

ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

January 26, 2017



Rooted in tomorrow.

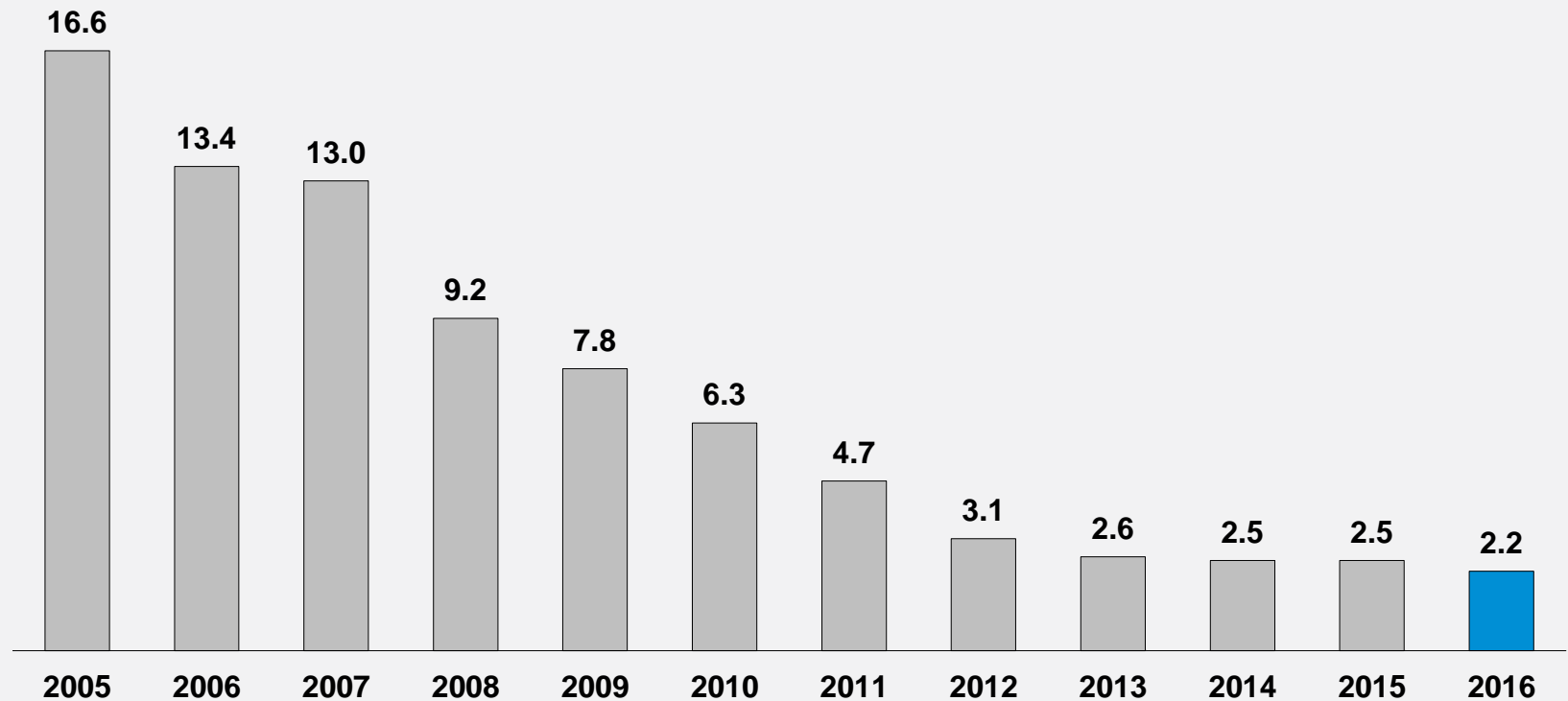
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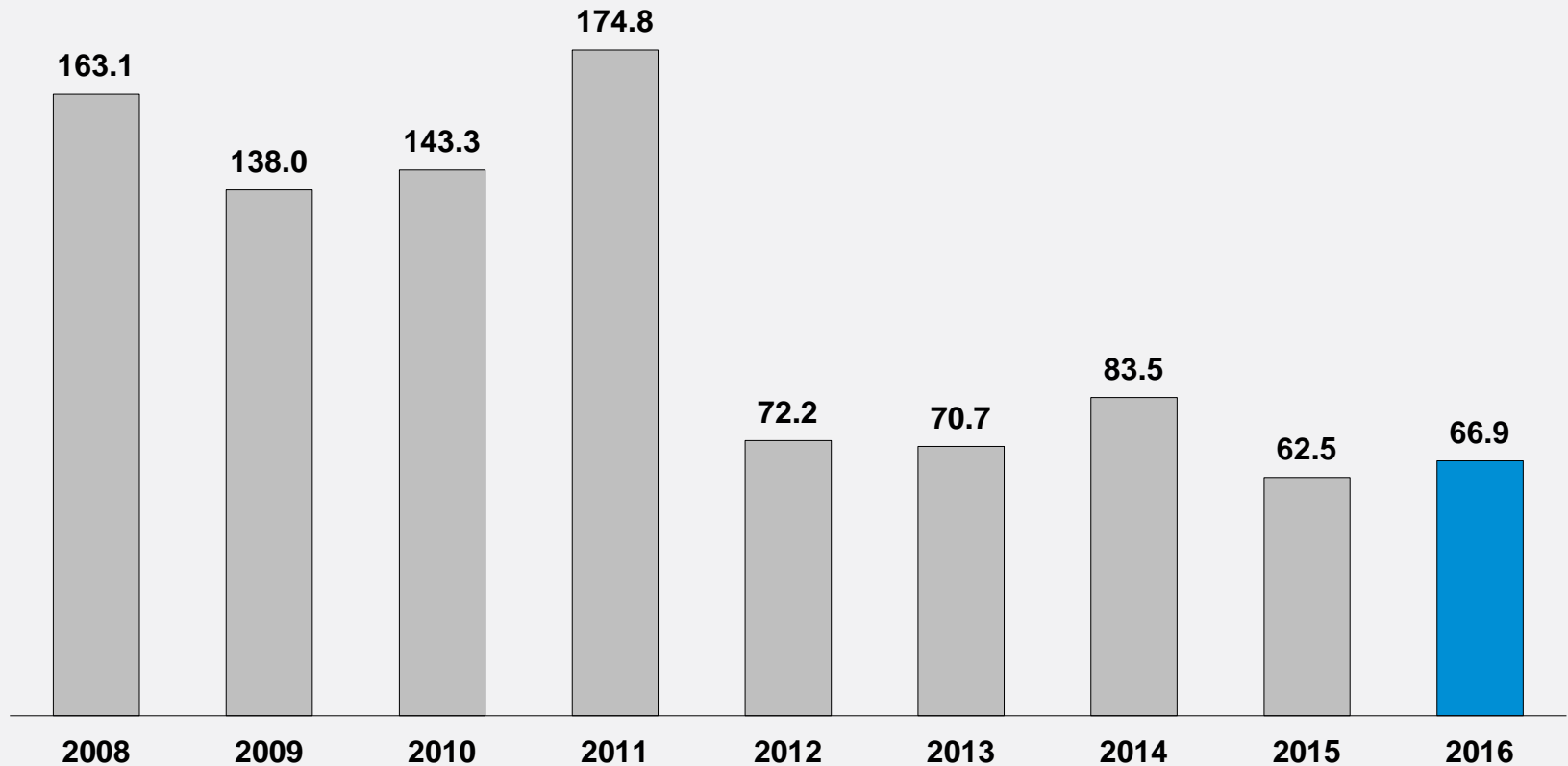
The Company’s financial results have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All financial references are stated in Canadian dollars, unless otherwise noted. All references to quarterly information relate to Tembec’s fiscal quarters. Adjusted EBITDA and certain other financial measures utilized in the presentation are non-IFRS financial measures. As they have no standardized meaning prescribed by IFRS, they may not be comparable to similar measures presented by other companies. Non-IFRS financial measures are described in the Definitions section on the last two pages of the interim Management Discussion and Analysis (MD&A) and on the last three pages of this presentation.

