



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2013

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated May 6, 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-month period ended March 31, 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-month period ended March 31, 2013. The consolidated financial statements for the three-month period ended March 31, 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 550 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 first quarter of 2013 amounted to \$33.7 million compared with \$35.6 million in the first quarter of 2012, representing a decrease of \$1.9 million or 5.4%. Taking into account the fact that we had three less working days, the decline would have only been around 3.5%. In the first quarter, the total volume was down 7.5% and was seen mainly in the forms resellers, paper merchants and large corporation markets. In Canada, we have seen improvement in the product mix while we have seen deterioration in the United States.

EBITDA for the first quarter of 2013 was \$9.8 million compared with \$6.3 million for the same period in 2012 (restated – see note 2 of the unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2013), representing an increase of \$3.5 million or 54.9%. EBITDA margin was 29.0% compared with 17.7% in the first quarter of 2012. The margin improvement is attributable to the various cost reduction measures put in place, mainly the non-cash impact of the amendments of the defined benefit pension plan reducing early retirement and bridging benefits effective January 1, 2013 for \$2.8 million and the conversion, for future service, of the defined benefit pension plans into defined contribution plans since July 1, 2012 for approximately \$0.5 million partially offset by the impact of reduced sales volume.

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 April 1, 2011 to March 31, 2013.

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

	Mar. 31, 2013	Dec. 31, 2012 ⁽²⁾	Sept. 30 2012 ⁽²⁾	June 30, 2012 ⁽²⁾	Mar. 31, 2012 ⁽²⁾	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	33,666	33,737	30,703	31,831	35,604	36,699	34,024	34,068
EBITDA ⁽¹⁾	9,765	7,093	6,089	5,122	6,303	7,432	6,486	6,638
Earnings (loss) before income taxes	6,423	3,872	(25,973)	1,590	3,444	3,960	1,520	2,037
Net earnings (loss)	4,755	2,980	(26,271)	1,161	2,484	2,950	1,040	1,452
Net earnings (loss) per share	0.1642	0.1025	(0.8974)	0.0396	0.0848	0.1007	0.0355	0.0496

⁽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 IAS19 *Employee Benefits* as described in note 2 to the Company’s unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2013.

Excluding the seasonal patterns of the business, revenue has decreased over the last eight quarters mainly due to the decrease in volume sold in Canada following softness in the envelope market and the 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 March 31,	
	2013	2012 ⁽³⁾
	\$	\$
Revenue	33,666	35,604
Operating expenses	20,355	24,688
Selling, general and administrative expenses	3,473	4,613
Restructuring expenses ⁽¹⁾	73	—
EBITDA ⁽²⁾	9,765	6,303
Amortization of property, plant and equipment	986	845
Amortization of intangible assets	1,541	1,541
(Gain) loss on disposal of property, plant and equipment	(9)	9
Operating earnings	7,247	3,908
Financing charges	824	463
Earnings before income taxes	6,423	3,445
Income taxes expenses	1,668	960
Net earnings	4,755	2,485
Basic and diluted net earnings per share	0.1642	0.0848
Dividend declared per share	0.0300	0.0300
Total assets	127,123	163,128
Secured credit facilities	48,662	53,459

⁽¹⁾ Restructuring expenses are mainly related to the restructuring and improvement initiatives to reduce the Company's operating costs.

⁽²⁾ See "Definition of EBITDA."

⁽³⁾ Restated following the transition to the new accounting standard IAS19 *Employee Benefits* as described in note 2 to the Company's unaudited interim condensed consolidated financial statements for the three-month period ended March 31, 2013.

Results of Operations

Three-month period ended March 31, 2013 compared with three-month period ended March 31, 2012

Revenue

Revenue for the three-month period ended March 31, 2013 amounted to \$33.7 million compared with \$35.6 million for the three-month period ended March 31, 2012, a decrease of \$1.9 million or 5.4%. The decrease in revenue is mainly attributable to the lower number of units sold in Canada partially offset by an improved product mix.

Revenue in Canada decreased by \$1.5 million or 4.7%, from \$32.4 million to \$30.9 million, and revenue in the United States decreased by \$0.4 million or 13.1%, from \$3.2 million to \$2.8 million.

