



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2015**

*The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated November 5, 2015, of Supremex Inc. ("Supremex" or the "Company") should be read together with the accompanying unaudited interim condensed consolidated financial statements and related notes of the Company for the three and nine-month periods ended September 30, 2015. These consolidated financial statements of the Company have been prepared by management in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company's audited consolidated financial statements for the year ended December 31, 2014. The fiscal year of the Company ends on December 31. The Company's reporting currency is the Canadian dollar. Per share amounts are calculated using the weighted average number of shares outstanding for the three and nine-month periods ended September 30, 2015. The consolidated financial statements for the three and nine-month periods ended September 30, 2015 have not been audited or reviewed by the Company's auditors.*

*This MD&A contains forward-looking information. Please see "Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to these statements. In addition to our results reported in accordance with IAS 34, the MD&A may contain other non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "EBITDA or Adjusted EBITDA" or other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and therefore may not be directly comparable to similar measures used by other companies and should not be viewed as alternatives to measures of financial performance prepared in accordance with IFRS. See "Definition of EBITDA or Adjusted EBITDA and Non-IFRS Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA or Adjusted EBITDA to net earnings.*

## **Overview**

Supremex is Canada's largest manufacturer and marketer of a broad range of stock and custom envelopes and growing provider of packaging and specialty products. Supremex is the only national envelope manufacturer in Canada, with facilities across seven (7) provinces and two (2) facilities in the United States and employs close to 600 people. Supremex' growing footprint allows it to efficiently manufacture and distribute products tailored to the specifications of major corporations, national resellers, government entities, as well as paper merchants, statement processors and solutions providers.

## **Third Quarter Highlights**

- 2015 Q3 revenues increased by 0.6% year-over-year to \$32.4 million. Continued growth in the U.S. envelope market and packaging and specialty products offset a weaker Canadian envelope market.
- EBITDA for the third quarter of 2015 stood at \$6.6 million, comparable to last year's third quarter.
- Net earnings grew by 5.7%, reaching \$2.8 million (or \$0.10 per share) compared to \$2.6 million (or \$0.09 per share) in the third quarter of last year.

- Adjusting for a non-cash gain to the Company's pension plan during last year's third quarter, Adjusted EBITDA<sup>(1)</sup> improved by 4.6%, reaching \$6.6 million up from \$6.3 million
- Revenue from the Canadian envelope market decreased by 6.5% to \$24.4 million.
- Revenue from the U.S. envelope market continued to increase, growing by 47.6% to \$5.5 million.
- The Company's Board of Directors approved a quarterly dividend payment of \$0.055 per share, an increase of 10% over the previous dividend paid.

### Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

(In thousands of dollars)

|  | Three-month periods ended |                | Nine-month periods ended |                |
|--|---------------------------|----------------|--------------------------|----------------|
|  | Sept. 30, 2015            | Sept. 30, 2014 | Sept. 30, 2015           | Sept. 30, 2014 |
|  | \$                        | \$             | \$                       | \$             |
| <b>Net Earnings</b>                                    | <b>2,771</b>              | 2,621          | <b>12,127</b>            | 8,320          |
| Income tax expense                                     | <b>1,054</b>              | 1,017          | <b>4,470</b>             | 3,021          |
| Financing charges                                      | <b>185</b>                | 501            | <b>785</b>               | 1,110          |
| Loss on disposal of property, plant and equipment      | <b>19</b>                 | —              | <b>19</b>                | 6              |
| Amortization of property, plant and equipment          | <b>1,016</b>              | 880            | <b>2,958</b>             | 2,642          |
| Amortization of intangible assets                      | <b>1,541</b>              | 1,541          | <b>4,623</b>             | 4,623          |
| <b>EBITDA<sup>(1)</sup></b>                            | <b>6,586</b>              | 6,560          | <b>24,982</b>            | 19,722         |
| Adjustments  |                           |                |                          |                |
| Less: Gains on pension plans amendment                 | —                         | (264)          | <b>(4,341)</b>           | (264)          |
| Less: Gain on post-retirement benefits plans amendment | —                         | —              | <b>(614)</b>             | —              |
| <b>Adjusted EBITDA<sup>(1)</sup></b>                   | <b>6,586</b>              | 6,296          | <b>20,027</b>            | 19,458         |

<sup>(1)</sup> See "Definition of EBITDA or Adjusted EBITDA". EBITDA (or Adjusted EBITDA) is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other issuers.

### Summary of quarterly operating results from October 1, 2013 to September 30, 2015

(In thousands of dollars, except for per share amounts)

|                                | Sept. 30, 2015 | June 30, 2015 | Mar. 31, 2015 | Dec. 31, 2014 | Sept. 30, 2014 | June 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 |
|--------------------------------|----------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|
|                                | \$             | \$            | \$            | \$            | \$             | \$            | \$            | \$            |
| Revenue                        | <b>32,435</b>  | 33,868        | 34,708        | 35,097        | 32,241         | 30,634        | 33,916        | 33,583        |
| Adjusted EBITDA <sup>(1)</sup> | <b>6,586</b>   | 6,430         | 7,011         | 7,162         | 6,296          | 5,816         | 7,345         | 6,714         |
| Earnings before income taxes   | <b>3,824</b>   | 7,568         | 5,204         | 3,808         | 3,638          | 3,101         | 4,601         | 3,548         |
| Net earnings                   | <b>2,771</b>   | 5,552         | 3,804         | 2,728         | 2,621          | 2,330         | 3,368         | 2,737         |
| Net earnings per share         | <b>0.10</b>    | 0.19          | 0.13          | 0.09          | 0.09           | 0.08          | 0.12          | 0.09          |

<sup>(1)</sup> See "Definition of EBITDA or Adjusted EBITDA"

*Supremex' revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of units sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fund-raising, the holidays and tax seasons. The number of units sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer. As a result, Supremex' revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year. To maintain production efficiencies, Supremex uses warehouse capabilities to stock envelopes as required and thereby counter predictable seasonal variations in sales volume.*

<sup>1</sup> See "Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA" and to their definition

