



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2012**

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated May 7, 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-month period ended March 31, 2012. 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, 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-month period ended March 31, 2012. The consolidated financial statements for the three-month period ended March 31, 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 600 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

EBITDA for the first quarter of 2012 was \$6.4 million compared with \$7.9 million recorded for the first quarter of 2011. Revenue in the first quarter of 2012 amounted to \$35.6 million compared with \$39.1 million in the first quarter of 2011, representing a decrease of \$3.5 million or 8.9%. In the first quarter, total volume was down by 8.7% mainly due to the lower volume in Canada. The Canadian volume was down 10.1%, with a significant reduction of volume from the government and form resellers markets. Sales revenue in the United States was relatively stable, despite a strong Canadian dollar.

The Company is controlling its costs and has been reducing them in correlation with the reduced volume. The Company is benefiting from the savings related to the closure of the Notre-Dame facility. The selling, general and administrative expenses are down by 11.0% compared with the first quarter of 2011.

Due to various payments made only once a year and their negative impacts on working capital, the first quarter is rarely generating significant amounts of net free cash flow. During the first quarter of 2012, total net debt decreased by \$0.8 million. The Total Debt to EBITDA ratio at the end of the first quarter of 2012 was below 2 times, which is in accordance with the Company's goal.

The dividend payout ratio stands at 20.5% of the net cash generated, defined as EBITDA less capital expenditures, interest and income tax expense.

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, 2010 to March 31, 2012.

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

	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	35,604	36,699	34,024	34,068	39,101	40,246	36,407	35,231
EBITDA ⁽¹⁾	6,413	7,432	6,486	6,638	7,893	7,839	7,215	6,008
Earnings before income taxes	3,755	3,960	1,520	2,037	3,995	3,614	3,461	137
Net earnings	2,716	2,950	1,040	1,452	2,873	2,910	2,692	143
Net earnings per share/unit	0.0927	0.1007	0.0355	0.0496	0.0980	0.0993	0.0919	0.0049

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 lower earnings before income taxes and net earnings for the three-month period ended June 30, 2010 is explained by the restructuring expenses and the additional amortization expense recorded following the announcement of the restructuring of the Toronto operations.

Selected Consolidated Financial Information

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

	Three-month periods ended March 31,	
	2012	2011
	\$	\$
Revenue	35,604	39,101
Operating expenses	24,606	25,840
Selling, general and administrative expenses	4,585	5,149
Restructuring expenses ⁽¹⁾	—	219
EBITDA ⁽²⁾	6,413	7,893
Amortization of property, plant and equipment	845	1,162
Amortization of intangible assets	1,541	1,541
Loss on disposal of property, plant and equipment	9	26
Operating earnings	4,018	5,164
Financing charges	262	1,169
Earnings before income taxes	3,756	3,995
Income taxes expenses	1,040	1,122
Net earnings	2,716	2,873
Basic and diluted net earnings per share	0.0927	0.0980
Dividend declared per share	0.0300	0.0300
Total assets	163,128	172,676
Secured credit facilities	53,459	65,865

⁽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 March 31, 2012 compared with three-month period ended March 31, 2011

Revenue

Revenue for the three-month period ended March 31, 2012 amounted to \$35.6 million compared with \$39.1 million for the three-month period ended March 31, 2011, a decrease of \$3.5 million or 8.9%. The decrease in revenue is mainly attributable to the lower number of units sold in Canada.

Sales revenue in Canada decreased by \$3.8 million or 10.4%, from \$36.2 million to \$32.4 million, and sales revenue in the United States increased by \$0.3 million or 8.9%, from \$2.9 million to \$3.2 million.

The decrease in sales revenue in Canada was driven by a 10.1% decrease in the number of units sold combined with a 0.3% decrease in the average selling price. The decrease in the number of units sold was mainly seen in the government and form resellers markets.

The increase in sales revenue in the United States was due to a 0.9% increase in the number of units sold combined with a 7.9% increase in the average selling price. 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 March 31, 2012 amounted to \$24.6 million compared with \$25.8 million for the same period in 2011, a decrease of 1.2 million or 4.8%. The impact of the reduced volume mainly explains the decrease in operating expenses.

