MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated November 8, 2018, of Supremex Inc. ("Supremex" or the "Company") should be read together with the accompanying unaudited interim consolidated financial statements and related notes of the Company for the three and nine-month periods ended September 30, 2018. These condensed 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, 2017. 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, 2018. The consolidated financial statements for the three and nine-month periods ended September 30, 2018 have not been audited or reviewed by the Company's auditors.

The Company's shares are traded on the Toronto Stock Exchange under the symbol SXP. Additional information on Supremex may be found on SEDAR at www.sedar.com *and on the Company's website* at www.supremex.com.

This MD&A contains forward-looking information. Please see "Forward-Looking Information" for a discussion of the risks, uncertainties and assumptions relating to these statements. This MD&A contains certain other non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "Adjusted EBITDA" and "Adjusted Net Earnings". 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 "Non IFRS measures: Definition of Adjusted EBITDA and Adjusted Net Earnings and "Reconciliation of Net Earnings to Adjusted EBITDA" and "Reconciliation of Net Earnings to Adjusted Net Earnings".

Business Overview

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions. Supremex operates 12 facilities across seven provinces in Canada and three facilities in the United States employing approximately 830 people. Supremex' growing footprint allows it to efficiently manufacture and distribute paper and packaging solutions designed to the specifications of major national and multinational corporations, resellers, government entities, SMEs and solutions providers.

The Company manufactures a broad range of stock and custom envelopes in an array of styles, shapes and colours, which allows it to offer a high degree of flexibility and customization. It also manufactures and distributes a diverse range of packaging and specialty products, including corrugated boxes and high quality folding carton packaging. Other packaging and specialty products include the Conformer Products®, polyethylene bags for courier applications, bubble mailers, Enviro-logiX and Tyvek and other related products such as protective envelopes, X-ray envelopes, medical and file folders, repositionable notes, membership cards as well as labelling products.

Third Quarter Financial Highlights and Recent Events

- Revenue up by 4.0% year-over-year, to $45.2 million from $43.4 million.
- Revenue from packaging and specialty products now account for 28.7% of sales, up from 21.6% in the third quarter of 2017.
- Adjusted EBITDA[1] at $5.0 million, compared with $6.4 million.
- Net Earnings decreased to $1.2 million (or $0.04 per share) compared with $3.2 million (or $0.11 per share) partly from an acceleration of $1.1 million earnout expense. Adjusted Net Earnings[1] decreased by 40.7% to $2.1 million.
- Approved a quarterly dividend of $0.065 per share, equivalent to the same period of last year.
- Purchased a total of 25,000 common shares for cancellation under the Normal Course Issuer Bid ("NCIB") program, for total consideration of $82,506.

Declaration of Dividend

On November 8, 2018, the Board of Directors declared a quarterly dividend of $0.065 per common share, payable on January 16, 2019, to the shareholders of record at the close of business on December 31, 2018. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

Rotating Labor Strike at Canada Post

After months of negotiation and speculation, on October 16, 2018, Canada Post announced that The Canadian Union of Postal Workers (CUPW) could commence strike action as early as midnight on Monday, October 22, 2018. On October 21, 2018 the CUPW gave its first notice of rotating strike affecting major cities in the Country. According to releases by Canada Post, the Crown corporation will remain open for business, continuing to operate if the union decides to conduct rotating strikes across the country and remains committed to arriving at a negotiated settlement with CUPW. In anticipation of this situation, some of Supremex's customers have been pursuing electronic fulfilment alternatives and suspending or cancelling direct mail programs. At this stage, it is too early to assess the impact on overall volumes in Q3 and subsequent quarters.

[1] Refer to the reconciliation of Net Earnings to Adjusted EBITDA and to the definition of Adjusted EBITDA and Adjusted Net Earnings in section Non-IFRS Measures.

Summary of Financial Information and Non-IFRS Measures

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	
	2018	**2017**	**2018**	**2017**
Revenue	**45,158**	43,424	**140,937**	129,722
Operating expenses	**33,955**	31,238	**105,509**	94,210
Selling, general and administrative expenses	**7,342**	6,081	**19,311**	17,115
Operating earnings before amortization and (gain) loss on disposal of property, plant and equipment	**3,861**	6,105	**16,117**	18,397
Amortization of property, plant and equipment	**1,035**	1,048	**3,009**	2,688
Amortization of intangible assets	**557**	430	**1,500**	1,185
(Gain) loss on disposal of property, plant and equipment	**(203)**	76	**(777)**	75
Operating earnings	**2,472**	4,551	**12,385**	14,449
Financing charges, net	**477**	313	**1,284**	679
Earnings before income taxes	**1,995**	4,238	**11,101**	13,770
Income tax expense	**842**	1,024	**3,468**	3,641
Net earnings	**1,153**	3,214	**7,633**	10,129
Basic and diluted net earnings per share	**0.04**	0.11	**0.27**	0.35
Dividend declared per share	**0.065**	0.060	**0.195**	0.180

Revenue Information

(In millions of dollars)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	**2017**	**2018**	**2017**
Canadian Envelope	**21.2**	24.0	**69.0**	76.6
Volume variation	**-14.6%**	1.9%	**-12.1%**	-6.5%
Average selling price variation	**3.6%**	-2.3%	**2.5%**	0.0%
Total variation	**-11.5%**	-0.5%	**-9.9%**	-6.5%
U.S. Envelope	**11.0**	10.0	**30.8**	31.4
Volume variation	**-5.4%**	6.3%	**-6.6%**	15.3%
Average selling price variation (in CAD)	**15.7%**	-4.3%	**5.0%**	-0.1%
Total variation	**9.4%**	1.7%	**-1.9%**	15.2%
Packaging & Specialty Products				
Canada & U.S.	**13.0**	9.4	**41.1**	21.7
Total variation	**37.7%**	271.0%	**89.7%**	173.2%
Total Revenue	**45.2**	43.4	**140.9**	129.7
Revenue variation	**4.0%**	18.9%	**8.7%**	10.7%

