Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated November 8, 2012, 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, 2012. These consolidated financial statements of the Company have been prepared by management in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). 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, 2011. 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, 2012. The consolidated financial statements for the three and nine-month periods ended September 30, 2012 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.

Conversion to a Corporation

On January 1, 2011 (the "Effective Date"), Supremex Income Fund (the "Fund") completed its conversion from an income trust structure to a corporation. On May 7, 2010, the unitholders of the Fund approved the plan of arrangement (the "Arrangement") pursuant to which the Fund will convert from an income trust structure to a public corporation named Supremex Inc. The final order of the Superior Court of Québec with respect to the Arrangement was obtained on May 10, 2010.

Under the Arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of Supremex.

The Arrangement has been accounted for as a continuity of interests of the Fund since Supremex continues to operate the business of the Fund and there were no ownership changes. Under the continuity of interests' method of accounting, the transfer of the assets, liabilities and equity of the Fund to Supremex is recorded at the net book value as at the Effective Date of the transaction. As a result, for accounting purposes, the transaction is required to be accounted for as though the Company was a continuation of the Fund but with its capital reflecting the exchange of Fund units for Supremex common shares. Therefore, certain terms such as shareholder/unitholder, dividend/distribution and share/unit may be used interchangeably throughout this MD&A. For the periods reported up to the Effective Date of the conversion, all payments to unitholders were in the form of fund unit distributions, and after that date all payments to shareholders were in the form of dividends.

Any references to the Fund for periods after January 1, 2011 shall mean Supremex Inc. as the successor of the Fund. References to "company", "share", "dividends" and "shareholders" means "fund", "unit", "distributions" and "unitholders" for transactions that occurred before the conversion of the Fund to a corporation.

Pursuant to the Arrangement, the stated capital for the common shares was reduced to an amount of $10 million as of the Effective Date.

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 third quarter of 2012 amounted to $30.7 million compared with $34.0 million in the third quarter of 2011, representing a decrease of $3.3 million or 9.8%. In the third quarter, the Canadian volume was down 13.0% and was generally spread in all accounts with bigger decline seen in the forms resellers and public sectors. The US volume was also down by 13.0% mainly due to 2011 orders not repeated in 2012 due to the softness of the market.

EBITDA for the third quarter of 2012 was $6.2 million compared with $6.5 million for the same period in 2011, representing a decrease of $0.3 million or 4.4%. EBITDA margin was 20.2% compared with 19.5% in the third quarter of 2011. The margin improvement is mainly attributable to the various cost reduction measures put in place including the conversion, for future service, of its defined benefit pension plans into defined contribution plans since July 1, 2012.

During the third quarter of 2012, several new indicators have shown that the volume decrease in North America's envelope industry was higher than expected and that this decline is expected to continue in the upcoming years. This deterioration is particularly confirmed by the larger than expected decline in demand for uncoated fine paper; decline that has accelerated since June 2012. Negotiations and discussions with key customers in the third quarter have also shown to be a permanent reduction of their needs, some have even recently announced the abandonment of the use of envelopes for a portion of their activities.

Therefore, the Company has had to revise its business plan and perform a goodwill impairment test as at September 30, 2012. The Company has concluded that the recoverable value, determined on the basis of value in use, was less than its carrying value and a goodwill impairment charge of $28.9 million was recorded in the third quarter of 2012.

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, 2010 to September 30, 2012.

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

	Sept. 30 2012 $	June 30, 2012 $	Mar. 31, 2012 $	Dec. 31, 2011 $	Sept. 30, 2011 $	June 30, 2011 $	Mar. 31, 2011 $	Dec. 31, 2010 $
Revenue	**30,703**	31,831	35,604	36,699	34,024	34,068	39,101	40,246
EBITDA (1)	**6,199**	5,247	6,413	7,432	6,486	6,638	7,893	7,839
(Loss) earnings before income taxes	**(25,661)**	1,915	3,755	3,960	1,520	2,037	3,995	3,614
Net (loss) earnings	**(26,039)**	1,402	2,716	2,950	1,040	1,452	2,873	2,910
Net (loss) earnings per share/unit	**(0.8895)**	0.0478	0.0927	0.1007	0.0355	0.0496	0.0980	0.0993

Notes

(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.

