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Temple-Inland Inc.

A Forest Products Company



1983 Annual Report

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TEMPLE-INLAND INC.
A FOREST PRODUCTS COMPANY

Financial Highlights
(in millions, except per share data)

	1983	1982	Percent Increase (Decrease)
Net Sales	$1,175.5	$1,096.4	7.2%
Operating Income	$ 80.5	$ 66.9	20.3%
Net Income	$ 48.2	$ 39.4	22.3%
Earnings Per Share*	$ 1.99	**	
Working Capital	$ 136.1	**	
Shareholders' Equity	$ 701.0	**	

Selected Business Segment Data
(in millions)

	1983	1982	Percent Increase (Decrease)
Net Sales			
Container and containerboard	$596.9	$576.8	3.5%
Pulp and paperboard	$253.2	$254.5	(0.5)%
Building products	$295.1	$225.5	30.9%
Operating Income			
Container and containerboard	$ 20.8	$ 30.0	(30.7)%
Pulp and paperboard	$ 20.0	$ 20.9	(4.3)%
Building products	$ 35.2	$ 4.6	665.2%
Financial services***	$ 13.8	$ 11.4	21.1%

*Based upon shares distributed and outstanding as of January 26, 1984 and common stock equivalents (24,225,000).

**Temple-Inland's earnings per share, working capital and equity, prior to 1983, were not representative of a stand-alone company and are not presented.

***Pre-tax earnings of unconsolidated financial services subsidiaries.

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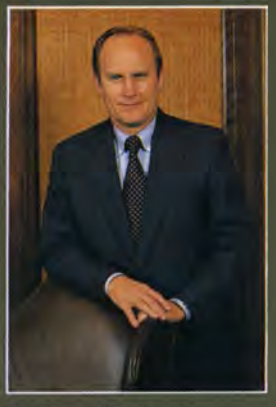
Clinton G. Ames Jr.
Executive Vice President
Temple-Inland Inc.



Joe C. Denman Jr.
Executive Vice President
Temple-Inland Inc.



W. Wayne McDonald
Executive Vice President
Temple-Inland Inc.

Dear Shareholder:

Temple-Inland began operations on January 1, 1984, following Time Inc.'s spinoff of its forest products operations from its communications activities. We welcome to our company those shareholders who received their stock as a dividend from Time, as well as those of you who recently have purchased Temple-Inland stock.

Although Temple-Inland is a new company, our operations have long histories and in recent years have functioned as subsidiaries of Time Inc.

Our operating revenues in 1983 were $1.2 billion which would rank us about 15th in size in the Fortune 500 list of paper and forest products companies in the U.S. Net income from operations was $48.2 million or $1.99 per share. These results reflect the combined operations on a historical basis of the subsidiaries of Time Inc. that became Temple-Inland. Earnings for 1983 are not indicative of the earnings of Temple-Inland as an independent company for a number of reasons. First, interest expense associated with a substantial portion of our debt is included in our operations only for one-third of the year. Additionally, a charge for settlement of prior years' income taxes amounted to about 25 cents per share.

Temple-Inland is primarily a forest products company with four areas of operation—paper, containers, building materials, and financial services. We have a substantial land base consisting of ownership of 1.1 million acres of timberland in East Texas and 50 percent ownership of Georgia Kraft Company which has approximately one million acres in Georgia and Alabama.

This timberland serves as a resource for our manufacturing operations in paper and building materials. We have concentrated our paper activities into two grades—containerboard and bleached paperboard. Our building materials operations, with their diversified product line, serve the rapidly growing Sun Belt areas of the country.

Containerboard is the principal raw material used in corrugated shipping containers. Virtually every product manufactured is shipped at some time in its distribution process in a corrugated container, making the corrugated box an essential part in the distribution of goods in this country.

In periods of economic recession, when manufacturing levels decline, the demand for shipping containers also declines creating an imbalance between supply and demand. During these periods, sales concessions and cost increases result in declining profit margins. This condition depressed our earnings from this segment of our business in 1983 to less than half the level earned in 1981 before the recession began.

The recovery of the economy is already having a positive impact on both volume and pricing of these containers, and we expect further improvement throughout 1984. In fact, the outlook for the next several years appears very promising for this part of our business.

To better serve our markets for these containers, we are building a new recycle containerboard mill in Ontario, California, which will produce 175,000 tons of containerboard annually. The mill, which is expected to start up in late 1985, will increase our capacity of this paper product by about 15 percent.

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Bleached paperboard is a universal item in most forms of consumer paper packaging. Our specialty bleached paperboard mill manufactures a wide variety of different items of paperboard in any year for many consumer uses ranging from certain office supplies to paper plates and cups. This large group of products allows this unit to participate in the growth of broad consumer markets. Similar to our containerboard operations, the recession adversely affected profit margins for bleached paperboard in the last two years, but a recovery began in late 1983.

The level of residential construction improved in 1983, and our building materials units experienced significant improvement in profitability. Housing demand is definitely constrained and, as affordable interest rates are available, the demand will be converted to higher levels of construction. Our building materials units are well located geographically and are low-cost producers which should be very beneficial in future cycles.

Temple-Inland has a financial services group which produced 16 percent of our earnings in 1983. This group consists primarily of mortgage banking and insurance operations. They obtained record earnings in 1983 and we anticipate they will exceed those earnings in 1984.

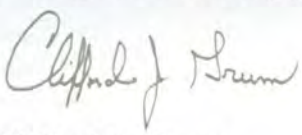
The remainder of this report includes more information about each of our product lines and our operations. What is not stated elsewhere is the importance of our employees in efficiently producing and marketing quality products and services. The last two years have been difficult for our industry and virtually all our product lines have experienced substantial declines in profit margins. Only the cooperation and dedication of our 10,000 employees allowed us to maintain our level of profitability as high as it was. We are very appreciative of their efforts.

We are extremely proud of the management group in each of our subsidiaries. C. G. Ames Jr., Joe C. Denman Jr., and W. Wayne McDonald are the three executive vice presidents of Temple-Inland Inc. heading up Inland Container Corporation, Temple-Eastex, and our financial services group respectively. Our operations are in good hands.

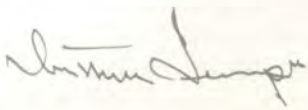


Clifford J. Grum Arthur Temple

As we enter 1984, all our markets appear to be improving and we are hopeful and confident that this trend will continue throughout the year, making our first year of operation very successful. Also, with our equity base in excess of $700 million and one of the most conservative debt ratios in our industry, our company is uniquely situated to expand its productive capabilities and dramatically grow our earnings in the coming years.



Clifford J. Grum
President &
Chief Executive Officer



Arthur Temple
Chairman of the Board

February 14, 1984

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Temple-Inland Inc. is a new company, incorporated in 1983. Its parts, however, Temple-Eastex Inc., based in Diboll, Texas, and Inland Container Corporation, headquartered in Indianapolis, Indiana, have long histories and solid foundations upon which this new forest products company can grow.

Temple-Eastex had its beginning in 1893 when T.L.L. Temple acquired 7,000 acres of timber in Angelina County, Texas. By 1894, the Southern Pine Lumber Company had its first mill on stream at Diboll, Texas, cutting 50,000 board feet of old growth pine per day.

From those early years to the housing boom following World War II, the company was primarily a producer of basic lumber products, both pine and hardwood, for the construction and furniture industries.

By the early 1950s, technology pointed the way to the conversion of chips, sawdust and shavings to profitable panel products and the company began to manufacture fiberboard sheathing.

In subsequent years, the company pioneered the early research and development of Southern pine plywood manufacture, began production of particleboard, gypsum wallboard and other building materials.

In 1964, the name of the company was changed to Temple Industries, Inc. By this time, the company's land holdings had grown from those initial 7,000 acres to ownership of more than 450,000 acres. In addition, the company had entered the mortgage banking, insurance and construction businesses.



Herman C. Krannert

In the early fifties, Time Inc. sought entry into paper production and incorporated East Texas Pulp and Paper Company as a joint venture with The Houston Oil Company. Houston Oil's 670,000 acres of Southern pine and hardwood would provide the raw material for the new paper mill which came on stream in 1954 at Evadale, Texas. Two years later, Time Inc. purchased Houston Oil's fifty percent ownership and acquired the 670,000 acres of timberland.

In 1973, Time Inc. acquired Temple Industries and merged it with Eastex Pulp and Paper Company to form Temple-Eastex Inc.

Inland Container Corporation's heritage dates back to 1918 when Herman C. Krannert started Anderson Box Company in Anderson, Indiana, to make ventilated corrugated boxes for the shipment of baby chicks.

In 1925, he moved to Indianapolis, started Inland Box Company, and opened its first plant in 1926. The company acquired a second plant in Middletown, Ohio in 1929 and in 1930 it was reincorporated

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T. L. L. Temple

as Inland Container Corporation.

By 1946, Inland had grown into a multi-plant box converter but it was relying entirely on outside sources for its paper supply. That year, through a joint venture with The Mead Corporation, Georgia Kraft Company was formed and construction of a new linerboard mill was begun at Macon, Georgia.

Fifty percent-owned by Inland, Georgia Kraft currently operates three linerboard mills with five machines, plywood and lumber mills, and owns approximately one million acres of timberland in Georgia and Alabama.

In the late 1960s, Inland decided to further integrate its operations and began construction of a corrugating medium mill in Tennessee. Corrugating medium and linerboard are the two principal materials used in the manufacture of a corrugated box. Production at the mill began in 1970. Further expansion took place with the construction of a new recycle corrugating medium mill at Newport, Indiana, which began operations in 1975.

In 1978, Inland was acquired by Time Inc. and thereafter was operated as a subsidiary.

Other operating divisions of Inland market corrugated and other packaging materials to the agricultural, horticultural and poultry industries; manufacture a wide assortment of paperboard containers for the food, pharmaceutical and other industries; and manufacture and market paper and reinforced box tapes.

Temple-Inland Inc., through its subsidiaries, has manufacturing, retail and service operations in 29 states and Puerto Rico; owns more than 1.6 million acres of timberland (including 50 percent of Georgia Kraft land) in Texas, Georgia and Alabama; employs more than 10,000 dedicated people; and can trace its history back over 90 years.

But, as the famous quotation from Shakespeare states, "What's past is prologue." Temple-Inland's management believes in using the past as the foundation for solid growth in the future. That is our intent and we are dedicated to it.

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Timberland



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Temple-Inland land holdings include 1.1 million acres of pine and hardwood timberland owned in East Texas, and half ownership of Georgia Kraft Company which owns nearly one million acres in Georgia and Alabama. These lands are an important asset located in the fast-growing Sun Belt.

Texas

Our 1.1 million acres in East Texas make us the largest industrial land owner in the state and represent acquisitions made over the past 90 years. Because most of these purchases were made in the early 1900s, these holdings carry a book value of less than $100 per acre.

For management efficiency, these lands have been partitioned into 2,500 operating units or compartments. Employing techniques common to a Japanese tea garden concept, each compartment has a detailed management plan and harvest schedule. A staff of 70 professional foresters provides a continuous record of harvest and growth using the latest computerized techniques.

Approximately 55 percent of the 2 million cords of fiber consumed by our manufacturing operations in Texas is secured from fee land harvest or wood residue generated as a by-product. The Company internally supplies virtually all of its saw timber requirements, with outside purchases principally in pulpwood categories, the majority of which is purchased through a long-term contract.

A detailed geophysical analysis of our timber holdings indicates some 800,000 acres are best suited for pine timber. These acres have been selectively harvested over the years, maintaining a significant volume of mature timber. As the mature timber is harvested, we replant those acres with pine seedlings from the company's Stillman nursery to allow faster growth of wood fiber. To date, 354,000 acres have been converted to pine plantations. Our earliest plantations are now reaching maturity and will be a significant source of sawlog-size timber in the next decade.

