





Back in 1923, who would have thought that such a small sphagnum peat moss business would become an international company? Yet, this is Premier Tech's success story. From two brothers to 2 500 team members, from Rivière-du-Loup to a worldwide presence, from horticulture/agriculture to water treatment systems and designing and manufacturing of industrial packaging solutions, Premier Tech has expanded and continues to do so in a remarkable way! Let's celebrate 90 years of passion... and growth!

### **TO KNOW WHERE WE ARE GOING, WE NEED TO UNDERSTAND WHERE WE COME FROM**

Premier Tech's story revolves around vision and stability. It all started in New York, in 1923, when the Meyer brothers founded Premier Peat Moss, a company specializing in the production and commercialization of sphagnum peat moss. In 1978, Bernard Bélanger, who then owned Tourbière Saint-Laurent, acquired Premier, his main client. Over the years, the company has continued to develop within its field of activity while using it as a springboard towards the diversified product and service portfolio it offers today. In 2013, Premier Tech stays the course, building for the last 90 years on the energy and passion of its multidisciplinary team and relying on both strategic acquisitions and sustained investments in Innovation, Research and Development.



## FROM RIVIÈRE-DU-LOUP TO A WORLDWIDE PRESENCE

Premier Tech, whose international head office is still today located in Rivière-du-Loup, has succeeded in establishing its presence in several countries in the Americas, Europe and Asia. With its diverse Business Units and passionate team members, Premier Tech has built in-depth know-how in its various key industries enabling it to expand around its three Groups: Horticulture and Agriculture, Industrial Equipment and Environmental Technologies.

## SUCCESS BASED ON INNOVATION AND A UNIQUE BUSINESS CULTURE

Premier Tech's spirit of Innovation, just like its long-term Vision, is a key element of its Culture, and is fully experienced and leveraged by its team members in some 20 countries! With their creativity and will to surpass themselves, they have allowed Premier Tech to achieve great results, and this, as much during growth economic cycles as within the more difficult and volatile recession contexts. This focus on a job well done – the reflection of a business Culture based on agility and rigour – has enabled Premier Tech to deploy its strategic plans and take up the several challenges it has faced over the years.





TO KNOW WHERE  
WE ARE GOING,  
WE NEED TO  
UNDERSTAND  
WHERE  
WE COME FROM.

# ORGANIZATIONAL STRUCTURE



PREMIER TECH

HORTICULTURE AND  
AGRICULTURE GROUP

- Premier Tech Horticulture
- Premier Tech Home & Garden
- Premier Tech Biotechnologies
- Premier Tech Fallenor

INDUSTRIAL  
EQUIPMENT GROUP

- Premier Tech Chronos
- Premier Tech Systems

ENVIRONMENTAL  
TECHNOLOGIES GROUP

- Premier Tech Aqua
- Premier Tech Aqua Purflo
- Premier Tech Iberoto
- Premier Tech Lanka
- Premier Tech Aqua India



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# Financial HIGHLIGHTS

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PREMIER TECH REPORT FOR THE FISCAL YEAR  
ENDED MARCH 2, 2013

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*“It must be clearly understood that this document is closely linked to Premier Tech’s day-to-day operations... and, as such, presents the company at that precise moment in time.”*

The purpose of the Premier Tech Report is to provide information about the highlights and major events that took place in fiscal year 2013, during which the company posted sales amounting to \$444 million. It must be clearly understood that this document is closely linked to Premier Tech’s day-to-day operations, business processes and long-term strategies and, as such, presents the company at that precise moment in time.

Since its very beginnings, Premier Tech has been using a decentralized management approach in each of its Business Units, structured around three strategic activity groups: the Horticulture and Agriculture Group (GHA), the Industrial Equipment Group (IEG), and the Environmental Technologies Group (ETG).

The Premier Tech Report was put together to help readers understand the company’s operations, performance and financial position as at March 2, 2013. It compares some information concerning the operating results and financial position for the current fiscal year with corresponding data for the four previous years.

All figures are in Canadian dollars.



# Financial HIGHLIGHTS

FOR THE TWELVE-MONTH PERIODS ENDED AT THE END OF FEBRUARY  
(in thousands of dollars, except for the working capital ratio)

	2013	2012	2011	TOTALLY RESTATE <sup>1</sup>	
				2010	2009
<b>OPERATIONS</b>	\$	\$	\$	\$	\$
Sales	444 028	446 373	408 126	262 521	261 749
Earnings before interest, tax, depreciation and amortization	41 436	34 321	49 267	38 921	16 373
<b>FINANCIAL POSITION</b>					
Total assets	459 491	426 679	456 136	309 307	284 471
Working capital	71 685	94 887	68 385	56 848	44 566
Guaranteed interest-bearing debt (net of cash and deferred financing costs) <sup>1</sup>	144 766	126 923	137 249	68 746	83 363
Interest-bearing unsecured debentures	38 203	39 539	40 825	30 383	15 000
<b>RATIO</b>					
Working capital	1.48	1.85	1.42	1.83	1.52

<sup>1</sup> To fully understand the restatements made to fiscal years 2009 and 2010 and then to the financial information extracted from them and presented in this Premier Tech Report, please refer to the 2011 Premier Tech Report section on "Changes in Accounting Policies."

# MESSAGE

## from the Leadership Team



*Jean Bélanger*

FISCAL YEAR 2013 WAS MARKED BY VARIOUS  
ACQUISITIONS AND STRATEGIC ALLIANCES.  
CAN YOU ELABORATE?

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The last year has indeed been relatively active, but most of these projects were initiated in 2012. Our teams are constantly and proactively seeking out potential transactions to support the company's organic development through targeted external growth.

For instance, the acquisition of vonGAL Corporation in the United States was aimed at strengthening the position of our Industrial Equipment Group (IEG) in rigid packaging for this territory. Furthermore, this transaction was one of the key strategies outlined in Premier Tech's VISION 2017, which aims to redeploy some of our skills and knowledge in industrial flexible packaging across new market segments.

Another important strategy is to grow our revenues coming from emerging countries. Thus, during the fiscal year, we increased our investment in Chronos Richardson India to become a majority shareholder in this company, which specializes in industrial flexible packaging in the Indian market. The company and its owners have been strategic partners of Premier Tech for over ten years and share the same Values and a similar vision regarding the potential of IEG's technologies for their market.

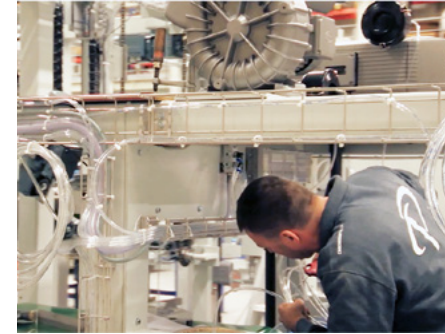


*“Premier Tech has fuelled its development through establishing strategic alliances, considerable efforts toward innovation and accretive acquisitions over the last few years. We do not hesitate to forge ahead if such actions enable the company to better its commercial offers and solidify its foundations.”*

The chemistry with the Premier Tech Culture and the business relationship built over the years led us to create Premier Tech Aqua India with these partners. This joint venture targets the wastewater industry, a growing market in India where many Premier Tech systems are already in use.

We also acquired the rotomoulding company Iberoto in Portugal, a business partner of many years specializing in plastic parts manufacturing. The aim was to expand our Environmental Technologies Group’s (ETG) manufacturing platform in Europe in order to support its plans for growth on that continent.

Establishing a strategic alliance with Juniper Organic Limited, a New Brunswick-based subsidiary of J.D. Irving, is part of our Horticulture and Agriculture Group’s (GHA) coverage strategies for the Canadian consumer lawn and garden market. With the addition of this soil manufacturing platform in the heart of the Maritimes market, we are better positioned to serve and support our retail partners more quickly and efficiently.