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 September 30,		Nine-month periods ended September 30,	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Revenue	**30,703**	34,024	**98,138**	107,193
Operating expenses	**20,925**	23,287	**67,843**	72,140
Selling, general and administrative expenses	**3,579**	4,095	**12,437**	13,319
Restructuring expenses (1)	**—**	156	**—**	717
EBITDA (2)	**6,199**	6,486	**17,858**	21,017
Amortization of property, plant and equipment	**890**	1,194	**2,583**	3,545
Amortization of intangible assets	**1,541**	1,541	**4,623**	4,623
(Gain) loss on disposal of property, plant and equipment	**(39)**	61	**(18)**	314
Impairment of goodwill	**(28,862)**	—	**(28,862)**	—
Operating (loss) earnings	**(25,055)**	3,690	**(18,192)**	12,535
Financing charges	**606**	2,170	**1,799**	4,983
(Loss) earnings before income taxes	**(25,661)**	1,520	**(19,991)**	7,552
Income taxes expenses	**378**	480	**1,931**	2,187
Net (loss) earnings	**(26,039)**	1,040	**(21,922)**	5,365
Basic and diluted net (loss) earnings per share	**(0.8895)**	0.0355	**(0.7485)**	0.1831
Dividend declared per share	**0.0300**	—	**0.0900**	0.0600
Total assets	**129,466**	166,399	**129,466**	166,399
Secured credit facilities	**52,549**	59,829	**52,549**	59,829

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

(2) See "Definition of EBITDA."

Results of Operations

Three-month period ended September 30, 2012 compared with three-month period ended September 30, 2011

Revenue

Revenue for the three-month period ended September 30, 2012 amounted to $30.7 million compared with $34.0 million for the three-month period ended September 30, 2011, a decrease of $3.3 million or 9.8%. The decrease in revenue is mainly attributable to the lower number of units sold in Canada and in the United States.

Revenue in Canada decreased by $3.3 million or 10.6%, from $31.1 million to $27.9 million, and revenue in the United States decreased by $0.1 million or 3.4%, from $2.9 million to $2.8 million.

The decrease in revenue in Canada was driven by a 13.0% decrease in the number of units sold partially offset by a 2.9% increase in the average selling price. The decrease in the number of units sold was spread over all accounts with bigger decline seen in the forms resellers and public sectors.

The decrease in revenue in the United States was due to a 13.0% decrease in the number of units sold partially offset by a 13.0% increase in the average selling price. The decrease in the number of units sold was attributable to 2011 orders not repeated in 2012 due to the softness of the market. The increase in the average selling price is mainly due to a different product mix.

Operating expenses

Operating expenses for the three-month period ended September 30, 2012 amounted to $20.9 million compared with $23.3 million for the same period in 2011, a decrease of $2.4 million or 10.2%. The impact of the reduced volume and the cost reduction measures put in place mainly explains the decrease in operating expenses.

Gross profit (revenue less operating expenses excluding amortization of property, plant and equipment) was $9.8 million for the three-month period ended September 30, 2012 compared with $10.7 million for the comparable period in 2011, a decrease of $0.9 million or 8.9%. As a percentage of sales, gross profit increased by 0.3% in 2012 to reach 31.9% compared with 31.6% in 2011. The margin improvement is mainly attributable to the various cost reduction measures put in place including the conversion, for future service, of its defined benefit plans into defined contribution plans.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $3.6 million for the three-month period ended September 30, 2012 compared with $4.1 million for the same period in 2011, a decrease of $0.5 million or 12.6%. The decrease is mainly attributable to decreased compensation.

EBITDA

As a result of the changes described above, EBITDA was $6.2 million for the three-month period ended September 30, 2012 compared with $6.5 million for the same period in 2011, a decrease of $0.3 million or 4.4%.

Amortization

Aggregate amortization expense for the three-month period ended September 30, 2012 amounted to $2.4 million compared with $2.7 million for the comparable period in 2011 representing a decrease of $0.3 million or 11.1%. The decrease is mainly related to the review of the useful lives of some manufacturing equipment which have been extended since October 1, 2011.

Financing charges

Financing charges for the three-month period ended September 30, 2012 amounted to $0.6 million compared with $2.2 million for the same period in 2011, representing a decrease of $1.6 million or 72.1%, resulting from the gain on valuation of derivative financial instruments in 2012 of $0.1 million, as compared to a loss on valuation of derivative financial instruments in 2011 of $1.2 million, the lower amortization of deferred financing costs following the credit facilities renewal and the impact of the reduced level of debt.

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 considering the higher than expected future decline in North America’s envelope industry.

(Loss) earnings before income taxes

Due to the changes in revenue and expenses described herein, the loss before income taxes totalled $25.7 million for the three-month period ended September 30, 2012 compared with the earnings before income taxes of $1.5 million for the same period in 2011.

Provision for income taxes

During the three-month period ended September 30, 2012, the Company recorded a provision for income taxes of $0.4 million compared with $0.5 million for the three-month period ended September 30, 2011, representing a decrease of $0.1 million or 20.0%. The decrease is attributable to the impact of the goodwill impairment deductible for tax purposes offset by the higher earnings before goodwill impairment.

