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"WE DON'T NECESSARILY WANT TO BE THE BIGGEST COMPANY IN OUR INDUSTRY, ONLY THE MOST PROFITABLE FOR OUR SHAREHOLDERS."

TEMPLE-INLAND INC.

1984 ANNUAL REPORT

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TEMPLE-INLAND INC.

ABOUT OUR COMPANY:

Temple-Inland Inc. was formed in January, 1984, as a result of the spin-off from Time Incorporated of that company's forest products operations.

The major subsidiary companies and divisions that make up Temple-Inland are Temple-Eastex Incorporated, which manufactures bleached paperboard and a wide range of building products; Inland Container Corporation, which manufactures containerboard and corrugated containers; and the Financial Services Group whose companies are engaged in mortgage banking, insurance and land development.

To help supply its paper mills and building product operations, Temple-Inland owns over 1.1 million acres of timberland in east Texas, and is half owner of nearly one million acres in Georgia and Alabama.

A list of facilities can be found on page 40.

THE COVER:

The quotation on the cover is taken from the remarks of Clifford J. Grum, president and chief executive officer, at the Temple-Inland annual meeting of shareholders on May 4, 1984.

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TEMPLE-INLAND INC.



TIMBERLANDS



CONTAINER & CONTAINERBOARD



PULP & PAPERBOARD



BUILDING PRODUCTS



FINANCIAL SERVICES

FINANCIAL HIGHLIGHTS

(in millions, except per share data)

	1984	1983	Percent Increase
Net Sales	$1,262.9	$1,175.5	7%
Operating Income	$ 162.6	$ 80.5	102%
Net Income	$ 102.7	$ 48.2	113%
Shareholders' Equity	$ 792.7	$ 701.0	13%
Earnings Per Share	$ 4.24	$ 1.99*	113%
Book Value Per Share**	$ 32.86	$ 29.12	13%
Dividends Per Share	$ .50		

SELECTED BUSINESS SEGMENT DATA

(in millions)

	1984	1983	Percent Increase
Net Sales			
Container and containerboard	$665.3	$596.9	11%
Pulp and paperboard	$284.5	$253.2	12%
Building products	$295.3	$295.1	—
Operating Income			
Container and containerboard	$ 74.8	$ 20.8	260%
Pulp and paperboard	$ 46.8	$ 20.0	134%
Building products	$ 40.9	$ 35.2	16%
Financial services***	$ 15.2	$ 13.8	10%

*Based upon shares distributed and outstanding as of January 26, 1984 and common stock equivalents (24,225,000).
**Based upon shares outstanding December 31, 1984 and January 26, 1984, respectively.
***Pre-tax earnings of unconsolidated financial services subsidiaries.

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TO OUR SHAREHOLDERS

Dear Shareholder:

Temple-Inland's first year under our present corporate umbrella was significant in launching our company, not only financially, but also in beginning to address our strategic goals.

Our first-year results were gratifying with net income of $102.7 million, or $4.24 per share, up 113% from last year. Revenues totaled $1.26 billion.

We are happy to report that the directors of Temple-Inland, at their meeting on February 1, 1985, increased the quarterly dividend rate from 12½ cents to 16 cents per common share, an increase of 28%.

In developing a strategy for the future, it is important to understand our current position. The basic strengths of our company lie in the low-cost production of containerboard and building products, an established market position as a quality manufacturer of bleached paperboard, and a cost-efficient converter of shipping containers on a national basis. In addition, the financial services group, which has both mortgage banking and insurance activities, gives us diversification into other less cyclical lines of business.

Much of our paper production is linerboard and bleached paperboard, which should enjoy strong markets for the next several years. Since little new linerboard capacity is scheduled to come on stream, with the exception of our mill in California, linerboard producers should benefit from an extremely favorable demand relationship.

For the past five years, building products markets have encountered very cyclical periods as high inflation caused interest rates to reach record levels severely curtailing new housing construction. With inflation apparently under better control, the housing industry in the next decade should be appreciably better than in the past five years. The recent expansions of our building products operations should allow us to capitalize on this improved environment.

In the paper and building products segments of our business, most selling prices are commodity oriented. In order to achieve above average profit margins, it is necessary to be a low-cost manufacturer which requires constant investment to maintain and upgrade facilities. A large portion of the $130 million in capital expenditures in 1984 was committed to such projects which will improve cost effectiveness and add to profitability in future years.

Temple-Inland directors approved a 28% increase in the quarterly dividend paid in March, 1985.

Included in these outlays is a wood-refuse energy complex which will substantially reduce the need for natural gas at our Evadale, Texas paper mill. This project, costing $50 million, will be completed late in 1985, and this boiler, with its energy efficiency, is expected to significantly improve earnings at the mill.

Our largest capital project is the Ontario, California recycle paper mill scheduled to be completed late this year. The Ontario mill will increase our unit capacity of containerboard by about 15%. A majority of this production will be converted by our existing box plants to meet their growing needs, particularly on the West Coast; but in the short term, we should have some of this production available for export markets.

In 1984, we also started construction of a new gypsum wallboard plant in Fletcher, Oklahoma, and have acquired an oriented strand-board plant in Claremont, New Hampshire.

The new gypsum plant, which is being built adjacent to our gypsum quarry, should be completed in 1986. This plant and our existing facility in West Memphis, Arkansas, give us two strategic locations from which to serve the construction markets of the South and Southwest.

Assessing the performance of the building products group, operated by our Temple-Eastex subsidiary, requires recognizing the low profitability of both lumber and plywood in 1984. Lumber prices reflected the impact of Canadian imports distorting the tradi-



Clifford J. Grum



Arthur Temple

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tional markets of domestic producers, keeping prices below expectations. Canadian lumber imports represented nearly a third of U.S. consumption in 1984, almost double historic levels.

Our other building products—fiberboard, particleboard and gypsum—were good performers in 1984. Gypsum had an especially good year and was the catalyst in achieving record levels of income for the building products group. Having a diversified product base is important to our success, and we continually look for new products such as oriented strandboard which might be the impetus for profit growth in another year.

Inland Container Corporation, our container and containerboard segment, had a phenomenal recovery with record results directly attributable to an improved environment for corrugated boxes, and Inland's continued performance as one of the lowest cost producers of containerboard.

We are virtually 100% integrated, in that almost all of the containerboard we produce is converted into boxes and sold to our customers for shipping their products. The diversity of our box plants allowed us to fully participate in the recovery of our customers' businesses.

This will be very important to us in the future as our 29th and 30th box manufacturing plants will be added in 1985, one in Edison, New Jersey, and the second adjacent to the new recycle paper mill in Ontario, California.

Our bleached paperboard operation posted its second most profitable year in 1984 despite the effects felt in the fourth quarter when markets began to soften and profit margins deteriorated. This is somewhat out of phase with general economic conditions and may be only a temporary phenomenon. Offsetting the softness to some degree was the record tonnage the mill produced which permitted the fixed cost to be spread over more units, thereby absorbing variable cost increases and keeping total cost at virtually the same level as in the previous year.

The financial services segment of our company, primarily mortgage banking and insurance, realized good profits throughout 1984. Our mortgage banking operation, Lumbermen's Investment Corporation, enjoyed a good year even though production was below the level achieved in 1983. With the recent decline in interest rates, new loan production has already begun to improve.

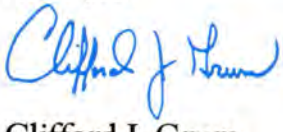
As an adjunct to mortgage banking, we have for many years operated a property and casualty insurance agency. We are now in the process of expanding this operation under the name of Timberline Insurance Managers, Inc. In addition to serving our large mortgage customer base, we intend to add select companies and individuals as clients.

Great American Reserve Insurance Company, a life and health insurance company, completed its second year as a part of the financial services group. In 1983, we realigned the management structure of the company and introduced the first of our new products.

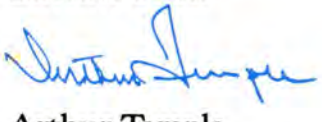
Largely as a result of these innovations, we had record sales of individual life and health policies in 1984. This momentum is accelerating and we look to our insurance business as an important growth area.

1984 certainly was a good year for Temple-Inland. We have approximately 10,000 employees throughout the country without whose total effort and commitment we could not have achieved such high levels of productivity and earnings.

The letter to you in last year's annual report closed with . . . "our company is uniquely situated to expand its productive capabilities and dramatically grow our earnings in the coming years." Committed to that quality growth as indicated by our statement on the cover of this report, we look forward to the challenges of 1985, and hope it will be our second record year.



Clifford J. Grum
President & Chief
Executive Officer



Arthur Temple
Chairman of the Board

February 15, 1985

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TIMBER AND TIMBERLANDS

Temple-Inland owns 1.1 million acres of timberland in east Texas and is half owner of Georgia Kraft Company which owns nearly one million acres in Georgia and Alabama.

We have acquired land in Texas over the past 90 years and for nearly 40 years in Georgia. Our objective is to manage these forests for maximum profitability while at the same time maintaining their long-term productivity.

We look to our lands in Texas to provide the majority of the wood needs for the bleached paperboard mill in Evadale, Texas, as well as building products operations in Diboll and Pineland, Texas. Presently, only about 25% of the wood requirements of the Georgia Kraft paper mills and related operations are being supplied from its land.

To more efficiently increase our fiber productivity, we make extensive use of computer systems as an aid in forest management programs. One system inventories tracts of land listing location, acreage, timber characteristics and volume. A second system ranks these tracts of timberland for harvesting based on growth rates and present value concepts. This information provides management with alternatives for harvesting the various tracts of timber. The third system analyzes the tree volume on all tracts scheduled for harvest and allocates fiber to consuming plants to maximize economic yield.

These computer models are enabling us to better utilize our resources to provide fiber for converting facilities at the lowest possible cost. We are also implementing plans for the strategic location of new sawmills close to our paper mills. This allows better utilization of each tree harvested as well as freight savings on transfer of wood by-products.

As part of the ongoing forest management program, we harvested about 23,000 acres in Texas and about 32,000 acres in Georgia and Alabama in 1984, and will replant those acres with seedlings grown in our own nurseries. Approximately 400,000 acres in Texas and 500,000 acres in Georgia and Alabama have been converted to plantations.

The first plantations we established in Texas in the 1950s are now reaching maturity. As more plantations grow to harvestable



Temple-Eastex and Georgia Kraft employ scores of professional foresters to manage and maintain the companies' timberlands responsibly and profitably.

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age over the next decade, this increased timber supply will allow significant expansion of our converting operations. When the plantations in Georgia begin to mature in the 1990s, we will be able to increase the wood usage from these lands, replacing higher priced outside fiber sources.

Preserving our Environment

As a major land owner and manufacturer, we feel a special obligation to protect the environment and take that obligation seriously. We utilize sound forest management techniques which balance economic considerations with concern for the environment.

Area universities and state wildlife departments work with us to determine the impact of forest management on wildlife species, helping us identify the appropriate carrying capacity for game as well as those areas that should be protected to encourage propagation of endangered species and exotic plant life.

Several hundred thousand acres are made available to the public at no charge for hunting and recreation. Our land management groups are proving that industry and the environment can live together in harmony for the good of all.





Increased forest productivity is a high priority for Temple-Inland. Maximizing the value of fiber has become much easier, thanks to the use of various new computer models. Pictured are Temple-Inland chairman, Arthur Temple (right) and Glenn A. Chancellor, Temple-Eastex group vice president—Forest Division.



Precise data identifying tree growth and site characteristics are collected by field foresters to implement our computer based forest management programs.

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CONTAINER AND CONTAINERBOARD

Analysts who follow the paper industry have been saying for some time that the two grades of paper with the best markets during the mid-1980s are linerboard and bleached paperboard. Temple-Inland is in both, and the experts were proven right in 1984.

The corrugated box is the workhorse of the American distribution system. Virtually everything that is manufactured, and much of what is grown, finds its way into a corrugated box at some time.

Some say the corrugated box industry is the bellwether of the American economy, while others say it lags other business. Regardless of which is right, when business conditions are good in the U.S., the box business is good, and 1984 was no exception. It was a good year for our container business.

Demand for boxes was strong throughout the year, and Inland Container Corporation, which operates our container and containerboard segment, had record earnings of $74.8 million, almost $17 million ahead of its previous peak year of 1981, and up $54 million from last year when selling prices were severely depressed.

Three main factors contributed to the record earnings of this segment: selling prices finally recovered to where they were in 1981 and strengthened through the year; improved product mix; and cost containment. Productivity records were achieved at many of our plants, and variable manufacturing costs for all of our box plants were held under good control.

