



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013**

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated November 7, 2013, of Supremex Inc. (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, 2013. 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, 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013. 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, 2013. The consolidated financial statements for the three and nine-month periods ended September 30, 2013 have not been audited or reviewed by the Company's auditors.

This MD&A contains forward-looking statements. Please see "Forward-Looking Statements" 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 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 and Non-IFRS Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.

Overview

Supremex is Canada's leading manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex employs approximately 525 people and is the only national envelope manufacturer in Canada, with seven manufacturing facilities across six provinces. This national presence allows Supremex to meet the manufacturing needs of large national customers, such as large Canadian corporations, nationwide resellers and government bodies, as well as paper merchants and solution and process providers.

Overall Performance

Revenue in the third quarter of 2013 amounted to \$29.8 million compared with \$30.7 million in the third quarter of 2012, representing a decrease of \$0.9 million or 3.0%. In the third quarter, the volume sold in the United States increased by 16.2% while the volume sold in Canada decreased by 2.8%. The negative impact of the average selling price, both in Canada and the United States, due to change in the product mix, explains the decrease in revenue.

EBITDA for the third quarter of 2013 was \$5.4 million compared with \$6.1 million for the same period in 2012 (restated – see note 2 of the unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2013), representing a decrease of \$0.7 million or 11.8%. EBITDA margin was 18.0% compared with 19.8% in the third quarter of 2012. The margin erosion is mainly due to the deterioration of the average selling price due to the change in the product mix.

Summary of Quarterly Results

Supremex’s 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, and the holiday 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’s 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 utilizes warehouse capabilities to inventory envelopes as required to counter these predictable seasonal variations in sales volume.

The following table presents a summary of operating results of the Company on a quarterly basis from October 1, 2011 to September 30, 2013.

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

	Sept. 30 2013	June 30, 2013	Mar. 31, 2013	Dec. 31, 2012 ⁽²⁾	Sept. 30 2012 ⁽²⁾	June 30, 2012 ⁽²⁾	Mar. 31, 2012 ⁽²⁾	Dec. 31, 2011
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	29,776	31,941	33,666	33,737	30,703	31,831	35,604	36,699
EBITDA ⁽¹⁾	5,370	6,130	9,765	7,093	6,089	5,122	6,303	7,432
Earnings (loss) before income taxes	2,166	3,307	6,423	3,872	(25,973)	1,590	3,444	3,960
Net earnings (loss)	1,577	2,462	4,755	2,980	(26,271)	1,161	2,484	2,950
Net earnings (loss) per share	0.0544	0.0850	0.1642	0.1025	(0.8974)	0.0396	0.0848	0.1007

⁽¹⁾ See “Definition of EBITDA.” EBITDA is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA may not be comparable to similar measures presented by other issuers.

⁽²⁾ Restated following the transition to the new accounting standard IAS 19 *Employee Benefits* as described in note 2 to the Company’s unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2013.

Excluding the last quarter of 2012 and seasonal patterns of the business, revenue has decreased over the previous seven quarters mainly due to the decrease in volume sold in Canada following softness in the envelope market and the relative strength of the Canadian dollar. The third quarter of 2012 loss is attributable to the recording of goodwill impairment of \$28.9 million considering the higher than expected future decline in North America’s envelope industry.

Selected Consolidated Financial Information

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2013	2012 ⁽²⁾	2013	2012 ⁽²⁾
	\$	\$	\$	\$
Revenue	29,776	30,703	95,383	98,138
Operating expenses	20,609	21,007	62,764	68,101
Selling, general and administrative expenses	3,797	3,607	11,354	12,524
EBITDA ⁽¹⁾	5,370	6,089	21,265	17,513
Amortization of property, plant and equipment	865	890	2,700	2,583
Amortization of intangible assets	1,541	1,541	4,623	4,623
Gain on disposal of property, plant and equipment	—	(38)	(73)	(18)
Impairment of goodwill	—	28,862	—	28,862
Operating earnings (loss)	2,964	(25,166)	14,015	(18,537)
Financing charges	798	807	2,119	2,403
Earnings (loss) before income taxes	2,166	(25,973)	11,896	(20,940)
Income taxes expenses	589	298	3,102	1,686
Net earnings (loss)	1,577	(26,271)	8,794	(22,626)
Basic and diluted net earnings (loss) per share	0.0544	(0.8974)	0.3036	(0.7725)
Dividend declared per share	0.0300	0.0300	0.0900	0.0900
Total assets	119,682	129,466	119,682	129,466
Secured credit facilities	43,776	52,549	43,776	52,549

⁽¹⁾ See “Definition of EBITDA.”

