Imperial Capital Conference

October 6, 2011

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Company Overview

Future Vision of Tembec

- Strong and Stable Earnings: Specialty Dissolving Pulp
- Predictable Earnings: Energy Investments
- High Upside: Lumber
- Result:

More stable cash flow throughout the cycle

and significant upside for shareholders

Company Update

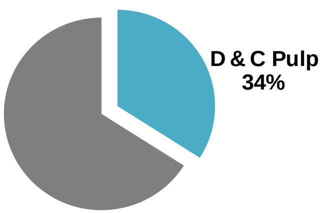
Financial	Operational	Strategic
• Balance sheet and liquidity in good shape • Term Debt maturity – 2018 • New ABL termed out to 2016	• Uncompetitive assets sold/closed – remaining assets low cost or have potential to become low cost • SGA downsized to new sales level • Efficiency improvement projects underway • Higher CAPEX in 2011 will positively impact results in 2012 & 2013	• Transformation of the Company will continue • Strategic capital investments • Focus on Specialty Dissolving Pulp

Company Overview

Dissolving & Chemical Pulp

- #1 producer of specialty dissolving pulp for Cellulose Ethers, MCC & Nitrocellulose
- 310,000 tonnes of annual dissolving pulp capacity
- 270,000 tonnes of annual chemical pulp capacity - NBSK
- Includes by-product and resin chemical sales
- 67% of FY2010 sales generated outside of Canada and the U.S.

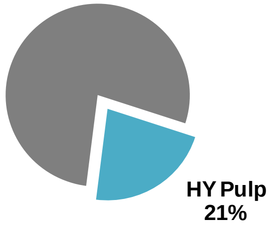
Normalized Sales
$800M



High-Yield Pulp

- #1 producer of High -Yield pulp
- Used in high quality paper , bleached board & sanitary products
- 100% hardwood grades
- 805,000 tonnes of annual capacity
- 98% of FY2010 sales generated outside of Canada and the U.S.

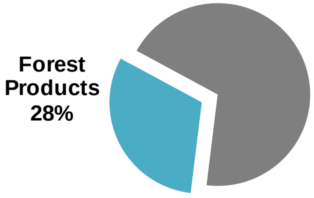
Normalized Sales
$500M



Forest Products

- Produces a range of commodity and value-added forest products including SPF lumber, Hardwood lumber, Engineered wood products, Hardwood flooring and wood chips
- Harvested and delivered 3.2 million cubic meters of timber in FY2010
- North America accounted for 98% of sales in FY2010

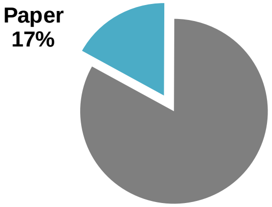
Normalized Sales
$650M



Paper

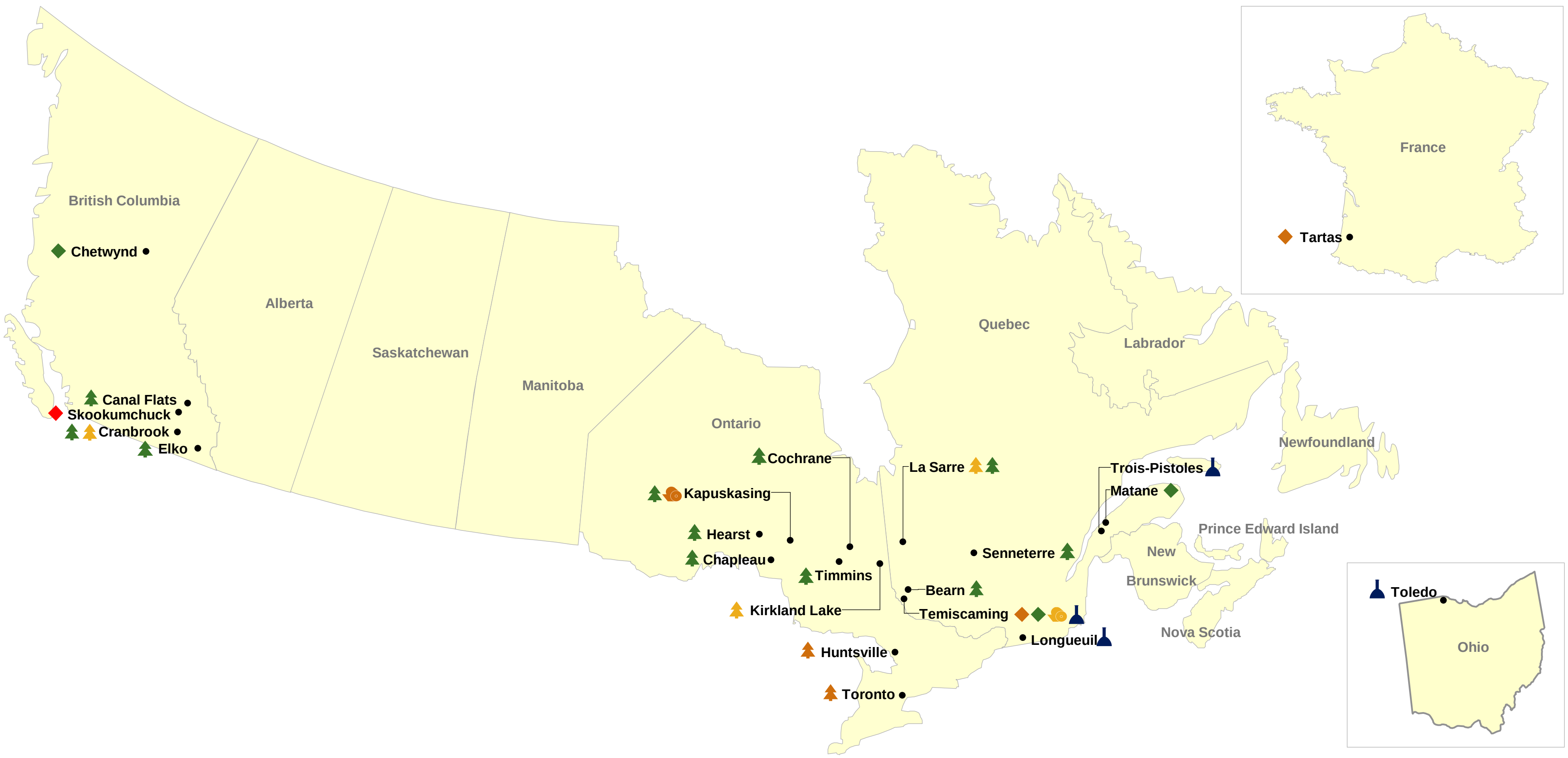
- Produces newsprint for use in newspapers, coated paperboard for specialty publishing and premium bleached linerboard used in packaging
- 240,000 tonnes of newsprint capacity
- 180,000 tonnes of coated bleached board capacity
- North America accounted for 95% of sales in FY2010

Normalized Sales
$380M



We are a leading diversified and integrated forest products company with consolidated sales of ~$2.3 billion