Containerboard—linerboard and corrugating medium—is the principal raw material used in the manufacture of corrugated boxes.

Container & Containerboard
(dollars in thousands)

	1984	1983	% Change
Sales	$665,300	$596,900	+11%
Operating Income	$ 74,800	$ 20,800	+260%
Tons Corrugated Boxes Sold	1,063,000	1,107,000	−4%
Tons Mill Production	1,252,000	1,226,000	+2%



A February, 1985 view of construction of our recycle linerboard mill (above) in Ontario, California.

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Inland is a major producer of containerboard at three wholly owned mills and three mills operated by our 50 percent-owned affiliate, Georgia Kraft Company.

Although we are a major producer of containerboard, we sell very little on the open market. Most of it is shipped to our own box plants where it is converted into corrugated boxes.

Our mills, including half of Georgia Kraft production, established another all-time record in 1984, producing 1,252,000 tons, up 26,000 tons from last year. The mills ran virtually at capacity, and several daily and monthly production records were set during the year. At the same time these records were being set, cost increases were being controlled.

Demand for boxes was strong throughout the year and our Inland Container subsidiary had record earnings of $74.8 million.



Inland Container's new recycle linerboard mill in Ontario, California is scheduled to begin operations late in 1985. Looking over the construction are Inland executives (left to right), Clinton G. Ames Jr., president and chief executive officer; Winfred E. Babin, group vice president—Containerboard Division; and Ben J. Lancashire, executive vice president.



Linerboard and corrugating medium can be made from virgin wood fiber or recycle fiber, or a combination of the two. Some of our mills have the ability to vary the mix of virgin fiber vs. recycle fiber, depending on which is more economical at the time. In 1984, recycle fiber made up 34 percent of the raw material used.

Three corrugating medium mills are located at New Johnsonville, Tennessee; Newport, Indiana; and Newark, California. The Newport and Newark mills utilize 100 percent recycle fiber, while the New Johnsonville mill uses a combination of wood and old corrugated.

The New Johnsonville mill does not operate a woodyard but purchases chips from local sawmills. In 1984, this mill produced a record 195,000 tons of corrugating medium.

The Newport mill was designed for and operates totally on recycled corrugated boxes. The mill is



Linerboard and corrugating medium (above) are the principal raw materials used to manufacture corrugated containers. More than 15 billion square feet of corrugated (left) was produced in 1984 at our 28 box plants.

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located next to a large public utility generating plant from which electricity and steam are purchased. Production in 1984 totaled a record 194,000 tons.

The Newark mill also uses 100 percent recycled fiber, and while small, this mill produced a record 60,000 tons in 1984.

Georgia Kraft Company is one of the major producers of linerboard in the U.S. The company operates five machines at three mills located in Rome and Macon, Georgia, and Mahrt, Alabama. As 50 percent-owners, we receive half of the production time on the machines. This economy of scale allows long grade runs on each machine which results in productivity and efficiency advantages.

Our share of Georgia Kraft's production in 1984 totaled 803,000 tons. Capital expenditures at the mills over the past several years have kept them in excellent shape and have allowed them to achieve record levels of production.

The mills ran virtually at capacity, and several daily and monthly production records were set.

Inland manufactures corrugated boxes in 27 plants in the U.S. and one in Puerto Rico. Each box plant has its own sales representatives who sell and service local accounts, and the company has national account sales executives who call on large, multi-location corporations that will enter into central purchasing agreements. The company currently has about 3,700 customers with approximately 5,000 shipping points, not including agri-business.

Anderson Box Company is a subsidiary which markets a complete line of packaging supplies, including corrugated, to the poultry, fruit, vegetable and horticultural markets. The company has sales representatives and warehouses throughout the U.S. to serve this specialty market.



Eastex Packaging, Incorporated produces folding cartons for a wide range of customers throughout the country.



Electric cut-off knives installed on Inland's corrugators improve productivity and reduce waste.

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Eastex Packaging, another subsidiary, operates three full-service folding carton plants in Memphis, Tennessee; Charlotte, North Carolina; and Madison, Wisconsin. These plants utilize a wide range of converting equipment and printing processes including offset lithography, flexography, letterpress and gravure.

Eastex Packaging provides folding cartons and packaging for a wide range of customers in the food, health care, automotive, hardware, cosmetic, household products, wine and spirits, as well as service industries.



A new product for Eastex Packaging last year was Federal Express' ZapMail package. Pictured with the ZapMail envelopes are E. Barney Ciotti, Inland senior vice president (left); and James J. Mackey, president of Eastex Packaging, Incorporated.

Rexford Paper Company manufactures and markets paper and reinforced tape throughout most of the United States. In 1984, Rexford acquired the gummed tape business of St. Regis Corporation which allowed the Company to open up distribution in areas where it had not previously been represented.

New Markets

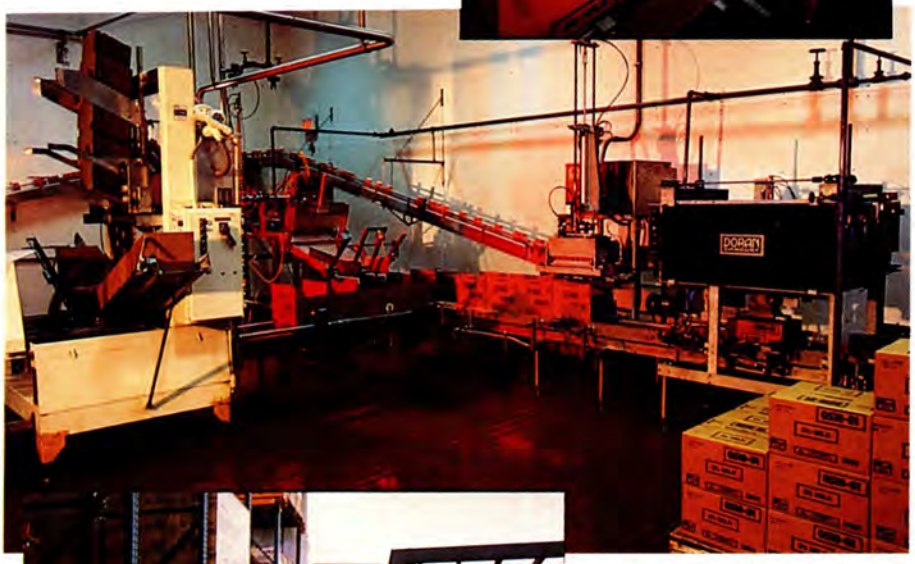
The universal use of the corrugated box as a shipping container limits new applications, but designers and technicians at Inland's Marketing and Technical Center in Indianapolis are constantly investigating potential new markets for corrugated. One such market is causing a good deal of excitement.

For years, the dairy industry has shipped cartons of milk to stores and restaurants in metal and plastic crates. It is estimated that the dairy industry in the U.S. loses $150 million annually in lost and stolen crates, and expensive back hauls cost drivers a great deal of time.

The Ontario mill will increase our containerboard capacity by 15% to an annual total of 1.4 million tons.

Inland is aggressively marketing a single-use corrugated package which now provides a great number of benefits to the dairy industry including lower freight cost, reduced storage, greater productivity per driver, and lower cost.







Cartons of milk are packed in a corrugated box for shipment to stores and restaurants. The single-use box replaces metal and plastic crates previously used. Compared with conventional two-way crates, this new container is expected to be an important cost-saver for dairies.

Expansion

Construction continued in 1984 on the Company's new recycle containerboard mill in Ontario, California. This major new project, to be completed in the fourth

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quarter of this year, will produce 175,000 tons of linerboard annually.

This mill, including the cogeneration facility, is budgeted to cost about $130 million, and will increase our containerboard capacity by approximately 15 percent to an annual total of 1.4 million tons. It will also give us needed tonnage on the West Coast. The Ontario mill will utilize recycled corrugated boxes as raw material.

The cogeneration facility will generate approximately 32 megawatts of electricity, with half being used by the mill and the remainder being sold to an electric utility. The cogeneration plant also will produce the steam requirements for the mill.

The output of the Ontario mill, as well as the expansion of box production, will have a positive impact on our growth in the future.



The Company's 29th and 30th corrugated box plants will open in 1985. We have purchased an existing building in Edison, New Jersey, are renovating it, and upgrading equipment to meet growing demand from existing customers in the area as well as open markets in the Northeast. Production is scheduled to begin this spring.

The second plant to be opened in 1985 is being built adjacent to the new Ontario mill. Startup is expected to be late this year in conjunction with the completion of the mill. It will be our fourth box plant in California and will serve the southern California and Arizona markets.

With growth in demand for linerboard expected to outpace increases in capacity over the next several years, the output of the Ontario mill, as well as the expansion of box production, should have a very positive impact on our earnings growth in the future.



Dies for dozens of customers' boxes are stored ready for use on one of many rotary die cutters in Inland box plants across the country.



At Inland's Marketing and Technical Center in Indianapolis, shipping containers are routinely tested to see how well they hold up under all sorts of simulated conditions. Pictured here with the compression tester which determines box stacking strength is William A. Long, Inland group vice president—Container Division.

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PULP AND PAPERBOARD

Temple-Eastex operates one of the industry's largest specialty bleached paperboard mills at Evadale, Texas. The mill produces a wide range of grades and sells its production to converters of such products as paper cups, plates, folding cartons, and file folders.

The Evadale mill's three large fourdrinier paper machines, one cylinder machine and pulp presses produced 563,000 tons of paperboard and pulp in 1984, an all-time record. The mill earned $46.8 million, up from $20 million in 1983 and second best in the division's history.

1984 started well for our pulp and paperboard segment. The economy moved along at a brisk pace, demand was strong, and prices improved significantly, about 11% from the low point of 1983.

As the year progressed, significant new industry capacity of bleached pulp and paperboard came on stream. In addition, the strong U.S. dollar encouraged imports into this country further increasing the supply. Demand did not grow sufficiently to offset this new supply, and as a result, prices and subsequently earnings began to deteriorate in the fourth quarter. Projected demand should bring these markets back into balance in 1985.

Pulp & Paperboard
(dollars in thousands)

	1984	1983	% Change
Sales	$284,500	$253,200	+12%
Operating Income	$ 46,800	$ 20,000	+134%
Tons Sold			
Paperboard	464,000	449,000	+3%
Pulp	92,000	89,000	+3%

Improvement of quality and cost reduction were the focus of the mill's management in 1984. The mill averaged 1,540 tons of production per day in 1984 compared with 1,485 tons in 1983. This increase has been the result of better uptime on the paper machines and improved operating efficiencies throughout the mill. The increased production and cost containment measures we have undertaken allowed us to hold the line on manufacturing cost per ton in 1984.

1984 was the second best year in the division's history with earnings up 134% over last year.

Currently under construction at the Evadale mill is a new $50 million boiler and steam turbine generator which will be fired with forest residues and is scheduled for completion late in 1985.

When we built our Evadale mill, natural gas was the lowest cost energy source. But, over the years, escalating cost of this fuel has dramatically increased our relative cost per ton of production. This new boiler will make us substantially self-sufficient in energy



Bleached paperboard manufactured at the Evadale mill is sold to converters who produce cups, plates and a wide range of packaging for consumer products.



A new $50 million wood refuse energy complex, designed to reduce outside energy costs by one-third, is under construction at our bleached paperboard mill at Evadale, Texas. Pictured here with the boiler in the background is David L. Ashcraft, group vice president, Temple-Eastex Pulp and Paperboard Division.

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and provide better control over future cost increases.

We believe the incremental innovations we have put in place, including the new boiler complex, will ensure that the Evadale mill

Improvement of quality and cost reduction were the focus of the mill's management in 1984.

will be one of the lower cost producers in the bleached board industry.

New Markets

There is an ongoing evolution in the packaging industry, with paperboard, plastics and glass all jockeying for customer preference.

Bleached paperboard has been very competitive in these markets, developing new packaging concepts as traditional customers, such as milk carton producers, adopted new containerization.

One of the real strengths of our bleached paperboard mill at Evadale is the ability to exploit new product markets. Production facilities lend themselves to supply specialty product converters.

There is a rising interest in the marketplace for paperboard laminations for jumbo-size paper cups; formable paperboard designed for microwave oven use by food packagers and consumers; packaging that offers attractive sanitary integrity for pharmaceuticals and food containers that are grease resistant.

The wide ranging opportunities for new customers are there, and our New Product Development Group is staffed to present us with that "niche" in the market that particularly fits our manufacturing capabilities.

