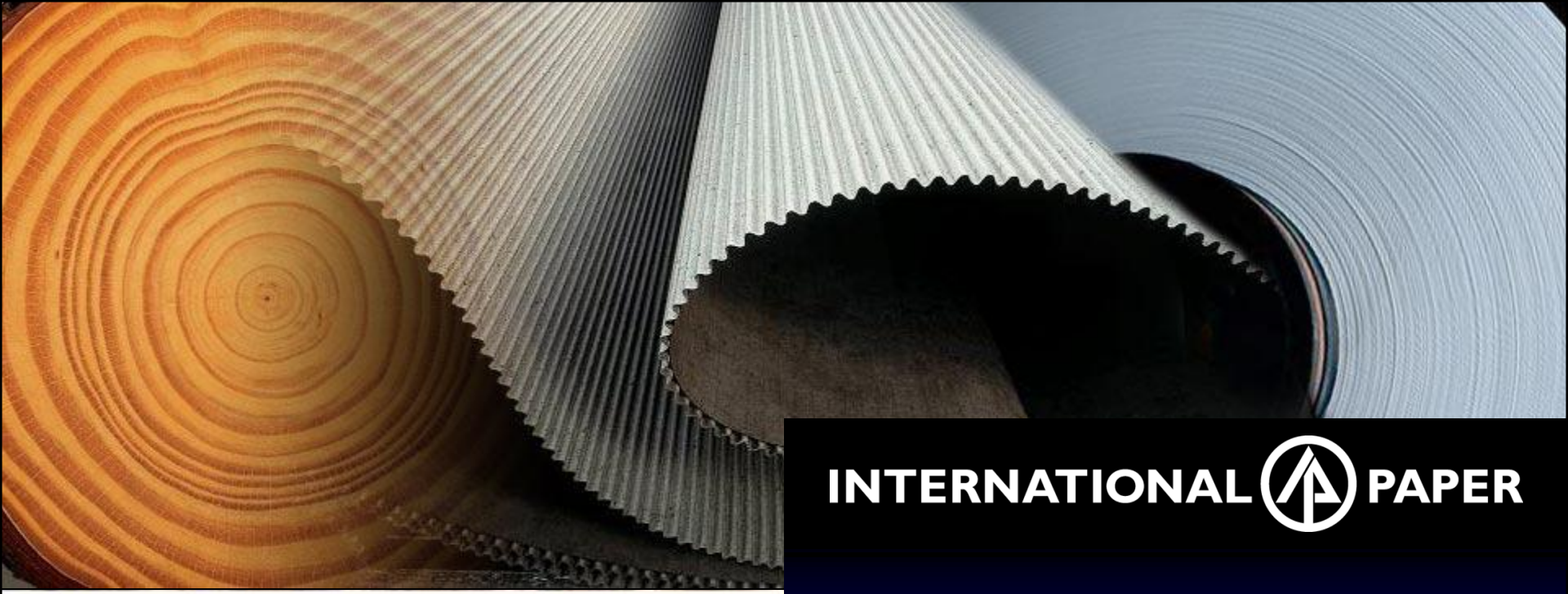


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# Temple-Inland Valuation Discussion

June 2011

# Forward-Looking Statements

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All statements included or incorporated by reference in this communication other than statements or characterizations of historical fact, are forward-looking statements. These statements reflect management's current views and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these statements. Factors which could cause actual results to differ relate to: (i) the failure to realize synergies and cost-savings from the transaction or delay in realization thereof; (ii) increases in interest rates; (iii) industry conditions, including but not limited to changes in the cost or availability of raw materials, energy and transportation costs, competition we face, cyclicality and changes in consumer preferences, demand and pricing for our products; (iv) global economic conditions and political changes, including but not limited to the impairment of financial institutions, changes in currency exchange rates, credit ratings issued by recognized credit rating organizations, the amount of our future pension funding obligation, changes in tax laws and pension and health care costs; (v) unanticipated expenditures related to the cost of compliance with existing and new environmental and other governmental regulations and to actual or potential litigation; and (vi) whether we experience a material disruption at one of our manufacturing facilities and risks inherent in conducting business through a joint venture. We undertake no obligation to publicly update any statements or information relating to this release or the offer described above, whether as a result of new information, future events or otherwise. These and other factors that could cause or contribute to actual results differing materially from such forward looking statements are discussed in greater detail in the Company's SEC filings.