Reconciliation of Net Earnings to Adjusted EBITDA
(In thousands of dollars)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	**2017**	**2018**	**2017**
Net Earnings	**1,153**	3,214	**7,633**	10,129
Income tax expense	**842**	1,024	**3,468**	3,641
Financing charges, net	**477**	313	**1,284**	679
Amortization of property, plant and equipment	**1,035**	1,048	**3,009**	2,688
Amortization of intangible assets	**557**	430	**1,500**	1,185
EBITDA	**4,064**	6,029	**16,894**	18,322
(Gain) loss on disposal of property, plant and equipment	**(203)**	76	**(777)**	75
Provision for contingent remuneration related to business combinations	**1,111**	250	**1,623**	250
Adjusted EBITDA(1)	**4,972**	6,355	**17,740**	18,647

(1) Refer to "Definition of Adjusted EBITDA in section Non-IFRS measures"

Reconciliation of Net Earnings to Adjusted Net Earnings
(In thousands of dollars)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	**2017**	**2018**	**2017**
Net Earnings	**1,153**	3,214	**7,633**	10,129
Adjustments				
Plus : (Gain) loss on disposal of property, plant and equipment, net of income taxes	**(203)**	76	**(624)**	74
Plus : Provision for contingent remuneration related to business combinations	**1,111**	185	**1,623**	185
Adjusted Net Earnings (1)	**2,061**	3,475	**8,632**	10,388

(1) Refer to "Definition of Adjusted Net Earnings in section Non-IFRS measures"

Results of Operations

Three-month period ended September 30, 2018, compared with the three-month period ended September 30, 2017

Revenue

Revenue for the three-month period ended September 30, 2018, increased by 4.0% or $1.8 million, reaching $45.2 million compared to $43.4 million during the three-month period ended September 30, 2017. Revenue growth comes primarily from packaging and specialty products, which now represents 28.7% of the Company's revenues in the quarter.

Revenue from the Canadian envelope market was $21.2 million, a decrease of 11.5% or $2.8 million from $24.0 million recorded during the third quarter of 2017. Volume declined by 14.6%, primarily as a result of the combined effects of industry-wide secular decline, Q3 and Q4 2017 customer movement and pricing decisions aligned with the Company's strategy to maintain a disciplined market approach with price leadership and differentiation. Average selling prices increased by 3.6% mitigating some of the effect of significant input cost inflation. For reference, Canada Post Transactional Mail volumes were down 5.9% during their second quarter ended June 30, 2018[2].

Revenue from the U.S. envelope market was $11.0 million, an increase of 9.4% from revenue of $10.0 million in the third quarter of 2017. The volume of units sold decreased by 5.4% primarily from the company's strategic decision not to renew an underpriced contract and the expiration of a strategic production alliance with a long standing commercial partner. Excluding the effects of the expired strategic alliance and the underpriced contract, the volume of units sold increased by 9.0%. Average selling prices increased by 15.7% as a result of the aforementioned expired strategic production alliance, a more favorable product mix, increased customer prices to mitigate rising input costs and a favorable foreign exchange translation effect from a weaker Canadian dollar.

Revenue from packaging products was $13.0 million, an increase of 37.7% or $3.5 million compared to the equivalent quarter of the prior year, primarily resulting from the acquisition of G2 Printing and Pharmaflex, concluded on April 30, 2018, and from organic growth in the folding carton, corrugate and e-commerce packaging offerings.

Operating Expenses

Operating expenses for the three-month period ended September 30, 2018, stood at $34.0 million compared with $31.2 million for the same period in 2017, an increase of $2.8 million or 8.7%. The increase is in large part attributable to the acquisitions of G2 Printing and Pharmaflex and inflationary pressure on input costs, mainly paper and transportation, across all business units. These additional costs were partially mitigated by the shutdown on January 22, 2018 of the Printer Gateway non-core operations, which represented $0.6 million of additional operating expenses in the equivalent quarter of 2017.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled $7.3 million for the three-month period ended September 30, 2018, compared with $6.1 million for the same period in 2017, representing an increase of $1.2 million or 20.7% due to the above-mentioned acquisitions, and to a $1.1 million expense in connection with the contingent remuneration (or "earnout") related to the acquisition of Stuart Packaging which was subsequently paid in October. During the third quarter of 2018, Supremex and the founder of Stuart Packaging mutually agreed to terminate his employment relationship, giving way to the accelerated recognition of the remaining provision for the contingent remuneration.

Adjusted EBITDA and Adjusted EBITDA Margins

Adjusted EBITDA stood at $5.0 million, compared with $6.4 million in the third quarter of 2017, representing a decrease of $1.4 million or 21.8%, from the loss of envelope sales volume combined with inflationary pressures on input costs, mainly paper and transportation. Third quarter 2018 Adjusted EBITDA margins stood at 11.0% of revenues compared with 14.6% in the equivalent quarter of 2017.

[2] Canada Post Reports 2018 Second Quarter Results

Amortization

Aggregate amortization expense for the three-month period ended September 30, 2018, amounted to $1.6 million, compared with $1.5 million in the third quarter of 2017. The higher amortization of property, plant and equipment and intangible assets are related to the acquisitions of Stuart Packaging, G2 Printing and Pharmaflex.

Gain on Disposal of Property, Plant and Equipment

The Company recognized a gain of $0.2 million on the disposal of property, plant and equipment from the disposal of a building in Mississauga, Ontario and Printer Gateway's manufacturing equipment during the third quarter of 2018.

Financing Charges

Financing charges for the three-month period ended September 30, 2018, were $0.5 million, compared to $0.3 million during the equivalent quarter of the prior year, primarily from the higher debt used to finance the acquisitions of Stuart Packaging, G2 Printing and Pharmaflex.

Earnings Before Income Taxes

As a result of the fluctuation in revenue and expenses described above, earnings before income taxes amounted to $2.0 million during the three-month period ended September 30, 2018, compared with $4.2 million during the equivalent period of 2017.

Income Tax Expense

Income taxes amounted to $0.8 million during the three-month period ended September 30, 2018, compared with $1.0 million in the equivalent quarter of last year, resulting from lower earnings before income taxes.

