



# ***Temple-Inland***

**Focused on Value Creation  
for Our Shareholders**

**June 2011**

# Temple-Inland

Forward-looking statements are made throughout this presentation. These forward-looking statements are sometimes identified by the use of terms and phrases such as "believe," "should," "would," "expect," "project," "estimate," "anticipate," "intend," "plan," "will," "can," "may," or similar expressions elsewhere in this presentation. All forward-looking statements are subject to a number of important factors, risks, uncertainties, and assumptions that could cause actual results to differ materially from those described in any forward-looking statements. These factors and risks include, but are not limited to, general economic conditions, demand for new housing, accuracy of certain accounting assumptions, changes in actual or forecasted cash flows, competitive pressures, future sales volume, significant increases in the costs of certain commodities, timely implementation of price increases, successful execution of cost saving strategies, changes in tax laws, integration risks associated with recent acquisitions, changes in weighted average shares for diluted EPS, increases in transportation costs, and other financial, operational, and legal risks and uncertainties detailed from time to time in Temple-Inland's cautionary statements contained in its filings with the SEC. Temple-Inland disclaims and does not undertake any obligation to update or revise any forward-looking statement in this presentation except as required by law. Temple-Inland notes that forward-looking statements made in connection with a tender offer are not subject to the safe harbors created by the Private Securities Litigation Reform Act of 1995. Temple-Inland is not waiving any other defenses that may be available under applicable law.

This presentation includes non-GAAP financial measures. The required reconciliations to GAAP financial measures are included on our website, [www.templeinland.com](http://www.templeinland.com).

# Agenda

- Our response to International Paper's unsolicited proposal
- Our strong track record creating shareholder value
- We are well-positioned to capitalize on favorable industry dynamics
- We are poised to continue creating superior and sustainable value for our shareholders



# Our Response to International Paper's Unsolicited Proposal

# Our Rejection of International Paper's Unsolicited Proposal

- On June 6, International Paper Company (“IP”) announced its Proposal (“the Proposal”<sup>1</sup>) to acquire Temple-Inland Inc. (“Temple-Inland”) for \$30.60 per share in cash
- The Proposal grossly undervalues Temple-Inland because it does not reflect the value of:
  - our accelerating growth in earnings and ROI
  - our significant outperformance of “precedent transactions” referenced by IP in the Proposal
- The Proposal is opportunistic given:
  - fundamental changes occurring in the corrugated packaging industry
  - significant benefits to come from our previously announced Box Plant Transformation II
  - current weakness in housing markets
- Our management team has a track record of creating significant value for our shareholders
- The Proposal likely will face prolonged and rigorous investigation by antitrust enforcers
- The Proposal has a number of statements we disagree with, including facts relating to our debt balance

<sup>1</sup> The use of “Proposal” herein refers to and includes written materials provided to Temple-Inland by International Paper in connection with the Proposal.

# Temple-Inland Expects its Accelerating EPS and EBITDA will Deliver Superior Value to Shareholders...

(US\$ in millions, except per share)

	Historical Actual			Projected	
	<u>2008A</u>	<u>2009A</u>	<u>2010A</u>	<u>2011E</u>	<u>2012E</u>
<b>Revenue</b>	\$ 3,884	\$ 3,577	\$ 3,799	\$ 4,040	\$ 4,220
<b>EBITDA</b>	\$ 317	\$ 392	\$ 404	\$ 509	\$ 662
<i>% Growth</i>		24%	3%	<b>26%</b>	<b>30%</b>
<b>EBIT</b>	\$ 111	\$ 192	\$ 211	\$ 304	\$ 452
<b>EPS</b>	\$ 0.11	\$ 0.70	\$ 0.90	\$ 1.40	\$ 2.20
<i>% Growth</i>		536%	29%	<b>56%</b>	<b>57%</b>
<b>ROI<sup>1</sup></b>	4.5%	7.0%	8.2%	11.1%	15.2%
<b>Net Debt<sup>2</sup></b>	\$ 1,151	\$ 674	\$ 690	\$ 610	\$ 600 (debt target)

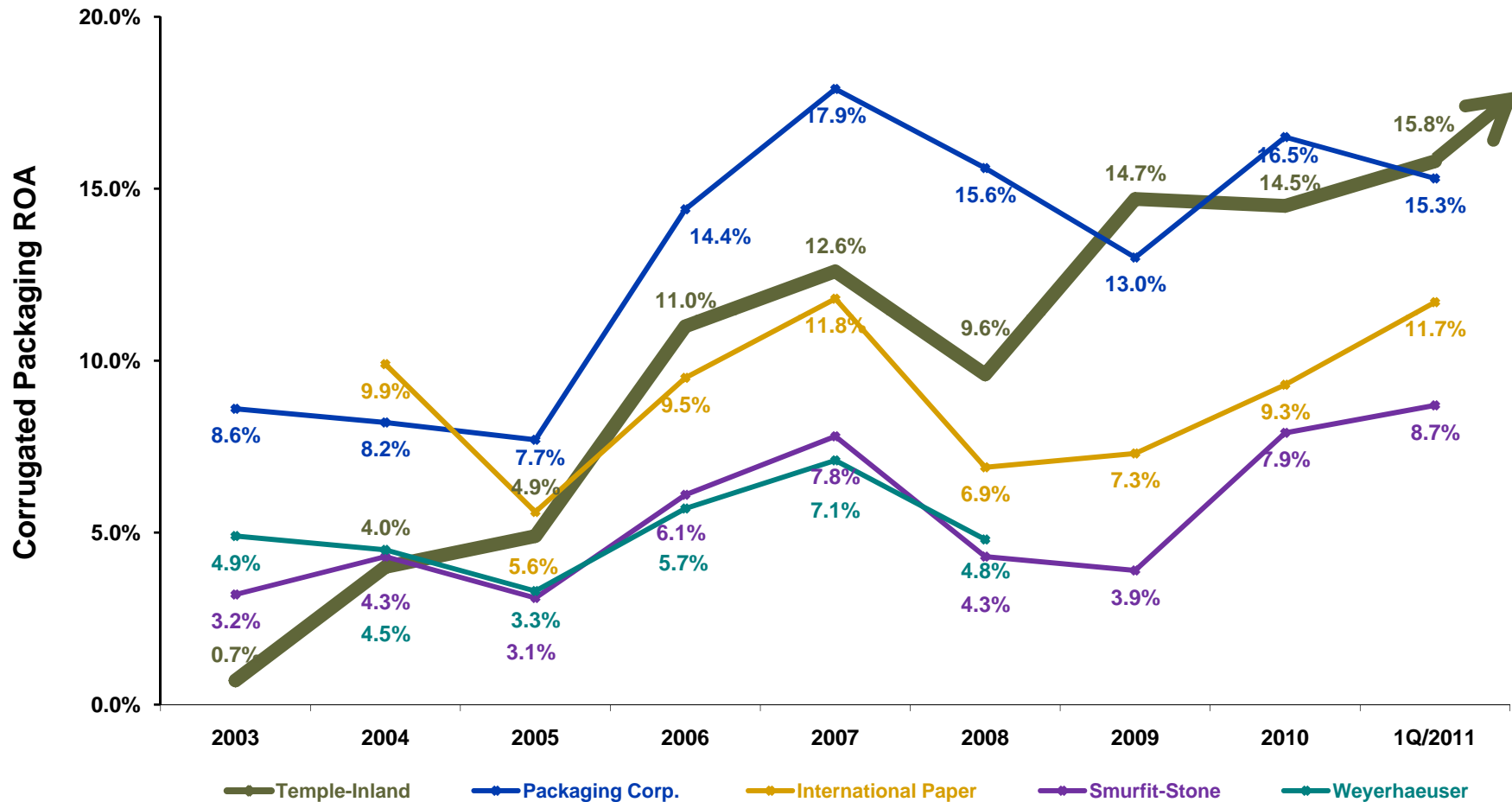
**Over the last 3 years Temple-Inland's forward EBITDA multiple has averaged approximately 7x**

Source: Public filings; EPS before special items; projections per IBES median estimates

<sup>1</sup> Historical ROI per 10-K. Historical and projected ROI calculated as EBIT over total assets less non-debt related current liabilities less municipal bonds related to capital leases included in other assets and less financial assets of special purpose entities. Based on beginning of the year balance sheet. EBIT, EBITDA and EPS for 2011 and 2012 per IBES median estimates, 2011E total assets and non-debt related current liabilities per IBES median estimates; assumes municipal bonds related to capital leases included in other assets and financial assets of special purpose entities are constant.

<sup>2</sup> 2011E and 2012E represent total debt.

# ...Driven by Industry Leading ROA



Source: Public filings

**Notes:**

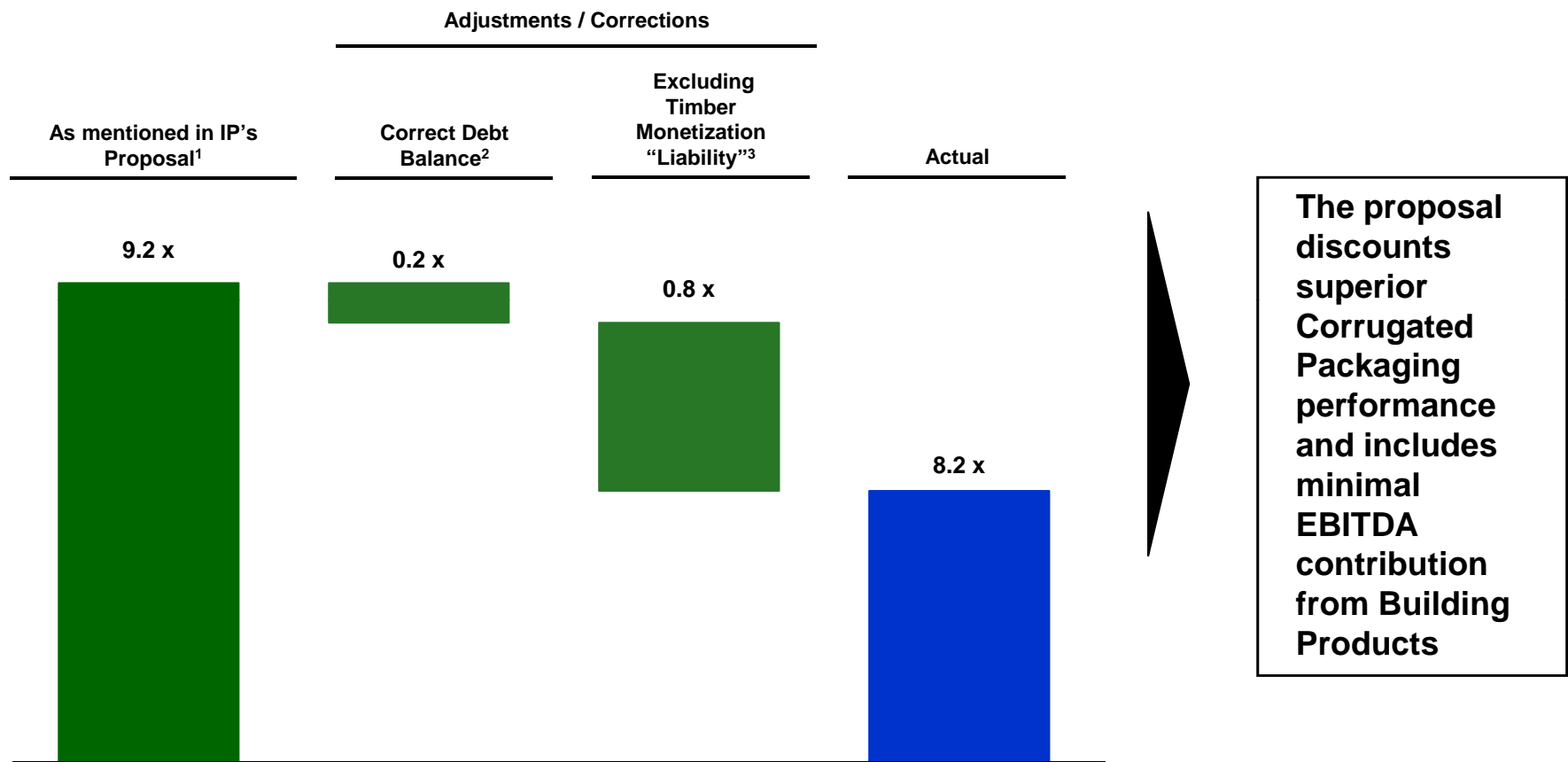
- (1) EBIT excludes special items – For TIN, IP and Weyerhaeuser as reported by segment; for PCA, Gross Profit-selling and administrative expenses; for SSCC, for containerboard, corrugated containers and reclamation operations
- (2) Adjustments to EBIT – For SSCC, beginning in 2007, working capital interest was no longer charged to operations. Based on restatement of 2006 and 2005 data, EBIT is adjusted upward by \$70 million for the years 2004 and 2003.
- (3) Assets (beginning of year) – For TIN, IP and Weyerhaeuser as reported by segment adjusted for acquisitions made in Q3 2008; for PCA, consolidated Total Assets; for SSCC, consolidated Total Assets excluding Consumer Packaging prior to 2007. On January 26, 2009 SSCC filed for Chapter 11 Bankruptcy and emerged on June 30, 2010. For 2010, the Successor Total Assets (after adjustments for the Plan of Reorganization and Fresh Start) is used. For 2009, the Successor Total Assets, adjusted for actual cash and cash equivalents is used.
- (4) Restatements – Most recent reported data used to replace prior data, as reported, when available.