Net (loss) earnings

As a result of the changes described above, net loss amounted to $26.0 million for the three-month period ended September 30, 2012 compared with the net earnings of $1.0 million for the same period in 2011.

Other comprehensive loss

The decrease of the discount rate for accrued plan benefit obligation offset by the higher than expected return on assets of the Company's defined benefit pension plan has generated net actuarial losses of $0.8 million. These variations impacted the Company's other comprehensive loss and deficit.

Nine-month period ended September 30, 2012 compared with nine-month period ended September 30, 2011

Revenue

Revenue for the nine-month period ended September 30, 2012 amounted to $98.1 million compared with $107.2 million for the nine-month period ended September 30, 2011, a decrease of $9.1 million or 8.5%. The decrease in revenue is mainly attributable to the lower number of units sold in Canada.

Revenue in Canada decreased by $9.0 million or 9.1%, from $98.4 million to $89.4 million, and revenue in the United States decreased by $0.1 million or 1.1%, from $8.8 million to $8.7 million.

The decrease in revenue in Canada was mainly driven by a 9.0% decrease in the number of units sold. The decrease in the number of units sold was generally spread in all accounts with bigger decline seen in large corporations, public and form resellers markets.

Revenue in the United States was impacted by an 8.0% decrease in the number of units sold offset by a 7.0% increase in the average selling price. The decrease in the number of units sold was attributable to 2011 orders not repeated in 2012 due to the softness of the market. The increase in the average selling price is mainly due to a different product mix.

Operating expenses

Operating expenses for the nine-month period ended September 30, 2012 amounted to $67.8 million compared with $72.1 million for the same period in 2011, a decrease of $4.3 million or 6.0%. The impact of the reduced volume and the cost reduction measures put in place mainly explains the decrease in operating expenses.

Gross profit (revenue less operating expenses excluding amortization of property, plant and equipment) was $30.3 million for the nine-month period ended September 30, 2012 compared with $35.1 million for the comparable period in 2011, a decrease of $4.8 million or 13.6%. As a percentage of sales, gross profit decreased by 1.8% in 2012 to reach 30.9% compared with 32.7% in 2011. The margin erosion is attributable to the reduced volume and increase of raw material costs partially offset by various cost reduction measures put in place.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $12.4 million for the nine-month period ended September 30, 2012 compared with $13.3 million for the same period in 2011, a decrease of $0.9 million or 6.6%. The decrease was mainly attributable to decreased compensation and bad debt expenses.

EBITDA

As a result of the changes described above, EBITDA was $17.9 million for the nine-month period ended September 30, 2012 compared with $21.0 million for the same period in 2011, a decrease of $3.1 million or 15.0%.

Amortization

Aggregate amortization expense for the nine-month period ended September 30, 2012 amounted to $7.2 million compared with $8.2 million for the comparable period in 2011 representing a decrease of $1.0 million or 12.2%. The decrease is mainly related to the review of the useful lives of some manufacturing equipment which have been extended since October 1, 2011.

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 considering the higher than expected future decline in North America’s envelope industry.

Financing charges

Financing charges for the nine-month period ended September 30, 2012 amounted to $1.8 million compared with $5.0 million for the same period in 2011, representing a decrease of $3.2 million or 63.9%, resulting from the gain on valuation of derivative financial instruments in 2012 of $0.4 million as compared to a loss on valuation of derivative financial instruments in 2011 of $1.8 million, the lower amortization of deferred financing costs following the credit facilities renewal and the impact of the reduced level of debt.

(Loss) earnings before income taxes

Due to the changes in revenue and expenses described herein, the loss before income taxes totalled $20.0 million for the nine-month period ended September 30, 2012 compared with the earnings before income taxes of $7.6 million for the same period in 2011.

Provision for income taxes

During the nine-month period ended September 30, 2012, the Company recorded a provision for income taxes of $1.9 million compared with $2.2 million for the nine-month period ended September 30, 2011, a decrease of $0.3 million or 13.6%. The decrease is attributable to the impact of the goodwill impairment deductible for tax purposes offset by the higher earnings before goodwill impairment.

Net (loss) earnings

As a result of the changes described above, net loss amounted to $21.9 million for the nine-month period ended September 30, 2012 compared with net earnings of $5.4 million for the same period in 2011.

Other comprehensive loss

The decrease of the discount rate for accrued benefit obligations of the Company's defined benefit pension plans partially offset by the higher than expected return on plan assets have generated net actuarial losses of $4.8 million. These variations impacted the Company's other comprehensive loss 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 $96.9 million in Canada and $0.9 million in the United States as at September 30, 2012 as compared to $130.9 million and $1.0 million as at December 31, 2011, respectively.

