RAYONIER INC
Form 10-Q
October 28, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2009

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.

Incorporated in the State of North Carolina

I.R.S. Employer Identification Number 13-2607329

50 North Laura Street, Jacksonville, FL 32202

(Principal Executive Office)

Telephone Number: (904) 357-9100

Indicate by check mark whether the registrant (l) 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 x NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) 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, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO x

As of October 22, 2009, there were outstanding 79,464,488 Common Shares of the Registrant.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RAYONIER INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

AND COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
SALES	$ 300,648	$ 317,465	$ 858,731	$ 906,525
Costs and Expenses				
Cost of sales	231,836	252,714	672,855	700,761
Selling and general expenses	15,972	16,192	44,962	47,998
Other operating income, net (Note 2)	(59,251)	(1,488)	(150,425)	(6,193)
	188,557	267,418	567,392	742,566
Equity in loss of New Zealand joint venture	(943)	(1,046)	(2,782)	(878)
OPERATING INCOME	111,148	49,001	288,557	163,081
Interest expense	(12,789)	(11,829)	(37,630)	(37,438)
Interest and miscellaneous income, net	310	341	594	2,462
INCOME BEFORE INCOME TAXES	98,669	37,513	251,521	128,105
Income tax expense	(17,529)	(8,611)	(36,707)	(22,941)
NET INCOME	81,140	28,902	214,814	105,164
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustments	2,620	(9,843)	13,568	(7,333)
Joint venture cash flow hedges	968	-	(1,659)	-
Retiree benefit plan amendment, net of income tax expense of $7,668 and $7,668	-	16,388	-	16,388
Amortization of pension and postretirement plans, net of income tax expense of $347 and $406, and $1,013 and $1,595	1,170	995	2,286	3,779
COMPREHENSIVE INCOME	$ 85,898	$ 36,442	$ 229,009	$ 117,998
EARNINGS PER COMMON SHARE				
Basic earnings per share	$ 1.03	$ 0.37	$ 2.72	$ 1.34

Diluted earnings per share	$	1.01	$	0.36	$	2.69	$	1.32

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

RAYONIER INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in thousands)

	September 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 153,145	$ 61,685
Accounts receivable, less allowance for doubtful accounts of $899 and $1,130	97,072	75,657
Inventory		
Finished goods	77,091	78,577
Work in process	10,796	7,412
Raw materials	9,524	8,400
Manufacturing and maintenance supplies	2,564	2,477
Total inventory	99,975	96,866
Income tax and alternative fuel mixture credit receivable	134,502	1,886
Prepaid and other current assets	58,944	42,929
Total Current Assets	543,638	279,023
TIMBER AND TIMBERLANDS, NET OF DEPLETION AND AMORTIZATION	1,191,689	1,254,978
PROPERTY, PLANT AND EQUIPMENT		
Land	24,877	24,445
Buildings	124,451	124,174
Machinery and equipment	1,265,028	1,244,946
Total property, plant and equipment	1,414,356	1,393,565
Less - accumulated depreciation	(1,068,071)	(1,042,756)
	346,285	350,809
INVESTMENT IN JOINT VENTURE	48,849	42,950
OTHER ASSETS	161,723	154,104
TOTAL ASSETS	$ 2,292,184	$ 2,081,864
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 49,110	$ 70,714
Bank loans and current maturities	660	620
Accrued interest	14,302	4,202
Current liabilities for dispositions and discontinued operations (Note 12)	9,354	8,214

Other current liabilities	92,939	75,871
TOTAL CURRENT LIABILITIES	166,365	159,621
LONG-TERM DEBT	809,070	746,591
NON-CURRENT LIABILITIES FOR DISPOSITIONS AND DISCONTINUED OPERATIONS (Note 12)	90,227	96,361
PENSION AND OTHER POSTRETIREMENT BENEFITS (Note 14)	113,792	121,440
OTHER NON-CURRENT LIABILITIES	34,983	18,914
COMMITMENTS AND CONTINGENCIES (Notes 11 and 13)		
SHAREHOLDERS EQUITY		
Common Shares, 120,000,000 shares authorized, 79,453,170 and 78,814,431 shares issued and outstanding	555,840	527,302
Retained earnings	606,008	509,931
Accumulated other comprehensive loss	(84,101)	(98,296)
TOTAL SHAREHOLDERS EQUITY	1,077,747	938,937
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 2,292,184	$ 2,081,864

