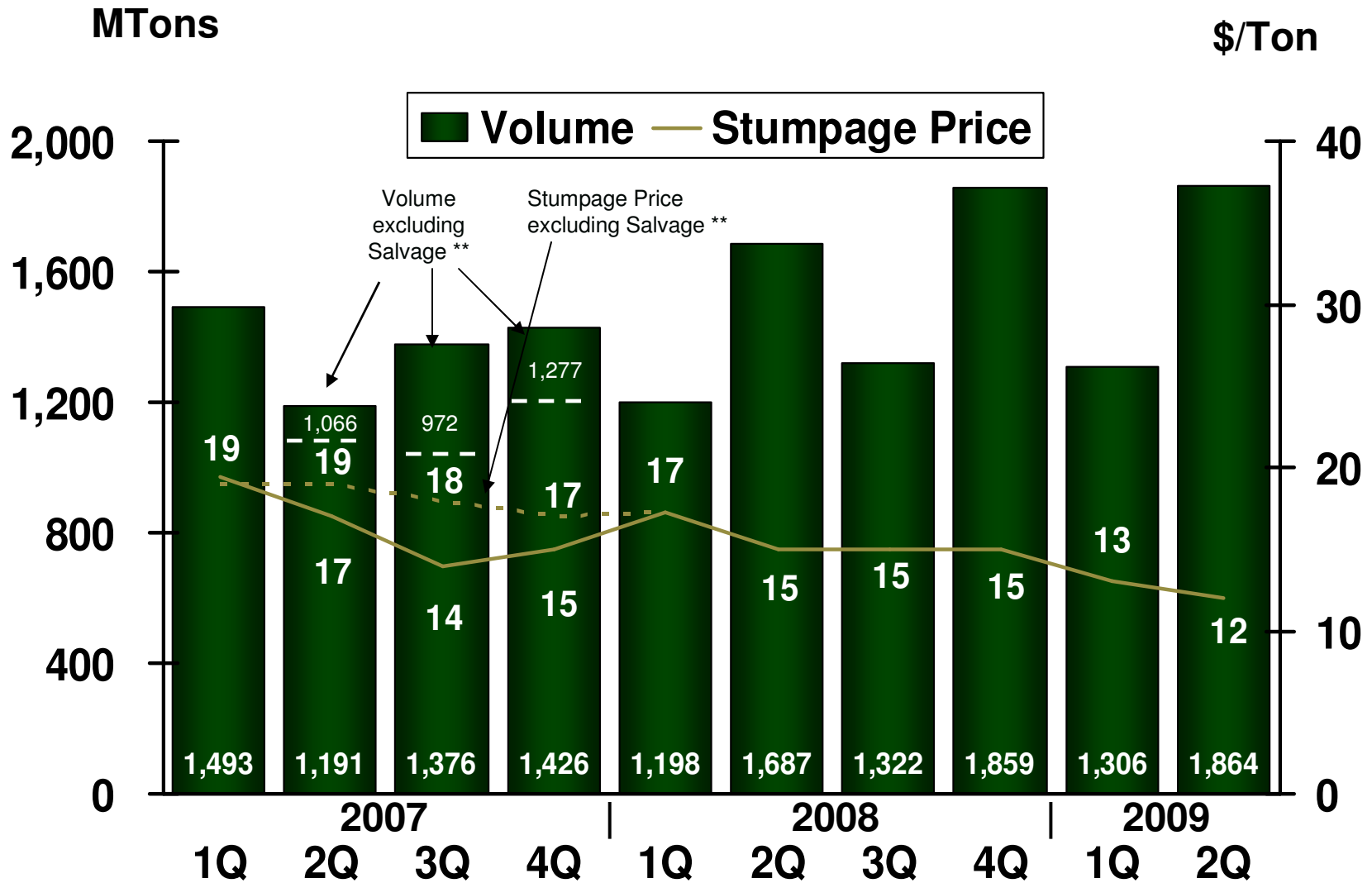


## Western Timber Sales \*



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