Gross profit (revenue less operating expenses excluding amortization of property, plant and equipment) was \$11.0 million for the three-month period ended March 31, 2012 compared with \$13.3 million for the comparable period in 2011, a decrease of \$2.3 million or 17.1%. As a percentage of sales, gross profit decreased by 3.0% in 2012 to reach 30.9% compared with 33.9% in 2011.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled \$4.6 million for the three-month period ended March 31, 2012 compared with \$5.1 million for the same period in 2011, a decrease of \$0.5 million or 11.0% mainly due to reduced compensation and bad debt expense.

EBITDA

As a result of the changes described above, EBITDA was \$6.4 million for the three-month period ended March 31, 2012 compared with \$7.9 million for the same period in 2011, a decrease of \$1.5 million or 18.8%.

Amortization

Aggregate amortization expense for the three-month period ended March 31, 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 27.3%. 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 March 31, 2012 amounted to \$0.3 million compared with \$1.2 million for the same period in 2011, representing a decrease of \$0.9 million or 77.6%, resulting from the gain on valuation of derivative financial instruments, the lower amortization of deferred financing costs following the credit facilities renewal 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 \$3.8 million for the three-month period ended March 31, 2012 compared with \$4.0 million for the same period in 2011, a decrease of \$0.2 million or 6.0%.

Provision for income taxes

During the three-month period ended March 31, 2012, the Company recorded a provision for income taxes of \$1.0 million compared with \$1.1 million for the three-month period ended March 31, 2011, a decrease of \$0.1 million or 9.1% due to the lower earnings.

Net earnings

As a result of the changes described above, net earnings amounted to \$2.7 million for the three-month period ended March 31, 2012 compared with \$2.9 million for the same period in 2011, a decrease of \$0.2 million or 5.5%.

Other comprehensive loss

The decrease of the discount rate for accrued benefit obligation of the Company's deferred benefit pension plan partially offset by the higher than expected return on plan assets have generated net actuarial losses by \$0.2 million. These variations impacted the Company's other comprehensive loss and the 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 \$128.9 million in Canada and \$0.9 million in the United States as at March 31, 2012.

In Canada, the Company's revenue amounted to \$32.4 million for the three-month period ended March 31, 2012 compared with \$36.2 million for the same period in 2011, representing a decrease of \$3.8 million or 10.4%. In the United States, the Company's revenue amounted to \$3.2 million for the three-month period ended March 31, 2012 compared with \$2.9 million for the same period in 2011, representing an increase of \$0.3 million or 8.9%.

Liquidity and Capital Resources

Operating activities

Cash of \$1.1 million was generated from operating activities during the three-month period ended March 31, 2012 compared with cash used of \$1.0 million during the same period of 2011. The increase in net cash flows from operating activities is primarily due to an increase in net change in non-cash working capital balances offset by the gain on valuation of derivative financial instruments. The higher non-cash working capital level as at March 31, 2012, as compared to December 31, 2011, resulted mainly from the decrease in accounts payable and accrued liabilities following the payment of the annual incentive programs and other payments.

Investing activities

Cash used in investing activities of \$0.4 million during the three-month period ended March 31, 2012 was mainly related to the acquisition of property, plant and equipment. In the prior-year period, cash of \$4.5 million was generated by the sale of the Markham facility partially offset by acquisition of property, plant and equipment.

Financing activities

In the three-month period ended March 31, 2012, cash of \$1.7 million was used in financing activities for the repayment of the term credit facilities and the payment of dividends. Similarly, in prior-year period, \$3.7 million was used in financing activities for repayments on the revolving and term credit facilities and the payment of distributions on Fund units.

Liquidity and capital resources summary

Our ability to generate cash flows from operations combined with our ability to obtain debt financing 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)

	March 31, 2012	December 31, 2011
	\$	\$
Working capital	7,888	5,825
Total assets	163,128	166,841
Total secured credit facilities	53,459	54,177
Equity	66,285	64,667

The Company was in compliance with the covenants of its credit facilities as at March 31, 2012.

Supremex pays quarterly dividends to shareholders at the discretion of the Board of Directors. A dividend of \$878,933 or \$0.03 per share was declared and paid in the first quarter of 2012.

Capitalization

As at May 7, 2012, the Company had 29,297,767 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-month period ended March 31, 2012, the Company did not purchase any shares for cancellation.