Net Earnings and Adjusted Net Earnings

Net Earnings reached $1.2 million (or $0.04 per share) for the three-month period ended September 30, 2018, compared with $3.2 million (or $0.11 per share) for the equivalent period in 2017. Adjusted Net Earnings reached $2.1 million (or $0.07 per share) for the three-month period ended September 30, 2018, compared with $3.5 million (or $0.12 per share) for the equivalent period in 2017.

Other Comprehensive Income

The discount rate used to calculate the accrued plan benefit obligations increased to 3.9% as at September 30, 2018, from 3.6% as at June 30, 2018. This increase offset the lower than expected return on assets resulting in a net actuarial gain of $1.5 million during the third quarter ended September 30, 2018.

Nine-month period ended September 30, 2018, compared with the nine-month period ended September 30, 2017

Revenue

Revenue for the nine-month period ended September 30, 2018, increased by 8.7% or $11.2 million, reaching $140.9 million compared to $129.7 million during the nine-month period ended September 30, 2017. Revenue growth comes entirely from packaging and specialty products and was experienced across all packaging offerings.

Revenue from the Canadian envelope market was $69.0 million, a decrease of 9.9% or $7.6 million from $76.6 million during the nine-month period of 2017. This variance comes from a reduction of 12.1% in units sold primarily from the combined effects of industry-wide secular decline, Q3 and Q4 2017 customer movement and pricing decisions aligned with the Company's strategy to maintain a disciplined market approach with price leadership and differentiation. This was partially mitigated by an increase in average selling prices of 2.5%.

Revenue from the U.S. envelope market stood at $30.8 million, a decrease of 1.9% from revenue of $31.4 million recorded during the equivalent nine-month period of 2017. The volume of units sold decreased by 6.6% from the company's strategic decision not to renew an underpriced contract and the expiration of a strategic production alliance with a long standing commercial partner. Excluding the effects of the expired strategic alliance and the underpriced contract, the volume of units sold increased by 4.8%. Average selling prices increased by 5.0%, slightly impacted by a negative foreign exchange translation effect from a stronger Canadian dollar when compared to the equivalent period of last year.

Revenue from packaging products stood at $41.1 million, an increase of 89.7% or $19.4 million compared to the prior year, primarily resulting from the acquisitions of Stuart Packaging, G2 Printing and Pharmaflex, and from organic growth in the corrugate and e-commerce packaging offerings.

Operating Expenses

Operating expenses for the nine-month period ended September 30, 2018, stood at $105.5 million compared with $94.2 million for the same period in 2017, an increase of $11.3 million or 12.0%. The increase is mainly attributable to the acquisitions of Stuart Packaging, G2 Printing and Pharmaflex, and inflationary pressures on input costs, mainly paper and transportation. This variance was partially mitigated by the shutdown on January 22, 2018, of Printer-Gateway's non-core operations, which represented $2.3 million of additional operating expenses in the equivalent period of 2017.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled $19.3 million for the nine-month period ended September 30, 2018, compared with $17.1 million for the same period in 2017, representing an increase of $2.2 million or 12.8% primarily due to the above-mentioned acquisitions, and to the $1.6 million expense in connection with the contingent remuneration (or "earnout") related to the acquisition of Stuart Packaging which was subsequently paid in October. During the third quarter of 2018, Supremex and the founder of Stuart Packaging mutually agreed to terminate his employment relationship, giving way to the accelerated recognition of the remaining provision for the contingent remuneration.

Adjusted EBITDA and Adjusted EBITDA Margins

Adjusted EBITDA stood at $17.7 million for the nine-month period ended September 30, 2018, compared with $18.6 million for the equivalent period in 2017, representing a decrease of 4.9% from the loss of envelope sales volume combined with inflationary pressures on input costs, mainly paper and transportation. Adjusted EBITDA margins stood at 12.6% compared with 14.4% in the equivalent period of last year.

Amortization

Aggregate amortization expense for the nine-month period ended September 30, 2018, amounted to $4.5 million, compared with $3.9 million in the comparable period of 2017. The higher amortization of property, plant and equipment and intangible assets are related to the acquisitions of Stuart Packaging, G2 Printing and Pharmaflex.

Gain on Disposal of property, plant and equipment

The Company recognized a gain of $0.8 million on the disposal of property, plant and equipment mainly from the sale of equipment to a commercial partner upon the end of a strategic production alliance in the U.S. envelope market during the second quarter of 2018 and from the disposal of a building in Mississauga, Ontario and Printer Gateway's manufacturing equipment during the third quarter of 2018.

Financing Charges

Financing charges for the nine-month period ended September 30, 2018, stood at $1.3 million, compared to $0.7 million during the equivalent period of the prior year, primarily from the higher debt used to finance the acquisitions of Stuart Packaging, G2 Printing and Pharmaflex.

Earnings Before Income Taxes

As a result of the fluctuation in revenue and expenses described above, earnings before income taxes decreased to $11.1 million during the nine-month period ended September 30, 2018, compared with $13.8 million during the equivalent period of 2017.

Income Tax Expense

Income taxes amounted to $3.5 million during the nine-month period ended September 30, 2018 compared with $3.6 million in the equivalent nine-month period of last year.

Net Earnings and Adjusted Net Earnings

Net Earnings stood at $7.6 million (or $0.27 per share) for the nine-month period ended September 30, 2018, compared with $10.1 million (or $0.36 per share) for the equivalent period in 2017. Adjusted Net Earnings stood at $8.6 million (or $0.30 per share) for the nine-month period ended September 30, 2018, compared with $10.4 million (or $0.36 per share) for the equivalent period in 2017.

Other Comprehensive Income

The discount rate used to calculate the accrued plan benefit obligations increased to 3.9% as at September 30, 2018, from 3.4% as at December 31, 2017. This increase offset the lower than expected return on assets resulting of a net actuarial gain of $5.4 million.

Segment Information

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes, packaging and specialty products. The Company's non-current assets amounted to $117.3 million in Canada and $11.4 million in the United States as at September 30, 2018, compared with $99.7 million in Canada and $11.1 million in the United States as at December 31, 2017.

For the three-month period ended September 30, 2018, the Company's revenue in Canada was $30.5 million, in line with $30.4 million in the equivalent period of 2017 and was at $14.7 million in the United States, an increase of 13.0% from $13.0 million in the equivalent period of 2017.