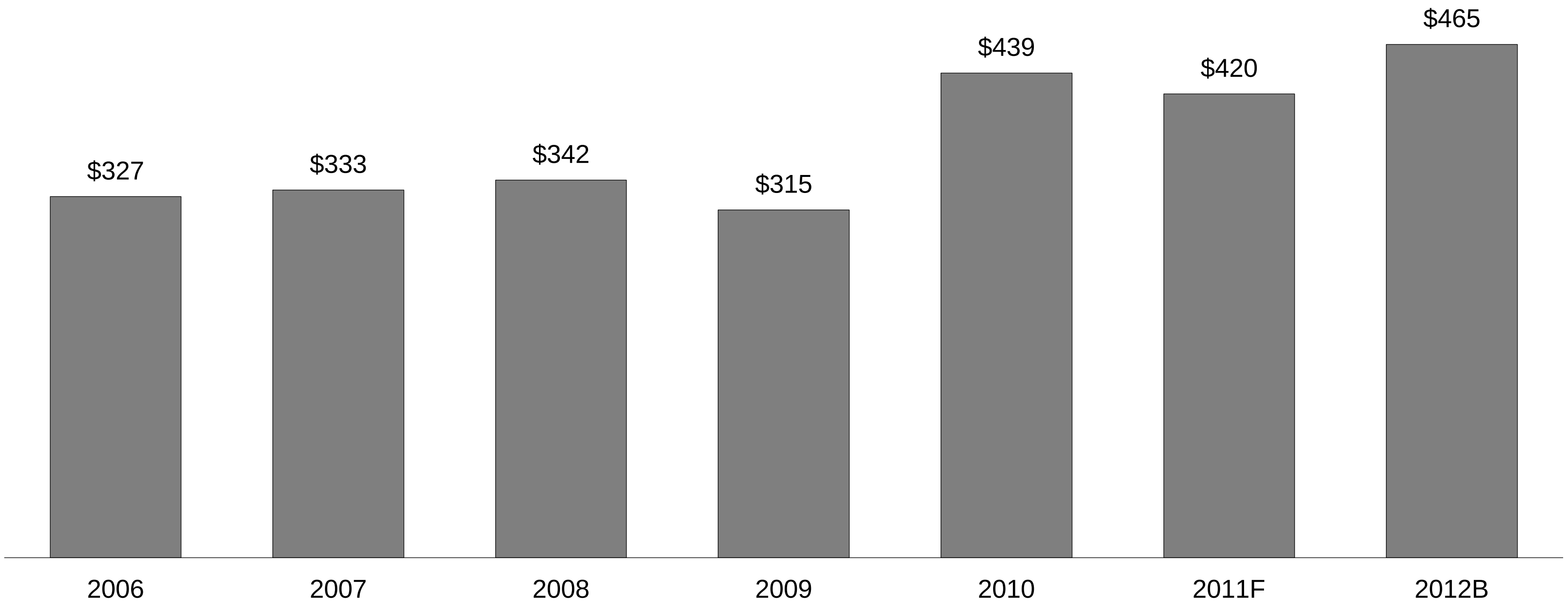
Geographic Footprint



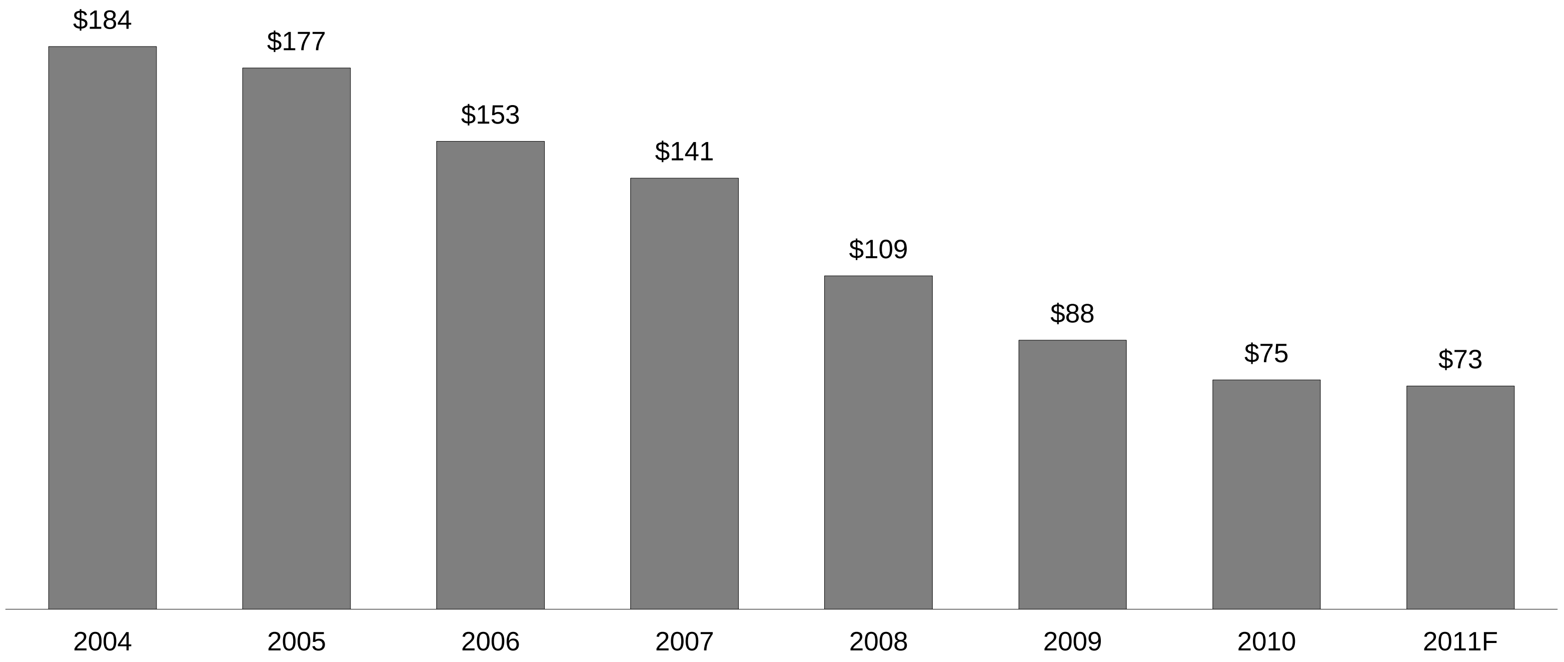
Forest Products	Dissolving & Chemical Pulp	High-Yield Pulp	Paper

SPF Lumber · Specialty Wood · Engineered Wood · Dissolving Pulp & Chemical By-Products · Chemical Pulp · Resin Products · High-Yield Pulp · Newsprint and UCGW · Coated Bleached Board

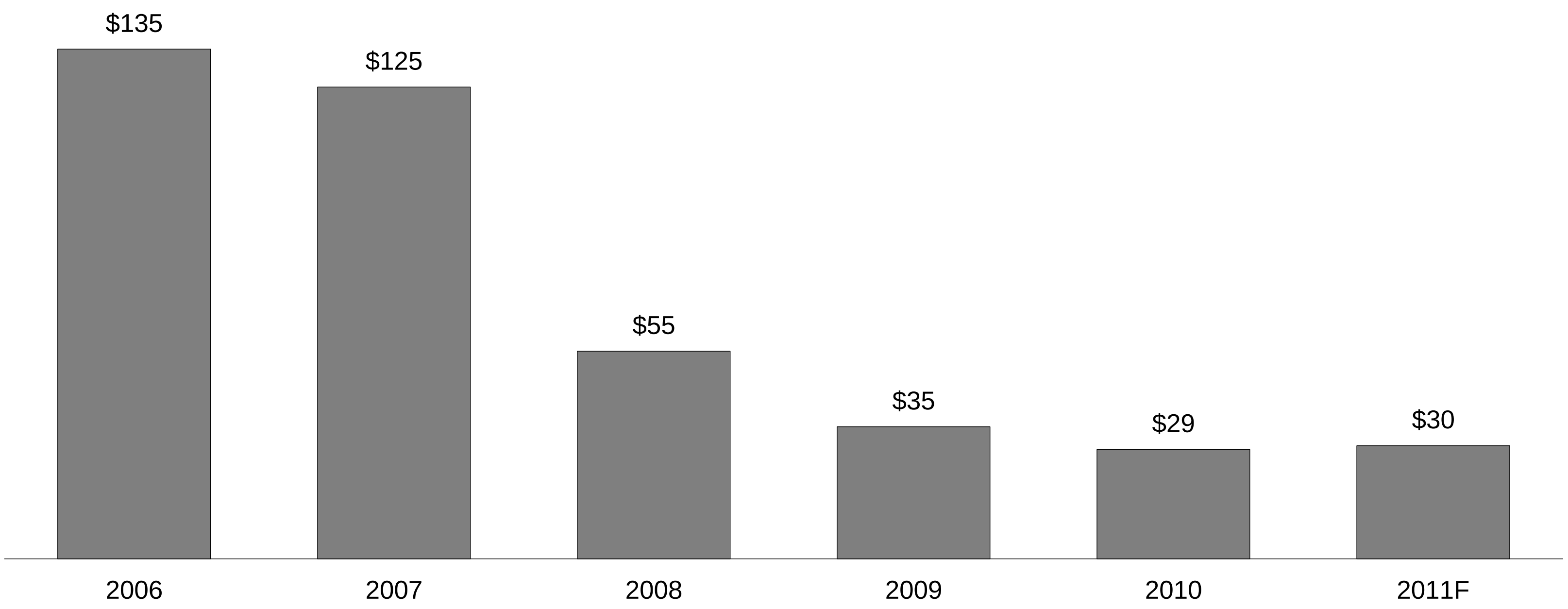
Improved Productivity - $000's Sales Per Employee