The information contained in this presentation is current only as of its date and has not been, and unless required pursuant to applicable securities laws, will not be, updated to reflect any changes or facts or circumstances that occurred after such date that may make such information inaccurate or incomplete. In addition, the market data included in this presentation, including information related to the Company’s relative position in the industry, is based on internal studies, market research and publicly available information and industry publications. Although the Company believes that such studies, research, information and publications are reliable as of the date of this presentation, they may prove to be inaccurate because of the method by which the Company obtained some of the data for its estimates or because this information cannot always be verified with certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. In addition, the Company has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein. As a result, market, ranking and other similar industry data included in this presentation, and estimates and beliefs based on the data, may not be accurate and complete.

Safety – OSHA Incident Rate



Safety – Total Severity Rate



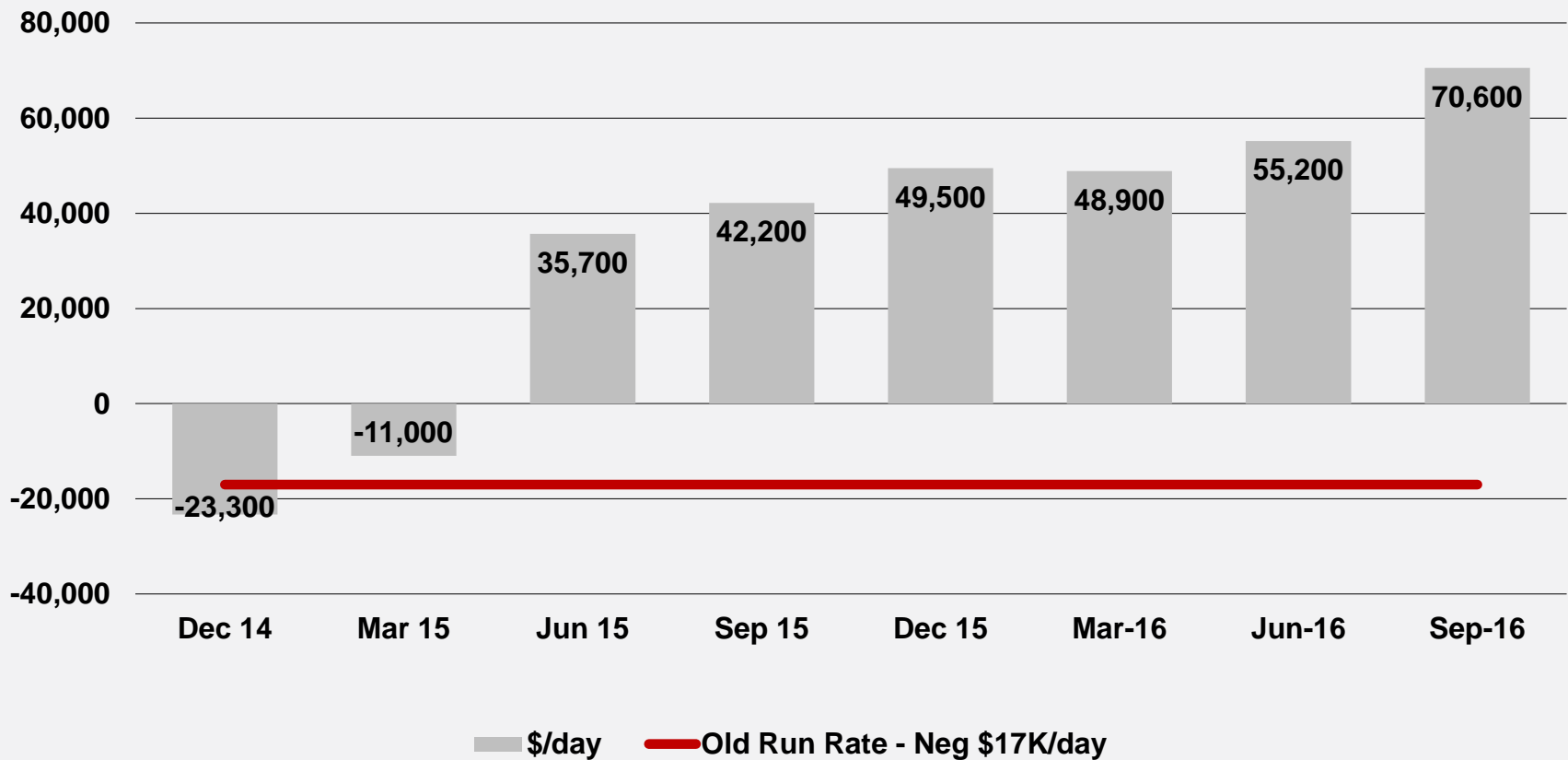
Business Segment Overview

Market Conditions – Specialty Cellulose

- Expect to see increase in specialty cellulose volumes
- Ethers grade volumes and prices will increase – high quality cotton linter pulp availability down and prices are up
- Reduced availability of lower quality cotton linter pulp and higher demand for commodity/viscose pulp are having positive effect on prices – this in turn supports higher prices for MCC, nitro-cellulose and other specialty grades
- Exception will be acetate grades – flat demand for acetate tow – market leader has guided small price decrease in calendar 2017