For the nine-month period ended September 30, 2018, the Company's revenue in Canada was $93.2 million, an increase of 1.7% from $91.7 million in the equivalent period of 2017 and was $47.7 million in the United States, an increase of 25.3% from $38.1 million in the equivalent period of 2017.

For the three-month period ended September 30, 2018, the Company's revenue from envelopes was $32.2 million, a decrease of 5.3% from $34.0 million in the equivalent period of 2017. Revenue from packaging and specialty products was $12.9 million, an increase of 37.7% from $9.4 million in the equivalent period of 2017.

For the nine-month period ended September 30, 2018, the Company's revenue from envelopes was $99.9 million, a decrease of 7.6% from $108.1 million in the equivalent period of 2017. Revenue from packaging and specialty products was $41.1 million, an increase of 89.7% from $21.7 million in the equivalent period of 2017.

Summary of Quarterly Operating Results from October 1, 2016 to September 30, 2018
(In thousands of dollars, except for per share amounts)

	Sep. 30 2018	June 30 2018	Mar. 31 2018	Dec. 31 2017	Sep. 30 2017	June 30 2017	Mar. 31 2017	Dec. 31 2016
Revenue	**45,158**	46,845	48,933	49,350	43,424	41,147	45,151	43,374
Adjusted EBITDA(1)	**4,972**	6,140	6,627	8,007	6,355	5,397	6,895	7,827
Earnings before income taxes	**1,995**	4,527	4,579	3,277	4,238	4,017	5,514	6,529
Net earnings	**1,153**	3,135	3,345	2,262	3,214	2,833	4,081	4,643
Net earnings per share	**0.04**	0.11	0.12	0.08	0.11	0.10	0.14	0.16

(1) Refer to "Definition Adjusted EBITDA, Adjusted Net Earnings in section non-IFRS measures"

Seasonality

Supremex' revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of envelopes sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fund-raising, the holidays and tax seasons. The number of envelopes sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer.

Revenues from packaging and specialty products are subject to a mix of linear (i.e. specialty folding cartons for large multinational customers) and seasonal patterns related to the holidays and sporting events (i.e. innovative protective packaging solutions for e-commerce or corrugated boxes for food delivery) which the contribution is currently less significant. As such, there is currently little to no seasonal effect on Supremex' total revenues.

As a result, Supremex' revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year. To maintain production efficiencies, Supremex uses warehouse capabilities to stock envelopes as required and thereby counter predictable seasonal variations in sales volume.

Financial Position and Capital Resources

Financial Position Highlights
(In thousands of dollars)

	September 30, 2018	**December 31, 2017**
Working capital	**28,028**	24,593
Total assets	**178,645**	157,924
Secured credit facility	**53,373**	42,831
Total equity	**94,072**	86,519

The increase in working capital, total assets and secured credit facility balances at September 30, 2018 when compared to December 31, 2017 is mainly driven by the business acquisitions of G2 Printing and Pharmaflex.

Summary of Cash Flows
(In thousands of dollars)

	Three-month periods ended September 30		Nine-month periods ended September 30	
	2018	**2017**	**2018**	**2017**
Operating activities	**1,697**	3,760	**9,030**	9,716
Investing activities	**2,910**	(19,239)	**(14,229)**	(24,191)
Financing activities	**(4,947)**	16,084	**4,632**	13,906
Net foreign exchange difference	**(71)**	(154)	**99**	(299)
Net change in cash	**(411)**	451	**(468)**	(868)

Cash Flows from Operating Activities

Net cash flows from operating activities stood at $9.0 million during the nine-month period ended September 30, 2018, compared with $9.7 million in the equivalent period of 2017. This variation results mainly from lower net earnings and from inventory build-up related to the Company's decision to invest in increasing Durabox' production capacity, the acquisition of G2 Printing and Pharmaflex and the increase in input costs.

Cash Flows used in Investing Activities

Net cash flows used in investing activities amounted to $14.2 million during the nine-month period ended September 30, 2018, compared with $24.2 million used in the equivalent period of 2017, mainly resulting from lower cash used in business combinations and from higher proceeds from the sale of property, plant and equipment in the current period.

Cash Flows from Financing Activities

Net cash flows generated by financing activities stood at $4.6 million during the nine-month period ended September 30, 2018, compared with $13.9 million in the equivalent period of 2017 and results mainly from the increase in the secured credit facility to fund the above mentioned business acquisitions.

Financial Position and Capital Resources Summary

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

Contractual Obligations and Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in note 20 of the Company's audited consolidated financial statements as at December 31, 2017, and have not changed significantly since that date. The Company has no other off-balance sheet arrangements.

Financing

On July 3, 2018, the Company amended its $65 million committed senior secured revolving facility agreement maturing on October 6, 2020 to increase the amount of the facility to $75 million. No principal repayments are required prior to maturity. This facility bears interest at a floating rate based on the Canadian prime rate plus an applicable margin that ranges between 0% and 0.25% or bankers' acceptance rates, plus an applicable margin that ranges between 1.50% and 1.75%.

The secured credit facility is used for working capital, capital expenditure and other general corporate purposes. It is collateralized by hypothec and security interests covering all assets of the Company and its subsidiaries and is subject to certain covenants, which the Company is required, among other conditions, to meet. The Company was in compliance with these covenants during the third quarter of 2018.

Capitalization

As at November 8, 2018, the Company had 28,280,469 common shares outstanding, representing a reduction of 25,000 when compared to the 28,305,469 shares outstanding as at August 2, 2018.

Execution of Normal Course Issuer Bid ("NCIB")

The Company purchased 125,000 common shares for cancellation under its NCIB program for a total consideration of $431,840 since January 1, 2018.

Disclosure Controls and procedures ("DC&P") and Internal Controls over Financial Reporting ("ICFR")

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

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

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

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

There were no changes in the Company's internal controls over financial reporting that occurred during the period from July 1, 2018 to September 30, 2018 that have materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

In accordance with the provisions of National Instrument 52-109, Supremex has limited the scope of its design of Supremex's disclosure controls and procedures (DC&P) and ICFR to exclude controls, policies and procedures of a business acquired not more than 365 days before September 30, 2018. The scope limitation is primarily due to the time required for Supremex's management to assess DC&P and ICFR in a manner consistent with Supremex's other operations.

