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Tembec

Investor Presentation

November 29, 2010

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The Tembec logo consists of the word "Tembec" in a bold, white, sans-serif font, centered within a solid blue rectangular box. The background of the slide features a stack of white, textured sheets, possibly paper or plastic, with a blue horizontal band across the middle.

Tembec

Company Overview

Corporate Strategy

Goals

- Achieve superior results and improve the Company's relative and absolute financial performance
- Streamline operations and position the business to capitalize on normalizing / improving market trends
- Maintain low debt levels and ample liquidity to provide flexibility for cyclical market lows – Utilize significant tax shelters to enhance free cash flow

Operational Goals

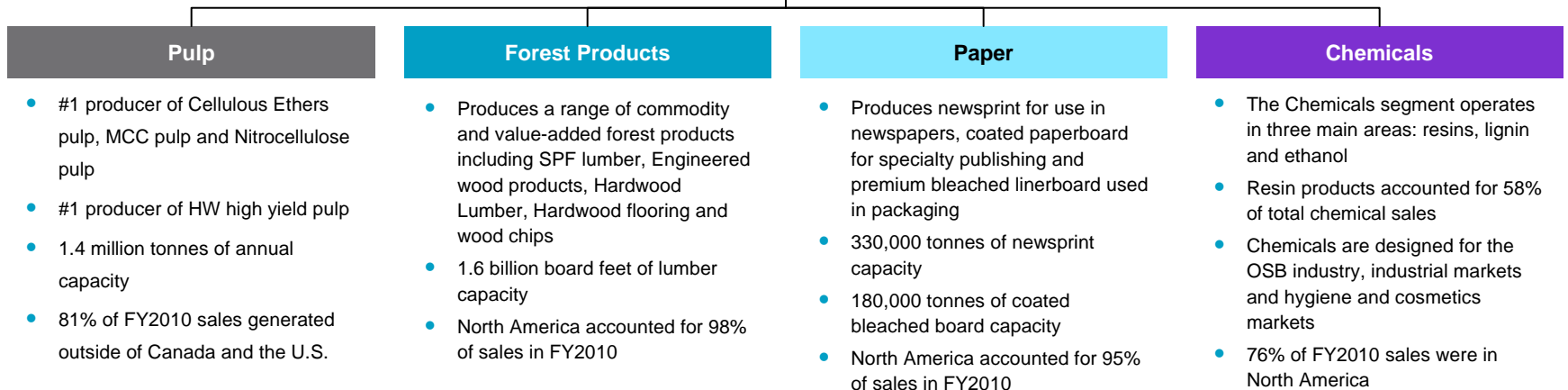
- Focus on core businesses of pulp, forest products and coated bleached board
- Assets in the first or second quartile on the cost curve
- Monetize non-core / non-strategic assets at an accretive value

Current position

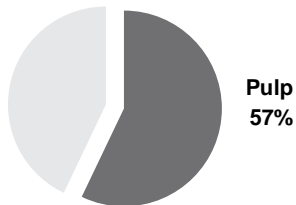
Industry	Operational	Financial
<ul style="list-style-type: none"> • Strong specialty and commodity dissolving pulp markets • Hardwood high yield pulp under pressure as forecasted • Stronger fundamentals in the softwood kraft pulp market • Wood products benefiting from production curtailments – China also becoming a factor • Good supply / demand and backlog of orders in coated bleached board • Sequential improvement in newsprint pricing 	<ul style="list-style-type: none"> • Goal to be well positioned on the cost curve in all businesses • High return operational improvement opportunities identified – increased CAPEX in 2011 will lead to better productivity • Problem assets divested or closed 	<ul style="list-style-type: none"> • Significant operating leverage to a recovery in US housing/lumber • Improvements in EBITDA, with Company reporting \$96 million EBITDA in last 6 months • Total liquidity of \$174 million at Sep 2010 • New ABL will increase liquidity

Company Overview

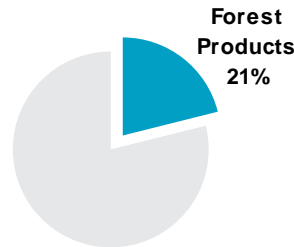
- Tembec is a leading diversified and integrated forest products company
- Listed on the Toronto Stock Exchange under the symbol “TMB”