We are currently converting 23,000 acres each year and replanting immediately with superior pine seedlings from our nursery. More than 400 million seedlings have been planted in the past 28 years, and we have increased our nursery to a capacity of 30 million seedlings per year to fulfill our accelerated planting program.



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Glenn A. Chancellor
Group Vice President
Forests Division
Temple-Eastex Inc.

Highly efficient processing systems now permit us to utilize tree-length logs to a four-inch top diameter. This leaves less debris at the logging site and reduces preparation costs for replanting.

Approximately 313,000 mineral acres are owned in fee by Temple-Inland. No significant oil or gas finds are indicated at this time. However, we own an operating or royalty interest in 58 gas wells and five oil wells on those acres.

Southeast

Georgia Kraft Company, our 50 percent-owned affiliate, owns nearly one million acres of timberland in the northern two-thirds of Georgia and northern and eastern Alabama.

Georgia Kraft has a forest management and wood procurement organization which stretches 400 miles across Georgia and Alabama. The company's mills and our fee-owned land are located in the midst of forest land basically owned by small landowners. These landowners are receptive to the production of pine trees, reforestation programs and furnishing wood fiber to Georgia Kraft. This situation allows the company to purchase approximately 80 percent of its fiber needs from outside sources on an attractive, reliable and competitive basis.

Like its Texas counterpart, Georgia Kraft is using the latest forest management techniques to increase yield from its land. Data dealing with tree species, sizes, volumes, stand density and site quality are gathered and fed into a sophisticated computer program known as Timber Harvest Economic Optimization to form the basis for timber management decisions aimed at maximizing the utilization of the land.

We are currently harvesting and regenerating about 40,000 acres per year. About 20 percent of the wood requirements of Georgia Kraft's paper, plywood and

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Wildlife prospers on our 1.6 million acres of forests in East Texas, Georgia and Alabama.



Plantations will provide valuable sawtimber in the decades ahead.



Hundreds of millions of pine seedlings have been transplanted on our land. Forestry crews plant over 55,000 acres each year.

sawmills is provided from company lands. As the yield from our acreage increases, our long term objective is to raise our wood usage from company land to about 40 percent.

Recreation and Preservation

We do everything we can to maximize the use of the timberland. For instance, nearly 300,000 acres are made available to the public for hunting and recreation at no charge.

Our game biologists have entered into agreements with area universities and state wildlife departments to determine the impact of forest management on wildlife species. These projects have helped identify the appropriate carrying capacity for deer and game birds, as well as those areas that should be protected to encourage propagation of endangered species or plant life.

Through the harvesting of old forests and the establishment of new and more vigorous replacements, our land management groups are proving that industry and the environment can live in harmony for the good of all.



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Building Products

Building Products*

	1983	1982	% Change
Manufactured Products			
Sales	**$207,500,000**	$158,200,000	+31.2%
Operating Income	**$ 31,000,000**	$ 1,800,000	+1,622.2%
Retail Distribution			
Sales	**$ 87,600,000**	$ 67,300,000	+30.2%
Operating Income	**$ 4,200,000**	$ 2,800,000	+50.0%

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



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Gypsum wallboard markets have been strong this year.

Temple-Inland building materials are produced by Temple-Eastex and its subsidiaries, and by Georgia Kraft Company. We believe we have distinct built-in advantages over our Western and Canadian competitors in that our manufacturing operations are all close by our primary markets in the Sun Belt states of the Southwest and Southeast.

Products manufactured by Temple-Eastex include lumber, plywood and other panel products including particleboard, gypsum wallboard, rigid foamboard, insulation sheathing and hardboard siding.

Two major, highly integrated complexes at Diboll and Pineland, Texas convert trees harvested from our Texas forests into a full range of building products.

A modern, highly efficient sawmill at Diboll generates 300,000 tons of chips, sawdust and shavings utilized in on-site facilities for the manufacture of fiberboard products and particleboard.

Pulpwood is processed through a chipper and pneumatically transferred to the fiberboard operation. Bark and other waste is directed to two wood-fired boilers to provide fuel and steam requirements.

The Pineland complex produces plywood and studs. Early in 1983, we brought on line a computerized, highly-automated log processing/chipping facility that allows us to use tree-length logs to produce tailor-made logs for the plywood and stud mill, with all residues being converted to wood chips for pulping at the Evadale paperboard mill. The new mill has increased our fiber recovery from trees processed at Pineland by more than 15 percent.

In the past two years, we have concentrated on productivity improvement in our operations. Linear programming has been implemented to accurately track production capability to market demand, a practice that has further disciplined inventory volume and product mix.

Supporting our Texas facilities are particleboard plants in Thomson, Georgia and Monroeville, Alabama. These plants allow us to serve important markets throughout the eastern part of the U.S.

Our gypsum rock deposits in Oklahoma support a wallboard plant in West Memphis, Arkansas. Wallboard has been in very short supply as the housing and commercial construction markets have recovered.

The company has entered the foamboard insulation market to provide a highly rated, energy efficient insulation panel. Products are now being developed at our Diboll operations to provide roof insulation for commercial and industrial uses.

Complementing our basic building products operations, we produce pre-finished interior paneling sold through major suppliers in the do-it-yourself market. The company also produces aluminum and plastic extrusions and wrought iron hardware. Manufacturing facilities in Louisiana, Michigan, Tennessee, and California give us access to national markets.



The high energy efficiency of rigid foam insulation broadened our markets to include roofing panels for commercial and industrial applications.



Medium density siding in textured patterns is an economical application in new home construction.

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Rigid foam insulation sheathing provides an energy efficient barrier to heat loss in conventional housing construction.



Harold C. Maxwell
Group Vice President
Building Products Division
Temple-Eastex Inc.

The building products retail distribution operations of seven yards in Texas and Louisiana include three major facilities in the greater Houston area. The yards are suppliers of a full range of construction materials to builders, developers and the home improvement market. These operations had an exceptional year in 1983 in a very competitive environment.

Georgia Kraft entered the building products business in 1976 to better utilize our forest resources in Georgia and Alabama. In essence, the sawmills at Rome and Greenville, Georgia, and the plywood mill and sawmill at Madison, Georgia, are a part of our wood procurement system. These facilities allow us to buy a wider range of logs and make higher value lumber and plywood from the larger trees and papermill chips from the slabs, cutaway chips and very small stems.

In 1983, these plants, which employ modern manufacturing techniques including computer technology like our Texas operations, produced more than 205 million board feet of dimension lumber, 240 million square feet of plywood, and shipped more than one million tons of chips to the Georgia Kraft linerboard mills.

The Rome sawmill is located next to the linerboard mill in order to save transportation costs of the wood chips. A similar installation is being built next to the Mahrt, Alabama mill.

Nothing on the tree is wasted. Even the bark and sawdust are used to produce thermal energy to run the lumber and veneer drying ovens. All of this results in lower-cost fiber for the linerboard mills.

Outlook

Building products should reflect a continuation of the 1983 recovery in the housing industry. Product demand should remain at respectable levels, with some items such as gypsum, hardboard siding

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Computers and scanners direct each log to its appropriate conversion center at the Pineland, Texas log processing/ chipping facility.





Retail operations in the Greater Houston area serve major residential builders.



Fiberboard sheathing insulation enjoys a competitive position in Sun Belt housing markets.

and particleboard likely to show more strength than lumber or plywood.

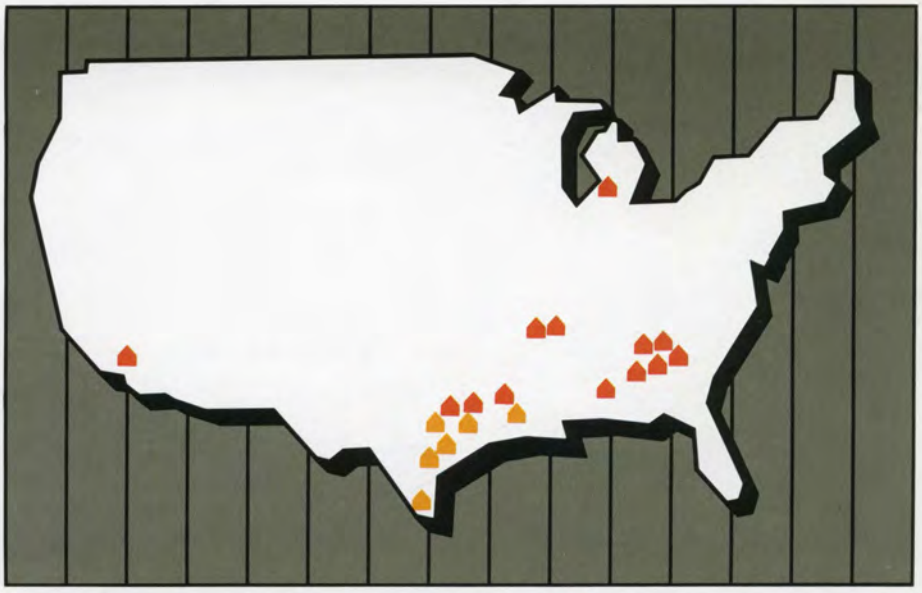
The regional nature of the current housing market should benefit companies like ours whose mills are located in close proximity to Sun Belt markets which have shown the most strength in the recent past.





Particleboard for furniture and cabinetry and prefinished interior paneling broaden our penetration of expanding building products markets.

Building Products



▲ Building products manufacturing operations ▲ Retail operations

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Bleached Paperboard

Bleached Pulp & Paperboard	1983	1982	% Change
Sales	**$253,200,000**	$254,500,000	−0.5%
Operating Income	**$ 20,000,000**	$ 20,900,000	−4.3%
Tons Sold			
Paperboard	**449,000**	417,000	+7.7%
Pulp	**89,000**	117,000	−23.9%



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Positioned as one of the largest specialty bleached paperboard mills, the Temple-Eastex mill at Evadale, Texas produces a wide range of grades serving a diversity of domestic and foreign markets. Basically, our customers are converters — firms that buy paper in roll lots and convert it to such items as paper cups, plates, folding cartons, telephone book covers and other items.

This broad capability in paper grades and weights has encouraged development of higher margin markets for our production as the evolution of packaging presented new opportunities.

The Evadale mill's three large fourdrinier paper machines, and one cylinder machine, produced 542,000 tons of paperboard and pulp in 1983.

Supporting the paper machines are three pulp mills, each of which includes a recovery boiler, lime kiln and bleach plant. All three recovery boilers are low-odor design with extended economizers. The newest bleach plant is a displacement concept which has lower energy and water requirements than conventional bleaching systems.

The mill consumes 920,000 cords of pine and hardwood annually. Only 15 percent of the pine requirement was acquired from outside pulpwood suppliers with the remainder coming from company sources or through long-term contracts with local sawmills.

About 50 percent of our steam requirement is generated in the chemical recovery boilers, with an additional 15 percent generated in bark-fired boilers. The remaining 35 percent comes from three natural gas-powered boilers, with a firm gas contract secured through 1991. We are presently engineering a new $50 million boiler and turbine generator which will be fired with forest residuals. At present rates, the new boiler will save about $12 million in natural gas costs annually when it comes on line late in 1985 or 1986.

We continue to enhance our environmental control systems to assure compliance with state and federal regulations. We have just completed an expansion of our waste water treatment system, adding a third aeration basin, doubling the time the waste water is mechanically aerated. The new basin covers 150



Bleached paperboard folding cartons and packaging offer superior printability and are attractive point-of-sale vehicles.