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WHAT ACTIONS IS PREMIER TECH TAKING TO ENSURE  
ITS GROWTH THROUGH INNOVATION, RESEARCH  
AND DEVELOPMENT?

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The company's Culture is fundamentally driven by its Innovation, Research and Development programs. Premier Tech has been living and breathing Innovation for the past 30 years, helping the company grow and expand internationally its three core business segments. Over the years, we have perfected a rigorous and highly structured approach that has become second nature for our team members.

Last year, Premier Tech invested over \$15 million in Innovation, representing 3% of sales, on top of some \$75 million invested over the previous five fiscal years. For both our shareholders and the Board of Directors, such a level of investment is a strong message and a clear commitment to the

future. The development and implementation of such a budget and of the actions that follow require a structured approach, planned several years in advance. Both our commercial and technological teams constantly venture into the field to gather competitive intelligence on current technologies, the state of science, customer needs as well as what our competitors are doing. This vital information enables us to build our Innovation strategies and action plans with a five-year horizon.



*“In connection with these initiatives, we had the honour this past year of being visited by the Prime Minister of Canada and the Premier of Quebec.”*

In 2013, Premier Tech announced the launch of its most recent initiative in Innovation, Research and Development: the IPSO program for Innovation in Products and Processes, Services and commercial Offers. This is the result of more than two years of work by various teams and will represent an investment of more than \$80 million between now and 2017. Under this program, it is planned to launch 125 new products in the various markets where our commercial teams are active.

In spring 2012, we also announced the launch of FAIRE, which stands for *Fabrication Avancée et Innovation pour Renforcer l'Excellence* (advanced manufacturing and innovation to strengthen excellence). The aim of this program is to deploy leading-edge manufacturing technology and upgrade our Québec-based manufacturing plants

in order to maintain and improve their level of competitiveness and efficiency. The two programs combined represent over \$110 million in investment and will lead to the creation of approximately 100 new jobs and the consolidation of about 1000 more in Quebec.

In connection with these initiatives, we had the honour this past year of being visited by the Prime Minister of Canada, Mr. Stephen Harper, and the Premier of Quebec, Mr. Jean Charest. The two leaders announced that their respective government would financially support the IPSO and FAIRE programs.



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COULD YOU SHARE WITH US ABOUT SOME OF  
THE ACQUISITIONS DONE OVER THE PAST FEW YEARS?

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In September 2010, we acquired APC Calona-Purflo, a long-time strategic partner in France. The company specializes in the production of rotomoulded products for the environment and is known today as Premier Tech Aqua Purflo. This was the ideal and most logical choice for building and developing ETG in Europe. The integration process was greatly facilitated by the fact that we had a pre-existing relationship, and team members from both companies were already working together on a regular basis. The different cultures and business styles blended quickly, accelerating the development of the anticipated synergies on both sides of the Atlantic. We are very satisfied with the outcome

of this acquisition, which is contributing significantly to our performance and growth in the wastewater treatment industry.

The acquisition of Sure-Gro, now Premier Tech Home & Garden (PTHG), in April 2010, however, occurred under very different circumstances, since we had no existing business relationship with this company or any of its teams. This transaction was born out of our VISION and strategic thinking processes, developed a few years prior to the acquisition, which identified the need to increase GHA's presence in the North American consumer lawn and garden market.



*“Communication with all teams impacted by the acquisition, no matter which side they are on, is a key factor in the integration process and for long-term success.”*

Under these circumstances, an even greater amount of focus and effort is required to mesh Premier Tech and its future team together, starting with the due diligence process and drafting of the initial integration plan. It is important to understand the other company’s culture and processes, which are key elements in its business model, and to engage in extensive discussions with its leadership team. Once the merger is completed, we need to communicate the plan quickly as well as explain the logic behind the transaction and share the Premier Tech story.

Communication with all teams impacted by the acquisition, no matter which side they are on, is a key factor in the integration process and for long-term success. As an example, one of the key actions in PTHG’s process of integration is to ensure it becomes deeply rooted in Premier Tech’s Culture and Values. To achieve this requires rigour, discipline and a significant investment in money and time from multiple team members over several years. The integration process is proceeding smoothly and, although it will not be complete for another few years, PTHG is contributing significantly to Premier Tech’s results.



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HOW DO YOU SEE THE NEXT FEW YEARS PLAYING  
OUT FOR PREMIER TECH?

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Despite the fragile global economic climate that has persisted over the last five years, Premier Tech has the responsibility to keep on adapting itself, while growing and bettering its financial performance.

The next five to ten years represent a key period for our company. Premier Tech's sustained investments in Innovation, Research and Development, the vast range of technological platforms and products we can offer, the skills of our team members and the level of maturity and integration of our three core business segments must all come together to fuel both our growth and financial performance for the long term.

Premier Tech must leverage this period to accelerate its growth and increase its market share. Considering the acquisitions of the last five years and our steady investments in market development and manufacturing platforms, Premier Tech's Leadership team is confident of the company's current strategic positioning and its potential for solid, profitable growth over the next 15 to 20 years.





2013 IS QUITE SIGNIFICANT FOR PREMIER TECH  
AS IT IS CELEBRATING 90 YEARS. WHAT DOES  
THIS ANNIVERSARY MEAN TO ITS TEAM MEMBERS  
AROUND THE WORLD?

Celebrating 90 years of business is an important milestone for any company and is a testament to the tenacity and commitment of the people who have played a role in its history for several generations. The year 2013 marks 90 years of passion at Premier Tech and the will to keep on building on this rich history all together through decades to come.

Any company, that has a long-term vision and is planning for it, must have a strong sense of its origins and roots. Premier Tech has always been able to build upon its past and the cumulative experience and diversity of its team members in order to fuel its growth and offer unparalleled support to its clients. Our Culture and our Values are the foundation of our business model, long-term Vision and drive to always improve ourselves;

they rest on a stable shareholder structure enabling our team members to make the best decisions with both short- and long-term objectives in mind.

At the same time, we want all Premier Tech stakeholders to know that even though we have aged in years, our company and its teams remain very young and dynamic. It is these contrasting realities, the diversity of our core business segments and our international position that make our company strong.

Today we celebrate 90 years in business... but we are especially excited about Premier Tech's next 90 years of success!



*Martin Noël*

OVER THE PAST TEN YEARS, THE CANADIAN DOLLAR HAS APPRECIATED AGAINST THE AMERICAN DOLLAR. WHAT IMPACT HAS THIS HAD ON PREMIER TECH?

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In the last decade, the Canadian dollar has indeed gained about 40%. For some companies – those that import raw materials and finished products, for instance – the effect has been a decrease in their procurement costs and thus an increase in profits. It has clearly been advantageous for them. For Premier Tech, however, it is a different story. Since about a third of our sales are in U.S. dollars, the strengthening of the Canadian dollar has had the effect of reducing our revenues and

consequently our profit margins. In concrete terms, each time the Canadian dollar gains 1% in value, Premier Tech suffers a negative impact of about half a million dollars in earnings before interest, tax, depreciation and amortization. When comparing fiscal year 2013 with fiscal 2003, for example, we are looking at a negative impact of more than \$20 million on our financial performance.

These economic conditions have been putting significant pressure on our cost structure since the spring of 2003. To deal with the situation, all our teams have been called upon to improve our operational efficiency, reduce our cost structures and improve plant productivity. Furthermore, our sustained investments in Innovation have

enabled us to launch new value-added products that have helped us mitigate the effects of this appreciation in the Canadian dollar. Even today, despite some price increases and the actions and strategies previously mentioned, our margins are still below where they were a few years ago.



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THIS PAST FISCAL YEAR, HOW HAS PREMIER TECH  
RESTRUCTURED ITS SHORT- AND LONG-TERM  
FINANCING?