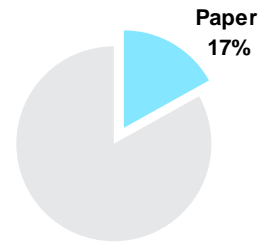
FY2010 Sales: \$1,152M



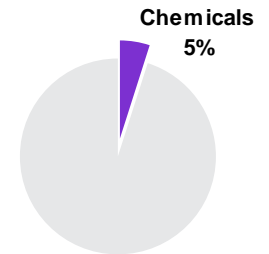
FY2010 Sales: \$434M



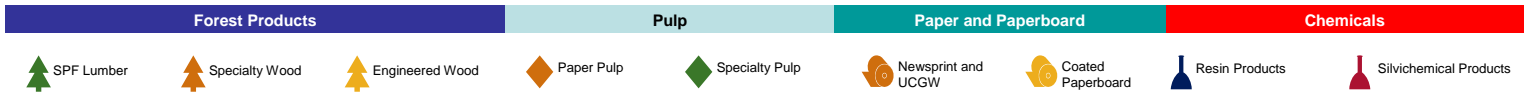
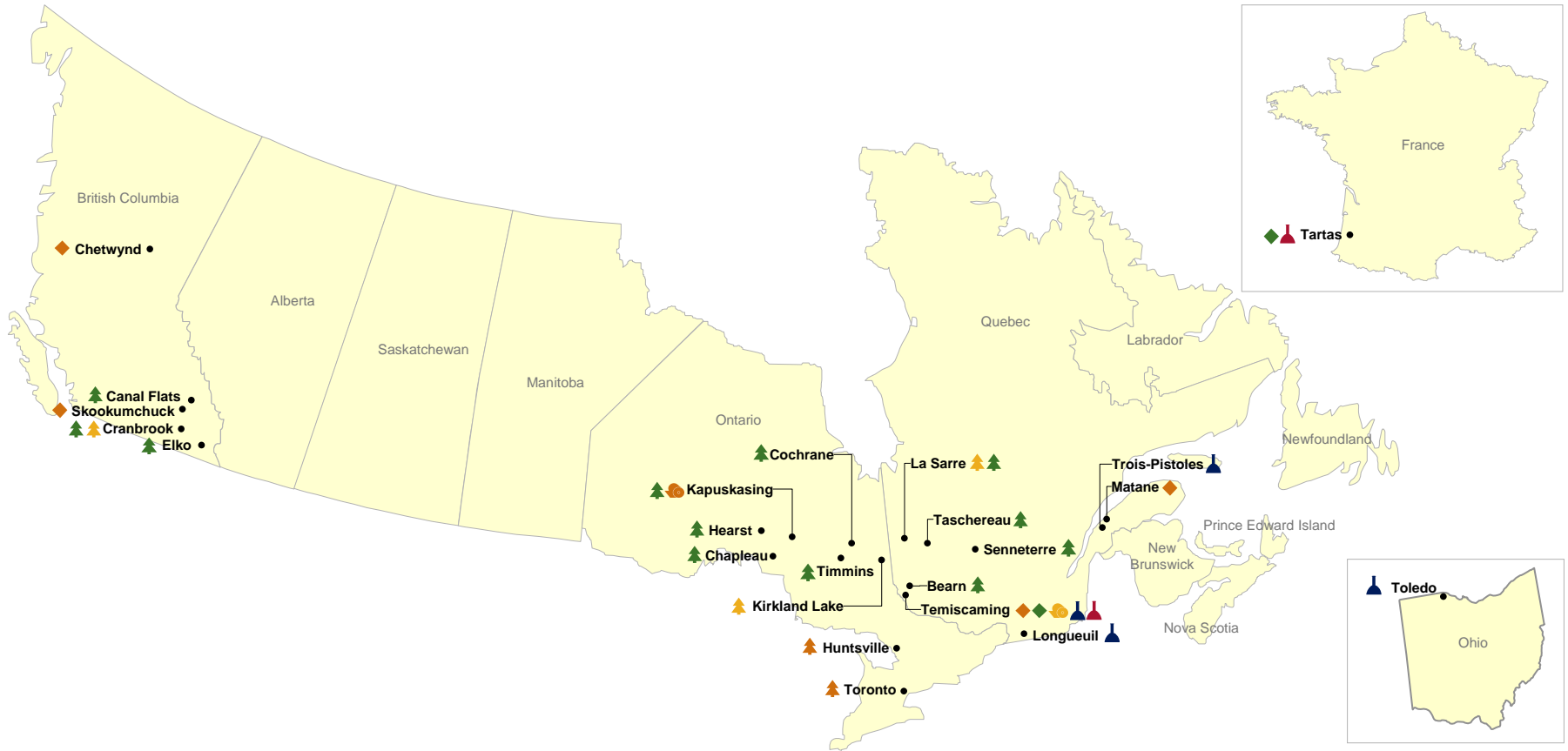
FY 2010 Sales: \$348M



FY 2010 Sales: \$93M



Geographic Footprint



The Tembec logo is displayed in white, bold, sans-serif font within a teal rectangular box. The background of the slide features a stack of white, ribbed paper products, possibly napkins or tissues, arranged in a perspective view that recedes into the distance. A horizontal teal band runs across the middle of the slide, containing the logo and the title text.