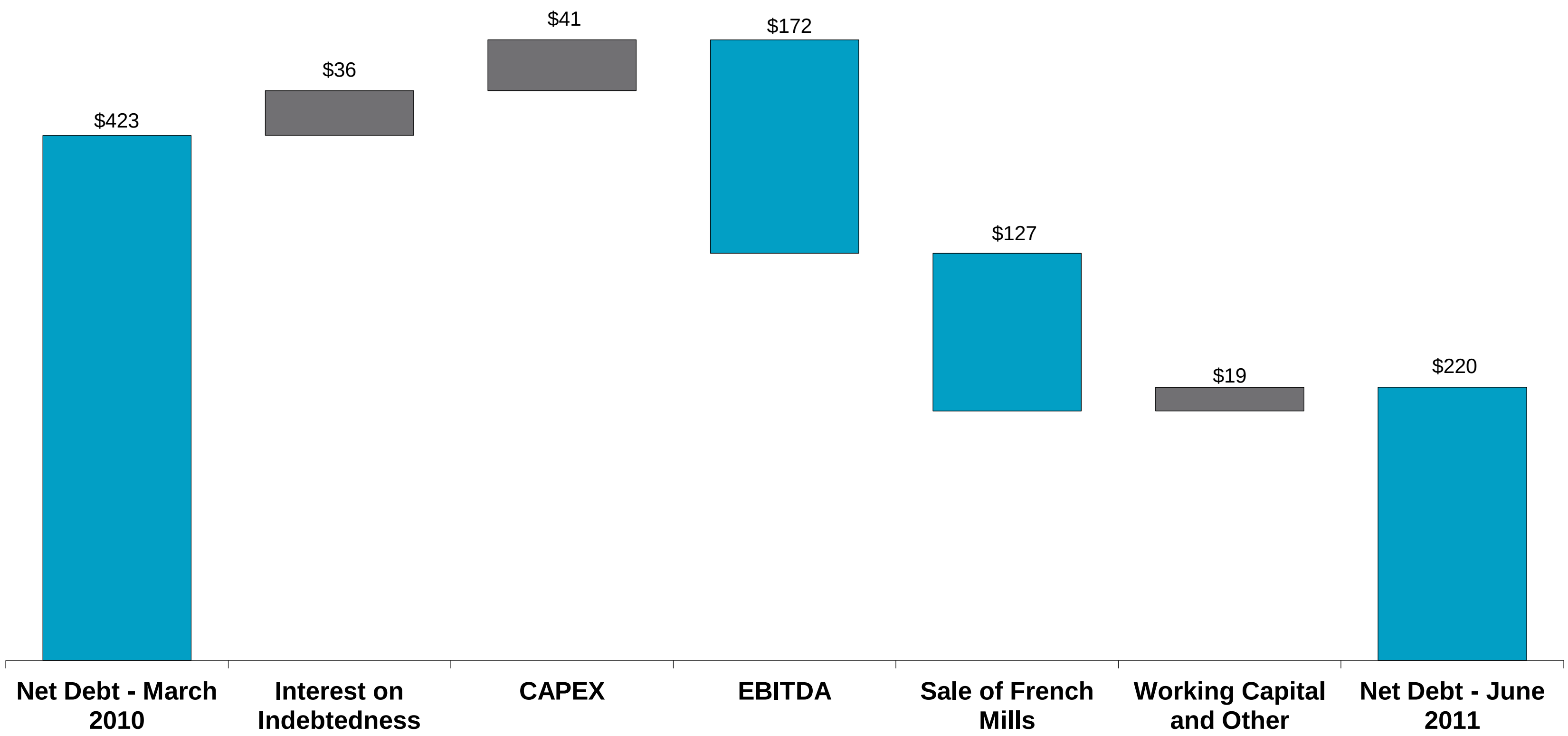
Consolidated SGA Expense - $ Millions



Annual Interest Expense - $ Millions



Debt Reduced By $203 Million



Tembec

Strategic Capital Investments

Strategic Capital Investments

- Industry/Company circumstances have led to low re-investment since 2005
- Closed/divested facilities to focus capital investments
- Company has developed detailed multi-year CAPEX plan for remaining facilities
- High returning projects – proven technology/equipment
- Two main categories
  - Green Energy
  - Business Improvement Plan (BIP) – Cost reduction & productivity increases
- Focus on Specialty Dissolving Pulp

Green Energy

Completed/Approved		CAPEX	Startup	Annual EBITDA $M
Skookumchuck BC NBSK Mill	38 MW Biomass Cogen - New Contract	$2M	Aug 2010	$10M
Matane QC Hardwood High-Yield Mill	Methane Biogas Displace Fossil Fuel	$25M/Net $1M	June 2012	$6M
Tartas France Dissolving Pulp Mill	8 - 9 MW Biomass Turbine - New Contract	$21M	June 2012	$8M
Pending				
Temiscaming QC Dissolving Pulp Mill	30 - 40 MW Waste Liquor Cogen - New Contract	$190M	Dec 2013	$42M
Skookumchuck BC NBSK Mill	Hog Boiler Optimization - 7 MW	$13M/Net $9M	2012-2013	$5M
Under Study				
Temiscaming QC Dissolving Pulp Mill	30,000 TPY Expansion 10 MW Waste Liquor Cogen	$100M	Dec 2015	$41M

- Significant cost reduction
- Applying Green Transformation Credits to Matane biogas project and Skookumchuck hog boiler
- Focus on two dissolving pulp mills – 96% of green energy CAPEX

Temiscaming COGEN Project

- Specialty dissolving mill is currently very profitable despite current cost structure
- Three old low pressure boilers approaching end of useful life – high maintenance – require $20M to extend life
- Cornerstone of project is "Green" Purchase Power Agreement (PPA) with Hydro Quebec – 50 Megawatts
- Boiler/turbine to be sized to allow for a 30,000 TPY capacity expansion
- Very attractive rates on project financing
- Leverage/debt service will remain at very manageable levels

Project Details – $ Millions

PROJECT COST	
Gross CAPEX Investment - 2012 to 2013	$190
Net Incremental Capex	$170
FUNDING	
New Project Term Debt	$105
Internal Funds - Free Cash Flow	$85
ANNUAL EBITDA IMPACT	
Electricity Revenues	$31
Productivity (5,000 TPY)	$6
Cost Reduction	$5
Total	$42
PAYBACK - YEARS	**4.0**

Temiscaming Expansion Project

- Increase dissolving pulp production by 30,000 tonnes per year and electricity production by a further 10 Megawatts
- COGEN project will ensure boiler/turbine/PPA sized for the expansion
- Replace 11 original digesters (pressure cooking vessels) with 10 new larger stainless steel digesters
- Funding provided by COGEN cash flow
- Initial incremental production to commodity dissolving – gradual increase to specialty dissolving to minimize market impact

Project Details – $ Millions

PROJECT COST	
CAPEX Investment - 2014 to 2015	$100
FUNDING	
Internal Funds - Free Cash Flow	$100
ANNUAL EBITDA IMPACT	
Electricity Revenues	$7
Productivity (30,000 TPY)	$27
Cost Reduction	$7
Total	$41
PAYBACK - YEARS	**2.4**

Business Improvement Plan (BIP) Objectives

- Enhance the existing competitive position of each operating facility
- All facilities ranked by priority
- Secure 1^{st} or 2^{nd} quartile cost position for each operating facility
- Funded by operating cash flows
- 4 to 5 year timeline – can be accelerated if capital available
- Increase enterprise value of the Company – high return projects

Strategic Capital Investments

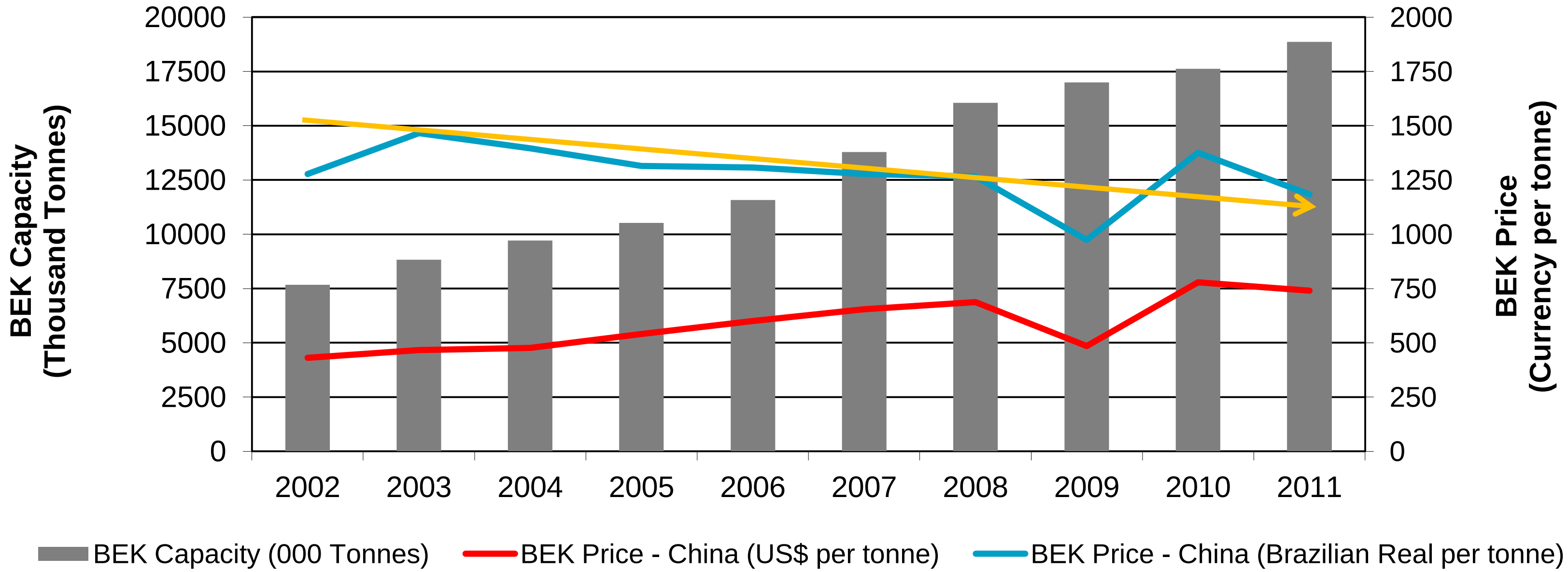
- The $198M in BIP projects represents 83 different CAPEX investments
- Low execution risk – relatively small and proven technology
- Very short payback – mainly cost reduction
- Timing of BIP projects limited by cash flow generation and focus on Green Energy projects
- Approximately $343M (66%) earmarked for the specialty dissolving pulp mills – goal is to have 2 of the most modern facilities in the world
- Overall plan repositions the company's entire cost structure