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A $110 million modernization project has provided a flexibility of product mix and quality production from our Evadale operations. Capacity is now 1550 tons per day.



David L. Ashcraft
Group Vice President
Pulp and Paperboard Division
Temple-Eastex Inc.

acres and will contain 250 million gallons of water.

A recently completed $110 million modernization program allows tight quality control and smooth transition of product mix within production scheduling. Capacity is now rated at 1,550 tons per operating day.

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Bleached paperboard is used by our customers to produce a variety of products such as slide mounts, telephone book covers, file folders and paper plates and cups.

Outlook

Operating rates for our grades of paper began to improve dramatically in the last half of 1983, and demand is continuing to strengthen. Since no new capacity is expected in these grades in 1984, the recovery in demand should create very favorable markets and allow for long overdue price recovery and improved profit margins.





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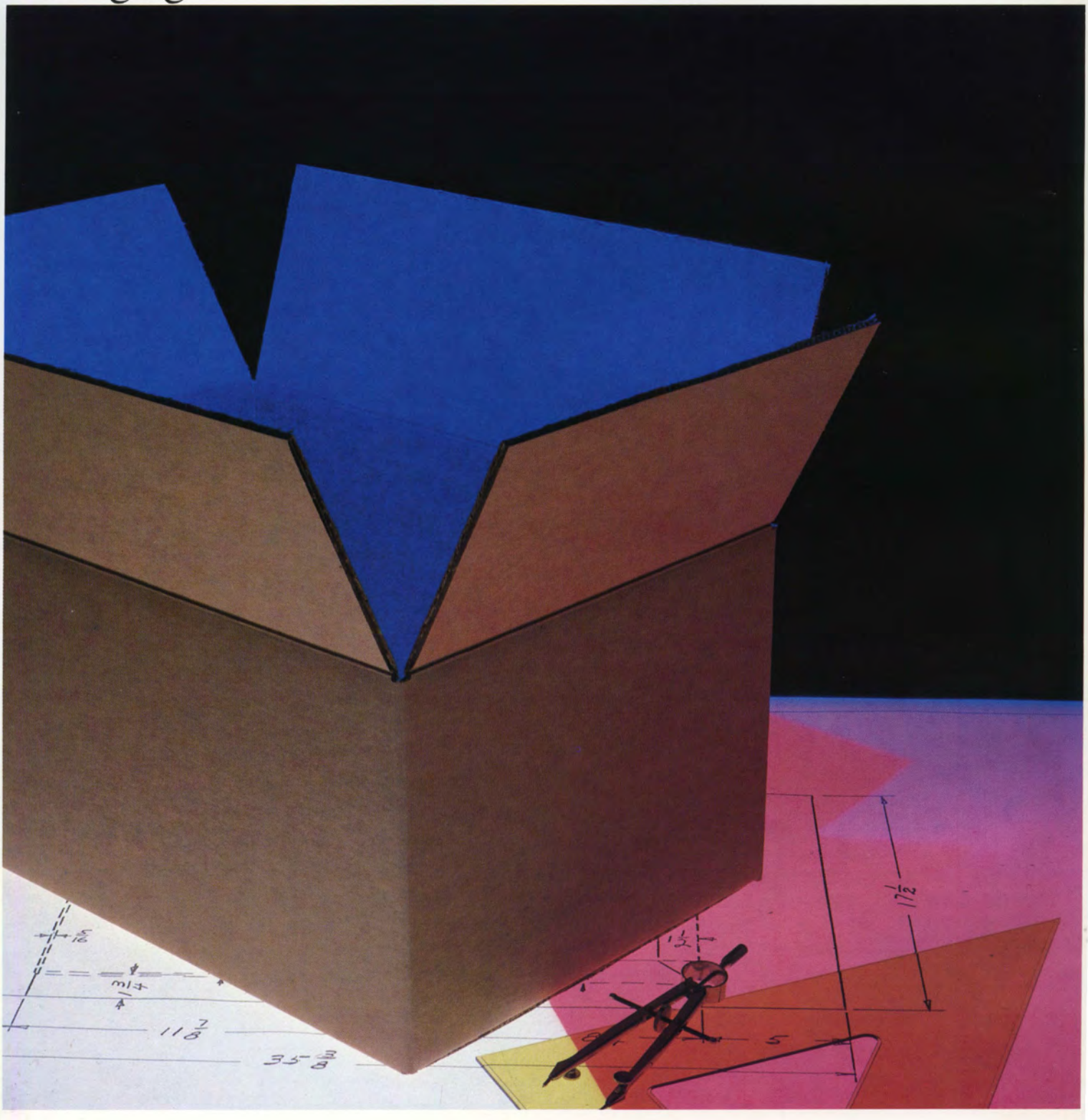
Packaging

Container & Containerboard			
	1983	1982	% Change
Sales	**$596,900,000**	$576,800,000	+3.5%
Operating Income	**20,800,000**	30,000,000	−30.7%
Tons Mill Production	**1,226,000**	1,168,000	+5.0%
Tons Corrugated Boxes Sold	**1,106,500**	999,600	+10.7%



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Temple-Inland is a major manufacturer of corrugated packaging through Inland Container Corporation. Other operations manufacture folding cartons and a variety of carton closure tapes.

Corrugated containers as a packaging medium compete with all other packaging materials. Corrugated's dominance in the national distribution process is a direct result of its cost effectiveness as a packaging material. Virtually everything that is manufactured, and much of what is grown, finds its way into a corrugated box at some time in its distribution process.

Inland's shipments of corrugated boxes in 1983 totaled 1,106,500 tons, up about 11 percent from 1982, while industry shipments were up approximately 7 percent over the previous year.

The corrugated packaging industry is highly competitive with over 800 firms operating some 650 full converting plants and close to 800 sheet plants. The 20 largest producers operate about two-thirds of the corrugated facilities, and independent market surveys indicate no company has in excess of seven percent of the market. Inland's share is slightly over 6.5 percent, placing us in the top five in the industry.

With the large number of corrugated plants in the country, each plant tends to serve a market within a radius of 150 miles of the plant. Inland currently operates 26 full converting plants strategically located throughout the United States, one sheet plant, and a converting plant in Puerto Rico. Corrugated sales closely track changes in the gross national product as well as changing population patterns and demographics. Since 1970, Inland has added 13 plant locations while closing five.



Inland produces corrugated packaging for thousands of customers nationwide.

Each box plant has its own sales force who sell and service local accounts. In addition, a national accounts sales staff calls on large, multi-location corporations that will enter into central purchasing agreements.

We currently service about 3,500 customers with approximately 5,000 shipping points, not including sales to the agricultural industry. Although the corrugated box business could be considered a commodity business, each order for each customer is a custom order. About 35 percent of our shipments are sold directly to the food industry, including agribusiness.

A subsidiary, Anderson Box Company, serves the poultry, fruit, vegetable and horticultural markets with a complete line of packaging supplies, including corrugated. The company has sales representatives and warehouses in various locations nationwide to serve this specialty market.



Ben J. Lancashire
Executive Vice President
Inland Container Corporation



Packaging for Agri-business is sold through our Anderson Box Company subsidiary.

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Package design is an important service provided to our customers.



E. Barney Ciotti
Senior Vice President
Inland Container Corporation &
President, Anderson Box Company



William A. Long
Group Vice President
Container Division
Inland Container Corporation

Other major industries served by Inland include paper, glass containers, chemicals, appliances and plastics.

While most of our plants serve a wide range of customers in varied industries, a few concentrate on specific markets. For example, our plant in Garden City, Kansas was designed to produce packaging for the meat packing industry. Virtually the entire output of this plant is a single style box shipped to a few meat packers and used to ship cut-up meat throughout the country.

Our plants are continually undergoing machine upgrading and replacement by newer and faster equipment to keep manufacturing costs at a competitive level. This modernization process is designed to increase production speeds without sacrificing quality.

While each Inland box plant has capabilities in box design, the company's Marketing and Technical Center in Indianapolis houses a professional staff dedicated to assisting customers in solving complex packaging problems. A full complement of designers and technicians design and test shipping containers for hundreds of new and existing products annually.

EasTex Packaging, another subsidiary, provides folding cartons for a myriad of service-minded customers in the food, health care, automotive, hardware, cosmetic, household products, and the wine and spirits industries.

The company operates three full-service plants located in Memphis, Tennessee; Charlotte, North Carolina; and Madison, Wisconsin.

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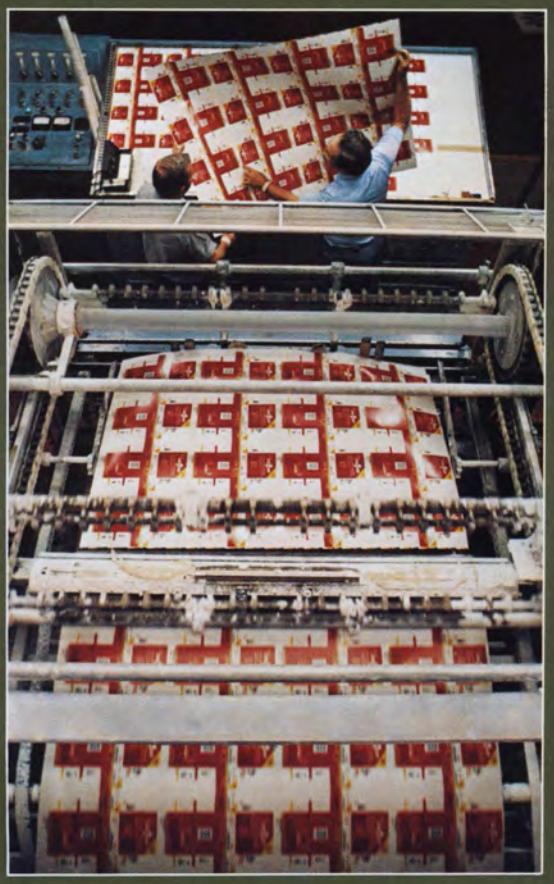


High speed, multi-color presses are used to produce a full range of folding carton designs.







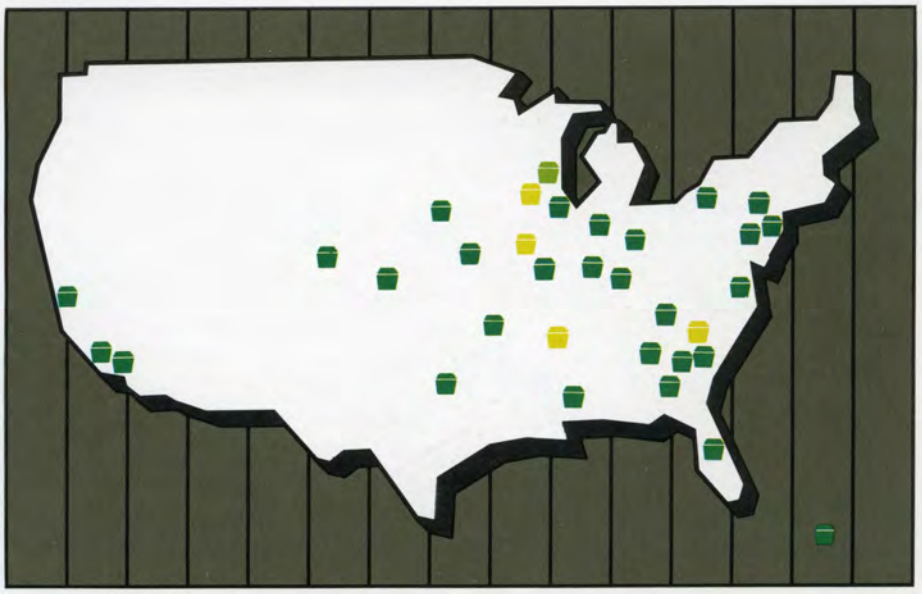
Stacking strength is important to many customers (top left, and above). These containers are often lab tested first (top right) to meet rigid specifications.