Tembec

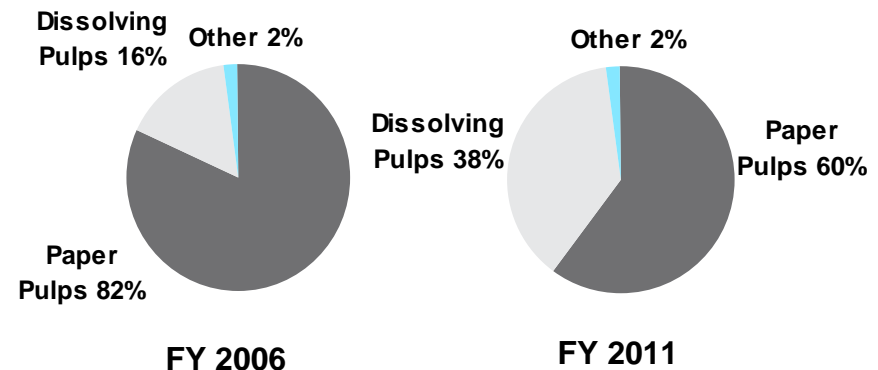
Segment Overview

Pulp

- Six manufacturing facilities producing:
 - Specialty and commodity dissolving pulps – 2 mills
 - Paper pulps - 4 mills (NBSK and HW high-yield pulps)
- #1 producer of cellulose ethers, MCC and nitrocellulose specialty dissolving pulps
- #1 producer of HW high-yield pulp
- #1 Leading producer of FSC-certified pulp
- Specialty pulps used in a variety of applications including textiles, pharmaceuticals, food additives, diapers and other disposable sanitary products
- Paper pulps used to produce high-quality paper products with specific brightness, bulk and strength characteristics
- Sales offices in Canada, France and China



Sales by Product

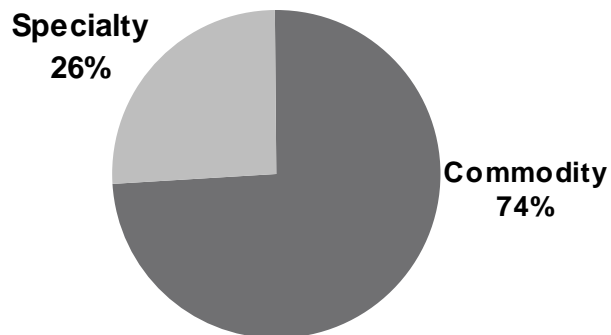


Dissolving Pulp

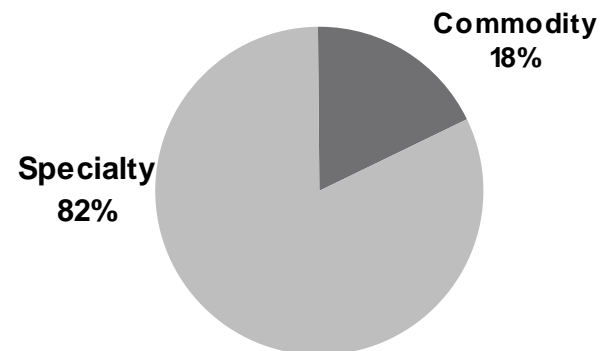
- Two main segments – commodity and specialty
- Market has grown by 1 million tonnes since 2008
- Growth has been primarily in commodity dissolving
- Tembec focus is on specialty dissolving pulp +80%
- Specialty dissolving market is smaller but demand and pricing is more stable