# IP's Proposal...

- The Proposal refers to Temple-Inland's net debt balance of \$828 million
  - Our actual net debt is \$737 million, a figure that can be derived from information in our latest 10-Q – this represents a difference of \$91 million in our shareholders' favor
- The Proposal refers to a liability associated with the sale of our timber assets of \$385 million
  - Excluding any tax benefits the present value of the liability is actually approximately \$184 million
  - Including the utilization of \$281 million of AMT credits primarily associated with the sale of our timber assets, the present value is a positive \$60-70 million
- Importantly, the “precedent transactions” cited by IP are simply not comparable
  - Temple-Inland has generated higher returns than Smurfit-Stone Container Corporation's (“SSCC”) and Weyerhaeuser's (“WY”) corrugated packaging operations
  - The substantial increase in the merger consideration received by SSCC's shareholders must be taken into account and significantly changes the transaction metrics



# IP's Portrayal of the Proposal's 2011E EBITDA Multiple is Self-serving...

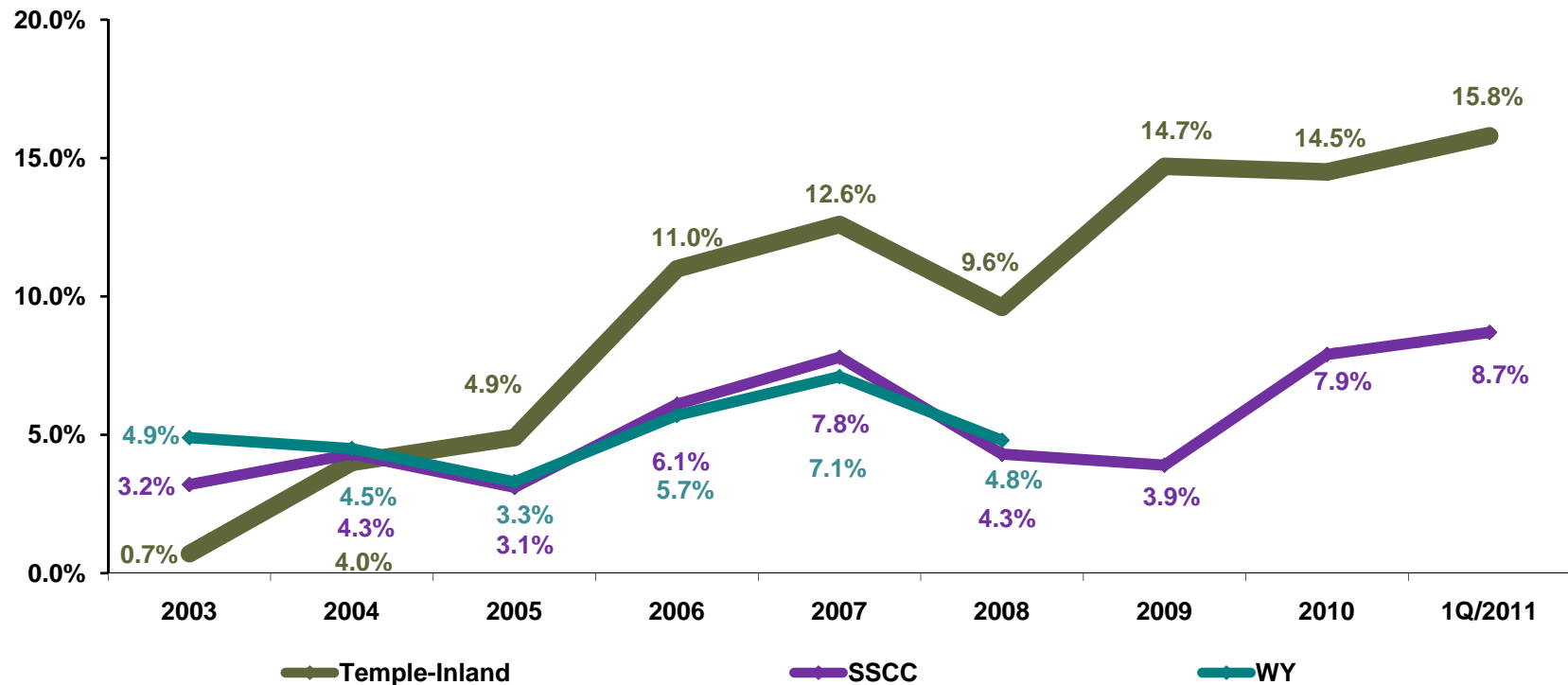


(1) Source: Letters dated May 19, 2011 and May 27, 2011 from Mr. John V. Faraci to Mr. Doyle R. Simons.

(2) Reflects adjustment of net debt from \$828 million per IP's letter to Temple-Inland's current net debt of \$737 million per latest 10Q as of April 2, 2011.

(3) Reflects exclusion of timber liability of \$385 million mentioned in IP's letter.

# ...And IP Has Chosen to Highlight “Precedent Transactions” That Involved Operations with Demonstrably Inferior Performance to Our Assets



The “precedent transactions” referred to in IP’s Proposal refer to assets which had demonstrably lower returns than those of Temple-Inland

Source: Public filings

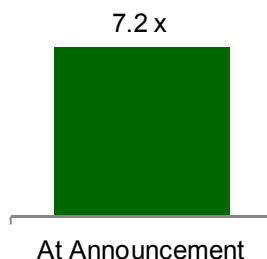
Notes:

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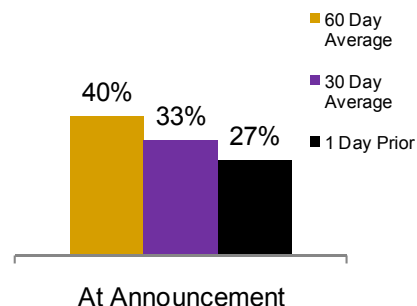
# ...IP's Characterization of the "Precedent" Smurfit-Stone Transaction Tells Only One Side of the Story

The Metrics at Announcement of the Acquisition of SSCC by Rock-Tenn Told One Story

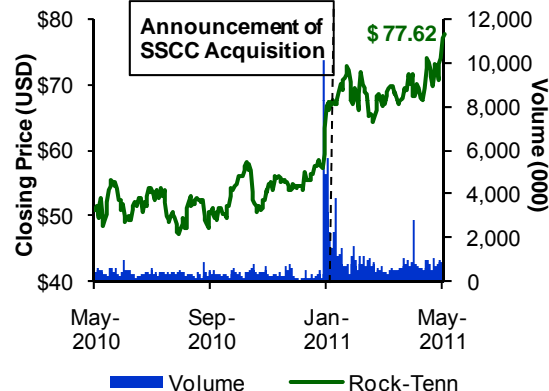
EBITDA Multiple



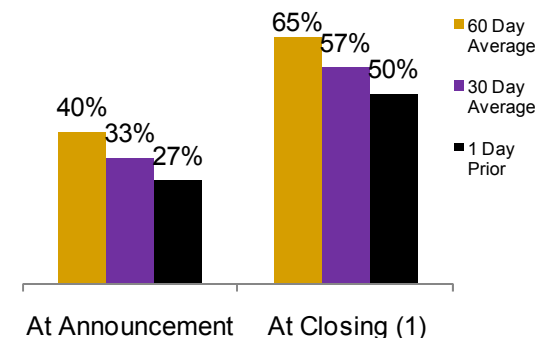
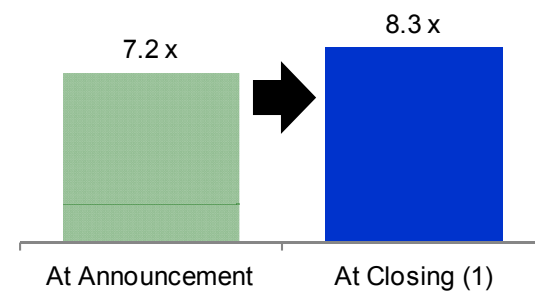
Premia<sup>3</sup>



...But because 50% of the Merger Consideration was in Rock-Tenn Shares, which Rallied 36%<sup>2</sup> Upon Announcement, SSCC shareholders got to participate in the share price appreciation...



... The Metrics at Closing Told Another Story



- Smurfit Stone had just emerged from bankruptcy 7 months earlier
- Rock-Tenn announced synergies well below precedents due to very limited operational overlap
- Temple-Inland's historic ROA has been substantially in excess of that of Smurfit-Stone

Source: Company filings and press release, Capital IQ; market data as of 27-May-2011

Note: Multiples exclude impact of pensions.

(1) Transaction closed on 27-May-2011.

(2) Price increase between announcement and closing.

(3) 1 day prior share price based upon Smurfit-Stone closing price of \$27.52 on 21-Jan-2011. 30 and 60 day average prices are based upon the average share price computed using share prices for the 30 and 60 trading days prior to announcement. The average 30 day and 60 day average trading prices are \$26.30 and \$25.00, respectively.