# N.A. Packaging EBITDA and Margin Trends

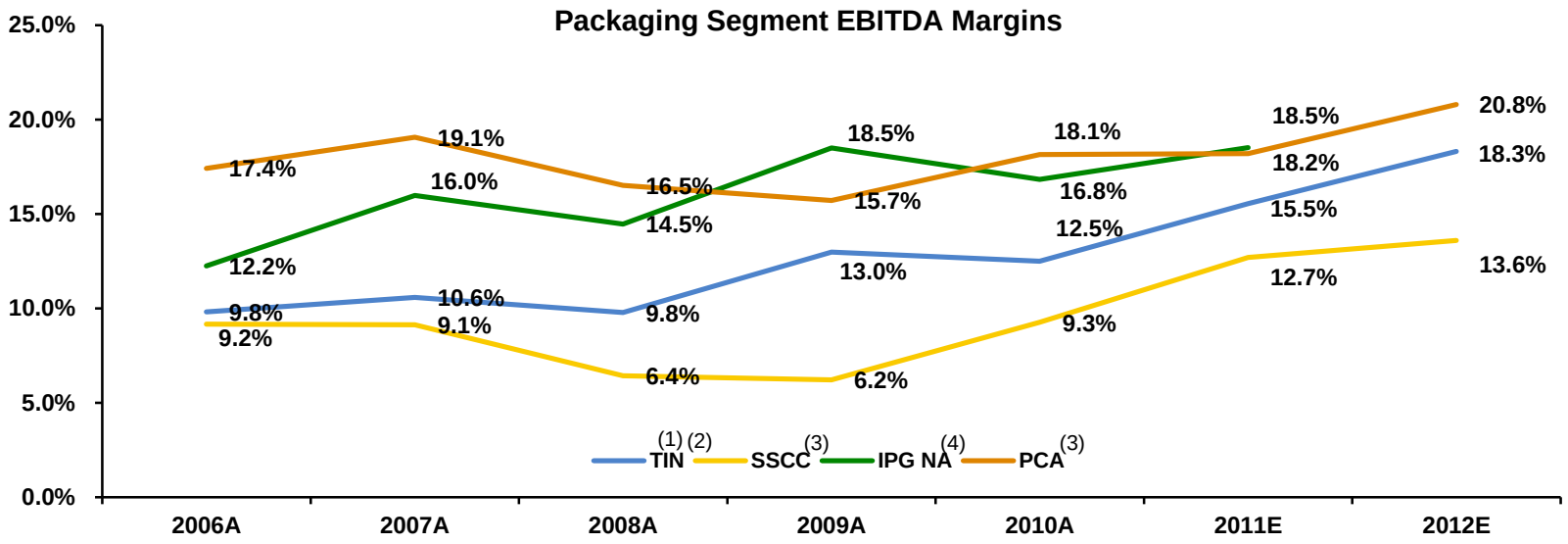
*($ in millions)*

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**Temple-Inland - Historical & Projected EBITDA by Segment**

| | Historicals | | | | | Projections [1] | |
|---|---|---|---|---|---|---|---|
| | 2006A | 2007A | 2008A | 2009A | 2010A | 2011E | 2012E |
| Corrugated Pkg after Corp.[2] | $292 | $322 | $312 | $390 | $394 | $517 | $641 |
| *% Margin* | *9.8%* | *10.6%* | *9.8%* | *13.0%* | *12.5%* | *15.5%* | *18.3%* |