One of the real strengths we have at the Evadale mill is the ability to exploit new product markets.





Record tonnage was achieved as we realized the benefits of our modernization program.



Low cost hardwood fiber now represents a larger portion of the wood needs in our bleached paperboard mill.

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BUILDING PRODUCTS

Temple-Inland building products are produced by Temple-Eastex and its subsidiaries and by Georgia Kraft Company. Earnings from Georgia Kraft's wood products group are accounted for as a cost reduction for the fiber used by its paper mills.

Building products manufactured by Temple-Eastex include lumber, plywood, particleboard, gypsum wallboard, rigid foam insulation, hardboard siding, fiberboard insulation sheathing, oriented strandboard and decorative wall paneling.

The Temple-Eastex building products group had record earnings in 1984 of $40.9 million compared with $35.2 million in 1983. Margins for most products were very favorable for the first six months but deteriorated progressively in the second half of the year as the level of housing construction declined. Lumber and plywood margins were depressed for the entire year.

Our Temple-Eastex building products group had record earnings in 1984 of $40.9 million.

The earnings strength of our building products group lies in product diversity. We are not dependent on lumber and plywood, for instance, as are many of our competitors. Gypsum had an exceptional year with record profitability twice that of its previous peak. Particleboard also enjoyed very favorable markets.

Particleboard is manufactured at Diboll, Texas; Thomson, Georgia; and Monroeville, Alabama and is marketed throughout the eastern two-thirds of the United States. A changing product mix expanded our markets to include industrial uses as well as residential construction. Tem-Stock, an industrial-grade product introduced in 1983, performed very well in 1984.

In addition, we developed and introduced a formaldehyde-free resin product called Premideck which is being well-received, particularly in the mobile home and manufactured housing industries.

Markets for gypsum wallboard have been strong and expanding for the past few years. This economical wall panel is increasing its market share in residential construction, and is finding increased usage in commercial and office buildings, hospitals, and manufactured housing.

Temple-Eastex has gypsum

Building Products*
(in thousands)

	1984	1983	% Change
Manufactured Products			
Sales	$226,600	$207,500	+9%
Operating Income	40,200	31,000	+30%
Retail Distribution			
Sales	68,700	87,600	−22%
Operating Income	700	4,200	−83%

*Excludes those operations of Georgia Kraft which are accounted for by the equity method of accounting.



The various homebuilders shows provide us an opportunity to communicate with builders from across the country. Pictured in the Temple-Eastex booth are Joe C. Denman Jr., chairman, president and CEO of Temple-Eastex (right), and Jack C. Sweeny, vice president—operations of the Building Products Division.



Oriented strandboard (above) was added to our product line in 1984 with the purchase of a manufacturing plant in New Hampshire.

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deposits in Oklahoma and produces wallboard at a plant in West Memphis, Arkansas. During 1984, we announced plans to build a new gypsum wallboard plant adjacent to our quarry in Oklahoma. Construction began late in 1984 with startup scheduled early in 1986.

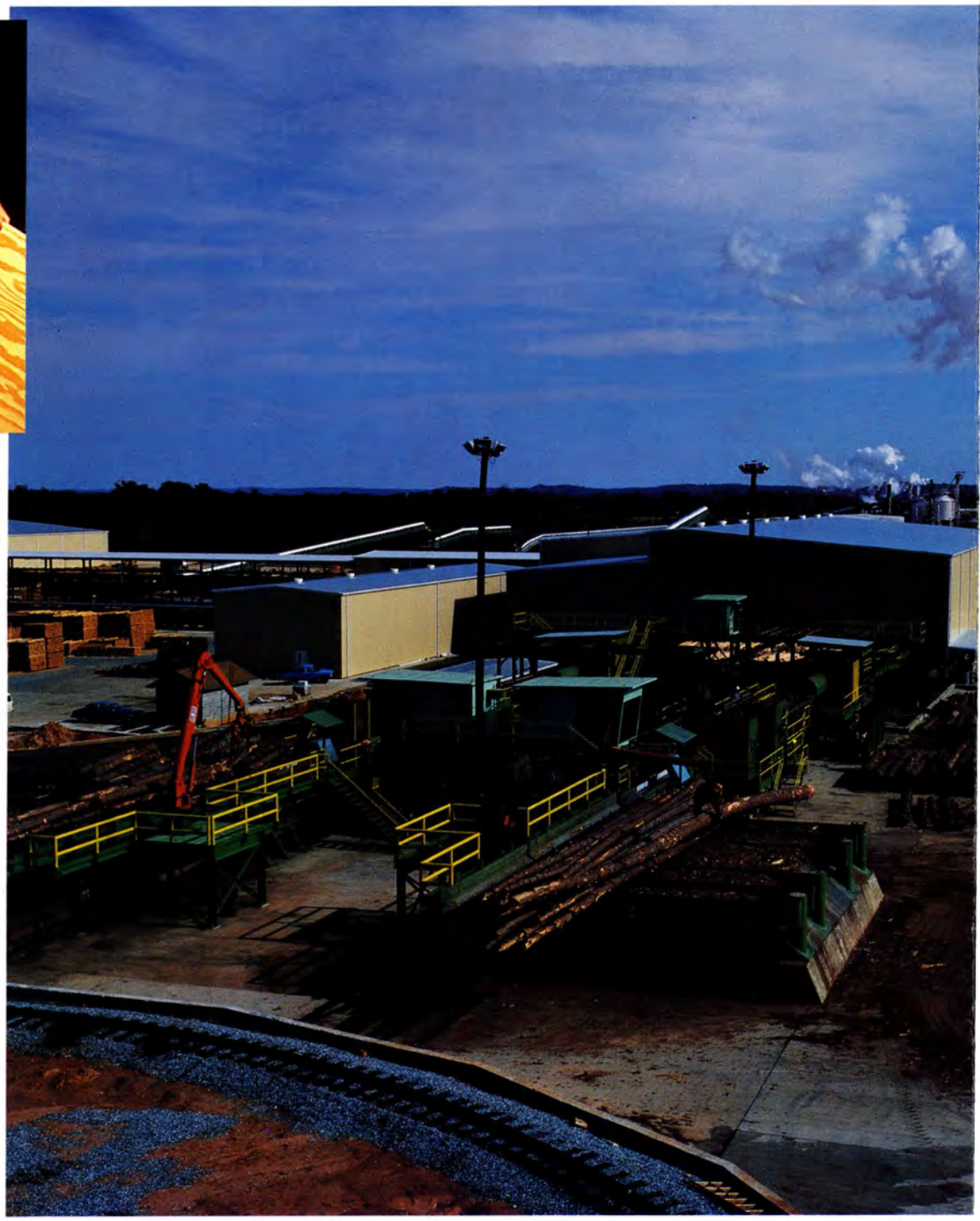
The new plant will produce 300 million feet of gypsum wallboard annually, doubling our present capacity. Production from this facility will broaden our penetration of the Texas-Oklahoma market, and free up some production from our Arkansas plant for other markets in the Southeast.

The earnings strength of our building products group lies in product line diversity.

The fiberboard division had a good year. Additional industrial applications were developed for fiberboard insulation sheathing and exterior textured hardboard siding was well accepted by residential builders.

During 1984, we introduced three new roof insulation products to our rigid foam insulation line, all of which are marketed under the brand name TemPro. This product is a lightweight insulation material designed for maximum





Georgia Kraft produces plywood (inset) at Madison, Georgia and lumber in Madison, Rome and Greenville, Georgia. A new sawmill was recently completed at Mahrt, Alabama (right). Georgia Kraft's Mahrt paper mill is in the background.

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thermal efficiency, dimensional stability and superior compressive and peel strengths.

Significant changes are taking place in the lumber and plywood business. The influx of lumber products from Canada is forcing marginal producers to close their mills. In the long run, this should create a better market for low-cost Southern producers like Temple-Inland.

We continue to make significant productivity improvements at the plywood complex in Pineland and the sawmill at Diboll. Completion of a capital expenditure program at the Diboll sawmill has increased productivity by 20 percent and yield from trees converted by 10 percent. In 1985, we are adding equipment to our plywood plant to expand into new high value added products.

The wood products division of





Trade journals help us introduce our new building products to customers.



Gypsum wallboard (above) is increasing its market share in residential and commercial construction.





Particleboard for furniture and cabinetry broadens our penetration into building products markets.

Premium Temple-Eastex studs are identified and protected by magenta dye.

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Gypsum wallboard produced excellent earnings for the company in 1984, and plans have been announced for the construction of a new gypsum mill which will double our capacity. Pictured here with a load of gypsum ready for installation in a new home are Temple-Inland president, Clifford J. Grum (right) and Harold C. Maxwell, group vice president of the Temple-Eastex Building Products Division.

Georgia Kraft Company was formed in 1976 to better utilize the company's forest resources in Georgia and Alabama. A plywood plant and stud mill at Madison, Georgia; sawmills at Greenville and Rome, Georgia; along with a newly built sawmill at Mahrt, Alabama, are part of the wood procurement system at Georgia Kraft.

In 1984, we added oriented strandboard to our line of building products.

Late in 1984, we added another panel product, oriented strandboard, to our building products line with the purchase of the assets of Elmendorf Board Corporation, in Claremont, New Hampshire. This product is competitive with plywood, and complements our existing building products line. A $5 million expansion and modernization program for the plant will increase annual production capacity to 100 million square feet.

Another of our subsidiaries, AFCO, produces aluminum and plastic extrusions, and pre-finished interior paneling for the do-it-yourself markets. Manufacturing operations in Louisiana, Michigan, Tennessee and California give us access to national markets.

The building products group operates seven retail distribution outlets in Texas and Louisiana under the name Big Tin Barn. Following strong performances in 1983 and the first half of 1984, the retail business suffered in the last half of the year, especially in the Houston area where a majority of sales are generated.



Roofing insulation manufactured by Temple-Eastex is growing in use in commercial and industrial construction.

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FINANCIAL SERVICES

The Temple-Inland Financial Services Group is involved in four distinct areas: mortgage banking; group health and life insurance; commercial and residential land development; and casualty insurance.

Operating income in 1984 totaled $15.2 million, up from $13.8 million in 1983, and equal to the previous record year of 1981 when a non-recurring gain of $8.8 million was earned.

Financial Services
(in thousands)

	1984	1983	% Change
Operating Income	$ 15,200	$ 13,800	+10%
Mortgage Loan Portfolio	2,665,000	2,448,000	+9%
New Loan Production	328,000	545,000	−40%
Insurance in Force	4,162,000	3,500,000	+19%
Premium Volume	84,900	76,300	+11%

Lumbermen's Investment Corporation

Lumbermen's Investment Corporation (LIC), our mortgage banking company based in Austin, Texas, has 24 offices in eight states servicing almost $2.7 billion in mortgage loans, and is among the 25 largest companies in its industry.

As a mortgage banking company, LIC makes residential and commercial loans and sells these loans in groups to various investors. We continue to collect the payments on these loans for the investors and are paid a fee for servicing.

In 1984, continued high interest rates caused demand for home mortgages to soften. In addition, competition increased from conventional mortgage bankers, builders, and other financial institutions. However, new mortgage originations totaled $328 million, the third best production year in our history.

Operating income in 1984 totaled $15.2 million, a new record.

LIC also engages in residential and commercial land development in several Texas cities. The company has been particularly active



Lumbermen's Investment Corporation participates as a partner in several joint venture real estate developments, as well as providing mortgage loans for many of the residences. Pictured here at the Buttercup Creek development in Austin, Texas is Lumbermen's president, Joseph L. O'Connor.



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Onion Creek, in Austin, Texas, site of the annual Legends of Golf Tournament, is one of our larger residential developments. Pictured at the entrance to Onion Creek are W. Wayne McDonald (right), chairman of Temple-Inland Financial Services Group, and Stephen P. Hudnall, senior vice president—land development for LIC.