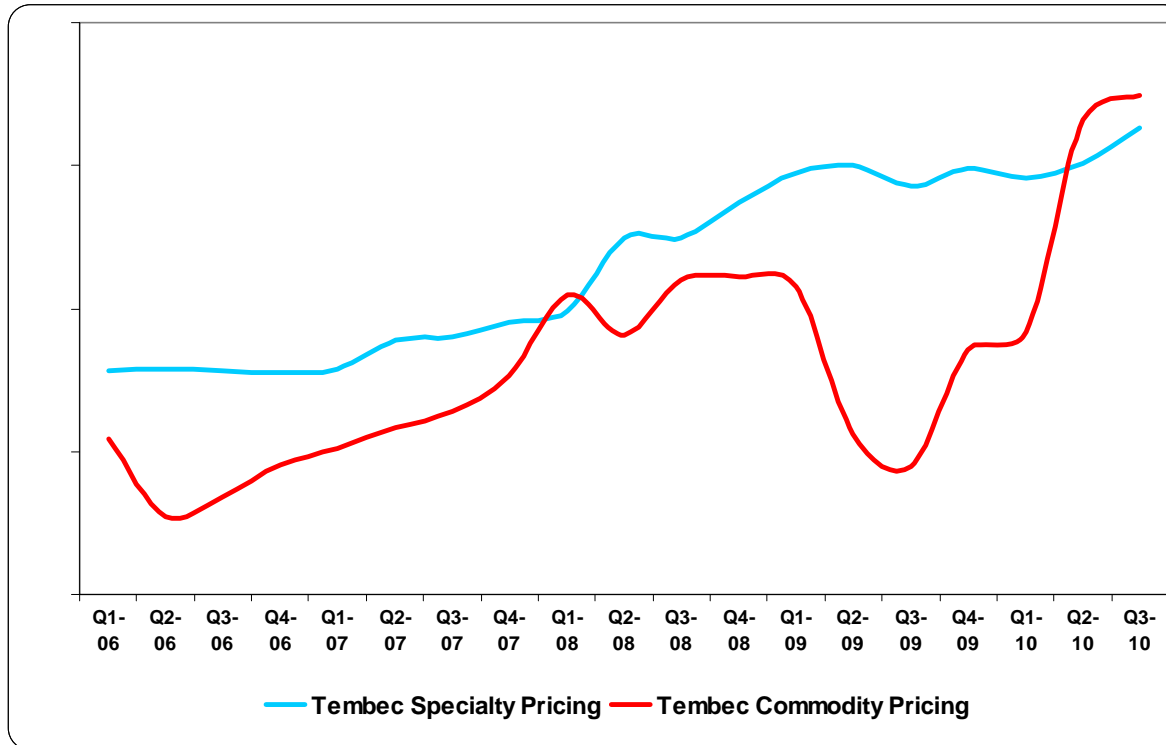
Global Market 2011 - 5.2M Tonnes



Tembec Market - 300K Tonnes



Dissolving Pulp - Pricing

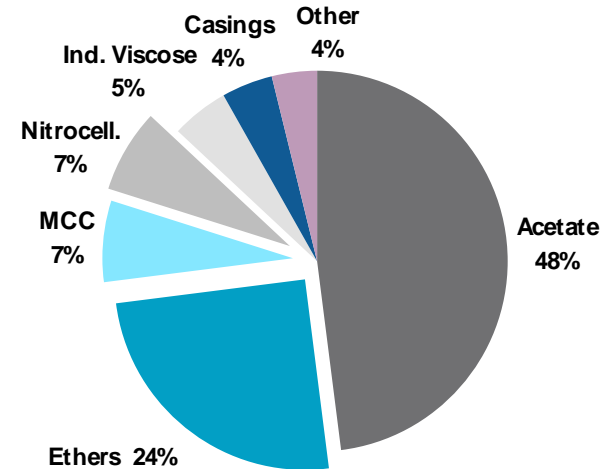


- Both markets follow similar trends – specialty has historically sold at a premium versus commodity
- Recession of 09 saw drop in commodity prices AND volume – specialty volume declined but not prices
- Tight supply in commodity pulp has driven spot prices to record highs – pushing up prices for specialty as well

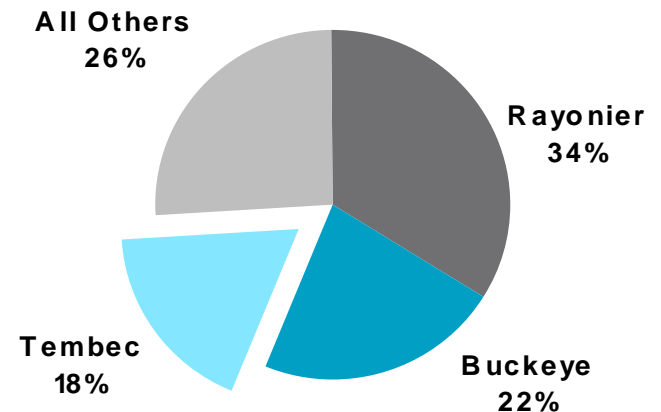
Specialty Dissolving Pulp

- A variety of end-use applications – filters, industrial products, coatings, pharmaceutical, food additives, etc.
- Total market of 1.4 million tonnes
- Annual growth rate of 2%-3%
- Tembec has 18% market share and is largest producer of ethers, nitrocellulose and MCC grades
- Supply is relatively concentrated – largest 3 producers have 74% of the market
- Significant barriers to entry – capital/technology