Financial Impact - $ Millions

	CAPEX	EBITDA IMPACT	PAYBACK YEARS
BIP	$198	$134	1.5
Green Energy	$321	$102	3.1
TOTAL	$519	$236	2.2

Commodity Paper Pulp

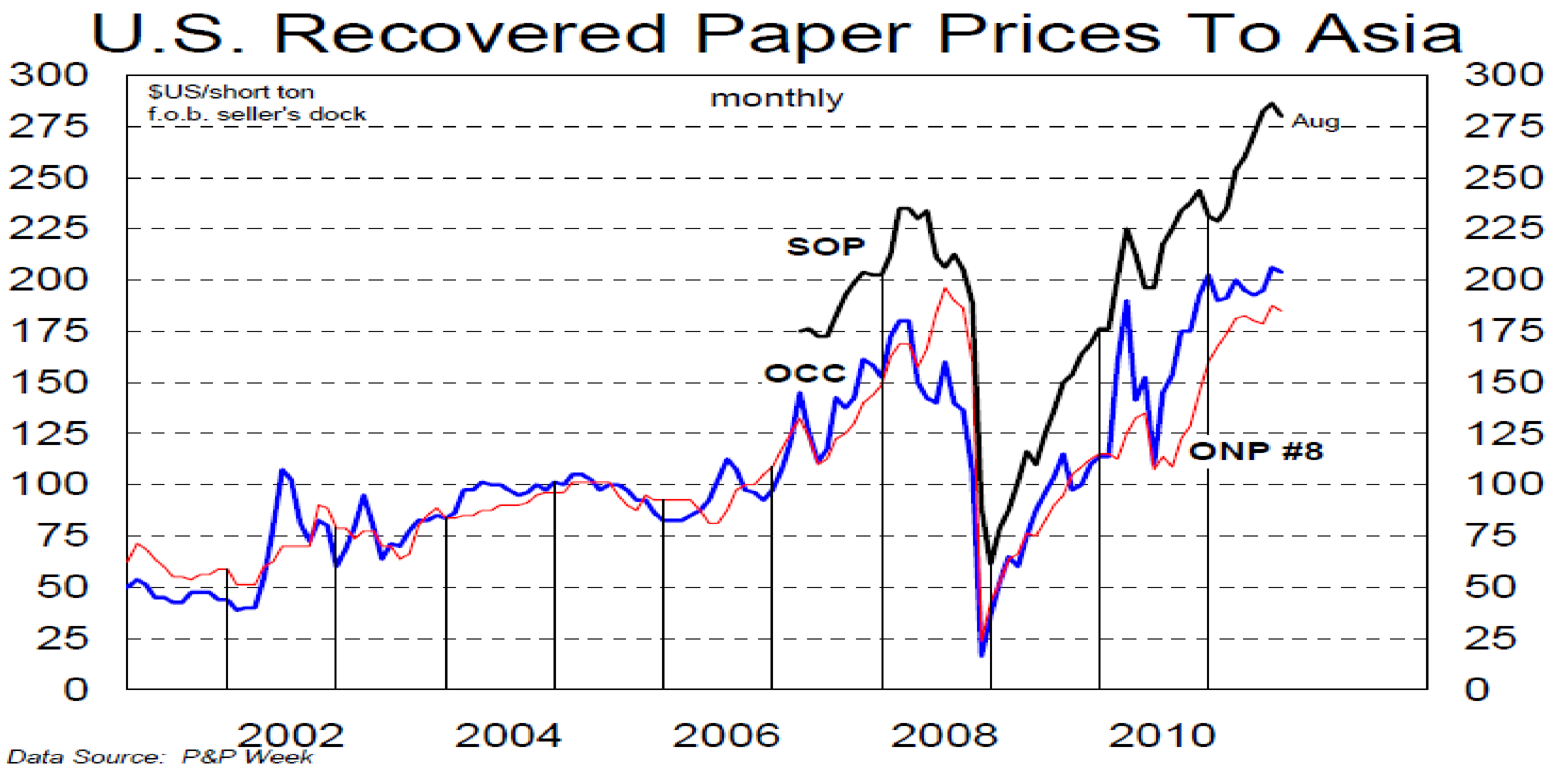
BEK Price versus Capacity



Sources: Pulp and Paper Products Council, Terrachoice

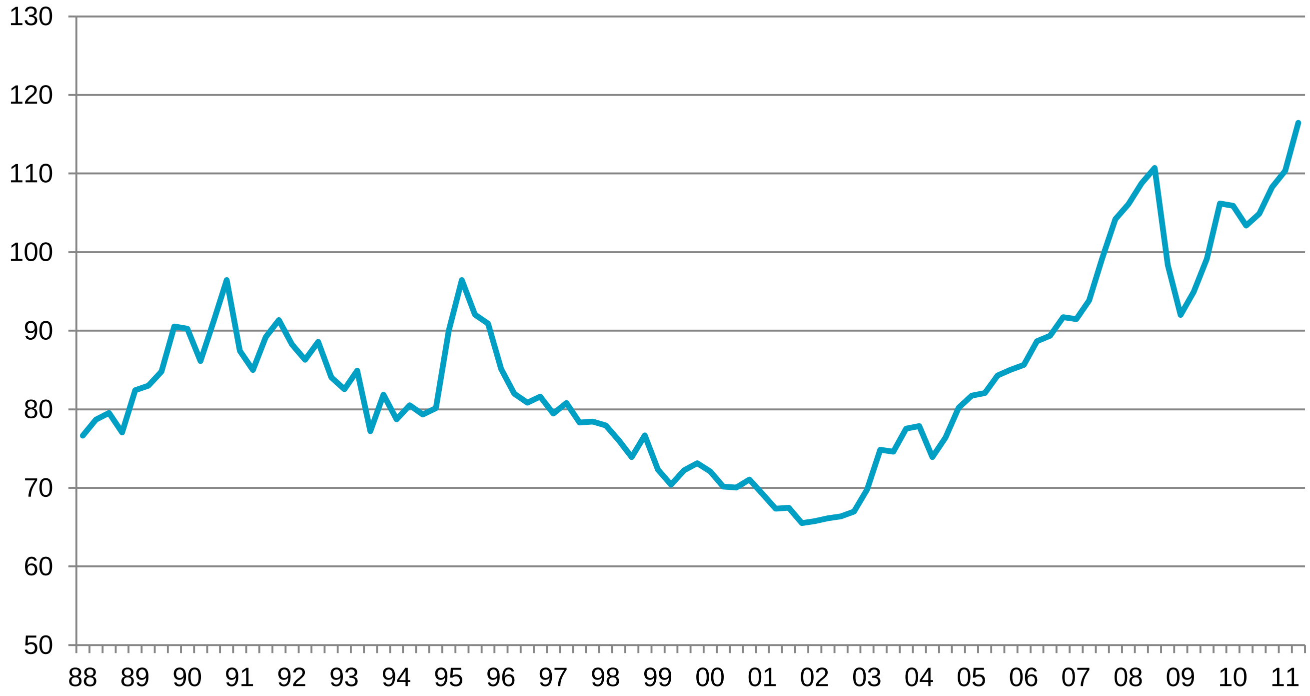
- While US $ pricing of BEK has been trending upwards, Brazilian local currency pricing of BEK has actually been trending down