The decrease in revenue in Canada was driven by an 8.0% decrease in the number of units sold partially offset by an improved product mix. The decrease in the number of units sold was seen mainly in the forms resellers, paper merchants and large corporations.

The decrease in revenue in the United States was driven by a 4.4% decrease in the number of units sold combined with a deterioration of the product mix. The decrease in the number of units sold comes mainly from the direct mail.

Operating expenses

Operating expenses for the three-month period ended March 31, 2013 amounted to \$20.4 million compared with \$24.7 million for the same period in 2012, a decrease of \$4.3 million or 17.6%. The decrease is 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 \$0.3 million, as well as the impact of reduced volume.

Gross profit increased in 2013 compared with 2012. The margin improvement is mainly attributable to the effect of the defined benefits pension plans' amendments offset by the impact of the reduced volume.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled \$3.5 million for the three-month period ended March 31, 2013 compared with \$4.6 million for the same period in 2012, a decrease of \$1.1 million or 24.7%. The decrease is 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, and the effect of conversion, for future service, of the defined benefit plans into defined contributions plans of \$0.2 million.

Restructuring expenses

Restructuring expenses of \$0.1 million are mainly related to the restructuring and improvement initiatives to reduce Western region's operating costs.

EBITDA

As a result of the changes described above, EBITDA was \$9.8 million for the three-month period ended March 31, 2013 compared with \$6.3 million for the same period in 2012, an increase of \$3.5 million or 54.9%.

Amortization

Aggregate amortization expense for the three-month period ended March 31, 2013 amounted to \$2.5 million compared with \$2.4 million for the comparable period in 2012 representing an increase of \$0.1 million or 5.9%, related to the acquisitions of property, plant and equipment.

Financing charges

Financing charges for the three-month period ended March 31, 2013 amounted to \$0.8 million compared with \$0.5 million for the same period in 2012, representing an increase of \$0.3 million or 78.1%, resulting mainly from a minimal loss on valuation of derivative financial instruments in 2013 as compared to a gain on valuation of derivative financial instrument of \$0.5 million in 2012 and the impact of the reduced level of debt.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes totalled \$6.4 million for the three-month period ended March 31, 2013 compared with \$3.4 million for the same period in 2012, an increase of \$3.0 million or 86.5%.

Provision for income taxes

During the three-month period ended March 31, 2013, the Company recorded a provision for income taxes of \$1.7 million compared with \$1.0 million for the three-month period ended March 31, 2012, an increase of \$0.7 million or 73.9%. The increase is mainly attributable to higher earnings.

Net earnings

As a result of the changes described above, net earnings amounted to \$4.8 million for the three-month period ended March 31, 2013 compared with \$2.5 million for the same period in 2012, an increase of \$2.3 million or 91.4%.

Other comprehensive loss

The higher than expected return on assets of the Company's defined benefit pension plan partially combined with the increase of the discount rate for accrued plan benefit obligation has generated net actuarial gain of \$4.5 million. 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 \$92.6 million in Canada and \$0.8 million in the United States as at March 31, 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 \$30.9 million for the three-month period ended March 31, 2013 compared with \$32.4 million for the same period in 2012, representing a decrease of \$1.5 million or 3.6%. In the United States, the Company's revenue amounted to \$2.8 million for the three-month period ended March 31, 2013 compared with \$3.2 million for the same period in 2012, representing a decrease of \$0.4 million or 13.1%.

Liquidity and Capital Resources

Operating activities

Cash of \$0.9 million was used in operating activities during the three-month period ended March 31, 2013 compared with \$1.1 million generated during the same period of 2012. The decrease in net cash flows from operating activities is primarily due to a decrease in net change in non-cash working capital balances partially offset by higher earnings before non-cash items.

The higher non-cash working capital level as at March 31, 2013 as compared to December 31, 2012, resulted mainly from the lower annual incentive programs payments in 2013 partially offset by the increase of accounts receivable.

Investing activities

Cash used in investing activities of \$0.3 million during the three-month period ended March 31, 2013, compared to \$0.4 million in 2012, was mainly related to the acquisition of property, plant and equipment.

