



Rayonier
Fourth Quarter 2004
Supplemental
Material

Safe Harbor

Reported results are preliminary and not final until filing of the 2004 Form 10-K with the Securities and Exchange Commission and, therefore, remain subject to subsequent event adjustments. Comments about anticipated demand, pricing, volumes, expenses, earnings, land sales and timberland acquisitions are forward-looking and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The following important factors, among others, could cause actual results to differ materially from those expressed in the forward-looking statements: changes in global market trends and world events; interest rate and currency movements; fluctuations in demand for or supply of cellulose specialties, absorbent materials, timber, wood products or real estate and entry of new competitors into these markets; adverse weather conditions affecting production, timber availability and sales, or distribution; changes in production costs for wood products or performance fibers, particularly for raw materials such as wood, energy and chemicals; unexpected delays in the closing of land sale transactions; changes in law or policy that might limit or restrict the development of real estate, particularly in the southeastern U.S.; the ability of the Company to identify and complete timberland acquisitions; the Company's ability to satisfy complex rules in order to qualify as a REIT; the availability of tax deductions and the ability of the company to complete tax-efficient exchanges of real estate; and implementation or revision of governmental policies and regulations affecting the environment, endangered species, import and export controls or taxes, including changes in tax laws that could reduce the benefits associated with REIT status. For additional factors that could impact future results, please see the company's most recent Form 10-K on file with the Securities and Exchange Commission.

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Fourth Quarter - Highlights

(\$ Millions - Except EPS)

	4Q 2004	Variance to	
		3Q 2004	4Q 2003
<u>Profitability</u>			
Sales	298	19	26
Operating Income	26	(5)	18
Net Income	14	(11)	12
Earnings Per Share	0.26	(0.21)	0.22
ROE Annualized *	7.4%	(5.4%)	5.8%

	Full Year	
	2004	Variance to 2003
<u>Capital Resources and Liquidity</u>		
Cash Provided by Operating Activities	295	87
Cash Used for Investing Activities	(181)	(90)
Cash Used for Financing Activities	(52)	63
Cash Available for Distribution (CAD) **	168	55
Adjusted EBITDA **	335	67
Debt	659	40
Debt / Capital	45.3%	(1.2%)

* Major land sales and REIT conversion costs are not annualized.

** Non-GAAP measures (see pages 17 and 18 for definitions and reconciliations).

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Quarter to Quarter Comparisons - 4Q 04 to 3Q 04

(\$ Millions - Except EPS)

	Pre- Tax <hr/> 20	Net Income <hr/> 24	EPS <hr/> 0.47
2004 3Q - Income			
Variance			
Timber and Land			
- Timber Price / Mix	1	1	0.01
- Timber Volume / Other	3	1	0.04
- Land Sales	7	4	0.08
Performance Fibers			
- Price / Mix	1	-	0.01
- Cost / Volume / Other	(12)	(7)	(0.15)
Wood Products			
- Lumber	(4)	(2)	(0.05)
Other Operations	-	-	0.01
Corporate / Other	(1)	(1)	(0.02)
Operating Income	(5)	(4)	(0.07)
Interest Expense	(1)	-	(0.01)
Other	(2)	(1)	(0.02)
Taxes - Excluding LKE	-	4	0.07
Taxes - LKE	-	(9)	(0.18)
2004 4Q - Income	12	14	0.26

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Fourth Quarter / Full Year Comparisons - 2004 to 2003

(\$ Millions - Except EPS)

	Fourth Quarter			Full Year		
	Pre-Tax	Net Income	EPS	Pre-Tax	Net Income	EPS
2003	(4)	2	0.04 *	56	50	1.02 *
Variance						
Timber and Land						
- Timber Price	3	2	0.05	17	11	0.22
- Timber Volume / Other	(1)	(1)	(0.02)	4	2	0.04
- Land Sales	5	3	0.06	(12)	(8)	(0.16)
Performance Fibers						
- CS Price / Mix	7	4	0.08	25	16	0.32
- AM Price / Mix	4	2	0.05	12	7	0.14
- Volume / Cost / Other	-	1	-	12	8	0.16
Wood Products						
- Lumber	(2)	(1)	(0.02)	15	9	0.18
- MDF	-	-	-	(2)	(1)	(0.02)
Other Operations	-	-	-	6	4	0.08
Corporate / Other	2	2	0.02	(10)	(5)	(0.13)
Operating Income	18	12	0.22	67	43	0.83
Interest Expense	-	-	-	2	1	0.02
Other	(2)	(1)	(0.02)	(2)	(1)	(0.05)
Taxes - Excluding LKE	-	-	-	-	3	0.06
Taxes - LKE	-	1	0.02	-	11	0.22
2004	12	14	0.26	123	107 **	2.10 **

* Includes pro forma effect of 15% share dilution due to special REIT dividend: reported amount was \$0.04 for 4Q 03 and \$1.16 for full year 2003.

** Excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million or \$1.53 per share and additional taxes for repatriation of foreign earnings of (\$28.2) million or (\$0.55) per share, for a net effect of \$49.7 million or \$0.98 per share in 1Q 04.

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Reconciliation of Adjusted EBITDA to CAD

(\$ Millions – Except EPS)

	Full Year	
	2004	2003
Adjusted EBITDA	\$ 335.1	\$ 268.3
Capital spending, net *	(89.3)	(85.2)
Purchase of assets previously leased	-	(5.4)
Income tax expense **	(16.2)	(5.8)
Interest expense	(46.9)	(48.7)
Working capital / other balance sheet changes ***	4.4	(5.6)
Like-kind exchange tax benefits on third party land sales ****	(11.3)	-
Change in committed cash	(3.5)	0.4
Tax benefit on exercise of stock options	(4.4)	(4.8)
Cash Available for Distribution (CAD)	<u>\$ 167.9</u>	<u>\$ 113.2</u>
Average diluted shares outstanding	51,022,175	43,093,092
CAD per share	<u>\$ 3.29</u>	<u>\$ 2.63</u>

* Excludes strategic acquisition of \$89.3 million.

** Excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million and additional taxes for repatriation of foreign earnings of (\$28.2) million in 1Q 04

*** Excludes reversal of deferred taxes not required after REIT conversion of \$77.9 million and additional taxes for repatriation of foreign earnings of (\$28.2) million in 1Q 04, and includes \$19.0 million in taxes that would have been paid on intercompany land sales had the Company not completed like-kind exchange transactions in 2004.

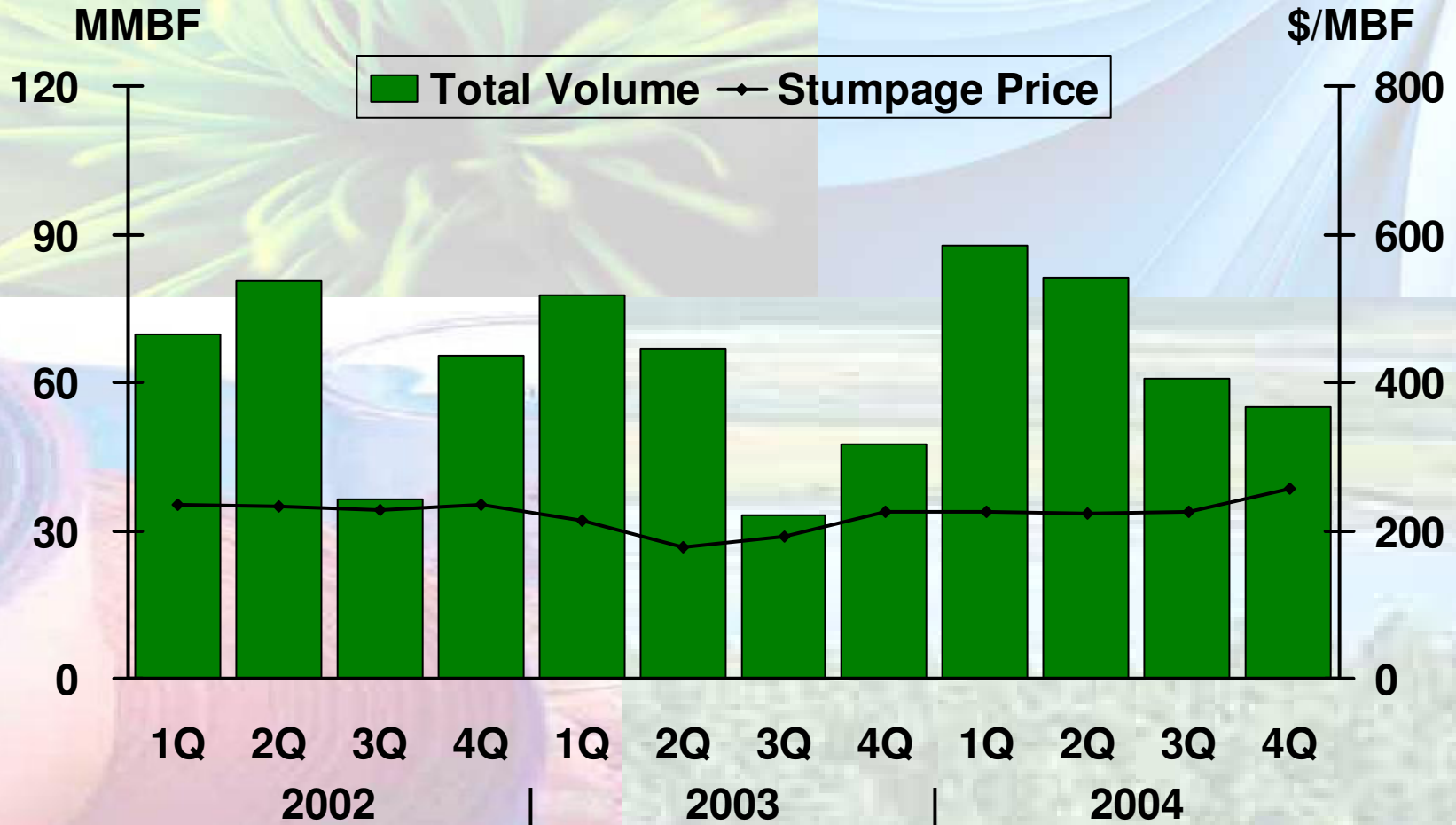
**** Represents taxes that would have been paid on third party land sales had the Company not completed like-kind exchange transactions.