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Premier Tech enjoys a unique position in the market and, over the years, has built trusting relationships with its financial partners. This has enabled us, over the last two years, to renew our financing for longer periods than those generally offered by lenders.

Premier Tech has structured its financing with many long-standing strategic partners. Our short-term financing is part of a long-standing relationship with the Canadian Imperial Bank of Commerce and Bank of Montreal. Our line of credit with these two institutions is for five years and matures in March 2017. Over the years, Premier Tech has also succeeded in structuring its long-term financing with partners who share its vision of growth and development. Our financing arrangements with Farm Credit Canada, Roynat Capital, Business Development Bank of Canada, *Investissement Québec* and the *Fonds de solidarité FTQ* have all been restructured for periods of eight to twelve years.

The length of these financing terms is quite exceptional. Most traditional banks offer a maximum of five years and lenders of unsecured debt rarely exceed a seven-year period. The terms we were able to secure testify to the trust we have built up with our partners, which is based on openness and straightforward communications. The way we communicate and share with our partners has become Premier Tech's trademark in the financial markets.



# Horticulture and Agriculture GROUP GHA



*Michel E. Guay*



WHY IS IT IMPORTANT FOR THE AGRICULTURE AND HORTICULTURE GROUP (GHA) TO BE VERTICALLY INTEGRATED WHEN IT COMES TO THE MAIN INGREDIENTS OF ITS PRODUCTS?

Premier Tech's and, in particular, GHA's client base is a mix of greenhouse growers, amateur gardeners and growers. It is vital for us to be vertically integrated in order for us to control several key factors, including the quality, stability and supply of these main ingredients. Our ability to have an impact throughout the various stages of product development,

registration and manufacturing is something that creates a distinctive advantage for the company. It is important for us not to only be an intermediary or a distributor but to also acquire in-depth knowledge and cutting-edge expertise on the products we sell. This is why we ourselves develop and manufacture the main ingredients that go into the products we sell, as for example the sphagnum peat moss and coconut-based chips and fibre we use in the products that GHA's Business Units market.

The same logic applies to natural active ingredients (NAI) or bio-additives, although here it is slightly different due to the added consideration of intellectual property rights. Since these products are based on fundamental scientific research, they are highly technical and often patented. As a result, we obviously cannot control everything, but we make sure to protect our intellectual property rights for these biological additives or combinations of materials in our products. This allows us to plan both our Innovation and commercial strategies and actions with a long-term vision in order to position GHA's offer apart from the competition.



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HOW DID THIS STRATEGY PLAY INTO THE VARIOUS LAUNCHES OF NATURAL ACTIVE INGREDIENT-BASED PRODUCTS THIS LAST YEAR?

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The knowledge we have gained about our biological additives and their production has enabled us to build a distinctive product, under the PRO-MIX® brand, which combines a biofungicide and a growing stimulant.

These NAI were already available separately; however, Premier Tech is the first company to combine them in ready-to-use growing media for the professional market. This was made possible thanks to our own internal research and development efforts as well as the collaboration of various teams within GHA's Business Units.



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GHA'S ORGANIZATIONAL STRUCTURE IS FOCUSED  
ON THE NATURE OF ITS CLIENTELE. WHY IS THAT?

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Everything is directly tied to our business objectives, which are to ensure our approaches and models are relevant to the nature of our clientele. Market segmentation is part of our business structure, but it is important to understand that our Business Units work closely together. One team's expertise can be very useful to another and the only things that really matter in the end are the support and satisfaction of our end customers.

To identify a market segment, we first determine if there are any similar processes, stakeholders and operations that can be grouped together. Complementarity of activities is our goal. For example, in Canada, we are an important player

in the Home and Garden retail sector. However, our clients in this sector, such as Canadian Tire, Home Depot, RONA, Wal Mart and others, do not have the same needs as independent retailers. We therefore have to ensure that these two segments are offered products customized to their needs and business models. To address this situation, we created two separate teams. In terms of logistics and product design, however, these two teams are supported by the same plants and team members. Both segments have access to the same product lines although they are tailored to each specifically. Another example of focusing on the market is the way in which our agriculture team meets the needs of our Canadian clients in the



specialized crops sector. Their commercial offer is targeted toward this segment. The services and approach are customized to this industry, but the products being marketed are based on the same knowledge and expertise common to all GHA's Business Units.

This segmentation even goes a step further within some of our Business Units. For example, Premier Tech Horticulture addresses distinct markets within its overall offering: floriculture and mushroom growing. For each of these markets there is a customized offering. We always make sure to think in terms of market particularities in order to support our client base and offer them relevant products and services.

But team work and synergy are equally vital components of the way we do business and our teams support one another with customer satisfaction as the focal point.





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TELL US ABOUT WHAT DEFINES GHA.

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Our great strength is innovation. Fundamentally, we aim to create products that will change how things work and transform the markets in a sustainable manner. It is a tall order, but that is what motivates our team members. We succeeded in doing so with mycorrhizae, which is probably our biggest accomplishment to date. Our commercial strength also grew through our distribution networks, our market segmentation, our long-term vision and the client relationships we built along the way. We are known for our expertise and are continually looking for ways to improve.

It is in this spirit that we are rooting Premier Tech Home & Garden within GHA. We are deploying a strategy that puts a lot more emphasis on innovation, while building on existing client relationships to increase our presence in the Canadian market.

Furthermore, as we control our manufacturing network, this gives us a clear strategic advantage because we are present at the very source of our key ingredients and products. That is what sets us apart from the competition. In the end, GHA's – and Premier Tech's – strengths are the diversity of its human, manufacturing, and technological resources.

# Industrial Equipment GROUP IEG



*André Noreau*

AT FISCAL YEAR-END, YOU ANNOUNCED THAT CHRONOS BTH WOULD NOW BE OPERATING UNDER THE NAME PREMIER TECH CHRONOS IN EUROPE. TELL US ABOUT THIS STRATEGY OF INTEGRATION UNDER A SINGLE GLOBAL BRAND FOR FLEXIBLE PACKAGING EQUIPMENT.

Over the years, we have made several acquisitions aimed at supporting the Industrial Equipment Group's (IEG) growth and offering our clients a wide range of integrated packaging and material handling technologies. With every acquisition came a brand with an existing client base. We could not eliminate their name on the simple grounds that we had acquired the company. Thus, our strategy was to blend our name with their brand and let the market get used to the change. Over the past few years, Premier Tech and IEG came to be known under four similar yet different identities according to the market or continent they were in.

This action was therefore necessary and the aim was to reassure our clients, some of which were left wondering if it was the same company and therefore the same technology and same service and support philosophy. So we needed to reposition ourselves and communicate in a more structured manner with our clients. We transitioned over the last few years in order to allow us to build and grow under a single name, Premier Tech Chronos – which is now our global brand.



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PREMIER TECH'S INDUSTRIAL EQUIPMENT GROUP (IEG) IS RECOGNIZED WORLDWIDE IN THE FLEXIBLE PACKAGING INDUSTRY. WHAT PROMPTED YOU TO MOVE INTO THE RIGID PACKAGING MARKET? WHAT ROLE DOES THE ACQUISITION OF VONGAL PLAY IN THIS STRATEGY?

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The industrial flexible packaging market is relatively small and extremely fragmented since it is served by many players. In just 20 years, we have grown exponentially from zero to \$150 million. Given the size of the market, it is not realistic to gain significant new market share in this sector without it affecting our return on investment. Since we wanted to remain on our growth path, we needed to evolve our strategy. We knew that many of our clients were also in the market for rigid packaging equipment. The next logical step was to see how we could satisfy their needs.