Staffed with design and packaging machinery specialists, these plants are equipped with a variety of printing processes including offset lithography, flexography, letterpress, and gravure. On these multi-color presses, we can emboss, utilize special coatings, apply barrier materials, and print on foil. A complete line of finishing equipment enables us to satisfy the strictest customer requirements.



Folding cartons are used to package a variety of consumer goods.

Packaging



Corrugated box plants Eastex Packaging plants Tape manufacturing plant

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Containerboard



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Containerboard—kraft linerboard and corrugating medium—is the principal raw material used in the manufacture of corrugated packaging. Temple-Inland's containerboard is produced at six mills, three operated by Inland Container, and three operated by our 50 percent-owned affiliate, Georgia Kraft Company.

Our mills, including our half of Georgia Kraft production, established an all-time production record in 1983 of 1,226,000 tons, surpassing last year's record 1,168,000 tons. Each mill set daily and monthly production records during the year. Virtually all of this production is shipped to our box plants where it is converted into corrugated boxes.

Three of our six mills are corrugating medium mills located at New Johnsonville, Tennessee; Newport, Indiana; and Newark, California.

The New Johnsonville mill is located in the middle of a dense hardwood timber region. At this mill, we do not operate a woodyard but instead purchase chips from the many sawmills located in this area. In addition, we utilize chips from our portable whole tree chipping units which operate on purchased timber rights. Also, we recently expanded the pulping system to allow the use of old corrugated containers, giving us the advantage of varying the mix of virgin fiber vs. recycled fiber, depending on which is more economical.

In 1983, this mill produced a record 182,000 tons, and on some days produced more than 600 tons.

All steam requirements for this mill are supplied from one large boiler fired by waste wood and spent liquor (a by-product). The results are steam cost per ton about one-third to one-half the conventional coal-oil-gas fired boiler. This single, large boiler operates without any supplemental gas or oil fuel about 90 percent of the time.

The Newport mill, located in western Indiana, began operation in 1975. It was designed for and operates totally on recycled old corrugated boxes as a source of fiber. One unique feature of this mill is that it has no smokestack. The mill is located next to a large public utility generating plant from which electricity and steam are purchased and the steam piped directly into the mill.

Newport averaged over 525 tons per day in 1983, producing a record 185,000 tons.

The Newark, California mill also utilizes 100 percent recycled fiber and was part of an acquisition made in 1973. Although small, the mill produced 58,000 tons in 1983. This record production was the result of equipment upgrading made in 1982.



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The New Johnsonville mill boiler burns bark and wood waste.



Winfred E. Babin
Group Vice President
Containerboard Division
Inland Container Corporation

Georgia Kraft produces more than 1.5 million tons of linerboard per year on five machines at three mills located at Rome and Macon, Georgia, and Mahrt, Alabama; and as 50 percent owners, we receive half of it. This economy of scale allows fixed cost to be spread over twice each owner's needs and long grade runs on each machine results in productivity and efficiency advantages.

Inland's share of Georgia Kraft's production in 1983 totaled 801,000 tons, up 40,000 tons from the previous year. The 1983 production results were the best ever with the Rome and Macon mills accounting for most of the increased tonnage.

The Rome mill has gone through a major rebuild in the past few years, and this has allowed us to achieve record speeds in production.

A second paper machine came on stream at the Macon mill in 1980. Modification at the mill allows us to use recycled fiber as a furnish supplement, providing a 60 percent increase in capacity at an investment of one-half the cost of a virgin fiber addition.

Outlook

Demand for corrugated boxes is expected to continue the improvement begun in 1983 as the economy sustains its recovery. This should allow us to continue to recover prices lost during the recession of the past two years and considerably improve the earnings of our packaging operations in 1984.

The outlook for containerboard appears very strong for 1984. Despite a substantial increase in output in 1983 over 1982, industry roll stock inventories at the end of the year were about 200,000 tons lower than at the beginning of 1983. Inland's inventories were also much lower at the end of the year.

Our challenge for 1984 is to continue to operate our mills at optimum capacity and at the same time continue to keep our cost of production among the lowest in the industry.

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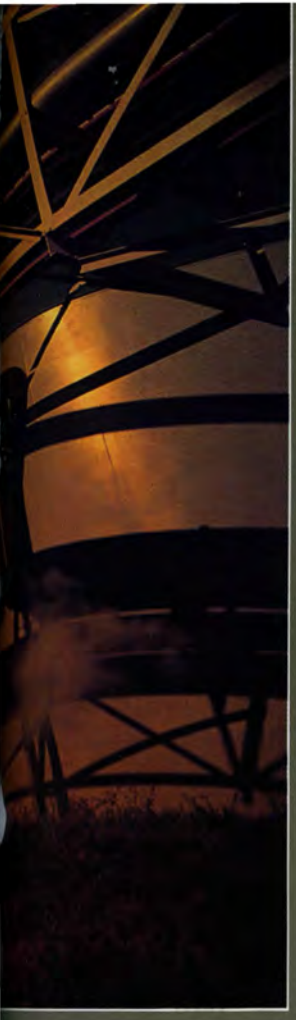




Loblolly pine trees are the primary ingredient of linerboard.

A Continuing Commitment



Temple-Inland Inc. is committed to continued growth of the Company. Indicative of that commitment is Inland Container's new recycle containerboard mill now under construction at Ontario, California.

When completed late in 1985, the mill will have the capacity to produce 175,000 tons of linerboard annually. Cost of the project is estimated at about $130 million including capitalized interest.

Planning for the mill began several years ago and a 57-acre tract was purchased in 1982. The process of obtaining necessary construction and environmental permits was begun at that time and all approvals have been received.

We have developed knowledge and experience in the manufacture of recycle containerboard at both our Newark, California mill and our Newport, Indiana mill. The Ontario mill will utilize 100 percent old corrugated containers as raw material and will house a 280″-wide Tampella paper machine.

When the new mill comes on stream, our annual production of containerboard will total 1.4 million tons, with recycle fiber amounting to about 40 percent. In recessionary periods, waste paper prices tend to fall further than other commodities, providing increased profit potential for the recycle mills.

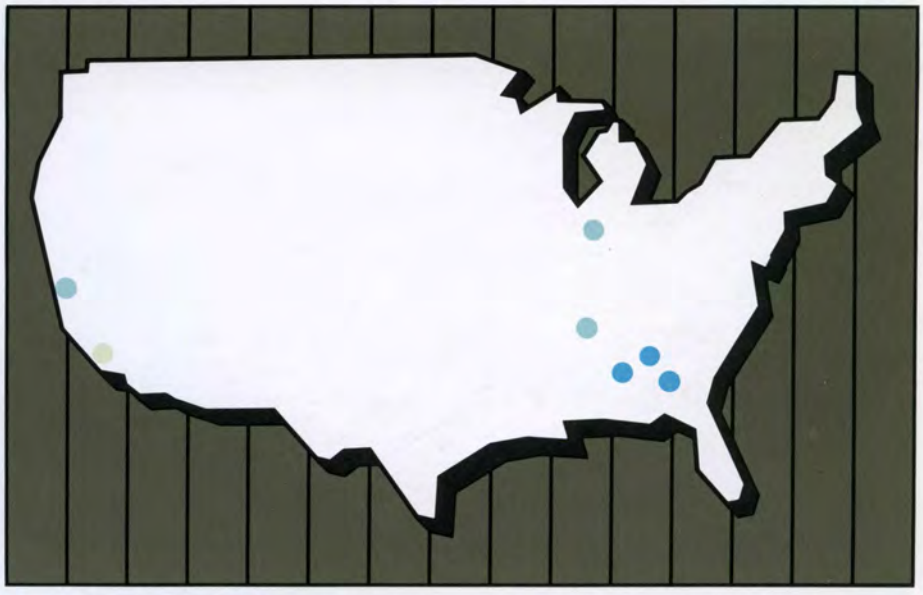
Included in the mill design is construction of a cogeneration facility which will generate approximately 32 megawatts of electricity, with half being purchased by an electric utility and the other half for mill use. The facility also will produce the steam requirements for the mill.

West Coast corrugated box demand is growing faster than the national average. We have three box plants in California which can consume approximately half the production of the new mill immediately. These plants currently are supplied through material exchanges. With growth in demand expected to outpace increases in capacity over the next several years, the output of this mill will allow us to expand our box production in this region, and have a very positive impact on our growth in earnings in the future.



Paper mill chemists check local waterways to assure that environmental standards are maintained.

Containerboard



● Linerboard mills ● Corrugating medium mills ● Linerboard mill under construction

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Financial Services

Financial Services

	1983	1982	% Change
Operating Income	**$13,800,000**	$ 11,400,000	+21.1%
Mortgage Loan Portfolio	**2,448,000,000**	2,072,000,000	+18.1%
New Loan Production	**545,000,000**	338,000,000	+61.2%
Insurance in Force	**3,500,000,000**	*	
Premium Volume	**76,300,000**	*	

*Insurance operations were acquired December 29, 1982.



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The company's financial services group is composed of one of the country's top 25 mortgage banking services, a nationally based insurance subsidiary, and is a participant in major residential land development projects in Texas' fast growing metropolitan areas.

With a mortgage servicing portfolio of $2.4 billion, and offices in Texas, Colorado, Georgia, Illinois, Minnesota, Oklahoma and Tennessee, Lumbermen's Investment Corporation (LIC) and its subsidiaries are an important growth area of the Company's activities.

The mortgage banking division engages in loan administration encompassing servicing, collections and investor accounting functions of mortgage loans. The marketing and sales department is responsible for the completion of closed loan packages and the subsequent delivery of loans via securitized mortgage pools and to various investors.

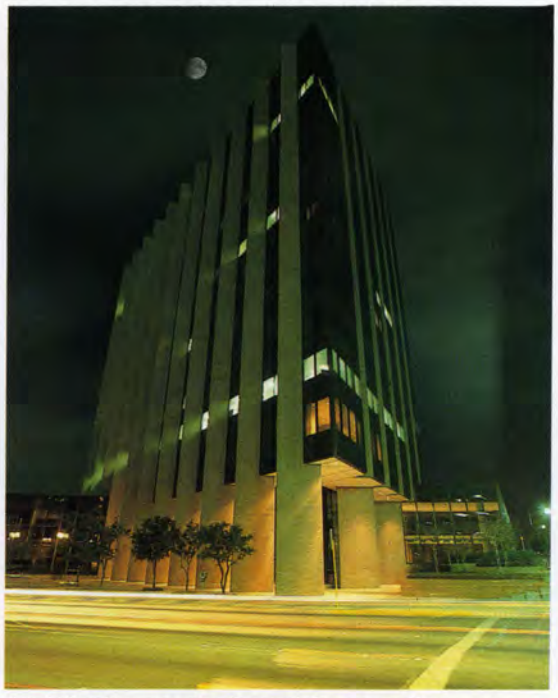
The company's residential and commercial production department originates FHA, VA and conventional mortgages, sales of real estate properties and joint venture or equity positions for investors. LIC also participates in construction lending to builders.

LIC is also active in joint venture residential development in Austin, San Antonio, Houston and Beaumont, Texas. Developments in various stages of completion represent some 3,500 acres, with major developers and builders participating. One of our developments is Onion Creek, a 960-acre development in Austin, which is the locale each year for the nationally televised Legends of Golf Tournament.