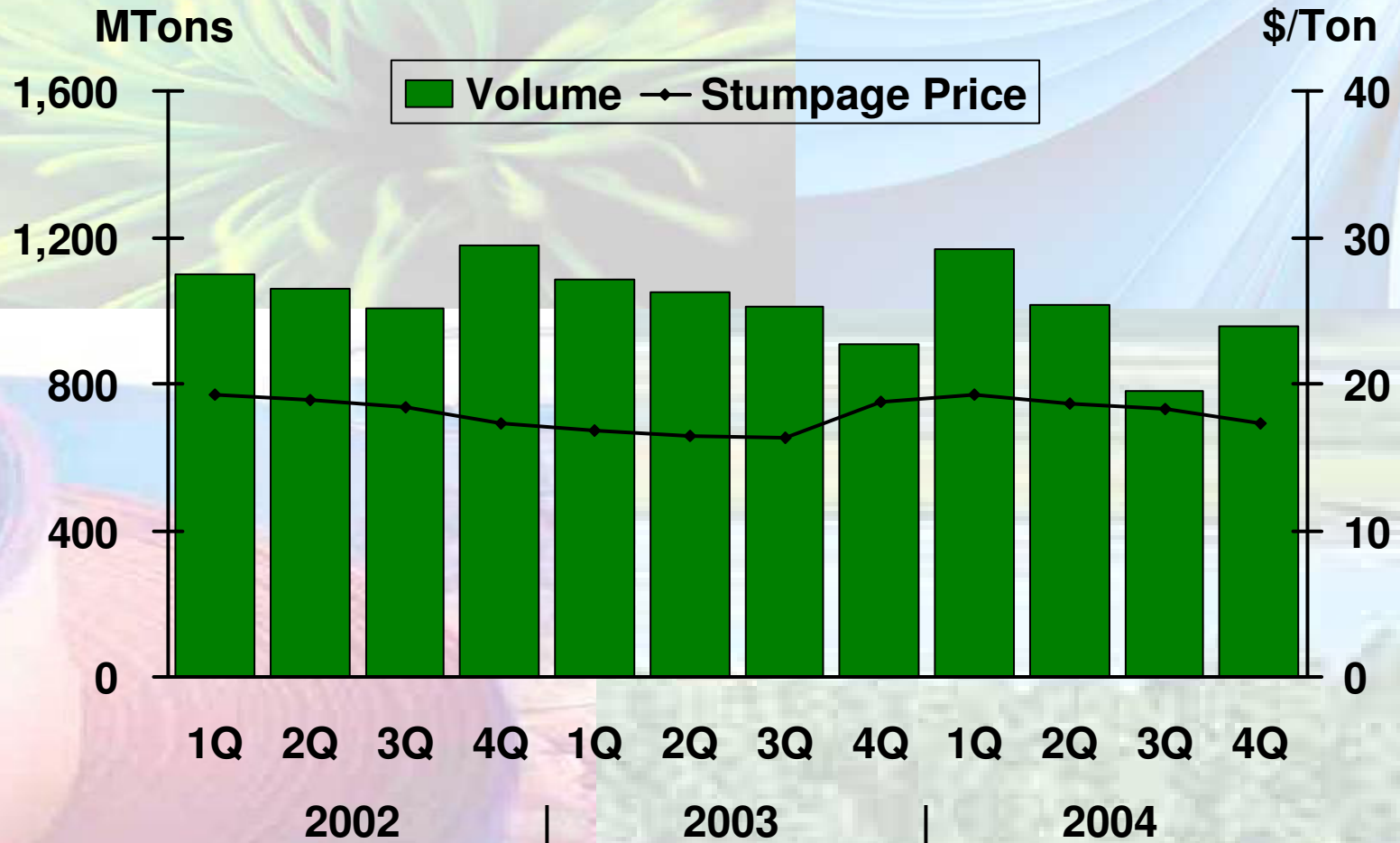
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Markets and Operations