# Opportunistically Timed Proposal

## IP's Proposal front-runs significant future benefits associated with fundamental changes occurring in the corrugated packaging industry and our Box Plant Transformation II

*"Given increased demand, 2Q outages by Temple, Packaging Corp. and others, and other factors discussed in recent research our analysis is that the containerboard market could tighten fairly quickly. **We expect a price increase announcement by late 2Q. Specific to TIN, Box Plant Transformation II Program should yield benefits to margin and returns.**"*

— George Staphos, Bank of America Merrill Lynch, 20 April 2011

*"Management did not engage any outside consultants in developing its transformation moves, which will result in 24% fewer box plants, 44% fewer corrugators and other corrugated machines, and 26% fewer employees—while moving higher volumes. Instead, this program was developed entirely "in house". **Although competitors are also rationalizing their box plant converting systems, it appears that TIN's is about as extensive as any other we have seen and management believes it will have the lowest-cost box plant system by 2013.**"*

— C.A. Dillon, III, Credit Suisse, 16 February 2011

## ...And there is little or no market value ascribed to Temple-Inland's building products operations

*"We remain constructive on the stock given the reasonably appealing valuation on our 2011 numbers, and the potential for an additional containerboard price increase later this year. **But most important to a "relative" bull case on Temple-Inland, in our view, is the "option" value related to TIN's low-cost but cyclically depressed building products operations which makes TIN arguably the best value stock in the containerboard space when contemplating normalized or over-the-cycle metrics.**"*

— Mark Weintraub, The Buckingham Research Group, 20 April 2011

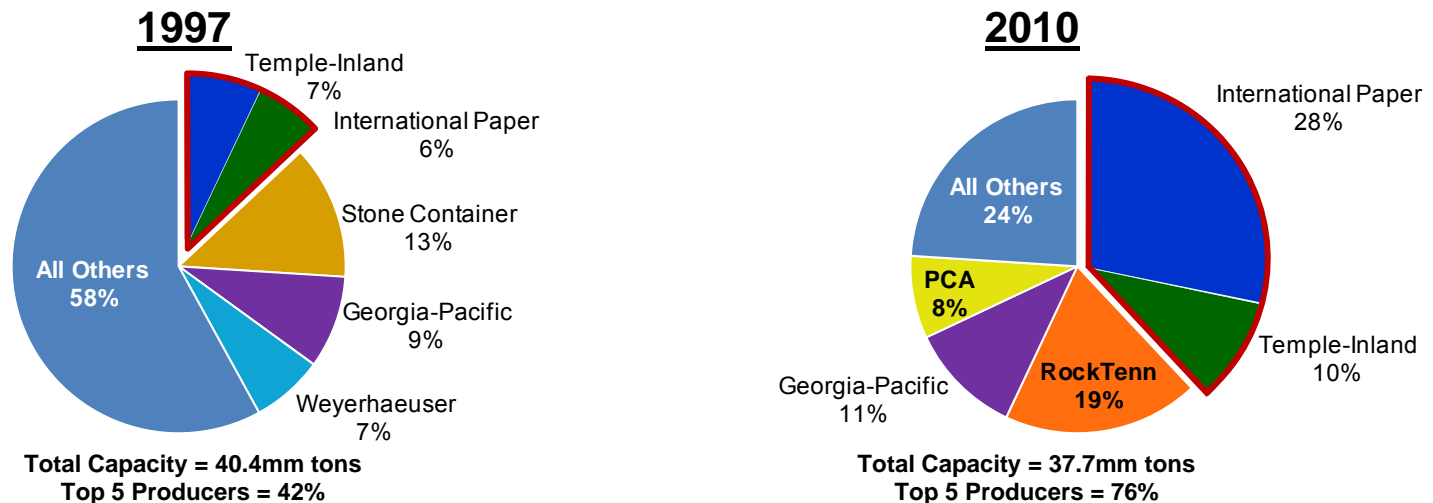
*"Furthermore, we believe **the current stock price reflects primarily the corrugated business and not the depressed wood products business**, which comes at a steep discount. We believe our projected earnings rebound in 2H11 will provide a catalyst for stronger share price performance."*

— Joshua Zaret, Longbow Research, 21 April 2011

# Proposed Transaction Raises Serious Regulatory Issues

- A combined IP/TIN would have an almost 40% share of North America containerboard capacity
- The potential acquisition is likely to face a prolonged and rigorous investigation by antitrust enforcers and an uncertain outcome

## North American Containerboard Capacity Share<sup>1</sup>



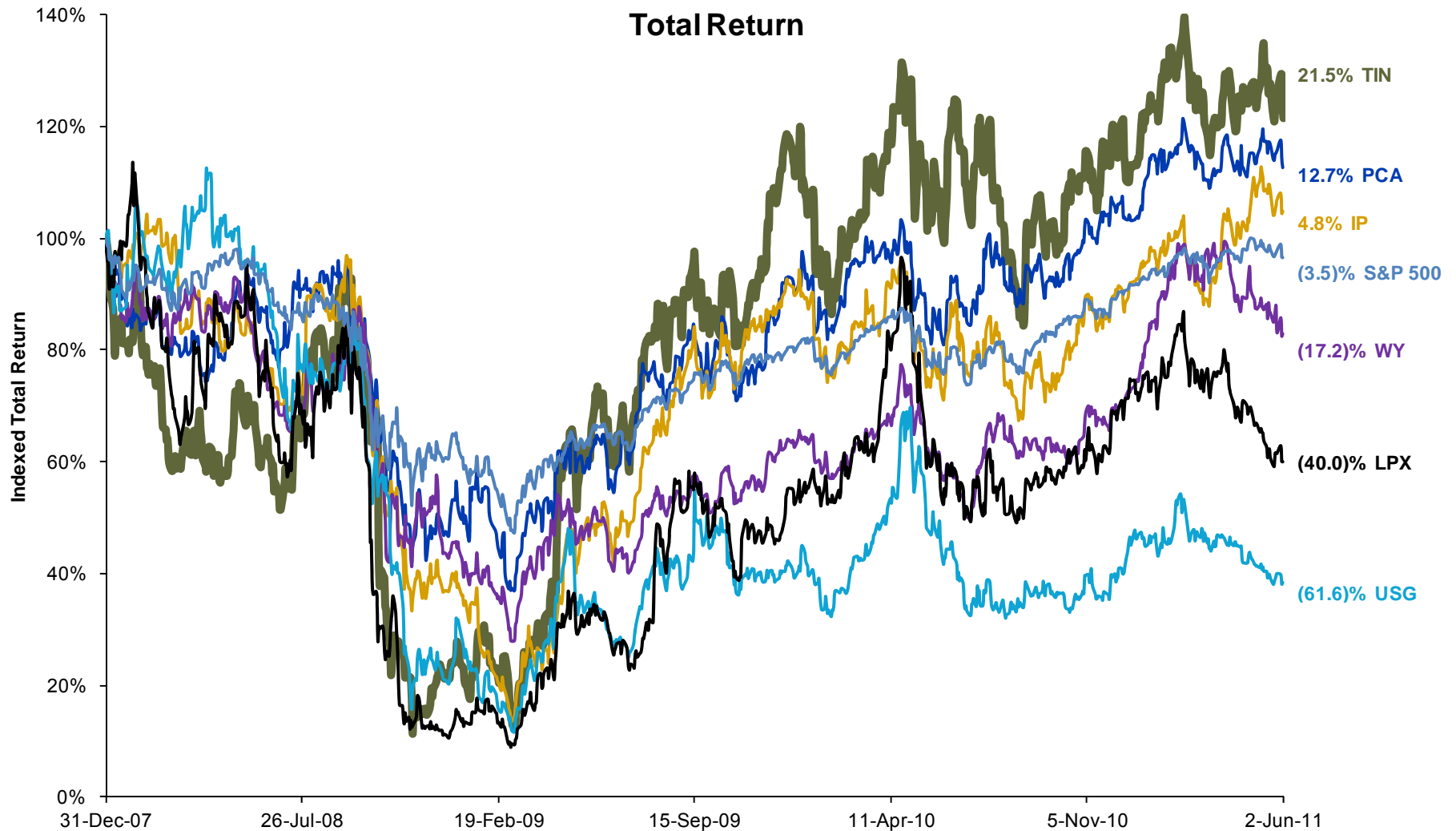
Source: RISI

(1) Note: Analysis above utilizes containerboard capacity shares rather than corrugated capacity shares, due to the unavailability of corrugated capacity shares for all large players in the industry. Temple-Inland's management believes that the combined corrugated capacity share of International Paper and Temple-Inland is approximately 40 percent.



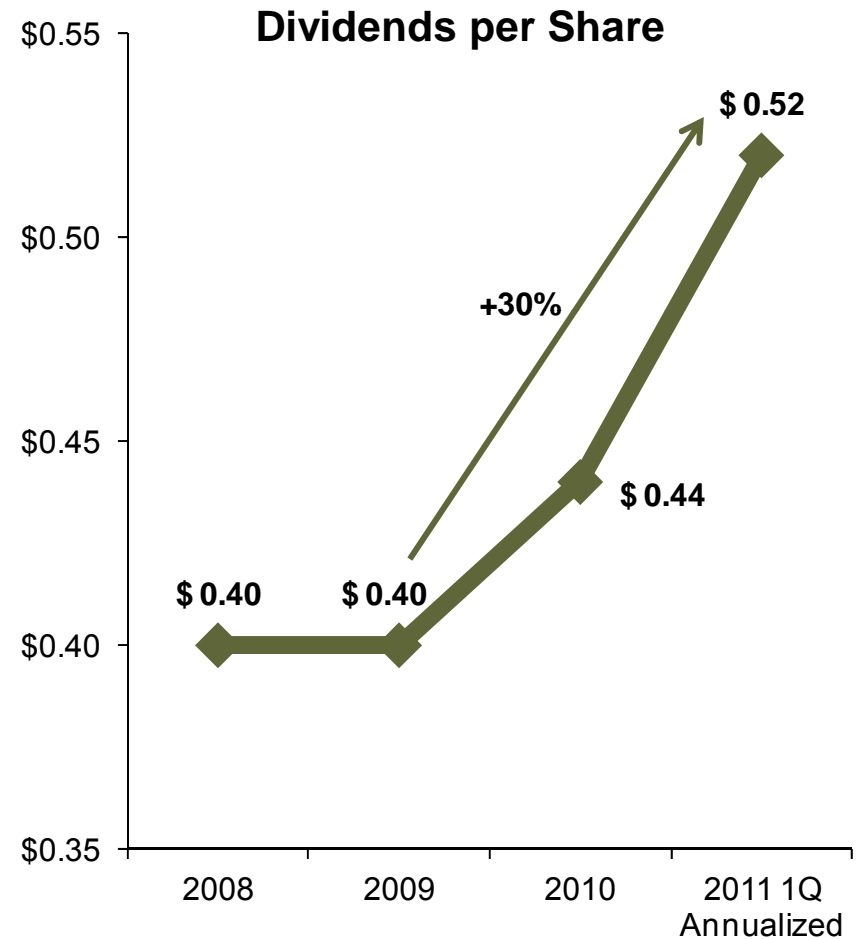
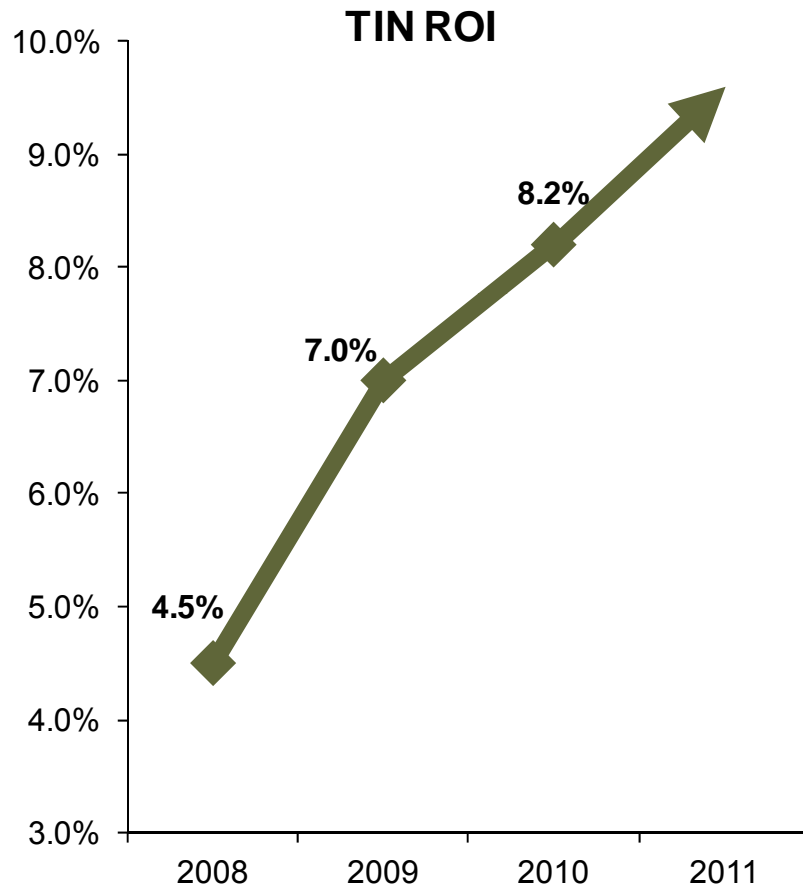
# Temple-Inland's Strong Track Record of Creating Shareholder Value