The rigid packaging sector is much larger because it serves primarily the consumer market. This market is about 20 times larger than that of flexible packaging. Producing this type of packaging, however, requires new technologies. We have certainly been able to transfer part of our expertise, particularly in robotics; however, to accelerate our penetration into this market and increase our critical mass, we decided to engage in a series of accretive acquisitions. The first is vonGAL Corporation, an American company specializing in material handling and palletizing equipment for rigid containers. Our growth in this sector is far from over – in fact, we plan on completing additional acquisitions over the next few years.



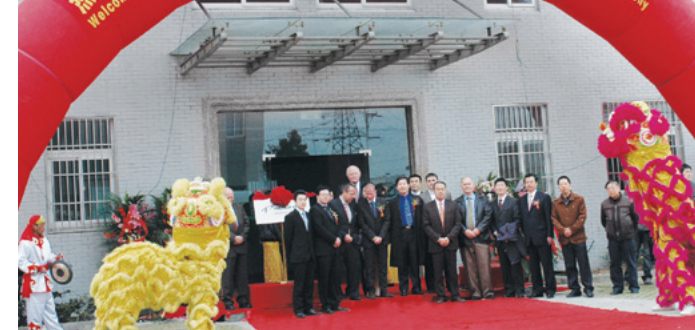
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WHAT IS IEG'S POSITION ON EMERGING MARKETS?  
HOW DOES THE ACQUISITION OF A MAJORITY  
POSITION IN YOUR INDIAN JOINT VENTURE PLAY  
INTO YOUR STRATEGY?

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According to our analysis, the growth of industrial flexible packaging needs will occur primarily in emerging countries. The focus is on BRIC countries (Brazil, Russia, India and China) and South Africa, but there is also talk of the “Next Eleven,” which include Bangladesh, South Korea, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, and Viet Nam. The goal of Premier Tech Chronos is to be there at the right time and participate in the growth of these markets. India was one of our priorities, given the state of the economy and the market there. Another reason was that we already had a presence in this industry through an existing joint venture that came with the acquisition of Chronos Richardson in 2002.

However, to ensure success in India, we had to transfer both knowledge and technologies. That meant becoming a majority shareholder, and we accomplished this goal about a year ago. Since then, we have integrated our Indian partner within IEG under the Premier Tech Chronos brand and have started transferring skills and technological platforms.



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CAN YOU ELABORATE ON IEG'S PRESENCE  
IN CHINA?

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Our strategy for China was quite different. A great deal of thought was put into how we would penetrate this market. We wanted to be in China not as a manufacturing base but for its domestic market and broad industrial client base. Following much analysis as well as several meetings and visits, we decided that the best strategy would be to establish a subsidiary and build from the ground up rather than make an acquisition, form a joint venture or sign a strategic alliance.

We started up in 2009 with only a few individuals. Four years later, we have a team of over 20 team members, sales of \$4 million and booming, and we offer a wide range of technologies made in China or in our North American or European Business Units.



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CAN YOU DESCRIBE IEG'S "WE CARE" PHILOSOPHY AND THE APPROACH YOU TAKE IN SUPPORTING YOUR CLIENTS THROUGHOUT THE ENTIRE EQUIPMENT LIFECYCLE (PLANNING, INSTALLATION AND AFTER-SALES SERVICE)?

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Several years ago we decided to adopt three major axes of development. At the heart of who we are – really our core DNA, not only at IEG but for Premier Tech globally – is Innovation. The second axis is focused on strong, unique brands, these being Premier Tech Chronos and Premier Tech Systems. The third, but not least, is service. I have always told my team members that if we worked simultaneously on all three axes, we would be able to position IEG's added value, thereby ensuring strong financial performance. Clients will always be ready to purchase an innovative product, a recognized brand name or an excellent service – but if we have all three, our offer will be unparalleled.

Innovation has always been a driving force behind Premier Tech's growth. Our brands and presence on the Web and in industry trade shows and exhibitions have helped us build a strong commercial presence matched with a close relationship with our clients based on trust. They know they are in good hands when they do business with us and that we will be there for them through the complete life cycle of their equipment.



We started putting much more focus on the service axis about five years ago. Our vision aimed at surpassing the expectations of our clients and surprising them. As an example, we offer our clients a optimization program, wherein we propose various ways to update their equipment with new technologies we have developed, even several years after their original purchase. This significantly prolongs the life of their initial investment by improving their return on investment. We also offer remote monitoring and troubleshooting.

Today, we have a team of more than 120 people dedicated to customer service worldwide. This is our “We Care” team and their unique mission is to support our clients in getting optimal performance from their Premier Tech Chronos and Premier Tech Systems equipment.

# Environmental Technologies GROUP ETG



*Henri Ouellet*

HOW DOES THE COMBINED HISTORICAL EXPERTISE OF PREMIER TECH AQUA (PTA) IN TREATMENT TECHNOLOGIES AND PREMIER TECH AQUA PURFLO (PTAP) IN PRODUCT DESIGN AND ROTOMOULDING PROCESSES CREATE A COMPETITIVE ADVANTAGE FOR ETG?

Fundamentally, Premier Tech is a company specializing in treatment technologies. We created a peat filter and, several years later, coco and textile filters. Whether for use in the residential or commercial and community sectors, these technologies are integrated into different types of fiberglass, concrete or rotomoulded plastic tanks. We used to buy the tanks from other companies, but today we design them ourselves and manufacture in our four plants the rotomoulded ones.

In the early 2000s, we decided to test the European market. We quickly figured out that to establish ourselves in this highly competitive market, dominated by well-known players, we needed to develop partnerships. We signed a strategic alliance with a French partner that was specialized in the manufacture of tanks: they became known as PTAP. Combining the skills and expertise of PTA and PTAP helped us develop integrated products that we manufacture from A to Z.





We live in a fast-changing world that is increasingly difficult to predict. We therefore need to be nimble. Having mastered all the skills required to design and manufacture our products, we enjoy a clear competitive advantage in the North American and European markets, and also in other markets that are part of ETG's development and growth vision.

#### WHAT ARE ETG'S PRIMARY MARKETS?

Canada is, and always has been, our main market in the residential sector. ETG is a leader in its industry. This is where we make a significant portion of our sales as North America is home to approximately 55 000 Ecoflo® installations.

Our second most important market in the residential sector is France, where we are one of the three largest companies. This market is particularly important to us because it represents 50% of the European market and has a single wastewater treatment regulation throughout the entire country, unlike the United States and Canada. France is therefore the largest single regulation market in the world, which is a tremendous advantage when your products need to be certified.



Our third most important market is the United States. In terms of demographics, it has the potential to be the largest market, but it is also very complex. Unlike France, each state has its own regulations. Plus, the 2008 financial and housing crisis had a considerable impact on our sales since the residential construction industry was hit really hard. New builds in low density population areas constitute our primary client base in the residential sector. The economy is recovering but at a slow pace, and recovery will take another few years in ETG's sector.

These events coupled with ETG's strategic thinking have led us to identify new opportunities: products for the commercial and community market, namely for commercial buildings, schools, public facilities, small residential developments and housing complexes. These can be designed around ETG's existing technological platforms, but are integrated into larger tanks.

France and the United States are the primary markets in this field, but this also opens up interesting potential in the Asian market. The emergence of countries like China and India caught our attention with various business opportunities in these markets, particularly as it pertains to worker camps. These camps need mobile technologies for their wastewater treatment. The ETG team therefore adapted some of its products to be installed inside mobile containers. This is the kind of situation in which our teams fully express Premier Tech's Values of Innovation and Agility while meeting the needs of our clients worldwide.



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## WHY INCLUDE SERVICE AS A FUNDAMENTAL PART OF ETG'S BUSINESS MODEL?