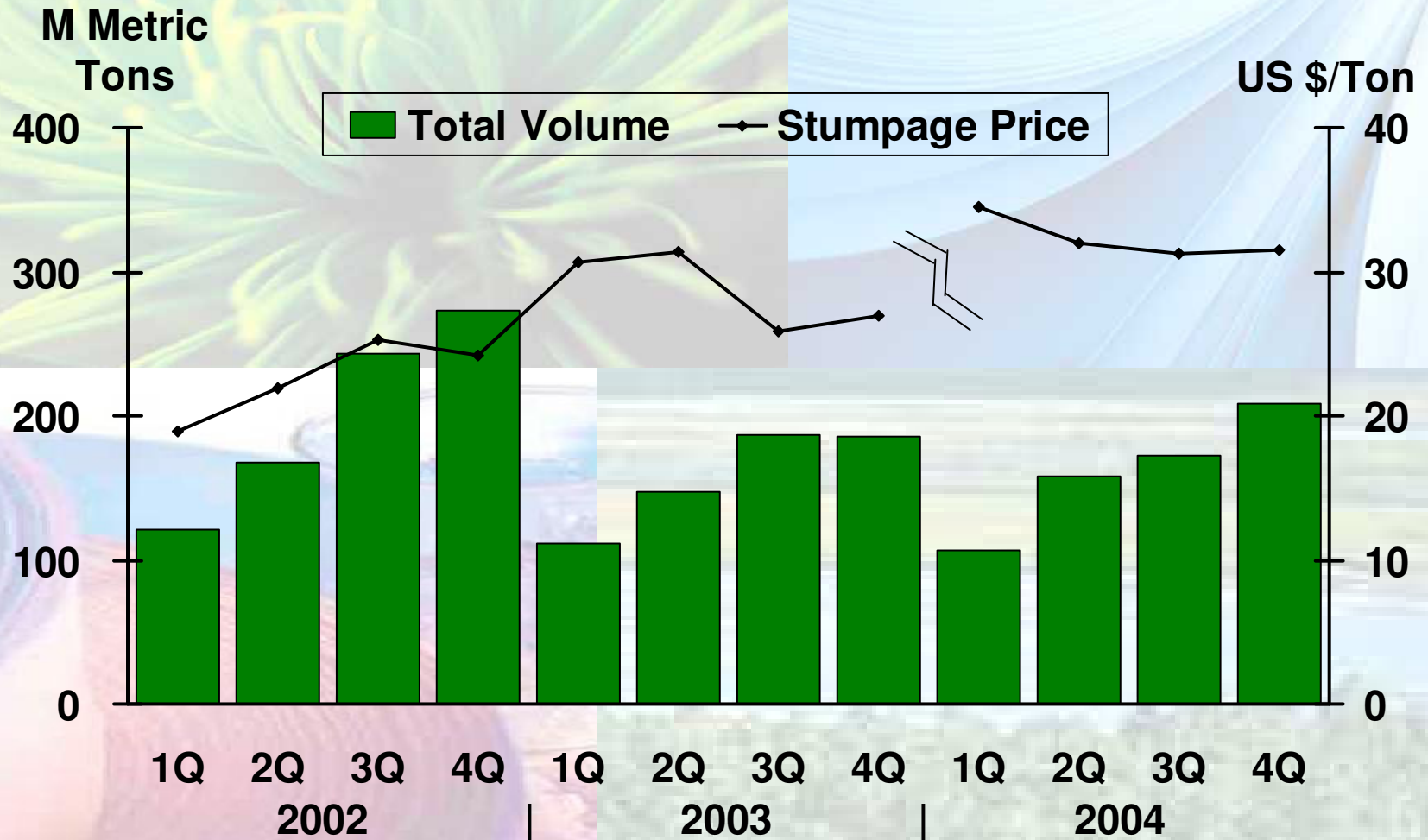
Rayonier Northwest Timber Sales



Rayonier Southeast Pine Timber Sales

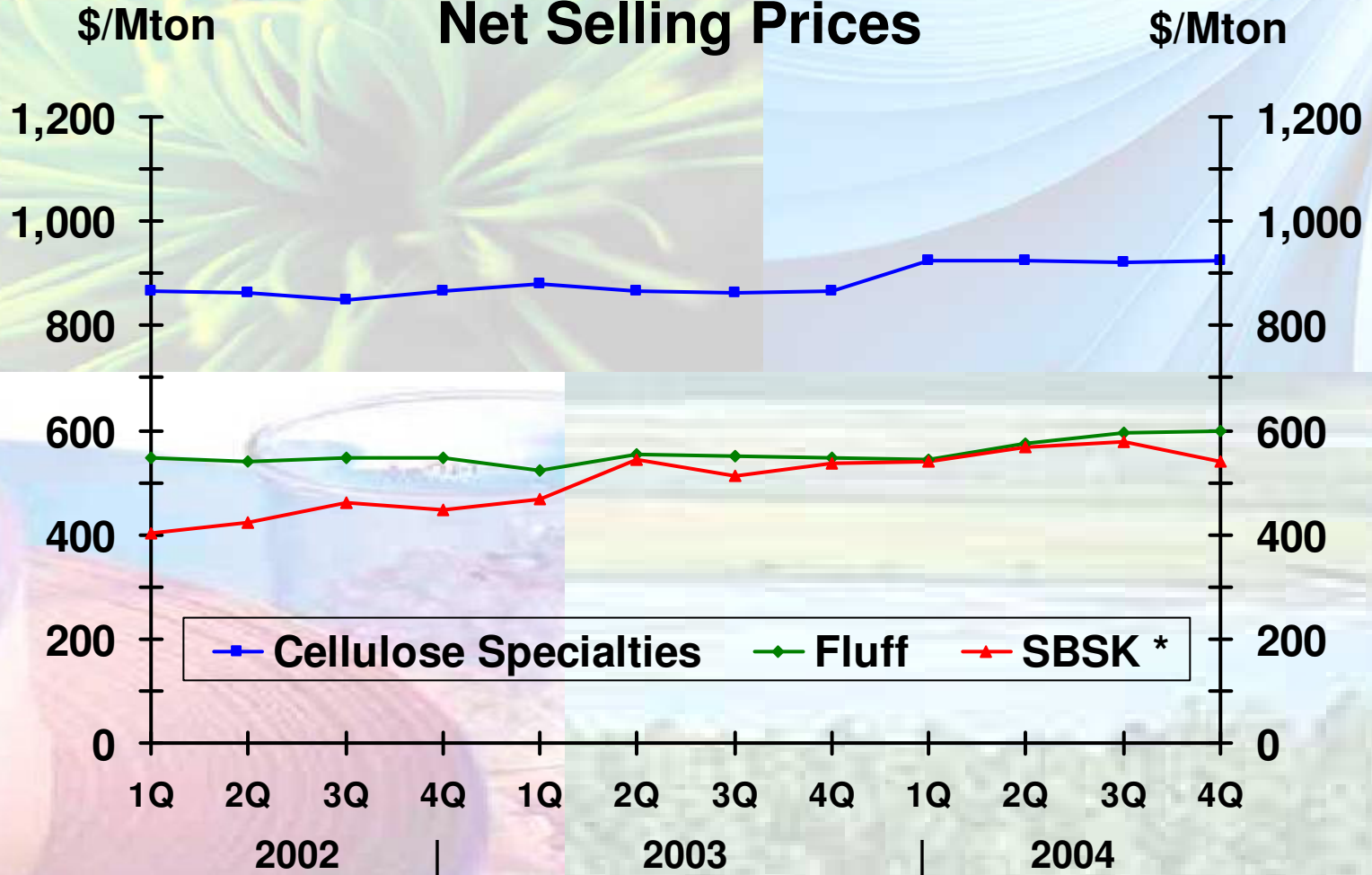