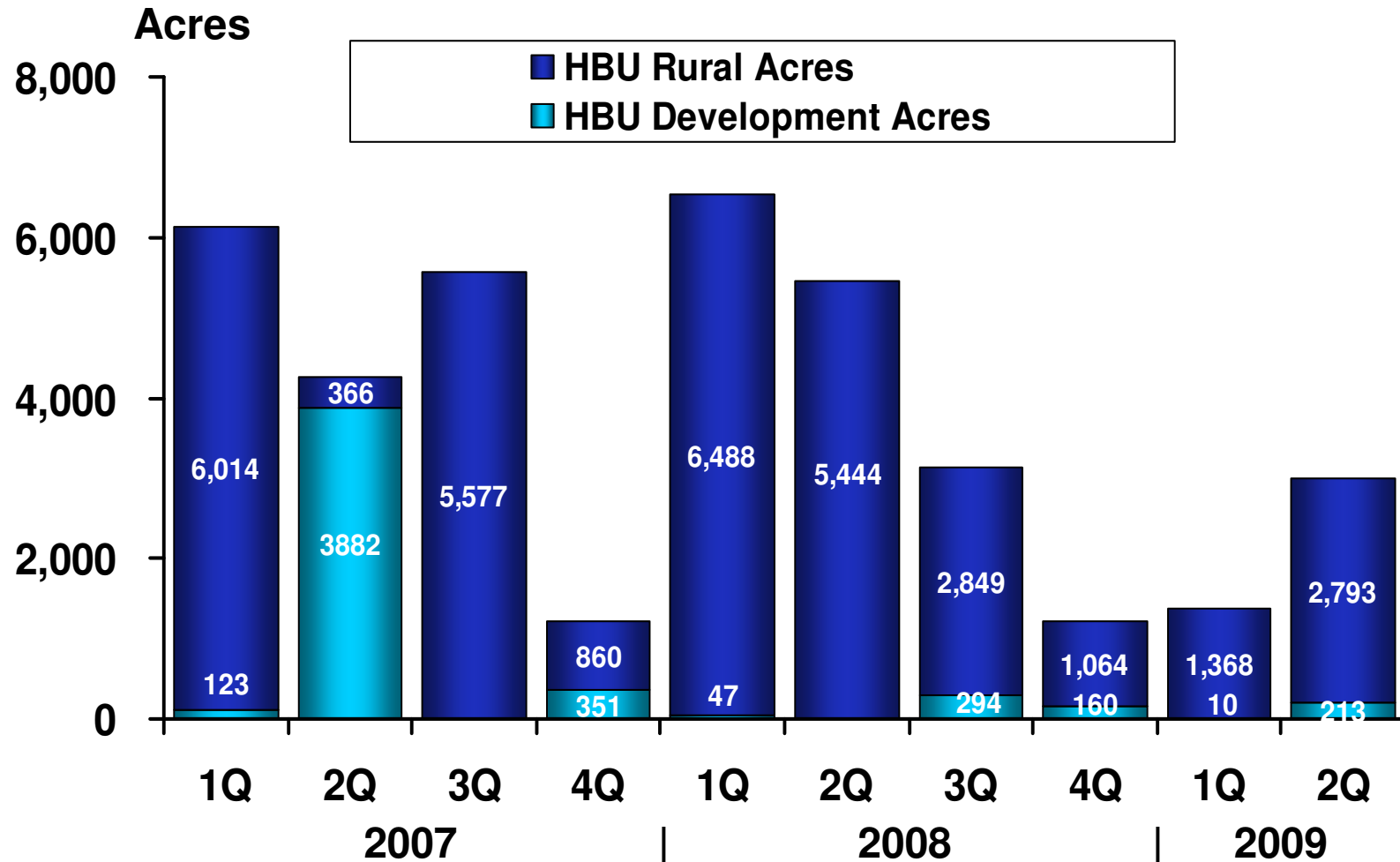
# Eastern Pine Timber Sales \*



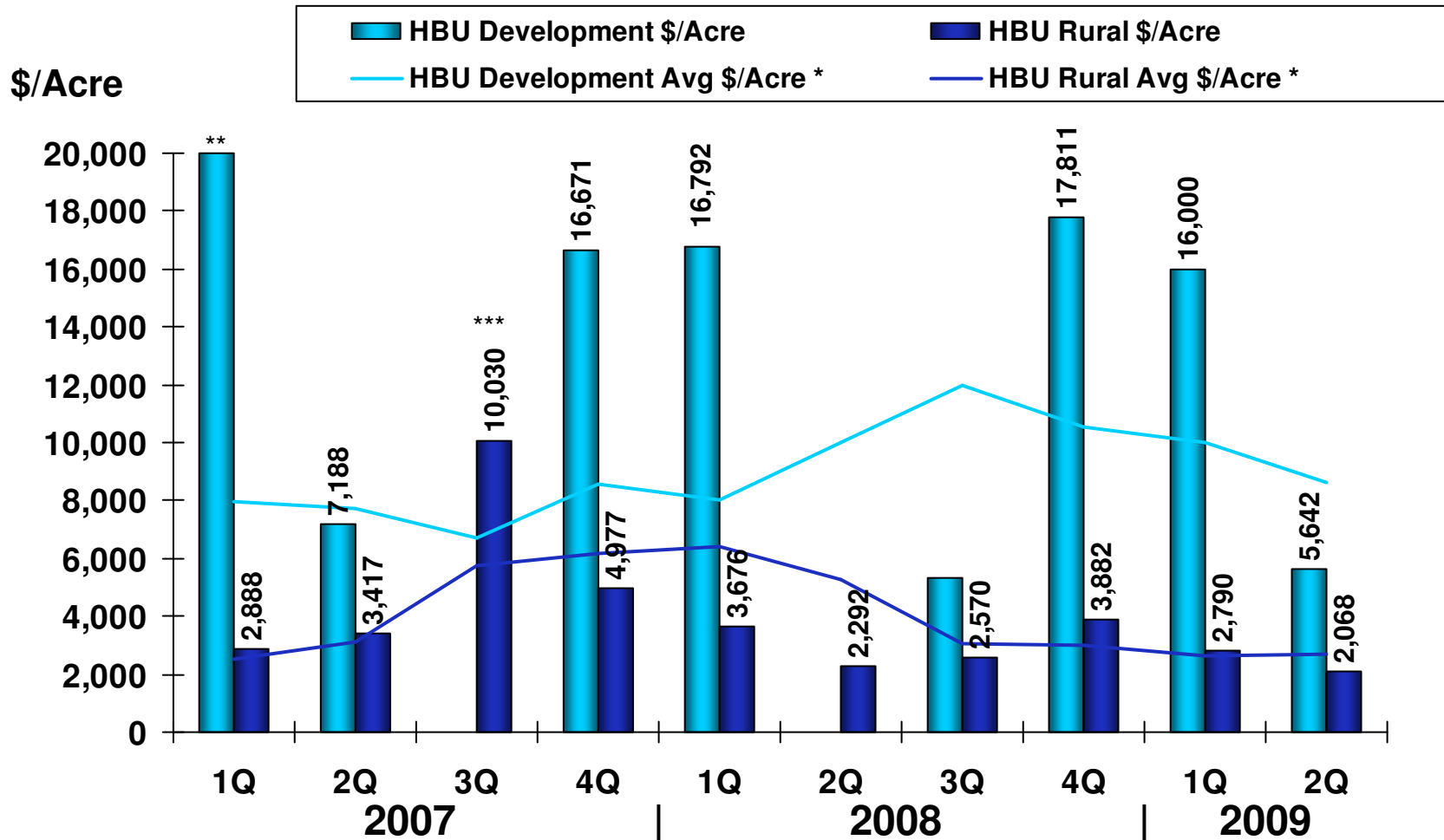
\* The Eastern region represents the Company's operations in Alabama, Arkansas, Florida, Georgia, Louisiana, New York, Oklahoma and Texas.