In Canada, the Company's revenue amounted to $27.9 million and $89.4 million for the three and nine-month periods ended September 30, 2012 compared with $31.1 million and $98.4 million for the same periods in 2011, representing a decrease of $3.3 million or 10.6% and $9.0 million or 9.1%, respectively. In the United States, the Company's revenue amounted to $2.8 million and $8.7 million for the three and nine-month periods ended September 30, 2012 compared with $2.9 million and $8.8 million for the same periods in 2011, representing a decrease of $0.1 million or 3.4% and $0.1 million or 1.1%, respectively.

Liquidity and Capital Resources

Operating activities

Cash of $4.8 million was generated from operating activities during the nine-month period ended September 30, 2012 compared with $9.5 million during the same period of 2011. The decrease in net cash flows from operating activities is primarily due to a decrease in net change in non-cash working capital balances and by lower earnings before non-cash items. The higher non-cash working capital level as at September 30, 2012 as compared to December 31, 2011, resulted mainly from the decrease in accounts payable and accrued liabilities, following the payment of the employees' annual incentive programs and other payments, including income taxes payable, partially offset by the decrease of accounts receivable.

Investing activities

Cash used in investing activities of $1.7 million during the nine-month period ended September 30, 2012 was mainly related to the acquisition of property, plant and equipment. In the prior-year period, cash of $2.4 million was generated by the sale of the Markham facility partially offset by acquisition of property, plant and equipment.

Financing activities

In the nine-month period ended September 30, 2012, cash of $4.6 million was used in financing activities for the repayment of the credit facilities and the payment of dividends. Similarly, in prior-year period, $11.9 million was used in financing activities for repayments on the credit facilities, payment of dividends and the payment of distributions on Fund units.

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.

Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in the Company's audited consolidated financial statements as at December 31, 2011 and did not significantly change since that date.

Financial Position Highlights

(In thousands of dollars except for ratio)

	September 30, 2012	**December 31, 2011**
	$	**$**
Working capital	**10,518**	5,825
Total assets	**129,466**	166,841
Total secured credit facilities	**52,549**	54,177
Equity	**35,198**	64,667

The Company was in compliance with the covenants of its credit facilities as at September 30, 2012.

Supremex pays quarterly dividends to shareholders at the discretion of the Board of Directors. A dividend of $878,210 or $0.03 per share was declared and paid in the third quarter of 2012.

Capitalization

As at November 8, 2012, the Company had 29,154,367 common shares outstanding.

Pursuant to the normal course issuer bid, which began on December 5, 2011, the Company could purchase for cancellation up to 1,500,000 shares until December 4, 2012. During the three and nine-month periods ended September 30, 2012, the Company purchased 71,000 and 76,000 shares for cancellation, respectively, at a price ranging from $1.60 to $1.62 per common share.

On June 27, 2012, the Company has established an automatic securities purchase plan (the "Plan") for its common shares. The Plan was established to provide standard instructions regarding how the Company's common shares are to be purchased under the Company's normal course issuer bid for the common shares announced on December 1, 2011. Accordingly, the Company may purchase its common shares in accordance with the Plan on any trading day during the normal course issuer bid period, including during self-imposed trading blackout periods. The Plan was suspended as at September 30, 2012 and will terminate concurrently with the issuer bid on December 4, 2012.

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, 2012, 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, 2012, 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

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.

IFRS 10, Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). IFRS 10, which replaces SIC-12, *Consolidation – Special Purpose Entities* and part of IAS 27, *Consolidated and Separate Financial Statements*, provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 12, Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13, Fair Value Measurement

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement* ("IFRS 13"). IFRS 13 will improve 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 will improve 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 will improve the recognition and disclosure requirements for defined benefits plans.

These new standards are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. However, in December 2011, the IASB has postponed the mandatory application of IFRS 9, *Financial Instruments*, to January 1, 2015.

IAS 32, Financial Instruments: Presentation

In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32") clarifying the requirements for offsetting financial assets and liabilities. The amendments shall be applied to annual periods beginning on or after January 1, 2014. The IASB also issued amendments to IFRS 7, *Financial Instruments: Disclosure* ("IFRS 7") improving disclosure on offsetting of financial assets and liabilities. These amendments shall be applied to annual and interim periods beginning on or after January 1, 2013.

The Company is assessing the impact of these new standards on its consolidated financial statements.

Recent Events

On November 8, 2012, the Board of Directors has declared a quarterly dividend of $0.03 per common share, payable on December 17, 2012 to shareholders of record at the close of business on November 30, 2012.

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 2011 Annual Information Form, dated March 22, 2012 (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 2011 and, in particular, in "Risk Factors". Consequently, we cannot guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements.