Wastepaper Prices



- High wastepaper prices support higher pulp prices

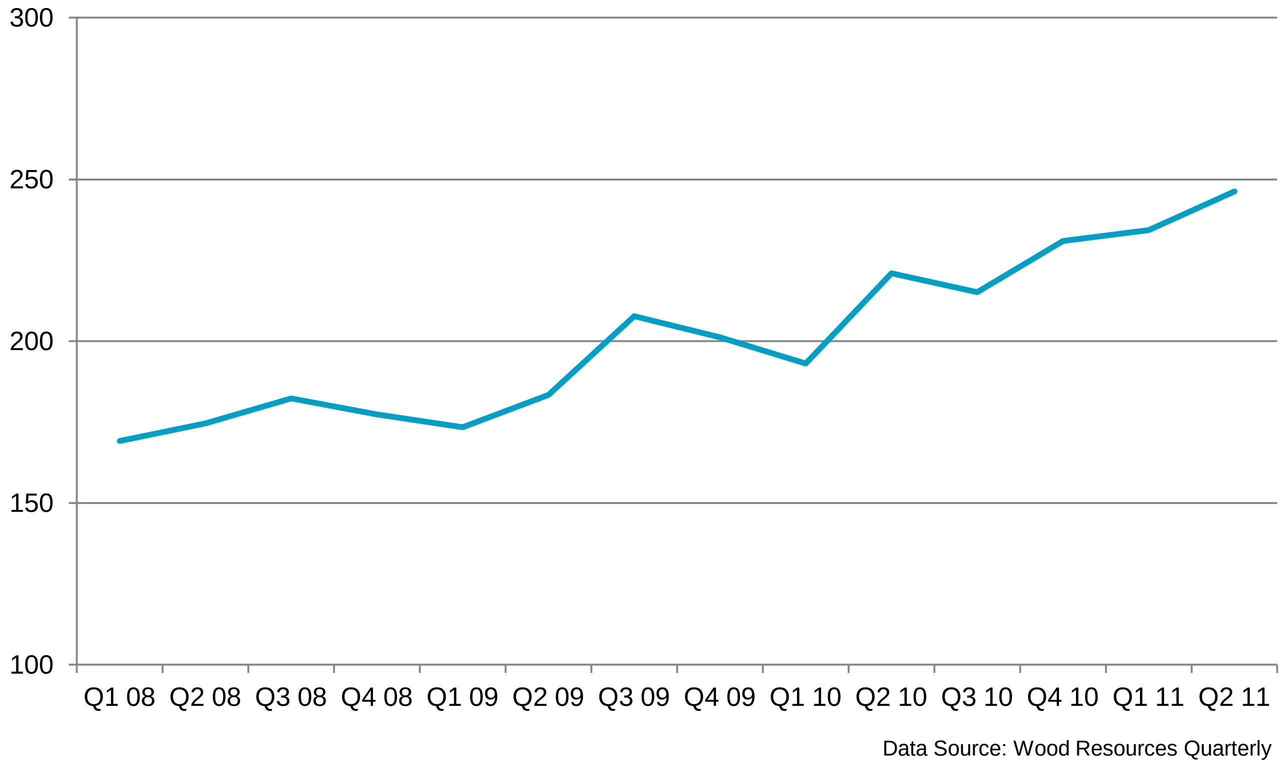
Hardwood Fiber Price Index (HFPI) – US$/ODMT



Data Source: Wood Resources Quarterly

- Virgin fibre also becoming more expensive

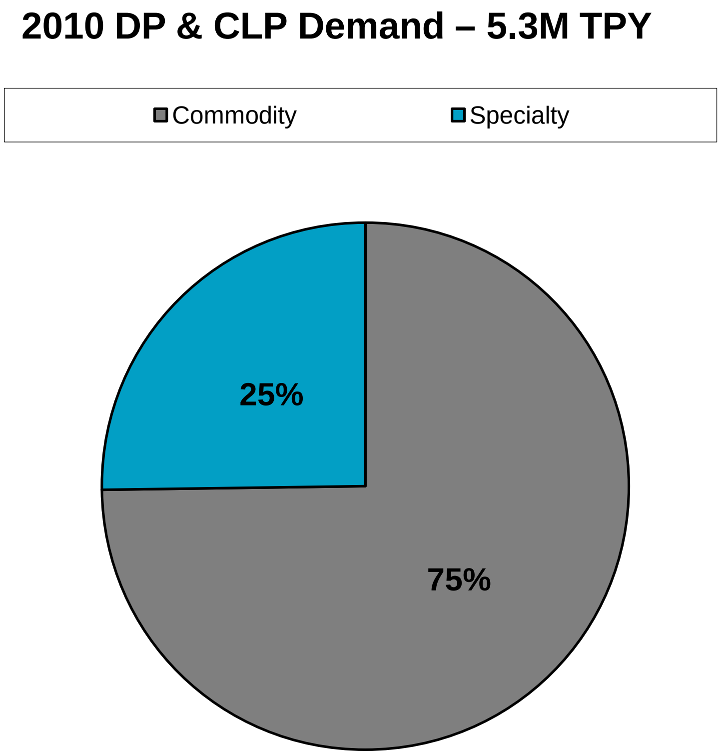
Eucalyptus Pulpwood Prices – China – US$ ODMT