## Selected Consolidated Financial Information

(In thousands of dollars, except for per share amounts)

|   | Three-month periods ended |         |         | Nine-month periods ended |         |         |
|---|---------------------------|---------|---------|--------------------------|---------|---------|
|   | September 30,             |         |         | September 30,            |         |         |
|   | 2015                      | 2014    | 2013    | 2015                     | 2014    | 2013    |
|   | \$                        | \$      | \$      | \$                       | \$      | \$      |
| <b>Revenue</b>  | <b>32,435</b>             | 32,241  | 29,776  | <b>101,011</b>           | 96,790  | 95,383  |
| Operating expenses <sup>(1)</sup>                           | <b>22,115</b>             | 21,663  | 20,637  | <b>65,244</b>            | 65,064  | 62,699  |
| Selling, general and administrative expenses <sup>(1)</sup> | <b>3,734</b>              | 4,018   | 3,769   | <b>10,785</b>            | 12,004  | 11,419  |
| <b>EBITDA<sup>(1)(2)</sup></b>                              | <b>6,586</b>              | 6,560   | 5,370   | <b>24,982</b>            | 19,722  | 21,265  |
| Amortization of property, plant and equipment               | <b>1,016</b>              | 880     | 865     | <b>2,958</b>             | 2,642   | 2,700   |
| Amortization of intangible assets                           | <b>1,541</b>              | 1,541   | 1,541   | <b>4,623</b>             | 4,623   | 4,623   |
| Loss (gain) on disposal of property, plant and equipment    | <b>19</b>                 | —       | —       | <b>19</b>                | 6       | (73)    |
| <b>Operating earnings</b>                                   | <b>4,010</b>              | 4,139   | 2,964   | <b>17,382</b>            | 12,451  | 14,015  |
| Financing charges   | <b>185</b>                | 501     | 798     | <b>785</b>               | 1,110   | 2,119   |
| <b>Earnings before income taxes</b>                         | <b>3,825</b>              | 3,638   | 2,166   | <b>16,597</b>            | 11,341  | 11,896  |
| Income taxes expenses                                       | <b>1,054</b>              | 1,017   | 589     | <b>4,470</b>             | 3,021   | 3,102   |
| <b>Net earnings</b>   | <b>2,771</b>              | 2,621   | 1,577   | <b>12,127</b>            | 8,320   | 8,794   |
| Basic and diluted net earnings per share                    | <b>0.10</b>               | 0.09    | 0.05    | <b>0.42</b>              | 0.29    | 0.30    |
| Dividend paid per share                                     | <b>0.05</b>               | 0.04    | 0.03    | <b>0.15</b>              | 0.12    | 0.09    |
| Total assets  | <b>107,922</b>            | 113,304 | 119,682 | <b>107,922</b>           | 113,304 | 119,682 |
| Secured credit facilities                                   | <b>18,864</b>             | 28,312  | 44,250  | <b>18,864</b>            | 28,312  | 44,250  |

<sup>(1)</sup> Includes gains on pension plans and post-retirement benefit plans amendments. See “Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA”.

<sup>(2)</sup> See “Definition of EBITDA”.

## Results of Operations

### *Three-month period ended September 30, 2015 compared with three-month period ended September 30, 2014*

#### *Revenue*

Revenue for the three-month period ended September 30, 2015 amounted to \$32.4 million compared with \$32.2 million for the three-month period ended September 30, 2014, an increase of \$0.2 million or 0.6%. The increase in revenue was mainly attributable to higher sales in the United States.

Revenue in Canada decreased by \$1.9 million or 6.7% to \$26.4 million from \$28.3 million, while revenue in the United States grew by \$2.1 million or 52.5%, to \$6.1 million from \$4.0 million.

Revenue in the Canadian envelope market was affected by a reduction of 12.1% in the number of units sold which was partially offset by an increase of the average selling price of 6.4%. Price increases resulted from both changes to the product mix and change in pricing resulting from higher costs of raw materials due to a stronger U.S. dollar against the Canadian dollar.

Revenue in the U.S. envelope market continued to grow as a result of a 24.9% increase in the number of units sold and an 18.2% increase in average selling prices denominated in Canadian dollars. Changes in the competitive landscape and favourable currency exchange rates continue to make this a very attractive growth market for Supremex.

Revenue from packaging and specialty products during the quarter increased by 5.7% reaching \$2.6 million, as a result of a 9.8% increase in the number of units sold.

#### *Operating expenses*

Operating expenses for the three-month period ended September 30, 2015 amounted to \$22.1 million compared with \$21.7 million for the same period in 2014, an increase of \$0.4 million or 2.1%. This increase is attributable to the effect of a non-cash gain realized on the pension plan amendment done in 2014. Without the effect of this 2014 non-cash gain, operating expenses would have increased by 1.2%, as a result of the U.S. dollar appreciation effect on raw material costs offset by the lower volumes of units sold.

#### *Selling, general and administrative expenses*

Selling, general and administrative (“SG&A”) expenses totalled \$3.7 million for the three-month period ended September 30, 2015 compared with \$4.0 million for the same period in 2014, a decrease of \$0.3 million or 7.1% mostly attributable to lower selling and variable compensation plan expenses, compensating higher administration expenses due to business acquisition related fees.

#### *EBITDA and Adjusted EBITDA<sup>(1)</sup>*

EBITDA stood at \$6.6 million for the three-month period ended September 30, 2015 comparable to the same period in 2014. Adjusted EBITDA<sup>(1)</sup> stood at \$6.6 million for the three-month period ended September 30, 2015 compared with \$6.3 million last year, an increase of \$0.3 million or 4.6% as a result of lower selling, general and administrative expenses offset by slightly higher operating costs as explained above.

#### *Amortization*

Total amortization expense for the three-month period ended September 30, 2015 amounted to \$2.6 million compared with \$2.4 million for the comparable period of 2014 representing an increase of \$0.2 million or 5.6%.

#### *Financing charges*

Financing charges for the three-month period ended September 30, 2015 amounted to \$0.2 million compared with \$0.5 million for the same period in 2014, a decrease of \$0.3 million or 63.1%.