**2006-2010 Corrugated Pkg Average EBITDA $342**

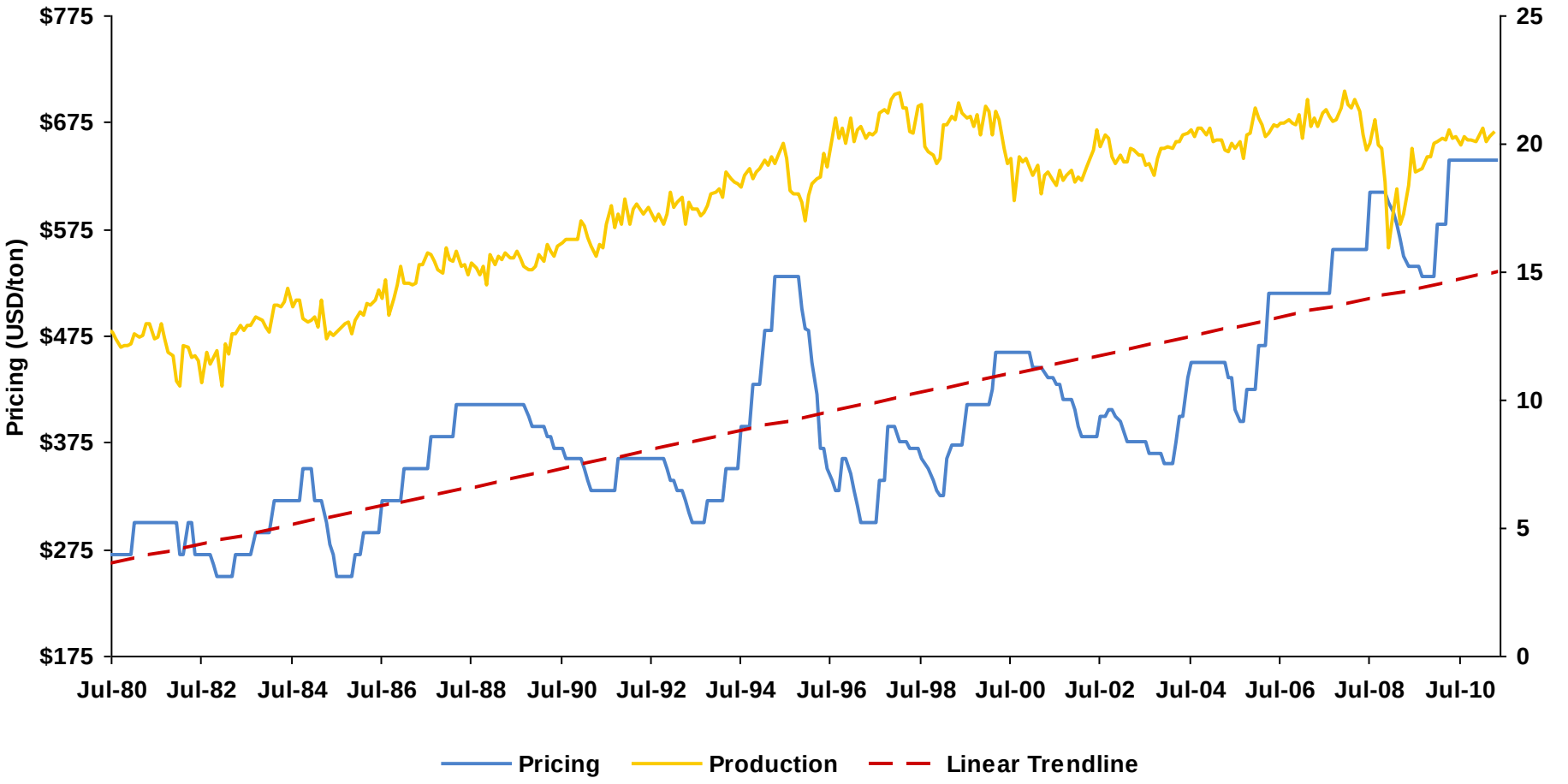



Source: Company filings, Wall Street research
Note: D&A on a projected basis is allocated to Corrugated segment based on 2010 proportion of D&A
(1) Corrugated Pkg projections are an average of JP Morgan (4/20/11), BAML (4/20/11), Longbow (4/20/11) and Buckingham (4/20/11)
(2) Assumes 80% of corporate expense allocated to Corrugated Packaging
(3) Projections per IBES consensus
(4) Margins are for IP N.A. Industrial Packaging, and are net of trades; 2011E margin of 18.5% is Q1 2011 actual result; projections not available, as analysts only project IP Worldwide IPG

# Historical Containerboard Pricing and Production

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## Linerboard Prices (USD/ton) and Linerboard Production (mm tons)