⁽²⁾ Restated following the transition to the new accounting standard IAS 19 *Employee Benefits* as described in note 2 to the Company’s unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2013.

Results of Operations

Three-month period ended September 30, 2013 compared with three-month period ended September 30, 2012

Revenue

Revenue for the three-month period ended September 30, 2013 amounted to \$29.8 million compared with \$30.7 million for the three-month period ended September 30, 2012, a decrease of \$0.9 million or 3.0%. The decrease in revenue was mainly attributable to the impact of the deterioration of the average selling price due to the change in the product mix in Canada and in the United States. Although the decrease in the number of units sold in Canada was totally offset by the increase in the number of units sold in the United States, the difference in the product mix is explaining all the decrease in revenue of this quarter.

Revenue in Canada decreased by \$1.3 million or 4.6%, from \$27.9 million to \$26.6 million, while revenue in the United States increased by \$0.4 million or 12.4%, from \$2.8 million to \$3.2 million.

The decrease in revenue in Canada was driven by a 2.8% decrease in the number of units sold partially combined with a deterioration of the average selling price due to the change in the product mix. The decrease in the number of units sold was mainly in the corporate and direct mail markets.

The increase in revenue in the United States was driven by a 16.2% increase in the number of units sold offset by a deterioration of the product mix. The increase in the number of units sold comes mainly from the corporate market.

Operating expenses

Operating expenses for the three-month period ended September 30, 2013 amounted to \$20.6 million compared with \$21.0 million for the same period in 2012, a decrease of \$0.4 million or 1.9%. The decrease is mainly explained by the product mix.

Gross profit decreased in 2013 compared with 2012. The margin erosion is mainly attributable to the product mix.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled \$3.8 million for the three-month period ended September 30, 2013 compared with \$3.6 million for the same period in 2012, an increase of \$0.2 million or 5.3%. The increase is mainly attributable to bad debt expenses and the timing of other general expenses.

EBITDA

As a result of the changes described above, EBITDA was \$5.4 million for the three-month period ended September 30, 2013 compared with \$6.1 million for the same period in 2012, a decrease of \$0.7 million or 11.8%.

Amortization

Aggregate amortization expense for the three-month period ended September 30, 2013 remained stable at \$2.4 million.

Impairment of goodwill

An impairment of goodwill charge has been recorded in the three-month period ended September 30, 2012 in the amount of \$28.9 million. No impairment charge was recorded in 2013.

Financing charges

Financing charges for the three-month period ended September 30, 2013 remained stable at \$0.8 million, resulting mainly from the impact of the reduced level of debt in 2013 offset by the gain on valuation of derivative financial instrument of \$0.1 million booked in 2012.

Earnings (loss) before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes totalled \$2.2 million for the three-month period ended September 30, 2013 compared with the loss before income taxes of \$26.0 million for the same period in 2012, an increase of \$28.1 million.

Provision for income taxes

During the three-month period ended September 30, 2013, the Company recorded a provision for income taxes of \$0.6 million compared with \$0.3 million for the three-month period ended September 30, 2012, an increase of \$0.3 million or 98.0%. The increase is mainly attributable to the impact of the portion of goodwill impairment deductible for tax purposes in 2012 offset by lower earnings in 2013.

Net earnings (loss)

As a result of the changes described above, net earnings amounted to \$1.6 million for the three-month period ended September 30, 2013 compared with the net loss of \$26.3 million for the same period in 2012, an increase of \$27.9 million.

Other comprehensive loss

The increase of the discount rate for accrued plan benefit obligation and better than expected return on assets have generated net actuarial gain of \$4.2 million which have been offset by an amount of \$4.6 million booked to comply with the “asset ceiling” rule. This variation impacted the Company’s other comprehensive income and deficit.

Nine-month period ended September 30, 2013 compared with nine-month period ended September 30, 2012

Revenue

Revenue for the nine-month period ended September 30, 2013 amounted to \$95.4 million compared with \$98.1 million for the nine-month period ended September 30, 2012, a decrease of \$2.7 million or 2.8%. The decrease in revenue was mainly attributable to the lower number of units sold in Canada partially offset by the increased number of units sold in the United States.

Revenue in Canada decreased by \$3.2 million or 3.6%, from \$89.4 million to \$86.2 million, while revenue in the United States increased by \$0.5 million or 5.6%, from \$8.7 million to \$9.2 million.

The decrease in revenue in Canada was driven by a 4.9% decrease in the number of units sold partially offset by an improved product mix. The decrease in the number of units sold was mainly in the forms resellers, paper merchants and direct mail markets.

