

**Rayonier's Core Strategy Is To Grow The Size And Quality  
Of Its Timberland Holdings Over Time**

**Forest Products  
(RYN-NYSE)**

**Rayonier Inc.**

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**Mr. Hans E. Vanden Noort  
Senior Vice President and CFO**

**BIO:**

**Hans E. Vanden Noort**

Hans E. Vanden Noort is Senior Vice President and Chief Financial Officer at Rayonier Inc. Mr. Vanden Noort joined Rayonier in 2001 as Corporate Controller and was elected Vice President and Corporate Controller shortly thereafter. In 2005 he was named Senior Vice President and Chief Accounting Officer. He has been in his current position since June 2007.

Prior to Rayonier, Mr. Vanden Noort was with Baker Hughes, Inc. for twelve years, where he served in a variety of financial roles, including Vice President of Finance and Administration for its Baker Process Division. Mr. Vanden Noort began his career with Ernst & Young in Houston, Texas.

Mr. Vanden Noort is a Certified Public Accountant and holds a BBA from the University of Cincinnati and an MBA with a Concentration in Finance from the University of Michigan.

**Company Profile:**

Rayonier is a leading international forest products company with three core businesses: Timber, Real Estate and Performance Fibers. The company owns, leases or manages 2.6 million acres of timberland in the United States and New Zealand. The company's holdings include approximately 200,000 acres with residential and commercial development potential along the fast-growing Interstate 95 corridor between Savannah, Georgia, and Daytona Beach, Florida. Its Performance Fibers business is the world's leading producer of high-value specialty cellulose fibers. Approximately 40 percent of the company's sales are outside the U.S. to customers in more than 40 countries. Rayonier is structured as a real estate investment trust.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com**

**CEOCFO:** Mr. Vanden Noort, what is the vision of Rayonier today and how has it changed in the past few months?

**Mr. Vanden Noort:** "The vision of Rayonier is to increase the size and quality of our timberland holdings. Over time,

our strategy has changed to focus not only on increasing the number of acres we own, but also the quality of those acres. We look for opportunities to acquire timberland that meet our criteria, while at the same time divesting some of our holdings that no longer meet the strategic criteria. So that is the main focus. A derivation from that is our real estate business. Many of our properties have emerged having higher and better uses for other than timberland production. Our focus there is on extracting as much value from those properties as we can. Those fall into a couple of categories. We have some properties that are clearly in the path of progress, and we are looking to change the land use of those properties so that they can go from an agricultural use to a residential, commercial development or industrial use. Hence, we are working to entitle a number of properties along the Florida and Georgia coast. The second category is what we've termed "rural HBU"—properties that are very attractive for recreational purposes or for conservation purposes. We are evaluating these and have a pretty active program for selling them. The third leg of our business is the Performance Fibers business, which is a very unique, specialty fibers business. Our focus is to maintain our position at the highest end of the cellulose specialties marketplace. We have what we consider to be a very customer-intimate business model. We make pulps to very exacting, customer-specific applications, so our focus is on maintaining our position in these particular markets. We also have to focus on operational excellence at our mills to reduce cost and to improve reliability and efficiency.

Where we've come from is that we converted to a REIT in May of 2004. As a result, we are structured so that the Tim-

berlands are in the REIT entity, whereas a lot of our real estate activity and our Performance Fibers business are in another entity called a Taxable REIT subsidiary. It is a great structure for us. It has allowed us to be very efficient in where we place debt. It has also allowed us to be very efficient from a tax standpoint, in moving properties from the REIT to the Taxable REIT subsidiary in order to make some of these land use changes and effectively get a step-up in tax basis. That is really the vision of the company today.”

**CEOFCFO:** You are an international company. Where are you concentrated and how might that change?

**Mr. Vanden Noort:** “We have offices in China, Japan and the U.K., primarily for our Performance Fibers business. We export around 60% to 70% of our Performance Fibers production and serve customers all over Europe and Asia. We would expect this level of activity to continue into the future.”

**CEOFCFO:** How big of a part of your business is Performance Fibers?

**Mr. Vanden Noort:** “Performance Fibers is very significant from a revenue and cash generation standpoint. Out of \$1.2 billion in revenue, it accounted for just under \$800 million last year. From an EBITDA standpoint, Performance Fibers generated about \$205 million out of our \$406 million total. So it continues to be a significant part of the business. The balance we have across our three businesses really gives us a lot of operating flexibility. The Performance Fibers business had a strong year in 2008, allowing us to reduce our harvest levels in certain parts of the U.S. where markets were pretty soft. As a result, we didn’t have to try to push timber into soft markets. So you can see that the three businesses create a lot of diversification and give us a lot of flexibility in operations.”

**CEOFCFO:** Rayonier wants to maintain a leading position; what is that industry like in general? What is the competitive landscape?

**Mr. Vanden Noort:** “The competitive landscape has really changed over the last 5 years. A couple of key competitors closed their mills in 2004 and 2006, and so as a result, there has been a supply constraint. We’ve been in this business for over 80 years. This is in dissolving pulp, and if you look at the worldwide pulp market, this is the highest purity niche of the business. Therefore, it is very technically demanding and that is why it is difficult for people to come into this market. Having said that, after the closures of a couple of competitors, there is some new capacity coming online in South America, and some of that product is going through customer evaluation and testing.”