#### *Earnings before income taxes*

Due to the fluctuations in revenue and expenses described herein, earnings before income taxes totalled \$3.8 million for the three-month period ended September 30, 2015 compared with \$3.6 million for the same period in 2014, an increase of \$0.2 million or 5.1%.

#### *Provision for income taxes*

During the three-month period ended September 30, 2015, the Company recorded a provision for income taxes of \$1.1 million compared with \$1.0 million for the three-month period ended September 30, 2014, an increase of \$0.1 million or 3.6%.

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<sup>1</sup> See “Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA” and to their definition

### *Net earnings*

As a result of the changes described above, net earnings amounted to \$2.8 million for the three-month period ended September 30, 2015 compared with \$2.6 million for the same period in 2014, an increase of \$0.2 million or 5.7%. Earnings per share amounted to \$0.10 in the third quarter of 2015 compared to \$0.09 in the comparative period of 2014.

### *Other comprehensive loss*

The discount rate used to calculate the accrued pension plan benefit obligations increased to 4.2% as at September 30, 2015 from 4.1% as at June 30, 2015. This increase created a gain that was offset by lower than expected returns on pension plan assets and, as a result, net actuarial losses totalled \$1.3 million for the three-month period ended September 30, 2015 compared to a losses of \$1.9 million in the comparative period of 2014.

### ***Nine-month period ended September 30, 2015 compared with nine-month period ended September 30, 2014***

#### *Revenue*

Revenue for the nine-month period ended September 30, 2015 amounted to \$101.0 million compared with \$96.8 million for the nine-month period ended September 30, 2014, representing an increase of \$4.2 million or 4.4%. The increase in revenue was mainly attributable to a higher number of units sold in the United States.

Revenue in Canada decreased by \$1.4 million or 1.7%, from \$85.4 million to \$84.0 million, while revenue in the U.S. increased by \$5.6 million or 49.5%, from \$11.4 million to \$17.0 million.

Revenue in the Canadian envelope market decreased by \$1.2 million or 1.5% as a result of a volume decrease of 4.2% offset by an increase in the average selling price of 2.8% compared to last year.

Revenue in the U.S. envelope market continued to grow significantly with a 32.4% increase in the volume of units sold and average selling price increase of 11.3% resulting from the appreciation of the U.S. currency against the Canadian dollar in 2015.

Revenue of specialty products increased by 4.2% when compared to the equivalent period of 2014, reaching \$7.3 million.

#### *Operating expenses*

Operating expenses for the nine-month period ended September 30, 2015 amounted to \$65.2 million compared with \$65.1 million for the same period in 2014, an increase of \$0.1 million or 0.3%. This limited increase is mainly attributable to the non-cash gains realized on the pension and post-retirement benefit plans in 2015. While tight control over operating costs was maintained, the higher U.S. dollar foreign exchange rate combined with a higher number of units sold in 2015 resulted in an increase of the Company's costs of raw materials.

### *Selling, general and administrative expenses*

Selling, general and administrative expenses totalled \$10.8 million for the nine-month period ended September 30, 2015 compared with \$12.0 million for the same period in 2014, a decrease of \$1.2 million or 10.2% attributable to the non-cash gain realized on the pension and post-retirement benefits plans and to tight control over general expenses, which offset increased administrative expenses related to business acquisition related costs.

### *EBITDA and Adjusted EBITDA<sup>(1)</sup>*

As a result of the changes described above, EBITDA stood at \$25.0 million for the nine-month period ended September 30, 2015 compared with \$19.7 million for the same period in 2014, an increase of \$5.3 million or 26.7%. Excluding the non-cash gains on amendments to the pension and post-retirement benefits plans, the Adjusted EBITDA stood at \$20.0 million for the nine-month period ended September 30, 2015 compared with \$19.5 million last year, an increase of \$0.5 million or 2.9% mainly due to the increase in sales in the U.S. envelope market. However, the rapid appreciation of the U.S. dollar against the Canadian dollar at the beginning of the first quarter, combined with changes in the product mix, resulted in an increase of the cost of raw materials.

### *Amortization*

Total amortization expense for the nine-month period ended September 30, 2015 amounted to \$7.6 million compared with \$7.3 million for the comparable period of 2014 representing an increase of \$0.3 million or 4.3%.

### *Financing charges*

Financing charges for the nine-month period ended September 30, 2015 amounted to \$0.8 million compared with \$1.1 million for the same period in 2014. The decrease of \$0.3 million resulted mainly from the impact of the reduced level of debt in 2015.

### *Earnings before income taxes*

Due to the fluctuations in revenue and expenses described above, earnings before income taxes totalled \$16.6 million for the nine-month period ended September 30, 2015 compared with \$11.3 million for the same period in 2014, an increase of \$5.3 million or 46.3%.

### *Provision for income taxes*

During the nine-month period ended September 30, 2015, the Company recorded a provision for income taxes of \$4.5 million compared with \$3.0 million for the nine-month period ended September 30, 2014, an increase of \$1.5 million or 48.0%. The increase is mainly attributable to higher earnings in the first nine months of 2015 resulting from the amendments to the pension and post-retirement benefit plans.

### *Net earnings*

As a result of the changes described above, net earnings amounted to \$12.1 million for the nine-month period ended September 30, 2015 compared with \$8.3 million for the same period in 2014, an increase of \$3.8 million or 45.8%.

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<sup>1</sup> See "Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA" and to their definition

### *Other comprehensive income*

The discount rate used to calculate the accrued pension plan benefit obligations increased to 4.2% as at September 30, 2015 from 4.0% as at December 31, 2014. This increase created a gain that was offset by lower than expected returns on pension plan assets and as a result, net actuarial losses totalled \$1.1 million for the nine-month period ended September 30, 2015 compared to losses of \$4.8 million last year.

### **Segmented Information**

The Company currently operates in one business segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to \$74.2 million in Canada and \$0.7 million in the United States as at September 30, 2015 as compared to \$78.6 million and \$0.7 million as at December 31, 2014, respectively.