# Temple-Inland has the Highest Total Shareholder Return in the Industry Since its Creation...



Source: Bloomberg; market data as of 2-Jun-2011  
Note: Since Spin-off (31-Dec-2011) until 2-Jun-2011

# ...Driven by Increasing ROI and Dividends

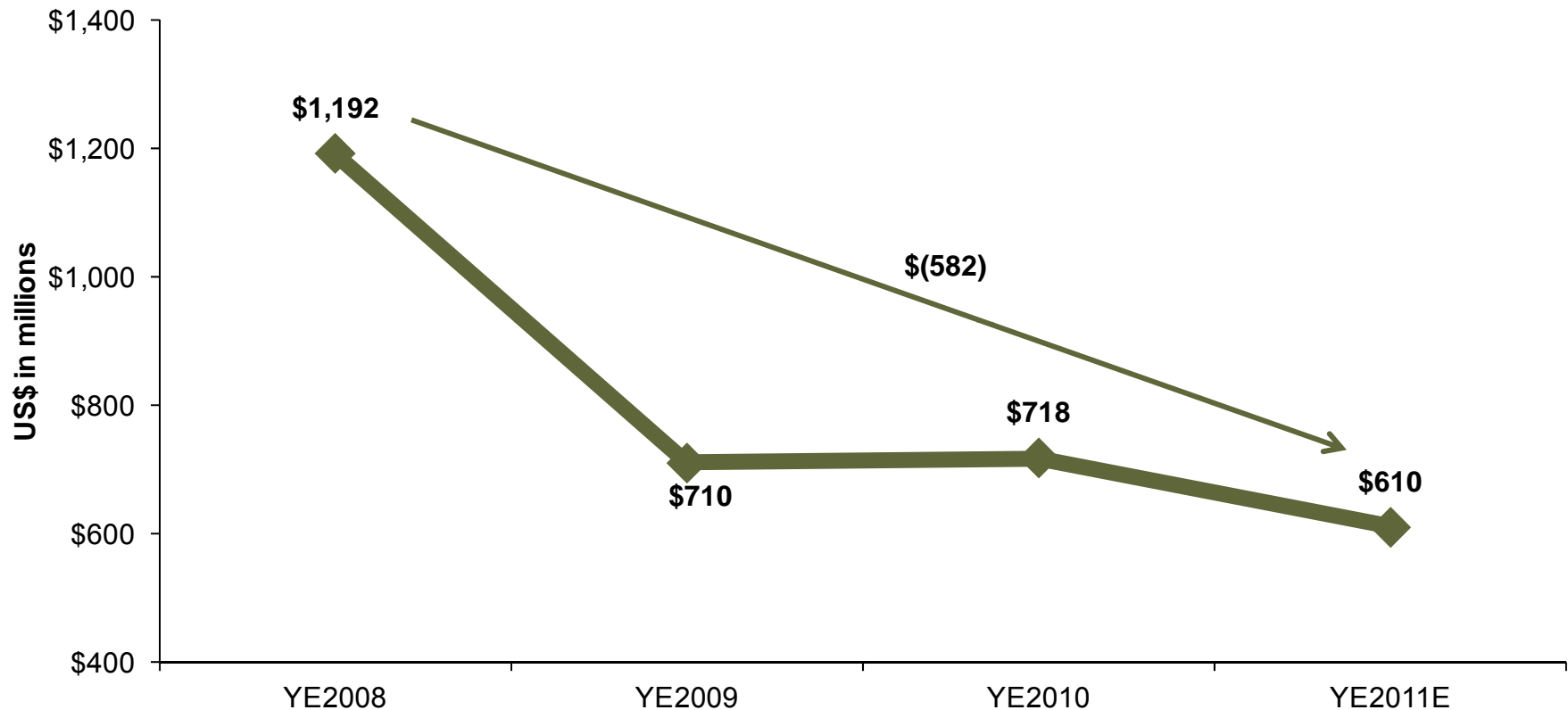


Source: Public filings

<sup>1</sup> Historical ROI per 10-K. ROI calculated as EBIT over total assets less non-debt related current liabilities less municipal bonds related to capital leases included in other assets and less financial assets of special purpose entities. Based on beginning of the year balance sheet.



# ...While Significantly Reducing Our Debt



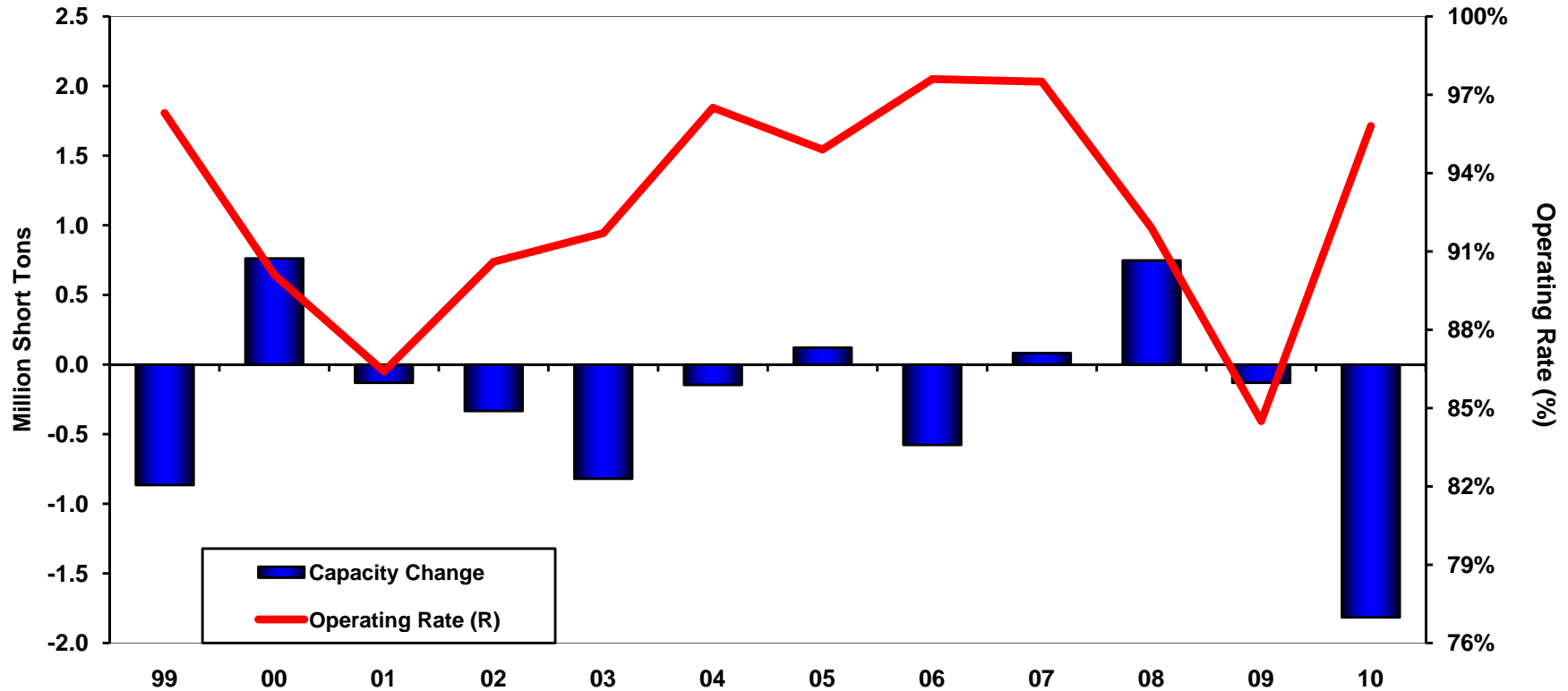
- Projected to reach debt target by early 2012
- Investment grade rating by S&P and Moody's
- 6.65 million share repurchase authorization

