Company Profile

SEPTEMBER 2015

tembec

Rooted in tomorrow.

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 Focus

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

Financial Targets

- Minimum liquidity target of $135 million to $150 million provides ample cushion against annual cash requirements
- Maintain net leverage of 2.5x or below and seek to continually de-lever through free cash flow generation and adjusted EBITDA growth
- +10% adjusted EBITDA margins

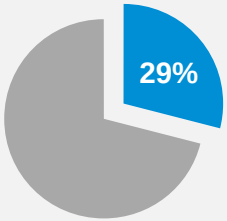
Company Overview

Tembec

Specialty Cellulose Pulp

- #1 producer of specialty cellulose pulp for Cellulose Ethers, MCC & Nitrocellulose
- 310,000 tonnes of annual specialty cellulose pulp capacity
- Includes by-product and resin chemical sales
- 69% of FY2015 sales generated outside of Canada and the U.S.

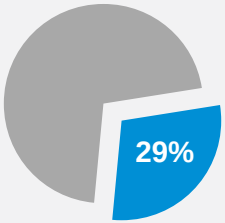
Fiscal 2015 Sales
$436M



Forest Products

- Produces a range of commodity and value-added forest products including SPF lumber, finger-joint lumber, hardwood lumber, wood chips and by-products
- SPF lumber capacity of 855 million board feet
- Harvested and delivered 3.1 million cubic meters of timber in FY2015
- North America accounted for 99% of sales in FY2015

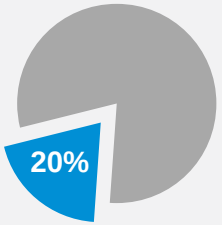
Fiscal 2015 Sales
$438M



Paper Pulp

- Used in high-quality paper, bleached board & sanitary products
- 100% hardwood grades
- 570,000 tonnes of annual capacity
- 97% of FY2015 sales generated outside of Canada and the U.S.