While the Company's certification in the third quarter of 2018 now includes its previous business acquisition of Stuart Packaging, the Company expects that its April 2018 business acquisitions of G2 Printing and Pharmaflex will be covered by its certification in the second quarter of 2019. G2 Printing and Pharmflex's results are included in the September 30, 2018 interim condensed consolidated financial statements of Supremex Inc. and constituted approximately 7,0% of total assets as at September 30, 2018 and 2,5% of total revenues since its acquisition.

New Accounting Standards

The Company adopted the following new accounting standards effective January 1, 2018.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("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 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Classification and measurement

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristic of their contractual cash flows including whether they represent solely payments of principal and interest ("SPPI criterion"). IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and fair value through profit and loss (FVTPL).

Impairment of financial assets

Under IFRS 9, impairment losses for financial assets are calculated with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Effective January 1, 2018, the Company adopted IFRS 9 and this adoption did not have a material impact on the Company's financial statements. The new classification and measurement of the Company's financial assets and liabilities which did not change, are considered as financial instruments at amortized cost and are comprised of accounts receivable, accounts payable and accrued liabilities, dividend payable and secured credit facility.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from contracts with customers supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).
Effective January 1, 2018, the Company adopted IFRS 15 using the full retrospective method and this adoption did not have a material impact on the Company's financial statements and the timing of revenue recognition policies previously disclosed in the 2017 audited annual consolidated financial statements. Consequently, the Company's revenue continues

to be recognized at a point in time when performance obligations under the customers' contracts are fulfilled, generally upon delivery of goods.

Future Changes of Accounting Policies

The IASB has also issued *IFRS 16, Leases,* which is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that IFRS 15 has been applied or is applied at the same time as IFRS 16.

IFRS 16 replaces IAS 17 Leases and related interpretation. Under this new standard, which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases of low-value assets. The Company anticipates that the adoption of IFRS 16 will have a material impact on its statement of financial position and its statement of earnings as nearly all operating leases will be capitalized with a corresponding liability, while the rent expense will be replaced by the amortization of the right to use the related assets, and interest accretion expense from the liabilities will be recorded.

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

Risk Factors

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors, outside the control of Supremex' management. Details are provided in the "Risk Factors" section of the Company's 2017 Annual Information Form, dated March 29, 2018 (which can be found at www.sedar.com).

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the Adjusted EBITDA and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this MD&A. Such assumptions, expectations and estimates are discussed throughout the MD&A for the year ended December 31, 2017.

Forward-looking information is subject to certain risks and uncertainties, and should not be read as a guarantee of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking information. These risks and uncertainties include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuations, raw material increases, credit risks with respect to trade receivables, increases in funding requirements of pension plans, postal services deficiencies, interest rates fluctuations and potential risk of litigation. Such risks and uncertainties are discussed throughout this MD&A for the year ended December 31, 2017, and, in particular, in "Risk Factors". Consequently, we cannot guarantee that any forward-looking information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Non-IFRS measures: Definition of Adjusted EBITDA and Adjusted Net Earnings

References to "Adjusted EBITDA" are to earnings before financing charges, income tax expense and amortization of property, plant and equipment and of intangible assets, adjusted to remove the gain or loss on disposal of property, plant and equipment and the expenses related to the remuneration expense related to the accounting of contingent considerations in connection with business combinations, as these charges are considered non-recurring. Supremex believes that Adjusted EBITDA is a measurement commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial obligations.

References to "Adjusted Net Earnings" are to net earnings adjusted to remove the gain or loss on disposal of property, plant and equipment and the remuneration expense related to the accounting of contingent considerations in connection with business combinations, net of income taxes, as these charges are considered non-recurring.

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

Additional Information

Additional information relating to the Company, including the Company's annual information form, is available on SEDAR at www.sedar.com.

Interim Condensed Consolidated Financial Statements

Supremex Inc.

Unaudited
For the three and nine-month periods ended September 30, 2018 and 2017

All amounts expressed in Canadian dollars

NOTICE

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

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at [Unaudited]	Notes	September 30, 2018 $	December 31, 2017 $
ASSETS	**5**		
Current assets			
Cash		**238,044**	706,190
Accounts receivable		**23,100,589**	25,977,010
Income tax receivable		**1,079,531**	524,520
Inventories	**4**	**23,791,855**	18,917,859
Prepaid expenses and others		**1,736,012**	1,026,896
Total current assets		**49,946,031**	47,152,475
Property, plant and equipment		**36,641,601**	34,329,207
Accrued pension benefit asset		**11,362,307**	3,876,907
Intangible assets		**17,278,231**	14,796,056
Goodwill		**62,870,298**	57,769,363
Other long-term asset		**546,552**	—
Total assets		**178,645,020**	157,924,008
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**18,030,103**	19,994,984
Dividend payable	**7**	**1,838,230**	1,846,355
Provisions		**—**	290,864
Other liability		**2,050,000**	427,000
Total current liabilities		**21,918,333**	22,559,203
Secured credit facility	**5**	**53,372,536**	42,830,886
Deferred income tax liabilities		**9,084,684**	5,808,186
Other post-retirement benefit obligations		**197,600**	206,600
Total liabilities		**84,573,153**	71,404,875
Equity			
Share capital	**6**	**9,652,774**	9,695,439
Contributed surplus	**6**	**277,722,233**	278,111,408
Deficit		**(193,388,712)**	(200,939,855)
Foreign currency translation reserve		**85,572**	(347,859)
Total equity		**94,071,867**	86,519,133
Total liabilities and equity		**178,645,020**	157,924,008

Subsequent event [*note 9*]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)	By: signed (Steven P. Richardson)
Director	Director