Financing activities

In the three-month period ended March 31, 2013, cash of \$1.6 million, compared with \$1.7 million in 2012, was used in financing activities for the repayment of the credit facilities and the payment of dividends.

Liquidity and capital resources summary

Our 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 2 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)

	March 31, 2013	December 31, 2012
	\$	\$
Working capital	12,935	10,215
Total assets	127,123	129,565
Total secured credit facilities	48,662	49,356
Equity	46,332	37,907

The Company was in compliance with the covenants of its credit facilities as at March 31, 2013.

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 first quarter of 2013.

Capitalization

As at May 6, 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 March 31, 2013, the Company's CEO, acting also as CFO, has certified that the disclosure controls and procedures are effective and that, during the three-month period ended March 31, 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 reduce 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-month period ended March 31, 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.

This new standard is effective for the Company’s interim and annual consolidated financial statements commencing January 1, 2015.

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

Recent Events

On May 6, 2013, the Board of Directors has declared a quarterly dividend of \$0.03 per common share, payable on June 14, 2013 to shareholders of record at the close of business on May 31, 2013.

The Company has received, on March 25, 2013, from its principal shareholder, Clarke Inc., a non-binding proposal to acquire all of the outstanding shares of Supremex that it does not already own at a price of \$1.20 in cash per share. Clarke currently holds approximately 45.2% of the issued and outstanding shares of Supremex. A Special Committee of independent directors has been established by the Board of Directors of Supremex to review the terms of Clarke’s non-binding proposal and make a recommendation to the Board of Directors.

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 before financing charges, income tax expense, amortization of property, plant and equipment and of intangible assets and (gain) loss 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.

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-month periods ended March 31, 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		March 31, 2013	December 31, 2012
[Unaudited]	Notes	\$	\$
ASSETS			
Current assets			
Cash		2,306,528	5,093,876
Accounts receivable		17,070,708	15,071,817
Income tax receivable		—	11,115
Inventories	4	13,423,035	13,017,305
Prepaid expenses		934,896	605,258
Total current assets		33,735,167	33,799,371
Property, plant and equipment		27,604,985	28,264,702
Deferred income tax assets		—	176,426
Intangible assets		18,894,154	20,435,129
Goodwill		46,889,125	46,889,125
Total assets		127,123,431	129,564,753
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		14,973,037	18,157,589
Provisions	5	435,174	426,311
Income tax payable		391,546	—
Current portion of secured credit facilities	6	5,000,000	5,000,000
Total current liabilities		20,799,757	23,583,900
Secured credit facilities	6	43,662,458	44,355,599
Deferred income tax liabilities		1,786,780	—
Accrued pension benefit liability		12,696,500	21,852,000
Other post-retirement benefit obligations		595,100	615,200
Derivative financial liability	6	1,251,174	1,251,154
Equity			
Share capital		9,885,008	9,885,008
Contributed surplus		280,108,017	280,108,017
Deficit		(243,586,775)	(252,002,146)
Foreign currency translation reserve		(74,588)	(83,979)
Total equity		46,331,662	37,906,900
Total liabilities and equity		127,123,431	129,564,753

Subsequent event [note 10]

See accompanying notes

On behalf of the Directors:

By: (Signed) Michael Rapps _____
Director

By: (Signed) Gilles Cyr _____
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended March 31 [Unaudited]		2013	2012
	Notes	\$	Restated [note 2] \$
Revenue		33,665,729	35,603,741
Operating expenses	4	20,354,729	24,688,513
Selling, general and administrative expenses		3,472,878	4,612,688
Operating earnings before amortization, (gain) loss on disposal of property, plant and equipment and restructuring expenses		9,838,122	6,302,540
Amortization of property, plant and equipment		985,819	845,326
Amortization of intangible assets		1,540,975	1,540,975
(Gain) loss on disposal of property, plant and equipment		(8,910)	9,469
Restructuring expenses	5	72,717	—
Operating earnings		7,247,521	3,906,770
Financing charges	6	824,405	463,016
Earnings before income taxes		6,423,116	3,443,754
Income tax expense		1,668,522	959,621
Net earnings		4,754,594	2,484,133
Basic and diluted net earnings per share		0.1642	0.0848
Weighted average number of shares outstanding		28,960,867	29,297,767