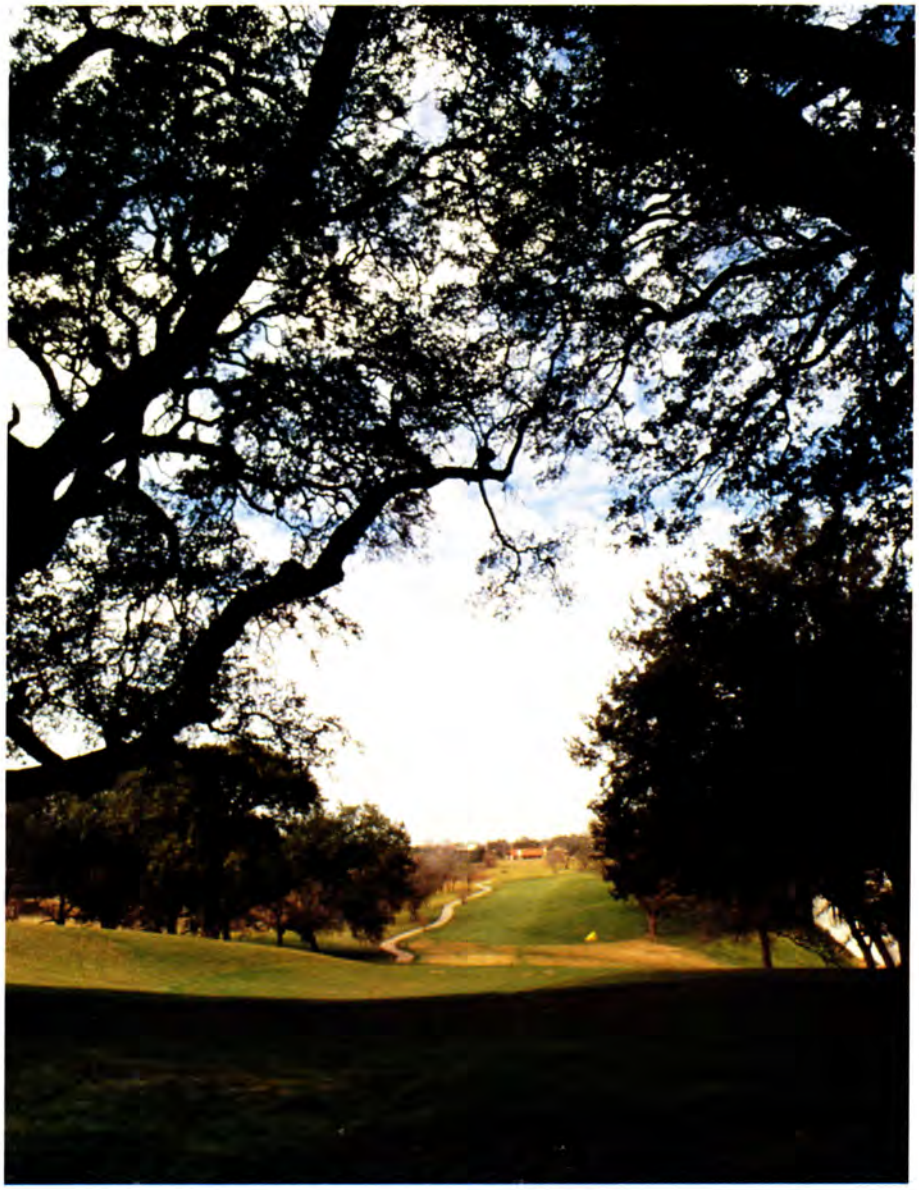
in Austin development for many years and has four large projects, ranging in size from 600 to 1,200 acres, at various stages of development in that city.

One of the premier developments is Onion Creek, a 960-acre project including a championship golf course where the nationally-televised Legends of Golf Tournament is played each year.

Great American Reserve Insurance Company

Great American Reserve Insurance Company (GARCO) was acquired by the Company in 1982 and this past year was a pivotal one for the company. Earnings grew impressively, and sales of individual life and health policies







The Texas Commerce Bank Building in Austin, Texas is a joint venture development of LIC and houses LIC's corporate offices.

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more than doubled over the previous year. A solid foundation was laid for the future. At year end, GARCO had assets of $348 million and insurance in force of $4.2 billion.

. . . we are looking forward to accelerated growth of this segment of our business.

Historically, distribution for GARCO has been through a career agent organization operating primarily through branch offices, all but three of which were in Texas. These agents contributed significantly to GARCO's record year.

During the past year, to expand our distribution network, we established a brokerage organization to sell a new major medical product introduced in 1984. We now have over 4,000 broker agents in the 46 states in which we are licensed. These brokers are producing large volumes of business, and premium income from



GARCO celebrated its 50 years in business in 1984.



Great American Reserve Insurance Company had an excellent year in 1984 by almost any measurement, including growth of first-year premium for individual health and life policies. Pictured here are C. Tom Sumner (left), treasurer of Temple-Inland, and Thomas C. Hardy, president of GARCO.



Our life insurance salesmen now utilize portable computers to assist them in their presentations to prospective clients. This technology was important in the introduction of our new Universallife policy.

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Timberline Insurance Managers, Inc. specializes in property and casualty insurance for selected customers throughout Texas. One client is "Texas Monthly" magazine, covers of which provide the background for this picture of Wendell Wampler, president of Timberline.

this line of business is expected to grow substantially in 1985.

New products have positioned us to enter the direct response marketing field through the use of direct mail. Results of testing done in 1984 were positive and we plan to accelerate our efforts in 1985.

Timberline Insurance Managers

In addition to our life insurance company, we have operated an insurance agency in Austin and San Antonio, specializing in selected areas of property and casualty insurance.

In 1984 we made a decision to expand this operation to become a more diversified unit, able to provide full services in designing and placing property, casualty, marine, individual life and group programs for commercial, industrial and institutional customers. The Timberline agency's approach is to work closely with clients to identify risk management exposure to loss and, utilizing Timberline's expertise, implement an insurance program designed to protect the client's assets and financial success.

Timberline is beginning to achieve excellent results and we are looking forward to rapid growth of this segment of our business.



Timberline Insurance designs complete insurance programs for commercial, industrial and institutional clients as well as individuals. Visual aids often assist in explaining complex insurance programs.

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Management's Discussion and Analysis

Results of Operations

Net income of $102.7 million, or $4.24 per share, increased 113% over 1983 net income of $48.2 million or $1.99 per share. 1982 income was $39.4 million. Net sales of $1.3 billion in 1984 compared to $1.2 billion in 1983 and $1.1 billion in 1982. A detailed analysis of net sales and unit sales by business segments appears on pages 22 and 23.

Interest expense increased to $21.0 million in 1984 compared with $10.5 million in 1983 and $7.2 million in 1982. The increased interest expense resulted primarily from borrowings associated with the restructuring of the capitalization of the Company on September 15, 1983. (See "Related Party Transactions" in Notes to Consolidated Financial Statements.) On a pro forma basis, the Company's interest expense would have been higher by $9.3 million in 1983 and $18.3 million in 1982. Interest income increased to $13.8 million in 1984 compared with $4.4 million in 1983 and $3.3 million in 1982. The increased interest income resulted primarily from cash investments. Prior to the recapitalization, the investment of funds was performed by Time.

The Company had an effective tax rate of 38% in 1984 compared with 39% in 1983 and 43% in 1982. (See "Taxes on Income" in Notes to Consolidated Financial Statements.)

Container and Containerboard

Container and containerboard operations earned $74.8 million on net sales of $665.3 million in 1984, up from earnings of $20.8 million on net sales of $596.9 million in 1983 and earnings of $30.0 million on net sales of $576.8 million in 1982. Strong demand and improved prices for corrugated boxes and increased production and cost containment at the paper mills combined to raise 1984 profit margins ahead of 1983. In contrast, 1983 net sales were up compared to 1982 reflecting increased unit sales; however, prices were depressed, eroding profitability.

Pulp and Paperboard

Pulp and paperboard earnings in 1984 of $46.8 million on net sales of $284.5 million were up from $20.0 million on net sales of $253.2 million in 1983 and earnings of $20.9 million on net sales of $254.5 million in 1982. A soft fourth quarter prevented this segment from achieving record results during 1984. Net sales and operating income were relatively stable for pulp and paperboard in 1983 as compared to 1982.

Building Products

Building products earnings were $40.9 million on net sales of $295.3 million in 1984, up from $35.2 million on net sales of $295.1 million in 1983 and earnings of $4.6 million on net sales of $225.5 million in 1982. During 1984, the sales mix of building products helped this segment achieve record earnings as excellent performances by the gypsum and particleboard operations offset weaknesses in lumber and plywood prices and Houston retail operations. The substantially improved 1984 and 1983 results from building products compared with 1982 reflect an increase in volume shipped and higher unit prices for most building materials, due mainly to increased residential housing construction.

Financial Services

The Company's financial services group had earnings of $15.2 million in 1984, up from $13.8 million in 1983 and $11.4 million in 1982. Mortgage loan production was off somewhat due to the slowdown in housing. Insurance operations improved dramatically with sales of individual life and health policies more than doubled from 1983. Earnings in 1983 were up from 1982 reflecting a record level of loan servicing and strong insurance and land development activities.

Financial Condition

The Company's financial condition continues to be very strong. In 1984, funds from operations totaled $157 million, an increase of 40% compared to $112 million in 1983. Funds from operations totaled $84 million in 1982.

Working capital was $175 million in 1984, up from $136 million in 1983, and $95 million in 1982. The increase in 1984 over 1983 is attributed primarily to an increase in cash and inventories. The gain in 1983 over 1982 was due primarily to increased cash from improved operations.

The ratio of long-term debt to shareholders' equity at year-end was 32% as compared to 30% in 1983. The ratio reflects the issuance of $45 million in revenue bonds.

Prior to the distribution by Time Inc., Temple-Inland did not incur debt other than industrial development bonds and certain other non-bank debt. Accordingly, the Company's debt and equity prior to 1983 are not representative of a stand-alone company and a discussion of the historical financial condition is not presented.

It is estimated capital expenditures will exceed $200 million in 1985. Major projects include the completion of a new recycle containerboard mill in Ontario, California; a new gypsum wallboard plant in Oklahoma and a new wood-fired boiler and turbine generator in Evadale, Texas.

Cash currently on hand and the ability of operations to generate cash are believed adequate to fund working capital, investment in property, plant and equipment and other needs in the foreseeable future. Additionally, the Company believes it has substantial capacity to issue long-term debt if needed.

A discussion of the impact of inflation on the Company is included in "Supplemental Information on the Effects of Changing Prices" in Notes to Consolidated Financial Statements.

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FIVE YEAR SELECTED FINANCIAL DATA

For The Year (in millions)	1984	1983†	1982†	1981†	1980†
Net sales	$1,263	$1,176	$1,096	$1,114	$ 995
Net income	103	48	39	95	72
Capital expenditures	130	53	77	94	102
Depreciation, amortization and depletion	63	64	59	54	48
At Year End (in millions)					
Total assets	$1,364	$1,209	$1,162	$1,127	$1,034
Working capital	175	136	95	134	112
Long-term debt	251	209	80	82	71
Shareholders' equity	793	701	823	784	714
Earnings per share	$ 4.24	$ 1.99	*	*	*
Average shares outstanding (in thousands)	24,240	24,225	*	*	*
Dividends per common share	$ .50	*	*	*	*

†The table reflects the combined historical amounts of the former subsidiaries of Time Inc. that now form Temple-Inland Inc. Because of the recapitalization of the Company, the historical operations of the combined companies may not be comparable in 1984 with the prior years in the table.

*Earnings per share for 1983 are based upon shares distributed and outstanding as of January 26, 1984 and common stock equivalents. Prior years earnings per share, average shares outstanding and dividends per common share are not meaningful and are not presented.

BUSINESS SEGMENTS (in millions)

For years ended December 31	1984	1983	1982	1981	1980
Net Sales					
Container and containerboard	$ 665.3	$ 596.9	$ 576.8	$ 595.7	$534.2
Pulp and paperboard	284.5	253.2	254.5	261.7	233.6
Building products:					
Manufacturing	226.6	207.5	158.2	151.0	145.9
Retail	68.7	87.6	67.3	59.2	46.8
Other activities[1]	17.8	30.3	39.6	46.5	34.5
	$1,262.9	$1,175.5	$1,096.4	$1,114.1	$995.0
Income Before Taxes					
Container and containerboard[2]	$ 74.8	$ 20.8	$ 30.0	$ 58.1	$ 55.1
Pulp and paperboard	46.8	20.0	20.9	45.4	36.6
Building products:					
Manufacturing	40.2	31.0	1.8	0.9	(4.0)
Retail	.7	4.2	2.8	2.0	0.6
Other activities[1]	(3.2)	(2.1)	—	1.2	2.0
Operating Profit	159.3	73.9	55.5	107.6	90.3
Financial services[3]	15.2	13.8	11.4	15.2	5.6
	174.5	87.7	66.9	122.8	95.9
Corporate expense[4]	(11.9)	(7.2)	—	—	—
Interest expense—net	(4.6)	(4.7)	(1.9)	(1.0)	(.3)
Other income—net	1.8	2.9	1.9	—	(1.5)
Gain on sale of property and equipment	5.8	—	2.5	3.7	3.7
	$ 165.6	$ 78.7	$ 69.4	$ 125.5	$ 97.8

[1]Primarily industrial contracting.