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 way 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) and 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, 2012, the Company's CEO and CFO have certified that the disclosure controls and procedures are effective and that, during the three-month period ended March 31, 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 2011, the IASB has issued a proposal to postpone the mandatory application of IFRS 9, *Financial Instruments*, to January 1, 2015. The Company is assessing the impact of these new standards on its consolidated financial statements.

Recent Event

On May 7, 2012, the Board of Directors has declared a quarterly dividend of \$0.03 per Common Share, payable on June 15, 2012 to shareholders of record at the close of business on May 31, 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 earnings before financing charges, income taxes, amortization of property, plant and equipment and of intangible assets and loss on disposal of property, plant and equipment.

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, 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		March 31, 2012	December 31, 2011
[Unaudited]	Notes	\$	\$
ASSETS			
Current assets			
Cash		1,652,328	2,606,332
Accounts receivable		17,607,382	18,740,499
Inventories	3	13,133,508	13,103,192
Prepaid expenses		907,653	512,584
Total current assets		33,300,871	34,962,607
Property, plant and equipment	4	29,017,662	29,528,673
Intangible assets		25,058,054	26,599,029
Goodwill		75,751,125	75,751,125
Total assets		163,127,712	166,841,434
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		15,644,756	19,990,280
Provisions	5	457,338	656,567
Income tax payable		4,310,654	3,490,996
Current portion of secured credit facilities	6	5,000,000	5,000,000
Total current liabilities		25,412,748	29,137,843
Secured credit facilities	6	48,459,156	49,176,934
Deferred income tax liabilities	7	2,055,277	2,182,392
Accrued pension benefit liability	9	18,944,800	19,251,100
Other post-retirement benefit obligations		647,800	649,600
Derivative financial liability		1,322,665	1,776,293
Equity			
Share capital		10,000,000	10,000,000
Contributed surplus		280,423,746	280,423,746
Deficit		(224,054,535)	(225,680,313)
Accumulated other comprehensive loss		(83,945)	(76,161)
Total equity		66,285,266	64,667,272
Total liabilities and equity		163,127,712	166,841,434

Subsequent event (note 11)

See accompanying notes

On behalf of the Directors:

By: _____
Director

By: _____
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended March 31		2012	2011
[Unaudited]	Notes	\$	\$
Revenue		35,603,741	39,100,587
Operating expenses	3	24,605,863	25,839,684
Selling, general and administrative expenses		4,585,138	5,149,488
Operating earnings before amortization, loss on disposal of property, plant and equipment and restructuring expenses		6,412,740	8,111,415
Amortization of property, plant and equipment		845,326	1,162,186
Amortization of intangible assets		1,540,975	1,540,975
Loss on disposal of property, plant and equipment	4	9,469	26,181
Restructuring expenses	5	—	218,429
Operating earnings		4,016,970	5,163,644
Financing charges	6	261,616	1,169,038
Earnings before income taxes		3,755,354	3,994,606
Income tax expense	7	1,039,733	1,122,311
Net earnings		2,715,621	2,872,295
Basic and diluted net earnings per share		0.0927	0.0980
Weighted average number of shares outstanding		29,297,767	29,297,767

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31	2012	2011
[Unaudited]	\$	\$
Net earnings	2,715,621	2,872,295
Other comprehensive loss		
Recognized actuarial loss on defined benefit pension plans, net of income tax recovery of \$70,445 [2011 - \$616,129]	(203,555)	(1,786,871)
Recognized actuarial (loss) gain on other post-retirement benefit, net of income tax recovery of \$2,545 [2011 – expense of \$2,385]	(7,355)	6,915
Foreign currency translation adjustments	(7,784)	(5,517)
Other comprehensive loss	(218,694)	(1,785,473)
Total comprehensive income	2,496,927	1,086,822

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31

[Unaudited]