2011 Global Market - 1.4M Tonnes



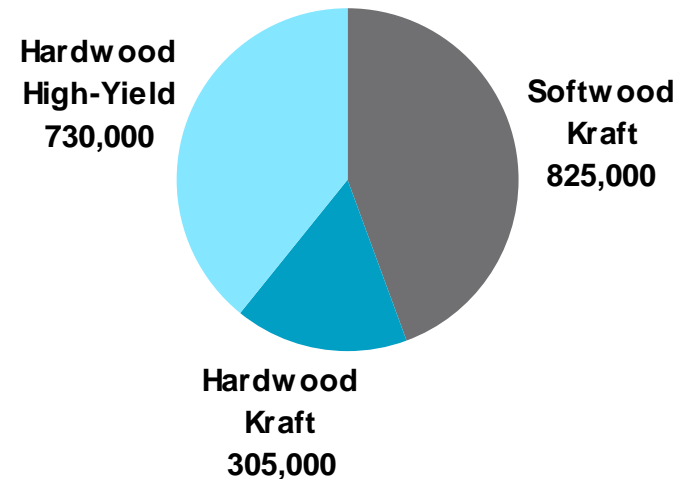
2011 Market Share



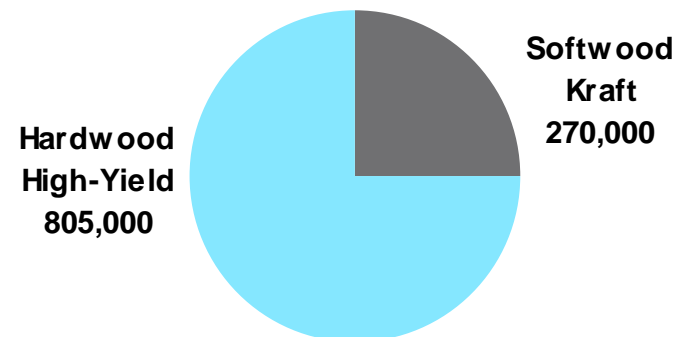
Paper Pulp

- Change of focus for Tembec – 2 kraft pulp facilities were sold and 2 were shutdown
- Prices have recently declined – hardwood under more pressure
- Next few months should provide some visibility as to pricing environment we will see in calendar 2011
- Good demand fundamentals should ensure that prices remain reasonably attractive for paper pulp producers

Tembec 2006 Capacity - 1,860,000 Tonnes



Tembec 2011 Capacity - 1,075,000 Tonnes



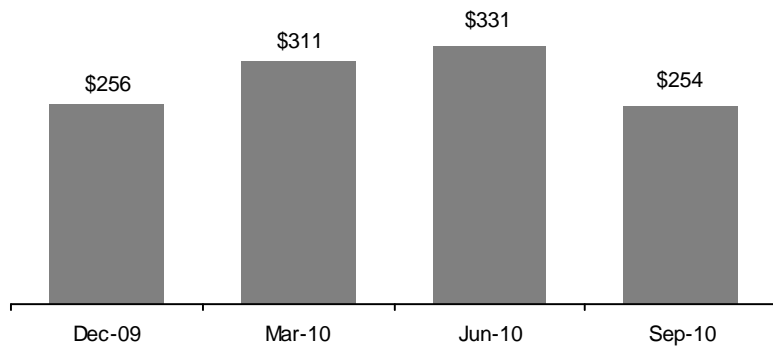
Pulp – Green Power

Completed/Approved		CAPEX	Startup	Annual EBITDA \$M
Skookumchuck BC NBSK Mill	25 - 30 MGW 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 Specialty Pulp Mill	8 - 9 MGW Biomass Turbine - New Contract	\$21M	June 2012	\$8M
Under Study				
Temiscaming QC Specialty Pulp Mill	35 - 40 MGW Waste Liquor Cogen - New Contract	\$160M - \$170M	TBD	\$35M - \$40M

- Significant cost reduction potential
- Applying Green Transformation Credits to Matane Methane project
- Facilities well positioned – 1st/2nd quartile on the cost curve
- Temiscaming project has minimum 2-3 year time horizon