[2]Includes $21.7, $24.6, $26.0, $24.6, and $21.2 million of operating income from Georgia Kraft, a 50% owned affiliate of the Company, for the years 1984, 1983, 1982, 1981, and 1980, respectively. These Georgia Kraft income amounts are deducted from cost of sales in the statement of income.

[3]Equity in pre-tax earnings of unconsolidated subsidiaries including an $8.8 million gain on the sale of a building in 1981.

[4]Prior to the formation of Temple-Inland in 1983 there were no material amounts of general corporate expenses.

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NET SALES (in millions)

The following table shows the net sales of Temple-Inland Inc.

For years ended December 31	1984	1983	1982	1981	1980
Container and containerboard	$ 665.3	$ 596.9	$ 576.8	$ 595.7	$534.2
Pulp and paperboard					
Paperboard	250.2	224.1	218.5	222.3	183.8
Market pulp	24.7	21.1	28.0	26.0	36.9
Nodular pulp	6.3	3.5	5.3	9.0	9.5
Other	3.3	4.5	2.7	4.4	3.4
Building products					
Pine lumber	27.7	28.9	22.1	21.1	21.2
Fiberboard	47.4	49.5	40.4	32.4	31.0
Particleboard	49.4	43.5	31.8	39.1	31.9
Plywood	21.2	21.7	19.4	17.9	21.8
Gypsum wallboard	37.5	27.2	14.2	11.6	12.7
Decorative wall paneling	15.6	14.1	13.6	16.1	16.4
Rigid foam insulation	14.3	10.5	6.5	5.2	3.5
Oriented strandboard (a)	1.2	—	—	—	—
Retail distribution	68.7	87.6	67.3	59.2	46.8
Other	12.3	12.1	10.2	7.6	7.4
Other activities	17.8	30.3	39.6	46.5	34.5
	$1,262.9	$1,175.5	$1,096.4	$1,114.1	$995.0

UNIT SALES

The following table shows the rated annual capacities of the production facilities for, and unit sales of, the principal manufactured products of Temple-Inland Inc.

	Rated annual capacity at 12/31/84	For years ended December 31				
		1984	1983	1982	1981	1980
		(in thousands of tons)				
Container and containerboard	(b)	1,176	1,172	1,128	1,139	1,096
Pulp and paperboard						
Paperboard	(c)	464	449	417	416	381
Market pulp	(c)	69	72	97	70	97
Nodular pulp	(c)	23	17	20	31	32
Building products		(in millions of board feet)				
Pine lumber (d)	134	128	121	101	98	99
		(in millions of square feet)				
Fiberboard	430	385	401	362	289	319
Particleboard	282	284	286	261	271	263
Plywood (d)	195	155	148	149	133	147
Gypsum wallboard	300	300	298	211	174	184
Decorative wall paneling	109	60	54	50	61	65
Rigid foam insulation	110	64	41	25	21	13
Oriented strandboard (a)	80	9	—	—	—	—

(a) The oriented strandboard plant was acquired in October 1984.

(b) The annual capacity of Inland's 28 box plants and three folding carton plants are not given because such annual capacity is a function of the product mix, customer requirements and the type of converting equipment installed and operating at each plant, each of which varies from time to time. The rated annual capacity of Inland's three corrugating medium mills and one-half the annual production capacity of Georgia Kraft is 1,210,000 tons per year.

(c) The annual capacity of the paperboard and pulp mill is 540,000 tons. Such capacity may vary to some degree depending on product mix.

(d) Excludes the Company's 50% interest in pine lumber and plywood produced by Georgia Kraft. Georgia Kraft production in 1984 totaled 234 million feet of pine lumber and 262 million feet of plywood.

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ADDITIONAL BUSINESS SEGMENT INFORMATION (in millions)

For years ended December 31	1984	1983	1982
Identifiable Assets			
Container and containerboard (1)	$ 666.7	$ 589.5	$ 578.1
Pulp and paperboard	254.1	233.5	262.4
Building products	155.5	153.8	157.8
Timber and timberlands (2)	101.5	106.6	103.7
Other activities	8.7	6.1	10.2
Total	1,186.5	1,089.5	1,112.2
Equity method investments	55.0	52.3	50.2
Corporate (3)	122.2	66.8	—
Total	$1,363.7	$1,208.6	$1,162.4
Depreciation, Amortization and Depletion			
Container and containerboard	$ 20.1	$ 20.7	$ 19.2
Pulp and paperboard	27.0	25.6	24.0
Building products	12.2	14.0	12.1
Timber and timberlands (2)	3.2	2.9	2.4
Other activities	.6	.6	1.2
Total	$ 63.1	$ 63.8	$ 58.9
Capital Expenditures			
Container and containerboard	$ 68.0	$ 25.1	$ 28.7
Pulp and paperboard	35.4	14.4	20.0
Building products	17.4	7.1	20.8
Timber and timberlands (2)	6.7	6.2	5.8
Other activities	2.3	0.2	2.0
Total	$ 129.8	$ 53.0	$ 77.3

(1) Includes the Company's 50% investment in Georgia Kraft Company.
(2) In previously issued financial statements, amounts pertaining to timber and timberlands were included with both the building products and pulp and paperboard segments. The building products and pulp and paperboard segments have been reclassified to separately disclose the timber and timberlands amounts. The separate identification of these resources is a more meaningful presentation.
(3) Principally cash and construction funds held by trustees.

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CONSOLIDATED STATEMENTS OF INCOME

Temple-Inland Inc. and Subsidiaries
For years ended December 31

	1984	1983	1982
		(in thousands)	
Revenues			
Net sales	$1,262,904	$1,175,546	$1,096,407
Financial services earnings—Note B	15,163	13,829	11,384
	1,278,067	1,189,375	1,107,791
Costs and Expenses			
Cost of sales	992,033	991,756	936,817
Selling and administrative	123,450	117,073	104,054
	1,115,483	1,108,829	1,040,871
Operating Income	162,584	80,546	66,920
Interest expense—net—Note D	(4,554)	(4,786)	(1,947)
Other	7,547	2,919	4,434
Income Before Taxes	165,577	78,679	69,407
Taxes on income—Note G	62,900	30,500	30,031
Net Income	$ 102,677	$ 48,179	$ 39,376
Earnings Per Share—Note A	$ 4.24	$ 1.99	

See the notes to the consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

Temple-Inland Inc. and Subsidiaries
As of December 31

	1984	1983
	(in thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 75,468	$ 57,676
Other short-term investments	6,616	6,276
Receivables, less allowances of $5,290,000 in 1984 and $4,868,000 in 1983	126,163	121,426
Inventories—at lower of cost or market:		
Work in process and finished goods	48,263	43,622
Raw materials	60,598	54,914
	108,861	98,536
Prepaid expenses	23,235	7,398
Total Current Assets	340,343	291,312
Investments—Note B		
Financial services subsidiaries	41,399	37,128
Other unconsolidated subsidiaries	7,886	7,720
Other investments	6,457	8,166
Total Investments	55,742	53,014
Property and Equipment—Note D		
Buildings	134,927	130,385
Machinery and equipment	768,972	725,817
Less allowances for depreciation and amortization	(448,051)	(398,342)
	455,848	457,860
Construction in progress	77,791	16,427
Construction funds held by trustee	35,794	3,520
	569,433	477,807
Timber and timberlands—less depletion	94,658	96,252
Georgia Kraft Company—Note B	277,953	261,781
Land	15,037	14,954
Total Property and Equipment	957,081	850,794
Other Assets	10,556	13,523
TOTAL ASSETS	$1,363,722	$1,208,643

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	1984	1983
	(in thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 89,565	$ 83,775
Due to Georgia Kraft Company	62,370	59,858
Employee compensation and benefits	10,207	7,368
Current portion of long-term debt	3,684	4,219
Total Current Liabilities	165,826	155,220
Long-Term Debt—Note D	251,113	208,504
Deferred Investment Tax Credits—Note G	31,738	27,749
Deferred Federal Income Taxes—Note G	109,539	100,046
Other Liabilities	12,842	16,154
Shareholders' Equity		
Common stock—par value $1 per share: authorized 100,000,000 shares; issued 24,135,805 shares in 1984 and 24,073,518 shares in 1983, including shares held in the treasury—Note J	24,136	24,074
Additional paid-in capital	326,997	325,550
Retained earnings	441,962	351,346
	793,095	700,970
Cost of 14,213 shares held in the treasury	(431)	—
	792,664	700,970
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,363,722	$1,208,643

See the notes to the consolidated financial statements.
Certain amounts have been reclassified to conform with current year's classifications.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Temple-Inland Inc. and Subsidiaries	Common Stock	Additional Paid-in Capital	Invested Capital	Retained Earnings	Treasury Stock
			(in thousands)		
Balance at January 1, 1982	$ —	$ —	$ 337,601	$ 446,734	$ —
Net income	—	—	—	39,376	—
Dividends paid to Time Inc.	—	—	—	(900)	—
Transfer of a subsidiary to Time Inc. as a dividend, and Time Inc.'s contribution of the subsidiary to Inland Container Corporation	—	—	12,106	(12,106)	—
Balance at December 31, 1982	—	—	349,707	473,104	—
Net income	—	—	—	48,179	—
Dividends paid to Time Inc.—Note J	—	—	—	(169,937)	—
Other	—	—	(83)	—	—
Balance at December 31, 1983	—	—	349,624	351,346	—
Distribution of Temple-Inland shares—January 26, 1984	24,074	325,550	(349,624)	—	—
Net income	—	—	—	102,677	—
Dividends paid on Common Stock—$.50 per share	—	—	—	(12,061)	—
Stock issued for stock option and restricted stock plans	62	1,447	—	—	—
Stock reacquired for treasury—14,213 shares at cost	—	—	—	—	(431)
Balance at December 31, 1984	$24,136	$326,997	$ —	$ 441,962	$ (431)

See the notes to the consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Temple-Inland Inc. and Subsidiaries For years ended December 31	1984	1983	1982
		(in thousands)	
Working Capital Sources			
Net income	$102,677	$ 48,179	$ 39,376
Items not affecting working capital:			
Depreciation, amortization and depletion	63,093	63,838	58,923
Amortization of intangibles	140	515	208
Deferred taxes and deferred tax credits	12,284	15,525	14,413
Unremitted earnings of affiliated companies	(21,528)	(16,457)	(28,498)
Total from Operations	156,666	111,600	84,422
Disposition of property and equipment	4,400	4,545	4,363
Decrease (increase) in construction funds held by trustees	(32,274)	9,818	(7,687)
Issuance of long-term debt	51,981	149,474	11,958
Change in other assets and liabilities	3,147	9,458	5,091
Issuance of common stock	1,509	—	—
Other	4,625	234	273
Total Working Capital Sources	190,054	285,129	98,420
Working Capital Uses			
Capital expenditures	129,765	53,006	77,327
Dividends paid to shareholders	12,061	—	—
Dividends to Time Inc.	—	169,937	900
Purchase of treasury stock	431	—	—
Reduction of long-term debt	9,372	21,165	58,946
Total Working Capital Uses	151,629	244,108	137,173
Increase (Decrease) in Working Capital	$ 38,425	$ 41,021	$(38,753)
Changes in Working Capital			
Cash and short-term investments	$ 18,132	$ 61,855	$ (2,243)
Receivables	4,737	(5,185)	9,141
Inventories	10,325	(2,306)	(16,757)
Prepaid expenses	15,837	1,509	(1,976)
Accounts payable and accrued expenses	(8,629)	(8,145)	(12,499)
Due to Georgia Kraft Company	(2,512)	(14,560)	(9,614)
Current portion of long-term debt	535	7,853	(4,805)
Net Change in Working Capital	$ 38,425	$ 41,021	$(38,753)

See the notes to the consolidated financial statements.
Certain amounts have been reclassified to conform with current year's classifications.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note A—Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of Temple-Inland Inc. (the "Company") and its subsidiaries (except unconsolidated mortgage banking, insurance and real estate investment subsidiaries). Unconsolidated subsidiaries and companies 20% to 50% owned are reflected in the financial statements on the equity basis. All material intercompany amounts and transactions have been eliminated.

