



PRESS RELEASE

SUPREMEX INC.: 2013 ANNUAL AND FOURTH QUARTER RESULTS

Montreal, Quebec, February 19, 2014 – Supremex Inc., Canada's largest provider of stock and custom-manufactured envelopes (TSX: SXP), announced today its results for the fourth quarter ended December 31, 2013.

- **2013 consolidated revenues** amounted to \$129.0 million compared to \$131.9 million in 2012 and net earnings per share reached \$0.40 compared to a loss per share of \$0.67 in 2012.
 - **Fourth quarter consolidated revenue** amounted to \$33.6 million compared to \$33.7 million in 2012 and net earnings per share totaled \$0.09, down by \$0.01.
 - **2013 EBITDA** amounted to \$28.0 million, up by 13.7% from \$24.6 million in 2012.
 - **Fourth quarter EBITDA** amounted to \$6.7 million, down by 5.4% from \$7.1 million in 2012.
 - **The secured credit facilities** were reduced by \$12.0 million during 2013 and stood at \$38.0 million as at December 31, 2013.
 - The board of directors declared a **dividend** of \$0.04 per share.
 - The financial position of the **Pension Plan** has benefited from an **impressive turnaround**.
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"The last quarter of 2013 was relatively similar to last year. With this quarter we are completing a year where we have seen the business perform as well as the year before, as opposed to the decline sustained in previous years" said Gilles Cyr, President and Chief Executive Officer of Supremex.

"Not only has the business performed better than expected but the impressive turnaround in the financial position of our Pension Plans has helped deleveraging the balance sheet.

We are pleased that the Canadian government has announced in the throne speech and then in its budget tabled on February 11th that it will prohibit the pay-to-pay practice that charges customers for paper bills, including printed credit cards statements. We see this change as a positive outcome that would most likely see people elect to go back to paper their preferred way of getting their bills," said Mr. Cyr.

Financial Results

Revenue in the fourth quarter of 2013 amounted to \$33.6 million compared with \$33.7 million in the fourth quarter of 2012. This decrease for the fourth quarter is mainly attributable to a reduction of volume sold in Canada and in the United States, offset by a favorable sales mix resulting in an increase in overall selling prices in the United States. The decrease in units sold in Canada was mainly seen in the public sector market, while in the United States it was in the direct mail market.

For 2013, revenues stood at \$129.0 million compared to \$131.9 million in 2012, a decrease of 2.2%. The decrease in revenues is mainly attributable to the lower number of units sold in the Canada partially offset by the increase in number of units sold in the United States. The decrease in units sold in Canada was mainly seen in the forms resellers, corporate and direct mail markets while the increase in the number of units sold in the United States was mainly in the corporate market, offset by a decline in the direct mail markets.

EBITDA in the fourth quarter of 2013 amounted to \$6.7 million compared with \$7.1 million for the fourth quarter of 2012, mainly due to the negative impact of the weakening of the Canadian dollar. For 2013, the EBITDA amounted to \$25.1 million, excluding the gain of \$2.8 million resulting from the 2013 defined benefit pension plan amendments, compared to \$24.6 million for the previous year. The increase in EBITDA is mainly attributable to the cost reduction initiatives implemented in 2012 and a favorable sales mix resulting in an increase in overall selling prices in the United States.

Net earnings for the fourth quarter of 2013 amounted to \$2.7 million compared with \$3.0 million for the same period in 2012 and to \$11.5 million for the year ended December 31, 2013 compared with a net loss of \$19.6 million in 2012, due to the goodwill impairment of \$28.9 million recorded in the third quarter of 2012.

Earnings per share amounted to \$0.09 in the fourth quarter of 2013 compared to \$0.10 in the comparative period of 2012 and to \$0.40 for the year ended December 31, 2013 compared to a loss per share of \$0.67 in 2012. The increase in earnings per share for the 2013 year is mainly attributable to the non-recurring impairment of goodwill recorded in 2012.

Pension Plans

As at December 31, 2013, Supremex had an accrued pension benefit asset of \$8.2 million compared to a \$21.9 million accrued pension benefit liability as at December 31, 2012. This improvement was a result of an exceptional investment return, combined to an increase in interest rates, and to a lesser degree by the impact resulting from pension plan amendments, which consisted of reducing early retirement and bridging benefits.