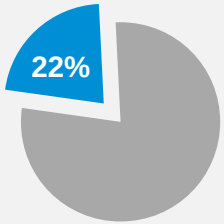
Fiscal 2015 Sales
$302M



Paper

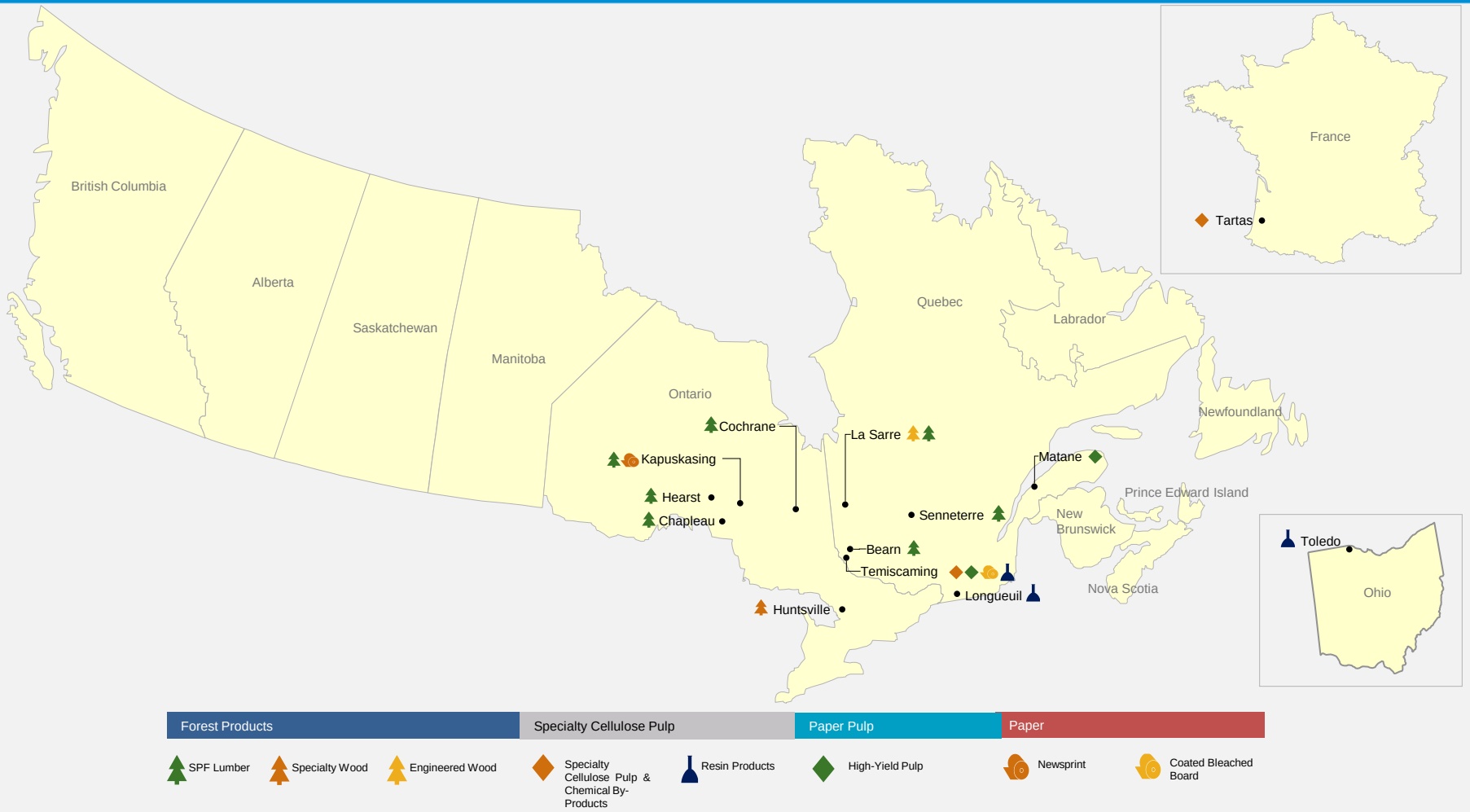
- Produces newsprint for use in newspapers, coated paperboard for specialty publishing and premium bleached linerboard used in packaging
- 180,000 tonnes of coated bleached board capacity
- 220,000 tonnes of newsprint capacity
- North America accounted for 91% of sales in FY2015

Fiscal 2015 Sales
$337M



We are a leading diversified and integrated forest products company with total sales of ~$1.5 billion

Geographic Footprint



Segment Overview

A Leader in FSC-certified Pulp

CELLUTIONS
Specialty Cellulose Pulp
310,000 tonnes

High-Yield Pulp
570,000 tonnes

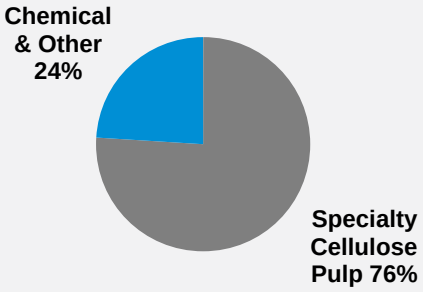
Specialty Cellulose Pulp

- Manufacturing facilities include two specialty cellulose pulp mills
- Leader in FSC-certified pulp
- Specialty cellulose pulp used in a variety of applications including textiles, pharmaceuticals, food additives and industrial chemicals
- #1 producer of specialty cellulose pulp for cellulose ethers, MCC and nitrocellulose
- Produce lignin from specialty cellulose pulp process – resin sales to OSB industry
- Maintain sales or representative offices in Canada and France

Facility Details

Specialty Cellulose Pulp	**tonnes**
Specialty cellulose - Temiscaming, QC	160,000
Specialty cellulose - Tartas, France	150,000
Total	**310,000**
Chemicals	**tonnes**
Lignin	
Temiscaming, QC	20,000
Tartas, France	40,000
Resin & Related Products	
Temiscaming, QC	67,000
Longueuil, QC	100,000
Toledo, OH	3,000