In Canada, the Company's revenue amounted to \$26.4 million and \$84.0 million for the three and nine-month periods ended September 30, 2015 compared with \$28.2 million and \$85.4 million for the same periods in 2014, representing a decrease of \$1.8 million or 6.7% and \$1.4 million or 1.7%, respectively. In the United States, the Company's revenue amounted to \$6.1 million and \$17.0 million for the three and nine-month periods ended September 30, 2015 compared with \$4.0 million and \$11.4 million for the same periods in 2014, representing an increase of \$2.1 million or 52.5% and an increase of \$5.6 million or 49.8%, respectively.

### **Liquidity and Capital Resources**

#### *Operating activities*

Cash of \$12.0 million was generated by operating activities during the nine-month period ended September 30, 2015 compared with \$13.8 million during the same period of 2014. Working capital required \$3.4 million during the first nine months of 2015, compared to \$0.6 million for the same period in 2014, an increase of \$2.8 million mostly as a result of higher inventory, 2014 variable compensation plan and income taxes payments.

#### *Investing activities*

Cash of \$1.9 million was used in investing activities during the nine-month period ended September 30, 2015 compared to \$1.5 million in 2014, an increase of \$0.4 million, mainly related to acquisition of intangible assets, mostly for licenses to implement an enterprise resources planning software.

#### *Financing activities*

In the nine-month period ended September 30, 2015, \$8.1 million was used in financing activities compared with \$13.6 million in 2014 as a result of lower repayments of the secured credit facilities.

#### *Liquidity and capital resources summary*

The Company's ability to generate cash flows from operations combined with its availability under its credit facility are expected to provide sufficient liquidity to meet anticipated needs for existing and future projects.

## Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in the Company's audited consolidated financial statements as at December 31, 2014 and did not significantly change since that date. The Company has no other off-balance sheet arrangements.

## Capitalization

As at November 5, 2015, the Company had 28,750,967 common shares outstanding. Since the implementation of the NCIB program on July 2, 2015, no common shares were repurchased for the period ended September 30, 2015.

## Financial Position Highlights

(In thousands of dollars)

|  | September 30,<br>2015 | December 31,<br>2014 |
|--|-----------------------|----------------------|
|  | \$                    | \$                   |
| Working capital                                | 12,901                | 5,839                |
| Total assets                                   | 107,922               | 109,792              |
| Total secured credit facilities <sup>(1)</sup> | 18,702                | 22,406               |
| Equity   | 70,613                | 63,752               |

<sup>(1)</sup> Net of deferred financing costs of \$162 (\$171 at Dec. 31, 2014)

The Company was in compliance with the covenants of its credit facilities as at September 30, 2015.

## Disclosure Controls and Internal Controls over Financial Reporting

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Company has filed certifications signed by the President and Chief Executive Officer and the Vice-President, Finance, that, among other things, report on the design of disclosure controls and procedures, as well as the design of internal controls over financial reporting.

As indicated in such certifications, management has designed disclosure controls and procedures to provide reasonable assurance that:

- i. material information relating to the Company is made known to the President and Chief Executive Officer and the Vice-President, Finance, particularly during the period in which interim filings are being prepared, and
- ii. information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management has also designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework management used to design the Company's internal control over financial reporting is the Committee of Sponsoring Organizations ("COSO").

There were no changes in the Company's internal controls over financial reporting that occurred during the period beginning July 1, 2015 and ended September 30, 2015 that have materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.



## **Recent Events**

On October 6, 2015, the Company entered into a Five-Year Committed \$50 million Senior Secured Revolving Facility Agreement. No principal repayments are required prior to maturity. This facility replaces Supremex' existing three-year \$15 million operating facility and \$25 million non-revolving term loan, and is used for working capital, capital expenditures and other general corporate purposes. It is collateralized by hypothec and security interests covering all assets of the Company and its subsidiaries and is subject to certain covenants, which the Company is required, among other conditions, to meet.

On October 8, 2015, the Company acquired all of the outstanding shares of Classic Envelope Inc., based in Massachusetts, U.S.A., for a purchase price of approximately \$7.2 million U.S., including \$2.6 million in debts. This acquisition is estimated to contribute to annual sales of approximately \$13 million U.S. This transaction was financed using the new revolving facility and is in line with the Company's long-term strategy to expand its reach in key markets and its value added offering in packaging and specialty products.

On November 5, 2015, the Board of Directors of the Company declared a quarterly dividend of \$0.055 per common share payable on January 14, 2016, to the shareholders of record as at December 31, 2015.

## **Significant accounting policies and estimates**

The Company's unaudited interim condensed consolidated financial statements for the nine-month period ended September 30, 2015 have been prepared by management in accordance with IAS 34, *Interim Financial Reporting*, as disclosed in Note 1 accompanying the unaudited interim condensed consolidated financial statements for the same period.

## **Risk Factors**

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors, outside the control of Supremex' management. Details are provided in the "Risk Factors" section of the Company's 2014 Annual Information Form, dated March 31, 2015 (which can be found at [www.sedar.com](http://www.sedar.com)).

## **Forward-Looking Information**

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects 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 information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this MD&A. Such assumptions, expectations and estimates are discussed throughout the MD&A for fiscal 2014.

Forward-looking information is 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 information. These risks and uncertainties 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 risks and uncertainties are discussed throughout our MD&A for fiscal 2014 and, in particular, in “Risk Factors”. Consequently, we cannot guarantee that any forward-looking statements or information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

### **Definition of EBITDA (or Adjusted 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 (gain) on disposal of property, plant and equipment. Supremex believes that EBITDA is a measurement commonly used by readers of financial statements to evaluate a company’s operational cash-generating capacity and ability to discharge its financial expenses.

References to “Adjusted EBITDA” are to EBITDA before adjustment to remove non-recurring items such as gains on amendments to pension and post-retirement benefits plans. Supremex believes that Adjusted EBITDA is a measurement commonly used by readers of financial statements to evaluate a company’s operational cash-generating capacity and ability to discharge its financial expenses.