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

## HBU Real Estate Acres - Sales



# HBU Real Estate Sales Prices

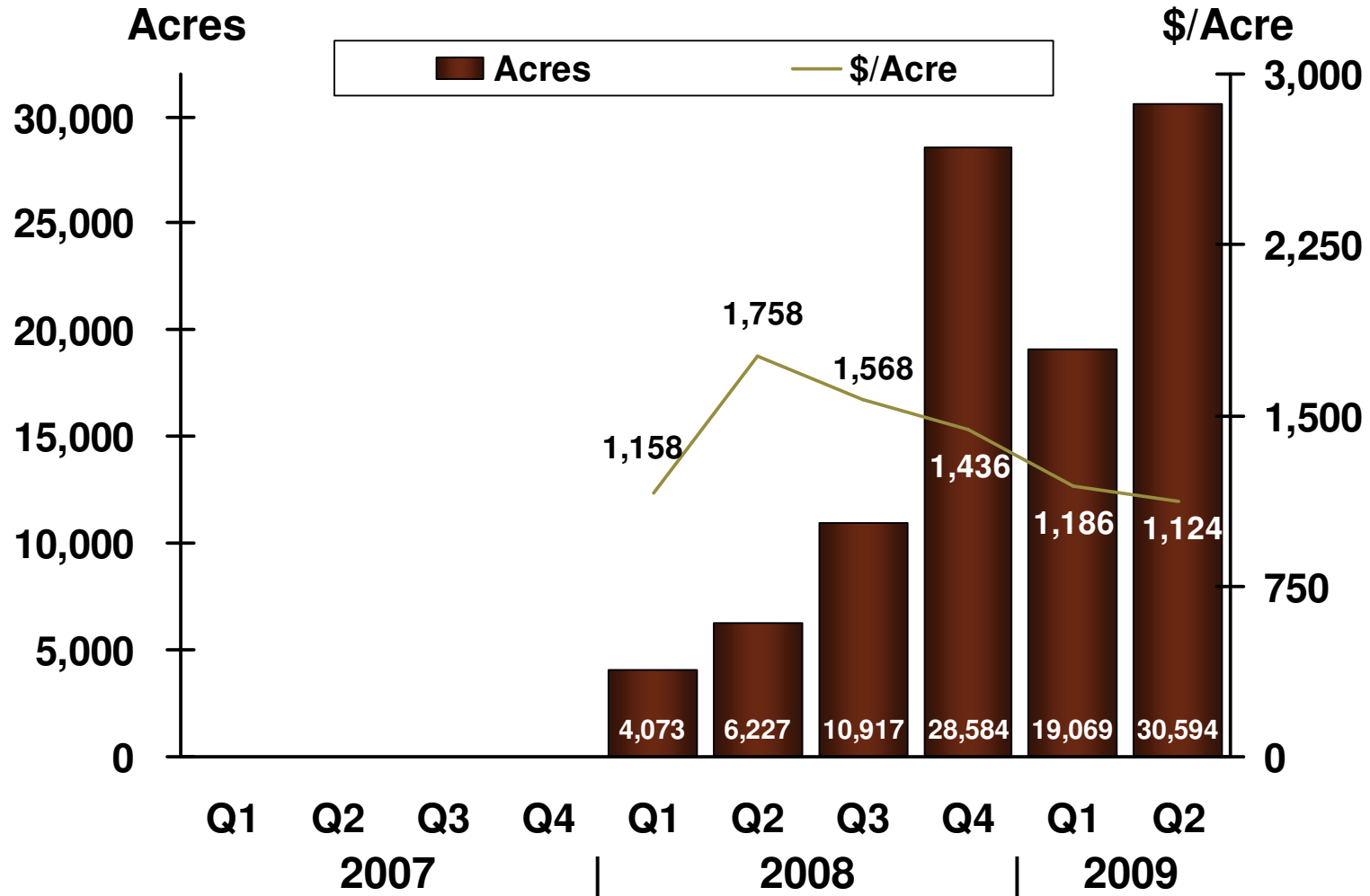


\* Four quarter rolling weighted average.