The increase in revenue in the United States was driven by an 17.6% increase in the number of units sold offset by a deterioration of the product mix. The increase in the number of units sold comes mainly from the corporate market but offset by decline in direct mail market.

Operating expenses

Operating expenses for the nine-month period ended September 30, 2013 amounted to \$62.8 million compared with \$68.1 million for the same period in 2012, a decrease of \$5.3 million or 7.8%. The decrease was mainly explained by the non-cash effect of the defined benefits pension plan amendments of \$2.1 million reducing early retirement and bridging benefits that became effective January 1, 2013 and by the effect of conversion, for future service, of the defined benefit plans into defined contributions plans of \$0.7 million, as well as other cost reduction initiatives and the impact of reduced volume.

Gross profit increased in 2013 compared with 2012. The margin improvement was mainly attributable to the defined benefits pension plans and other cost reduction initiatives partially offset by the impact of the reduced volume.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled \$11.4 million for the nine-month period ended September 30, 2013 compared with \$12.5 million for the same period in 2012, a decrease of \$1.1 million or 9.3%. The decrease was mainly attributable to decreased compensation including the non-cash impact of the defined benefits pension plan amendments of \$0.7 million effective January 1, 2013 reducing early retirement and bridging benefits, the effect of conversion, for future service, of the defined benefit plans into defined contributions plans of \$0.2 million and non-recurring expenses incurred in 2012.

EBITDA

As a result of the changes described above, EBITDA was \$21.3 million for the nine-month period ended September 30, 2013 compared with \$17.5 million for the same period in 2012, an increase of \$3.8 million or 21.4%.

Amortization

Aggregate amortization expense for the nine-month period ended September 30, 2013 amounted to \$7.3 million compared with \$7.2 million for the comparable period in 2012 representing an increase of \$0.1 million or 1.6%, related to the acquisitions of property, plant and equipment.

Impairment of goodwill

An impairment of goodwill charge has been recorded in the nine-month period ended September 30, 2012 in the amount of \$28.9 million. No impairment charge was recorded in 2013.

Financing charges

Financing charges for the nine-month period ended September 30, 2013 amounted to \$2.1 million compared with \$2.4 million for the same period in 2012, representing a decrease of \$0.3 million or 11.8%, resulting mainly from the impact of the reduced level of debt offset by the lower gain on valuation of derivative financial instrument.

Earnings (loss) before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes totalled \$11.9 million for the nine-month period ended September 30, 2013 compared with the loss before income taxes of \$20.9 million for the same period in 2012, an increase of \$32.8 million.

Provision for income taxes

During the nine-month period ended September 30, 2013, the Company recorded a provision for income taxes of \$3.1 million compared with \$1.7 million for the nine-month period ended September 30, 2012, an increase of \$1.4 million or 84.0%. The increase was mainly attributable to the impact of the portion of goodwill impairment deductible for tax purposes in 2012 combined with higher earnings in 2013.

Net earnings (loss)

As a result of the changes described above, net earnings amounted to \$8.8 million for the nine-month period ended September 30, 2013 compared with the net loss of \$22.6 million for the same period in 2012, an increase of \$31.4 million.

Other comprehensive loss

The higher than expected return on assets of the Company's defined benefit pension plan combined with the increase of the discount rate for accrued plan benefit obligation has generated net actuarial gain of \$16.2 million which have been offset by an amount of \$8.7 million booked to comply with the "asset ceiling" rule. These variations impacted the Company's other comprehensive income and deficit.

Segmented Information

The Company currently operates in one business segment: the manufacture and sale of envelopes. The Company's non-current assets amounted to \$88.2 million in Canada and \$0.8 million in the United States as at September 30, 2013 as compared to \$94.9 million and \$0.8 million as at December 31, 2012, respectively.

In Canada, the Company's revenue amounted to \$26.6 million and to \$86.2 million for the three and nine-month periods ended September 30, 2013 compared with \$27.9 million and \$89.4 million for the same periods in 2012, representing a decrease of \$1.3 million or 4.6% and \$3.2 million or 3.6%. In the United States, the Company's revenue amounted to \$3.2 million and to \$9.2 million for the three and nine-month periods ended September 30, 2013 compared with \$2.8 million and \$8.7 million for the same periods in 2012, representing an increase of \$0.4 million or 12.4% and \$0.5 million or 5.6%.