Pulp Operating Trends

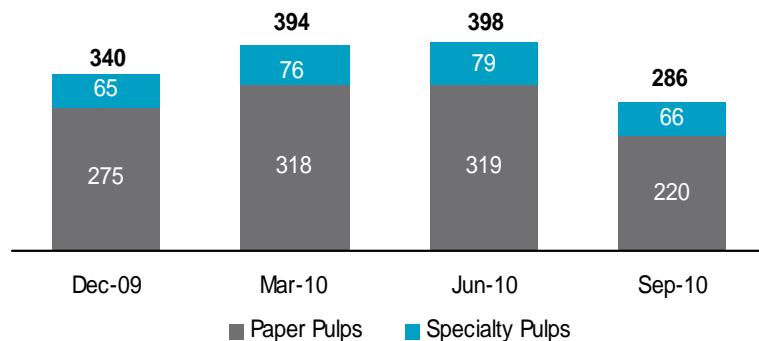
Sales - \$ Millions



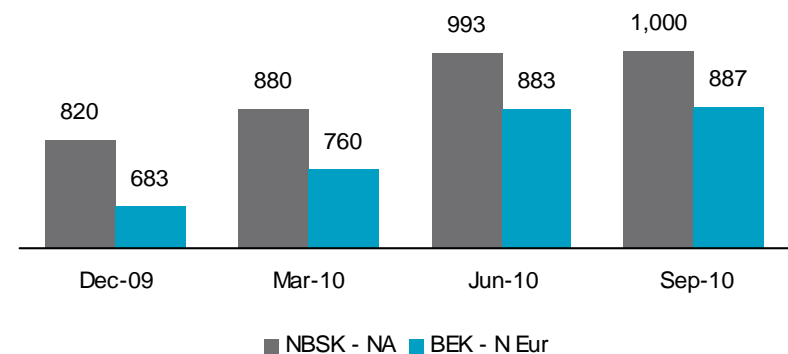
EBITDA - \$ Millions



Shipments – 000 Tonnes



Pricing - US\$ per Tonne

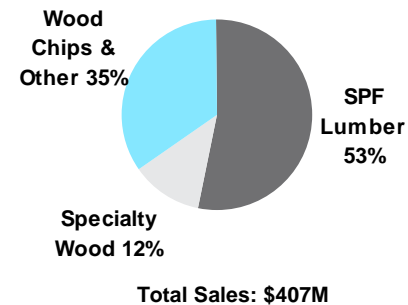


Forest Products

- Produces commodity forest products used primarily for residential and commercial construction
- Segment divided into two main areas of activity:
 - Forest Resource Management
 - Manufacturing Operations
- Manufactured products include SPF lumber, hardwood lumber, hardwood flooring and wood chips
- Highly diversified customer base
- 98% of FY2010 sales were in North America
- Largest producer of FSC-certified wood products



FY2010 Sales by Product

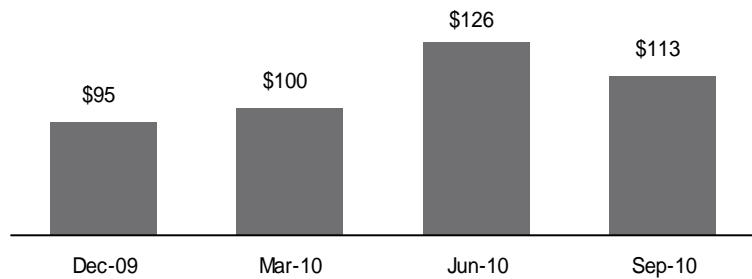


Forest Products

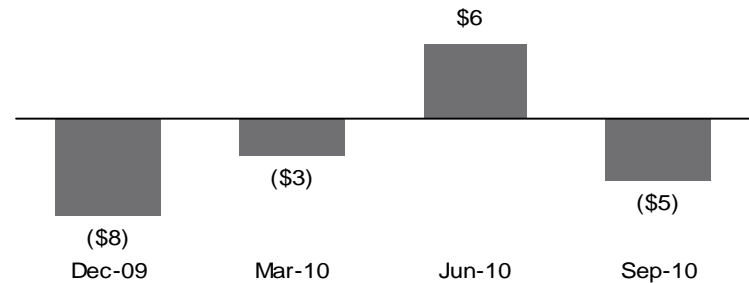
- US housing market went sideways in 2010
- Forecasting a slow, gradual recovery in US housing starts over the next 2 to 3 years
- Chinese demand for Canadian lumber will reach 2.5 billion board feet in calendar 2010
- Some are forecasting 4 billion board feet of shipments to China in 2012
- North American lumber supply/demand is currently in relative balance and prices are higher year over year
- At current prices, Western Canadian sawmills are modestly profitable and Eastern Canadian sawmills are breakeven to slightly negative