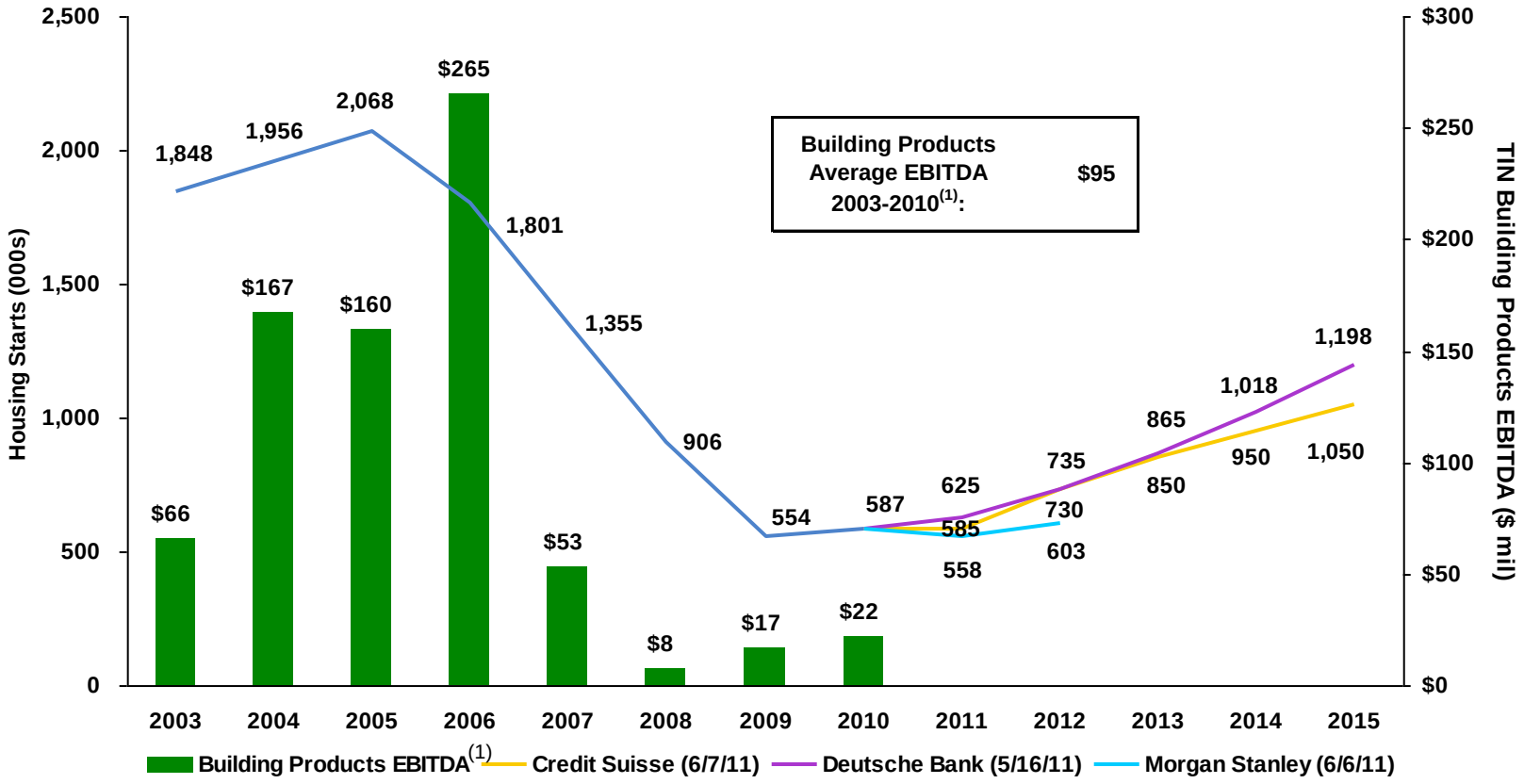

Source: RISI

# Housing Starts & Building Products EBITDA

*($ in millions)*

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- Housing starts not expected to reach 2007 levels by 2015
- Note that 2007 Building Products EBITDA was $53 million