Temiscaming Cogen

Quarterly Electricity Revenues Less Purchased Nat Gas – \$/day



Market Conditions – Lumber

- Expect to see gradual demand and price increases as U.S. housing continues to recover
- Tembec has opportunity to improve cost position of sawmills with fast returning small CAPEX investments
- Potential lumber dispute with U.S. and possibility of lumber export duty deposits creating short-term uncertainty
- Canadian producers did relatively well financially in previous duty deposit period (2002 – 2006) – 80% was refunded in late 2006

Market Conditions – Paper

- Coated bleached board business is concentrated with relatively few producers – pricing has been stable
- Some European volume coming into North America since Euro weakened – some pricing pressure, but not overly disruptive
- Newsprint prices have seen some recent increases – but not demand related
- Newsprint fundamentals remain relatively poor – need to be low cost to produce positive margins

Market Conditions – Paper Pulp

- Demand should continue to grow
- Current and planned BEK capacity expansions will result in significant supply growth as well
- South American producers also benefiting from weaker currency position versus US dollar
- Significant upside to higher prices, but conditions expected to remain challenging
- Currently benefiting from good demand for Chinese packaging that uses high-yield maple grades – Tembec only producer

Key Internal Items

- Focus on health and safety is yielding positive results
- The improvement in mill operating performance in Fiscal 2016 should carry over into Fiscal 2017
- Performance Excellence Initiative (Tembec Performance System) contributing to the better operating results
- Balance sheet is leveraged – focus on reducing debt / interest cost
- More modest CAPEX – no large projects
- Focus on sawmill projects with attractive paybacks
- Temiscaming Cogen meeting financial objectives – significant contributor to future earnings

Adjusted EBITDA Improvement

	Adjusted EBITDA ⁽¹⁾			Y-O-Y change		
	F2015	F2016	Var.	Price/FX	Cost/Productivity	Var.
Forest Products	12	16	4	(4)	8	4
Specialty Cellulose Pulp	21	69	48	4	44	48
Paper Pulp	13	9	(4)	(18)	14	(4)
Paper	38	72	34	12	22	34
Corporate G & A	(17)	(19)	(2)	-	(2)	(2)
Share Based Compensation	3	1	(2)	-	(2)	(2)
Consolidated Adjusted EBITDA	70	148	78	(6)	84	78

- Improvement in adjusted EBITDA was driven by \$88M of cost and productivity improvement in all four business segments
- The effect of price and currency was negligible

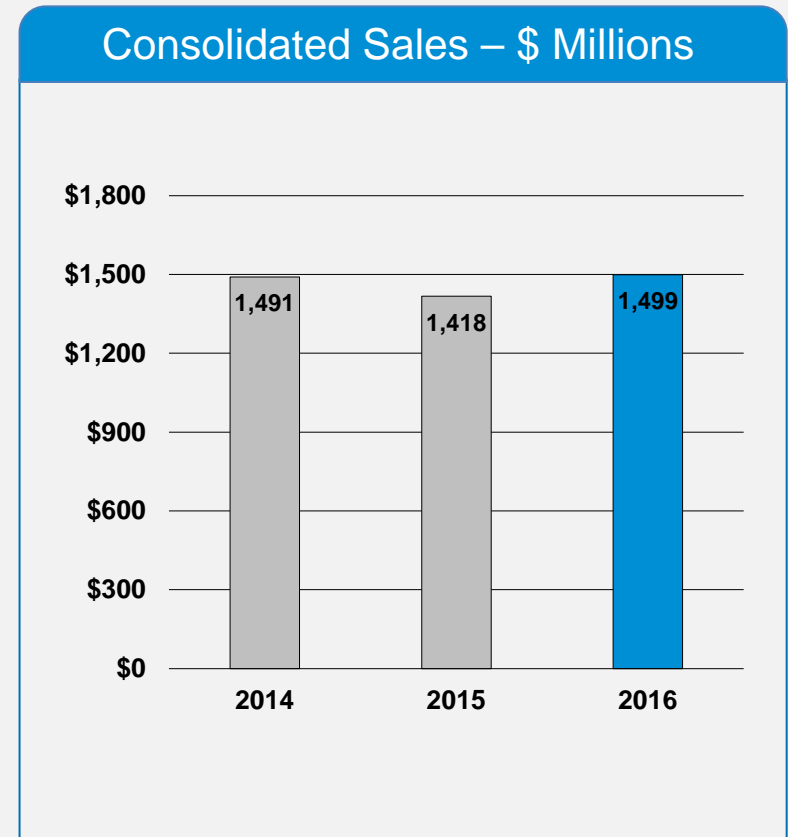
(1) Non-IFRS financial measure. See appendix.