Liquidity and Capital Resources

Operating activities

Cash of \$4.9 million was generated in operating activities during the nine-month period ended September 30, 2013 compared with \$4.8 million during the same period of 2012. The increase in net cash flows from operating activities was primarily due to higher earnings before non-cash items partially offset by the decrease in net change in non-cash working capital balances.

The higher non-cash working capital level as at September 30, 2013 compared with December 31, 2012, resulted mainly from the lower accounts payable and accrued liabilities, mainly due to timing of payment to suppliers and lower annual incentive programs accruals after nine months combined with higher accounts receivable.

Investing activities

Cash used in investing activities of \$0.5 million during the nine-month period ended September 30, 2013 compared with \$1.7 million in 2012, a decrease of \$1.2 million mainly related to lower acquisition of property, plant and equipment.

Financing activities

In the nine-month period ended September 30, 2013, cash of \$8.4 million, compared with \$4.6 million in 2012, was used in financing activities, an increase of \$3.8 million mainly due to the higher repayment of the credit facilities.

Liquidity and capital resources summary

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

The Company is considering the sale of its two properties to lease them back.

Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in the Company's audited consolidated financial statements as at December 31, 2012 and did not significantly change since that date.

Financial Position Highlights

(In thousands of dollars except for ratio)

	September 30, 2013	December 31, 2012
	\$	\$
Working capital	13,934	10,215
Total assets	119,682	129,565
Total secured credit facilities	43,776	49,356
Equity	51,673	37,907

The Company was in compliance with the covenants of its credit facilities as at September 30, 2013.

As permitted by the credit agreement, the Company requested, on February 21, 2013, the cancellation of the \$25 million acquisition/capital expenditures credit facility effective February 22, 2013. No amount was drawn on this facility at that date.

On August 6, 2013, the Company requested a \$5 million reduction of the \$20 million revolving credit facility to reach \$15 million, effective on August 7, 2013. At that date, an amount of \$5 million was drawn on this facility.

Supremex pays quarterly dividends to shareholders at the discretion of the Board of Directors. A dividend of \$868,826 or \$0.03 per share was declared and paid in the third quarter of 2013.

Capitalization

As at November 7, 2013, the Company had 28,960,867 common shares outstanding.

Disclosure Controls and Internal Controls over Financial Reporting

The Company's disclosure controls and procedures are designed to ensure that all important information about Supremex, including operating and financial activities, is communicated fully, accurately and in a timely manner and that they provide Supremex with assurance that the financial reporting is accurate.

Internal control over financial reporting means a process designed by or under the supervision of the Chief Executive Officer (CEO), acting also as Chief Financial Officer (CFO), to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The internal controls are not expected to prevent and detect all misstatements due to error or fraud.

As at September 30, 2013, the Company's CEO, acting also as CFO, has certified that the disclosure controls and procedures are effective and that, during the nine-month period ended September 30, 2013, Supremex did not make any material changes in the internal controls over financial reporting that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

New Accounting Policies

In the first quarter of 2013, the Company has adopted the following new accounting standards issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC"):

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement* ("IFRS 13"). IFRS 13 improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

IAS 1, Financial Statement Presentation

In June 2011, the IASB issued amendments to IAS 1, *Financial Statement Presentation* ("IAS 1"). This amendment to IAS 1 improves the presentation of the components of other comprehensive income.

IAS 19, Employee Benefits

In June 2011, the IASB issued amendments to IAS 19, *Employee Benefits* ("IAS 19"). This amendment to IAS 19 improves the recognition and disclosure requirements for defined benefits plans. The adoption of these amendments was applied retrospectively with restatement of the consolidated financial statements of prior periods (see note 2 of the unaudited interim condensed consolidated financial statements for the three and nine-month periods ended September 30, 2013).

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements or the interim condensed consolidated financial statements of the Company.

Recent Accounting Pronouncements

IFRS 9, Financial Instruments

In October 2010, the International Accounting Standards Board ("IASB") issued IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

In December 2011, the IASB deferred the mandatory effective date to fiscal years beginning on or after January 1, 2015.

The Company is assessing the impact of this new standard on its consolidated financial statements.

Recent Event

On November 7, 2013, the Board of Directors has declared a quarterly dividend of \$0.04 per common share, payable on December 13, 2013 to shareholders of record at the close of business on November 30, 2013.

Risk Factors

As a result of operations, business prospects and financial condition, the Company is subject to a number of risks and uncertainties, and is affected by a number of factors outside the control of the management. Details are provided in the “Risk Factors” section of the Company’s 2012 Annual Information Form, dated March 22, 2013 (which can be found at www.sedar.com)

Forward-Looking Statements

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

Forward-looking statements are subject to certain risks and uncertainties, and should not be read as guarantees of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for fiscal 2012 and, in particular, in “Risk Factors”. Consequently, we cannot guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements.