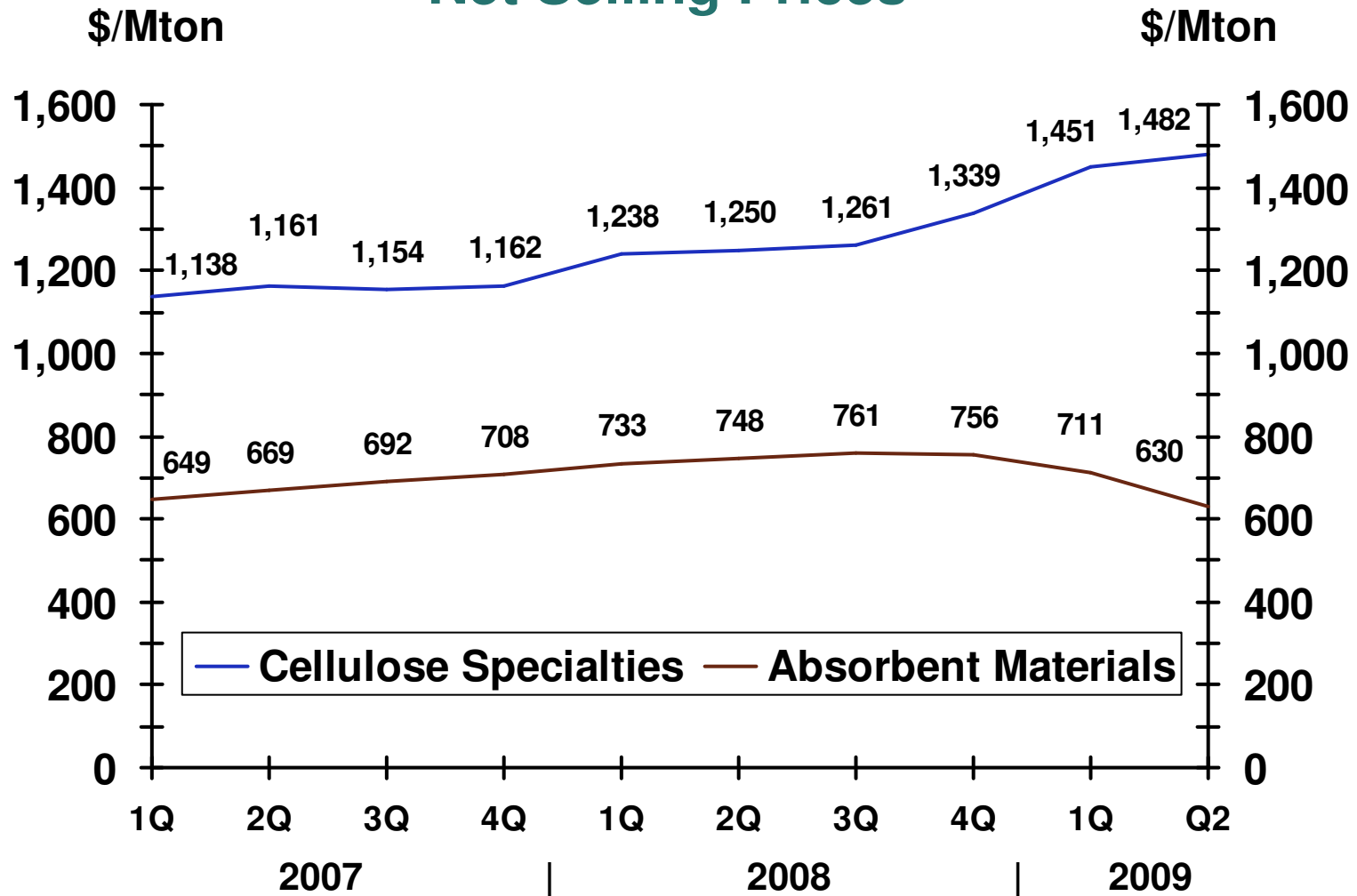
\*\* 1st Quarter 2007 HBU Development \$/Acre was \$29,490 on 123 acres.