	Share capital [note 1] \$	Fund units [note 1] \$	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 earnings	—	—	—	2,715,621	—	2,715,621
Other comprehensive loss	—	—	—	(210,910)	(7,784)	(218,694)
Total comprehensive income	—	—	—	2,504,711	(7,784)	2,496,927
Dividends declared [note 8]	—	—	—	(878,933)	—	(878,933)
As at March 31, 2012	10,000,000	—	280,423,746	(224,054,535)	(83,945)	66,285,266
As at December 31, 2010	—	282,798,322	7,625,424	(219,511,314)	(83,679)	70,828,753
Net earnings	—	—	—	2,872,295	—	2,872,295
Other comprehensive loss	—	—	—	(1,779,956)	(5,517)	(1,785,473)
Total comprehensive income	—	—	—	1,092,339	(5,517)	1,086,822
Conversion into a corporation	282,798,322	(282,798,322)	—	—	—	—
Reduction of stated capital	(272,798,322)	—	272,798,322	—	—	—
Dividends declared	—	—	—	(878,933)	—	(878,933)
As at March 31, 2011	10,000,000	—	280,423,746	(219,297,908)	(89,196)	71,036,642

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three-month periods ended March 31		2012	2011
[Unaudited]	Notes	\$	\$
OPERATING ACTIVITIES			
Net earnings		2,715,621	2,872,295
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment		845,326	1,162,186
Amortization of intangible assets		1,540,975	1,540,975
Amortization of deferred financing costs	6	56,173	211,502
Loss on disposal of property, plant and equipment	4	9,469	26,181
(Gain) loss on valuation of derivative financial instruments	6	(453,628)	58,970
Deferred income tax (recovery) expense	7	(54,125)	32,819
Working capital adjustments			
Variation in accounts receivable		1,133,117	(1,120,308)
Variation in inventories		(30,316)	(1,264,969)
Variation in prepaid expenses		(395,069)	(729,224)
Variation in accounts payable and accrued liabilities		(4,345,524)	(2,905,660)
Variation in provisions		(199,229)	(304,158)
Variation in income tax payable		819,658	245,374
Change in accrued pension benefit liability		(580,300)	(798,100)
Change in other post-retirement benefit obligation		(11,700)	(11,700)
Net cash flows from (used in) operating activities		1,050,448	(983,817)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	4	(374,084)	(1,056,434)
Proceeds from sale of property, plant and equipment	4	10,000	32,562
Proceeds from sale of assets held for sale		—	5,548,000
Net cash flows (used in) from investing activities		(364,084)	4,524,128
FINANCING ACTIVITIES			
Proceeds (repayment of) from revolving credit facility		500,000	(1,541,270)
Repayment of term credit facility		(1,250,000)	(1,875,000)
Dividends paid	8	(878,933)	—
Financing cost incurred		(23,951)	—
Distributions paid on Fund units		—	(292,978)
Net cash flows used in financing activities		(1,652,884)	(3,709,248)
Net change in cash		(966,520)	(168,937)
Net foreign exchange difference		12,516	20,063
Cash, beginning of period		2,606,332	148,874
Cash, ending of period		1,652,328	—
Supplemental information ⁽¹⁾			
Interest paid		635,983	1,021,031
Interest received		1,692	3,483
Income taxes paid		274,264	844,230

⁽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

Supremex Inc

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

[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 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 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 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 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, 2012 are not necessarily indicative of the revenue and performance that may be expected for a full year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

[Unaudited]

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 May 7, 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*. 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.

Supremex Inc

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

[Unaudited]

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 2011, the IASB has issued a proposal to postpone the mandatory application of IFRS 9, *Financial Instruments*, to January 1, 2015. The Company is assessing the impact of these new standards on its consolidated financial statements.

3. INVENTORIES

	March 31, 2012	December 31, 2011
	\$	\$
Raw materials	2,849,430	3,060,489
Work in progress	218,541	227,185
Finished goods	10,065,537	9,815,518
	13,133,508	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-month period ended March 31, 2012 is \$25,400,221 [2011 - \$26,949,460].

4. PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended March 31, 2012, the Company acquired property, plant and equipment with a cost of \$374,084 [2011 – 1,056,434].

Assets (other than those classified as assets held for sale) with a net book value of \$19,469 were disposed of by the Company during the three-month period ended March 31, 2012 [2011 - 38,743], resulting in a net loss on disposal of \$9,469 [2011 – 6,181].

Assets held for sale with a net book value of \$5,568,000 were disposed by the Company during the three-month period ended March 31, 2011, resulting in a net loss on disposal of \$20,000.