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

RAYONIER INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30, 2009	2008
OPERATING ACTIVITIES		
Net income	$ 214,814	$ 105,164
Non-cash items included in income:		
Depreciation, depletion and amortization	126,834	112,037
Non-cash cost of real estate sold	6,295	7,638
Non-cash stock-based incentive compensation expense	11,952	10,187
Amortization of convertible debt discount	4,575	4,027
Deferred income tax (benefit) expense	(5,721)	10,793
Excess tax benefits on stock-based compensation	(2,287)	(3,406)
Other	9,250	4,113
Changes in operating assets and liabilities:		
Receivables	(20,493)	(17,786)
Inventories	(4,122)	(2,095)
Accounts payable	(16,407)	7,254
Income tax and alternative fuel mixture credit receivable	(132,616)	10,342
Other current assets	(13,018)	(10,757)
Accrued liabilities	32,922	26,216
Other assets	15	(2,386)
Other non-current liabilities	8,293	(8,021)
Expenditures for dispositions and discontinued operations	(5,968)	(5,142)
CASH PROVIDED BY OPERATING ACTIVITIES	214,318	248,178
INVESTING ACTIVITIES		
Capital expenditures	(65,078)	(74,852)
Purchase of timberlands	-	(229,525)
Change in restricted cash	1,243	4,604
Other	(7,685)	(8,400)
CASH USED FOR INVESTING ACTIVITIES	(71,520)	(308,173)
FINANCING ACTIVITIES		
Issuance of debt	257,500	155,000
Repayment of debt	(185,620)	(110,585)
Dividends paid	(118,540)	(117,639)
Repurchase of common shares	(1,388)	(3,738)
Proceeds from the issuance of common shares	9,228	8,254
Excess tax benefits on stock-based compensation	2,287	3,406
Purchase of exchangeable note hedge (Note 15)	(23,460)	-
Proceeds from issuance of warrant (Note 15)	12,506	-
Debt issuance costs	(4,129)	-
CASH USED FOR FINANCING ACTIVITIES	(51,616)	(65,302)

EFFECT OF EXCHANGE RATE CHANGES ON CASH		278		(792)
CASH AND CASH EQUIVALENTS				
Increase (decrease) in cash and cash equivalents		91,460		(126,089)
Balance, beginning of year		61,685		181,081
Balance, end of period	$	153,145	$	54,992
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash paid during the period:				
Interest	$	21,749	$	22,213
Income taxes	$	9,547	$	765
Non-cash investing activity:				
Capital assets purchased on account	$	3,315	$	5,118

See Notes to Condensed Consolidated Financial Statements.

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in thousands unless otherwise stated)

1. BASIS OF PRESENTATION AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of Presentation

The unaudited condensed 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 for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission. In the opinion of management, these financial statements and notes reflect all adjustments (including 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, 2008, as filed with the Securities and Exchange Commission.

New or Recently Adopted Accounting Pronouncements

In May 2008, the Financial Accounting Standards Board (FASB) issued new guidance related to accounting for convertible debt instruments which may be settled in cash upon conversion. This guidance requires entities with convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, to separately account for the liability and equity components in a manner that reflects the entity s nonconvertible debt borrowing rate when interest expense is recognized in subsequent periods. The Company adopted this guidance on January 1, 2009 and retrospectively applied the fair value of the equity component net of accumulated amortization in 2007 and 2008. The adoption resulted in the recognition of a $23.7 million debt discount, an $8.7 million deferred tax liability and a $15.0 million increase to shareholders equity, net of income taxes as of December 31, 2008. The Company recorded additional interest expense, net of tax benefits, related to the amortization of the debt discount of $2.9 million, or $.04 per diluted share, and $2.6 million, or $0.03 per diluted share, in the nine months ended September 30, 2009 and 2008. See Note 15 *Convertible Debt* for additional information on the Company s convertible debt.

In December 2008, the FASB issued new guidance related to employers disclosures about postretirement benefit plan assets. The guidance amended previous guidance to require disclosure of investment policies, strategies, categories of plan assets and information about the fair value measurements of plan assets of a defined pension or other postretirement plan. The disclosures are effective for fiscal years ending after December 15, 2009. The Company will properly disclose all information required by this new guidance related to postretirement benefit plan assets in its 2009 Form 10-K.