Rayonier New Zealand Timber Sales



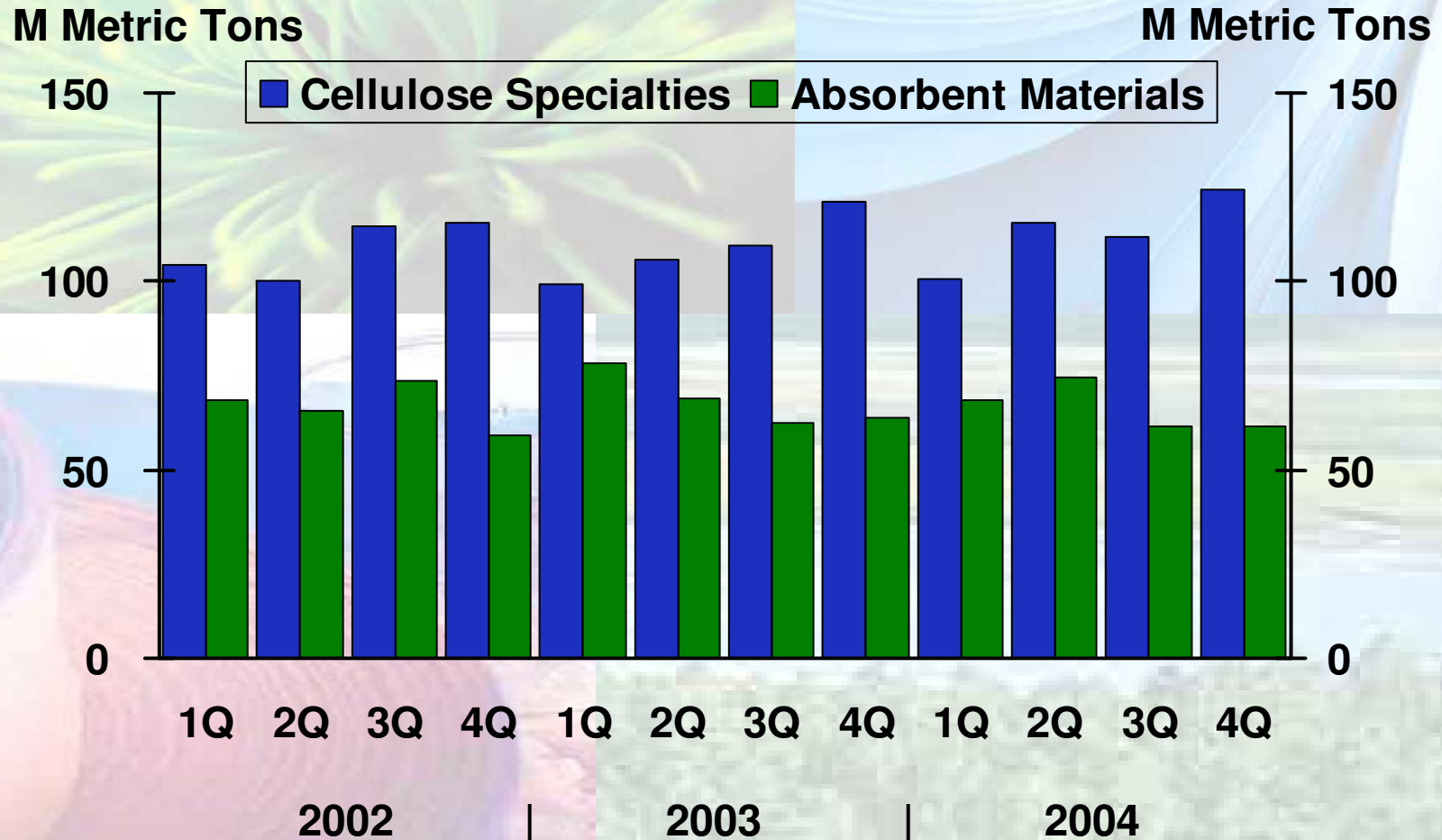
Note: 2004 prices exclude lower value timber sold as logs.