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

### **Additional Information**

Additional information relating to the Company, including the Company’s annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Interim Condensed Consolidated Financial Statements

**Supremex Inc.**

Unaudited

For the three and nine-month periods ended September 30, 2015 and 2014

All amounts expressed in Canadian dollars

**NOTICE**

The Company's independent auditors have not reviewed these Interim Condensed Consolidated Financial Statements in accordance with standard established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Supremex Inc.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| As at  |       | September 30,<br>2015 | December 31,<br>2014 |
|--|-------|-----------------------|----------------------|
| [Unaudited]                                  | Notes | \$                    | \$                   |
| <b>ASSETS</b>                                |       |                       |                      |
| <b>Current assets</b>                        |       |                       |                      |
| Cash   |       | 2,421,746             | 364,079              |
| Accounts receivable                          |       | 17,147,102            | 18,560,419           |
| Inventories                                  | 2     | 12,652,951            | 10,978,732           |
| Prepaid expenses                             |       | 791,255               | 558,564              |
| <b>Total current assets</b>                  |       | <b>33,013,054</b>     | <b>30,461,794</b>    |
| Property, plant and equipment                |       | 22,360,514            | 24,333,630           |
| Accrued pension benefit asset                |       | 1,116,731             | —                    |
| Intangible assets                            | 3     | 4,542,424             | 8,107,329            |
| Goodwill                                     |       | 46,889,125            | 46,889,125           |
| <b>Total assets</b>                          |       | <b>107,921,848</b>    | <b>109,791,878</b>   |
| <b>LIABILITIES AND EQUITY</b>                |       |                       |                      |
| <b>Current liabilities</b>                   |       |                       |                      |
| Accounts payable and accrued liabilities     |       | 14,285,361            | 16,419,302           |
| Dividend payable                             | 6     | 1,437,548             | 1,437,733            |
| Provisions                                   |       | 335,102               | 337,401              |
| Income tax payable                           |       | 482,381               | 1,207,692            |
| Current portion of secured credit facilities | 4     | 3,571,429             | 5,221,115            |
| <b>Total current liabilities</b>             |       | <b>20,111,821</b>     | <b>24,623,243</b>    |
| Secured credit facilities                    | 4     | 15,130,508            | 17,184,599           |
| Deferred income tax liabilities              |       | 1,486,542             | 2,218,415            |
| Accrued pension benefit liability            |       | —                     | 566,464              |
| Other post-retirement benefit obligations    |       | 272,991               | 899,900              |
| Derivative financial liability               | 4     | 306,624               | 547,562              |
| <b>Total liabilities</b>                     |       | <b>37,308,486</b>     | <b>46,040,183</b>    |
| <b>Equity</b>                                |       |                       |                      |
| Share capital                                | 5     | 9,813,365             | 9,814,628            |
| Contributed surplus                          | 5     | 279,601,180           | 279,611,054          |
| Deficit                                      |       | (218,992,783)         | (225,695,059)        |
| Foreign currency translation reserve         |       | 191,600               | 21,072               |
| <b>Total equity</b>                          |       | <b>70,613,362</b>     | <b>63,751,695</b>    |
| <b>Total liabilities and equity</b>          |       | <b>107,921,848</b>    | <b>109,791,878</b>   |

Subsequent events [note 8]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)  
Director

By: signed (Mathieu Gauvin)  
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

| [Unaudited]   | Notes | Three-month periods<br>ended September 30, |            | Nine-month periods<br>ended September 30, |            |
|---|-------|--|------------|---|------------|
|   |       | 2015<br>\$                                 | 2014<br>\$ | 2015<br>\$                                | 2014<br>\$ |
| <b>Revenue</b>  |       | <b>32,435,405</b>                          | 32,241,110 | <b>101,011,698</b>                        | 96,790,597 |
| Operating expenses  | 2     | <b>22,115,642</b>                          | 21,662,984 | <b>65,243,973</b>                         | 65,064,218 |
| Selling, general and administrative expenses  |       | <b>3,733,894</b>                           | 4,017,908  | <b>10,785,448</b>                         | 12,004,227 |
| <b>Operating earnings before amortization and<br/>loss on disposal of property, plant and<br/>equipment</b> |       | <b>6,585,869</b>                           | 6,560,218  | <b>24,982,277</b>                         | 19,722,152 |
| Amortization of property, plant and equipment   |       | <b>1,016,429</b>                           | 879,884    | <b>2,957,579</b>                          | 2,642,495  |
| Amortization of intangible assets   |       | <b>1,540,975</b>                           | 1,540,975  | <b>4,622,925</b>                          | 4,622,925  |
| Loss on disposal of property, plant and<br>equipment  |       | <b>19,459</b>                              | —          | <b>19,459</b>                             | 5,617      |
| <b>Operating earnings</b>   |       | <b>4,009,006</b>                           | 4,139,359  | <b>17,382,314</b>                         | 12,451,115 |
| Financing charges   | 4     | <b>184,796</b>                             | 501,070    | <b>785,480</b>                            | 1,110,142  |
| <b>Earnings before income taxes</b>   |       | <b>3,824,210</b>                           | 3,638,289  | <b>16,596,834</b>                         | 11,340,973 |
| Income tax expense  |       | <b>1,053,664</b>                           | 1,017,311  | <b>4,470,119</b>                          | 3,021,214  |
| <b>Net earnings</b>   |       | <b>2,770,546</b>                           | 2,620,978  | <b>12,126,715</b>                         | 8,319,759  |
| <b>Basic and diluted net earnings per share</b>   |       | <b>0.0964</b>                              | 0.0907     | <b>0.4218</b>                             | 0.2875     |
| <b>Weighted average number of shares<br/>outstanding</b>  |       | <b>28,750,967</b>                          | 28,911,242 | <b>28,751,021</b>                         | 28,941,370 |

