



PRESS RELEASE

Source: Supremex Inc.

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SUPREMEX INC.: 2012 SECOND QUARTER RESULTS AND DECLARATION OF DIVIDEND

- NET EARNINGS PER SHARE of \$0.05 AS COMPARED WITH \$0.05 THE SECOND QUARTER OF 2011
- EBITDA OF \$5.2 MILLION COMPARED WITH \$6.6 MILLION IN THE SECOND QUARTER OF 2011
- DIVIDEND OF \$0.03 PER SHARE DECLARED ON JULY 31, 2012

Montreal, Quebec, July 31, 2012 – Supremex Inc., Canada's largest provider of stock and custom-manufactured envelopes (TSX: SXP), today announced its results for the second quarter ended June 30, 2012.

For the second quarter of 2012, Supremex generated revenue of \$31.8 million compared with \$34.1 million for the three-month period ended June 30, 2011, representing a decrease of \$2.3 million or 6.6%. The decrease in revenue is mainly attributable to the number of units sold in Canada and in the United States. Revenue from sales in Canada decreased by \$2.0 million or 6.3%, from \$31.1 million to \$29.1 million. Revenue from sales in the United States decreased by \$0.3 million or 9.2%, from \$3.0 million to \$2.7 million.

The decrease in sales revenue in Canada was driven by a 4.9% decrease in the number of units sold combined with a 1.5% decrease in the average selling price. The decrease in the number of units sold was generally spread in all accounts with bigger decline seen in large corporations and in the public sector.

The decrease in sales revenue in the United States was due to a 10.4% decrease in the number of units sold offset by a 1.3% increase in the average selling prices. The decrease in the number of units sold was attributable to 2011 orders not repeated in 2012 due to the softness of the market. The increase in the average selling prices reflects changes in the product mix.

EBITDA for the second quarter of 2012 was \$5.2 million compared with \$6.6 million for the same period in 2011, representing a decrease of \$1.4 million or 21.0%. EBITDA margin was 16.5% compared with 19.5% in the second quarter of 2011. Excluding non-recurring items incurred in the second quarter of 2012, EBITDA margin would have been 17.8%. The margin erosion is attributable to reduction of average selling price due to competitive pressure and increase of raw material costs.

Net earnings for the second quarter of 2012 were \$1.4 million or \$0.05 per share compared with \$1.5 million or \$0.05 per share for the same period in 2011, representing a decrease of \$0.1 million.

Cash flows generated by the operating activities were \$1.9 million in the second quarter of 2012 compared with \$3.5 million for the same period in 2011.

For the first six months, Supremex generated revenue of \$67.4 million compared with \$73.2 million in 2011, representing a decrease of \$5.8 million or 7.8%. The EBITDA for the first six months of 2012 was \$11.7 million compared with \$14.5 million for the same period in 2011, a decrease of \$2.8 million or 19.8%.

“The industry is continuing to experience important negative trends. People are still using lots of various sized of envelopes but the average runs are getting smaller as the market continues to decline” said Gilles Cyr, President and Chief Executive Officer of Supremex.

“Although we had successes in gaining back some piece of business lost in the past few years and also marketing new products, such as our new protective envelopes for credit cards, this was not enough to offset the reduction in volume felt almost in every market. The major billers are buying less envelopes and, as a result, every order is now priced very aggressively thus impacting our margins.

The cost reduction measures taken in the last few years have help, but this was not enough and Supremex is still pursuing cost saving opportunities in order to mitigate the impact of reduced volume and margins. At the beginning of July 2012, we have just announced to all of our employees that we were not able to afford anymore the cost of the defined benefit pension plans and as such have converted them, for future service, into defined contribution pension plans. We estimate that such a change will save more than \$1.8 million on an annual basis” said Mr. Cyr.

The Board of Directors has declared today a quarterly dividend of \$0.03 per common share, payable on September 17, 2012 to shareholders of record at the close of business on August 31, 2012. 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 2011 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 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 and loss on disposal of property, plant and equipment.

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 600 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.

Supremex Inc.
Reconciliation of EBITDA to Net Earnings
(Unaudited)

	Three-month period ended June 30, 2012	Three-month period ended June 30, 2011
Net earnings for the period	1,401,865	1,452,469
Add (deduct):		
Amortization of property, plant and equipment	847,401	1,188,812
Amortization of intangible assets	1,540,975	1,540,975
Loss on disposal of property, plant and equipment	11,329	227,005
Financing charges	931,379	1,643,641
Income taxes expense	513,591	584,694
EBITDA	5,246,540	6,637,596