Source: Public filings



# Temple-Inland is Well-Positioned to Benefit from Favorable Industry Dynamics

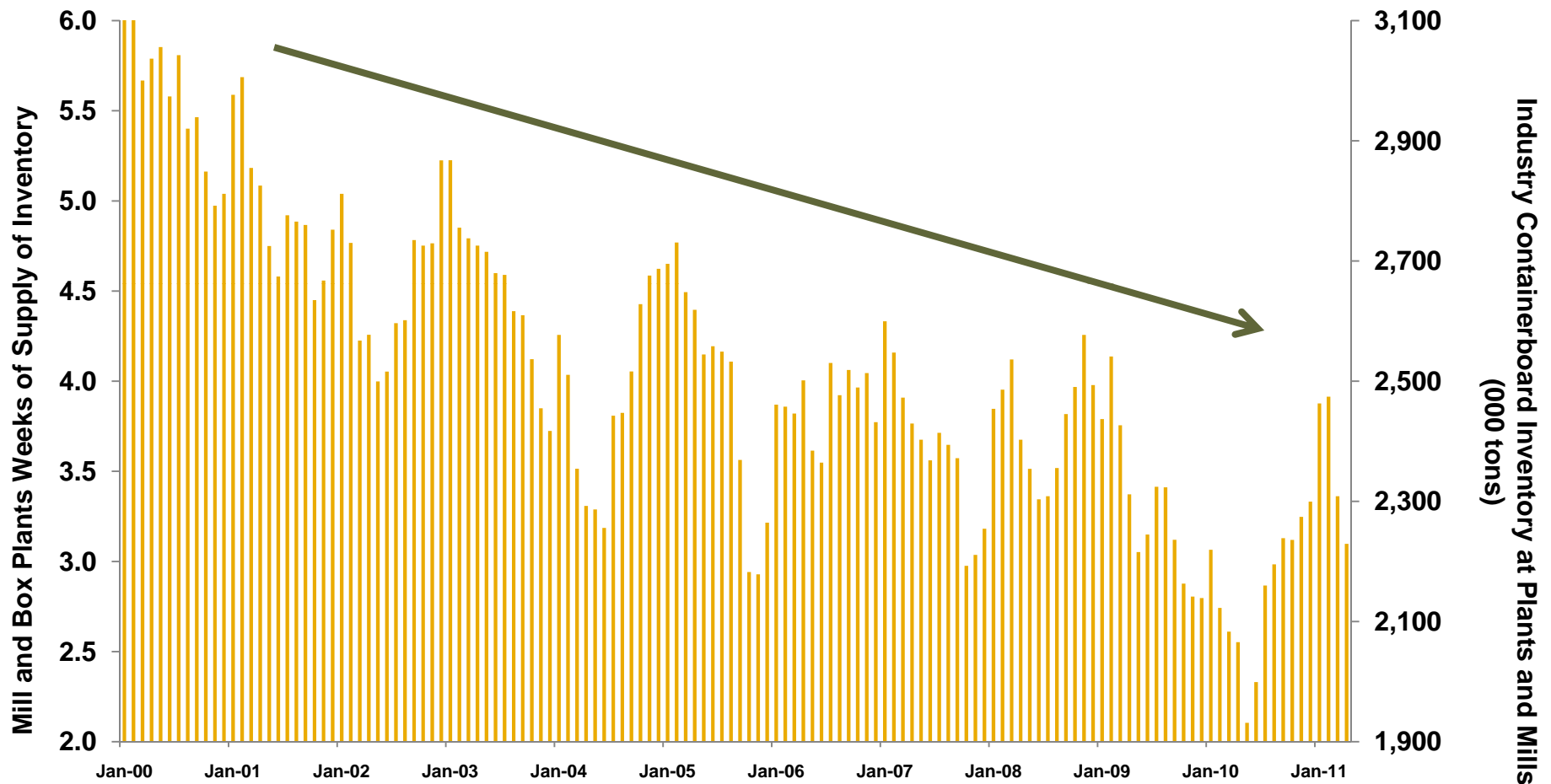
# Industry Operating Rates Remain High



**Industry capacity changes have resulted in high operating rates despite lower demand levels**

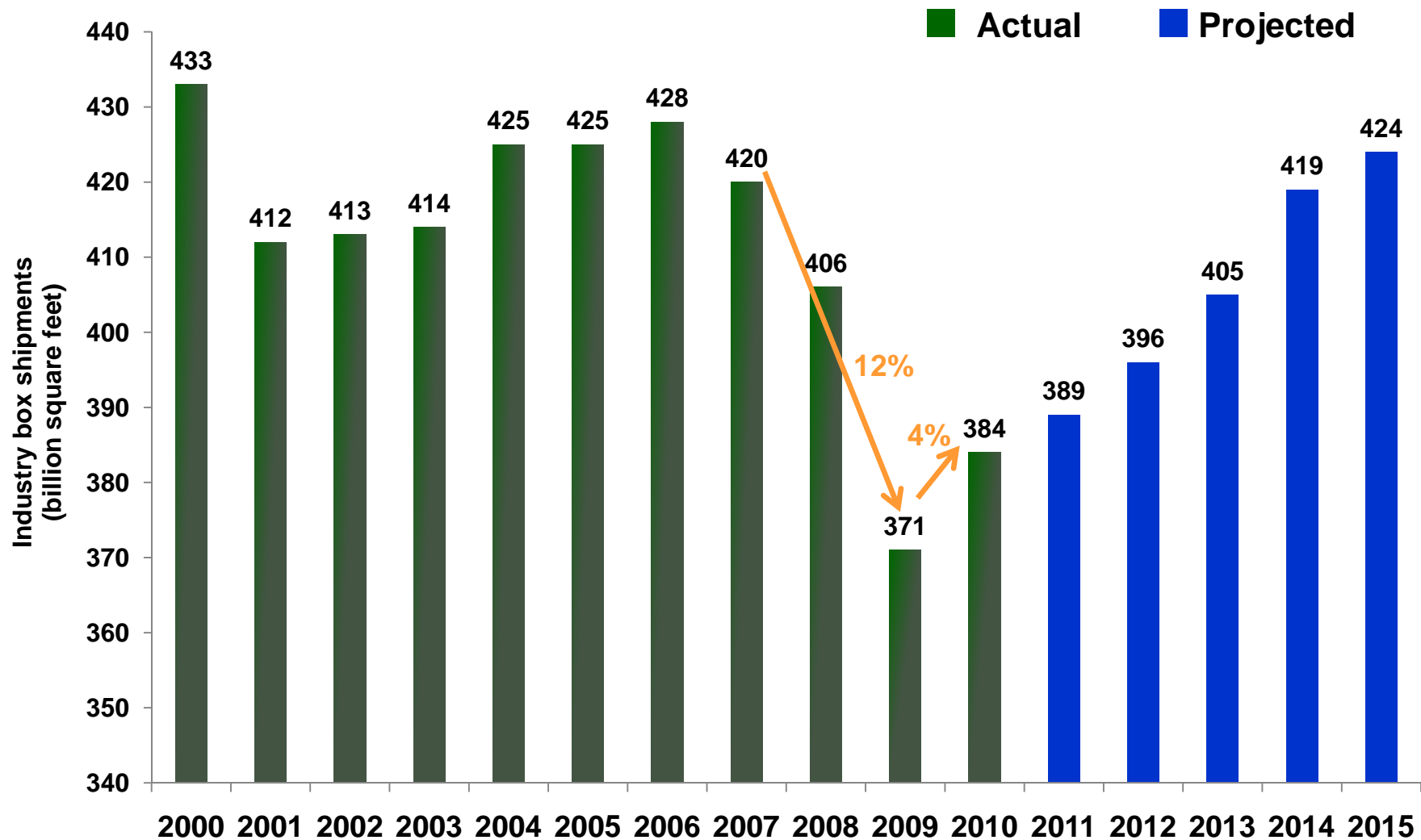
Source: RISI

# ...Inventories Continue to Decline



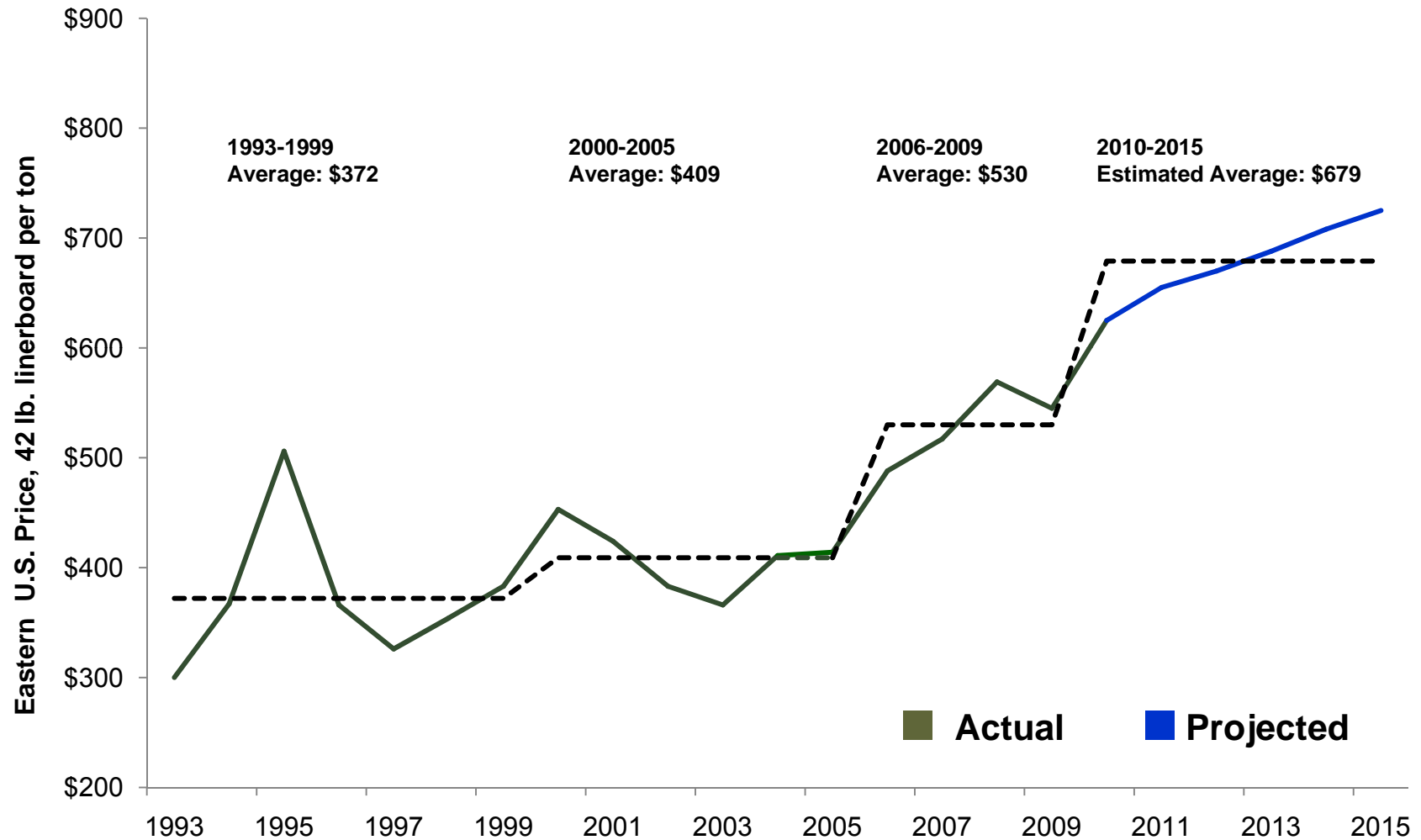
Source: Fibre Box Association (FBA)

# ...While Demand is Expected to Return to Pre-Recession Levels



Source: RISI

# ...Driving Anticipated Favorable Long-Term Pricing Trend



Improved industry fundamentals have led to reduced volatility and higher average prices

Source: RISI

# RockTenn / Smurfit-Stone Transaction Improves Industry Fundamentals

*“People wonder what moves prices in the containerboard industry and the paperboard industry. It’s real simple, it’s supply/demand and there is two ways to move that needle on both sides. The most important one is capacity, and so the installed base of capacity has been coming down dramatically in 2010... We are going to optimize the scale and footprint of the box plant system and the mill system.”*