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

## Non-Strategic Timberland Acres - Sales



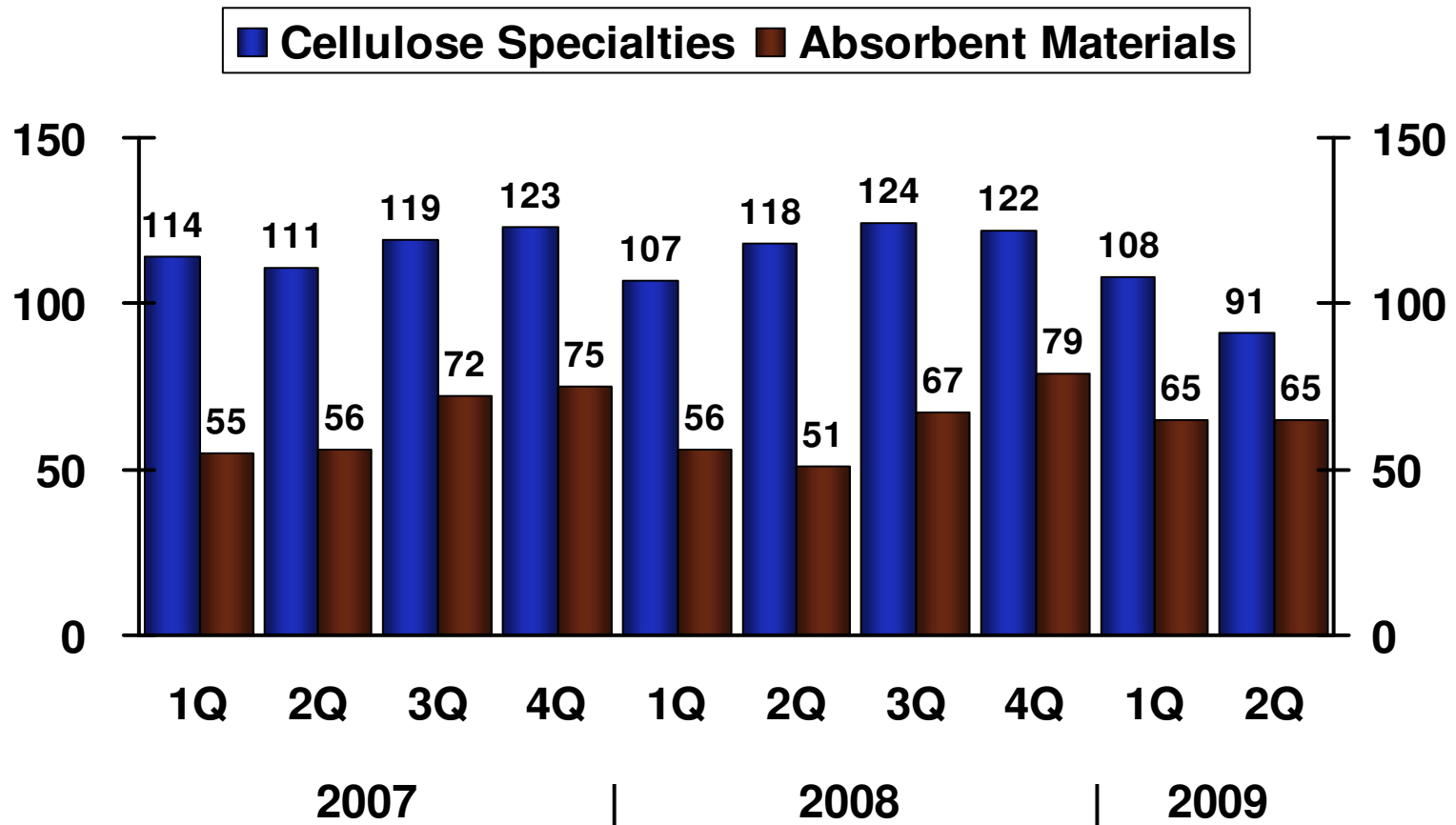
## Performance Fibers Net Selling Prices



## Performance Fibers Sales Volumes

M Metric Tons

M Metric Tons



## Earnings Per Share (\$ / Share)

	Pro forma		Actual	
	2009		2009	2008 **
First Quarter	\$	0.33	\$ 0.33	\$ 0.50
Second Quarter		0.36 *	1.35	0.46
Third Quarter				0.36
Fourth Quarter				<u>0.55</u>
Full Year		?	← Lower	<u>\$ 1.87</u>

\* Second quarter 2009 pro forma results exclude the 99 cents per share benefit from the alternative fuel mixture credit. Non-GAAP measure, see page 19 for reconciliation.

\*\* Restated for New Zealand operations previously reported in discontinued operations that are now included in continuing operations.