Source: Wall Street research, Bloomberg

(1) Does not reflect any allocation of corporate expenses

# Implied Future Value of Offer Price

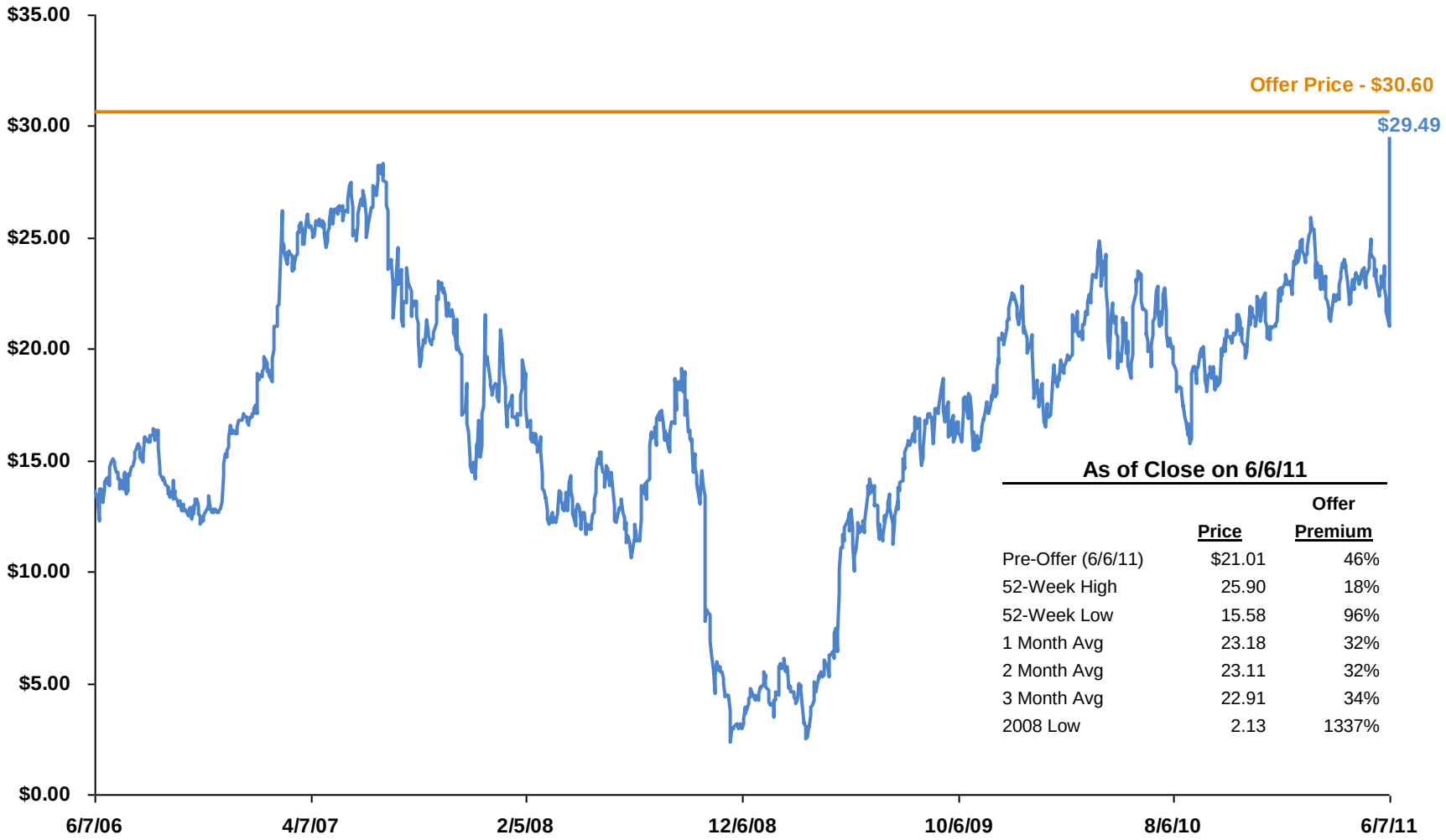



| | | | |
|---|---|---|---|
| IRR of Future Value of Offer Price [2] | 36.1% | 26.0% | 21.8% |