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Ecoflo® is a compact treatment system that is more sophisticated than that of its closest competitors. It is not just a filter, but a complete treatment technology. When it was launched in 1995, we decided to offer a maintenance service primarily to boost the brand equity and secure consumers that there was indeed a large, serious company supporting Ecoflo® throughout its entire product lifecycle. Since no other company offered maintenance for wastewater treatment systems, we created our very own commercial offer for annual maintenance, only to discover that there was an interesting market there, ripe for development.

Today it has become an important source of revenue and diversification for our Business Units – and no other company in the world offers such services on as many installations as we do. The program is offered in collaboration with several local partners who now manage their operations using WALTER™ Services Management Solutions, a software that was developed and is commercialized by ETG.



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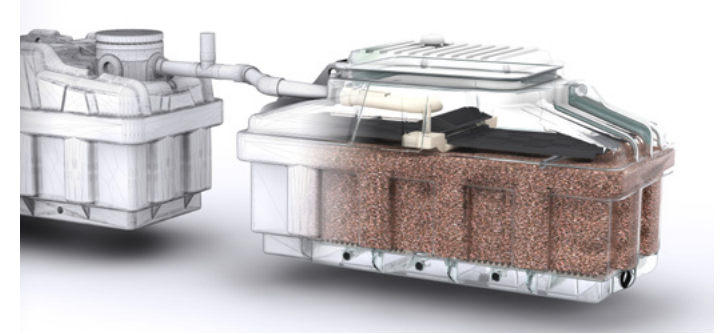
WHAT IS ETG'S POSITION ON EMERGING MARKETS?

WHAT ROLE DOES THE CREATION OF A JOINT VENTURE  
IN INDIA PLAY IN THIS STRATEGY?

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Emerging markets are a key development priority for Premier Tech and therefore ETG. India and China were quickly identified as having a strong potential for our technologies. However, we needed to keep in mind that they are highly competitive markets and that wastewater treatment is not always a top political or economical priority in emerging countries like these.

Our partnership in India developed naturally and with the goal of rapidly becoming a local player. At the very beginning, to test the market, we chose to work with local representatives; however, when we noticed sales were increasing, we decided to establish a partnership with people we knew well, our partners in the Industrial Equipment Group. In doing so, we accomplished two major objectives: firstly, to simplify commercial activities as our industry is regulated and we need to deal with the various levels of government on a daily basis; and second, to manufacture products according to the country's cost structures in order to keep our prices competitive.



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WE KNOW THAT THE ENVIRONMENTAL SECTOR IS BOOMING AND THE NEED TO INNOVATE IS IMPORTANT. WHAT ARE SOME OF THE MAIN INNOVATIONS COMMERCIALIZED BY ETG THESE PAST FEW YEARS?

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It is typical of the ecology sector to demand constant adjustments since requirements change over time and from one region to another. Innovation and adaptability therefore need to be two of our teams' major qualities. The history of the commercialization of our products illustrates this well.

ETG's first product was Ecoflo<sup>®</sup>, a peat filter integrated into a fiberglass tank. Our first innovation was to adapt this technology to other types of tanks: first concrete, then rotomoulded plastic. Our North American clients, in particular, like choosing the tank that best suits their situation.

Our teams are constantly looking for new and better ways to adapt our technological platforms to meet various market conditions and the needs of our diverse clients. Since peat is not always available in many countries, we developed a coco chip-based filter. This is the product that truly opened up international markets for us. We then created all kinds of combinations based on our expertise: from fixed versions to mobile ones for both the residential and commercial markets.

Today, ETG's team members have achieved a world first: phosphorus removal from wastewater using an electrocoagulation system with aluminum electrodes. This technological platform will be adapted to our two main market segments – the residential sector and the commercial and community sector.

# PHILANTHROPIC ENDEAVOURS COMMITMENTS

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HOW WOULD YOU DEFINE PREMIER TECH'S  
COMMITMENT TO ITS COMMUNITIES?

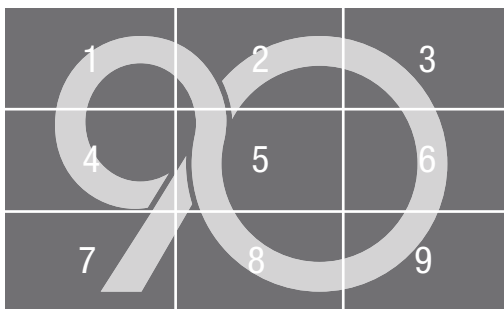
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Premier Tech has a true philanthropic tradition and a deep commitment to its communities that is firmly rooted in our Values and Culture. This commitment is the result of thorough reflection and a carefully thought-out strategy in terms of the scope of our gestures and actions. Premier Tech's philanthropic endeavour is not a parallel process but rather an attitude embedded in our day-to-day management approach.

This way of operating has played a pivotal role in our corporate history, evolving over time as the company has grown. Today it is present at every location where Premier Tech is active. The company's philanthropic endeavour focuses on three main initiatives: health, education and sports. We

favour sustainable aid that will have multiple, significant effects and be felt over the short, medium and long term. This rests on two clearly identified pillars: infrastructure and human capital. That means we are involved in a range of activities, be it supporting sports infrastructures or technical laboratories for schools, student tuition grants, or the sponsorship of athletes and sports teams. The objective is to directly help the members of the community at various levels, either individually or collectively.

# PHILANTHROPIC ENDEAVOURS COMMITMENTS



1. *Championnats québécois de cyclisme sur route élite Premier Tech*
2. *Arianne Lizotte, figure skater*
3. *Chronos BTH cycling team*
4. *Premier Tech science exhibition – Collège Notre-Dame*
5. *Raphaële Roberge, swimmer*

6. *Premier Tech team – Canadian Tire Jump Start hockey tournament*
7. *NORCO Premier Tech cycling team*
8. *Student grant – Centre de formation professionnelle Pavillon-de-l’Avenir*
9. *Trimaran of the Défi St-Malo Agglo – Transat Québec St-Malo 2012*

# LEADERSHIP Team





# LEADERSHIP Team

FROM LEFT TO RIGHT

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TOP ROW:

**Martin Pelletier**

Vice-President  
Horticulture and Agriculture Group

**Henri Ouellet**

President  
Environmental Technologies Group

**René Modugno**

Vice-President  
Business Development

**Jean-Pierre Bérubé**

Vice-President  
Technology & Infrastructure

**Pierre Talbot**

Vice-President  
Innovation

**Yves Goudreau**

Vice President  
Corporate Development

CENTER ROW:

**Jean Bélanger**

President  
Chief Operating Officer

**Germain Ouellet**

Senior Vice-President  
Human Resources  
*Corporate Secretary*

**Line C. Lamarre**

Vice-President  
Organizational Development

**Bernard Bélanger**

Chairman of the Board  
Chief Executive Officer

**André Noreau**

President  
Industrial Equipment Group

BOTTOM ROW:

**Michel E. Guay**

President  
Horticulture and Agriculture Group

**Martin Noël**

Senior Vice-President  
Chief Financial Officer

# Board of DIRECTORS



# Board of DIRECTORS

## ON THE LEFT

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### FROM THE FRONT:

**Gilles Laurin** ●  
Outremont, Québec  
Corporate Director

**Marc-Yvan Côté** ●▲\*■  
Baie-Saint-Paul, Québec  
President  
TUPP Canada  
*Vice-Chairman, Board of Directors  
Chairman, Audit, Human Resources  
and Corporate Governance  
and Innovation committees*

**Germain Ouellet**  
Saint-Hubert-de-Rivière-du-Loup, Québec  
Senior Vice-President  
Human Resources  
Premier Tech  
*Corporate Secretary*

**Jean Bélanger** ■  
Notre-Dame-du-Portage, Québec  
President  
Chief Operating Officer  
Premier Tech

**Jean-Yves Leblanc** ●\*■  
Montréal, Québec  
Corporate Director

## ON THE RIGHT

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### FROM THE FRONT:

**Bernard Bélanger** ▲\*■  
La Pocatière, Québec  
Chairman of the Board  
Chief Executive Officer  
Premier Tech  
*Chairman, Acquisitions Committee*

**Robin D'Anjou** ■  
Bic, Québec  
Corporate Director

**Roger Samson** ▲\*  
Sainte-Catherine-de-Hatley, Québec  
Corporate Director

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● Audit Committee member

\* Acquisitions Committee member

▲ Human Resources and Corporate Governance Committee member

■ Innovation Committee member

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# SCIENTIFIC Board

## PERMANENT MEMBERS



**Dr Alain Bélanger**  
St-Aubert, Québec  
Professor  
CHUL Research Center  
Faculty of Medicine  
Université Laval  
*Vice-Chairman, Scientific Board*



**Dr Joël de la Noüe**  
Saint-Antoine-de-Tilly, Québec  
Emeritus Professor  
Department of Animal  
Science Faculty of Food and  
Agriculture Science  
Université Laval  
*Chairman, Scientific Board*

## SECTOR-BASED MEMBERS

### INDUSTRIAL EQUIPMENT GROUP



**Dr Denis Proulx**  
Lennoxville, Québec  
Associate Professor  
Department of Mechanical Engineering  
Faculty of Engineering  
Université de Sherbrooke

### ENVIRONMENTAL TECHNOLOGIES GROUP



**Dr Guy Mercier**  
Québec, Québec  
Professor  
INRS - Centre Eau Terre Environnement

## HORTICULTURE AND AGRICULTURE GROUP

### PREMIER TECH BIOTECHNOLOGIES



**Dr J. André Fortin**  
Québec, Québec  
President  
J.A. Fortin Biologiste Conseil inc.



**Dr Jacques Goulet**  
L'Île-d'Orléans, Québec  
Professor  
Department of Food Science and Nutrition  
Faculty of Food and Agriculture Science  
Université Laval

### PREMIER TECH HORTICULTURE



**Dr Hani Antoun**  
Sainte-Foy, Québec  
Director  
Department of Soils and Agrifood Engineering  
Faculty of Food and Agriculture Science  
Université Laval



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# FORWARD-LOOKING STATEMENTS

## and caution

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*“The Premier Tech Report includes forward-looking statements regarding the objectives, projections, estimates...”*

The Premier Tech Report includes forward-looking statements regarding the objectives, projections, estimates, expectations and forecasts of the company or management. These statements are indicated by positive or negative verbs such as *believe, plan, estimate, assess*, or related expressions. The company cautions that, by their very nature, forward-looking statements involve major risks and uncertainties, which means that the company's activities or results could differ substantially from those indicated, whether explicitly or implicitly, in such statements.

Earnings before depreciation and amortization, interest on the long-term debt, interest and bank charges and income taxes on earnings (earnings before interest, tax, depreciation and amortization: EBITDA) is a measurement that has no standardized definition under the Accounting Standards for Private Enterprise (ASPE). It is therefore not considered to be in accordance with ASPE. As such, this measurement may not be comparable to similar measurements reported by other companies. It is described in this report to provide readers with additional information about the evolution of the results of the company's operations.

# OPERATING results

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*“Over two years, IEG and ETG have respectively reported cumulated increases of 8% and 59%, while GHA has maintained its annual sales figure.”*

Consolidated sales for the fiscal year ended March 2, 2013, reached \$444 million, which represents a decrease of \$2.4 million, or 0.5% of sales, compared with the \$446.4 million reported for the preceding twelve-month period.

The company's sales reported an increase of 4% for the Industrial Equipment Group (IEG) and a decrease of 6% for the Environmental Technologies Group (ETG), while sales figure for the Horticulture and Agriculture Group (GHA) remained stable compared to the sales posted during the previous fiscal year. Those performances followed an increase of 69% for ETG, an increase of 4% for IEG and sales figure stability for GHA during fiscal year 2012 compared to the sales posted in 2011.

Over two years, IEG and ETG have respectively reported cumulated increases of 8% and 59%, while GHA has maintained its annual sales figure.

The APC-Calona Purflo acquisition (made during fiscal year 2011) and the Tropicoir Lanka acquisition (made during fiscal year 2012) have contributed a total of \$24 million to ETG's sales figure over two years. For its part, IEG benefited from a contribution of approximately \$11 million resulting from the acquisition of vonGAL Corporation during fiscal year 2013. Had it not been for the contribution of this business acquisition, IEG would have reported a slight decrease of its sales figure compared to the sales posted for fiscal year 2011.



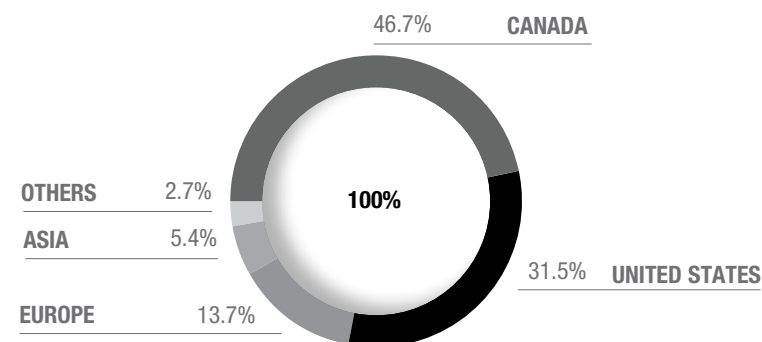
# OPERATING results (continued)

As for GHA, it benefited from a contribution of \$5.5 million to its sales resulting from the acquisitions of Malpec Peat Moss and Spécialités Robert Legault's retail activities, both of which were made during fiscal year 2012.

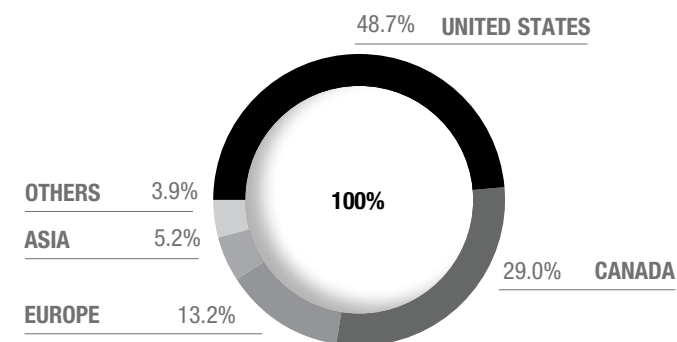
## GEOGRAPHIC DISTRIBUTION OF SALES

The table below provides the geographic distribution of sales for fiscal year 2013, compared with fiscal year 2009.

2013



2009



# OPERATING EXPENSES AND EARNINGS

## before interest, tax, depreciation and amortization

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*“The finalization of the claim regarding the involuntary disposal of its plant in Baie-Comeau, Québec, following a fire generated an additional extraordinary gain of \$2.5 million which, combined with the 2.6-million-dollar re-evaluation resulting from bargain company purchases, positively impacted the EBITDA...”*

In 2013, operating expenses, net of other income but excluding the impact of exceptional items, represented 91.8% of sales, compared with 93% in 2012 and 91.3% in 2011.

At the same time, earnings before interest, tax, depreciation and amortization (EBITDA) increased significantly to \$41.4 million as at March 2, 2013, compared with \$34.3 million for the previous fiscal year, and \$49.3 million for the fiscal year ended in 2011.

During fiscal year 2012, the company posted an extraordinary gain of \$3 million related to the involuntary disposal of its plant in Baie-Comeau, Québec, following a fire. This positively impacted the EBITDA by this amount. The finalization of the claim regarding this event

during fiscal year 2013 generated an additional extraordinary gain of \$2.5 million which, combined with the 2.6-million-dollar re-evaluation resulting from bargain company purchases, positively impacted the EBITDA by \$5.1 million.