# 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 the operating cash generating capacity of the Company.

**Cash Available for Distribution (CAD)** is defined as cash provided by operating activities adjusted for capital spending, the tax benefits associated with certain strategic acquisitions, the change in committed cash, and other items which include cash provided by discontinued operations, 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						Six Months Ended			
	June 30, 2009		March 31, 2009		June 30, 2008		June 30, 2009		June 30, 2008	
	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share	\$	Per Diluted Share
<b>Operating Income</b>	\$ 134.2		\$ 43.2		\$ 53.6		\$ 177.4		\$ 114.1	
Alternative Fuel Mixture Credit	(85.9)		-		-		(85.9)		-	
<b>Pro Forma Operating Income</b>	<b>\$ 48.3</b>		<b>\$ 43.2</b>		<b>\$ 53.6</b>		<b>\$ 91.5</b>		<b>\$ 114.1</b>	
<b>Net Income</b>	\$ 107.7	\$ 1.35	\$ 26.0	\$ 0.33	\$ 36.6	\$ 0.46	\$ 133.7	\$ 1.68	\$ 76.3	\$ 0.96
Alternative Fuel Mixture Credit	(79.3)	(0.99)	-	-	-	-	(79.3)	(1.00)	-	-
<b>Pro Forma Net Income</b>	<b>\$ 28.4</b>	<b>\$ 0.36</b>	<b>\$ 26.0</b>	<b>\$ 0.33</b>	<b>\$ 36.6</b>	<b>\$ 0.46</b>	<b>\$ 54.4</b>	<b>\$ 0.68</b>	<b>\$ 76.3</b>	<b>\$ 0.96</b>

## Adjusted EBITDA by Segment (\$ Millions)

	Timber	Real Estate	Performance Fibers	Wood Products	Corporate and other	Total
<b>Three Months Ended</b>						
June 30, 2009						
Cash provided by operating activities	\$ 31.2	\$ 39.3	\$ 31.9	\$ (0.8)	\$ (39.2)	\$ 62.4
Income tax expense *	-	-	-	-	7.9	7.9
Interest, net	-	-	-	-	12.0	12.0
Working capital and other *	(8.8)	(1.3)	15.5	(0.5)	10.9	15.8
Adjusted EBITDA *	<u>\$ 22.4</u>	<u>\$ 38.0</u>	<u>\$ 47.4</u>	<u>\$ (1.3)</u>	<u>\$ (8.4)</u>	<u>\$ 98.1</u>
March 31, 2009						
Cash provided by operating activities	\$ 13.8	\$ 21.5	\$ 42.2	\$ (2.8)	\$ (9.9)	\$ 64.8
Income tax expense	-	-	-	-	4.7	4.7
Interest, net	-	-	-	-	12.5	12.5
Working capital and other	1.3	1.8	12.9	0.4	(13.2)	3.2
Adjusted EBITDA	<u>\$ 15.1</u>	<u>\$ 23.3</u>	<u>\$ 55.1</u>	<u>\$ (2.4)</u>	<u>\$ (5.9)</u>	<u>\$ 85.2</u>
June 30, 2008						
Cash provided by operating activities	\$ 39.9	\$ 20.5	\$ 21.6	\$ 1.7	\$ (29.0)	\$ 54.7
Income tax expense	-	-	-	-	4.5	4.5
Interest, net	-	-	-	-	12.4	12.4
Working capital and other	(9.0)	(1.2)	28.0	(0.7)	5.3	22.4
Adjusted EBITDA	<u>\$ 30.9</u>	<u>\$ 19.3</u>	<u>\$ 49.6</u>	<u>\$ 1.0</u>	<u>\$ (6.8)</u>	<u>\$ 94.0</u>

\* Excludes the impact of the alternative fuel mixture credit.