(1) Based on ROE of 11.5%, which equals cost of equity of 14.0% less dividend yield of 2.5% (based on forward dividend per share of $0.52 and 6/6/11 closing price of $21.01); assumes closing date of 12/31/11

(2) Based on 6/6/11 closing share price of $21.01

# TIN Historical Share Price




**As of Close on 6/6/11**

| | Price | Offer Premium |
|---|---|---|
| Pre-Offer (6/6/11) | $21.01 | 46% |
| 52-Week High | 25.90 | 18% |
| 52-Week Low | 15.58 | 96% |
| 1 Month Avg | 23.18 | 32% |
| 2 Month Avg | 23.11 | 32% |
| 3 Month Avg | 22.91 | 34% |
| 2008 Low | 2.13 | 1337% |

Source: Factset
Note: Prices adjusted by Factset for splits, spin-offs and one-time cash dividend in Dec 2007

# Comparable EBITDA Multiples Analysis

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| IP Offer Multiples at $30.60 [1] | 2010A | 2011E | 2012E |
|---|---|---|---|
| With Timber Facility | 12.0x | 9.2x | 7.4x |
| Without Timber Facility | 11.0x | 8.4x | 6.8x |

| Precedent Transactions | | | |
|---|---|---|---|
| SSCC w/Pension [2] | | 6.1x | |
| WY at Acquisition [3] | | 6.3x | |

| Current Trading Multiples TEV/EBITDA | 2010A | 2011E | 2012E |
|---|---|---|---|
| PKG | 7.7x | 7.2x | 6.0x |
| IP | 5.7 | 5.2 | 4.9 |
| TIN Pre-Announcement | 7.5 | 6.3 | 5.1 |

Source: Company filings, IBES consensus, Factset
(1) Assumes FDSO of 114.8 million, Net Debt of $737 million, Minority Interest of $91 million and Timber Facility liability of $385 million
(2) RKT acquisition of SSCC announced 1/23/11; EBITDA multiple based on 2011E consensus estimate
(3) IP acquisition of Weyerhaeuser Packaging assets announced 3/18/08; Multiple represents a forward 2008A multiple; multiple reflects tax benefits with a $1.4 billion net present value

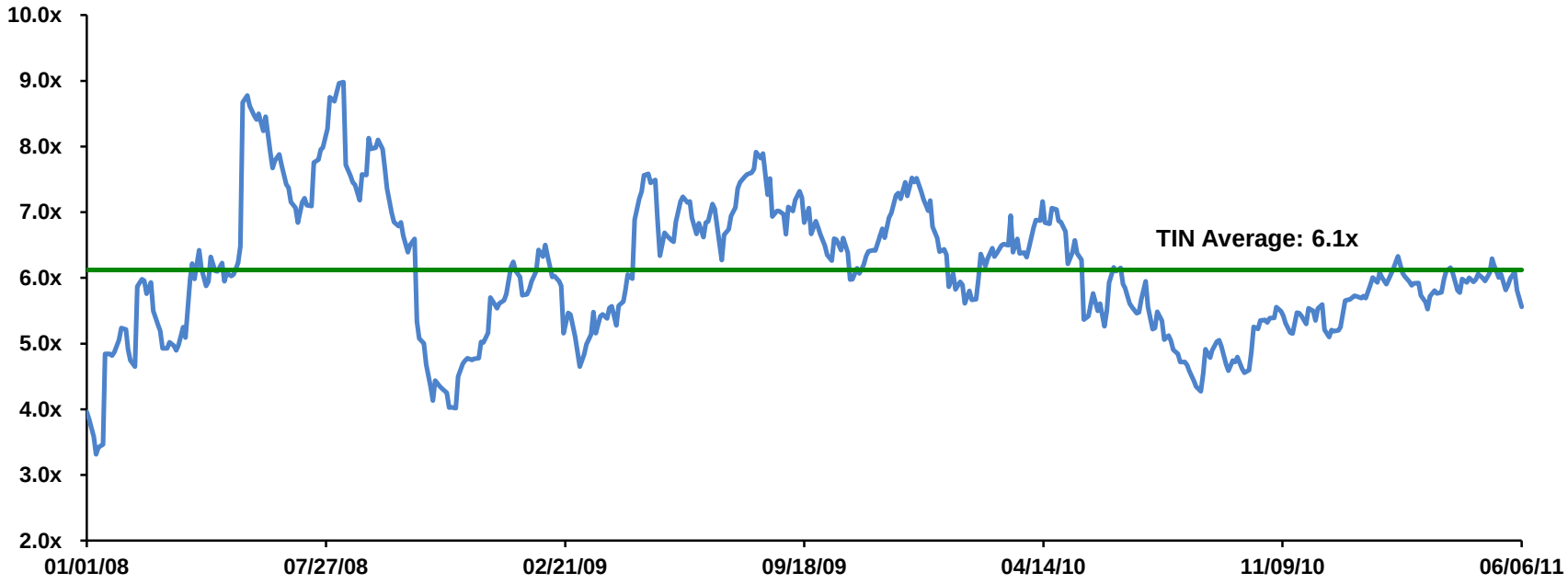
# What Shareholders Should Really Consider