FY2015 Sales



Total Sales: $436M

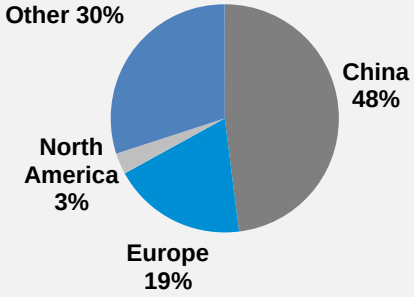
Paper Pulp

- Two manufacturing facilities producing hardwood high-yield pulp
- #1 producer of high-yield pulp
- Leader in FSC-certified pulp
- Pulp used to produce high-quality paper products, coated multi-ply bleached board and disposable sanitary products
- Maintains sales or representative offices in Canada and France

Facility Details

High-Yield Pulp	tonnes
Hardwood high-yield - Temiscaming, QC	300,000
Hardwood high-yield - Matane, QC	270,000
Total	**570,000**

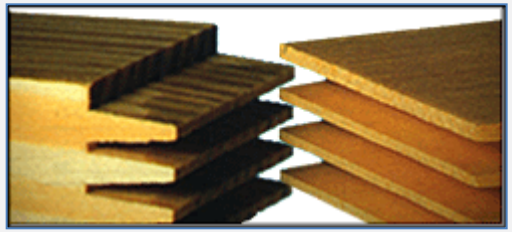
FY2015 Sales



Total Sales: $272M

A Leader in FSC-certified Wood Products

SPF Lumber
855 Million Board ft



Engineered Finger Joint Lumber
60 Million Board ft

Hardwood Lumber
30 Million Board ft

Wood Chips
663,000 Bone Dry Tonnes

Forest Products

- Produces a wide range of 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, finger-joint lumber, hardwood lumber, wood chips, and by-products
- Highly diversified customer base
- Leader in FSC-certified wood products

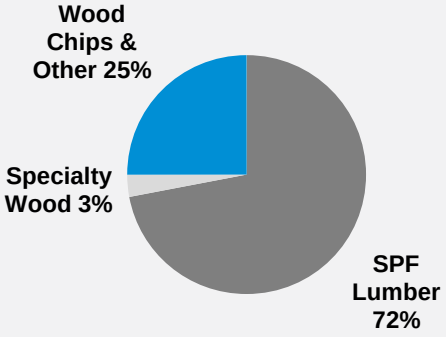
Facility Details

SPF Lumber	mbf
Stud lumber - La Sarre, QC	135,000
Stud lumber - Senneterre, QC	100,000
Stud lumber - Cochrane, ON	160,000
Stud lumber - Kapuskasing, ON	105,000
Random lumber - Bearn, QC	110,000
Random lumber - Chapleau, ON	135,000
Random lumber - Hearst, ON	110,000
Total	**855,000**

Specialty Wood	mbf
Hardwood lumber - Huntsville, ON	30,000

Engineered Wood	mbf
Engineered finger joint lumber - La Sarre, QC	60,000

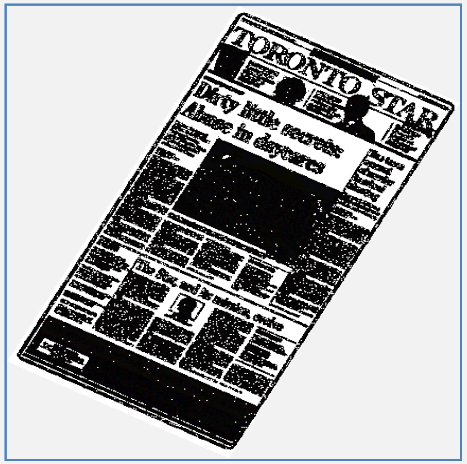
FY2015 Sales



Total Sales: $438M

A Leader in FSC-certified Paper Products

Newsprint
220,000 Tonnes



Coated Bleached Board 180,000 Tonnes

Kallima Coated Cover Grades

Premium Bleached Linerboard

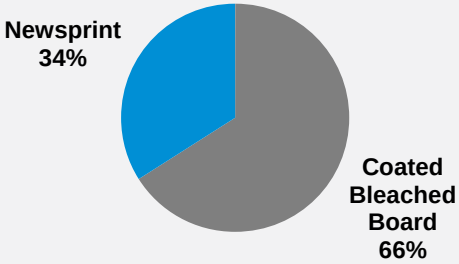
Paper Products

- 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
- Leader in FSC-certified paper products