Rayonier Performance Fibers Net Selling Prices

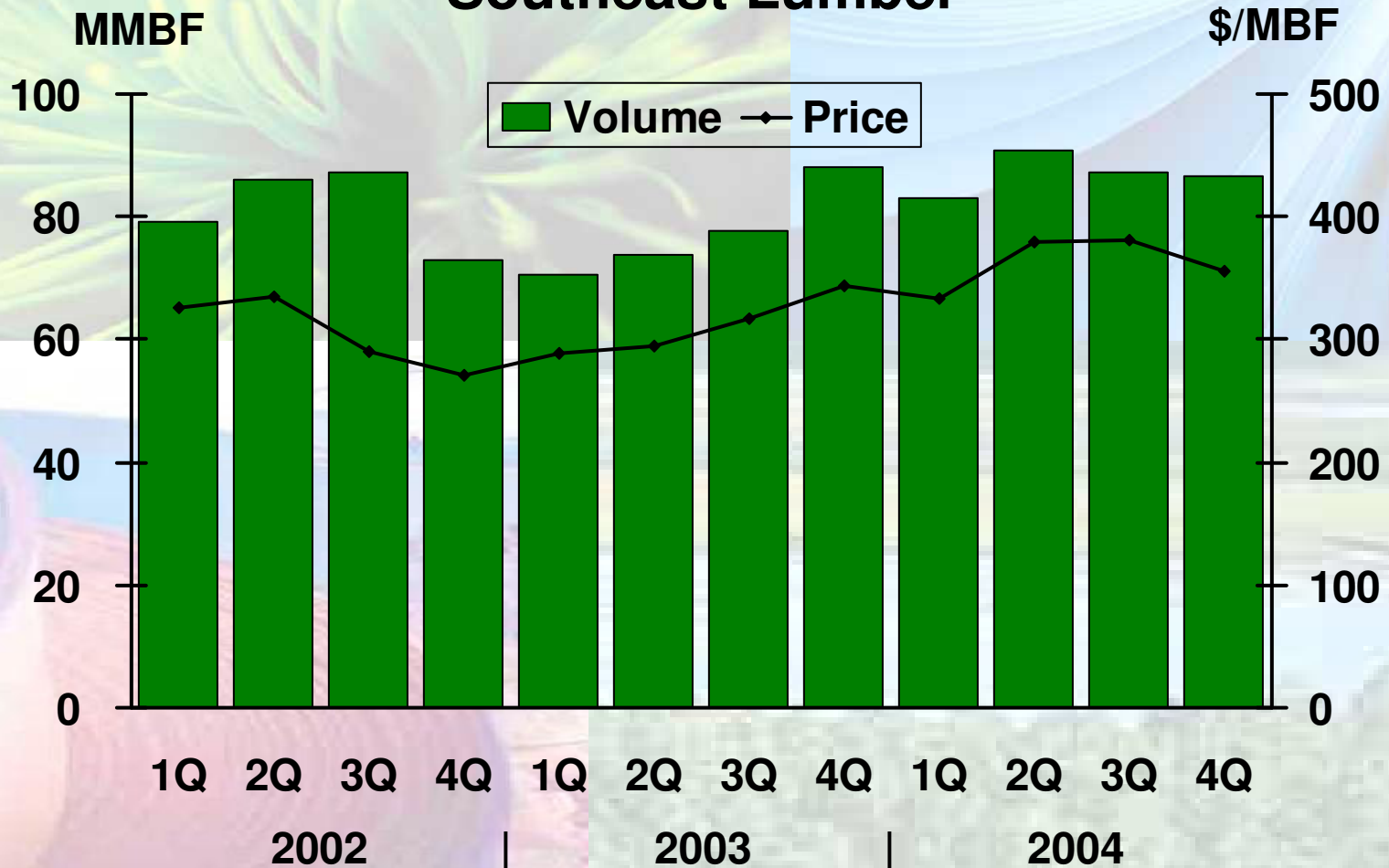


* Source: RISI gross