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**IP Views**

- **Since 1/1/08, the "new" Temple-Inland has traded at an average forward EBITDA multiple of 6.1x, not approximately 7x as Temple-Inland has stated**
- **TIN's 2011E EBITDA of $509 million and 2012E EBITDA of $629 million are well above 5-year historical average of $434 million**
- **In a cyclical industry, investors typically do not apply average multiples to above average EBITDA**
- **Hence, TIN is trading at 5.1x 2012E EBITDA and analyst price targets range from $25-$29 per share (with an average of $26.88, PV of $23.57)**

**TIN TEV / NTM Forward EBITDA**

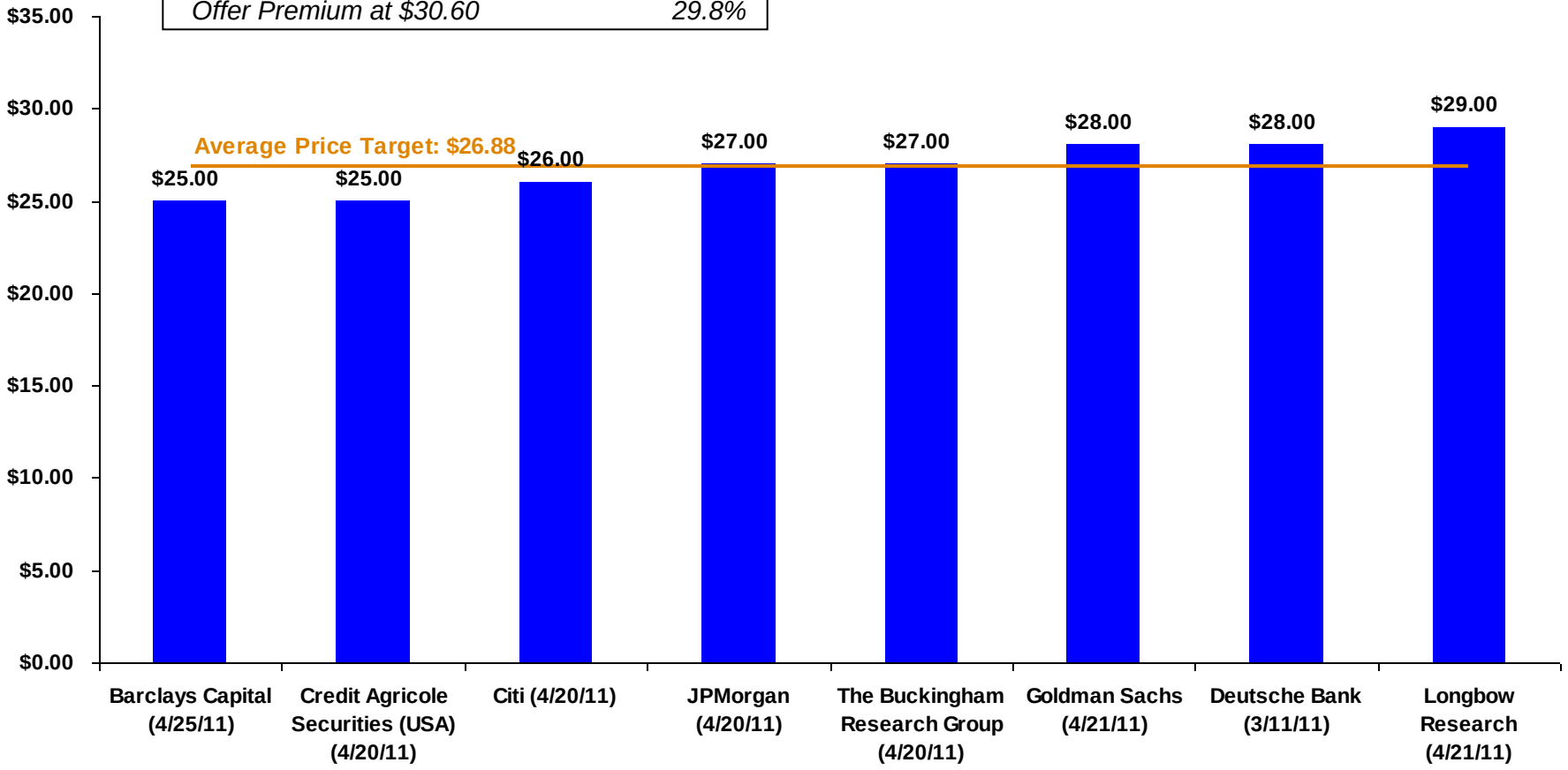



Source: Factset

# TIN Analyst Price Targets

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| | |
|---|---|
| Average 1 Year Forward Price Target | $26.88 |
| Cost of Equity | 14.0% |
| **Present Value of Avg. Price Target** | **$23.57** |
| *Offer Premium at $30.60* | *29.8%* |




Source: Bloomberg

# Synergy Valuation

*($ in millions)*

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| | Illustrative Range of Annual Synergies[1] | |
|---|---|---|
| | **$200** | **$300** |
| Gross Value of Synergies at 6.0x | $1,200 | $1,800 |
| Less: Cost to Achieve Synergies[2] | (200) | (300) |
| **Net Value of Synergies** | **$1,000** | **$1,500** |
| **Net Value of Synergies per Share[3]** | **$8.71** | **$13.06** |
| **33% of Net Value of Synergies per Share** | **$2.87** | **$4.31** |
| **50% of Net Value of Synergies per Share** | **4.35** | **6.53** |

Source: Company filings, Wall Street research
(1) Illustrative range of annual synergies consistent with estimates in recent analyst reports
(2) Assumes cost to achieve synergies equal to 1.0x run rate synergies
(3) Based on 114.8 million fully diluted shares outstanding at $30.60 offer price per share