Financial Review

Financial Review – 2016

Sales

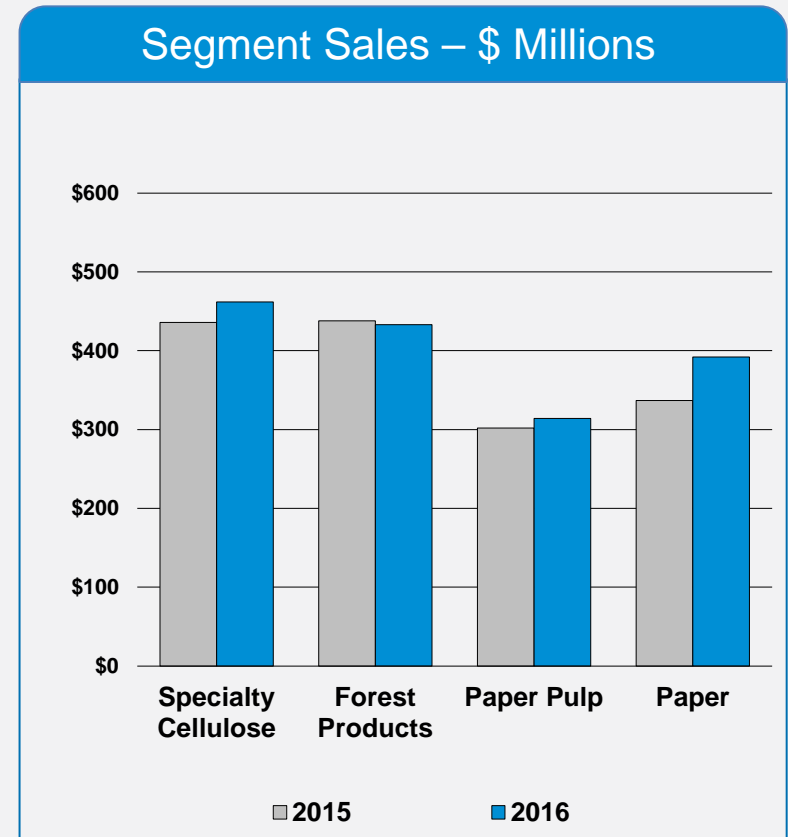
- Sales of \$1.5B – 6% increase
- Sales increased by \$81M – higher shipments of specialty cellulose pulp, paper pulp and coated bleached board
- All business segments benefited from weaker C \$ – down 7.7% on average versus US \$