price less typical discounts

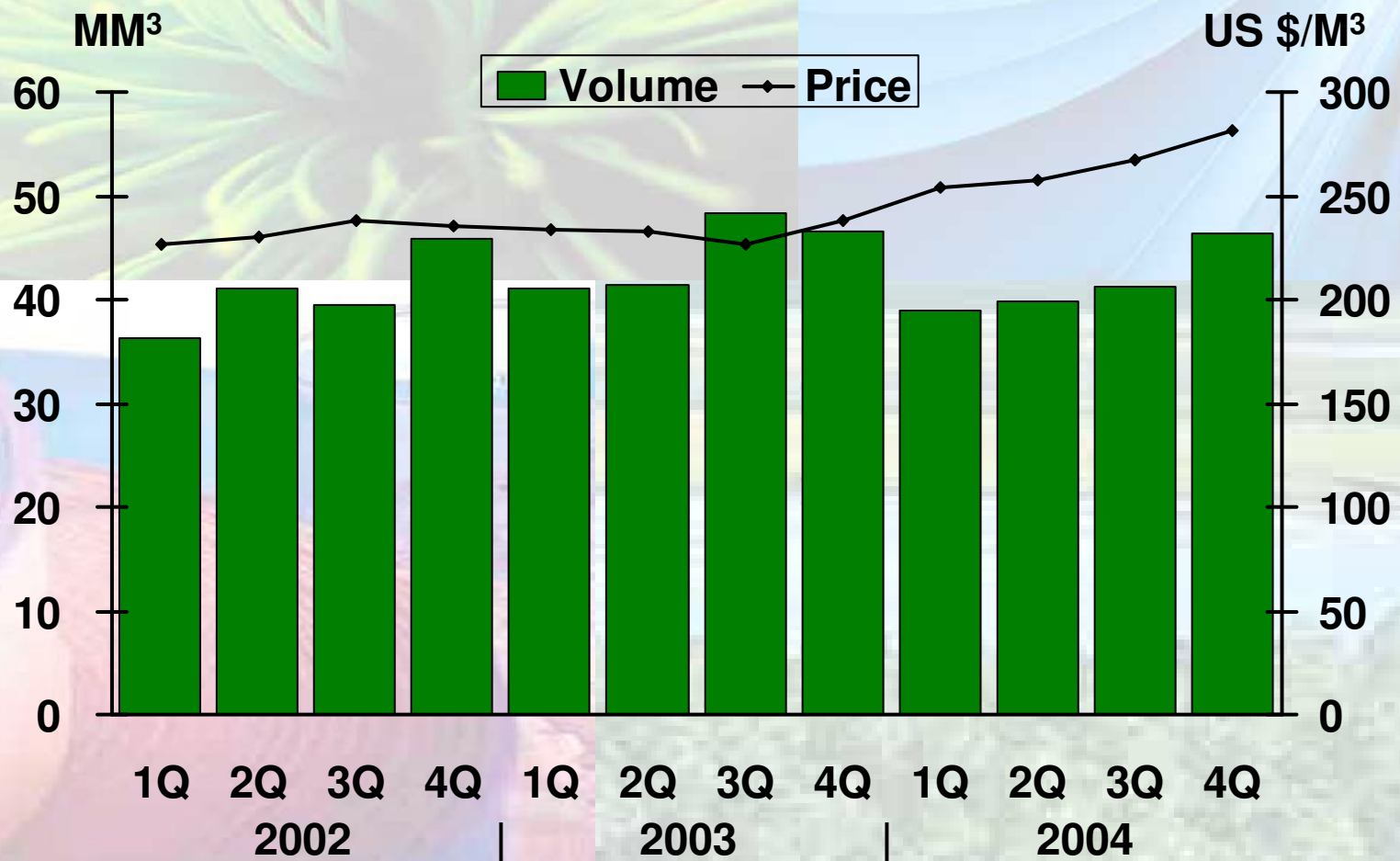
Rayonier Performance Fibers Sales Volumes