Financial services insurance operations include Great American Reserve Insurance Company (GARCO), acquired in 1982. GARCO, headquartered in Dallas, offers a broad range of conventional life insurance plans and provides advanced underwriting sales assistance. Individual and group health plans are also a part of GARCO's activities, including group life insurance. The company has also developed systems and procedures to support the solicitation of various insurance products on a direct response basis. GARCO has assets of approximately $300 million.



Buttercup Creek residential development, Austin, Texas.



Austin headquarters, Lumbermen's Investment Corporation.

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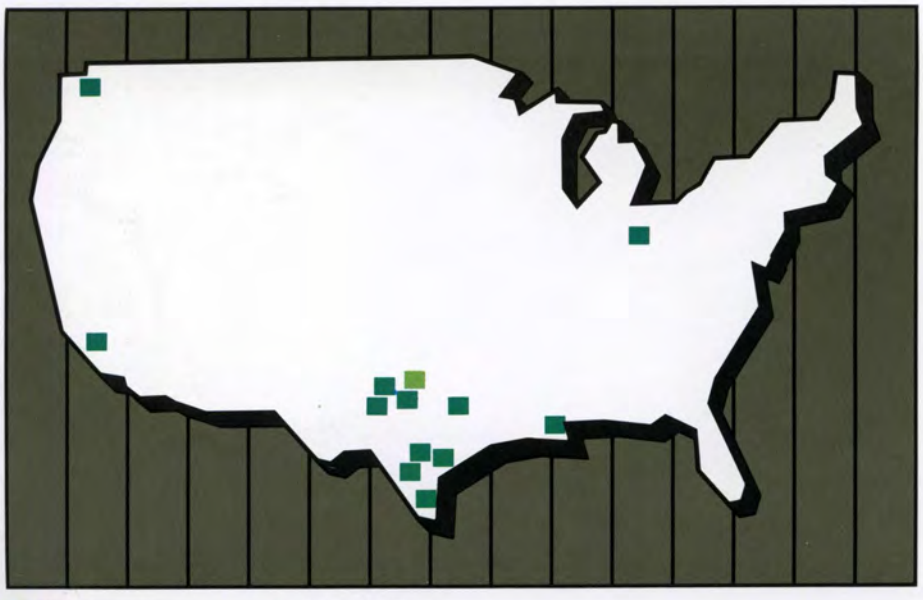
LIC mortgage banking and insurance operations provide full service to new home buyers.



Kenneth M. Jastrow II
President & Chief Executive Officer
Lumbermen's Investment Corporation

LIC's mortgage banking services also include subsidiaries engaged in the retail distribution of property and casualty insurance products and administration of specialty life, health and accident insurance programs. These companies also administer the mass marketing distribution of several mortgage-related personal life, accident and health insurance programs, and provide services in connection with the design and processing of insured employee benefit plans.

Financial Services—Insurance



Headquarters Branch offices

Outlook

Over the past several years the financial services group within Temple-Inland has performed at a very high level. Pretax return on equity (based on operating earnings) has averaged 38.6 percent over the past three years. During 1984, financial services is projected to have another good year with earnings primarily coming from mortgage banking and insurance. Expansion of mortgage banking production offices will be undertaken and new distribution outlets for insurance will be developed.

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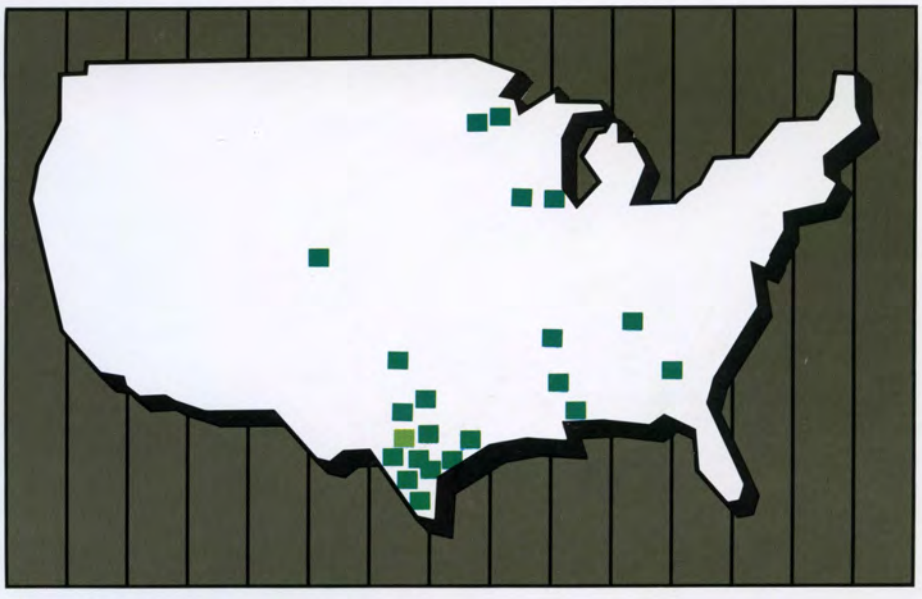
Great American Reserve Insurance Company unveils Universallife, flexible premium, interest adjustable life insurance.



LIC properties offer condominiums affordable to today's upwardly mobile families.

Financial Services—Mortgage Loans



Headquarters Branch offices

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Officers

Temple-Inland Inc.

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

Kenneth M. Jastrow II
Vice President

Roger D. Ericson
General Counsel and Secretary

C. Tom Sumner
Treasurer

Temple-Eastex Inc.

Corporate Group

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

Phillip M. Leach
Vice President-Law

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

Carl B. Fickenscher
Vice President—Administration

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

Don V. Hackney
Chairman of the Board

The Angelina Free Press, Inc.

Paul M. Durham
Vice President, Editor and General Manager

Temple-Inland Financial Services Group

W. Wayne McDonald
Chairman

Lumberman's Investment Corporation

Kenneth M. Jastrow II
President and Chief Executive Officer

Joseph L. O'Connor
Executive Vice President

Great American Reserve Insurance Company

W. R. Mullens
President

Thomas C. Hardy
Executive Vice President and Chief Financial Officer

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 Company

Warren D. Gilreath
Senior Vice President—Operations Support

Joseph M. Areddy
Vice President—Public Affairs

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

Joseph E. Tomlinson
Vice President and Treasurer

John M. Vaughan
Vice President—Technology

Robert B. White
Vice President—Management Information Services

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

Container Division

William A. Long
Group Vice President

James E. Cory
Senior Vice President—Sales and Marketing

Walter E. Harrison
Senior Vice President—Manufacturing

Roger B. Morse
Senior Vice President—Plant Operations

James R. Adams
Vice President—Area Manager

Charles R. Bachman Jr.
Vice President—Area Manager

William O. Banks
Vice President—Area Manager

James E. Bauer
Vice President—National Accounts

J. W. Hendrickson Jr.
Vice President—Area Manager

Samuel E. MacNulty
Vice President—National Accounts Executive

Joseph E. Turk
Vice President—Area Manager

Charles L. Wilson
Vice President—Marketing

Robert N. Wood
Vice President—National Accounts Executive

Anderson Box Company

Frank A. King
Vice President—Marketing

James R. McConnell
Vice President—Operations

Eastex Packaging Incorporated

James J. Mackey
President

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Board of Directors



Seated left to right: *Warren L. Batts, Henry C. Goodrich, Clifford J. Grum, Arthur Temple, and Clinton G. Ames Jr.* Standing left to right: *Arthur Temple III, James R. Shepley, Walter P. Stern, Joe C. Denman Jr., Robert Cizik, James F. Beré, and W. Wayne McDonald.*

Clinton G. Ames Jr.‡
Executive Vice President of Temple-Inland Inc.

Warren L. Batts*†‡
President, Chief Operating Officer and Director of Dart & Kraft, Inc.

James F. Beré*†
Chairman and Chief Executive Officer of Borg-Warner Corporation

Robert Cizik†○
President and Chief Executive Officer of Cooper Industries, Inc.

Joe C. Denman Jr.‡
Executive Vice President of Temple-Inland Inc.

Henry C. Goodrich†‡○
Chairman and Chief Executive Officer of Sonat Inc.

Clifford J. Grum‡
President and Chief Executive Officer of Temple-Inland Inc.

W. Wayne McDonald‡
Executive Vice President of Temple-Inland Inc.

James R. Shepley‡○
Former President of Time Inc.

Walter P. Stern*
Vice Chairman of the Board of Capital Research Company

Arthur Temple‡
Chairman of Temple-Inland Inc.

Arthur Temple III○
Commissioner of the Railroad Commission of Texas

* Audit Committee † Compensation Committee ‡ Executive Committee ○ Nominating Committee

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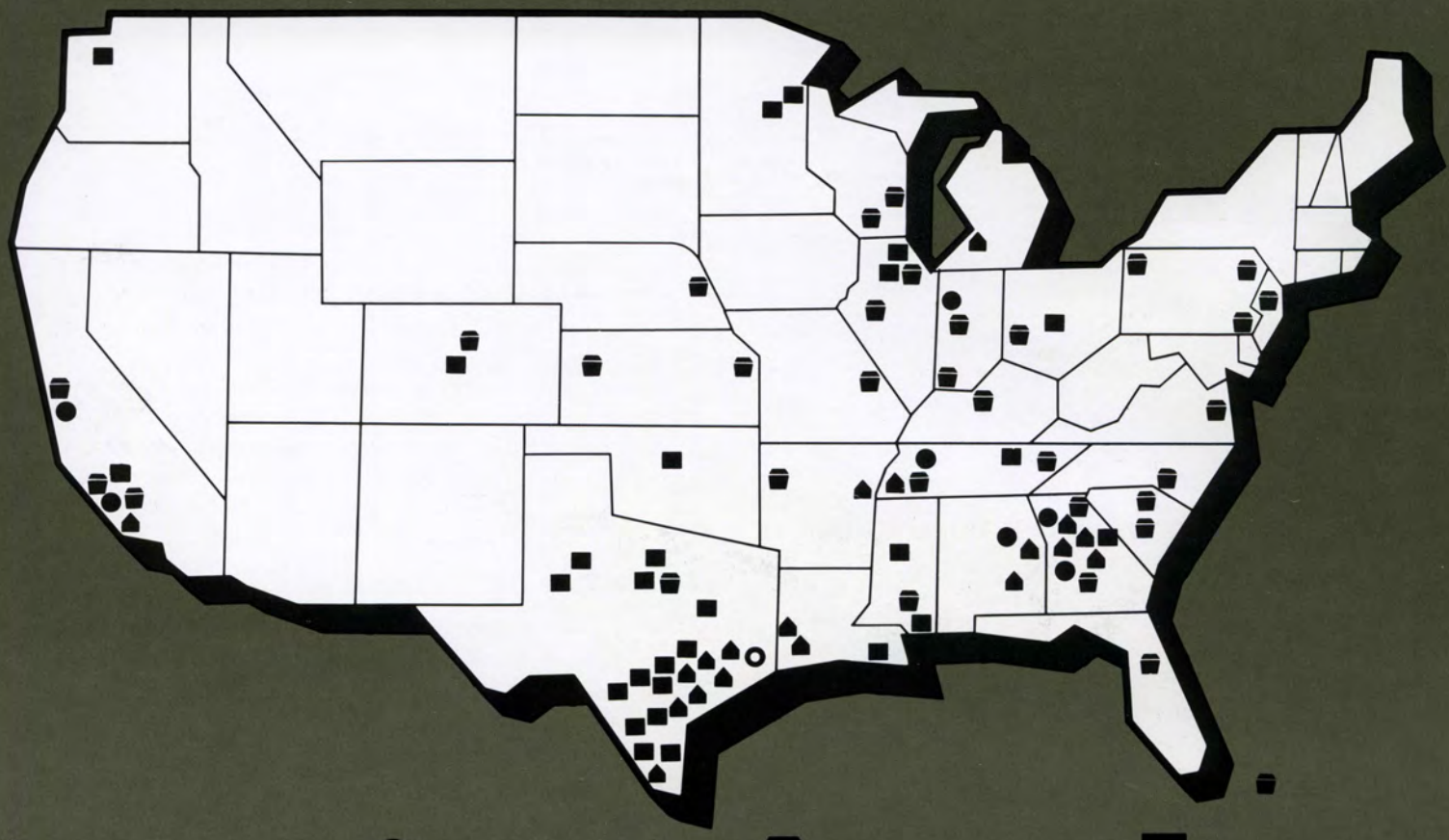