The Company was formerly a wholly-owned subsidiary of Time Inc. ("Time")—See Note J.

Inventories

Inventories are stated at the lower of cost or market.

Cost of inventories amounting to $56.8 million in 1984 and $44.8 million in 1983 was determined by the last-in, first-out method (LIFO). The cost of the remaining inventories of $52.1 million in 1984 and $53.7 million in 1983 was determined principally by the first-in, first-out method (FIFO).

If the FIFO method of accounting had been applied to those inventories which were costed on the LIFO method, inventories would have been $19.6 and $18.9 million higher than reported at December 31, 1984 and 1983, respectively.

Property and Equipment

Property and equipment are stated at cost less allowances for accumulated depreciation and depletion. Depreciation is generally provided on the straight-line method based on estimated useful lives of the assets.

Certain properties are being depreciated based on operating hours because they depreciate primarily through use rather than merely through elapsed time.

Timberlands, including long-term timber harvesting rights, are stated at cost, less accumulated cost of timber harvested. The portion of the cost of timberlands attributed to standing timber is charged against income as timber is cut, at rates determined annually, based on the relationship of unamortized timber costs to the estimated volume of recoverable timber. The costs of seedlings and reforestation of timberlands are capitalized.

Start-up costs incurred in connection with major new manufacturing facilities are capitalized as part of the cost of the asset and are amortized over a five year period.

Earnings Per Share

Earnings per share for 1984 are based upon the weighted average number of shares outstanding, including common stock equivalents, during the period. Earnings per share for 1983 are based upon the number of shares distributed and outstanding on January 26, 1984, including common stock equivalents. Earnings per share amounts for 1982 are not meaningful and are not presented. The weighted average shares outstanding was 24,240,000 in 1984 and 24,225,000 in 1983.

Note B—Investments in Affiliated Companies

The Company's 50% investment in Georgia Kraft Company ("Georgia Kraft") is classified as property and equipment since that company's underlying net assets are primarily mill operating properties and timberlands, which are the principal sources of the Company's linerboard raw material requirements. Likewise, equity in operating income of Georgia Kraft is recorded as a reduction of cost of sales and its share of related income taxes is included in taxes on income. The Company's investment exceeded its equity in Georgia Kraft's net assets by $102.2 million at December 31, 1984.

Under a long-term board purchase contract, the Company and the other joint venturer are each obligated to purchase the output of one-half of the production time of Georgia Kraft. Such purchases are at prices which provide Georgia Kraft with a recovery of all costs and expenses, including depreciation claimed for tax purposes but excluding federal income taxes, plus a stated amount per ton. Additionally, the payments must provide adequate funds to meet all obligations and to pay current installments of funded indebtedness.

The Company's purchases of Georgia Kraft output were $168.7 million in 1984, $164.9 million in 1983 and $166.0 million in 1982.

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Summary financial information for Georgia Kraft Company is as follows:

	1984	1983	1982
	(in thousands)		
Total revenues	$539,746	$516,877	$493,584
Income before taxes	45,225	51,007	53,810
Net income	30,737	32,213	35,268
Current assets	147,565	173,255	143,415
Noncurrent assets	487,454	452,350	443,236
Current liabilities	59,914	54,897	44,696
Noncurrent liabilities	223,543	249,883	253,343

The Company's financial services operations are conducted by Lumbermen's Investment Corporation and its subsidiaries. Summarized combined financial information for these wholly-owned unconsolidated subsidiaries, excluding Great American Reserve Insurance Company ("GARCO"), is shown below. GARCO has been excluded because its operations are dissimilar. Material intercompany balances have been eliminated.

	1984	1983	1982
	(in thousands)		
Total revenues	$ 36,421	$ 40,936	$ 35,532
Income before taxes	15,163	13,829	11,384
Net income	10,475	9,465	9,180
Current assets	108,096	81,212	128,397
Noncurrent assets	131,164	136,928	121,413
Current liabilities	102,808	75,330	114,875
Noncurrent liabilities	94,775	108,670	102,171

Summarized financial information for GARCO, an unconsolidated insurance subsidiary of the Company, which was acquired on December 29, 1982, and accounted for as a purchase, is as follows:

	1984	1983	1982
	(in thousands)		
Total revenues*	$115,861	$100,406	$ —
Income before taxes**	9,176	4,112	—
Net income	5,964	3,241	—
Total investments	266,627	225,046	197,561
Total assets	348,194	292,316	265,003
Future policy benefit reserves	225,107	195,397	170,266
Total liabilities	257,601	212,983	189,003

*Includes net investment income of $29.4 million and $23.0 million, respectively.

**Includes pre-tax realized investment gains of $.1 million and $2.6 million, respectively.

The Company's share in the net income of all unconsolidated subsidiaries and 20-50% owned affiliates amounted to $25.8 million, $27.3 million and $28.6 million for the years ended December 31, 1984, 1983 and 1982, respectively.

Dividends received from such subsidiaries and affiliates amounted to $4.3 million, $10.9 million and $.2 million for the years ended December 31, 1984, 1983 and 1982, respectively.

The Company's share of undistributed earnings of companies 20-50% owned, included in retained income was $101.2 million and $86.6 million at December 31, 1984 and 1983, respectively.

Note C—Leases

Total rental expense was $7.8 million, $7.1 million and $6.5 million for the years ended December 31, 1984, 1983 and 1982, respectively.

The future minimum rental commitments, as of December 31, 1984, under non-cancellable operating leases were as follows: 1985—$4.8 million; 1986—$3.9 million; 1987—$3.2 million; 1988—$2.7 million; and 1989—$2.1 million.

Note D—Long-Term Debt

Long-term debt consists of the following:

	1984	1983
	(in thousands)	
Bank Revolving Credit Agreement	$ 80,000	$ 80,000
8¼% Promissory Notes to Time due 1986	50,000	50,000
Revenue Bonds due 2014—Floating Interest Rate at 12/31/84 was 5.2%	45,000	—
9% Tax Exempt Pollution Control Bonds due 2012	9,400	9,400
7.9% Promissory Notes due through 1994	14,400	15,960
6% Revenue Bonds due 2001-2007	10,000	10,000
Revenue Bonds due 2007—Effective Interest Rate at 12/31/84 was 7.74%	9,300	9,300
Revenue Bonds due 2008—Effective Interest Rate at 12/31/84 was 7.89%	8,900	8,900
9.5% Subordinated Debentures through 1995	7,000	7,700
Revenue Bonds due 2009—Floating Interest Rate at 12/31/84 was 6.375%	5,200	—
9.5% Revenue Bonds due 1984	—	5,000
Other revenue bonds due through 2007, weighted average interest rate of 6.6% and 6.7% as of December 31, 1984 and 1983, respectively	6,356	6,962
Other indebtedness due through 2000, weighted average interest rate of 10.9% and 10.7% as of December 31, 1984 and 1983, respectively	5,557	5,282
	$251,113	$208,504

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On September 15, 1983, in connection with the restructuring of capitalization, the Company borrowed $80 million under a bank revolving credit agreement with interest at a rate which, at the option of the Company, may be based on various market rates including prime. During 1984, the weighted average interest rate was 10.68%. Credit agreements provide for borrowings of up to $130 million on a revolving basis, repayable in full on September 15, 1989. At December 31, 1984 the unused portion of the credit line was $50 million.

At December 31, 1984, consolidated net current assets were approximately $125 million in excess of the minimum requirements under the most restrictive provisions of the Company's loan agreements and approximately $167 million of consolidated retained income was unrestricted as to the payment of dividends. At December 31, 1984, property and equipment of approximately $22 million was subject to liens in connection with $23 million of debt.

Aggregate maturities of long-term debt during the next five years are as follows: 1985—$3,684,000; 1986—$53,390,000; 1987—$3,412,000; 1988—$3,426,000; 1989—$83,508,000.

Interest expense incurred, net of interest income and capitalized interest, is shown below:

	1984	1983	1982
	(in thousands)		
Interest expense	$(20,999)	$(10,468)	$(7,187)
Interest income	13,825	4,359	3,326
Capitalized interest	2,620	1,323	1,914
	$(4,554)	$(4,786)	$(1,947)

Note E—Stock Option and Purchase Plans

On October 6, 1983, the Company established a stock option plan for key employees. The plan, ratified by Time stockholders, provides for the granting of incentive stock options and/or non-qualified stock options, and permits the grant of stock appreciation rights with all or part of any options so granted.

Under earlier Time stock option plans, employees of the Company had been granted options to purchase Time common stock. All such options outstanding as of January 11, 1984 were converted into options to purchase 439,589 shares of the Company's common stock at prices ranging from $9.29 to $20.77 per share, averaging $16.57 per share.

Options for 425,591 and 439,589 shares were exercisable at December 31, 1984 and 1983, respectively. An additional 898,436 and 1,060,411 shares of the Company's common stock were available for grants at December 31, 1984 and 1983, respectively.

The proceeds from sale of common stock for options exercised are credited to the common stock account at par and the excess over par is credited to additional paid-in capital. When stock is issued using treasury shares, the difference between the average cost of treasury common shares issued and the option prices is charged or credited to additional paid-in capital.

A summary of activity under the option plans is presented below:

	Common Stock	
	Number of Shares	Price Range Per Share
Outstanding at January 11, 1984	439,589	$ 9-21
Granted	174,100	$31-36
Exercised	(13,998)	$12-21
Forfeited	(12,125)	$ 31
Outstanding at December 31, 1984	587,566	$ 9-36

Compensation expense associated with stock option plans totaled $.9 million in 1984 and $6.0 million in 1983.

The Company has a Payroll-Based Employee Stock Ownership Plan and Savings and Stock Purchase Plans which permit participating employees to invest in the Company's common stock and other funds.

Additionally, an Incentive Stock Plan provides for a maximum of 250,000 shares of common stock to be reserved for awards at the discretion of the Board of Directors. At December 31, 1984, grants of 51,075 shares of common stock were outstanding at an average price of $30.78 per share.

Subsequent to December 31, 1984, the Company granted options to purchase 155,420 shares of the Company's common stock at a price of $37.81 per share and granted 18,380 shares of common stock under the incentive stock plan.

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Note F—Pension Plans and Other Post-Retirement Benefits

The Company and its subsidiaries have several pension plans covering substantially all employees. Total pension expense was $8.6 million in 1984, $9.9 million in 1983 and $10.0 million in 1982, which includes amortization of past service cost over periods ranging from 10 to 30 years. The Company's policy is to fund pension cost accrued.

In 1984 various Temple-Inland pension plans were amended to increase benefits for active and retired employees. Additionally, in 1984 the actuarial interest assumption for various pension plans was increased from 5½% to 7¾%. The combination of the amendments and the change in the actuarial assumption decreased 1984 expense by approximately $1 million. The amendments increased the January 1, 1984 actuarial present value of accumulated plan benefits, disclosed in the table below, by approximately $8 million.

Accumulated benefit information as estimated by consulting actuaries, and net assets for the Company's retirement plans as of January 1, 1984 and January 1, 1983, assuming a rate of return of 8%, were as follows:

	1984	1983
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$ 94,748	$ 77,597
Non-vested	10,855	8,734
Total accumulated plan benefits obligation	$105,603	$ 86,331
Net assets available for benefits	$137,099	$113,937

In addition to providing pension benefits, the Company and its subsidiaries provide certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach retirement age while working for the Company. The Company recognizes the cost of providing the benefits by expensing the insurance premiums as incurred. For 1984, these costs totaled approximately $700,000.

Note G—Taxes on Income

Taxes on income consisted of the following:

	1984		1983		1982	
	Current	Deferred	Current	Deferred	Current	Deferred
	(in thousands)					
Federal	$26,945	$25,839	$10,477	$20,449	$6,295	$19,020
Investment tax credit deferred	—	7,366	—	(1,773)	—	2,934
State and local	2,750	—	1,347	—	1,782	—
	$29,695	$33,205	$11,824	$18,676	$8,077	$21,954

The provision for deferred income taxes reflects timing differences between financial and tax reporting related to the following items:

	1984	1983	1982
	(in thousands)		
Depreciation	$11,966	$13,035	$13,892
Investment tax credits	7,366	(1,773)	2,934
Contribution to employee benefit trust	7,820	—	—
Other—net	6,053	7,414	5,128
	$33,205	$18,676	$21,954

The differences between the consolidated effective income tax rate and the federal statutory income tax rate of 46% include the following:

	1984	1983	1982
	(in thousands)		
Taxes on income at statutory rate	$76,165	$36,192	$31,927
Investment tax credits	(6,185)	(5,528)	(5,270)
Tax benefit of capital gains, mainly from the harvesting and sale of fee-owned timber	(8,541)	(7,565)	(8,541)
All other	1,461	(3,021)	4,055
Approximate separate tax return expense	62,900	20,078	22,171
Allocation of taxes from Time's consolidated group including charges in 1983 for prior years' taxes	—	10,422	7,860
	$62,900	$30,500	$30,031

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The Company's share of Georgia Kraft's tax related items included above for 1984, 1983 and 1982 were: investment tax credits of $1.9 million, $.9 million and $1.5 million; and the tax benefit of capital gains of $1.4 million, $1.4 million and $1.7 million, respectively.