Definition of EBITDA and Non-IFRS Measures

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

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

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Interim Condensed Consolidated Financial Statements

Supremex Inc.

Unaudited

For the three and nine-month periods ended September 30, 2013 and 2012

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 Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at		September 30, 2013	December 31, 2012
[Unaudited]	Notes	\$	\$
ASSETS			
Current assets			
Cash		1,114,829	5,093,876
Accounts receivable		15,967,044	15,071,817
Income tax receivable		—	11,115
Inventories	4	12,844,420	13,017,305
Prepaid expenses		836,490	605,258
Total current assets		30,762,783	33,799,371
Property, plant and equipment		26,218,013	28,264,702
Deferred income tax assets		—	176,426
Intangible assets		15,812,204	20,435,129
Goodwill		46,889,125	46,889,125
Total assets		119,682,125	129,564,753
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		10,964,477	18,157,589
Provisions		408,962	426,311
Income tax payable		455,315	—
Current portion of secured credit facilities	5	5,000,000	5,000,000
Total current liabilities		16,828,754	23,583,900
Secured credit facilities	5	38,776,175	44,355,599
Deferred income tax liabilities		2,211,582	—
Accrued pension benefit liability		8,694,800	21,852,000
Other post-retirement benefit obligations		536,900	615,200
Derivative financial liability	5	960,709	1,251,154
Equity			
Share capital		9,885,008	9,885,008
Contributed surplus		280,108,017	280,108,017
Deficit		(238,252,805)	(252,002,146)
Foreign currency translation reserve		(67,015)	(83,979)
Total equity		51,673,205	37,906,900
Total liabilities and equity		119,682,125	129,564,753

Subsequent event [note 9]

See accompanying notes

On behalf of the Directors:

By: (Signed) Michael Rapps
Director

By: (Signed) Gilles Cyr
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

[Unaudited]	Notes	Three-month periods ended September 30,		Nine-month periods ended September 30,	
		2013	2012 Restated [note 2]	2013	2012 Restated [note 2]
		\$	\$	\$	\$
Revenue		29,776,466	30,703,290	95,383,051	98,138,343
Operating expenses	4	20,609,134	21,006,879	62,764,189	68,100,907
Selling, general and administrative expenses		3,797,141	3,607,183	11,353,736	12,523,628
Operating earnings before amortization, gain on disposal of property, plant and equipment and impairment of goodwill		5,370,191	6,089,228	21,265,126	17,513,808
Amortization of property, plant and equipment		864,965	890,561	2,699,823	2,583,288
Amortization of intangible assets		1,540,975	1,540,975	4,622,925	4,622,925
Gain on disposal of property, plant and equipment		—	(38,315)	(73,046)	(17,517)
Impairment of goodwill		—	28,862,000	—	28,862,000
Operating earnings (loss)		2,964,251	(25,165,993)	14,015,424	(18,536,888)
Financing charges	5	798,381	806,938	2,119,266	2,402,733
Earnings (loss) before income taxes		2,165,870	(25,972,931)	11,896,158	(20,939,621)
Income tax expense		589,140	297,571	3,102,450	1,686,229
Net earnings (loss)		1,576,730	(26,270,502)	8,793,708	(22,625,850)
Basic and diluted net earnings (loss) per share		0.0544	(0.8974)	0.3036	(0.7725)
Weighted average number of shares outstanding		28,960,867	29,274,332	28,960,867	29,289,679

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2013	2012 Restated [note 2]	2013	2012 Restated [note 2]
[Unaudited]	\$	\$	\$	\$
Net earnings (loss)	1,576,730	(26,270,502)	8,793,708	(22,625,850)
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income to be reclassified to earnings in subsequent periods</i>				
Foreign currency translation adjustments	(11,663)	(14,212)	16,964	(12,761)
Net other comprehensive (loss) income to be reclassified to earnings in subsequent periods	(11,663)	(14,212)	16,964	(12,761)
<i>Items not to be reclassified to earnings in subsequent periods</i>				
Recognized actuarial (loss) gain on defined benefit pension plans, net of income tax recovery of \$113,657 and expense of \$2,634,333 [2012 – recovery of \$203,799 and \$1,441,891]	(325,343)	(585,201)	7,540,767	(4,057,509)
Recognized actuarial gain (loss) on other post-retirement benefit, net of income tax expense of \$828 and \$7,456 [2012 – recovery of \$2,454 and \$5,092]	2,372	(7,046)	21,344	(14,308)
Net other comprehensive (loss) income not being reclassified to earnings in subsequent periods	(322,971)	(592,247)	7,562,111	(4,071,817)
Other comprehensive (loss) income	(334,634)	(606,459)	7,579,075	(4,084,578)
Total comprehensive income (loss)	1,242,096	(26,876,961)	16,372,783	(26,710,428)