BUILDING PRODUCTS

Fiber Products
Diboll, Texas

Rigid Foam Operation
Diboll, Texas

Particleboard Operations
Diboll, Texas
Monroeville, Alabama
Thomson, Georgia

Gypsum Operation
West Memphis, Arkansas

Lumber Operations
Diboll, Texas
Pineland, Texas
Greenville, Georgia*
Madison, Georgia*
Mahrt, Alabama* (under construction)
Rome, Georgia*

Plywood Operations
Pineland, Texas
Madison, Georgia*

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

Pre-finished Paneling Operations
Alexandria, Louisiana
Holland, Michigan
Ontario, California
Memphis, Tennessee

BLEACHED PAPERBOARD

Evadale, Texas

CONTAINERBOARD

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

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

PACKAGING

Corrugated Container Operations
Fort Smith, Arkansas
Los Angeles, California
Newark, California
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
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
Jacksonville, Illinois
Charlotte, North Carolina
Memphis, Tennessee
Madison, Wisconsin

Anderson Box Company
21 warehouses located throughout the country

Tape Manufacturing Operation
Milwaukee, Wisconsin

FINANCIAL SERVICES

Mortgage Loan Operations
Dallas, Texas
Houston, Texas
League City, Texas
Killeen, Texas
Temple, Texas
Beaumont, Texas
San Antonio, Texas
Kingsville, Texas
Garland, Texas
Waco, Texas
Downers Grove, Illinois
Gurnee, Illinois
Denver, Colorado
Oklahoma City, Oklahoma
Memphis, Tennessee
Jackson, Mississippi
Knoxville, Tennessee
Minneapolis, Minnesota
St. Paul, Minnesota
Atlanta, Georgia
Gautier, Mississippi
Austin, Texas

Insurance Operations
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

*50 percent owned

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Management's Discussion and Analysis

Results of Operations

Net income was $48.2 million on revenues of $1.2 billion in 1983 compared with net income of $39.4 million on revenues of $1.1 billion in the previous year. Operating income and revenues increased substantially in building products while profits decreased for container and containerboard on marginally improved revenues. Both income and revenues were down slightly for the pulp and paperboard segment.

In 1982, net income decreased to $39.4 million from a record $95.1 million in 1981, on revenues of $1.1 billion in both years. This decrease in income resulted primarily from decreased sales prices and increased costs in the container and containerboard and pulp and paperboard operations.

Net interest expense increased $2.9 million in 1983 compared to 1982. Additionally, Temple-Inland's interest expense, on a pro forma basis would have been higher by $9.3 million in 1983 and $18.3 million in 1982 resulting from the increased borrowings associated with the restructuring of capitalization. (See "Related Party Transactions" in Notes to Consolidated Financial Statements.)

Temple-Inland's effective tax rate was 39% in 1983 compared with 43% for the previous year. The rate for both years is higher than normal due to tax allocations from Time Inc. including a charge of $6.2 million during 1983 for settlement of prior years' taxes.

Container and Containerboard

In 1983, container and containerboard revenues were up compared to 1982, reflecting increased unit sales; however, prices were depressed, eroding profitability in comparison to the previous year.

The volume of container sales in 1982 was up from the prior year, reflecting a full year of sales from two new box plants. However, lower sales prices resulted in declines of revenues which, combined with increased costs, significantly reduced profit margins.

Pulp and Paperboard

Revenues and operating income were relatively stable for pulp and paperboard in 1983 as compared to 1982.

Pulp and paperboard profits were down sharply in 1982 from the preceding year. Operating costs increased and, although there was a slight increase in tonnage shipped from the 1981 level, revenues declined due to severe price competition.

Building Products

The substantially improved results from building products in 1983, as compared with the previous year, reflect an increase in volume shipped and higher unit prices of most building materials, resulting from the recovery of residential housing construction.

In 1982, the recession and high interest rates combined to hold U.S. homebuilding to less than half the units built as recently as 1978. However, Temple-Inland's continuing implementation of productivity improvement programs, begun in 1980, allowed the building products group to operate slightly above the break-even level in both 1982 and 1981.

Financial Services

Pre-tax earnings of the financial services group increased to $13.8 million during 1983 compared to $11.4 million in 1982, reflecting a record level of loan servicing and strong insurance and land development activities.

In 1982, earnings increased to $11.4 million from $6.4 million in 1981, (excluding a gain of $8.8 million on the sale of a building) primarily due to a more favorable spread between long and short term interest rates together with a substantial increase in the residential mortgage loan portfolio.

Financial Condition

At December 31, 1983, the Company is in excellent financial condition as evidenced by several general measurements of liquidity: working capital amounted to $136 million; working capital as a percentage of long-term debt was 65%; the ratio of long-term debt to shareholders' equity was 30%; and the total debt to total capitalization was 23%.

As previously stated, prior to the distribution Temple-Inland was comprised of wholly-owned subsidiaries of Time Inc. Except for industrial development bonds and certain other debt, it was Time Inc.'s practice to incur long-term debt at the parent company rather than at the subsidiary level. Accordingly, prior to 1983, Temple-Inland's working capital, debt and equity are not representative of a stand-alone company and a discussion of the historical financial condition is not presented.

It is estimated that capital expenditures will exceed $100 million in 1984 and will approximate $200 million in 1985. Such expenditures include the construction of a new recycle containerboard mill in Ontario, California and a new boiler and turbine generator at Evadale, Texas.

Capacity to issue long-term debt and the historical 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.

For a discussion of the impact of inflation on the Company, see "Supplemental Information on the Effects of Changing Prices" in Notes to Financial Statements.

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Five Year Selected Financial Data

The following table reflects the combined historical amounts of the former subsidiaries of Time Inc. that now form Temple-Inland Inc. Because of the $169.9 million dividend payment to the former parent, recaptialization of the Company, income tax allocations and settlements, and various other transactions related to the separation from Time Inc., the historical operations of the combined companies may not be comparable in 1983 with prior years in the table.

For The Year (in millions)	**1983**	1982	1981	1980	1979
Net sales	**$1,176**	$1,096	$1,114	$ 995	$ 894
Net income	**48**	39	95	72	71
Capital expenditures	**53**	77	94	102	110
Depreciation, amortization and depletion	**64**	59	54	48	40
At Year End (in millions)					
Total assets	**$1,209**	$1,162	$1,127	$1,034	$ 956
Working capital	**136**	95	134	112	123
Long term debt	**209**	80	82	71	79
Shareholders' equity	**701**	823	784	714	665

Business Segments (in millions)

For years ended December 31	**1983**	1982	1981	1980	1979
Net Sales					
Container and containerboard	**$ 596.9**	$ 576.8	$ 595.7	$ 534.2	$ 452.2
Pulp and paperboard	**253.2**	254.5	261.7	233.6	194.8
Building products:					
Manufacturing	**207.5**	158.2	151.0	145.9	165.6
Retail	**87.6**	67.3	59.2	46.8	43.0
Other activities[1]	**30.3**	39.6	46.5	34.5	38.3
	$1,175.5	$1,096.4	$1,114.1	$ 995.0	$ 893.9
Income Before Taxes					
Container and containerboard[2]	**$ 20.8**	$ 30.0	$ 58.1	$ 55.1	$ 45.0
Pulp and paperboard	**20.0**	20.9	45.4	36.6	35.7
Building products:					
Manufacturing	**31.0**	1.8	0.9	(4.0)	14.2
Retail	**4.2**	2.8	2.0	0.6	1.0
Other activites[1]	**(2.1)**	—	1.2	2.0	2.3
Operating Profit	**73.9**	55.5	107.6	90.3	98.2
Financial services[3]	**13.8**	11.4	15.2	5.6	8.8
	87.7	66.9	122.8	95.9	107.0
Corporate expense[4]	**(7.2)**	—	—	—	—
Interest expense—net	**(4.8)**	(1.9)	(1.0)	(.3)	(3.5)
Other income—net	**2.9**	1.9	—	(1.5)	3.4
Gain on sale of property and equipment	**—**	2.5	3.7	3.7	—
	$ 78.6	$ 69.4	$ 125.5	$ 97.8	$ 106.9

[1]Primarily industrial contracting.

[2]Includes $24.6, $26.0, $24.6, $21.2 and $14.6 million of operating income from Georgia Kraft, a 50% owned affiliate of the Company, for the years 1983, 1982, 1981, 1980 and 1979, 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 $8.8 and $5.3 million gains on sales of buildings for 1981 and 1979, respectively.

[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	1983	1982	1981	1980	1979
Container and containerboard	$ 596.9	$ 576.8	$ 595.7	$ 534.2	$ 452.2
Pulp and paperboard					
Paperboard	224.1	218.5	222.3	183.8	157.0
Market pulp	21.1	28.0	26.0	36.9	28.1
Nodular pulp	3.5	5.3	9.0	9.5	6.5
Other	4.5	2.7	4.4	3.4	3.2
Building products					
Pine lumber	28.9	22.1	21.1	21.2	24.0
Fiberboard	49.5	40.4	32.4	31.0	29.0
Particleboard	43.5	31.8	39.1	31.9	28.8
Plywood	21.7	19.4	17.9	21.8	35.5
Gypsum wallboard	27.2	14.2	11.6	12.7	21.4
Decorative wall paneling	14.1	13.6	16.1	16.4	17.5
Rigid foamboard	10.5	6.5	5.2	3.5	—
Retail distribution	87.6	67.3	59.2	46.8	43.0
Other	12.1	10.2	7.6	7.4	9.4
Other activities	30.3	39.6	46.5	34.5	38.3
	$1,175.5	$1,096.4	$1,114.1	$ 995.0	$ 893.9

Unit Sales

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

For years ended December 31	Rated annual capacity at 12/31/83	1983	1982	1981	1980	1979
			(in thousands of tons)			
Container and containerboard	—(a)	**1,172**	1,128	1,139	1,096	1,036
Pulp and paperboard						
Paperboard	—(b)	**449**	417	416	381	372
Market pulp	—(b)	**72**	97	70	97	85
Nodular pulp	—(b)	**17**	20	31	32	27
			(in millions of board feet)			
Building products						
Pine lumber	134	**121**	101	98	99	108
			(in millions of square feet)			
Fiberboard	430	**401**	362	289	319	345
Particleboard	282	**286**	261	271	263	264
Plywood	160	**148**	149	133	147	240
Gypsum wallboard	300	**298**	211	174	184	300
Decorative wall paneling	109	**54**	50	61	65	73
Rigid foamboard	110	**41**	25	21	13	—

(a) 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.