- Prices have increased by approximately 45% over the last 3 years

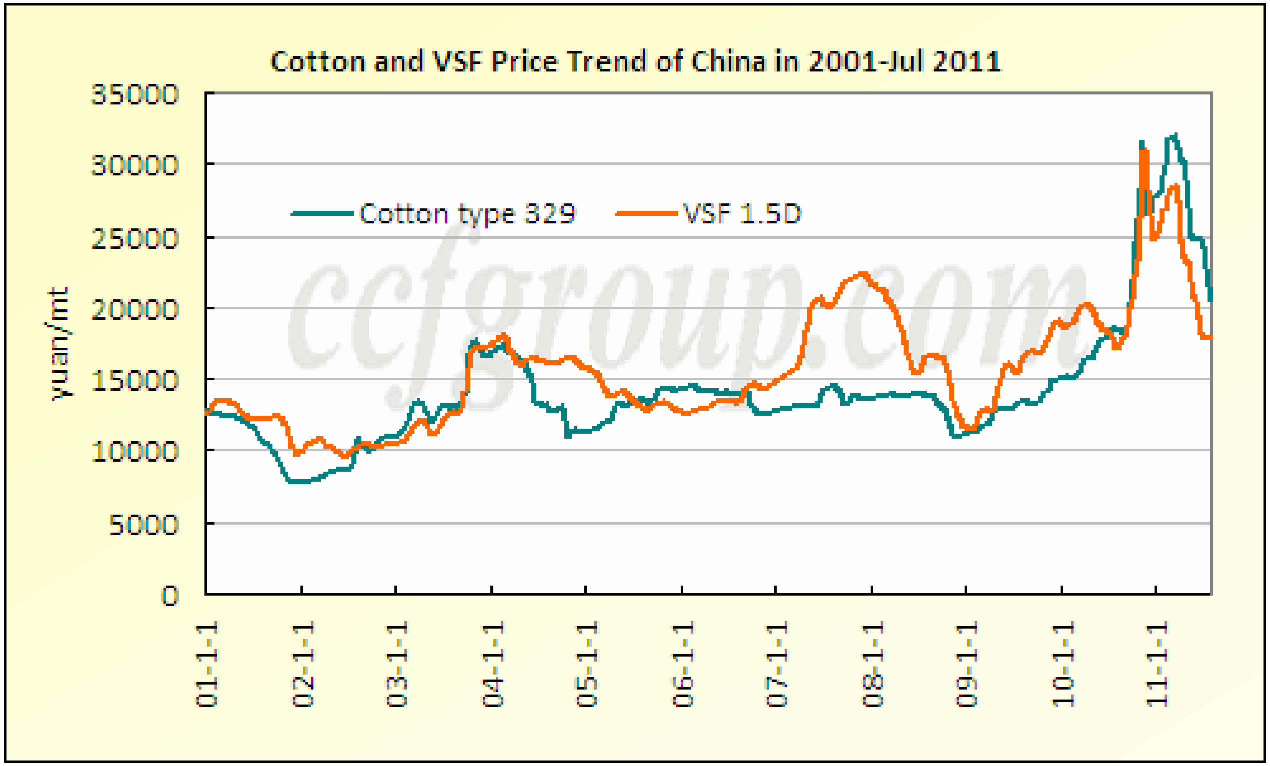
Dissolving Pulp

Global Dissolving & Cotton Linter Pulp



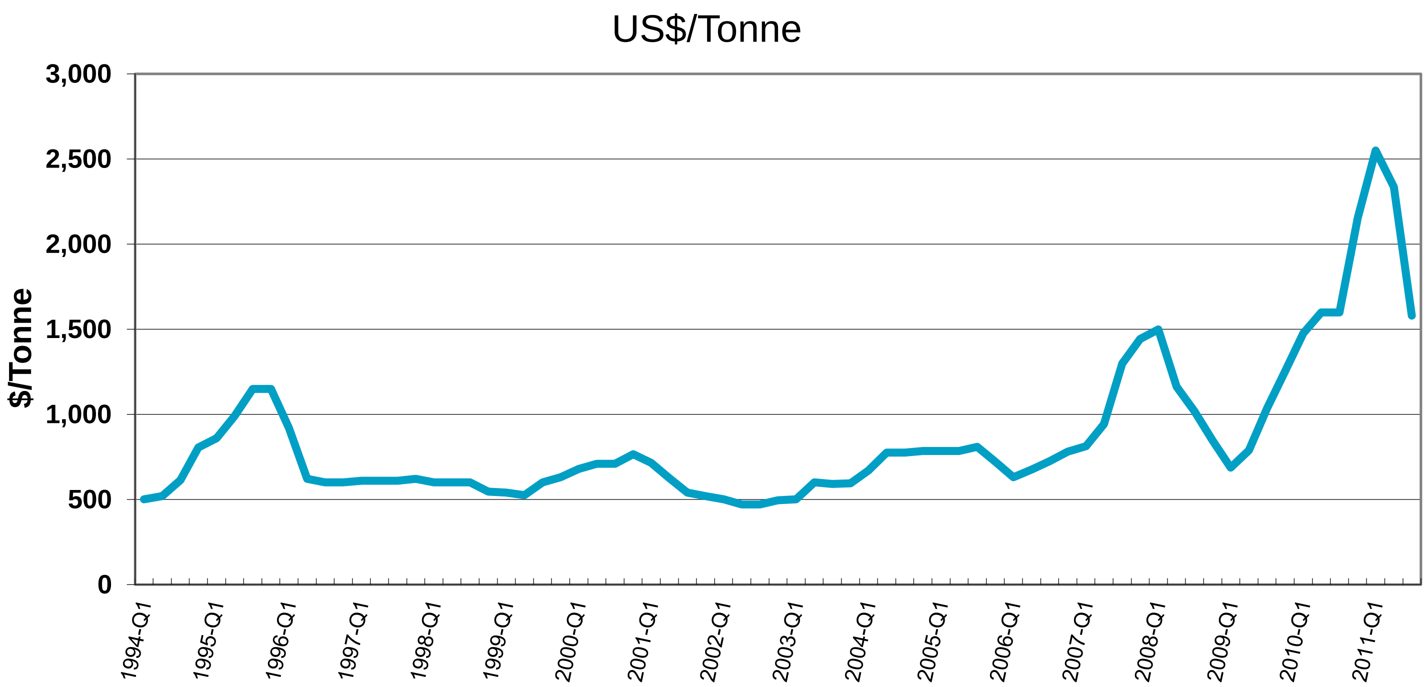
- The high purity cellulose market is dominated by the Commodity (VSF) segment

Cotton pricing versus VSF pricing



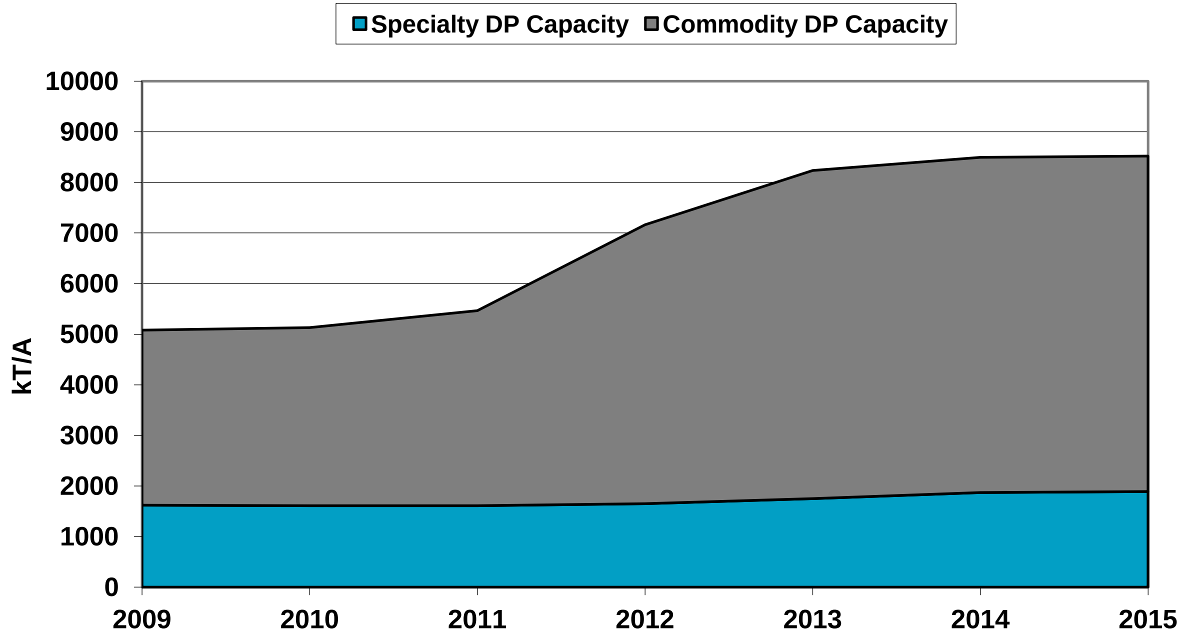
- VSF pricing generally tracks cotton – high correlation

Commodity Dissolving Pulp Spot Pricing



- The spike in cotton and VSF prices and a shortage of DP pulp led to DP prices of over US$ 2,500 per tonne
- Spot pricing has since dropped to more modest but still healthy level of US$ 1,590 per tonne

Total DP Capacity Forecast



The diagram assumes only 50% of announced Chinese DP expansions from 2012-1015 will be realized (<u>announced</u> incremental Chinese capacity increases are ~1800 kT in 2012 which increases by ~1000 kT by 2015).

- The very high DP prices have led to many announcements of DP capacity increases
- The vast majority of these expansions are conversions into commodity DP

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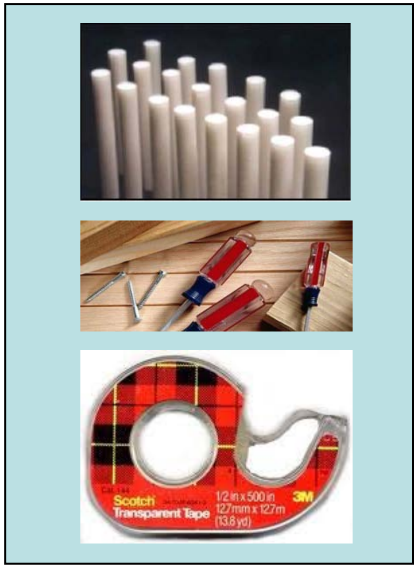
Specialty Dissolving Pulp

Tembec

Principal End-Use Applications

Cellulose Ethers

Cellulose Acetate

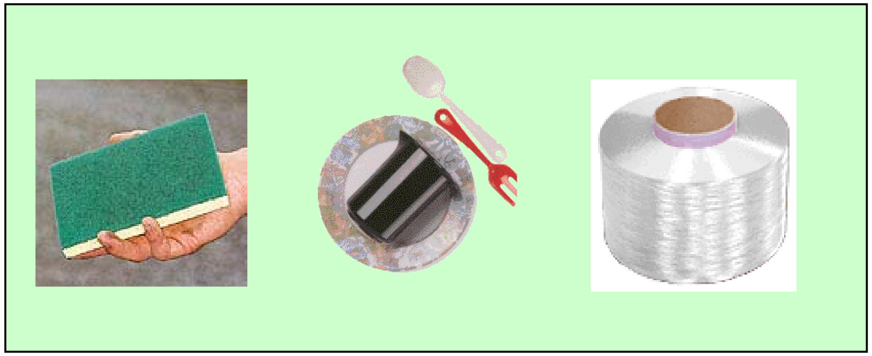


Nitrocellulose

MCC

Specialty Fluff

Some Others



Financially Healthy Customer Base

	Industry	EBITDA Margin (%)		Pulp cost as % of Sales
		2009	2010	
Customer 1	Acetate	32%	34%	24%
Customer 2	Acetate	34%	33%	25%
Customer 3	Acetate	24%	24%	24%
Customer 4	Ethers & Nitro	27%	32%	29%
Customer 5	Ethers	22%	23%	24%
Customer 6	Ethers	27%	23%	29%
Customer 7	Ethers	14%	16%	33%
Customer 8	MCC	26%	26%	32%

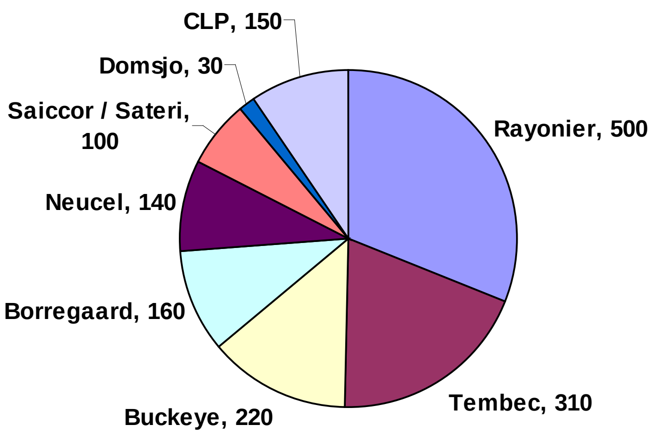
Total SDP demand - 8 Customers	800	KTPY
Total 2010 Specialty Cellulose Demand	1,327	KTPY
Percent of SDP	60%	