Financial Review – 2016

Segment Sales

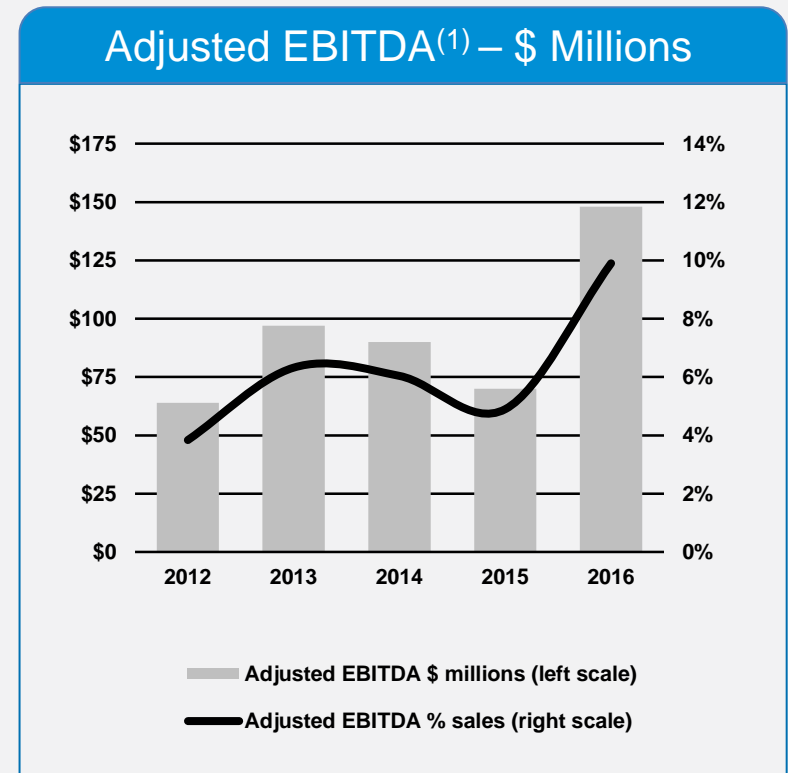
- Specialty Cellulose sales increased by \$26M (+6%) – higher volumes of specialty and viscose grades
- Forest Products sales decreased by \$5M (-1%) – lower stud lumber prices
- Paper Pulp sales increased by \$12M (+4%) – caused by higher shipments
- Paper sales increased by \$55M (+16%) – higher shipments and prices for coated bleached board



Consolidated Financial Results

Adjusted EBITDA⁽¹⁾

- Fiscal 2016 adjusted EBITDA of \$148M compared to \$70M in Fiscal 2015
- Adjusted EBITDA margin of 9.9% compared to 4.9% in Fiscal 2016
- Fiscal 2016 was highest adjusted EBITDA in terms of both \$ and % of sales since recession of 08/09
- Improvement in Specialty Cellulose segment and Paper segment profitability
- Reduced costs in all four business segments



(1) Non-IFRS financial measure. See appendix.

Consolidated Financial Results

Operating Results

- Higher depreciation expense relates to the Temiscaming Cogen facility – 30-year useful life
- Fiscal 2014 results included a large gain related to the sale of timberlands in British Columbia

Operating Earnings – \$ Millions

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Adjusted EBITDA ⁽¹⁾	90	70	148
Depreciation	(37)	(43)	(53)
Gain on Sale of Assets	50	1	6
Other Operating Items	(15)	3	(2)
Operating Earnings	<u>88</u>	<u>31</u>	<u>99</u>

(1) Non-IFRS financial measure. See appendix.

Consolidated Financial Results

Net Earnings (Loss)

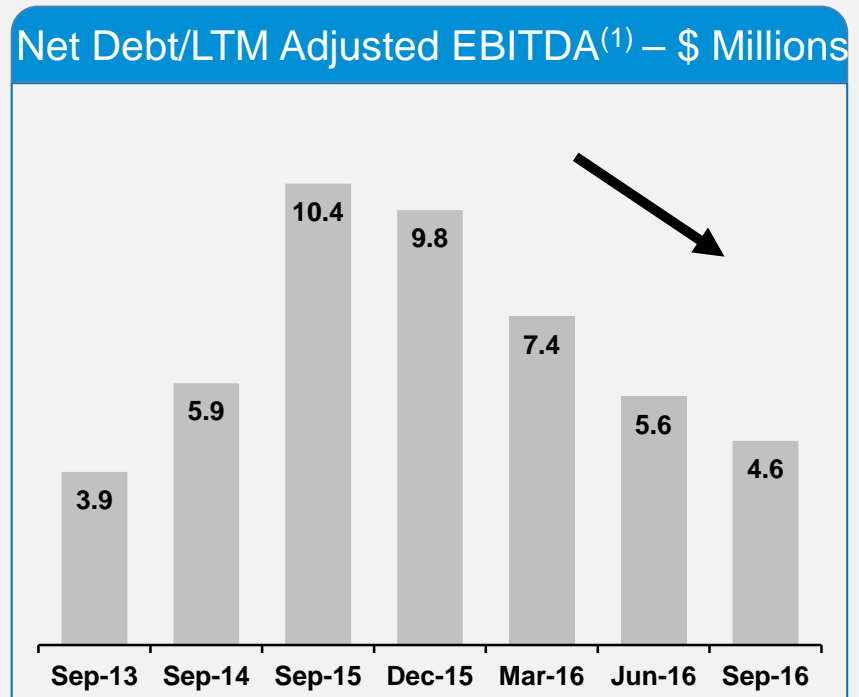
- Higher interest and financing expense due to increased borrowings to complete Cogen project
- Gain/loss on US dollar debt translation is non-cash item
- Income tax expense relates to French operations
- No taxes payable on Canadian operations – significant tax sheltering is available