Cash Flow from Operations

Cash flows from operating activities during the year 2013 amounted to \$13.2 million compared with \$13.7 million for 2012. Most of the cash flows generated in 2013 were used in the Company's financing activities to reimburse \$12 million of its secured credit term facility and to pay \$3.7 million in dividends to its shareholders

Corporate update

In 2013, the Company has reaped the benefits of cost reduction measures undertaken since 2012 to maintain the profitability level of its operation and has reviewed other opportunities of cost improvement.

The Company has also seized opportunities in the US market following the demise of a large player and has secured additional volumes. The Company has the objective in 2014 to continue to reduce the debt level as it was undertaken in 2013.

Declaration of Dividend

The Board of Directors has declared today a quarterly dividend of \$0.04 per common share, payable on March 14, 2014 to shareholders of record at the close of business on February 28, 2014. This dividend is designated as "eligible" dividend for the purposes of the *Income Tax Act* (Canada) and any similar provincial legislation.

Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA projection, future performance of Supremex and similar statements concerning anticipated future results, circumstances, performance or expectations. A statement is forward-looking when it uses what Supremex knows and expects today to make a statement about the future. Forward-looking statements may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. These statements relate to future events or future performance and reflect current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking statements reflect current assumptions, expectations and estimates of management and are based on information currently available to Supremex as at the date of this press release.

Forward-looking statements are subject to certain risks and uncertainties, and should not be read as guarantees of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for fiscal 2013 and, in particular, in “Risk Factors”. Consequently, we cannot guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements.

The Management Discussion and Analysis and Financial Statements can be found on www.sedar.com and on Supremex’s website www.supremex.com

Definition of EBITDA and Non-IFRS Measures

References to “EBITDA” are to earnings before financing charges, income tax expense, amortization of property, plant and equipment and of intangible assets, gain on disposal of property, plant and equipment and impairment of goodwill.

EBITDA is not an earnings measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company’s performance.

About Supremex

Supremex Inc. is Canada’s largest manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex is the only national envelope manufacturer in Canada, with facilities across six provinces and employs approximately 525 people. This nationwide presence enables it to manufacture products tailored to the specifications of major national customers such as leading Canadian corporations, national resellers and governmental entities, as well as paper merchants and process and solutions providers.

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Supremex Inc.

Reconciliation of EBITDA to Net Earnings

	Three-month period ended		Twelve-month period ended	
	December 31, 2013	December 31, 2012 ⁽¹⁾	December 31, 2013	December 31, 2012 ⁽¹⁾
Net earnings (loss) for the period	2,737,340	2,979,974	11,531,048	(19,645,876)
Add (deduct):				
Amortization of property, plant and equipment	875,025	915,800	3,574,848	3,499,088
Amortization of intangible assets	1,540,975	1,540,975	6,163,900	6,163,900
Impairment of goodwill	—	—	—	28,862,000
Loss (gain) on disposal of property, plant and equipment	14,815	—	(58,231)	(17,517)
Financing charges	734,705	764,295	2,853,971	3,167,028
Income taxes expense	810,514	892,110	3,912,964	2,578,339
EBITDA	6,714,374	7,093,154	27,978,500⁽²⁾	24,606,962

⁽¹⁾ Restated following the transition to the new accounting standard IAS 19 *Employee Benefits* as described in note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2013.

⁽²⁾ EBITDA includes the gain of \$2,844,900 resulting from the 2013 defined benefit pension plan amendments.