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

[Unaudited]	Notes	Three-month periods ended September 30 2018 $	 2017 $	Nine-month periods ended September 30 2018 $	 2017 $
Revenue		**45,158,229**	43,423,725	**140,937,069**	129,722,019
Operating expenses	**4**	**33,955,289**	31,237,996	**105,509,330**	94,210,158
Selling, general and administrative expenses	**6**	**7,341,613**	6,080,936	**19,310,143**	17,114,976
Operating earnings before amortization and (gain) loss on disposal of property, plant and equipment		**3,861,327**	6,104,793	**16,117,596**	18,396,885
Amortization of property, plant and equipment		**1,035,254**	1,047,767	**3,009,457**	2,687,678
Amortization of intangible assets		**557,402**	430,174	**1,500,976**	1,185,212
(Gain) loss on disposal of property, plant and equipment		**(203,526)**	76,203	**(777,740)**	74,885
Operating earnings		**2,472,197**	4,550,649	**12,384,903**	14,449,110
Financing charges, net	**5**	**477,394**	312,661	**1,284,259**	679,451
Earnings before income taxes		**1,994,803**	4,237,988	**11,100,644**	13,769,659
Income tax expense		**841,442**	1,023,622	**3,467,511**	3,641,096
Net earnings		**1,153,361**	3,214,366	**7,633,133**	10,128,563
Basic and diluted net earnings per share		**0.0407**	0.1130	**0.2691**	0.3551
Weighted average number of shares outstanding		**28,304,110**	28,436,491	**28,368,381**	28,525,715

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]	Three-month periods ended September 30 2018 $	2017 $	Nine-month periods ended September 30 2018 $	2017 $
Net earnings	**1,153,361**	3,214,366	**7,633,133**	10,128,563
Other comprehensive income				
Other comprehensive (loss) income to be reclassified to earnings in subsequent periods				
Foreign currency translation adjustments	**(248,921)**	(552,311)	**433,431**	(1,060,239)
Net other comprehensive (loss) income to be reclassified to earnings in subsequent periods	**(248,921)**	(552,311)	**433,431**	(1,060,239)
Items not to be reclassified to earnings in subsequent periods				
Recognized actuarial gain on defined benefit pension plans, net of income tax expense of $513,908 and of $1,912,453 [2017 – $1,050,960 and $676,583]	**1,460,992**	2,986,440	**5,435,647**	1,923,717
Recognized actuarial gain (loss) on other post-retirement benefit, net of income tax expense of $1,432 and of $2,396 [2017 – $1,718 and recovery of $54]	**4,068**	4,882	**6,804**	(146)
Net other comprehensive income not being reclassified to earnings in subsequent periods	**1,465,060**	2,991,322	**5,442,451**	1,923,571
Other comprehensive income	**1,216,139**	2,439,011	**5,875,882**	863,332
Total comprehensive income	**2,369,500**	5,653,377	**13,509,015**	10,991,895

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Share capital $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Total equity $
As at December 31, 2016	9,765,711	278,979,895	(207,043,901)	635,355	82,337,060
Net earnings	—	—	10,128,563	—	10,128,563
Other comprehensive income (loss)	—	—	1,923,571	(1,060,239)	863,332
Total comprehensive income (loss)	—	—	12,052,134	(1,060,239)	10,991,895
Dividends declared [*note 7*]	—	—	(5,128,280)	—	(5,128,280)
Shares repurchased and cancelled [*note 6*]	(70,272)	(868,487)	—	—	(938,759)
As at September 30, 2017	**9,695,439**	**278,111,408**	**(200,120,047)**	**(424,884)**	**87,261,916**
As at December 31, 2017	9,695,439	278,111,408	(200,939,855)	(347,859)	86,519,133
Net earnings	—	—	7,633,133	—	7,633,133
Other comprehensive income	—	—	5,442,451	433,431	5,875,882
Total comprehensive income	—	—	13,075,584	433,431	13,509,015
Dividends declared [*note 7*]	—	—	(5,524,441)	—	(5,524,441)
Shares repurchased and cancelled [*note 6*]	(42,665)	(389,175)	—	—	(431,840)
As at September 30, 2018	**9,652,774**	**277,722,233**	**(193,388,712)**	**85,572**	**94,071,867**

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]	Notes	For the three-month periods ended September 30 2018 $	2017 $	For the nine-month periods ended September 30 2018 $	2017 $
OPERATING ACTIVITIES					
Net earnings		**1,153,361**	3,214,366	**7,633,133**	10,128,563
Non-cash adjustment to reconcile net earnings to net cash flows					
Amortization of property, plant and equipment		**1,035,254**	1,047,767	**3,009,457**	2,687,678
Amortization of intangible assets		**557,402**	430,174	**1,500,976**	1,185,212
Amortization of deferred financing costs	5	**17,157**	17,157	**51,471**	51,471
(Gain) loss on disposal of property, plant and equipment		**(203,526)**	76,203	**(777,740)**	74,885
Deferred income tax recovery		**(107,516)**	(99,222)	**(221,063)**	(180,948)
Change in employees benefit plans		**22,000**	12,276	**31,200**	58,200
		2,474,132	4,698,721	**11,227,434**	14,005,061
Working capital adjustments					
Variation in accounts receivable		**67,626**	(176,715)	**4,742,686**	1,257,559
Variation in income tax receivable		**(368,912)**	(59,748)	**(499,046)**	(825,562)
Variation in inventories		**(1,657,901)**	(190,849)	**(4,070,956)**	(1,564,575)
Variation in prepaid expenses		**267,356**	100,289	**(219,509)**	(512,952)
Variation in accounts payable and accrued liabilities		**(26,139)**	(392,607)	**(3,314,841)**	(2,203,267)
Variation in provisions		**(167,933)**	(1,877)	**(290,864)**	(5,320)
Variation in other liability		**1,110,500**	—	**1,623,000**	—
Change in employee benefits		**(1,600)**	(217,449)	**(168,300)**	(435,349)
Net cash flows from operating activities		**1,697,129**	3,759,765	**9,029,604**	9,715,595
INVESTING ACTIVITIES					
Business combination, net of cash acquired	3	**—**	(18,044,989)	**(11,475,726)**	(18,044,989)
Adjustments to consideration paid for previous business combinations		**4,655**	301,774	**4,655**	330,629
Acquisition of property, plant and equipment		**(1,249,954)**	(1,527,860)	**(6,841,698)**	(6,233,799)
Acquisition of intangible assets		**—**	(38,067)	**(121,930)**	(322,859)
Proceeds from the disposal of property, plant and equipment		**4,155,356**	69,985	**4,205,836**	80,268
Net cash flows from (used in) investing activities		**2,910,057**	(19,239,157)	**(14,228,863)**	(24,190,750)
FINANCING ACTIVITIES					
(Repayment) increase secured credit facility		**(3,104,205)**	18,109,626	**10,490,179**	19,985,499
Dividends paid		**(1,839,856)**	(1,708,957)	**(5,532,566)**	(5,140,633)
Purchase of share capital for cancellation	6	**(82,506)**	(317,032)	**(431,840)**	(938,759)
Change in other long-term asset		**79,589**	—	**106,151**	—
Net cash flows (used in) from financing activities		**(4,946,978)**	16,083,637	**4,631,924**	13,906,107
Net change in cash		**(339,792)**	604,245	**(567,335)**	(569,048)
Net foreign exchange difference		**(71,453)**	(153,806)	**99,189**	(299,238)
Cash, beginning of period		**649,289**	646,222	**706,190**	1,964,947
Cash, ending of period		**238,044**	1,096,661	**238,044**	1,096,661
Supplemental information [(1)]					
Interest paid		**605,620**	340,508	**1,432,972**	740,141
Interest received		**7,040**	4,657	**9,098**	12,571
Income taxes paid		**1,918,351**	1,458,767	**4,707,747**	4,808,265
Income taxes received		**603,249**	270,031	**670,075**	296,797