Supremex Inc

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

[Unaudited]

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, 2012 and December 31, 2011 the amount of the remaining accrued restructuring provision was \$0.5 million. 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 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.

	March 31, 2012	December 31, 2011
	\$	\$
Balance, beginning of period	656,567	931,297
Restructuring expenses charged against earnings	—	1,089,401
Cash payments	(199,229)	(1,364,131)
Balance, end of period	457,338	656,567

6. SECURED CREDIT FACILITIES

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

	March 31, 2012	December 31, 2011
	\$	\$
Revolving credit facility	5,500,000	5,000,000
Term credit facility	48,750,000	50,000,000
Less: deferred financing costs, net	(790,844)	(823,066)
	53,459,156	54,176,934
Current portion	(5,000,000)	(5,000,000)
Long-term portion of secured credit facilities	48,459,156	49,176,934

Supremex Inc**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****March 31, 2012 and 2011****[Unaudited]****6. SECURED CREDIT FACILITIES [Cont'd]**

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

As at March 31, 2012, the interest rate on the revolving and term credit facilities was 3.53% (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 March 31,	
	2012	2011
	\$	\$
Interest on secured credit facilities	654,983	897,575
Other interest	4,088	991
Amortization of deferred financing costs	56,173	211,502
(Gain) loss on valuation of derivative financial instrument (interest rate swap)	(453,628)	58,970
	261,616	1,169,038

Supremex Inc

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

[Unaudited]

7. INCOME TAXES

Income tax expense

The major components of income tax expense recognized in the consolidated statement of earnings were as follows:

	Three-month periods ended March 31,	
	2012	2011
	\$	\$
Current income tax:		
Current income tax expense	1,093,858	1,089,492
Deferred income tax:		
Origination and (reversal) of temporary differences	(54,125)	32,819
Income tax expense	1,039,733	1,122,311

Income taxes on items recognized in other comprehensive loss were as follows:

	Three-month periods ended March 31,	
	2012	2011
	\$	\$
Deferred income tax related to items credited directly to equity during the period:		
Deferred tax benefit on recognized actuarial loss on defined benefit pension plans	(70,445)	(616,129)
Deferred tax (benefit) expense on recognized actuarial (loss) gain on other post-retirement benefit	(2,545)	2,385
Income tax benefit charged to other comprehensive loss	(72,990)	(613,744)

The income tax expense differs from the expense that would be obtained by applying the combined Canadian income tax (federal and provincial) as follows:

	Three-month periods ended March 31,	
	2012	2011
	\$	\$
Earnings before income taxes	3,755,354	3,994,606
Income tax expense at combined federal and provincial statutory rate of 27.40% [2011 – 27.16%]	1,028,966	1,084,935
Effect of change in enacted tax rates	3,674	(447)
Non-deductible expenses and other	7,093	37,823
Income tax expense	1,039,733	1,122,311

Supremex Inc

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2012 and 2011

[Unaudited]

7. INCOME TAXES [Cont'd]

Reconciliation of net deferred tax liabilities

	March 31, 2012 \$	December 31, 2011 \$
Balance – beginning of the period	2,182,392	7,376,780
Tax recovery during the period recognized in the consolidated statement of earnings	(54,125)	(1,092,562)
Tax benefit recognized in other comprehensive loss	(72,990)	(4,101,826)
Balance – end of period	2,055,277	2,182,392

8. DIVIDENDS

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

9. EMPLOYEE DEFINED BENEFIT PLANS

The Company's total benefit cost for the pension plans was \$915,100 for the three-month period ended March 31, 2012 [2011 - \$606,900].

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 \$128,883,228 in Canada and \$943,613 in the United States as at March 31, 2012 [\$130,876,557 and \$1,002,270, respectively, as at December 31, 2011]. The Company's revenue amounted to \$32,433,618 in Canada and \$3,170,123 in the United States for the three-month period ended March 31, 2012 based on customer location [2011 - \$36,188,256 in Canada and \$2,912,331 in the United States, respectively].

11. SUBSEQUENT EVENT

On May 7, 2012, the Board of Directors has declared a quarterly dividend of \$0.03 per Common Share, payable on June 15, 2012 to shareholders of record at the close of business on May 31, 2012.