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

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Additional Business Segment Information (in millions)

	1983	1982	1981
Identifiable Assets			
Container and containerboard[1]	$ 589.5	$ 578.1	$ 552.6
Pulp and paperboard	286.8	314.3	318.5
Building products	207.1	209.6	203.7
Other activities	6.1	10.2	12.8
Total	1,089.5	1,112.2	1,087.6
Equity method investments	52.3	50.2	39.5
Corporate	66.8	—	—
Total	$1,208.6	$1,162.4	$1,127.1
Depreciation, Amortization and Depletion			
Container and containerboard	$ 20.7	$ 19.2	$ 17.8
Pulp and paperboard	27.0	25.2	23.1
Building products	15.5	13.3	12.0
Other activities	0.6	1.2	0.6
Total	$ 63.8	$ 58.9	$ 53.5
Capital Expenditures			
Container and containerboard	$ 25.1	$ 28.7	$ 33.9
Pulp and paperboard	17.5	22.9	39.0
Building products	10.2	23.7	18.1
Other activities	0.2	2.0	3.1
Total	$ 53.0	$ 77.3	$ 94.1

[1]Includes the Company's 50% investment in Georgia Kraft Company.

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Consolidated Statements of Income

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

	1983	1982	1981
		(in thousands)	
Revenues			
Net sales	$1,175,546	$1,096,407	$1,114,166
Financial services earnings—Note B	13,829	11,384	15,239
	1,189,375	1,107,791	1,129,405
Costs and Expenses			
Cost of sales	991,756	936,817	904,082
Selling and administrative	117,073	104,054	102,540
	1,108,829	1,040,871	1,006,622
Operating Income	80,546	66,920	122,783
Interest expense—net—Note D	(4,786)	(1,947)	(978)
Other	2,919	4,434	3,700
Income Before Taxes	78,679	69,407	125,505
Taxes on income—Note H	30,500	30,031	30,411
Net Income	$ 48,179	$ 39,376	$ 95,094
Earnings Per share—Note A	$ 1.99		

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

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Consolidated Balance Sheets

Temple-Inland Inc. and Subsidiaries As of December 31	1983	1982
ASSETS	(in thousands)	
Current Assets		
Cash and cash equivalents	$ 57,676	$ 97
Other short-term investments	6,276	2,000
Receivables, less allowances of $4,868,000 in 1983 and $5,151,000 in 1982	121,426	126,611
Inventories—at lower of cost or market:		
Work in process and finished goods	43,622	40,105
Raw materials	54,914	60,737
	98,536	100,842
Prepaid expenses	7,398	5,889
Total Current Assets	291,312	235,439
Investments—Note B		
Financial services subsidiaries	37,128	34,425
Other unconsolidated subsidiaries	7,720	8,478
Other investments	8,166	7,956
Total Investments	53,014	50,859
Property and Equipment—Note D		
Buildings	130,385	123,612
Machinery and equipment	725,817	698,713
Less allowances for depreciation and amortization	(398,342)	(344,215)
	457,860	478,110
Construction in progress	16,427	14,688
	474,287	492,798
Timber and timberlands—less depletion	96,252	92,937
Georgia Kraft Company—Note B	261,781	241,361
Land	14,954	14,656
Total Property and Equipment	847,274	841,752
Other Assets	17,043	34,392
TOTAL ASSETS	$1,208,643	$1,162,442

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	1983	1982
LIABILITIES AND SHAREHOLDERS' EQUITY	(in thousands)	
Current Liabilities		
Accounts payable and accrued expenses	$ 83,775	$ 76,426
Due to Georgia Kraft Company	59,858	45,298
Employee compensation and benefits	7,368	6,572
Current portion of long-term debt	4,219	12,072
Total Current Liabilities	155,220	140,368
Long-Term Debt—Note D	208,504	80,195
Deferred Investment Tax Credits—Notes H & I	27,749	29,522
Deferred Federal Income Taxes—Note H	100,046	77,957
Other Liabilities	16,154	11,589
Shareholders' Equity		
Invested capital—Note G	349,624	349,707
Retained earnings	351,346	473,104
Total Shareholders' Equity	700,970	822,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,208,643	$1,162,442

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

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Consolidated Statements of Shareholders' Equity

Temple-Inland Inc. and Subsidiaries	Invested Capital	Retained Earnings
	(in thousands)	
Balance at December 31, 1980, before restatement	**$337,601**	$400,780
Restatement due to effect of accounting change to deferral method for investment tax credits—Note I	—	(24,140)
Balance at December 31, 1980, as restated	**337,601**	376,640
Net income	—	95,094
Dividends paid to Time Inc.	—	(25,000)
Balance at December 31, 1981	**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 L	—	(169,937)
Other	**(83)**	—
Balance at December 31, 1983	**$349,624**	$351,346

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	1983	1982	1981
		(in thousands)	
Working Capital Sources			
Net income	$ 48,179	$ 39,376	$ 95,094
Items not affecting working capital:			
Depreciation, amortization and depletion	63,838	58,923	53,515
Amortization of intangibles	515	208	210
Deferred taxes and deferred tax credits	15,525	14,413	16,940
Unremitted earnings of affiliated companies	(16,457)	(28,498)	(21,376)
Total from operations	111,600	84,422	144,383
Disposition of property and equipment	4,545	4,363	2,643
Increase in long-term debt	149,474	11,958	21,229
Change in other assets and liabilities	19,276	(2,596)	(5,991)
Other	234	273	132
Total Working Capital Sources	285,129	98,420	162,396
Working Capital Uses			
Capital expenditures	53,006	77,327	94,053
Dividends to Time Inc.	169,937	900	25,000
Reduction of long-term debt	21,165	58,946	21,869
Total Working Capital Uses	244,108	137,173	140,922
Increase (Decrease) in Working Capital	$ 41,021	$ (38,753)	$ 21,474
Changes in Working Capital			
Cash and short-term investments	$ 61,855	$ (2,243)	$ (1,247)
Receivables	(5,185)	9,141	17,641
Inventories	(2,306)	(16,757)	11,017
Prepaid expenses	1,509	(1,976)	(211)
Accounts payable and accrued expenses	(8,145)	(12,499)	2,562
Due to Georgia Kraft Company	(14,560)	(9,614)	(8,836)
Current portion of long-term debt	7,853	(4,805)	548
Net Change in Working Capital	$ 41,021	$ (38,753)	$ 21,474

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 financial statements of Temple-Inland Inc. (the "Company") include the accounts of Temple-Eastex Incorporated ("Temple-Eastex") and Inland Container Corporation ("Inland") and their respective 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.

Temple-Eastex and Inland were formerly wholly-owned subsidiaries of Time Inc. ("Time")—See Note L.

Inventories

Inventories are stated at the lower of cost or market.

Cost of inventories amounting to $44.8 million in 1983 and $47.3 million in 1982 was determined by the last-in, first-out method (LIFO). The cost of the remaining inventories of $53.7 million in 1983 and $53.5 million in 1982 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 $18.9 and $17.7 million higher than reported at December 31, 1983 and 1982, respectively. If the LIFO method had been applied in 1983 to those inventories valued at FIFO, the amounts would not have been substantially different.

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.

Income Taxes

In 1983 and prior years, the Company is included in Time's consolidated federal income tax returns. Time follows the policy of allocating its consolidated tax liability among itself and its subsidiaries in proportion to each subsidiary's separate tax liability, with no tax benefit given to loss companies. In connection with the Company's separation from Time, certain tax sharing agreements were entered into between the parties (See Note L).

Investment tax credits are deferred and amortized over the estimated useful lives of the related assets as a reduction of income tax expense.

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.

Earnings Per Share

Earnings per share for 1983 are based on the number of shares of the Company's common stock distributed and outstanding on January 26, 1984 and common stock equivalents. Earnings per share amounts for previous years would not be meaningful.

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 $101.4 million at December 31, 1983.

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. Effective with a July 1, 1983 contract amendment, 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. Prior to the July 1, 1983 contract amendment, the pricing formula included a 12% annual return on stockholder's equity factor instead of the stated amount per ton factor currently being used. 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 $164.9 million in 1983, $166.0 million in 1982 and $168.0 million in 1981.

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Summary financial information for Georgia Kraft Company is as follows:

	1983	1982	1981
		(in thousands)	
Total revenues	**$516,877**	$493,584	$466,363
Income before taxes	**51,007**	53,810	51,059
Net Income	**32,213**	35,268	37,271
Current assets	**173,255**	143,415	120,242
Noncurrent assets	**452,350**	443,236	423,789
Current liabilities	**54,897**	44,696	46,046
Noncurrent liabilities	**249,883**	253,343	244,640

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.

	1983	1982	1981
		(in thousands)	
Total revenues	**$ 40,936**	$ 35,532	$36,677
Income before taxes	**13,829**	11,384	15,239
Net income	**9,465**	9,180	12,344
Current assets	**81,212**	128,397	93,394
Noncurrent assets	**136,928**	121,413	43,221
Current liabilities	**75,330**	114,875	83,460
Noncurrent liabilities	**108,670**	102,171	29,785

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:

	1983	1982
	(in thousands)	
Total revenues*	**$110,406**	$ —
Income before taxes**	**4,112**	—
Net income	**3,241**	—
Total investments	**225,046**	197,561
Total assets	**292,316**	265,003
Future policy benefit reserves	**195,397**	170,266
Total liabilities	**212,983**	189,003

*Includes net investment income of $23.0 million.
**Includes pre-tax realized investment gains of $2.6 million.

The Company's share in the net income of all unconsolidated subsidiaries and 20-50% owned affiliates amounted to $27.3 million, $28.6 million and $31.5 million for the years ended December 31, 1983, 1982 and 1981, respectively.

Dividends received from such subsidiaries and affiliates amounted to $10.9 million, $.2 million and $10.1 million for the years ended December 31, 1983, 1982 and 1981, respectively.

The Company's share of undistributed earnings of companies 20-50% owned, included in retained income was $86.6 million and $70.0 million at December 31, 1983 and 1982, respectively.

NOTE C—Leases

Total rental expense was $7.1 million, $6.5 million and $6.3 million for the years ended December 31, 1983, 1982 and 1981, respectively.

The future minimum rental commitments, as of December 31, 1983, under non-cancellable operating leases were as follows: 1984—$3.1 million; 1985—$2.6 million; 1986—$1.9 million; 1987—$1.4 million; and 1988—$1.1 million.

NOTE D—Long-Term Debt

Long-term debt consists of the following:

	1983	1982
	(in thousands)	
Bank Revolving Credit Agreement	**$80,000**	$ —
8¼% Promissory Notes to Time due 1986	**50,000**	—
9% Tax Exempt Pollution Control Bonds due 2012	**9,400**	9,400
7.9% Promissory Notes due through 1994	**15,960**	17,520
6% Revenue Bonds due 2001-2007	**10,000**	10,000
Revenue Bonds due 2007—Floating Interest Rate at 12/31/83 was 5.65%	**9,300**	—
Revenue Bonds due 2008—Floating Interest Rate at 12/31/83 was 5.98%	**8,900**	—
5⅜% Sinking Fund First Mortgage Bonds due through 1985	**—**	6,600
9.5% Subordinated Debentures through 1985	**7,700**	8,400
8% Revenue Bond due 1984	**—**	8,705
9.5% Revenue Bond due 1984 (to be refinanced in 1984)	**5,000**	5,000
Other revenue bonds due through 2007, weighted average interest rate of 6.7% and 6.6% as of December 31, 1983 and 1982, respectively	**6,962**	7,536
Other indebtedness due through 2000, weighted average interest rate of 10.7% and 10.8% as of December 31, 1983 and 1982, respectively	**5,282**	7,034
	$208,504	$80,195

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. At December 31, 1983, the weighted average interest rate was 9.8%. The credit agreement provides for borrowings up to $80 million on a revolving basis, repayable in full on September 15, 1989.