**CEOFCFO:** What is going on with timber these days?

**“Timber historically has been a great asset class. It has little correlation with other asset classes and has proven to be a fantastic hedge against inflation. The other great aspect of timber is that you don’t have to harvest it right away. You have a longer window in which you can harvest, and if you don’t harvest, the asset continues to grow and continues to gain value. It is that flexibility of when to bring it to market that is so unique to this asset class, and the fact that if you don’t cut it, it continues to grow in value.” - Mr. Hans E. Vanden Noort**

**Mr. Vanden Noort:** “Timber markets are still soft, certainly in the saw log area, with the reduction overall in U.S. housing and construction that has basically been pushed all the way back to the stump. We have trimmed back our harvest levels out west in particular, which is primarily a saw log market. We are looking at running well below what we would harvest if prices were stronger. In the southeast, our typical mix has been more of 50% saw log and 50% pulp wood. Last year, with the saw log market being so soft, we shifted our mix to about 70% pulp wood because those markets were relatively strong. A lot of pulp mills were running at capacity last year, and with so many lumber facilities down, the residual chips that typically come from those facilities were not available. As a result, we saw pretty good pulp wood demand. I would say that in the first part of 2009, we’ve

seen some softening in the pulp wood market.”

**CEOFCFO:** How do you successfully manage such an operation in so many places;?

**Mr. Vanden Noort:** “It’s always a challenge, however I would say on the timberland side of the business, we look at being in a number of different places as a benefit. It gives us species diversification and end market diversification in the timber markets. They can be very local and very specific to what is happening in a pretty small radius of area. For the Performance Fibers business, the production is all done in the U.S. We rely on our people in the field in China, the U.K. and Japan to maintain the ongoing relationships with our key customers, but the production is concentrated here in the Southeast and that helps a lot.”

**CEOFCFO:** What makes timber a good asset class to look at?

**Mr. Vanden Noort:** “Timber historically has been a great asset class. It has little correlation with other asset classes and has proven to be a fantastic hedge against inflation. The other great aspect of timber is that you don’t have to harvest it right away. You have a longer window in which you can harvest, and if you don’t

harvest, the asset continues to grow and continues to gain value. It is that flexibility of when to bring it to market that is so unique to this asset class, and the fact that if you don’t cut it, it continues to grow in value.”

**CEOFCFO:** As you have other parts to the business, you don’t have to bring timber to market when it’s not advantageous!

**Mr. Vanden Noort:** “Exactly. We can flex our production there. Certainly, longer term, even though the markets for timber right now are soft, we are quite excited about the prospects of the U.S. housing industry starting to recover and increasing demand. We think that bio-energy is going to create new demand, especially in the Southeast. On the supply side, we expect to see some positive impacts for our saw log demand as the sal-

vaged wood from the mountain pine beetle epidemic works its way through. There has been a lot of devastation caused by the pine beetle in British Columbia, so a lot of that wood will have to come to market over the next three or four years and, after that, supply is going to diminish. We think that when you look through the current situation, the fundamentals for timber are quite strong.”

**CEOCFO:** What is the financial picture like for Rayonier today?

**Mr. Vanden Noort:** “We are fortunate to be in a pretty strong financial position. From a debt standpoint, I would say that we are fairly conservatively leveraged. We have a near term debt maturity of only \$122 million, which is due at the end of 2009. We have nothing else due of any significance until August of 2011, when our revolving credit facility comes up for renewal. So we are in pretty good shape from a financial standpoint.”

**CEOCFO:** With your diverse segments, does the financial community understand Rayonier?

**Mr. Vanden Noort:** “Well, I hope their understanding is increasing. We have had a very active outreach program in the last 12 to 18 months. We’ve been going out to talk to investors to explain the company, because compared to the other timber REITs, we are different in that we have a very profitable Taxable REIT subsidiary, especially because of our Performance Fibers business. Though we spent 2008 explaining that and explaining the way that we use Section 1031 like-kind exchanges internally as well as externally in order to be very tax efficient, it is one of our goals to continue that outreach in 2009.”

**CEOCFO:** Addressing potential investors, what sets Rayonier apart?

**Mr. Vanden Noort:** “The ability of the company to generate cash. If you look back over history, we have different levers to pull on with the operating flexibil-

ity and diversity of our businesses, as well as just the expertise that we have. Timberland management expertise is a tremendous benefit. On the other side, the Performance Fibers business is really at the top of the pyramid if you look at the pulp side. It is not commodity related and doesn’t have the same cyclicalities as the market pulp side of the business. This is a really attractive feature that has allowed us to maintain reasonable margins in a down environment. So it is a combination of very high quality assets, strong financial condition, and being really well positioned to take advantage of opportunities that will come out of this recession.”

**CEOCFO:** Final thoughts; what should people remember most about Rayonier

**Mr. Vanden Noort:** “People should remember that we are very much focused on shareholders—increasing shareholder value and generating and increasing cash flow over time.”

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