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Share capital \$	Contributed surplus \$	Deficit \$	Foreign currency translation reserve \$	Total equity \$
As at December 31, 2012	9,885,008	280,108,017	(252,002,146)	(83,979)	37,906,900
Net earnings	—	—	8,793,708	—	8,793,708
Other comprehensive income	—	—	7,562,111	16,964	7,579,075
Total comprehensive income	—	—	16,355,819	16,964	16,372,783
Dividends declared [note 6]	—	—	(2,606,478)	—	(2,606,478)
As at September 30, 2013	9,885,008	280,108,017	(238,252,805)	(67,015)	51,673,205
As at December 31, 2011 Restated [note 2]	10,000,000	280,423,746	(225,680,313)	(76,161)	64,667,272
Net loss	—	—	(22,625,850)	—	(22,625,850)
Other comprehensive loss	—	—	(4,071,817)	(12,761)	(4,084,578)
Total comprehensive loss	—	—	(26,697,667)	(12,761)	(26,710,428)
Dividends declared [note 6]	—	—	(2,636,076)	—	(2,636,076)
Shares repurchased and cancelled	(25,941)	(96,471)	—	—	(122,412)
As at September 30, 2012	9,974,059	280,327,275	(255,014,056)	(88,922)	35,198,356

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

[Unaudited]	Notes	Three-month periods ended September 30,		Nine-month periods ended September 30,	
		2013	2012 Restated [note 2]	2013	2012 Restated [note 2]
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net earnings (loss)		1,576,730	(26,270,502)	8,793,708	(22,625,850)
Non-cash adjustment to reconcile net earnings to net cash flows					
Amortization of property, plant and equipment		864,965	890,561	2,699,823	2,583,288
Amortization of intangible assets		1,540,975	1,540,975	4,622,925	4,622,925
Amortization of deferred financing costs	5	56,859	56,859	170,576	172,697
Gain on disposal of property, plant and equipment		—	(38,315)	(73,046)	(17,517)
Impairment of goodwill		—	28,862,000	—	28,862,000
Loss (gain) on valuation of derivative financial instruments	5	15,340	(130,592)	(290,445)	(388,393)
Deferred income tax recovery		(381,059)	(595,701)	(253,781)	(1,013,208)
Working capital adjustments					
Variation in accounts receivable		1,103,572	(1,065,536)	(895,227)	2,032,678
Variation in inventories		613,643	550,433	172,885	149,518
Variation in prepaid expenses		51,123	81,030	(231,232)	(326,733)
Variation in accounts payable and accrued liabilities		(2,921,356)	(1,309,389)	(7,193,112)	(4,332,940)
Variation in provisions		(8,282)	(8,562)	(17,349)	(222,579)
Variation in income tax receivable and payable		(29,273)	(154,173)	466,430	(3,388,983)
Change in accrued pension benefit liability		108,400	(550,800)	(2,982,100)	(1,246,300)
Change in other post-retirement benefit obligation		(16,500)	(11,900)	(49,500)	(35,700)
Net cash flows from operating activities		2,575,137	1,846,388	4,940,555	4,824,903
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(141,736)	(577,316)	(640,796)	(1,789,627)
Proceeds from sale of property, plant and equipment		—	88,578	92,814	107,417
Net cash flows used in investing activities		(141,736)	(488,738)	(547,982)	(1,682,210)
FINANCING ACTIVITIES					
Repayment of term credit facility		(1,250,000)	(1,250,000)	(3,750,000)	(3,750,000)
Dividends paid	6	(868,826)	(878,210)	(2,606,478)	(2,636,076)
(Repayment of) proceeds from revolving credit facility		(500,000)	500,000	(2,000,000)	2,000,000
Purchase of share capital for cancellation		—	(114,362)	—	(122,412)
Financing cost incurred		—	—	—	(50,891)
Net cash flows used in financing activities		(2,618,826)	(1,742,572)	(8,356,478)	(4,559,379)
Net change in cash		(185,425)	(384,922)	(3,963,905)	(1,416,686)
Net foreign exchange difference		6,577	19,506	(15,142)	20,676
Cash, beginning of period		1,293,677	1,575,738	5,093,876	2,606,332
Cash, ending of period		1,114,829	1,210,322	1,114,829	1,210,322
Supplemental information ⁽¹⁾					
Interest paid		552,988	701,281	1,738,545	2,017,333
Interest received		2,212	1,912	12,283	4,587
Income taxes paid		1,109,954	1,199,727	2,937,932	6,110,442
Income taxes received		110,163	141,050	120,242	141,146

⁽¹⁾ 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, 2013 and 2012

[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, 2013 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 7, 2013 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, 2012, prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), except for the adoption of new standards and interpretations effective as of January 1, 2013 [*note 2*]. 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, 2012.