— James A. Rubright, Chairman & Chief Executive Officer, Rock-Tenn Company speaking at Goldman Sachs Basic Materials Conference, 24 May 2011

*“From the industry standpoint, we also view this event as major positive for IP, PKG and TIN as Smurfit assets are now under the control of a management team that is well vested in the principles of market discipline and supply-side management.”*

— Joshua Zaret, Longbow Research, 26 January 2011

*“This is likely the first of many capacity rationalization moves. We expect that RKT will eventually idle ~20-30 converting plants...DB expects RKT to close 2-3 Smurfit mills.”*

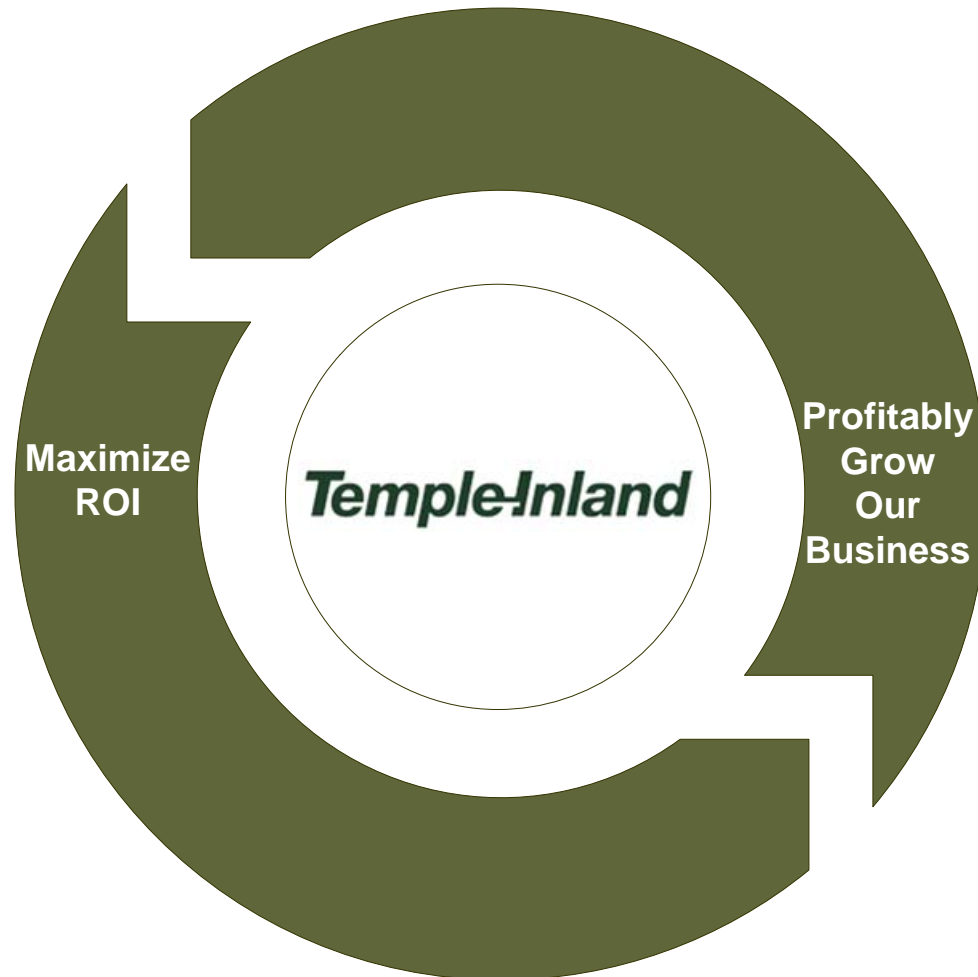
— Mark Wilde, Deutsche Bank, 2 June 2011



Temple-Inland is Poised to  
Continue to Deliver Superior and  
Sustainable Value for Shareholders



# Create Superior and Sustainable Value

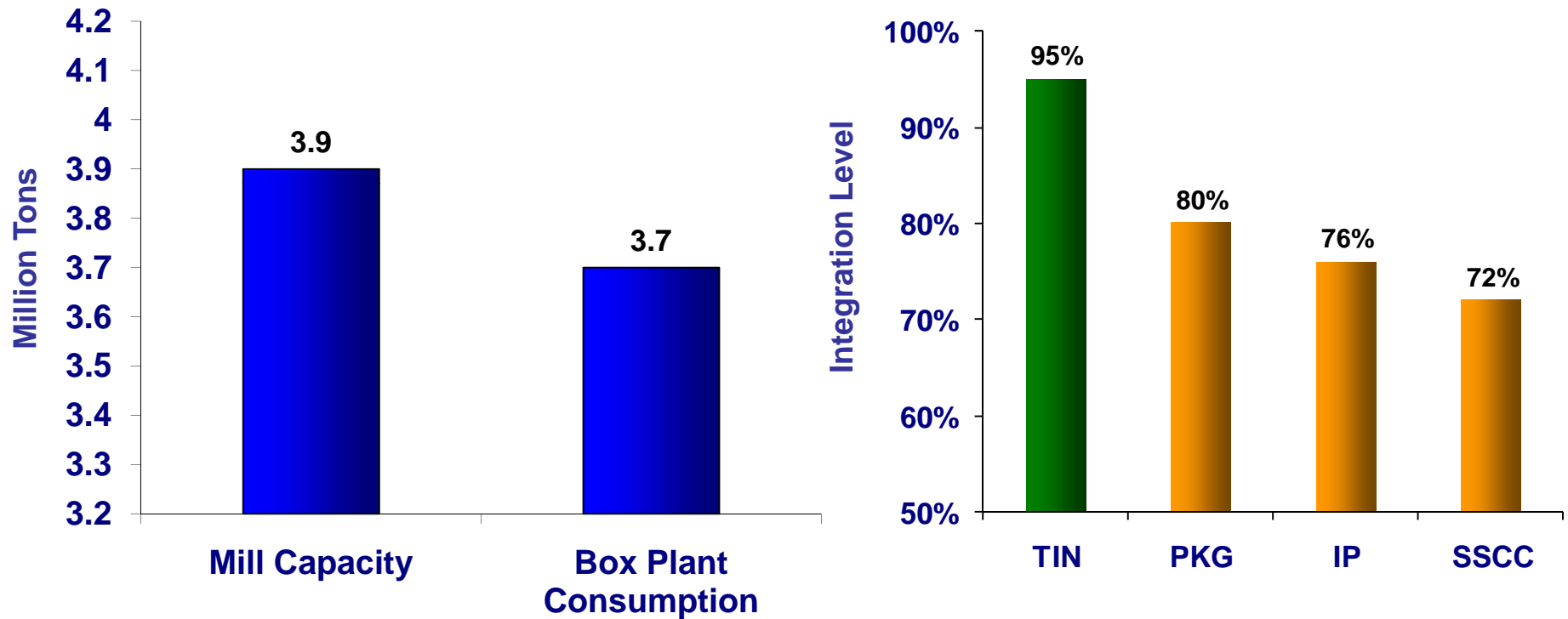


# Corrugated Packaging Strategic Initiatives

- **Maintain high integration level**
  - Box plant consumption = mill capacity
- **Drive for low cost**
  - Asset utilization and manufacturing excellence
- **Improve mix and margins**
  - Sales excellence
- **Profitably grow business**
  - Organically / Acquisition

**Execution of Strategic Initiatives Drives ROI**

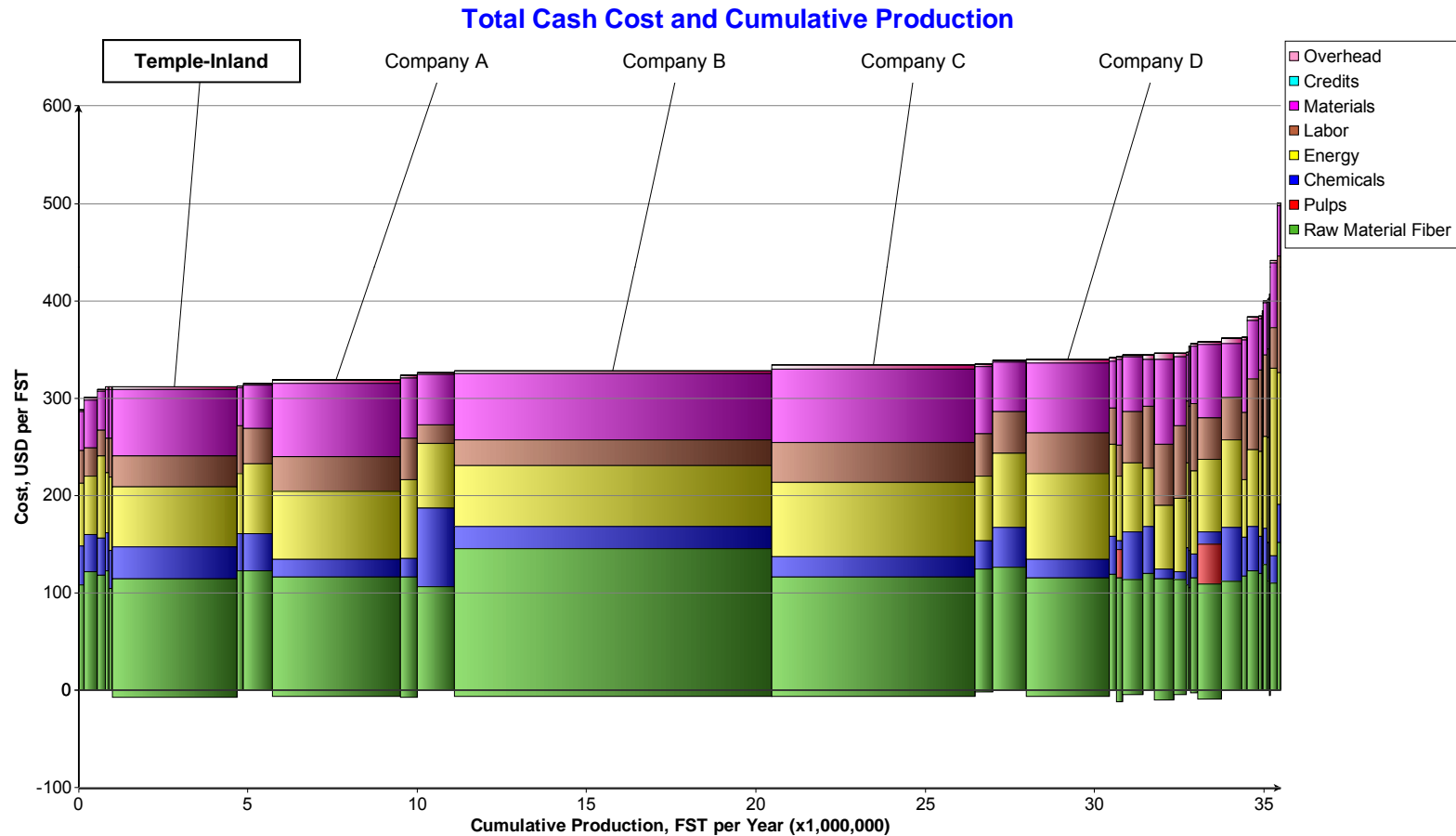
# Integration Level – Highest in the Industry