Investment tax credits are deferred and amortized as a reduction of income tax expense over the estimated useful lives of the related assets except for Georgia Kraft which records such credits as reductions in current income tax expense on a flow-through basis.

The Company's equity in the earnings of 20-50% owned affiliates is reinvested; accordingly, no provision for income taxes is made on the undistributed earnings.

Note H—Business Segment Information

Refer to "Business Segments" on pages 22 and 24 for information relating to the Company's principal segments of business for the three years ended December 31, 1984.

Note I—Commitments and Contingencies

There are pending against the Company and its subsidiaries lawsuits and claims arising in the regular course of business.

In the opinion of management, recoveries, if any, by plaintiffs or claimants that may result from the foregoing litigation and claims will not be material in relation to the consolidated financial position of the Company and its subsidiaries.

At the end of 1984, the Company had purchase commitments outstanding of approximately $90 million pertaining to the construction of major capital projects.

Note J—Related Party Transactions

Temple-Eastex and Inland were formerly wholly-owned subsidiaries of Time. On December 7, 1983, the shareholders of Time approved the distribution of 90% of the Company's outstanding common stock to shareholders of record on January 11, 1984. On January 26, 1984, 24,073,518 shares of common stock were distributed to shareholders. In that connection, the capitalization of Temple-Inland was restructured on September 15, 1983 with a dividend being paid to Time of $169.9 million. Due to this transaction, outstanding debt and interest expense were substantially increased. Previously, most long-term debt requirements were funded by Time.

For the periods prior to 1984, transactions between the Company and Time have been presented in the following manner:

Time charged certain net expenses incurred by it on behalf of the Company on the basis of actual cost. Management believes the methodology of determining these charges is reasonable and that the charges approximate the costs (except interest and taxes) which would have been incurred if the Company had operated as an unaffiliated entity.

Prior to September 15, 1983 advances to and from Time were non-interest bearing and fluctuated on a daily basis. The net receivable from(or payable to) Time at December 31, 1983, 1982 and 1981 was $(1.5) million, $18.5 million and $(32.5) million, respectively. The average balance receivable from (or payable to) Time during 1983 and 1982 was approximately $17.4 million and $(7.8) million, respectively.

In 1983 and prior years, the Company was included in the consolidated federal tax returns filed by Time and the Company's tax liability was allocated by Time.

The Company is required to remove Time, on or before September 1, 1987, as the guarantor on indebtedness totaling $10.4 million due through 2012.

During 1984, the Company sold certain equipment to Time at a pre-tax profit of $2.5 million.

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Note K—Summary of Quarterly Results of Operations (Unaudited)

Selected quarterly financial results for the years ended December 31, 1984 and 1983 are summarized below:

	Three Months Ended			
	March 31	June 30	Sept 30	Dec 31
	(in millions except per share amounts)			
1984				
Net Sales	**$313.5**	**$329.4**	**$323.9**	**$296.1**
Gross Profit	**59.9**	**73.4**	**72.2**	**65.4**
Net Income	**20.8**	**28.8**	**27.4**	**25.7**
Earnings Per Share	**.86**	**1.18**	**1.14**	**1.06**
1983				
Net Sales	$286.2	$300.8	$302.2	$286.4
Gross Profit	40.4	45.2	47.3	50.9
Net Income	9.7	11.6	14.5	12.4*
Earnings Per Share	**	**	**	**

*Includes $4.4 million (before taxes) of expenses related to the formation and distribution of the Company to the shareholders of Time.
**Temple-Inland Inc. shares were distributed January 26, 1984. Earnings per share by quarter for 1983 are not meaningful and are not presented.

Note L—Supplemental Information on the Effects of Changing Prices (Unaudited)

Basis of Supplemental Data

The Financial Accounting Standards Board requires disclosure of supplementary financial information adjusted for the estimated effect of inflation as measured by the concept of current cost accounting. Traditionally, financial statements have been reported under the historical cost method of accounting which reflects amounts in dollars of varying purchasing power.

Adjustments to restate costs for the effects of changes in specific prices represent the historical amounts of production and manufacturing costs, and depreciation, amortization and depletion adjusted to reflect current cost at the date of sale and the average current cost depreciation of property and equipment restated to reflect current cost, respectively. Current cost was computed using appropriate external cost indices, appraisals and direct pricing methods. The current cost of timber and timberlands and related depletion was based on estimated reforestation costs and forest management expenditures required to bring a newly harvested area to the existing maturity of present timberland holdings. The depreciation, amortization, depletion and inventory accounting methods used to develop this supplementary financial information are the same as the methods used by the Company in its primary financial statements.

Income Taxes

No adjustments to, or allocations of, the amount of income tax expense in the primary financial statements were made in the computation of the supplemental information. Present tax laws do not allow for higher cost adjustments for the effects of inflation.

Purchasing Power Gain from Holding Net Monetary Liabilities During the Year

When prices are increasing, the holding of monetary assets (e.g., cash and receivables) results in a loss of general purchasing power. Similarly, monetary liabilities are associated with a gain of general purchasing power. The amount has been calculated based on the Company's average net monetary liabilities for the year multiplied by the change in the CPI for the year. Such amounts do not represent funds available for distribution to shareholders.

Increases in Specific Prices of Inventories, Plant and Equipment Held During the Year

Under current cost accounting, increases in specific prices of inventories, plant and equipment held during

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the year are not included in income from continuing operations but are presented separately. The current cost increase is adjusted by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and plant and equipment.

Effects of Inflation

The economy has experienced relatively high rates of inflation in prior years. Although current indications are that this trend will moderate, inflation is expected to continue. In order to offset the resulting rise in the costs of operations, the Company has attempted to adjust selling prices to maintain profit margins over the years and expects to continue this approach to cope with future cost changes.

Statement of Income Adjusted for Changing Prices

		Year ended December 31, 1984
		(in millions)
Income from operations as reported in the statement of income		$103
Adjustments to restate costs for the effect of specific prices (current cost):		
Depreciation, amortization and depletion	$(35)	
Cost of products sold	—	(35)
Income from operations adjusted for specific prices		$ 68
Purchasing power gain from holding net monetary liabilities during the year		$ 13
Increase in specific prices (current cost) of inventories, property, plant and equipment and timber and timberlands held during the year*		$115
Less effect of increase in general price level		65
Increase in specific prices over increase in the general price level		$ 50

*At December 31, 1984, current cost of inventory was $117 million and current cost of property, plant and equipment, net of accumulated depreciation, was $1,671 million.

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices
(stated in average 1984 dollars)
(unaudited)

	1984	1983	1982	1981	1980
	(dollars in millions except per share amounts)				
Net Sales	$1,263	$1,225	$1,180	$1,272	$1,254
Current cost information:					
Income from operations	68	6	(1)	65	61
Earnings per share	2.80	.26	—	—	—
Net assets at year-end	1,500	1,400	1,600	1,700	1,600
Increase in specific prices (current cost) of inventories, property, plant and equipment and timber and timberlands over (under) the increase in the general price level	50	(22)	(30)	55	(133)
Other inflation-adjusted information:					
Purchasing power gain on net monetary items	13	11	10	22	31
Cash dividend declared per share	.50	—	—	—	—
Market price per share at year-end	37.10	33.57	—	—	—
Average consumer price index	311.1	298.4	289.1	272.4	246.8

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Report of Management

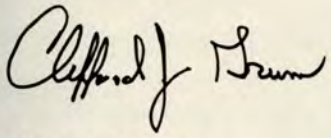
Management Report on Financial Statements

Management has prepared and is responsible for the Company's financial statements, including the notes thereto. They have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on judgments and estimates by management. All financial information in this annual report is consistent with that in the financial statements.

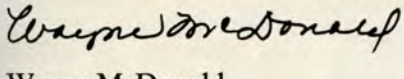
The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal auditing function which evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

The Company's financial statements have been examined by Ernst & Whinney, independent auditors, who have expressed their opinion with respect to the fairness of the presentation of the statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets with the independent auditors and internal auditors to evaluate the effectiveness of the work performed by them in discharging their respective responsibilities and to assure their independent and free access to the Committee.



Clifford J. Grum
President & Chief Executive Officer



Wayne McDonald
Executive Vice President &
Chief Financial Officer

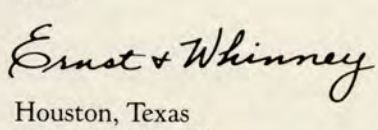
Independent Auditors' Report

Report of Ernst & Whinney, Independent Auditors

To the Board of Directors and Shareholders of Temple-Inland Inc.:

We have examined the consolidated balance sheets of Temple-Inland Inc. and subsidiaries as of December 31, 1984 and 1983, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1984. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of Georgia Kraft Company and Great American Reserve Insurance Company, used as a basis for recording Temple-Inland Inc.'s investment in and equity in net income of those corporations, were examined by other auditors whose reports were furnished to us. Our opinion expressed herein, insofar as it relates to the amounts of investment in and income included for Georgia Kraft Company and Great American Reserve Insurance Company, is based solely on the reports of the other auditors.

In our opinion, based upon our examinations and the reports of the other auditors, the financial statements referred to above present fairly the consolidated financial position of Temple-Inland Inc. and subsidiaries at December 31, 1984 and 1983, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis.



Houston, Texas
February 15, 1985

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TEMPLE-INLAND INC.
Board of Directors

Clinton G. Ames Jr. (3)
Executive Vice President of Temple-Inland Inc.

Warren L. Batts (1)(2)(3)
President, Chief Operating Officer and Director of Dart & Kraft, Inc.

James F. Beré (1)(2)
Chairman and Chief Executive Officer of Borg-Warner Corporation

Robert Cizik (2)(4)
Chairman, President and Chief Executive Officer of Cooper Industries, Inc.

Joe C. Denman Jr. (3)
Executive Vice President of Temple-Inland Inc.

Henry C. Goodrich (2)(3)(4)
Chairman of the Board of Sonat Inc.

Clifford J. Grum (3)
President and Chief Executive Officer of Temple-Inland Inc.

W. Wayne McDonald (3)
Executive Vice President and Chief Financial Officer of Temple-Inland Inc.

James R. Shepley (3)(4)
Chairman of the Board of Pullman Transportation Company Inc.

Walter P. Stern (1)
Vice Chairman of the Board of Capital Research Company

Arthur Temple (3)
Chairman of the Board of Temple-Inland Inc.

Arthur Temple III (4)
Commissioner of the Railroad Commission of Texas

(1) Audit Committee
(2) Compensation Committee
(3) Executive Committee
(4) Nominating Committee

TEMPLE-INLAND INC.
Officers

Clifford J. Grum
President and Chief Executive Officer

Arthur Temple
Chairman of the Board

Clinton G. Ames Jr.
Executive Vice President

Joe C. Denman Jr.
Executive Vice President

W. Wayne McDonald
Executive Vice President and Chief Financial Officer

Roger D. Ericson
General Counsel and Secretary

C. Tom Sumner
Treasurer

Joseph E. Tomlinson
Assistant Treasurer

James R. Wash
Assistant Secretary

Chester E. Winger
Assistant Treasurer

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Officers

Inland Container Corporation

Corporate Group

Clinton G. Ames Jr.
President and Chief Executive Officer

Ben J. Lancashire
Executive Vice President

E. Barney Ciotti
Senior Vice President and President, Anderson Box Co.

Joseph M. Areddy
Vice President-Public Affairs

David J. Harrison
Vice President-Employee Relations and Staff Services

Joseph E. Tomlinson
Vice President, Treasurer and Controller

John M. Vaughan
Vice President-Engineering and Technology

Robert B. White
Vice President-Management Information Services

David H. Recker
General Counsel

Donald W. Armstrong Jr.
Assistant Vice President-Human Resources Planning and Development

Frank F. Hirschman
Assistant Vice President and Assistant Secretary

Patricia A. Foley
Assistant Secretary

Containerboard Division

Winfred E. Babin
Group Vice President

Fredrick G. Fly
Vice President-Sales and Administration

Donald O. Parish
Vice President-Mill Operations

Container Division

William A. Long
Group Vice President

James E. Cory
Senior Vice President-Sales and Marketing

Roger B. Morse
Senior Vice President-Plant Operations

James E. Bauer
Vice President-National Accounts

Robert W. Hosford
Vice President-Manufacturing Services

James R. Adams
Vice President-Area Manager

Charles R. Bachman Jr.
Vice President-Area Manager

William O. Banks
Vice President-Area Manager

James M. Givens Jr.
Vice President-National Accounts Executive

Samuel E. MacNulty
Vice President-National Accounts Executive

C. Raymond Pope
Vice President-Regional Sales Manager

Joseph E. Turk
Vice President-Area Manager

Charles L. Wilson
Vice President-Marketing

Robert N. Wood
Vice President-National Accounts Executive

Anderson Box Company

James R. McConnell
Vice President and General Manager

Eastex Packaging, Incorporated

James J. Mackey
President

Temple-Inland Financial Services Group

W. Wayne McDonald
Chairman and Chief Executive Officer

Lumbermen's Investment Corporation

Joseph L. O'Connor
President

Steve Hudnall
Senior Vice President—Temple-Inland Properties

Timberline Insurance Managers, Inc.