Definition of EBITDA and Non-IFRS Measures

References to "EBITDA" are to (loss) earnings before financing charges, income tax expense, amortization of property, plant and equipment and of intangible assets, (gain) loss 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, 2012 and 2011

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 **[Unaudited]**	**Notes**	**September 30, 2012** **$**	**December 31, 2011** **$**
ASSETS	**6**		
Current assets			
Cash		**1,210,322**	2,606,332
Accounts receivable		**16,707,821**	18,740,499
Inventories	**3**	**12,953,674**	13,103,192
Prepaid expenses		**839,317**	512,584
Total current assets		**31,711,134**	34,962,607
Property, plant and equipment		**28,611,675**	29,528,673
Deferred income tax assets		**277,799**	—
Intangible assets		**21,976,104**	26,599,029
Goodwill	**4**	**46,889,125**	75,751,125
Total assets		**129,465,837**	166,841,434
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**15,657,340**	19,990,280
Provisions	**5**	**433,988**	656,567
Income tax payable		**102,013**	3,490,996
Current portion of secured credit facilities	**6**	**5,000,000**	5,000,000
Total current liabilities		**21,193,341**	29,137,843
Secured credit facilities	**6**	**47,548,740**	49,176,934
Deferred income tax liabilities		**—**	2,182,392
Accrued pension benefit liability	**8**	**23,504,200**	19,251,100
Other post-retirement benefit obligations		**633,300**	649,600
Derivative financial liability		**1,387,900**	1,776,293
Equity			
Share capital	**9**	**9,974,059**	10,000,000
Contributed surplus		**280,327,275**	280,423,746
Deficit		**(255,014,056)**	(225,680,313)
Accumulated other comprehensive loss		**(88,922)**	(76,161)
Total equity		**35,198,356**	64,667,272
Total liabilities and equity		**129,465,837**	166,841,434

Subsequent events (note 11)

See accompanying notes

On behalf of the Directors:

By: (Signed) Michael Rapps
Director

By: (Signed) Gilles Cyr
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

[Unaudited]	Notes	Three-month periods ended September 30, 2012 $	2011 $	Nine-month periods ended September 30, 2012 $	2011 $
Revenue		**30,703,290**	34,024,004	**98,138,343**	107,192,805
Operating expenses	**3**	**20,924,529**	23,287,218	**67,842,532**	72,140,031
Selling, general and administrative expenses		**3,579,733**	4,094,226	**12,437,503**	13,318,648
Operating earnings before amortization, (gain) loss on disposal of property, plant and equipment, impairment of goodwill and restructuring expenses		**6,199,028**	6,642,560	**17,858,308**	21,734,126
Amortization of property, plant and equipment		**890,561**	1,194,223	**2,583,288**	3,545,221
Amortization of intangible assets		**1,540,975**	1,540,975	**4,622,925**	4,622,925
(Gain) loss on disposal of property, plant and equipment		**(38,315)**	61,098	**(17,517)**	314,284
Impairment of goodwill	**4**	**28,862,000**	—	**28,862,000**	—
Restructuring expenses		—	155,868	—	716,852
Operating (loss) earnings		**(25,056193)**	3,690,396	**(18,192,388)**	12,534,844
Financing charges	**6**	**605,538**	2,169,903	**1,798,533**	4,982,582
(Loss) earnings before income taxes		**(25,661,731)**	1,520,493	**(19,990,921)**	7,552,262
Income tax expense		**377,954**	480,477	**1,931,278**	2,187,482
Net (loss) earnings		**(26,039,685)**	1,040,016	**(21,922,199)**	5,364,780
Basic and diluted net (loss) earnings per share		**(0.8895)**	0.0355	**(0.7485)**	0.1831
Weighted average number of shares outstanding		**29,274,332**	29,297,767	**29,289,679**	29,297,767

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

[Unaudited]	Three-month periods ended September 30, 2012 $	2011 $	Nine-month periods ended September 30, 2012 $	2011 $
Net (loss) earnings	**(26,039,685)**	1,040,016	**(21,922,199)**	5,364,780
Other comprehensive loss				
Recognized actuarial loss on defined benefit pension plans, net of income tax recovery of $284,182 and of $1,686,940 [2011 – recovery of $1,542,553 and $1,537,630]	**(816,018)**	(4,473,647)	**(4,761,160)**	(4,459,370)
Recognized actuarial loss on other post-retirement benefit, net of income tax recovery of $2,454 and $5,092 [2011 – recovery of $2,513]	**(7,046)**	(7,287)	**(14,308)**	(7,287)
Foreign currency translation adjustments	**(14,212)**	24,506	**(12,761)**	17,270
Other comprehensive loss	**(837,276)**	(4,456,428)	**(4,788,229)**	(4,449,387)
Total comprehensive (loss) income	**(26,876,961)**	(3,416,412)	**(26,710,428)**	915,393