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At December 31, 1983, consolidated net current assets were approximately $86 million in excess of the minimum requirements under the most restrictive provisions of the Company's loan agreements, and approximately $78 million of consolidated retained income was unrestricted as to the payment of dividends. At December 31, 1983, property and equipment of approximately $40 million was subject to liens in connection with $35 million of debt.

Aggregate maturities of long-term debt during the next five years are as follows: 1984—$4,219,000; 1985—$3,807,000; 1986—$53,635,000; 1987—$3,478,000; 1988—$3,317,000.

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

	1983	1982	1981
		(in thousands)	
Interest expense	$(10,468)	$(7,187)	$(7,004)
Interest income	4,359	3,326	3,831
Capitalized interest	1,323	1,914	2,195
Interest —net	$(4,786)	$(1,947)	$(978)

NOTE E—Stock Option and Purchase Plans

On October 6, 1983, the Company established a stock option plan for key employees. This plan 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 option so granted. At December 31, 1983, there had been no options granted under this plan.

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. All options are currently exercisable and expire at various dates to 1992. At December 31, 1983, an additional 1,060,411 shares of the Company's common stock were available for future grants or options.

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

The Company has adopted a Savings and Stock Purchase Plan to permit participating employees to invest in common stock or other funds and a Payroll-Based Employee Stock Ownership Plan.

Additionally, an Incentive Stock Plan has been adopted providing 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, 1983 no shares had been granted under the plan.

Subsequent to December 31, 1983, the Company granted options to purchase 173,875 shares of the Company's common stock at a price of $30.75 per share and granted 52,175 shares of common stock under the incentive stock plan.

NOTE F—Pension Plans

The Company and its subsidiaries have several pension plans covering substantially all employees. Total pension expense was approximately $10 million in 1983, $10 million in 1982, and $9 million in 1981, 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.

Accumulated benefit information as estimated by consulting actuaries, and net assets for the Company's retirement plans as of January 1, 1983, and January 1, 1982, assuming a rate of return of 8%, were as follows:

	1983	1982
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	$ 77,597	$70,649
Non-vested	8,734	6,196
	$ 86,331	$76,845
Net assets available for benefits	$113,937	$97,186

NOTE G—Capital Structure

The Company was organized on August 29, 1983 with 100,000,000 shares of authorized common stock and 25,000,000 authorized shares of preferred stock, par value $1 per share. On January 26, 1984, 24,073,518 shares of common stock were distributed to shareholders as described in note L.

NOTE H—Taxes on Income

Deferred federal income taxes have been provided because certain income and expenses, principally depreciation, are recognized in different periods for tax and financial reporting purposes.

Taxes on income consisted of the following:

	1983		1982		1981	
	Current	Deferred	Current	Deferred	Current	Deferred
			(in thousands)			
Federal	$10,477	$20,449	$6,295	$19,020	$3,969	$21,317
Investment tax credit deferred	—	(1,773)	—	2,934	—	2,448
State and local	1,347	—	1,782	—	2,677	—
	$11,824	$18,676	$8,077	$21,954	$6,646	$23,765

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

	1983	1982	1981
	(in thousands)		
Taxes on income at statutory rate	**$36,192**	$31,927	$57,732
Investment tax credits	**(5,528)**	(5,270)	(7,302)
Tax benefit of capital gains, mainly from the harvesting and sale of fee-owned timber	**(7,565)**	(8,541)	(9,571)
All other	**(3,021)**	4,055	2,736
Approximate separate tax return expense	**20,078**	22,171	43,595
Allocation of taxes from Time's consolidated group including charges in 1983 for prior years' taxes	**10,422**	7,860	(13,184)
	$30,500	$30,031	$30,411

The Company's share of Georgia Kraft's tax related items included above for 1983, 1982, and 1981 were: investment tax credits of $.9 million, $1.5 million and $3.9 million; and the tax benefit of capital gains of $1.4 million, $1.7 million and $1.5 million, respectively.

Investment tax credits are accounted for on a deferral basis except for Georgia Kraft which records such credits as reductions in current income tax expense on a flow-through basis.

NOTE I—Accounting Changes

The accompanying financial statements have been retroactively restated for the effects of certain changes and classifications described below which reflect the policies and manner of presentation to be followed by the newly formed Company in the future.

During 1983, the Company changed its method of accounting for investment tax credit for financial reporting purposes from the flow-through to the deferral method. Under the new method, investment tax credit is deferred and amortized over the useful lives of the assets. Previously the credit was recognized as a reduction of federal income tax expense in the year the assets were placed in service. Due to sizable fluctuations in capital expenditures qualifying for investment tax credits, the Company believes accounting for such credits on the deferral method will more clearly reflect the financial results of operations.

The Company has requested the consent of the Secretary of the Treasury to change to the deferral method of accounting for investment tax credit for financial reporting purposes, which consent is required by the Revenue Act of 1971.

Also during 1983, the Company changed its practice of accounting for exchange sales of containerboard. These transactions, which are trades of equal amounts of containerboard with other manufacturers primarily to achieve freight savings, have previously been recorded as sales and cost of sales. Under the new accounting practice, these transactions are now being eliminated against cost of sales; thereby reducing both revenues and cost of sales with no effect on income. The amounts of such exchange sales eliminated were $94.9, $90.4 and $94.7 million for the years ended December 31, 1983, 1982 and 1981, respectively. Management believes that the current practice more properly reflects sales and cost of sales and is the accounting practice predominantly used in the industry.

NOTE J—Business Segment Information

Refer to "Business Segments" on pages 34 and 36 for information relating to the Company's principal segments of business for the three years ended December 31, 1983.

NOTE K—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.

NOTE L—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. 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 presented, 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.

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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, 1981 and 1980 was $(1.5) million, $18.5 million, $(32.5) million and $(56.5) million, respectively. The average balance receivable from (or payable to) Time during 1983, 1982 and 1981 was approximately $17.4 million, $(7.8) million and $(40.6) million, respectively.

In 1983 and prior years, the Company is included in the consolidated federal tax returns filed by Time. Time and the Company have agreed to provide for the future settlement of income tax liabilities, if any, attributable to years the Company is included in the Time consolidated return. Under this agreement, if an adjustment attributable to the Company is required which results in an addition to Time's tax liability in a consolidated return year, the Company will bear such additional liability, together with applicable interest and penalties. Temple-Inland will not be included in the consolidated Time return after 1983.

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.

NOTE M—Summary of Quarterly Results of Operations (Unaudited)

The following table reflects the combined historical amounts of the former subsidiaries of Time that now form the Company. Because of the $169.9 million dividend payment to the former parent, recapitalization of the Company, income tax allocations and settlements, and various other transactions related to the separation from Time, the quarterly historical operations of the combined companies may not be comparable in 1983 with 1982.

	Three Months Ended			
	March 31	June 30	Sept 30	Dec 31
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***
1982				
Net Sales	$264.4	$277.6	$274.4	$280.0
Gross Profit	38.2	42.8	32.0	46.6
Net Income	9.1	11.3	6.8	12.2

*Includes $4.4 million (before taxes) of expenses related to the formation and distribution of the Company to the shareholders of Time.

NOTE N—Supplemental Information on the Effects of Changing Prices (Unaudited)

Statement of Income Adjusted for Changing Prices

	Year ended December 31, 1983
	(in millions)
Income from operations as reported in the statement of income	$ 48
Adjustments to restate costs for the effect of general inflation:	
Cost of sales	$ (6)
Depreciation, amortization and depletion	(29) (35)
Income from operations adjusted for general inflation	13
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs):	
Cost of sales	$ 6
Depreciation, amortization and depletion	(13) (7)
Income from operations adjusted for changes in specific prices	$ 6
Increase in specific prices (current cost) of inventories, property and equipment held during the year	$ 39
Effect of increase in general price level	60
Excess of increase in general price level over increase in specific prices (current cost)	$ 21

Notes to Supplemental Information on the Effects of Changing Prices (Unaudited)

Basis of Supplemental Data

This supplementary financial information discloses certain effects of inflation on inventories and property and equipment.

The effects of inflation have been measured in two ways. The first was determined by using the Consumer Price Index ("CPI") for all Urban Consumers prepared by the Bureau of Labor Statistics of the U.S. Department of Labor. The second approach (Current Cost) measures inflation by specific price changes of certain assets.

Income from Operations

The Company's financial statements are prepared on the historical basis of accounting.

Adjustments to restate costs for the effects of general inflation represent the historical amounts of depreciation, amortization and depletion, and that portion of production and manufacturing costs determined under the FIFO method of inventory, adjusted to reflect the change in the level of the CPI that has occurred since the date the related properties and inventories were acquired. Production and manufacturing costs, as determined under the LIFO method of inventory, already approximate average constant dollars and remain unchanged from those amounts in the primary financial statements.

Adjustments to restate costs for the effects of changes in specific prices represent the historical amounts of production and

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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 timberland 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, 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 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.

Five-Year Comparison of Selected Supplemental Financial Data Adjusted for Effects of Changing Prices

(stated in average 1983 dollars)
(unaudited)

	1983	1982	1981	1980	1979
			(dollars in millions)		
Historical Cost Information					
Adjusted for general inflation					
Net sales	**$1,176**	$1,132	$1,220	$1,203	$1,227
Income from operations	**13**	10	73	61	67
Net assets at year-end*	**1,100**	1,300	1,300	1,200	1,200
Current Cost Information					
Income (loss) from operations	**6**	(1)	62	59	61
Excess of increase in general price level of inventories, and property and equipment over (under) increase in specific prices	**21**	29	(53)	127	63
Net assets at year-end*	**1,400**	1,500	1,600	1,500	1,500
Other Information					
Purchasing power gain from holding net monetary liabilities during the year	**10**	9	21	29	31
Average consumer price index	**298.4**	289.1	272.4	246.8	217.4

*Net assets represent the historical cost amounts reported in the primary financial statements adjusted for the effects of general inflation and changes in specific prices, respectively, on inventories and property and equipment.

At December 31, 1983, the current cost of inventories was $117 million and property and equipment, net of accumulated depreciation, was $1,496 million.

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Report of Management

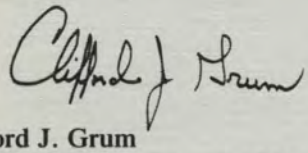
Management Report on Financial Statements

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.

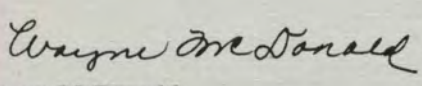
The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied 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

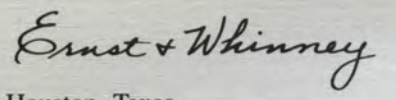
**Report of Ernst & Whinney,
Independent Auditors**

**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, 1983 and 1982, 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, 1983. 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 auditiors.

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, 1983 and 1982, 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, 1983, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for investment tax credits as described in Note I to the financial statements.



Houston, Texas
February 14, 1984

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Shareholders' Information

Corporate Headquarters
Temple-Inland Inc.
303 South Temple Drive
Diboll, Texas 75941

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

Independent Accountants
Ernst & Whinney
Houston, Texas

Annual Meeting
The annual meeting of shareholders of Temple-Inland Inc. will be held at the Crown Colony Country Club, 900 Crown Colony Drive, Lufkin, Texas on Friday, May 4, 1984 at 1:00 p.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
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 the year was 32½ and 36.

Number of Shareholders
As of January 26, 1984, the distribution date of Temple-Inland common stock, there were 14,966 shareholders of record.

Copies of SEC Form 10-K will be available to shareholders upon written request to Roger D. Ericson, General Counsel and Secretary, Temple-Inland Inc., Drawer N. Diboll, Texas 75941

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TEMPLE-INLAND
INC.
A FOREST PRODUCTS COMPANY