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31	2013 \$	2012 \$
ASSETS		
Current assets		
Cash	1,506,205	5,093,876
Accounts receivable	17,375,214	15,071,817
Income tax receivable	—	11,115
Inventories	12,147,658	13,017,305
Prepaid expenses	522,033	605,258
Total current assets	31,551,110	33,799,371
Property, plant and equipment	25,880,298	28,264,702
Deferred income tax assets	—	176,426
Accrued pension benefit assets	8,161,800	—
Intangible assets	14,271,229	20,435,129
Goodwill	46,889,125	46,889,125
Total assets	126,753,562	129,564,753
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	14,418,279	18,157,589
Provisions	411,276	426,311
Income tax payable	891,201	—
Current portion of secured credit facilities	4,750,000	5,000,000
Total current liabilities	20,470,756	23,583,900
Secured credit facilities	32,833,034	44,355,599
Deferred income tax liabilities	5,982,971	—
Accrued pension benefit liability	—	21,852,000
Other post-retirement benefit obligations	888,500	615,200
Derivative financial liability	954,925	1,251,154
Equity		
Share capital	9,885,008	9,885,008
Contributed surplus	280,108,017	280,108,017
Deficit	(224,318,659)	(252,002,146)
Foreign currency translation reserve	(50,990)	(83,979)
Total equity	65,623,376	37,906,900
Total liabilities and equity	126,753,562	129,564,753

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

Years ended December 31	2013 \$	2012 ⁽¹⁾ \$
Revenue	128,966,408	131,874,631
Operating expenses	85,471,703	90,358,799
Selling, general and administrative expenses	15,516,205	16,908,870
Operating earnings before amortization, gain on disposal of property, plant and equipment and impairment of goodwill	27,978,500	24,606,962
Amortization of property, plant and equipment	3,574,848	3,499,088
Amortization of intangible assets	6,163,900	6,163,900
Gain on disposal of property, plant and equipment	(58,231)	(17,517)
Impairment of goodwill	—	28,862,000
Operating earnings (loss)	18,297,983	(13,900,509)
Financing charges	2,853,971	3,167,028
Earnings (loss) before income taxes	15,444,012	(17,067,537)
Income tax expense	3,912,964	2,578,339
Net earnings (loss)	11,531,048	(19,645,876)
Basic and diluted net earnings (loss) per share	0.3982	(0.6719)
Weighted average number of shares outstanding	28,960,867	29,237,295

⁽¹⁾ Restated following the transition to the new accounting standard IAS 19 Employee Benefits as described in note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2013.

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

Years ended December 31	2013 \$	2012 ⁽¹⁾ \$
OPERATING ACTIVITIES		
Net earnings (loss)	11,531,048	(19,645,876)
Non-cash adjustment to reconcile net earnings to net cash flows		
Amortization of property, plant and equipment	3,574,848	3,499,088
Amortization of intangible assets	6,163,900	6,163,900
Amortization of deferred financing costs	227,435	229,556
Gain on disposal of property, plant and equipment	(58,231)	(17,517)
Impairment of goodwill	—	28,862,000
Gain on valuation of derivative financial instruments	(296,229)	(525,139)
Deferred income tax recovery	(824,051)	(1,207,923)
Change in employees benefits	(2,822,500)	1,705,000
	17,496,220	19,063,089
Working capital adjustments		
Variation in accounts receivable	(2,303,397)	3,668,682
Variation in inventories	869,647	85,887
Variation in prepaid expenses	83,225	(92,674)
Variation in accounts payable and accrued liabilities	(3,739,310)	(1,832,691)
Variation in provisions	(15,035)	(230,256)
Variation in income tax receivable and payable	902,316	(3,502,111)
Change in employee benefits	(17,200)	(3,459,400)
Net cash flows from operating activities	13,276,466	13,700,526
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,178,767)	(2,347,392)
Proceeds from sale of property, plant and equipment	105,801	107,417
Net cash flows used in investing activities	(1,072,966)	(2,239,975)
FINANCING ACTIVITIES		
Repayment of secured credit facilities	(12,000,000)	(5,000,000)
Dividends paid	(3,764,913)	(3,505,952)
Purchase of share capital for cancellation	—	(430,721)
Financing cost incurred	—	(50,891)
Net cash flows used in financing activities	(15,764,913)	(8,987,564)
Net change in cash	(3,561,413)	2,472,987
Net foreign exchange difference	(26,258)	14,557
Cash, beginning of period	5,093,876	2,606,332
Cash, ending of period	1,506,205	5,093,876
Supplemental information		
Interest paid	2,250,036	2,660,394
Interest received	15,441	5,780
Income taxes paid	3,895,689	7,336,626
Income taxes received	132,885	167,409

⁽¹⁾ Restated following the transition to the new accounting standard IAS 19 Employee Benefits as described in note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2013.