Rayonier Wood Products Southeast Lumber



Rayonier Wood Products Medium Density Fiberboard (MDF)



Rayonier Earnings Per Share (\$)

	2005	2004
First Quarter	?	0.51 *
Second Quarter		0.86
Third Quarter		0.47
Fourth Quarter		0.26
Full Year	?	2.10
First Call Estimate for 2005 - 1/24/05	2.12	

Annotations: A bracket labeled "Down" spans from the 2004 First Quarter value (0.51) to the 2005 First Quarter value (?). A bracket labeled "Up" spans from the 2004 Fourth Quarter value (0.26) to the 2005 Full Year value (?).

* Excludes reversal of deferred taxes not required after REIT conversion of \$1.53 per share and additional taxes for repatriation of foreign earnings of (\$0.55) per share - net \$0.98 per share; includes REIT expenses of \$0.07 per share.



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Appendix

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Reconciliation of Non-GAAP Measures

(\$ Millions)

	Full Year	
	2004	2003
Cash Available for Distribution (CAD)		
Cash provided by operating activities	\$ 295.4	\$ 208.2
Capital spending (a)	(89.3)	(85.2)
Purchase of assets previously leased	-	(5.4)
Like-kind exchange tax benefits on third party land sales (b)	(11.3)	-
Like-kind exchange tax benefits on intercompany land sales (b)	(19.0)	-
Change in committed cash	(3.5)	0.4
Tax benefit on exercise of stock options	(4.4)	(4.8)
Cash Available for Distribution (CAD)	<u>\$ 167.9</u>	<u>\$ 113.2</u>

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

(b) Represents taxes that would have been paid if the Company had not completed LKE transactions.

Adjusted EBITDA

Cash provided by operating activities	\$ 295.4	\$ 208.2
Income tax (benefit) expense	(33.5)	5.8
Interest expense	46.9	48.7
Working capital increases (decreases)	(35.3)	17.9
Other balance sheet changes	61.6	(12.3)
Adjusted EBITDA	<u>\$ 335.1</u>	<u>\$ 268.3</u>

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Definitions of Non-GAAP Measures

Cash Available for Distribution (CAD) is defined as cash provided by operating activities less both custodial and discretionary capital spending, less the tax benefit on the exercise of stock options 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 EBITDA is defined as earnings from continuing operations before interest expense, income taxes, depreciation, depletion, amortization and the non-cash cost basis of land sold. Adjusted EBITDA is a non-GAAP measure of operating cash generating capacity of the Company.

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Reconciliation of Statutory Income Tax to Reported Income Tax (\$ Millions - Except Percentages)

	Three Months Ended						Full Year			
	December 31, 2004		September 30, 2004		December 31, 2003		December 31, 2004		December 31, 2003	
	\$	%	\$	%	\$	%	\$	%	\$	%
Income tax provision at the U.S. statutory rate	\$ (4.3)	(35.0)	\$ (7.1)	(35.0)	\$ 1.6	35.0	\$ (43.2)	(35.0)	\$ (19.5)	(35.0)
REIT income not subject to federal tax	5.4	43.7	9.7	47.6	-	-	36.2	29.3	-	-
Lost deduction on REIT interest expense and overhead expenses associated with REIT activities	(1.6)	(12.9)	(1.7)	(8.4)	-	-	(11.6)	(9.4)	-	-
State and local income taxes, foreign exchange rate changes and permanent differences	4.7	38.1	3.1	15.5	4.9	N/M	4.0	3.3	11.7	20.9
Income tax benefit (expense) before discrete items *	\$ 4.2	33.9	\$ 4.0	19.7	\$ 6.5	N/M	\$ (14.6)	(11.8)	\$ (7.8)	(14.1)
Exchange rate changes on tax on undistributed foreign earnings	(3.0)	(24.3)	(1.6)	(7.9)	-	-	(3.0)	(2.4)	-	-
Return to accrual adjustment	-	-	1.4	6.8	-	-	1.4	1.2	(0.3)	(0.5)
Tax benefit from interim partial IRS audit settlement	-	-	-	-	-	-	-	-	2.3	4.2
Income tax benefit (expense) *	<u>\$ 1.2</u>	<u>9.6</u>	<u>\$ 3.8</u>	<u>18.6</u>	<u>\$ 6.5</u>	<u>N/M</u>	<u>\$ (16.2)</u>	<u>(13.0)</u>	<u>\$ (5.8)</u>	<u>(10.4)</u>

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

N/M = Not Meaningful