# Other Information
## *Additional Information*

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**This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. No tender offer for the shares of Temple-Inland Inc. ("Temple-Inland") has commenced at this time. In connection with the proposed transaction, International Paper Company (the "Company") may file tender offer documents with the U.S. Securities and Exchange Commission ("SEC"). Any definitive tender offer documents will be mailed to stockholders of Temple-Inland. INVESTORS AND SECURITY HOLDERS OF TEMPLE-INLAND ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by the Company through the web site maintained by the SEC at http://www.sec.gov. In connection with the proposed transaction, the Company may file a proxy statement with the SEC. Any definitive proxy statement will be mailed to stockholders of Temple-Inland. INVESTORS AND SECURITY HOLDERS OF TEMPLE-INLAND ARE URGED TO READ THESE AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by the Company through the web site maintained by the SEC at http://www.sec.gov.**

# Other Information

## *Certain Information Regarding Participants*

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**The Company and certain of its respective directors and executive officers may be deemed to be participants in the proposed transaction under the rules of the SEC. Security holders may obtain information regarding the names, affiliations and interests of the Company's directors and executive officers in the Company's Annual Report on Form 10−K for the year ended December 31, 2010 which was filed with the SEC on February 25, 2011, and its proxy statement for the 2011 Annual Meeting, which was filed with the SEC on April 8, 2011. These documents can be obtained free of charge from the sources indicated above. Additional information regarding the interests of these participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will also be included in any proxy statement and other relevant materials to be filed with the SEC when they become available.**