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31 [Unaudited]	2013	2012 Restated [note 2]
	\$	\$
Net earnings	4,754,594	2,484,133
Other comprehensive income		
<i>Other comprehensive income to be reclassified to earnings in subsequent periods</i>		
Foreign currency translation adjustments	9,391	(7,784)
Net other comprehensive income (loss) to be reclassified to earnings in subsequent periods	9,391	(7,784)
<i>Items not to be reclassified to earnings in subsequent periods</i>		
Recognized actuarial gain on defined benefit pension plans, net of income tax expense of \$1,581,465 [2012 – \$9,667]	4,526,935	27,933
Recognized actuarial gain (loss) on other post-retirement benefit, net of income tax expense of \$932 [2012 – recovery of \$2,545]	2,668	(7,355)
Net other comprehensive income not being reclassified to earnings in subsequent periods	4,529,603	20,578
Other comprehensive income	4,538,994	12,794
Total comprehensive income	9,293,588	2,496,927

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31
[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	—	—	4,754,594	—	4,754,594
Other comprehensive income	—	—	4,529,603	9,391	4,538,994
Total comprehensive income	—	—	9,284,197	9,391	9,293,588
Dividends declared [note 7]	—	—	(868,826)	—	(868,826)
As at March 31, 2013	9,885,008	280,108,017	(243,586,775)	(74,588)	46,331,662
As at December 31, 2011 Restated [note 2]	10,000,000	280,423,746	(225,680,313)	(76,161)	64,667,272
Net earnings	—	—	2,484,133	—	2,484,133
Other comprehensive income	—	—	20,578	(7,784)	12,794
Total comprehensive income	—	—	2,504,711	(7,784)	2,496,927
Dividends declared [note 7]	—	—	(878,933)	—	(878,933)
As at March 31, 2012	10,000,000	280,423,746	(224,054,535)	(83,945)	66,285,266

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three-month periods ended March 31
[Unaudited]

	2013	2012
		Restated
		[note 2]
	\$	\$
Notes		
OPERATING ACTIVITIES		
Net earnings	4,754,594	2,484,133
Non-cash adjustment to reconcile net earnings to net cash flows		
Amortization of property, plant and equipment	985,819	845,326
Amortization of intangible assets	1,540,975	1,540,975
Amortization of deferred financing costs	6 56,859	56,173
(Gain) loss on disposal of property, plant and equipment	(8,910)	9,469
Loss (gain) on valuation of derivative financial instruments	6 20	(453,628)
Deferred income tax expense (recovery)	380,809	(134,237)
Working capital adjustments		
Variation in accounts receivable	(1,998,891)	1,133,117
Variation in inventories	(405,730)	(30,316)
Variation in prepaid expenses	(329,638)	(395,069)
Variation in accounts payable and accrued liabilities	(3,184,552)	(4,345,524)
Variation in provisions	8,863	(199,229)
Variation in income tax receivable and payable	402,661	819,658
Change in accrued pension benefit liability	(3,047,100)	(268,700)
Change in other post-retirement benefit obligation	(16,500)	(11,700)
Net cash flows used in operating activities	(860,721)	1,050,448
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(306,789)	(374,084)
Proceeds from sale of property, plant and equipment	8,910	10,000
Net cash flows used in investing activities	(297,879)	(364,084)
FINANCING ACTIVITIES		
Repayment of term credit facility	(1,250,000)	(1,250,000)
Dividends paid	7 (868,826)	(878,933)
Proceeds from revolving credit facility	500,000	500,000
Financing cost incurred	—	(23,951)
Net cash flows used in financing activities	(1,618,826)	(1,652,884)
Net change in cash	(2,777,426)	(966,520)
Net foreign exchange difference	(9,922)	12,516
Cash, beginning of period	5,093,876	2,606,332
Cash, ending of period	2,306,528	1,652,328
Supplemental information ⁽¹⁾		
Interest paid	594,509	635,983
Interest received	7,594	1,692
Income taxes paid	884,984	274,264

⁽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

March 31, 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-month period ended March 31, 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 May 6, 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

March 31, 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 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

March 31, 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 March 31, 2012 \$
Increase in operating expenses	82,650
Increase in selling, general and administrative expenses	27,550
Increase in financing charges	201,400
Decrease in income tax expense	(80,112)
Impact on net earnings	(231,488)
Impact on basic and diluted net earnings per share	(0.0079)

Impact on consolidated statement of comprehensive income	Three-month period ended March 31, 2012 \$
Decrease in recognized actuarial loss on defined benefit pension plans, net of income tax recovery	231,488
Impact on other comprehensive income	231,488

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.