Forest Products Operating Trends

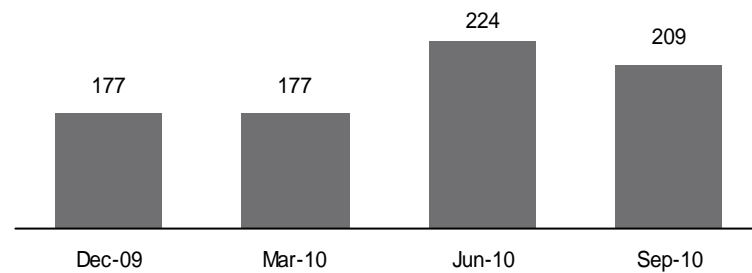
Sales - \$ Millions



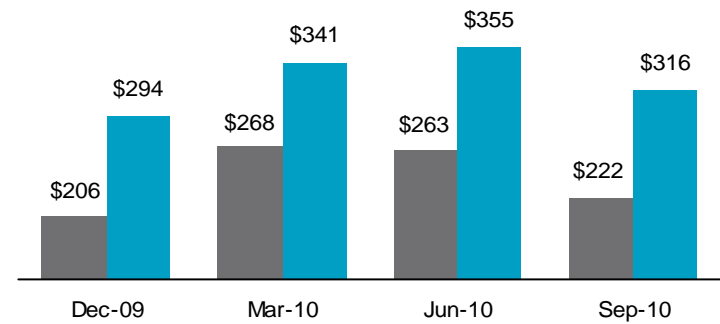
EBITDA - \$ Millions



SPF Lumber Shipments - MMBF



Pricing - US\$ per MBF



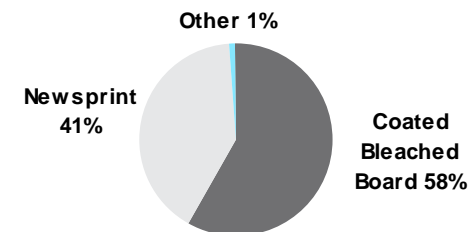
Western SPF KD#2 & Better
 KD #2 & Better delivered G.L.

Paper

- Paper segment is divided into two main categories:
 - Coated Bleached Board: Focus on lightweight, fully bleached coated board used in commercial printing, publishing, prestige packaging, high-impact graphic corrugated containers, point-of-purchase displays and litho-laminated packaging
 - Newsprint: Primarily used for the publication of daily newspapers
- North America accounted for 95% of sales in FY2010, with the U.S. representing 74% of sales
- Largest North American producer of FSC-certified paper products



FY2010 Sales by Product



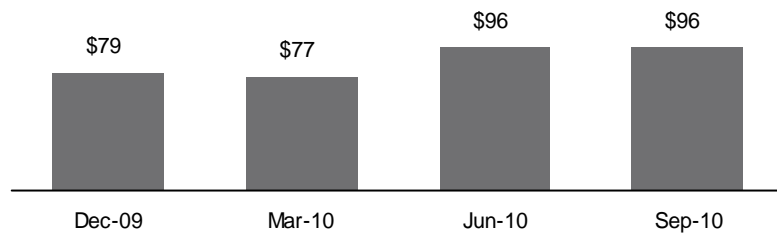
Total Sales: \$348M

Paper

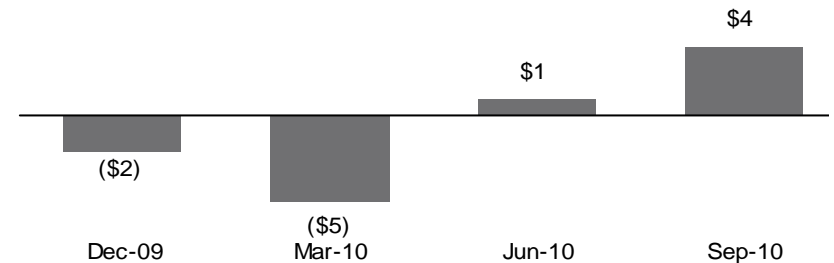
- Coated bleached board supply/demand is very tight
- Prices for coated bleached board increased in 2010 and are likely near the peak
- A tight market for board is expected for at least the first half of calendar 2011
- Decline in North American newsprint demand decelerated in 2010
- Global demand for newsprint is increasing again, albeit at a low rate of growth
- North American markets are in balance thanks to capacity closures and exports
- Prices rose in 2010 and an average cost newsprint mill is currently around breakeven EBITDA
- Newsprint prices expected to rise in the first half of 2011