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| [Unaudited]  | Three-month periods<br>ended September 30, |             | Nine-month periods<br>ended September 30, |             |
|--|--|-------------|---|-------------|
|  | 2015                                       | 2014        | 2015                                      | 2014        |
|  | \$   | \$          | \$  | \$          |
| <b>Net earnings</b>  | <b>2,770,546</b>                           | 2,620,978   | <b>12,126,715</b>                         | 8,319,759   |
| <b>Other comprehensive income (loss)</b>   |  |             |   |             |
| <i>Other comprehensive income to be reclassified to earnings in subsequent periods</i>   |  |             |   |             |
| Foreign currency translation adjustments   | <b>95,217</b>                              | 40,443      | <b>170,528</b>                            | 37,694      |
| Net other comprehensive income to be reclassified to earnings in subsequent periods  | <b>95,217</b>                              | 40,443      | <b>170,528</b>                            | 37,694      |
| <i>Items not to be reclassified to earnings in subsequent periods</i>  |  |             |   |             |
| Recognized actuarial loss on defined benefit pension plans, net of income tax recovery of \$458,654 and of \$390,841 [2014 – recovery of \$651,908 and of \$1,678,703]     | <b>(1,300,846)</b>                         | (1,859,292) | <b>(1,120,059)</b>                        | (4,787,797) |
| Recognized actuarial (loss) gain on other post-retirement benefit, net of income tax recovery of \$261 and expense of \$3,493 [2014 – recovery of \$1,324 and of \$10,228] | <b>(739)</b>                               | (3,776)     | <b>9,907</b>                              | (29,172)    |
| Net other comprehensive loss not being reclassified to earnings in subsequent periods  | <b>(1,301,585)</b>                         | (1,863,068) | <b>(1,110,152)</b>                        | (4,816,969) |
| Other comprehensive loss   | <b>(1,206,368)</b>                         | (1,822,625) | <b>(939,624)</b>                          | (4,779,275) |
| <b>Total comprehensive income</b>  | <b>1,564,178</b>                           | 798,353     | <b>11,187,091</b>                         | 3,540,484   |

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the nine-month periods ended September 30  
[Unaudited]

|  | Share capital<br>\$ | Contributed surplus<br>\$ | Deficit<br>\$        | Foreign currency<br>translation reserve<br>\$ | Total equity<br>\$ |
|--|---------------------|---------------------------|----------------------|---|--------------------|
| <b>As at December 31, 2013</b>               | 9,885,008           | 280,108,017               | (224,318,659)        | (50,990)                                      | 65,623,376         |
| Net earnings                                 | —                   | —                         | 8,319,759            | —   | 8,319,759          |
| Other comprehensive (loss)<br>income         | —                   | —                         | (4,816,969)          | 37,694  | (4,779,275)        |
| Total comprehensive income                   | —                   | —                         | 3,502,790            | 37,694  | 3,540,484          |
| Dividends declared [note 6]                  | —                   | —                         | (4,771,683)          | —   | (4,771,683)        |
| Shares repurchased and<br>cancelled [note 5] | (40,958)            | (278,295)                 | —                    | —   | (319,253)          |
| <b>As at September 30, 2014</b>              | 9,844,050           | 279,829,722               | (225,587,552)        | (13,296)                                      | 64,072,924         |
| <b>As at December 31, 2014</b>               | 9,814,628           | 279,611,054               | (225,695,059)        | 21,072  | 63,751,695         |
| Net earnings                                 | —                   | —                         | 12,126,715           | —   | 12,126,715         |
| Other comprehensive (loss)<br>income         | —                   | —                         | (1,110,152)          | 170,528                                       | (939,624)          |
| Total comprehensive income                   | —                   | —                         | 11,016,563           | 170,528                                       | 11,187,091         |
| Dividends declared [note 6]                  | —                   | —                         | (4,314,287)          | —   | (4,314,287)        |
| Shares repurchased and<br>cancelled [note 5] | (1,263)             | (9,874)                   | —                    | —   | (11,137)           |
| <b>As at September 30, 2015</b>              | <b>9,813,365</b>    | <b>279,601,180</b>        | <b>(218,992,783)</b> | <b>191,600</b>                                | <b>70,613,362</b>  |