Specialty Dissolving Pulp Capacity – 000's Tonnes per year

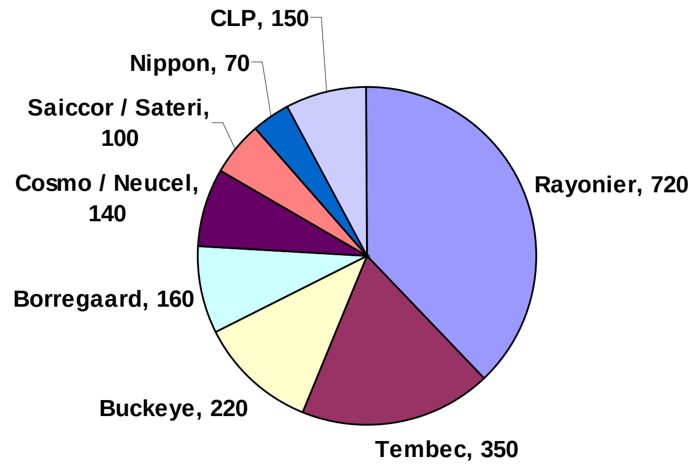
SPECIALTY 2009	
Rayonier	500
Tembec	310
Buckeye	220
Borregaard	160
Neucel	140
Saiccor / Sateri	100
Domsjo	30
CLP	150
TOTAL	1610
Demand	1245
Utilization	77%

SPECIALTY 2016	
Rayonier	720
Tembec	350
Buckeye	220
Borregaard	160
Cosmo / Neucel	140
Saiccor / Sateri	100
Nippon	70
CLP	150
TOTAL	1910
Demand	1569
Utilization	82%

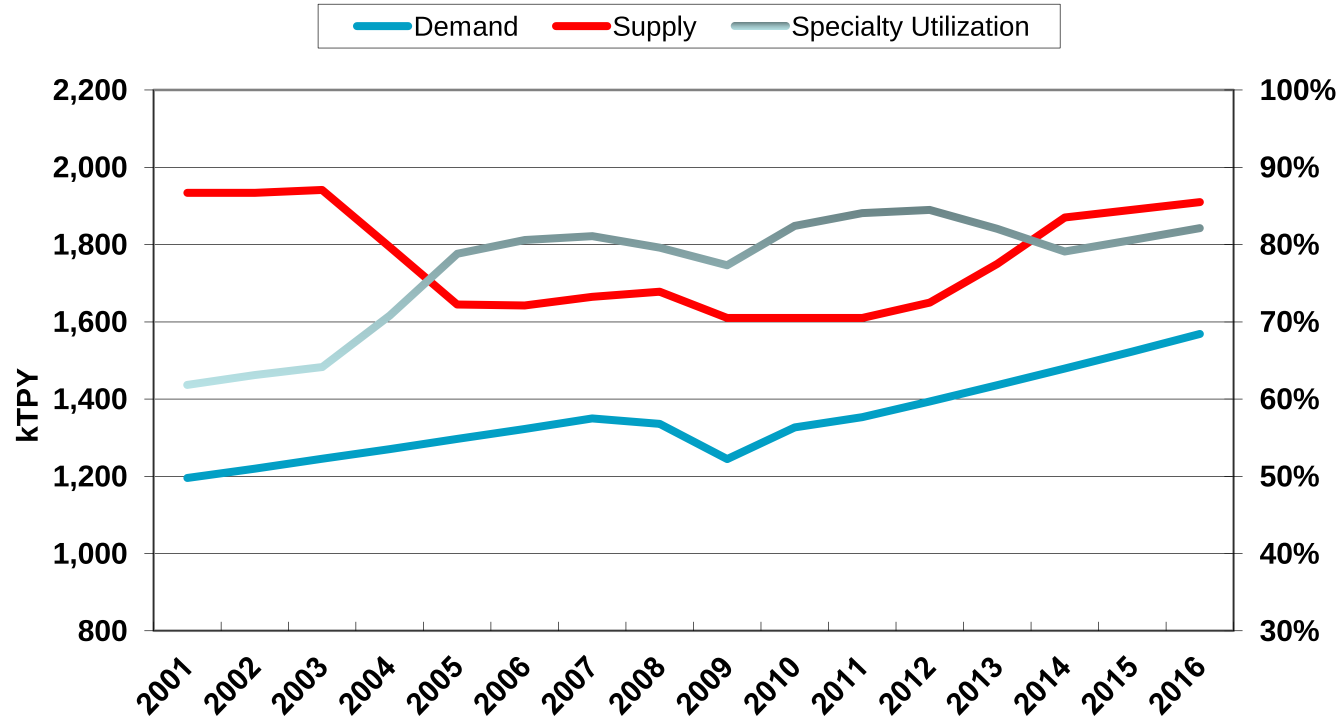
Specialty Pulp Producers 2009 (kT/A)



Specialty Pulp Producers 2016 (kT/A)

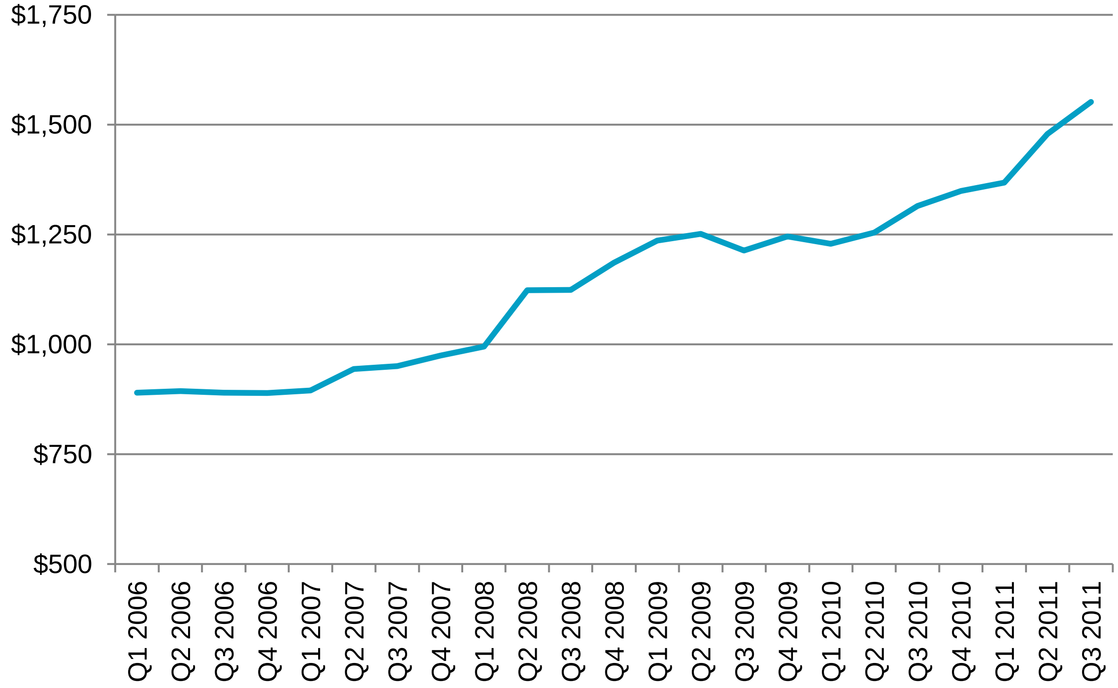


Specialty Dissolving Pulp Capacity Utilization



- Operating rates in excess of 80% are generally favourable to producers

Specialty Dissolving Prices - $US per tonne



- Recession of 09 saw drop in commodity prices AND volume – specialty volume declined but not prices

Outlook – Medium Term (3 years)

- Increased capital investment - $70-$80M per year excluding Temiscaming COGEN
- Continue to reposition the Company
- Specialty dissolving pulp is main driver of earnings/cash flow
- Energy investments become a game changer
- BIP projects gradually increase margins as they are completed
- Maintain strong balance sheet

Outlook – Short Term (12 months)

- EBITDA expected to increase in fiscal 2012
- Specialty dissolving pulp, high-yield pulp & lumber should improve
- Matane and Tartas energy projects operational in September 2012 quarter
- Higher capital investment - $80M excluding Temiscaming COGEN
- Maintain strong liquidity - $200M

Questions

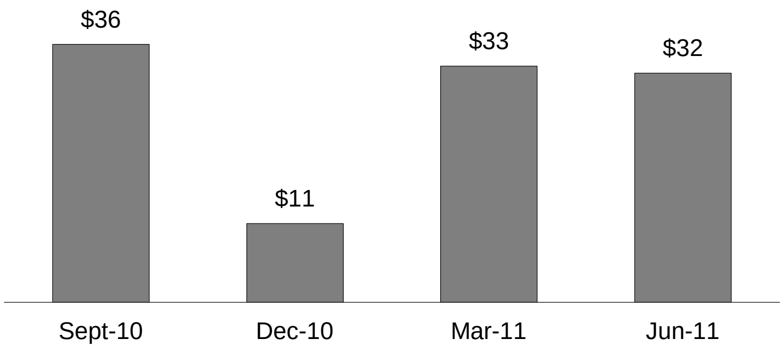
Tembec

Exhibit – Financial Highlights

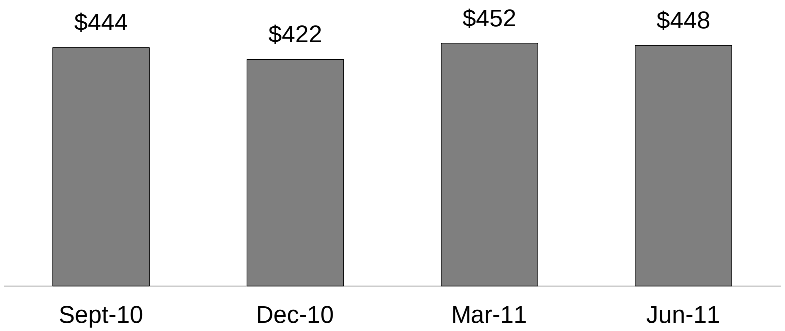
Historical Financial Results

- High maintenance expenses impacted Sep 10 & Dec 10 quarterly results
- Refinanced US$300M term loan with US$255M Senior Secured Notes maturing December 2018
- New $200M ABL maturing in 2016