In May 2009, the FASB issued new guidance related to the disclosure of subsequent events. This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. This guidance is effective for fiscal years and interim periods ended after June 15, 2009. As such, the Company evaluated events and transactions that occurred during the period from September 30, 2009, the date of the balance sheet, through October 28, 2009, the date of issuance of the unaudited interim condensed consolidated financial statements, and did not identify any events or transactions that should be recognized or disclosed.

In June 2009, the FASB issued new guidance related to the accounting for transfers of financial assets. The new standard eliminates the concept of a qualifying special-purpose entity (QSPE) and associated guidance and creates more stringent conditions for reporting a transfer of a portion of a financial asset as a sale. Existing QSPEs will be evaluated for consolidation under the provisions related to the consolidation of controlling and non-controlling interests in an entity. The Standard is effective for fiscal years beginning after November 15, 2009. The Company has not yet determined the impact of this pronouncement on its consolidated financial statements.

In June 2009, the FASB issued new guidance related to enhanced disclosures by public entities and enterprises by replacing the quantitative-based risks and rewards calculation for determining which enterprise has a controlling interest in a variable interest entity with an approach primarily qualitative in nature. This Standard requires additional disclosures about an enterprise s involvement in variable interest entities and is effective for fiscal years beginning after November 15, 2009. The Company has not yet determined the impact of this pronouncement on its consolidated financial statements.

Table of Contents

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollars in thousands unless otherwise stated)

2. ALTERNATIVE FUEL MIXTURE CREDIT

The U.S. Internal Revenue Code provides a tax credit for taxpayers that produce and use an alternative fuel in the operation of their business. Rayonier produces and uses an alternative fuel (black liquor) at its Jesup, Georgia and Fernandina Beach, Florida Performance Fibers mills. The credit is $0.50 per gallon for each gallon of alternative fuel used in operations. On April 8, 2009, Rayonier received notification from the Internal Revenue Service that its application for registration as an alternative fuel mixer had been approved. Accordingly, the Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine months ended September 30, 2009, include a credit of $55.8 million and $141.8 million, net of associated expenses, recorded in Other operating income, net for black liquor produced and used. The Company will continue to recognize credits as they are earned through the expiration of the tax credit, currently scheduled for December 31, 2009.

3. INVESTMENT IN JOINT VENTURE

The Company holds a 40 percent interest in a joint venture (JV) that owns or leases approximately 327,000 acres of New Zealand timberlands. In addition to the investment, Rayonier New Zealand Limited (RNZL), a wholly-owned subsidiary of Rayonier Inc., serves as the manager of the JV forests and operates a log trading business. In the third quarter of 2008, Rayonier s Board of Directors approved a plan to offer to sell the Company s 40 percent interest in the JV as well as the operations of RNZL. As a result, the operating results of the JV and RNZL were segregated from continuing operations in the Condensed Consolidated Statements of Income and Comprehensive Income and reported as discontinued operations.

In the second quarter of 2009, as a result of distressed capital markets and the weak global economic conditions, Rayonier and its joint venture partners decided to discontinue the sale process of their New Zealand holdings and continue with on-going operations. Accordingly, the operating results are included in continuing operations in the Condensed Consolidated Statements of Income and Comprehensive Income for all periods presented.

4. EARNINGS PER COMMON SHARE

The following table provides details of the calculation of basic and diluted earnings per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income [1]	$ 81,140	$ 28,902	$ 214,814	$ 105,164
Shares used for determining basic earnings per common share	79,145,323	78,580,895	78,956,526	78,404,815
Dilutive effect of:				
Stock options	413,740	645,664	356,068	691,910
Performance and restricted shares	548,052	344,804	433,440	292,560

Shares used for determining diluted earnings per common share		80,107,115		79,571,363		79,746,034		79,389,285
Basic earnings per common share: [1]	$	1.03	$	0.37	$	2.72	$	1.34
Diluted earnings per common share: [1]	$	1.01	$	0.36	$	2.69	$	1.32

[1] 2008 has been restated as a result of adopting new guidance related to accounting for convertible debt instruments that may be settled in cash upon conversion. See Note 1 *Basis of Presentation and New Accounting Pronouncements*.