See accompanying notes

# Supremex Inc.

## CONSOLIDATED STATEMENTS OF CASH FLOW

| [Unaudited]   | Notes | Three-month periods<br>ended September 30, |                    | Nine-month periods<br>ended September 30, |                     |
|---|-------|--|--------------------|---|---------------------|
|   |       | 2015<br>\$                                 | 2014<br>\$         | 2015<br>\$                                | 2014<br>\$          |
| <b>OPERATING ACTIVITIES</b>                                     |       |  |                    |   |                     |
| Net earnings  |       | 2,770,546                                  | 2,620,978          | 12,126,715                                | 8,319,759           |
| Non-cash adjustment to reconcile net earnings to net cash flows |       |  |                    |   |                     |
| Amortization of property, plant and equipment                   |       | 1,016,429                                  | 879,884            | 2,957,579                                 | 2,642,495           |
| Amortization of intangible assets                               |       | 1,540,975                                  | 1,540,975          | 4,622,925                                 | 4,622,925           |
| Amortization of deferred financing costs                        | 4     | 16,023                                     | 307,714            | 48,069                                    | 421,431             |
| Loss on disposal of property, plant and equipment               |       | 19,459                                     | —                  | 19,459                                    | 5,617               |
| Gain on valuation of derivative financial instruments           | 4     | (118,776)                                  | (111,277)          | (240,938)                                 | (322,126)           |
| Deferred income tax recovery                                    |       | (500,401)                                  | (371,936)          | (344,525)                                 | (1,178,393)         |
| Change in employees benefits                                    |       | 320,020                                    | (5,738)            | (3,794,495)                               | 36,247              |
|   |       | 5,064,275                                  | 4,860,600          | 15,394,789                                | 14,547,955          |
| Working capital adjustments                                     |       |  |                    |   |                     |
| Variation in accounts receivable                                |       | 527,948                                    | (2,141,125)        | 1,413,317                                 | (740,893)           |
| Variation in inventories  |       | (1,116,277)                                | (7,660)            | (1,674,219)                               | 1,034,813           |
| Variation in prepaid expenses                                   |       | (103,890)                                  | 120,766            | (232,691)                                 | (350,347)           |
| Variation in accounts payable and accrued liabilities           |       | 770,281                                    | 1,723,855          | (2,133,941)                               | (537,667)           |
| Variation in provisions   |       | (1,338)                                    | (30,787)           | (2,299)                                   | (72,478)            |
| Variation in income tax receivable and payable                  |       | 102,238                                    | 407,035            | (725,311)                                 | 16,963              |
| Change in employee benefits                                     |       | (5,937)                                    | (18,200)           | (13,109)                                  | (57,100)            |
| <b>Net cash flows from operating activities</b>                 |       | <b>5,237,300</b>                           | <b>4,914,484</b>   | <b>12,026,536</b>                         | <b>13,841,246</b>   |
| <b>INVESTING ACTIVITIES</b>                                     |       |  |                    |   |                     |
| Acquisition of property, plant and equipment                    |       | (320,079)                                  | (1,078,620)        | (892,905)                                 | (1,474,925)         |
| Acquisition of intangible assets                                | 3     | (425,614)                                  | —                  | (1,058,020)                               | —                   |
| Proceeds from sale of property, plant and equipment             |       | —  | —                  | —   | 8,000               |
| <b>Net cash flows used in investing activities</b>              |       | <b>(745,693)</b>                           | <b>(1,078,620)</b> | <b>(1,950,925)</b>                        | <b>(1,466,925)</b>  |
| <b>FINANCING ACTIVITIES</b>                                     |       |  |                    |   |                     |
| Repayment of operating facility                                 |       | (387,387)                                  | (1,121,125)        | (617,177)                                 | (121,125)           |
| Repayment of term loan  |       | (892,848)                                  | (1,288,345)        | (3,095,229)                               | (9,566,571)         |
| Dividends paid  | 6     | (1,437,548)                                | (1,156,975)        | (4,314,472)                               | (3,473,844)         |
| Financing cost incurred   |       | (39,440)                                   | (160,777)          | (39,440)                                  | (160,777)           |
| Purchase of share capital for cancellation                      | 5     | —  | (228,672)          | (11,137)                                  | (319,253)           |
| <b>Net cash flows used in financing activities</b>              |       | <b>(2,757,223)</b>                         | <b>(3,955,894)</b> | <b>(8,077,455)</b>                        | <b>(13,641,570)</b> |
| Net change in cash  |       | 1,734,384                                  | (120,030)          | 1,998,156                                 | (1,267,249)         |
| Net foreign exchange difference                                 |       | 43,573                                     | 2,095              | 59,511                                    | (5,247)             |
| Cash, beginning of period                                       |       | 643,789                                    | 351,644            | 364,079                                   | 1,506,205           |
| <b>Cash, ending of period</b>                                   |       | <b>2,421,746</b>                           | <b>233,709</b>     | <b>2,421,746</b>                          | <b>233,709</b>      |
| <b>Supplemental information <sup>(1)</sup></b>                  |       |  |                    |   |                     |
| Interest paid   |       | 262,517                                    | 529,485            | 901,750                                   | 1,443,280           |
| Interest received   |       | 307  | —                  | 2,920                                     | 5,104               |
| Income taxes paid   |       | 1,507,773                                  | 1,148,508          | 5,535,076                                 | 4,357,408           |
| Income taxes received   |       | 49,605                                     | 162,848            | 124,814                                   | 185,822             |

<sup>(1)</sup> Amounts paid and received for interest and for income taxes were reflected as cash flows from operating activities in the consolidated statements of cash flows.

See accompanying notes



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015 and 2014

[Unaudited]

**1. CORPORATE INFORMATION AND BASIS OF PREPARATION**

Supremex Inc. (the “Company” or “Supremex”) was incorporated on March 31, 2006 under the *Canadian Business Corporation Act*. The common shares (“common share”) of the Company are listed on the Toronto Stock Exchange (“TSX”) under the symbol SXP. The registered office is located at 7213 Cordner Street in LaSalle, Quebec.

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to seasonal advertising and mailing patterns of its customers since the highest number of mailings related to events including the return to school, fund-raising and the holiday and tax seasons take place during that period. As a result, revenue and financial performance for the three and nine-month periods ended September 30, 2015 are not necessarily indicative of the revenue and performance that may be expected for a full year.

These unaudited interim condensed consolidated financial statements were approved by the Company’s Board of Directors on November 5, 2015 and have not been audited or reviewed by the Company’s auditors. The unaudited interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. They have been prepared by management in accordance with IAS 34, *Interim Financial Reporting*. Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company’s audited consolidated financial statements for the year ended December 31, 2014, prepared in accordance with International Financial Reporting Standards (“IFRS”). Accordingly, these unaudited interim condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2014.

**2. INVENTORIES**

|                  | September 30,<br>2015 | December 31,<br>2014 |
|------------------|-----------------------|----------------------|
|                  | \$                    | \$                   |
| Raw materials    | 3,153,863             | 2,686,610            |
| Work in progress | 268,674               | 196,024              |
| Finished goods   | 9,230,414             | 8,096,098            |
|                  | <b>12,652,951</b>     | <b>10,978,732</b>    |

The cost of inventories recognized as an expense and included in operating expenses, including the related amortization of property, plant and equipment allocated to inventories, during the three and nine-month periods ended September 30, 2015 are \$23,090,153 and \$68,076,172 respectively [2014 - \$22,508,540 and \$67,589,103 respectively].

**3. INTANGIBLE ASSETS**

In the third quarter of 2015, the Company incurred \$425,614 related mainly to the acquisition of licenses for use of a software for a total of \$1,058,020 during the nine-month period ended September 30, 2015. As at September 30, 2015, these licenses have not yet been amortized as the project is not completed.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015 and 2014

[Unaudited]

## 4. SECURED CREDIT FACILITIES

Amounts owed under revolving and term credit facilities are as follows:

|  | September 30,<br>2015<br>\$ | December 31,<br>2014<br>\$ |
|--|-----------------------------|----------------------------|
| Operating facility                             | 149,929                     | 767,106                    |
| Term loan                                      | 18,714,295                  | 21,809,524                 |
| Less: deferred financing costs, net            | (162,287)                   | (170,916)                  |
|  | <b>18,701,937</b>           | 22,405,714                 |
| Current portion                                | (3,571,429)                 | (5,221,115)                |
| Long-term portion of secured credit facilities | <b>15,130,508</b>           | 17,184,599                 |

Under the terms of the secured credit facilities, the Company is required, among other conditions, to meet certain covenants. The Company was in compliance with these covenants as at September 30, 2015. The secured credit facilities are collateralized by hypothec and security interests covering all present and future assets of the Company and its subsidiaries.