Wendell D. Wampler
President

J. P. Greve
Executive Vice President

Great American Reserve Insurance Company

Thomas C. Hardy
President and Chief Executive Officer

Peter B. Dahlberg
Executive Vice President & Chief Actuary

John O. Rollwage
Executive Vice President-Administration and Operations

Robert L. Sanders
Executive Vice President-Sales and Marketing

Terrence L. Whitworth
Executive Vice President and Chief Financial Officer

Temple-Eastex Incorporated

Corporate Group

Joe C. Denman Jr.
Chairman, President and Chief Executive Officer

Robert G. Luttrell
Vice President-Administration and Treasurer

James R. Wash
Secretary

Jack H. McCuistion
Controller

James J. Nelson
Assistant Secretary and Assistant Treasurer

Building Products Division

Harold C. Maxwell
Group Vice President

Joe K. Sample
Vice President-Marketing

Jack C. Sweeny
Vice President-Operations

Forests Division

Glenn A. Chancellor
Group Vice President

Pulp and Paperboard Division

David L. Ashcraft
Group Vice President

Russell E. Chase Jr.
Senior Vice President-Marketing

Aubrey W. Barlow
Vice President-Sales

Carl B. Fickenscher
Vice President-Administration

Robert W. Kent
Vice President-Mill Operations

E. Wayne Carr
Controller

AFCO Industries, Inc.

Robert G. Molloy
President and Chief Operating Officer

Sabine Investment Company of Texas, Inc.

Horace G. Stubblefield Jr.
President

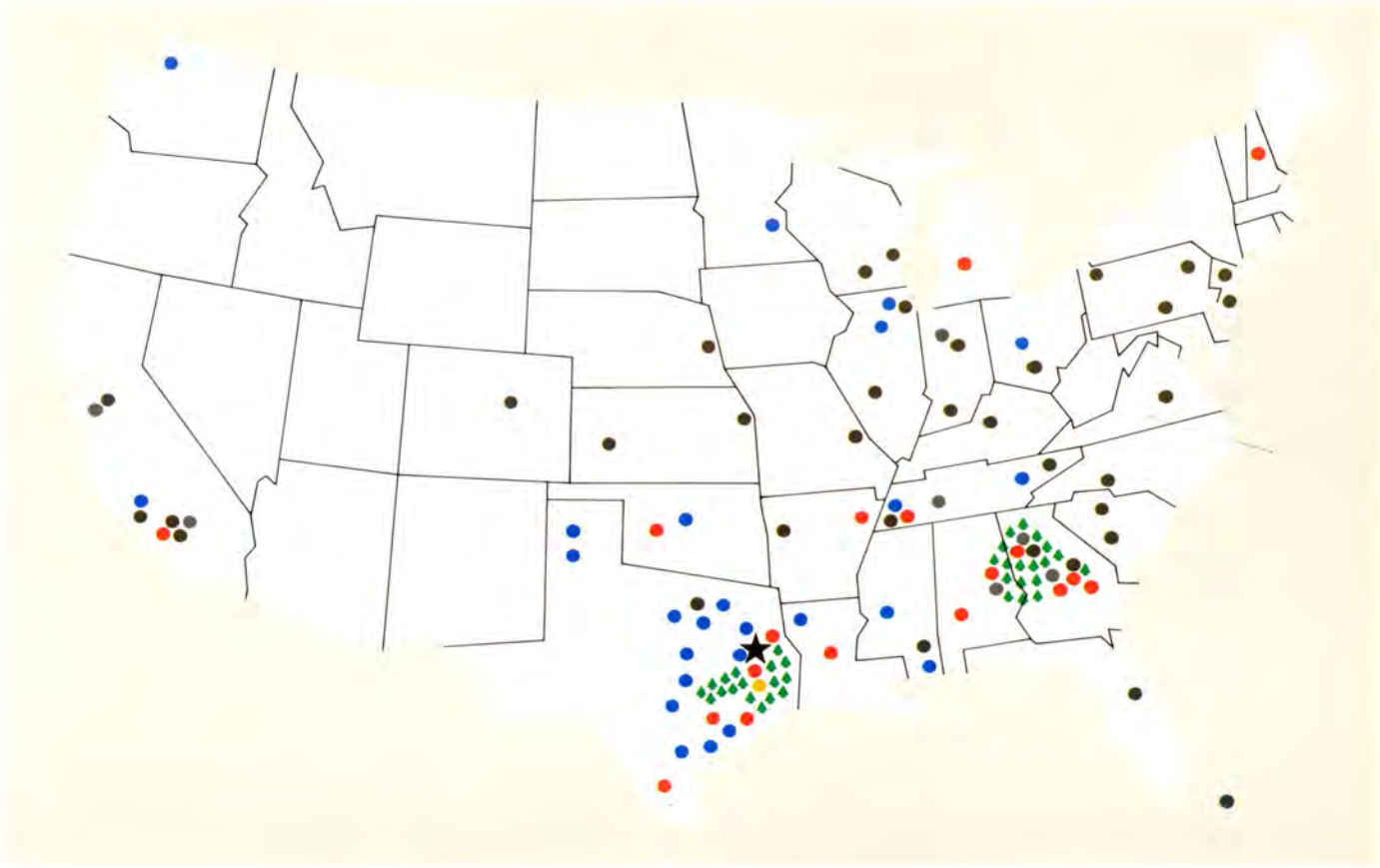
Temple Associates, Inc.

Kenneth D. Robirds
President and Chief Executive Officer

The Angelina Free Press, Inc.

Paul M. Durham
Vice President, Editor and General Manager

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★ Corporate Headquarters

Diboll, Texas

● Bleached Paperboard

Evadale, Texas

● Containerboard

Linerboard Mills
Mahrt, Alabama*
Macon, Georgia*
Rome, Georgia*
Ontario, California
(under construction)

Corrugating Medium Mills
New Johnsonville, Tennessee
Newark, California
Newport, Indiana

*—50% owned

▲ Timberlands

● Building Products

Fiberboard Operation
Diboll, Texas

Rigid Foam Operation
Diboll, Texas

Particleboard Operations
Diboll, Texas
Monroeville, Alabama
Thomson, Georgia

Gypsum Operations
West Memphis, Arkansas
Fletcher, Oklahoma
(under construction)

Lumber Operations
Diboll, Texas
Pineland, Texas
Greenville, Georgia*
Madison, Georgia*
Mahrt, Alabama*
Rome, Georgia*

Oriented Strandboard Operation
Claremont, New Hampshire

Plywood Operations
Pineland, Texas
Madison, Georgia*

Retail Distribution Operations
Diboll, Texas
Pineland, Texas
Conroe, Texas
Houston, Texas
Harlingen, Texas
Alexandria, Louisiana

Millwork Operation
Houston, Texas

AFCO Industries Operations
Alexandria, Louisiana
Holland, Michigan
Ontario, California
Memphis, Tennessee

*—50% owned

● Packaging

Corrugated Container Operations
Fort Smith, Arkansas
Los Angeles, California
Newark, California
Ontario, California
(under construction)
Santa Fe Springs, California
Denver, Colorado
Orlando, Florida
Macon, Georgia
Rome, Georgia
Chicago, Illinois
Crawfordsville, Indiana
Evansville, Indiana
Garden City, Kansas
Kansas City, Kansas
Louisville, Kentucky
Hattiesburg, Mississippi
St. Louis, Missouri
Omaha, Nebraska
Edison, New Jersey
(under construction)
Spotswood, New Jersey
Middletown, Ohio
Biglerville, Pennsylvania
Erie, Pennsylvania
Hazleton, Pennsylvania
Vega Alta, Puerto Rico
Lexington, South Carolina
Rock Hill, South Carolina
Elizabethton, Tennessee
Dallas, Texas
Richmond, Virginia

Eastex Packaging Operations
Charlotte, North Carolina
Memphis, Tennessee
Madison, Wisconsin
Jacksonville, Illinois

Anderson Box Company
21 warehouses located throughout the country

Tape Manufacturing Plant
Milwaukee, Wisconsin

● Financial Services

Mortgage Loan Operations
Austin, Texas
Dallas, Texas
Houston, Texas
Killeen, Texas
Temple, Texas
San Antonio, Texas
Kingsville, Texas
Garland, Texas
Downers Grove, Illinois
Gurnee, Illinois
Oklahoma City, Oklahoma
Memphis, Tennessee
Jackson, Mississippi
Knoxville, Tennessee
Minneapolis, Minnesota
Gautier, Mississippi

Insurance Operations
Amarillo, Texas
Austin, Texas
Columbus, Ohio
Corpus Christi, Texas
Dallas, Texas
Tyler, Texas
Fort Worth, Texas
Houston, Texas
Seattle, Washington
Shreveport, Louisiana
San Antonio, Texas
Lubbock, Texas
Los Angeles, California

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Shareholder Information

Mailing Address
Temple-Inland Inc.
Drawer N
Diboll, Texas 75941

Transfer Agent and Registrar
RepublicBank Dallas, N.A.
P. O. Box 2964
Dallas, Texas 75221

Independent Auditors
Ernst & Whinney
Houston, Texas

Annual Meeting
The annual meeting of shareholders of Temple-Inland Inc. will be held at our corporate headquarters, 303 South Temple Drive, Diboll, Texas on Friday, May 3, 1985 at 10:00 a.m. local time.

Stock Listing
Temple-Inland Inc. Common Stock is listed on the New York Stock Exchange. Ticker Symbol: TIN

Common Stock Price Range and Dividend Information—1984

	Common Stock Prices		*Dividends Paid*
Quarter	*High*	*Low*	*Per Share*
First	$37¾	$25⅜	$.125
Second	33⅜	25¾	.125
Third	35¼	25½	.125
Fourth	37¾	29⅝	.125

Temple-Inland's shares were distributed January 26, 1984. Temple-Inland Common Stock began trading on a "when issued" basis on December 19, 1983. The price range between that date and the end of 1983 was 32½ and 36.

At their February, 1985 meeting, the directors of Temple-Inland Inc. voted to increase the regular quarterly dividend rate on Common Stock from 12½ cents to 16 cents per share.

Number of Shareholders
As of December 31, 1984, there were 12,249 shareholders of record of the Company's common stock.

Form 10-K
A copy of Temple-Inland Inc.'s annual report on Form 10-K as filed with the Securities and Exchange Commission will be sent without charge upon written request to the Company's Shareholder Relations Department.

Dividend Reinvestment Plan

Beginning in 1985, the Company offers its shareholders a convenient and economical way to increase their investment in our Common Stock through the purchase of additional shares with quarterly dividends and optional cash payments. Under the Temple-Inland Inc. Dividend Reinvestment Plan administered by RepublicBank Dallas, N.A., Temple-Inland pays the brokerage fees and service charges, and the shareholder receives the benefit of larger quantity purchases and optional free custodial services. For more information on the Plan, contact RepublicBank Dallas, N.A., Dividend Reinvestment Department, P. O. Box 2964, Dallas, Texas 75221.

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TEMPLE-INLAND
INC.

TREES
PAPER
CONTAINERS
BUILDING PRODUCTS
INSURANCE
MORTGAGE BANKING