2. NEW ACCOUNTING POLICIES

Adopted in 2013

In the first quarter of 2013, the Company adopted the following new accounting standards issued by the International Accounting Standards Board (“IASB”) or International Financial Reporting Interpretations Committee (“IFRIC”).

The Company applied certain standards and amendments that require the restatement of previous financial statements.

- IFRS 13, *Fair Value Measurement*
IFRS 13, *Fair Value Measurement*, (“IFRS 13”) establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

[Unaudited]

2. NEW ACCOUNTING POLICIES [Cont'd]

- IAS 1, *Financial Statement Presentation*
The amendment to IAS 1, *Financial Statement Presentation*, (“IAS 1”) introduces a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to the consolidated statements of earnings at a future point in time now have to be presented separately from items that will never be reclassified (e.g., recognized actuarial gain (loss) on defined benefit pension plan and recognized actuarial gain (loss) on other post-retirement benefit). The adoption of this amendment affected presentation only and did not have any effect on the Company’s results, financial position or cash flows.

- IAS 19, *Employee Benefits*
IAS 19, *Employee Benefits*, (“IAS 19”) includes a number of amendments relating to the accounting for defined benefit pension plans. These amendments include:
 - actuarial gains and losses that have to be recognized in other comprehensive income and permanently excluded from the consolidated statement of earnings;
 - expected returns on plan assets that are no longer recognized in the consolidated statements of earnings. Instead, there is a requirement to recognize interest on the net defined benefit liability (asset);
 - interest on the net defined benefit liability (asset) is now recognized as financing charge in the consolidated statements of earnings, calculated using the discount rate used to measure the defined benefit obligation;
 - unvested past service costs are now recognized in consolidated statements of earnings at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized;
 - other amendments include new disclosures, such as, quantitative sensitivity disclosures.

Amendments to IAS 19 have been applied retrospectively from January 1, 2012. For the Company, the expected returns on plan assets are no longer recognized in the consolidated statements of earnings. Instead, the interest on net defined benefit obligation is recognized in the financing charges of the statement of earnings, calculated using the discount rate used to measure the net pension obligation.

Also, unvested past service costs can no longer be deferred and recognized over the future vesting period. Instead, all past service costs recognized at the earlier of when the amendment occurs and when the Company recognized the related restructuring or termination costs. Until 2012, the Company’s unvested past service costs were recognized as an expense on a straight-line basis over the average period until the benefits become vested. Upon transition to IAS 19, past service costs are recognized if the benefits have vested immediately following the introduction of, or changes to, a pension plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

[Unaudited]

2. NEW ACCOUNTING POLICIES [Cont'd]

The transition did not have impact on the net defined benefit plan obligation or on the consolidated statement of financial position. The impacts of the transition are presented below:

Impact on consolidated statement of earnings	Three-month period ended September 30, 2012 \$	Nine-month period ended September 30, 2012 \$
Increase in operating expenses	82,350	258,375
Increase in selling, general and administrative expenses	27,450	86,125
Increase in financing charges [note 5]	201,400	604,200
Decrease in income tax expense	(80,383)	(245,049)
Impact on net earnings (loss)	230,817	703,651
Impact on basic and diluted net earnings (loss) per share	0.0079	0.0240

Impact on consolidated statement of comprehensive income (loss)	Three-month period ended September 30, 2012 \$	Nine-month period ended September 30, 2012 \$
Decrease in recognized actuarial loss on defined benefit pension plans, net of income tax recovery	230,817	703,651
Impact on other comprehensive income (loss)	230,817	703,651

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements or the interim condensed consolidated financial statements of the Company.

3. RECENT ACCOUNTING PRONOUNCEMENT

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2015 or later periods. The standard impacted that is applicable to the Company is as follows:

- *IFRS 9, Financial Instruments*
In October 2010, the IASB issued IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9, which replaces IAS 39, *Financial Instruments: Recognition and Measurement*, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

In December 2011, the IASB deferred the mandatory effective date to fiscal years beginning on or after January 1, 2015.