Minimum required payments on secured credit facilities are as follows:

|      | \$         |
|------|------------|
| 2015 | 892,857    |
| 2016 | 3,571,429  |
| 2017 | 14,399,938 |

As at September 30, 2015, the Company had outstanding letters of credit for a total of \$1,145,000 [\$1,145,000 as at December 31, 2014].

As at September 30, 2015, the effective interest rate on the secured credit facilities was 3.70% [3.42% as at December 31, 2014]. On January 14, 2011, the Company entered into an interest rate swap agreement for an amount of \$30 million. Under this agreement, the fixed interest rate is 2.92% until January 14, 2016, excluding all applicable margins that range between 1.75% and 2.00%.

Financing charges are as follows:

|   | Three-month periods<br>ended September 30, |           | Nine-month periods<br>ended September 30, |           |
|---|--|-----------|---|-----------|
|   | 2015                                       | 2014      | 2015                                      | 2014      |
|   | \$   | \$        | \$  | \$        |
| Interest on secured credit facilities   | 315,471                                    | 391,910   | 973,202                                   | 1,271,224 |
| Interest income on defined benefit obligation and post retirement obligations | (29,000)                                   | (87,700)  | (2,200)                                   | (263,100) |
| Other interest  | 1,078                                      | 423       | 7,347                                     | 2,713     |
| Amortization of deferred financing costs                                      | 16,023                                     | 307,714   | 48,069                                    | 421,431   |
| Gain on valuation of derivative financial instrument (interest rate swap)     | (118,776)                                  | (111,277) | (240,938)                                 | (322,126) |
|   | <b>184,796</b>                             | 501,070   | <b>785,480</b>                            | 1,110,142 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015 and 2014

[Unaudited]

## 5. SHARE CAPITAL

The change on share capital was as follows:

|  | Number of<br>common<br>shares | Share<br>capital<br>\$ |
|--|-------------------------------|------------------------|
| Balance, as of December 31, 2014           | 28,754,667                    | 9,814,628              |
| Purchase of share capital for cancellation | (3,700)                       | (1,263)                |
| <b>Balance, as of September 30, 2015</b>   | <b>28,750,967</b>             | <b>9,813,365</b>       |
| Balance, as of December 31, 2013           | 28,960,867                    | 9,885,008              |
| Purchase of share capital for cancellation | (120,000)                     | (40,958)               |
| <b>Balance, as of September 30, 2014</b>   | <b>28,840,867</b>             | <b>9,844,050</b>       |

The Company repurchased 3,700 common shares for cancellation through a normal course issuer bid in consideration of \$11,137 and completed its normal course issuer bid on May 11, 2015. The excess of the purchase price over the carrying value in the amount of \$9,874 (2014 - \$278,295) was recorded as a reduction of contributed surplus.

No common shares were repurchased for the period ended September 30, 2015 related to the normal course issuer bid that began on July 2, 2015.

## 6. DIVIDENDS

Dividends declared from January 1, 2015 to September 30, 2015 were as follows:

| <b>Declaration date</b> | <b>Record date</b> | <b>Payment date</b> | <b>Per share<br/>\$</b> | <b>Dividend<br/>\$</b> |
|-------------------------|--------------------|---------------------|-------------------------|------------------------|
| February 20, 2015       | March 31, 2015     | April 14, 2015      | 0.05                    | 1,437,548              |
| May 7, 2015             | June 30, 2015      | July 14, 2015       | 0.05                    | 1,439,191              |
| July 30, 2015           | September 30, 2015 | October 14, 2015    | 0.05                    | 1,437,548              |
| <b>Total</b>            |                    |                     |                         | <b>4,314,287</b>       |

Dividends declared from January 1, 2014 to September 30, 2014 were as follows:

| <b>Declaration date</b> | <b>Record date</b> | <b>Payment date</b> | <b>Per share<br/>\$</b> | <b>Dividend<br/>\$</b> |
|-------------------------|--------------------|---------------------|-------------------------|------------------------|
| February 19, 2014       | February 28, 2014  | March 14, 2014      | 0.04                    | 1,158,435              |
| April 22, 2014          | April 25, 2014     | May 6, 2014         | 0.04                    | 1,158,434              |
| June 17, 2014           | June 30, 2014      | July 11, 2014       | 0.04                    | 1,156,975              |
| July 31, 2014           | September 30, 2014 | October 10, 2014    | 0.045                   | 1,297,839              |
| <b>Total</b>            |                    |                     |                         | <b>4,771,683</b>       |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2015 and 2014**

**[Unaudited]**

**7. SEGMENTED INFORMATION**

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to \$74,222,979 in Canada and \$685,815 in the United States as at September 30, 2015 [\$78,640,750 and \$689,334 respectively, as at December 31, 2014]. The Company's revenue amounted to \$26,356,121 and to \$83,971,082 in Canada and \$6,079,284 and \$17,040,616 in the United States for the three and nine-month periods ended September 30, 2015 based on customer location [2014 - \$28,254,066 and \$85,391,126 in Canada and \$3,987,044 and \$11,399,471 in the United States, respectively].

**8. SUBSEQUENT EVENTS**

On October 6, 2015, the Company entered into a five-year committed \$50 million senior secured revolving facility agreement. No principal repayments are required prior to maturity. This facility replaces Supremex' existing three-year \$15 million operating facility and \$25 million non-revolving term loan, and is used for working capital, capital expenditures and other general purpose. It is collateralized by hypothec and security interests covering all assets of the Company and its subsidiaries and is subject to certain covenants, which the Company is required, among other conditions, to meet.

On October 8, 2015, the Company acquired all of the outstanding shares of Classic Envelope Inc., based in Massachusetts, U.S.A., for a purchase price of approximately \$7.2 million U.S. including \$2.6 million in debts. This acquisition is estimated to contribute to annual sales of approximately \$13 million U.S. This transaction was financed with the senior secured revolving facility.

On November 5, 2015, the Board of Directors has declared a quarterly dividend of \$0.055 per common share, payable on January 14, 2016 to shareholders of record at the close of business on December 31, 2015.