(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

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

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of packaging and specialty products. Supremex' revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of envelopes sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fund-raising, the holidays and tax seasons. The number of envelopes sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer.

Revenues from packaging and specialty products are subject to a mix of linear (i.e. specialty folding cartons for large multinational customers) and seasonal patterns related to the holidays and sporting events (i.e. innovative protective packaging solutions for e-commerce or corrugated boxes for food delivery) which the contribution is currently less significant. As such, there is currently little to no seasonal effect on Supremex' total revenues.

As a result, Supremex' revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year. To maintain production efficiencies, Supremex uses warehouse capabilities to stock envelopes as required and thereby counter predictable seasonal variations in sales volume.

These unaudited interim condensed consolidated financial statements were approved by the Company's Board of Directors on November 8, 2018 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, 2017, prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these unaudited interim condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The notes presented in these interim condensed consolidated financial statements include only significant changes occurring for the three and nine-month periods since the year ended December 31, 2017.

New Accounting Standards

The Company adopted the following new accounting standards effective January 1, 2018.

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("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 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

2. SIGNIFICANT ACCOUNT POLICIES [Cont'd]

Classification and measurement

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristic of their contractual cash flows including whether they represent solely payments of principal and interest ("SPPI criterion"). IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

Impairment of financial assets

Under IFRS 9, impairment losses for financial assets are calculated with a forward-looking expected credit loss (ECL) approach. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Effective January 1, 2018, the Company adopted IFRS 9 and this adoption did not have a material impact on the Company's financial statements. The new classification and measurement of the Company's financial assets and liabilities did not change, are considered as financial instruments at amortized cost and are comprised of accounts receivable, accounts payable and accrued liabilities, dividend payable and secured credit facility.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from contracts with customers supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

6. Identify the contract with a customer;
7. Identify the performance obligations in the contract;
8. Determine the transaction price;
9. Allocate the transaction price to the performance obligations in the contract; and
10. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

Effective January 1, 2018, the Company adopted IFRS 15 using the full retrospective method and this adoption did not have a material impact on the Company's financial statements and the timing of revenue recognition policies previously disclosed in the 2017 audited annual consolidated financial statements. Consequently, the Company's revenue continues to be recognized at a point in time when performance obligations under the customers' contracts are fulfilled, generally upon delivery of goods.

2. SIGNIFICANT ACCOUNT POLICIES [Cont'd]

Future Changes of Accounting Policies

The IASB has also issued *IFRS 16, Leases,* which is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that IFRS 15 has been applied or is applied at the same time as IFRS 16.

IFRS 16 replaces IAS 17 Leases and related interpretation. Under this new standard, which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the statement of financial position. Certain exemptions will apply for short-term leases of low-value assets. The Company anticipates that the adoption of IFRS 16 will have a material impact on its statement of financial position and its statement of earnings as nearly all operating leases will be capitalized with a corresponding liability, while the rent expense will be replaced by the amortization of the right to use the related assets, and interest accretion expense from the liabilities will be recorded.

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

3. BUSINESS COMBINATIONS

During the three-month period ended September 30, 2018, the Company reduced its consideration paid by $4,655 for the April 2018 acquisition of Groupe Deux Printing Inc. ("G2 Printing") and Pharmaflex Labels Inc. ("Pharmaflex"). The Company revised the purchase price allocation and adjustments are mainly related to the revised assessment of working capital and income tax.

The following table presents a summary of the adjustments for the estimated fair value of assets acquired and liabilities assumed at the acquisition.

	G2 Printing and Pharmaflex $	Adjustments	Total
Net assets acquired			
Cash	799,244	—	799,244
Accounts receivable	1,961,986	(301,609)	1,660,377
Income tax receivable	34,498	21,467	55,965
Inventories	796,571	6,469	803,040
Prepaid expenses and others	192,496	(33,169)	159,327
Total current assets	**3,784,795**	**(306,842)**	**3,477,953**
Property and equipment	2,736,128	—	2,736,128
Customer relationships	3,800,000	—	3,800,000
Goodwill	4,863,138	(2,115)	4,861,023
Total assets	**15,184,061**	**(308,957)**	**14,875,104**
Accounts payable and accrued liabilities	1,331,690	(283,766)	1,047,924
Deferred income tax liabilities	1,577,401	(20,536)	1,556,865
Net assets acquired	**12,274,970**	**(4,655)**	**12,270,315**

3. BUSINESS COMBINATIONS [Cont'd]

The Company will finalize the purchase price allocation over the coming quarters as soon as it has gathered all significant information available and considered necessary in order to finalize the fair value measurement of working capital, machinery and equipment and intangible assets, including customer relationships and goodwill.