## Adjusted EBITDA by Segment (\$ Millions)

	Timber	Real Estate	Performance Fibers	Wood Products	Corporate and other	Total
<b>Six Months Ended</b>						
June 30, 2009						
Cash provided by operating activities	\$ 45.0	\$ 60.8	\$ 74.1	\$ (3.6)	\$ (49.1)	\$ 127.2
Income tax expense *	-	-	-	-	12.6	12.6
Interest, net	-	-	-	-	24.5	24.5
Working capital and other *	(7.5)	0.5	28.4	(0.1)	(2.3)	19.0
Adjusted EBITDA *	<u>\$ 37.5</u>	<u>\$ 61.3</u>	<u>\$ 102.5</u>	<u>\$ (3.7)</u>	<u>\$ (14.3)</u>	<u>\$ 183.3</u>
June 30, 2008						
Cash provided by operating activities	\$ 66.4	\$ 46.7	\$ 79.9	\$ (2.3)	\$ (35.8)	\$ 154.9
Income tax expense	-	-	-	-	14.3	14.3
Interest, net	-	-	-	-	23.4	23.4
Working capital and other	(5.4)	(0.4)	17.9	2.2	(16.4)	(2.1)
Adjusted EBITDA	<u>\$ 61.0</u>	<u>\$ 46.3</u>	<u>\$ 97.8</u>	<u>\$ (0.1)</u>	<u>\$ (14.5)</u>	<u>\$ 190.5</u>

\* Excludes the impact of alternative fuel mixture credit.

## Timber Supplemental Financial Data (\$ Millions)

	Three Months Ended			Six Months Ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Sales					
Western U.S.	\$ 10.7	\$ 9.3	\$ 24.1	\$ 20.0	\$ 44.7
Eastern U.S.	30.9	23.9	28.6	54.7	52.7
New Zealand	2.0	1.7	2.6	3.8	5.1
Total	<u>\$ 43.6</u>	<u>\$ 34.9</u>	<u>\$ 55.3</u>	<u>\$ 78.5</u>	<u>\$ 102.5</u>
Operating income / (loss)					
Western U.S.	\$ (2.4)	\$ (3.9)	\$ 7.3	\$ (6.3)	\$ 15.9
Eastern U.S.	3.4	3.0	3.0	6.3	5.5
New Zealand / Other	(0.6)	(1.4)	(0.8)	(1.9)	0.1
Total	<u>\$ 0.4</u>	<u>\$ (2.3)</u>	<u>\$ 9.5</u>	<u>\$ (1.9)</u>	<u>\$ 21.5</u>

## Selected Operating Information

	Three Months Ended			Six Months Ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
<b>Timber</b>					
Sales Volume					
Western U.S.					
in millions of board feet	43	33	77	76	136
Eastern U.S.					
in thousands of short green tons	2,019	1,572	1,864	3,591	3,176
<b>Real Estate</b>					
Acres sold					
HBU Development	213	10	-	223	47
HBU Rural	2,793	1,368	5,444	4,161	11,932
Non-Strategic Timberlands	30,594	19,069	6,227	49,663	10,300
Total	<u>33,600</u>	<u>20,447</u>	<u>11,671</u>	<u>54,047</u>	<u>22,279</u>
<b>Performance Fibers</b>					
Sales Volume					
Cellulose specialties,					
in thousands of metric tons	91	108	118	199	225
Absorbent materials,					
in thousands of metric tons	65	65	51	130	107
<b>Lumber</b>					
Sales volume,					
in millions of board feet	57	53	87	110	161

## Market Price and Dividend History (\$ / Share)

	High	Low	Dividends
<b>2009</b>			
Second Quarter	\$ 41.79	\$ 29.35	\$ 0.50
First Quarter	\$ 32.40	\$ 22.28	\$ 0.50
<b>2008</b>			
Fourth Quarter	\$ 47.09	\$ 26.58	\$ 0.50
Third Quarter	\$ 49.54	\$ 40.60	\$ 0.50
Second Quarter	\$ 48.00	\$ 41.88	\$ 0.50
First Quarter	\$ 47.37	\$ 35.36	\$ 0.50
<b>2007</b>			
Fourth Quarter	\$ 49.16	\$ 42.46	\$ 0.50
Third Quarter	\$ 49.55	\$ 38.17	\$ 0.50
Second Quarter	\$ 45.77	\$ 42.35	\$ 0.47
First Quarter	\$ 46.31	\$ 39.83	\$ 0.47



## Wood Products Southeast Lumber Sales