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Share capital [notes 1 & 9] $	Fund units [notes 1 & 9] $	Contributed surplus [note 1] $	Deficit $	Foreign currency translation reserve $	Total equity $
As at December 31, 2011	10,000,000	—	280,423,746	(225,680,313)	(76,161)	64,667,272
Net loss	—	—	—	(21,922,199)	—	(21,922,199)
Other comprehensive loss	—	—	—	(4,775,468)	(12,761)	(4,788,229)
Total comprehensive loss	—	—	—	(26,697,667)	(12,761)	(26,710,428)
Dividends declared [*note 7*]	—	—	—	(2,636,076)	—	(2,636,076)
Shares repurchased and cancelled [*note 9*]	(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**
As at December 31, 2010	—	282,798,322	7,625,424	(219,511,314)	(83,679)	70,828,753
Net earnings	—	—	—	5,364,780	—	5,364,780
Other comprehensive loss	—	—	—	(4,466,657)	17,270	(4,449,387)
Total comprehensive income	—	—	—	898,123	17,270	915,393
Conversion into a corporation	282,798,322	(282,798,322)	—	—	—	—
Reduction of stated capital	(272,798,322)	—	272,798,322	—	—	—
Dividends declared	—	—	—	(1,757,866)	—	(1,757,866)
As at September 30, 2011	10,000,000	—	280,423,746	(220,371,057)	(66,409)	69,986,280

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

[Unaudited]	Notes	Three-month periods ended September 30, 2012 $	Three-month periods ended September 30, 2011 $	Nine-month periods ended September 30, 2012 $	Nine-month periods ended September 30, 2011 $
OPERATING ACTIVITIES					
Net (loss) earnings		**(26,039,685)**	1,040,016	**(21,922,199)**	5,364,780
Non-cash adjustment to reconcile net earnings to net cash flows					
Amortization of property, plant and equipment		**890,561**	1,194,223	**2,583,288**	3,545,221
Amortization of intangible assets		**1,540,975**	1,540,975	**4,622,925**	4,622,925
Amortization of deferred financing costs	**6**	**56,859**	211,502	**172,697**	634,507
(Gain) loss on disposal of property, plant and equipment		**(38,315)**	61,098	**(17,517)**	314,284
Impairment of goodwill	**4**	**28,862,000**	—	**28,862,000**	—
(Gain) loss on valuation of derivative financial instruments	**6**	**(130,592)**	1,147,209	**(388,393)**	1,812,270
Deferred income tax recovery		**(515,318)**	(523,390)	**(768,159)**	(918,449)
Working capital adjustments					
Variation in accounts receivable		**(1,065,536)**	2,128,207	**2,032,678**	1,054,508
Variation in inventories		**550,433**	851,146	**149,518**	(896,380)
Variation in prepaid expenses		**81,030**	323,557	**(326,733)**	(495,952)
Variation in accounts payable and accrued liabilities		**(1,309,389)**	(1,118,664)	**(4,332,940)**	(4,522,628)
Variation in provisions		**(8,562)**	26,607	**(222,579)**	(388,479)
Variation in income tax payable		**(154,173)**	851,010	**(3,388,983)**	1,786,804
Change in accrued pension benefit liability		**(862,000)**	(819,600)	**(2,195,000)**	(2,415,300)
Change in other post-retirement benefit obligation		**(11,900)**	(11,800)	**(35,700)**	(35,100)
Net cash flows from operating activities		**1,846,388**	6,902,096	**4,824,903**	9,463,011
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(577,316)**	(1,524,805)	**(1,789,627)**	(3,483,551)
Proceeds from sale of property, plant and equipment		**88,578**	35,616	**107,417**	182,305
Proceeds from sale of assets held for sale		**—**	71,382	**—**	5,677,450
Net cash flows (used in) from investing activities		**(488,738)**	(1,417,807)	**(1,682,210)**	2,376,204
FINANCING ACTIVITIES					
Proceeds from (repayment of) revolving credit facility		**500,000**	(2,662,819)	**2,000,000**	2,664,808
Repayment of term credit facility		**(1,250,000)**	(1,875,000)	**(3,750,000)**	(12,540,489)
Dividends paid	**7**	**(878,210)**	(878,933)	**(2,636,076)**	(1,757,866)
Financing cost incurred		**—**	—	**(50,891)**	—
Purchase of share capital for cancellation	**9**	**(114,362)**	—	**(122,412)**	—
Distributions paid on Fund units		**—**	—	**—**	(292,978)
Net cash flows used in financing activities		**(1,742,572)**	(5,416,752)	**(4,559,379)**	(11,926,525)
Net change in cash		**(384,922)**	67,537	**(1,416,686)**	(87,310)
Net foreign exchange difference		**19,506**	(66,649)	**20,676**	(42,190)
Cash, beginning of period		**1,575,738**	18,486	**2,606,332**	148,874
Cash, ending of period		**1,210,322**	19,374	**1,210,322**	19,374
Supplemental information [(1)]					
Interest paid		**701,281**	603,934	**2,017,333**	2,430,826
Interest received		**1,912**	268	**4,587**	4,645
Income taxes paid		**1,199,727**	246,877	**6,110,442**	1,331,531
Income taxes received		**141,050**	—	**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

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 Company is the successor to Supremex Income Fund (the "Fund") following the completion of the conversion of the Fund from an income trust to a corporation, on January 1, 2011 (the "Effective Date").