The Company is assessing the impact of this new standard on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

[Unaudited]

4. INVENTORIES

	September 30, 2013 \$	December 31, 2012 \$
Raw materials	3,009,127	2,897,252
Work in progress	129,114	99,941
Finished goods	9,706,179	10,020,112
	12,844,420	13,017,305

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, 2013 are \$21,428,372 and \$65,258,196 [2012 - \$21,844,377 and \$70,530,774].

5. SECURED CREDIT FACILITIES

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

	September 30, 2013 \$	December 31, 2012 \$
Revolving credit facility	3,000,000	5,000,000
Term credit facility	41,250,000	45,000,000
Less: deferred financing costs, net	(473,825)	(644,401)
	43,776,175	49,355,599
Current portion	(5,000,000)	(5,000,000)
Long-term portion of secured credit facilities	38,776,175	44,355,599

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, 2013. The secured credit facilities are collateralized by hypothec and security interests covering all present and future assets of the Company and its subsidiaries.

As permitted by the credit agreement, the Company requested on February 21, 2013, the cancellation of the \$25 million acquisition/capital expenditures credit facility effective February 22, 2013. No amount was drawn on this credit facility at that date.

On August 6, 2013, the Company requested a \$5 million reduction of the \$20 million revolving credit facility to reach \$15 million, effective on August 7, 2013. At that date, an amount of \$5 million was drawn on this facility.

Minimum required payments on secured credit facilities are as follows:

	\$
2013	1,250,000
2014	5,000,000
2015	38,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

[Unaudited]

5. SECURED CREDIT FACILITIES [Cont'd]

As at September 30, 2013, the effective interest rate on the revolving and term credit facilities was 3.53% (3.54% as at December 31, 2012). On January 14, 2011, the Company entered into an interest rate swap agreement for an amount of \$30 million at a fixed rate of 2.84% until January 14, 2016, excluding the applicable margin.

Financing charges are as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Interest on secured credit facilities	539,073	663,703	1,688,490	1,988,997
Interest on defined benefit plan obligation [note 2]	181,200	201,400	543,900	604,200
Other interest	5,909	15,568	6,745	25,232
Amortization of deferred financing costs	56,859	56,859	170,576	172,697
Loss (gain) on valuation of derivative financial instrument (interest rate swap)	15,340	(130,592)	(290,445)	(388,393)
	798,381	806,938	2,119,266	2,402,733

6. DIVIDENDS

Dividends declared from January 1, 2013 to September 30, 2013 were as follows:

Declaration date	Record date	Payment date	Per share \$	Dividend \$
February 20, 2013	March 4, 2013	March 15, 2013	0.03	868,826
May 6, 2013	May 31, 2013	June 14, 2013	0.03	868,826
August 1, 2013	August 16, 2013	August 30, 2013	0.03	868,826
Total				2,606,478

Dividends declared from January 1, 2012 to September 30, 2012 were as follows:

Declaration date	Record date	Payment date	Per share \$	Dividend \$
February 15, 2012	February 29, 2012	March 15, 2012	0.03	878,933
May 7, 2012	May 31, 2012	June 15, 2012	0.03	878,933
July 31, 2012	August 31, 2012	September 17, 2012	0.03	878,210
Total				2,636,076

7. EMPLOYEE DEFINED BENEFIT PLANS

The Company's total benefit cost for the pension plans was \$143,800 for the three-month period ended September 30, 2013 including \$181,200 of interest on defined benefit plan obligation and was a revenue of \$2,214,000 for the nine-month period ended September 30, 2013 net of \$543,900 of interest on defined benefit plan obligation [2012 – cost of \$253,400 and \$2,435,300 including \$201,400 and \$604,200 of interest on defined benefit plan obligation].

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2013 and 2012

[Unaudited]

8. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to \$88,153,375 in Canada and \$765,967 in the United States as at September 30, 2013 [\$94,919,075 and \$846,307, respectively, as at December 31, 2012]. The Company's revenue amounted to \$26,614,527 and \$86,195,779 in Canada and \$3,161,939 and \$9,187,272 in the United States for the three and nine-month periods ended September 30, 2013 based on customer location [2012 - \$27,889,063 and \$89,433,994 in Canada and \$2,814,227 and \$8,704,349 in the United States, respectively].

9. SUBSEQUENT EVENT

On November 7, 2013, the Board of Directors has declared a quarterly dividend of \$0.04 per common share, payable on December 13, 2013 to shareholders of record at the close of business on November 30, 2013.