**Temple-Inland is the most integrated producer of corrugated containers**

Source: Company reports

# Temple-Inland Operates a Low Cost Mill System



© 2006-2010 Fisher International, Inc.  
Source: FisherSolve™

# Corrugated Packaging Strategic Initiatives

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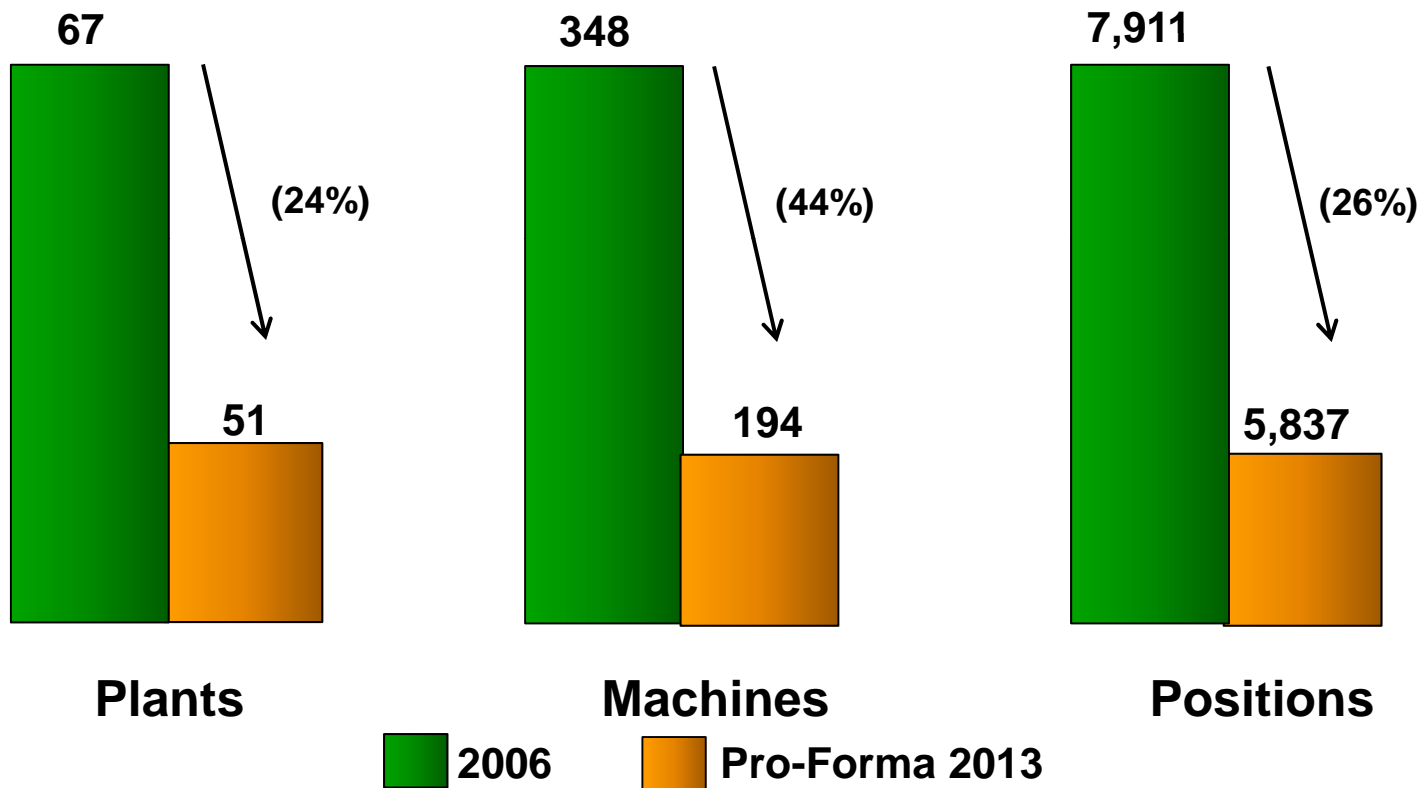
- Drive Low Cost and Increase Asset Utilization
  - Fewer Plants
  - Fewer Machines
  - Fewer Positions
- Improve Mix & Margins



**Lower cost and higher margins**

# Box Plant Transformation Drives Costs Down

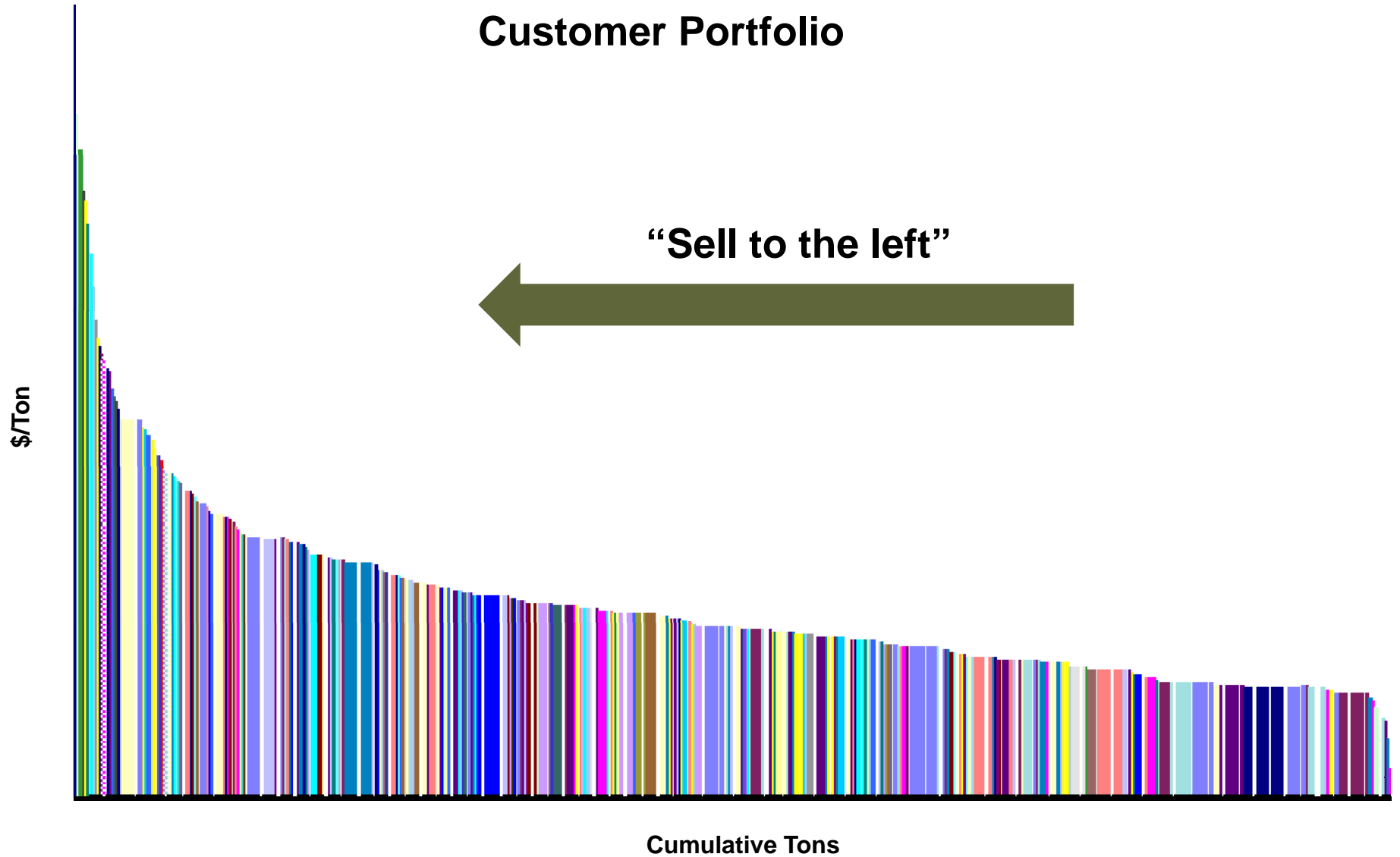
**Box Plant Transformation will reduce cost by an anticipated \$180 million annually and generate 40%+ returns**



**\$90 million in expected annual benefits associated with Box Plant Transformation II are still ahead of us**

# Improve Mix and Margins

## Customer Portfolio

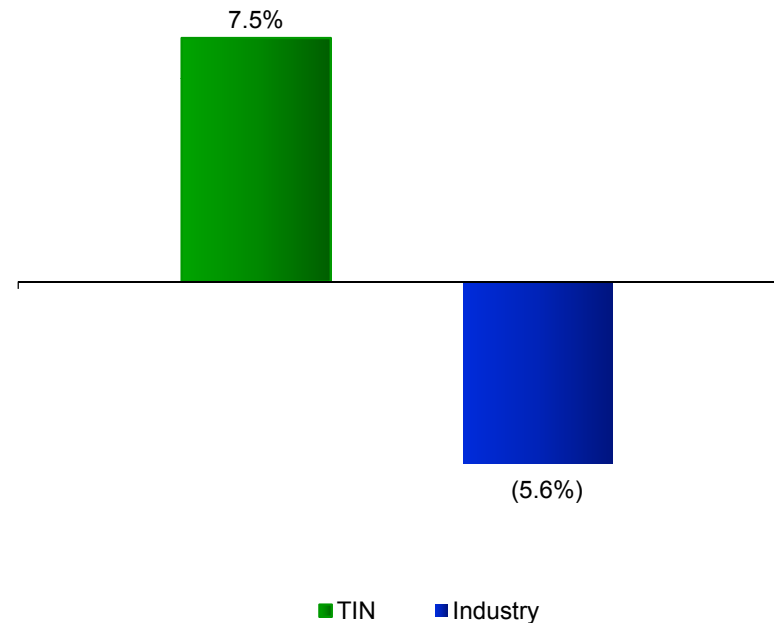


# Profitably Grow Our Business

## Successful Acquisition Track Record

- PBL acquisition
  - \$20 million of synergies
  - \$30 million from white-top
  - 60% ROI