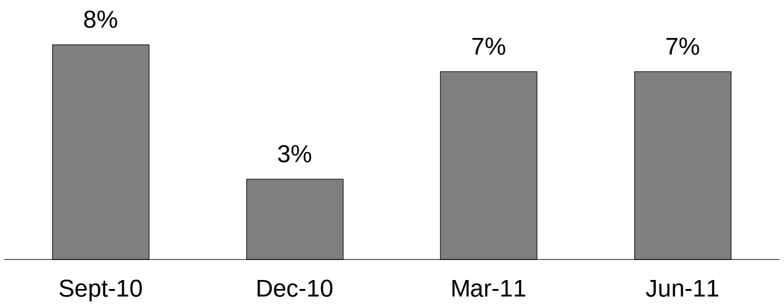
EBITDA – $ Millions



Consolidated Sales – $ Millions

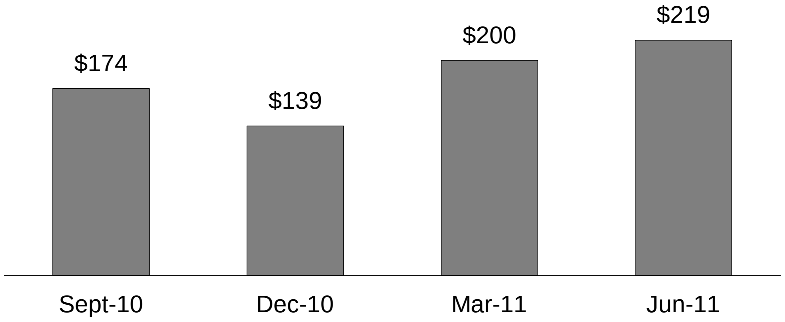


EBITDA Margins – %

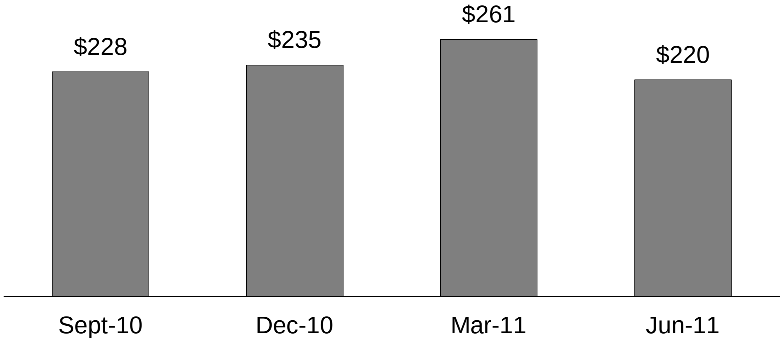


Credit Statistics

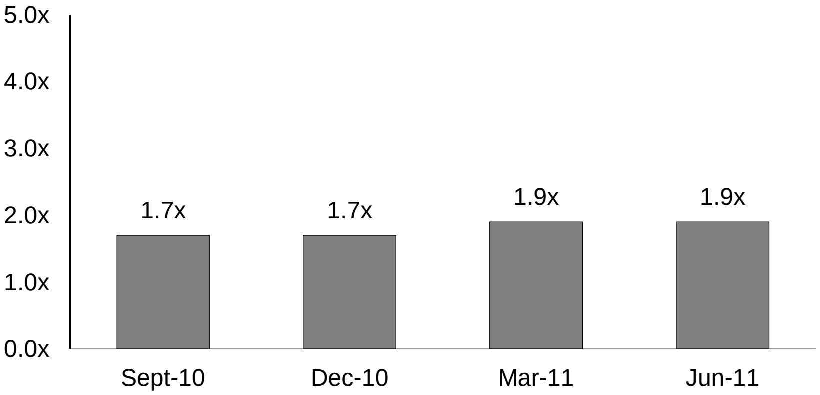
Liquidity - $ Millions



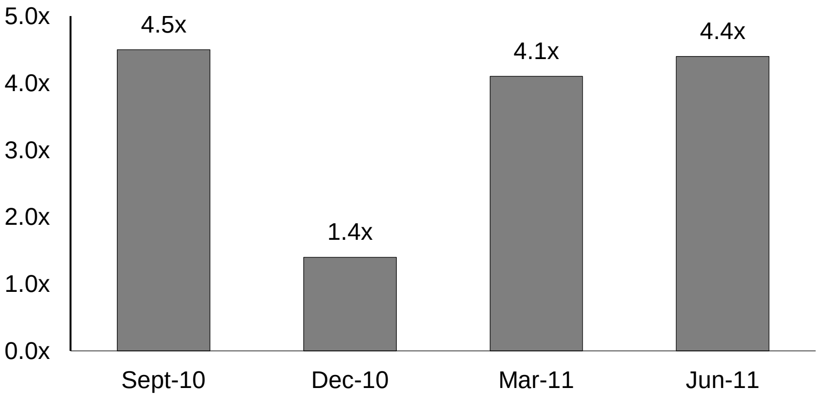
Net Debt - $ Millions



Net Debt / LTM EBITDA (times)

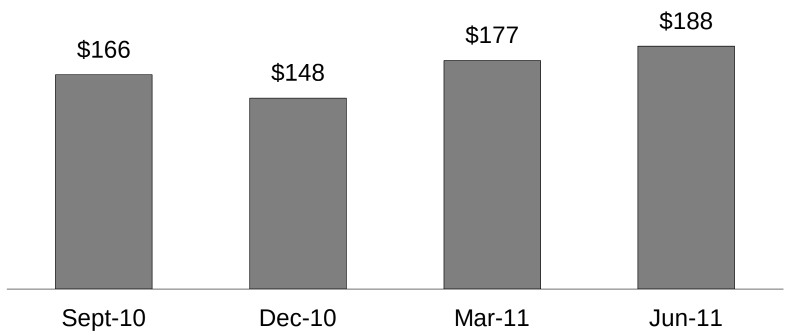


Quarterly EBITDA / Interest Expense (times)

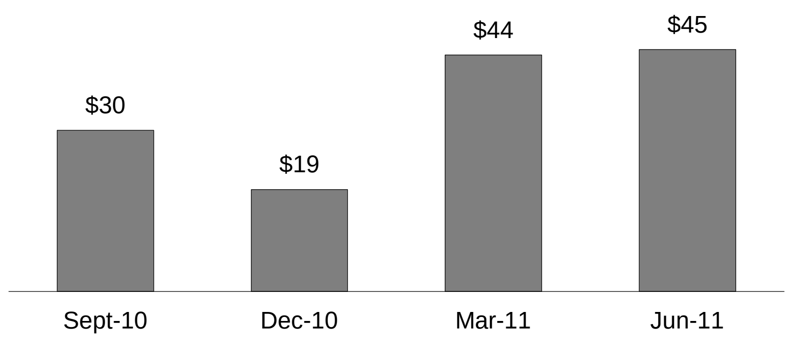


Pulp Operating Trends - $ Millions

Dissolving & Chemical Pulp Sales



Dissolving & Chemical Pulp EBITDA

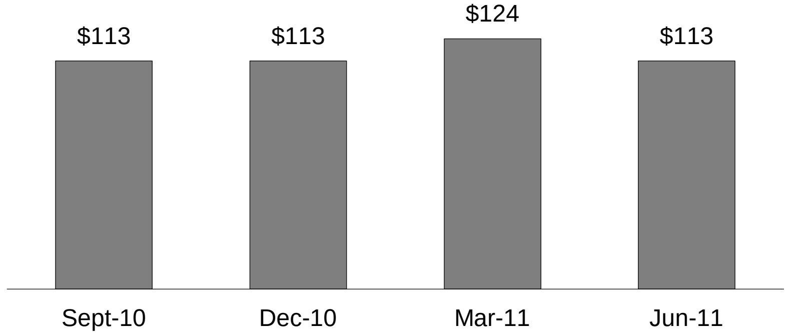


High-Yield Pulp Sales

High-Yield Pulp EBITDA

Forest Products and Paper Operating Trends - $ Millions

Forest Products Sales



Forest Products EBITDA

Paper Sales

Paper EBITDA