Among the other factors that contributed to the EBITDA, in 2011 the company generated a gain of \$13.9 million owing to the rise in the market value of the participation it had in Sun Gro Horticulture Inc. at the time.

Had it not been for these items, the EBITDA would have amounted to \$36.4 million in 2013, \$31.3 million in 2012 and \$35.3 million in 2011. As a result, the company's operating EBITDA increased by \$5.1 million, that is, 16% of its EBITDA, while its sales decreased by 0.5%.

# OPERATING EXPENSES AND EARNINGS

## before interest, tax, depreciation and amortization (continued)

*“This risk is managed through hedging operations, which means entering into future exchange contracts and currency option contracts...”*

GHA now realizes approximately 36% of its sales (respectively 37% and 35% in 2012 and 2011) in U.S. dollars, while only 16% of its sales (respectively 16% and 15% in 2012 and 2011) are spent in the American currency, resulting in a net exposure of its sales to currency fluctuations of approximately 20% (respectively 21% and 20% in 2012 and 2011). This risk is managed through hedging operations, which means entering into future exchange contracts and currency option contracts to mitigate, over an 18-month period, the impact of short-term exchange rate fluctuations between the Canadian dollar and the U.S. greenback.

The sphagnum peat moss harvest period for the summer of 2012 can generally be characterized as slightly higher than normal. In 2011, the harvest period was the lowest in 25 years in the East, while it was slightly higher

than average in the West, which allowed the company to replenish its bulk sphagnum peat moss inventories.

In the same way, IEG, whose North American sales amount to approximately 70% (respectively 60% and 56% in 2012 and 2011), also had to contend with exchange rate variations between the U.S. dollar and its Canadian counterpart during the fiscal year, since a little less than 55% of its U.S. dollar revenues (respectively 45% and 50% in 2012 and 2011) are spent in the same currency. This risk is managed through hedging operations, which means entering into future exchange contracts and currency option contracts to mitigate, over a 12-month period, the impact of short-term exchange rate fluctuations between the Canadian dollar and the U.S. greenback.

# OPERATING EXPENSES AND EARNINGS

## before interest, tax, depreciation and amortization (continued)

---

*“The European market’s economic slowdown also had a significant negative impact on the operating results of IEG and ETG...”*

For its part, ETG, whose North American sales amount to approximately 51%, with over 90% in Canada, does not have to contend as much with exchange rate variations since its revenues and expenses are almost distributed evenly in each of the main three currencies in which it realizes its operations.

The European market’s economic slowdown also had a significant negative impact on the operating results of IEG and ETG, which both experienced considerable decreases as regards the sales and EBITDA realized in Europe. These were only partially compensated by better performances on the North American markets, which slowly regain a little vigour.

Finally, with more than 43% of Premier Tech’s Canadian production (respectively 44% and 45% in 2012 and 2011) exported to foreign markets, the depreciation of the Canadian dollar against its U.S. counterpart during the fiscal year had a slight positive impact on the results of Premier Tech’s Business Units.

# OPERATING EXPENSES AND EARNINGS

## before interest, tax, depreciation and amortization (continued)

### CHANGES IN THE EBITDA

FOR THE TWELVE-MONTH PERIODS ENDED AT THE END OF FEBRUARY

(in thousands of dollars)

	2013	2012	2011	2010	2009
	\$	\$	\$	\$	\$
EBITDA	41 436	34 321	49 267	38 921	16 373
As a percentage of sales	9.3%	7.7%	12.1%	14.8%	6.3%
<b>EXCEPTIONAL ITEMS</b>					
Net gain related to the involuntary disposal due to a fire	(2 486)	(3 030)	–	–	–
Gain from bargain company purchases	(2 591)	–	–	–	–
Decrease (increase) in the value of a market investment net of incurred costs	–	–	(13 945)	(11 118)	11 743
Gain from sales of non-strategic assets	–	–	–	(1 900)	–
<b>TOTAL EXCEPTIONAL ITEMS</b>	<b>(5 077)</b>	<b>(3 030)</b>	<b>(13 945)</b>	<b>(13 018)</b>	<b>11 743</b>
EBITDA EXCLUDING THE IMPACT OF EXCEPTIONAL ITEMS	36 359	31 291	35 322	25 903	28 116
As a percentage of sales	8.2%	7.0%	8.7%	9.9%	10.7%

# OPERATING EXPENSES AND EARNINGS

## before interest, tax, depreciation and amortization (continued)

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### EXCEPTIONAL ITEMS

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During fiscal year 2013, the company realized bargain company purchases, for which it posted a gain of \$2.6 million in accordance with ASPE.

During fiscal year 2012, one of the company's plants was destroyed by fire; its equipment and building were a total loss. As a result, and considering the terms of the company's insurance coverage, the company posted an exceptional gain of \$3 million, which corresponds to the difference between the net accounting value of the fixed assets destroyed by fire and their replacement value, minus the deductible, to be assumed by the company, and the additional operating costs from this loss until the new plant is up and running. As at March 3, 2012, there was concern about the final insurance product as well as the additional operating costs resulting from

the loss, which could lead to a significant adjustment in the exceptional gain posted in the results. After the definitive settlement negotiated with its insurers, the company recorded an additional gain of \$2.5 million during fiscal year 2013.

During fiscal year 2011, the company benefited from the appreciation in the value of the investment it held in Sun Gro Horticulture Inc., which amounted to \$13.9 million (\$11.1 million in 2010). These appreciations in value, net of costs incurred, followed the reduction in value recorded in 2009 (\$11.7 million).

Furthermore, during fiscal year 2010, the company sold some non-strategic assets that generated a non-recurring gain of \$1.9 million.

# OPERATING EXPENSES AND EARNINGS

## before interest, tax, depreciation and amortization (continued)

During fiscal years 2011 and 2009, other than the variation in the value of its market investment, the company did not experience any exceptional items.

### CHANGES IN THE EBITDA EXCLUDING THE IMPACT OF EXCEPTIONAL ITEMS

Note that the exceptional items presented in the preceding table are restated in the graphic representation below, which provides, in thousands of dollars, the changes in the EBITDA, excluding the impact of exceptional items:



## Exchange rate FLUCTUATIONS

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*“In fiscal year 2013, foreign currency fluctuations against the Canadian dollar had a relatively small impact on sales...”*

The analysis of foreign currency fluctuations against the Canadian dollar consists, on the one hand, of an estimate of their impact on the company's sales and EBITDA and, on the other hand, of gains and losses on foreign exchange contracts and on the translation of monetary assets and liabilities accounted for in the consolidated financial statements, in accordance with ASPE.

In fiscal year 2013, foreign currency fluctuations against the Canadian dollar had a relatively small impact on sales, compared with the figure posted for fiscal year 2012. Indeed, the average exchange rate was US\$1.0005/C\$ for fiscal year 2013 while, in 2012, it was US\$1.0086/C\$, that is, a variation of less than 0.8% which impacted approximately a

third of its sales realized in US\$. This represents a contribution of about \$1.1 million to the company's sales. For its part, the exchange rate fluctuation with the euro was a little more significant, having passed from €0,7660/C\$ as at March 3, 2012, to €0,7487/C\$ as at March 2, 2013, for a variation of approximately 2.3% applying to about 15% of the company's sales. This appreciation of the Canadian dollar compared with the euro has had a negative impact of \$1.5 million on the sales realized in euros, which were decreasing compared with the previous fiscal year. Since the company realizes about 50% of its sales in the Canadian currency, the impact of exchange rate variations with the other currencies remains negligible.