This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 and 2012

[Unaudited]

3. RECENT ACCOUNTING PRONOUNCEMENT [Cont'd]

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

4. INVENTORIES

	March 31, 2013	December 31, 2012
	\$	\$
Raw materials	2,917,337	2,897,252
Work in progress	216,925	99,941
Finished goods	10,288,773	10,020,112
	13,423,035	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-month period ended March 31, 2013 is \$21,233,064 [2012 - \$25,482,871].

5. PROVISIONS

In connection with the acquisitions of NPG Envelope (“NPG”) in 2007, Montreal Envelope Inc. (“Montreal”) in 2008 and Pioneer Envelopes Ltd. (“Pioneer”) in 2010, the Company adopted a plan for the integration and restructuring of the acquired businesses. As a result, the Company recognized a provision for severance, relocation and exit costs relating to certain employees and facilities of the acquired businesses. As at March 31, 2013, the amount of the remaining accrued restructuring provision was \$0.4 million [\$0.4 million as at December 31, 2012]. This amount is related to deferred severance for employees on long-term disability and is payable on demand.

The Company incurred additional expenses during the first quarter of 2013 in the form of various costs as a result of the restructuring of the Western region operations which, for the most part, have been paid before quarter-end.

The following is a summary of amounts accrued and paid relating to restructuring expenses.

	March 31, 2013	December 31, 2012
	\$	\$
Balance, beginning of period	426,311	656,567
Restructuring expenses charged against earnings	72,717	—
Cash payments	(63,854)	(230,256)
Balance, end of period	435,174	426,311

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 and 2012

[Unaudited]

6. SECURED CREDIT FACILITIES

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

	March 31, 2013 \$	December 31, 2012 \$
Revolving credit facility	5,500,000	5,000,000
Term credit facility	43,750,000	45,000,000
Less: deferred financing costs, net	(587,542)	(644,401)
	48,662,458	49,355,599
Current portion	(5,000,000)	(5,000,000)
Long-term portion of secured credit facilities	43,662,458	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 March 31, 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.

Minimum required payments on secured credit facilities are as follows:

	\$
2013	3,750,000
2014	5,000,000
2015	40,500,000

As at March 31, 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 March 31,	
	2013 \$	2012 \$
Interest on secured credit facilities	589,195	654,983
Interest on defined benefit plan obligation [note 2]	181,500	201,400
Other interest	(3,169)	4,088
Amortization of deferred financing costs	56,859	56,173
Loss (gain) on valuation of derivative financial instrument (interest rate swap)	20	(453,628)
	824,405	463,016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2013 and 2012

[Unaudited]

7. DIVIDENDS

Dividends declared from January 1, 2013 to March 31, 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
Total				868,826

Dividends declared from January 1, 2012 to March 31, 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
Total				878,933

8. EMPLOYEE DEFINED BENEFIT PLANS

The Company's total benefit revenue for the pension plans was \$2,505,100 for the three-month period ended March 31, 2013 net of \$181,500 of net interest cost [2012 – cost of \$1,226,700 including \$201,400 of net interest cost].

9. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to \$92,562,315 in Canada and \$825,949 in the United States as at March 31, 2013 [\$94,919,075 and \$846,307, respectively, as at December 31, 2012]. The Company's revenue amounted to \$30,909,464 in Canada and \$2,756,265 in the United States for the three-month period ended March 31, 2013 based on customer location [2012 - \$32,433,618 in Canada and \$3,170,123 in the United States, respectively].

10. SUBSEQUENT EVENT

On May 6, 2013, the Board of Directors has declared a quarterly dividend of \$0.03 per common share, payable on June 14, 2013 to shareholders of record at the close of business on May 31, 2013.