2017 Business Combinations

On July 20, 2017, the Company acquired all of the outstanding shares of Stuart Packaging Inc. ("Stuart Packaging") for a cash consideration of $18,639,950. Stuart Packaging is a leading provider of premium quality folding carton packaging for the consumer based in Montreal, Quebec. During the three-month period ended September 30, 2018, the Company completed its final assessment of the fair value of assets acquired and liabilities assumed and no significant changes occurred to the purchase price allocation presented in the annual consolidated financial statements for the year ended December 31, 2017.

In addition to the consideration paid, the Company had a contingent consideration payable to the previous owner up to $2,050,000. The Company's expenses include amounts totaling $1,110,500 and $1,623,000 for the three and nine-month periods ended September 30, 2018 in connection with the contingent consideration which was accounted for as remuneration.

4. INVENTORIES

	September 30, 2018 $	**December 31, 2017 $**
Raw materials	**8,143,489**	5,895,409
Work in progress	**845,387**	696,612
Finished goods	**14,802,979**	12,325,838
	23,791,855	18,917,859

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, 2018 are $34,908,930 and $108,258,172, respectively [2017 - $32,192,265 and $96,664,019, respectively].

5. SECURED CREDIT FACILITY

As at September 30, 2018, the Company had a five-year committed $75 million senior secured revolving facility agreement maturing on October 6, 2020. No principal repayments are required prior to maturity. This facility bears interest at a floating rate based on the Canadian prime rate, plus an applicable margin that ranges between 0% and 0.25% or bankers' acceptance rates, plus an applicable margin that ranges between 1.50% and 1.75%.

The secured credit facility is used for working capital, capital expenditure and other general corporate purpose. It is collateralized by hypothec and a security interest covering all assets of the Company and its subsidiaries and is subject to certain covenants, which the Company is required, among other conditions, to meet. The Company was in compliance with these covenants as at September 30, 2018.

5. SECURED CREDIT FACILITY [Cont'd]

Amounts owed under secured credit facility are as follows:

	September 30, 2018	December 31, 2017
	$	$
Revolving credit facility	**53,509,788**	43,019,609
Less: deferred financing costs, net	**(137,252)**	(188,723)
Long-term portion of secured credit facility	**53,372,536**	42,830,886

As at September 30, 2018, the Company had outstanding letters of credit for a total of $10,000 [$10,000 as at December 31, 2017].

As at September 30, 2018, the effective variable interest rate on the secured credit facility was 3.59% [3.09% as at December 31, 2017].

Financing charges are as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2018	2017	2018	2017
	$	$	$	$
Interest on secured credit facility	**503,447**	327,996	**1,342,932**	704,783
Interest income on defined benefit plans obligations	**(37,000)**	(22,800)	**(105,800)**	(68,400)
Other interest	**(6,210)**	(9,692)	**(4,344)**	(8,403)
Amortization of deferred financing costs	**17,157**	17,157	**51,471**	51,471
	477,394	312,661	**1,284,259**	679,451

6. SHARE CAPITAL

The change in share capital was as follows:

	Number of common shares	Share capital
		$
Balance, as of December 31, 2016	28,611,351	9,765,711
Purchase of share capital for cancellation	(205,882)	(70,272)
Balance, as of September 30, 2017	**28,405,469**	**9,695,439**
Balance, as of December 31, 2017	28,405,469	9,695,439
Purchase of share capital for cancellation	(125,000)	(42,665)
Balance, as of September 30, 2018	**28,280,469**	**9,652,774**

6. SHARE CAPITAL [Cont'd]

During the three and nine-month periods ended September 30, 2018, the Company repurchased 25,000 and 125,000 common shares, respectively, for cancellation through a normal course issuer bid in consideration of $82,506 and $431,840, respectively. The excess of the purchase price over the carrying value in the amount of $73,974 and $389,175, respectively, was recorded as a reduction of contributed surplus [2017 – 77,142 and 205,882 common shares purchased for cancellation in consideration of $317,032 and $938,759, respectively, which resulted in an excess of the carrying value of $290,702 and $868,487, respectively].

Deferred Share Unit Plan (DSU)

The compensation expense for the DSU plan during the three-month and nine-month periods ended September 30, 2018 amounted to $67,366 and $86,891 respectively [2017 – $12,674 and $71,970] and is recognized under selling, general and administrative expenses.

The financial liability resulting from the DSU plan of $396,142 (December 31, 2017 - $309,251) is presented under "*Accounts payable and accrued liabilities*".

7. DIVIDENDS

Dividends declared from January 1, 2018 to September 30, 2018 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 20, 2018	March 29, 2018	April 13, 2018	0.065	1,846,355
May 8, 2018	June 29, 2018	July 17, 2018	0.065	1,839,856
August 2, 2018	September 28, 2018	October 12, 2018	0.065	1,838,230
Total				**5,524,441**

Dividends declared from January 1, 2017 to September 30, 2017 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 15, 2017	March 31, 2017	April 14, 2017	0.060	1,714,995
May 4, 2017	June 30, 2017	July 14, 2017	0.060	1,708,957
July 31, 2017	September 30, 2017	October 13, 2017	0.060	1,704,328
Total				**5,128,280**

8. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes, packaging and specialty products. The Company's non-current assets amounted to $117,347,458 in Canada and $11,351,531 in the United States as at September 30, 2018 [$99,656,332 and $11,115,201, respectively, as at December 31, 2017]. The Company's revenue amounted to $30,482,562 and $93,239,573, in Canada and $14,675,667 and $47,697,496, in the United States for the three and nine-month periods ended September 30, 2018 based on the customer's locations [2017 - $30,437,898 and $91,669,637, in Canada and $12,985,827 and $38,052,382, in the United States].

For the three and nine-month periods ended September 30, 2018, the Company's revenue from envelopes amounted to $32,211,027 and $99,868,489 and those from packaging and specialty products amounted to $12,947,202 and $41,068,580, based on product classification [2017 - $34,022,745 and $108,068,185 from envelopes and $9,400,980 and $21,653,834 from packaging and specialty products].

9. SUBSEQUENT EVENT

On November 8, 2018, the Board of Directors declared a quarterly dividend of $0.065 per common share, payable on January 16, 2019 to shareholders of record at the close of business on December 31, 2018.