## Exchange rate FLUCTUATIONS (continued)

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*“Between February 27, 2011, ... and March 2, 2013, the Canadian dollar depreciated 4.7%, that is, an average depreciation of some 2.3% per year over two years.”*

During fiscal year 2013, the Canadian dollar depreciated 3.9% against its U.S. counterpart since it was trading at US\$1.0115/C\$ at the beginning of the fiscal year and closed at US\$ 0.9736/C\$, while it had previously depreciated 1% between 2011 and 2012. Between February 27, 2011, when it traded at US\$1.0217/C\$, and March 2, 2013, the Canadian dollar depreciated 4.7%, that is, an average

depreciation of some 2.3% per year over two years. If the exchange rate between the American and Canadian currencies maintained at US\$0.9736/C\$ throughout the year, it would positively impact the company's sales and EBITDA by \$4.3 million and about \$1.8 million respectively during fiscal year 2014.

## Financing and OUTLOOK

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*“As at March 2, 2013, the company had at its disposal an authorized operating line of credit that varies between \$85 million and \$105 million depending on the time of the year...”*

During fiscal year 2013, the company’s financial performance was in line with the expectations of its shareholders and financial partners, given the prevailing economic context. As at March 2, 2013, the company met all the ratios then applicable by virtue of its financing agreements. Management also expects that it will continue to meet these and the other obligations related to its financing agreements throughout the next fiscal year ending March 1, 2014. Management also believes that the company’s existing and future sources of financing will allow it to pursue its operations, investments, and IR&D activities according to its business plan.

During fiscal year 2013, the average use of the operating lines of credit stood at \$18 million (\$25 million in 2012 and \$39.3 million in 2011). Most of this decrease, between 2011 and 2012,

results from the disposal of the company’s investment in Sun Gro Horticulture Inc. in March 2011, and the proceeds collected in September 2011 on its hereafter discussed term loan. The decrease between 2012 and 2013 mainly results from the fact that the term loan in question contributed to the decrease of the use of the line of credit over a twelve-month period in 2013 compared to a five-month period in 2012, and to the collection of the \$15-million term loan from *Investissement Québec* in February 2012.

As at March 2, 2013, the company had at its disposal an authorized operating line of credit that varies between \$85 million and \$105 million depending on the time of the year, agreed upon with the Canadian Imperial Bank of Commerce (CIBC). This operating line of credit, set up on

## Financing and OUTLOOK (continued)

*“The net availability from its operating line of credit provides the company with the possibility to avail itself of the financial resources needed to take advantage of any business opportunities that may come its way.”*

March 19, 2012, was subjected to a syndication operation of \$25 million with BMO Bank of Montréal during fiscal year 2013. This operating line of credit is sufficient to allow the company to cover its financial needs in pursuing its operating and investment activities.

Considering the business acquisitions and its other investment projects financed in part or in full using the net availability from the line of credit during fiscal year 2013, and with no plans to finance any business acquisitions using its line of credit, the company foresees that the average use of its operating line of credit will amount to approximately \$33 million during fiscal year 2014. The net availability from its operating line of credit, an average of \$40 million for fiscal year 2014, provides the company with a great deal of maneuvering room with which it will be in a

position to meet the seasonal needs of its various Business Units and avail itself of the financial resources needed to take advantage of any business opportunities that may come its way.

On April 26, 2012, the company signed an eight-year interest-free term financing agreement with the Government of Québec for an amount totaling up to \$11.2 million. The annual payouts from *Investissement Québec* by virtue of this financing agreement depend on the fixed asset investments made in the context of the company’s program FAIRE – *Fabrication Avancée et Innovation pour Renforcer l’Excellence* (advanced manufacturing and innovation to strengthen excellence), which plans for the acquisition of fixed assets in the amount of \$31 million between 2012 and 2017. Consequently, the advances on this loan will

## Financing and OUTLOOK (continued)

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*“This will support the IR&D efforts made in the context of its program IPSO over the next three years.”*

be requested progressively by the company during fiscal years 2014 to 2018, which is why no amount has been collected by virtue of this loan agreement as at March 2, 2013.

At the same time, the company concluded a five-year financial contribution agreement in the amount of \$8.5 million, still with *Investissement Québec*, for the participation of the Government of Québec in the company’s IR&D (Innovation, Research and Development) efforts in the context of the program IPSO (Innovation, Products-Processes, Services and commercial Offers).

On February 28, 2013, the company announced a refundable financial contribution of \$9.4 million from the federal government, through the company’s long-standing financial partner, Canada Economic Development. This will support the IR&D efforts made in the context of its program IPSO over the next three years.

## Financing and OUTLOOK (continued)

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*“...the company finalized a ten-year financing agreement with Investissement Québec for a secured term loan totaling \$15 million...”*

On July 22, 2011, in setting up the financing to reimburse the remainder of the purchase price related to the Sure-Gro inc. acquisition, thereafter operating under the name Premier Tech Home & Garden, the company finalized a ten-year financing agreement with *Investissement Québec* for a secured term loan totaling \$15 million, which was collected in February 2012.

Finally, on September 21, 2011, the company took advantage of the credit facility established by its term lenders on December 22, 2010, and collected \$42.2 million, bringing the total commitment of

those lenders towards the company to \$90 million. Of these loans, \$20 million are committed to a four-year moratorium on capital reimbursement and will then be reimbursed annually according to the excess cash flow generated by the company, with any balance on this \$20 million being due on the 12<sup>th</sup> anniversary of the payout. The balance of this loan, \$70 million, will be reimbursed on a monthly basis in equal capital payments over a twelve-year period. As at March 2, 2013, the balance due on the loan amounted to \$81.7 million (\$87.6 million in 2012).

# EXTERNAL FACTORS to consider

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*“...the company must not only be forward-looking and proactive, but also adapt to the various conditions...”*

Since Premier Tech operates in several different business sectors, it is subjected to many external factors that must be taken into consideration to ensure that the company will continue to grow and generate a satisfactory financial performance. As such, the company must not only be forward-looking and proactive, but also adapt to the various conditions – whether economic, climatic, operational or competitive – of the markets it services.

These external factors include credit risk management, exchange rates, interest rates, weather conditions, general economic factors, the competition, and various other operational and financial risks.

# SUBSEQUENT events

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## FISCAL YEAR 2013

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On March 11, 2013, the company acquired all of the issued and outstanding shares of French company Terranga Participation SAS, which owns the operations of Falienor SAS. Falienor SAS runs a company which produces and distributes growing media destined for the retail and professional markets in France. As part of this transaction, the company concluded a financing agreement for unsecured debentures totaling \$8 million with one of its long-term financial partners, the *Fonds de solidarité FTQ*.

## FISCAL YEAR 2012

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### FINANCING

On March 19, 2012, the company finalized an agreement for a 105-million-dollar line of credit with CIBC, its long-standing financial partner. This line of credit will become due in March 2017.

On April 26, 2012, the company signed an eight-year interest-free term financing agreement with the Government of Québec for an amount totaling up to \$11.2 million.

### ACQUISITION

On March 5, 2012, the company acquired the totality of the shares of the limited partnership *Nouvelles Technologies*, which owns a building the company has been renting for approximately ten years.

# FINANCIAL PARTNERS

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BMO BANK OF MONTRÉAL  
BUSINESS DEVELOPMENT BANK OF CANADA  
CAISSES POPULAIRES DESJARDINS  
CANADA ECONOMIC DEVELOPMENT  
CANADIAN IMPERIAL BANK OF COMMERCE  
COMERICA  
EXPORT DEVELOPMENT CANADA  
FARM CREDIT CANADA  
FONDS DE SOLIDARITÉ FTQ

GE CAPITAL SOLUTIONS  
GOVERNMENT OF MANITOBA  
GOVERNMENT OF NEW BRUNSWICK  
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