5. INCOME TAXES

Rayonier is a real estate investment trust (REIT). In general, only the Company s taxable REIT subsidiaries, whose businesses include the Company s non-REIT qualified activities, are subject to U.S. federal and state corporate income tax. However, the Company is subject to U.S. federal corporate income tax on built-in gains (the excess of fair market value over tax

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollars in thousands unless otherwise stated)

basis for property held by the Company upon REIT election at January 1, 2004) on taxable sales of such built-in gain property during the first 10 years following the election to be taxed as a REIT. Accordingly, the provision for corporate income taxes relates principally to current and deferred taxes on income from taxable REIT subsidiary operations and on certain property sales. In addition, the Company is subject to foreign tax on non-U.S. operations.

Provision for Income Taxes

The Company s effective tax rate is below the 35 percent U.S. statutory tax rate primarily due to tax benefits associated with being a REIT and like-kind exchange (LKE) transactions. Third quarter tax rates before discrete items were 25.2 percent and 14.3 percent in 2009 and 2008, respectively. Year-to-date effective tax rates before discrete items were 22.1 percent and 15.5 percent in 2009 and 2008 respectively. The increased rates in 2009 were due to proportionately higher earnings from the Company s taxable REIT subsidiary. REIT income not subject to tax decreased the tax rates (from the statutory rate) by 13.0 percent and 19.7 percent for the nine months ending September 30, 2009 and 2008, respectively.

Including discrete items, the effective tax rates for the quarter and year-to-date were 17.8 percent and 14.6 percent compared to 23.0 percent and 17.9 percent in 2008, respectively. In the third quarter of 2008, the Company recorded discrete tax items primarily related to the Company s decision to offer its New Zealand operations for sale.

Uncertain Tax Positions

In accordance with the provisions related to accounting for uncertainty in income taxes, the Company recognizes the impact of a tax position if the position is more likely than not to prevail upon examination by the IRS. At September 30, 2009 and December 31, 2008, the Company s liability was $18.1 million and $3.9 million, respectively. The increase reflects changes as a result of the uncertain positions taken or expected to be taken during the current year and IRS examination of tax years 2005 and 2006.

6. RESTRICTED DEPOSITS

For certain real estate sales to qualify for LKE treatment, the sales proceeds must be deposited with a third party intermediary and accounted for as restricted cash until qualifying replacement property is acquired. In the event that LKE purchases are not completed, the proceeds are returned to the Company and reclassified as cash after 180 days. As of September 30, 2009 and December 31, 2008, the Company had $0.2 million and $1.5 million, respectively, of proceeds from real estate sales classified as restricted cash in Other Assets, which were on deposit with an LKE intermediary.

Table of Contents

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollars in thousands unless otherwise stated)

7. SHAREHOLDERS EQUITY

An analysis of shareholders equity for the nine months ended September 30, 2009 and the year ended December 31, 2008 is shown below (share amounts not in thousands):

	Common Shares		Retained	Accumulated Other Comprehensive	Shareholders
	Shares	Amount [1]	Earnings [1]	Income (Loss)	Equity
Balance, December 31, 2007	78,216,696	$ 506,650	$ 518,618	$ (25,638)	$ 999,630
Net income	-	-	148,583	-	148,583
Dividends ($2.00 per share)	-	-	(157,270)	-	(157,270)
Issuance of shares under incentive stock plans	690,031	8,265	-	-	8,265
Stock-based compensation	-	13,344	-	-	13,344
Excess tax benefit on stock-based compensation	-	3,248	-	-	3,248
Repurchase of common shares	(92,296)	(3,979)	-	-	(3,979)
Net loss from pension and postretirement plans	-	-	-	(65,527)	(65,527)
Retiree medical benefit plan amendment	-	-	-	16,377	16,377
Foreign currency translation adjustment	-	-	-	(23,508)	(23,508)
Other	-	(226)	-	-	(226)
Balance, December 31, 2008	78,814,431	$ 527,302	$ 509,931	$ (98,296)	$ 938,937
Net income	-	-	214,814	-	214,814
Dividends ($1.50 per share)	-	-	(118,737)	-	(118,737)
Issuance of shares under incentive stock plans	688,101	9,228	-	-	9,228
Stock-based compensation	-	11,952	-	-	11,952
Excess tax benefit on stock-based compensation	-	2,287	-	-	2,287
Repurchase of common shares	(49,362)	(1,388)	-	-	(1,388)
Warrants and hedge, net (Note 15)	-	(2,391)	-	-	(2,391)
Equity portion of convertible debt (Note 15)	-	8,850	-	-	8,850
Amortization of pension and postretirement plans	-	-	-	2,286	2,286
Foreign currency translation adjustment	-	-	-	13,568	13,568
Joint venture cash flow hedges	-	-	-	(1,659)	(1,659)
Balance, September 30, 2009	79,453,170	$ 555,840	$ 606,008	$ (84,101)	$ 1,077,747