On May 7, 2010, the unitholders of the Fund approved the plan of arrangement (the "Arrangement") pursuant to which the Fund converted from an income trust structure to a public corporation named Supremex Inc. The final order of the Superior Court of Québec with respect to the Arrangement was obtained on May 10, 2010.

Under the Arrangement, unitholders of the Fund received, for each unit of the Fund held, one common share of Supremex.

The Arrangement has been accounted for as a continuity of interests of the Fund since Supremex continues to operate the business of the Fund and there are no ownership changes. Under the continuity of interest method of accounting, the transfer of the assets, liabilities and equity of the Fund to Supremex is recorded at the net book value as at the Effective Date of transaction. As a result, for accounting purposes, the transaction is required to be accounted for as though the Company was a continuation of the Fund but with its capital reflecting the exchange of Fund units for Supremex common shares. Therefore, certain terms such as shareholder/unitholder, dividend/distribution and share/unit may be used interchangeably throughout these consolidated financial statements. For the periods reported up to the Effective Date of the conversion, all payments to unitholders were in the form of fund unit distributions, and after that date all payments to shareholders were in the form of dividends.

Any references to the Fund for periods after January 1, 2011, shall mean Supremex Inc. as a successor of the Fund. References to "Company", "share", "dividends" and "shareholders" means "fund", "unit", "distributions" and "unitholders" for transactions that occurred before the conversion of the Fund into a corporation.

Pursuant to the Arrangement, the stated capital for the common shares was reduced to an amount of $10 million as of the Effective Date.

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to seasonal advertising and mailing patters 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, 2012 are not necessarily indicative of the revenue and performance that may be expected for a full year.

1. CORPORATE INFORMATION AND BASIS OF PREPARATION [Cont'd]

These unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 8, 2012 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, 2011, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). 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, 2011.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2013 or later periods. The standards impacted that are applicable to the Company are 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.

- IFRS 10, *Consolidated Financial Statements*
  In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements* ("IFRS 10"). IFRS 10, which replaces SIC-12, *Consolidation – Special Purpose Entities* and part of IAS 27, *Consolidated and Separate Financial Statements*, provides additional guidance regarding the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

- IFRS 12, *Disclosure of Interests in Other Entities*
  In May 2011, the IASB issued IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12"). IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- IFRS 13, *Fair Value Measurement*
  In May 2011, the IASB issued IFRS 13, *Fair Value Measurement* ("IFRS 13"). IFRS 13 will improve 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.

2. RECENT ACCOUNTING PRONOUNCEMENTS [Cont'd]

- 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 will improve 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 will improve the recognition and disclosure requirements for defined benefits plans.

These new standards are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. However, in December 2011, the IASB has postponed the mandatory application of IFRS 9, *Financial Instruments,* to January 1, 2015.

- IAS 32, *Financial Instruments: Presentation*
  In December 2011, the IASB issued amendments to IAS 32, *Financial Instruments: Presentation* ("IAS 32") clarifying the requirements for offsetting financial assets and liabilities. The amendments shall be applied to annual periods beginning on or after January 1, 2014. The IASB also issued amendments to IFRS 7, *Financial Instruments: Disclosure* ("IFRS 7") improving disclosure on offsetting of financial assets and liabilities. These amendments shall be applied to annual and interim periods beginning on or after January 1, 2013.

The Company is assessing the impact of these new standards on its consolidated financial statements.

3. INVENTORIES

	September 30, 2012	**December 31, 2011**
	$	**$**
Raw materials	**2,792,404**	3,060,489
Work in progress	**196,042**	227,185
Finished goods	**9,965,228**	9,815,518
	12,953,674	13,103,192

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, 2012 are $21,762,027 and $70,272,399 [2011 - $24,430,787 and $75,533,227].

4. IMPAIRMENT OF GOODWILL

During the third quarter of 2012, several new indicators have shown that the volume decrease in North America’s envelope industry was higher than expected and that this decline is expected to continue in the upcoming years. This deterioration is particularly confirmed by the larger than expected decline in demand for uncoated fine paper; decline that has accelerated since June 2012. Negotiations and discussions with key customers in the third quarter have also shown to be a permanent reduction of their needs, some have even recently announced the abandonment of the use of envelopes for a portion of their activities.