Paper Operating Trends

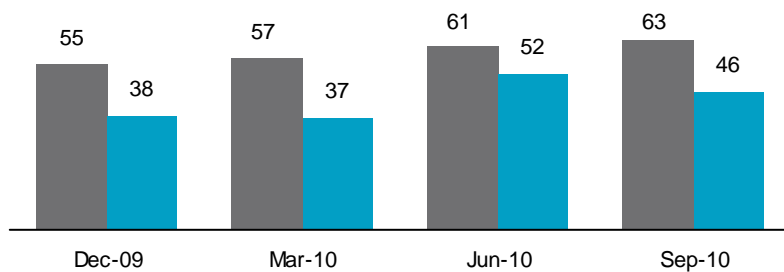
Sales - \$ Millions



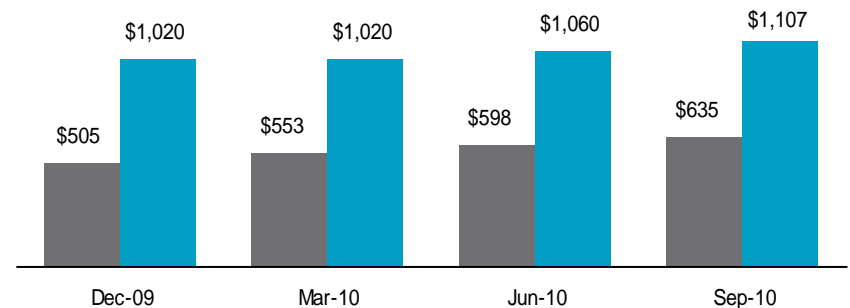
EBITDA - \$ millions



Shipments - 000 Tonnes



Pricing - US\$ per Tonne



■ Newsprint-48.8g
East Coast

■ 15 pt. Coated
Bleached Board

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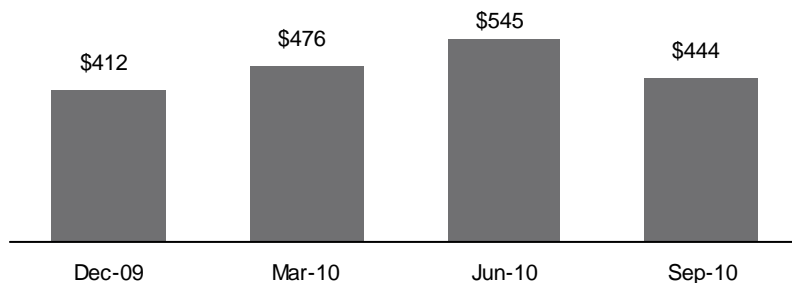
Tembec

Financial Highlights

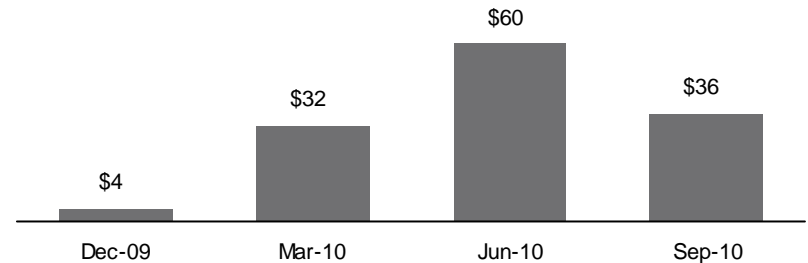
Financials Results

- Significant improvement over FY2009 driven by better pulp segment results
- Refinanced US\$300M term loan with US\$ 255M Senior Secured Notes maturing December 2018
- Sep 10 quarter negatively impacted by sale of French pulp mills (-\$10M), fire at Chetwynd high-yield pulp mill (-\$5M) and high maintenance (-\$12M)
- Negotiating new ABL facility

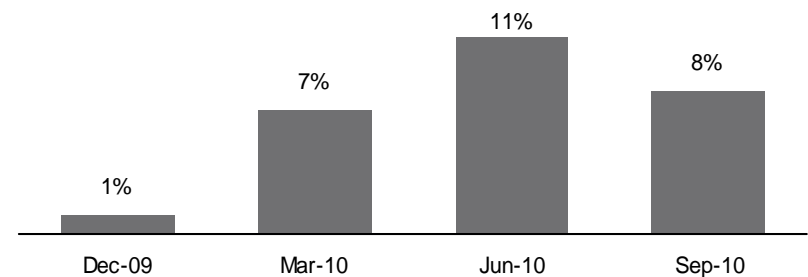
Consolidated Sales - \$ Millions



EBITDA - \$ Millions



EBITDA Margins - %



CAPEX Forecast

- Tartas turbine to be completed mid 2012 – total cost of \$21M
- Matane biogas project funded from Green Transformation Credits – completion in mid 2012 – total gross cost of \$26M – net cost of \$1M
- Remaining CAPEX of \$41M heavily weighted to the 2 specialty dissolving pulp mills
- Will lead to increased productivity in FY2011 – targeting +20,000 tonnes of dissolving pulp and +30,000 tonnes of paper pulp versus FY2010

CAPEX Spending - \$ Millions

	FY2011 Forecast
Tartas Biomass Turbine	\$13
Matane Biogas Project (Gross = \$15M)	\$1
Specialty Pulp Projects	\$20
Paper Pulp, Paper and Forest Products	\$25
TOTAL	\$59

Tax Sheltering

- Maintained tax shelter values despite recapitalization of 2008 – “New” Tembec can utilize tax losses generated by “Old” Tembec
- Hidden asset – only \$27M related to French operations currently on balance sheet
- Can shelter \$2.3B in taxable income or the equivalent of \$600M in taxes payable

Tax Attributes - \$ Millions

	Expiry	Amount
Loss Carryforwards - Canada	2014-2030	\$995
R & D Deductible Pool - Canada	Unlimited	\$364
Tax Value of Fixed Assets - Canada/France	Unlimited	\$604
Loss Carryforwards - France	Unlimited	\$66
Loss Carryforwards - US	2028-2030	\$19

Conclusion

Key Conclusion

- Tembec is operating with positive momentum given the rebound in global commodities pricing and strategic actions taken by Management

Goals

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