[1] 2008 has been restated as a result of adopting new guidance related to accounting for convertible debt instruments that may be settled in cash upon conversion. See Note 1 *Basis of Presentation and New Accounting Pronouncements*.

8. SEGMENT INFORMATION

Rayonier operates in four reportable business segments: Timber, Real Estate, Performance Fibers, and Wood Products. Timber sales include all activities that relate to the harvesting of timber. Real Estate sales include all property sales, including those designated for higher and better use (HBU). The assets of the Real Estate segment include HBU property held by the Company s real estate subsidiary, TerraPointe LLC, and parcels under contract previously in the Timber segment. Allocations of depletion expense and non-cash costs of real estate sold are recorded when the Real Estate segment sells an asset from the Timber segment. The Performance Fibers segment includes two major product lines, cellulose specialties and absorbent materials. The Wood Products segment is comprised of the Company s lumber operations. The Company s remaining operations include harvesting and selling timber acquired from third parties (log trading). These operations are combined and reported in Other Operations. Sales between operating segments are made based on fair market value, and intercompany sales, purchases and profits (losses) are eliminated in consolidation. The Company evaluates financial performance based on the operating income of the segments.

Operating income (loss) as presented in the Condensed Consolidated Statements of Income and Comprehensive Income is equal to segment income (loss). Certain income (loss) items in the Condensed Consolidated Statements of Income and Comprehensive Income are not allocated to segments. These items, which include gains (losses) from certain asset dispositions, interest income (expense), miscellaneous income (expense) and income tax (expense) benefit, are not considered by Company management to be part of segment operations.

Table of Contents

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollars in thousands unless otherwise stated)

Total assets, sales, operating income (loss) and depreciation, depletion and amortization by segment including Corporate were as follows:

	September 30, 2009	December 31, 2008
ASSETS		
Timber	$ 1,307,575	$ 1,323,111
Real Estate	71,762	73,021
Performance Fibers	527,016	495,659
Wood Products	23,193	26,573
Other Operations	22,782	26,565
Corporate and other [1]	339,856	136,935
TOTAL	$ 2,292,184	$ 2,081,864

[1] Includes $133 million in net receivables due to the alternative fuel mixture credit recorded in 2009. See Note 2 *Alternative Fuel Mixture Credit* for additional information.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
SALES				
Timber	$ 46,465	$ 42,902	$ 124,957	$ 145,359
Real Estate	21,966	26,014	89,936	78,790
Performance Fibers	216,837	210,096	597,580	572,143
Wood Products	13,259	24,098	37,532	67,499
Other Operations	8,512	14,355	23,171	42,734
Intersegment Eliminations	(6,391)	-	(14,445)	-
TOTAL	$ 300,648	$ 317,465	$ 858,731	$ 906,525

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
OPERATING INCOME (LOSS)				
Timber	$ 1,038	$ (1,414)	$ (867)	$ 20,089
Real Estate	12,795	14,017	51,363	50,401
Performance Fibers	49,524	43,029	125,060	116,832

Wood Products	(1,999)	327	(8,142)	(2,555)
Other Operations	(1,286)	463	(2,618)	982
Corporate and other [1]	51,076	(7,421)	123,761	(22,668)
TOTAL	$ 111,148	$ 49,001	$ 288,557	$ 163,081

[1] Three and nine months ended September 30, 2009 include $55.8 million and $141.8 million relating to the alternative fuel mixture credit. See Note 2 *Alternative Fuel Mixture Credit* for additional information.

8

Table of Contents

RAYONIER INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollars in thousands unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
DEPRECIATION, DEPLETION AND AMORTIZATION				
Timber	$ 19,083	$ 19,636	$ 58,515	$ 59,110
Real Estate	4,811	5,155	22,256	10,483
Performance Fibers	15,025	14,028	42,021	