Net Earnings (Loss) – \$ Millions			
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Earnings	88	31	99
Interest Expense	(46)	(52)	(61)
Cap. Int & Other Fin. Items	13	(2)	(14)
Loss on Debt Refi	-	(37)	-
Gain (Loss) on US\$ Debt	(26)	(81)	6
Income Tax Expense	(20)	(9)	(10)
Net Earnings (Loss)	<u>9</u>	<u>(150)</u>	<u>20</u>

Consolidated Financial Results

Net Debt/LTM Adjusted EBITDA⁽¹⁾

- Significantly higher adjusted EBITDA combined with lower CAPEX has led to improvement in credit/risk profile in Fiscal 2016
- Objective is to get to 3 times or less
- Will continue to focus on balance sheet improvement in Fiscal 2017



(1) Non-IFRS financial measure. See appendix.

Fiscal 2017 – First Quarter

December 2016 Quarterly Results

- Sales of \$370M
- Adjusted EBITDA⁽¹⁾ of \$34M and operating earnings of \$21M
- Adjusted EBITDA⁽¹⁾ includes \$4M non-cash expense for share-based compensation
- Results include non-cash loss of \$16M on translation of US dollar debt
- Net loss of \$9M or \$0.09 per share
- Repaid US \$12M of ABL/FILO term loan – liquidity of \$151M – above target range of \$135M to \$150M

(1) Non-IFRS financial measure. See appendix.

Questions?

Appendix – Non-IFRS⁽¹⁾ Financial Measures

The following summarizes non-IFRS financial measures utilized in this presentation. As there is no generally accepted method of calculating these financial measures, they may not be comparable to similar measures reported by other companies.

Adjusted EBITDA refers to earnings before interest, income taxes, depreciation, amortization and other items. Since the Company excludes “other items” such as gains and losses on significant asset disposals, restructuring charges and custodial costs for permanently idled facilities, it differs from EBITDA. Adjusted EBITDA does not have any standardized meaning according to IFRS. The Company defines adjusted EBITDA as sales less cost of sales and selling, general and administrative expenses, meaning it represents operating earnings before depreciation, amortization and other items. The Company considers adjusted EBITDA to be a useful indicator of the financial performance of the Company, the business segments and the individual business units. The most comparable financial measure is operating earnings or loss. The following table is a reconciliation of operating earnings to the Company’s definition of adjusted EBITDA:

<i>(in millions of dollars)</i>	2015	2016
Operating earnings	31	99
Depreciation and amortization	43	53
Other items	(4)	(4)
Adjusted EBITDA	70	148

(1) International Financial Reporting Standards

Appendix – Non-IFRS⁽¹⁾ Financial Measures

Net debt refers to debt less cash, cash equivalents and restricted cash.

Total capitalization refers to net debt plus deferred tax liabilities, employee future benefit liabilities, long-term provisions, other long-term liabilities, and shareholders' equity.

Net debt to total capitalization is used by the Company to measure its financial leverage.

<i>(in millions of dollars)</i>	2015	2016
Long-term debt	613	679
Net unamortized financing costs	14	20
Current portion of long-term debt	11	22
Operating bank loans / Bank indebtedness	114	7
Less: cash, cash equivalents and restricted cash	(23)	(46)
Net debt	729	682
Long-term liabilities	162	183
Shareholders' equity	71	59
Total capitalization	962	924
Net debt to total capitalization ratio	76%	74%

(1) International Financial Reporting Standards

Appendix – Non-IFRS⁽¹⁾ Financial Measures

Net debt to LTM (last twelve months) adjusted EBITDA is used by the Company to measure its financial leverage.

<i>(in millions of dollars)</i>	2015	2016
Long-term debt	613	679
Net unamortized financing costs	14	20
Current portion of long-term debt	11	22
Operating bank loans / Bank indebtedness	114	7
Less: cash, cash equivalents and restricted cash	(23)	(46)
Net debt	729	682
LTM adjusted EBITDA	70	148
Net debt to LTM adjusted EBITDA (times)	10.4	4.6

(1) International Financial Reporting Standards