Therefore, the Company has had to revise its business plan and perform a goodwill impairment test as at September 30, 2012. The Company has concluded that the recoverable value of the Company’s only cash-generating unit, determined on the basis of value in use, was less than its carrying value and a goodwill impairment charge of $28.9 million was recorded in the third quarter of 2012. The Company used a discount rate before taxes of 15.6% to determine its recoverable value.

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 September 30, 2012, the amount of the remaining accrued restructuring provision was $0.4 million ($0.5 million as at December 31, 2011). This amount is related to deferred severance for employees on long-term disability and is payable on demand.

The Company incurred additional expenses during 2011 in the form of severances and other costs as a result of the restructuring to the Toronto and Montreal operations. The remaining balance, as at December 31, 2011, of $0.2 million of these expenses was paid during the first quarter of 2012.

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

	September 30, 2012 $	**December 31, 2011 $**
Balance, beginning of period	**656,567**	931,297
Restructuring expenses charged against earnings	**—**	1,089,401
Cash payments	**(222,579)**	(1,364,131)
Balance, end of period	**433,988**	656,567

6. SECURED CREDIT FACILITIES

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

	September 30, 2012 $	December 31, 2011 $
Revolving credit facility	**7,000,000**	5,000,000
Term credit facility	**46,250,000**	50,000,000
Less: deferred financing costs, net	**(701,260)**	(823,066)
	52,548,740	54,176,934
Current portion	**(5,000,000)**	(5,000,000)
Long-term portion of secured credit facilities	**47,548,740**	49,176,934

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, 2012. The secured credit facilities are collateralized by hypothec and security interests covering all present and future assets of the Company and its subsidiaries.

Minimum required payments on secured credit facilities are as follows:

	$
2012	1,250,000
2013	5,000,000
2014	5,000,000
2015	42,000,000

As at September 30, 2012, the interest rate on the revolving and term credit facilities was 3.54% (3.53% as at December 31, 2011). 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,	
	2012 $	2011 $	2012 $	2011 $
Interest on secured credit facilities	**663,703**	807,408	**1,988,997**	2,527,760
Other interest	**15,568**	3,784	**25,232**	8,045
Amortization of deferred financing costs	**56,859**	211,502	**172,697**	634,507
(Gain) loss on valuation of derivative financial instrument (interest rate swap)	**(130,592)**	1,147,209	**(388,393)**	1,812,270
	605,538	2,169,903	**1,798,533**	4,982,582

7. DIVIDENDS

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**

8. EMPLOYEE DEFINED BENEFIT PLANS

The Company's total benefit cost for the pension plans was a revenue of $75,300 and a cost of $1,486,600 for the three and nine-month periods ended September 30, 2012 [2011 – cost of $499,600 and $1,594,600]. During the third quarter of 2012, the Company converted, for future service, its defined benefit pension plans into defined contributions plans.

9. SHARE CAPITAL

The change in share capital and fund units was as follows:

	Supremex Income Fund		**Supremex Inc.**	
	Number of units	**Fund units $**	**Number of common shares**	**Share capital $**
Balance, as of December 31, 2010	29,297,767	282,798,322	—	—
Conversion into a corporation [note 1]	(29,297,767)	(282,798,322)	29,297,767	10,000,000
Balance, as of December 31, 2011	—	—	29,297,767	10,000,000
Purchase of share capital for cancellation	—	—	(76,000)	(25,941)
Balance, as of September 30, 2012	—	—	**29,221,767**	**9,974,059**

On January 1, 2011, all the outstanding units of the Fund were exchanged for common shares of Supremex on a one-for-one basis [see note 1].

Pursuant to the normal course issuer bid, which began on December 5, 2011, the Company could purchase for cancellation up to 1,500,000 common shares until December 4, 2012. During the three and nine-month periods ended September 30, 2012, the Company purchased for cancellation 71,000 common shares and 76,000 common shares at a price ranging from $1.60 to $1.62 per common share. The excess of the cost of the common shares over their average book value was accounted for as a reduction of contributed surplus.

10. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to $96,901,040 in Canada and $853,663 in the United States as at September 30, 2012 [$130,876,557 and $1,002,270, respectively, as at December 31, 2011]. The Company's revenue amounted to $27,889,063 and $89,433,994 in Canada and $2,814,227 and $8,704,349 in the United States for the three and nine-month periods ended September 30, 2012 based on customer location [2011 - $31,157,201 and $98,417,972 in Canada and $2,866,803 and $8,774,833 in the United States, respectively].

11. SUBSEQUENT EVENTS

On November 8, 2012, the Board of Directors has declared a quarterly dividend of $0.03 per common share, payable on December 17, 2012 to shareholders of record at the close of business on November 30, 2012.