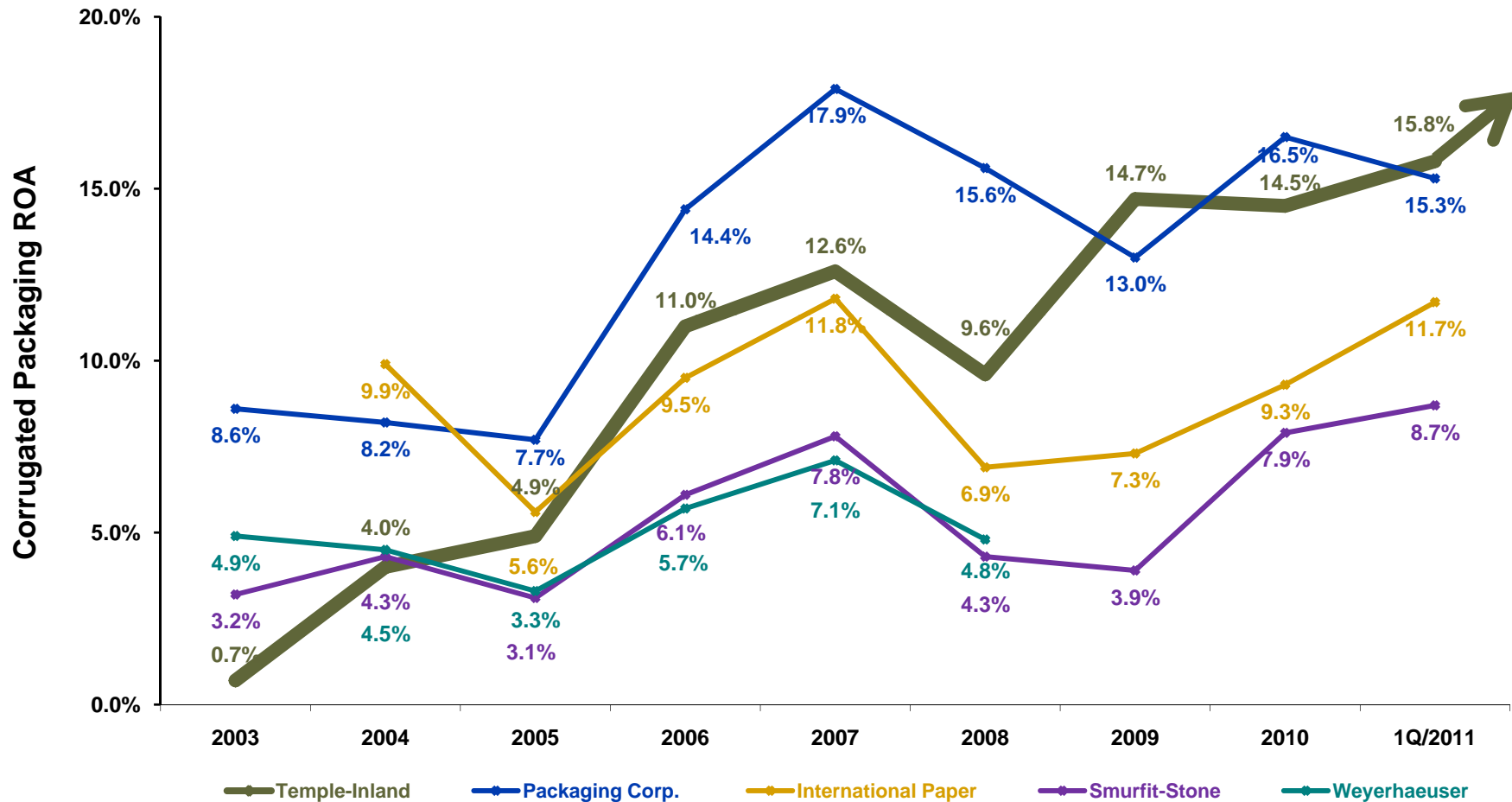
## Box Shipment Growth (2004-2010)



Source: Fibre Box Association (FBA), Average Week



# Industry Leading ROA



**Notes:**

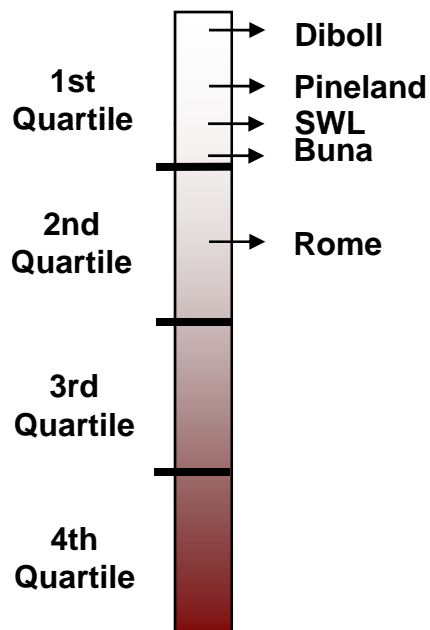
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- (4) Restatements – Most recent reported data used to replace prior data, as reported, when available.

# Building Products Strategic Initiatives

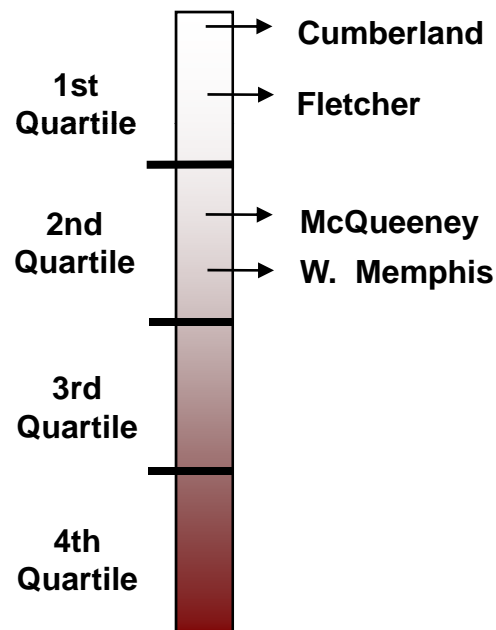
- **Deliver tailored portfolio of building products**
  - Products for new home, repair and remodeling and commercial markets
- **Drive low cost**
  - Manufacturing excellence
- **Serve preferred markets**
  - Favorable demographics
- **Profitably grow business**

# Low Cost Building Products Operations

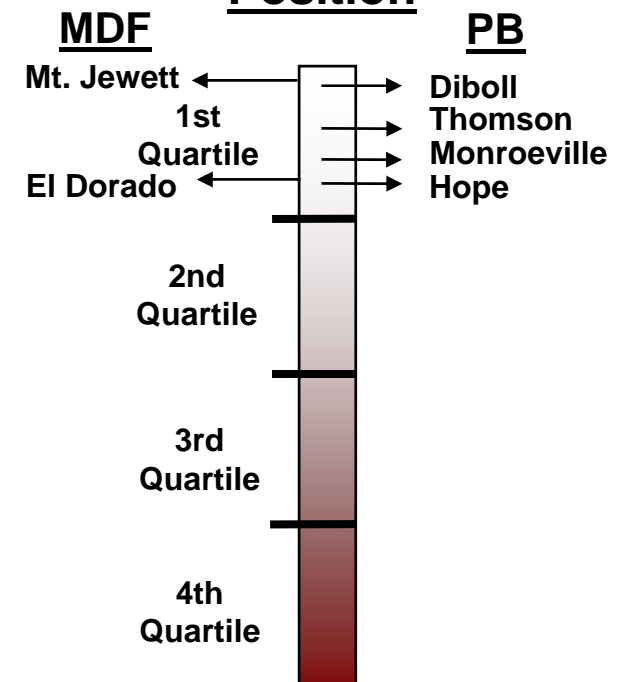
## Lumber Cost Position



## Gypsum Cost Position



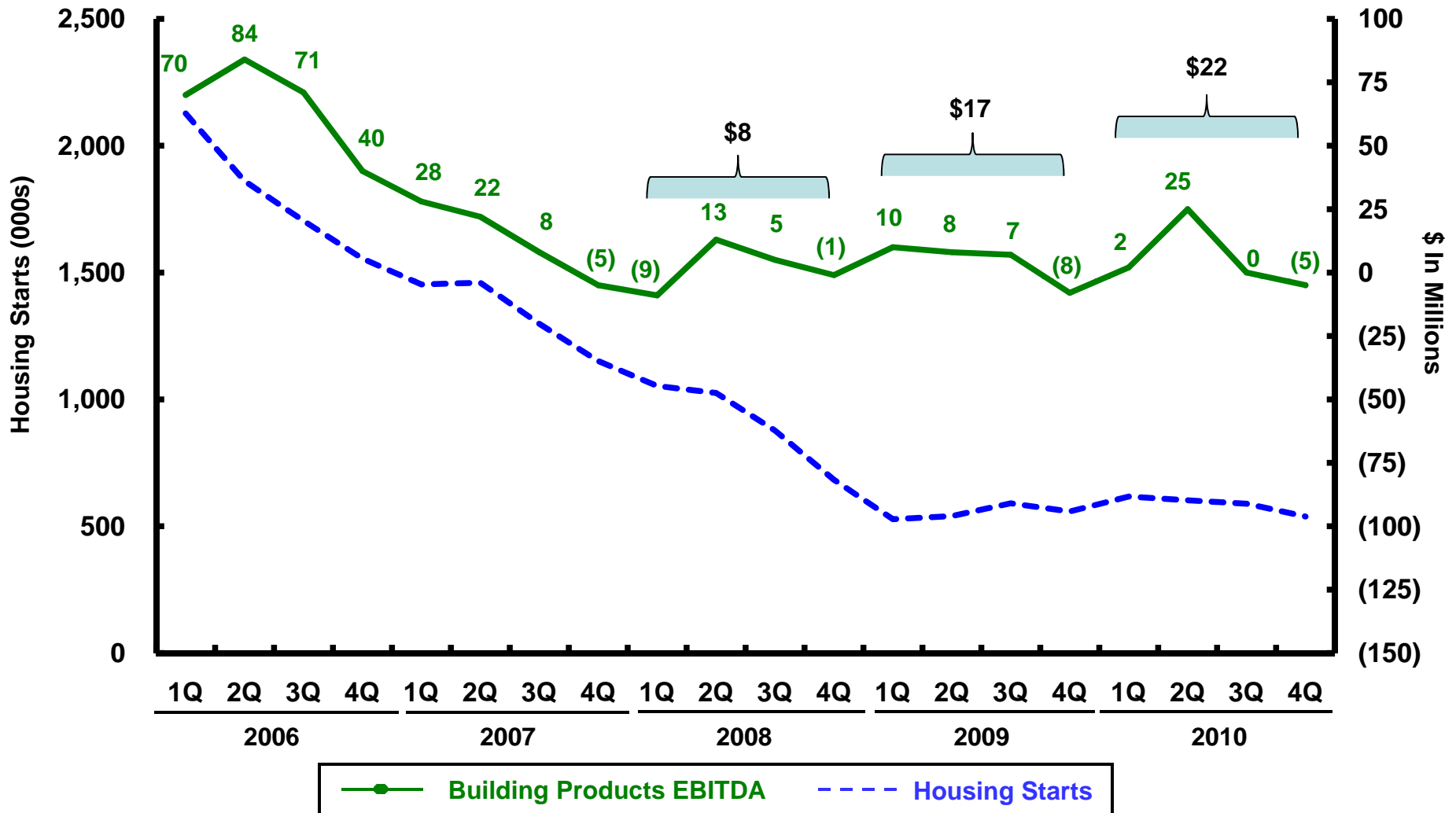
## Panels Cost Position



**80% of Building Products operations are in the first quartile**

Source: Beck & RISI studies and internal analysis

# ...Drives Solid Performance



# Temple-Inland's Focus on Value Creation

**Return on Investment**

## **Capital Allocation**

- Grow Dividends
- Repurchase Shares
- High Return Investments / Acquisitions

**Temple-Inland drives shareholder value by disciplined application of capital**

- High returns on invested capital
- Capital allocation process is disciplined and shareholder friendly



# *TempleInland*

**Focused on Value  
Creation For Our  
Shareholders**