Facility Details

Coated Bleached Board	tonnes
Temiscaming, QC	180,000
Newsprint	
Kapuskasing, ON	220,000
Total Paper	**400,000**

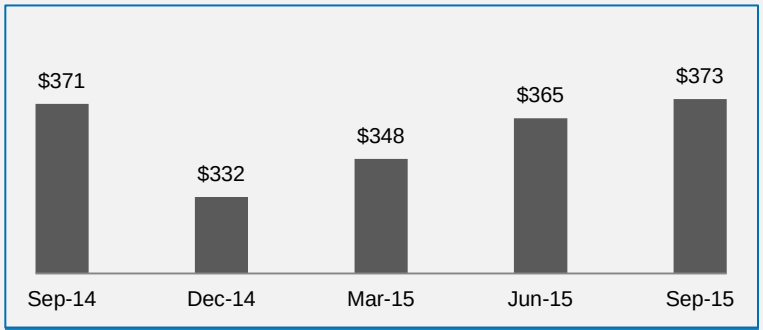
FY2015 Sales



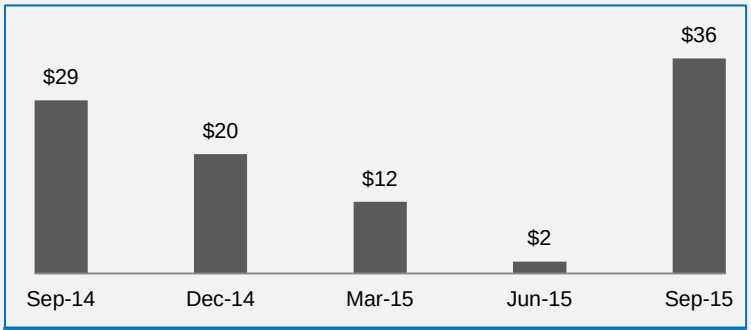
Total Sales: $337M

Financial Performance

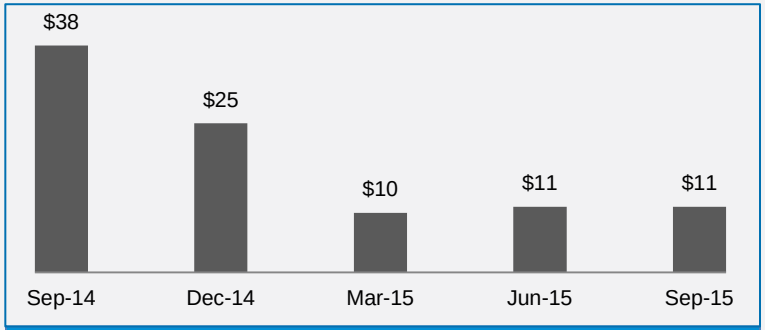
Financial Results



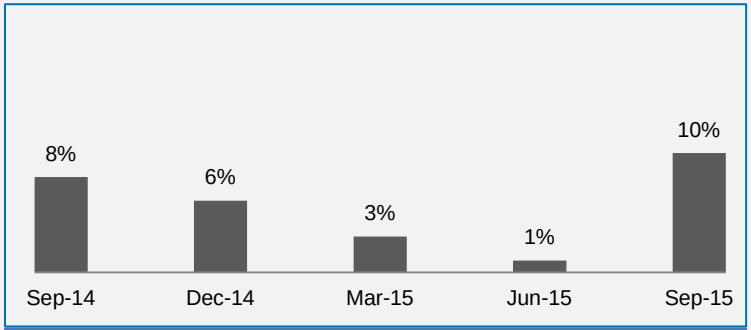
Consolidated Sales – $ Millions



Adjusted EBITDA – $ Millions



CAPEX – $ Millions



Adjusted EBITDA Margins – %