



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2015

*The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated May 7, 2015, of Supremex Inc. ("Supremex" or 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, 2015. 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, 2014. 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, 2015. The consolidated financial statements for the three-month period ended March 31, 2015 have not been audited or reviewed by the Company's auditors.*

*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. In addition to our results reported in accordance with IAS 34, the MD&A may contain other non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "EBITDA" or other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and therefore may not be directly comparable to similar measures used by other companies and should not be viewed as alternatives to measures of financial performance prepared in accordance with IFRS. See "Definition of EBITDA and Non-IFRS Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.*

### **Overview**

Supremex is Canada's largest manufacturer and marketer of a broad range of stock and custom envelopes and growing provider of packaging and specialty products. Supremex is the only national envelope manufacturer in Canada, with facilities across seven (7) provinces and one facility in the United States and employs approximately 500 people. This national presence allows Supremex to manufacture and distribute products tailored to the specifications of national customers such as major corporations, national resellers, government entities, as well as paper merchants, statement processors and solutions providers.

### **Highlights and Overall Performance**

Revenue in the first quarter of 2015 amounted to \$34.7 million compared with \$33.9 million in the first quarter of 2014, an increase of 2.3% attributable to an increase of 22.9% of the sales in the United States, while sales in Canada decreased by 0.7%.

The US envelope market's volume increased by 18.3% and its average selling price, in Canadian dollar, was up 5.4% over last year. In Canada, the volume decreased by 1.8% and was partially offset by an increase of 1.1% in the average selling price.

This quarter's profitability was also positively affected by a non-cash gain realized on pension plan amendments performed in 2013. As at March 31, 2015, Supremex had obtained regulatory approval for two of its three pension plans for these amendments. Another non-cash gain was also recorded on an amendment made to the post-retirement benefits plans during this quarter. These gains totalled \$1.1 million during the first three-month period ended March 31, 2015 compared to none last year.

Net earnings in the first quarter of 2015 amounted to \$3.8 million compared with \$3.4 million in the first quarter of 2014.

As a result, earnings per share amounted to \$0.13 in the first quarter of 2015 compared to \$0.12 in the comparative period of 2014.

On May 7, 2015, the Board of Directors declared a quarterly dividend of \$0.05 per share payable on July 14, 2015 to shareholders of record at the close of business on June, 30, 2015.

### Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

	Three-month periods ended	
	March 31, 2015	March 31, 2014
	\$	\$
<b>Net Earnings</b>	<b>3,804</b>	3,368
Income tax expense	<b>1,400</b>	1,233
Financing charges	<b>362</b>	322
Amortization of property, plant and equipment	<b>961</b>	881
Amortization of intangible assets	<b>1,541</b>	1,541
<b>EBITDA<sup>(1)</sup></b>	<b>8,068</b>	7,345
Adjustments		
Less: Gain on pension plan's amendment	<b>(443)</b>	—
Less: Gain on post-retirement benefits plans amendment	<b>(614)</b>	—
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>7,011</b>	7,345

<sup>(1)</sup> See "Definition of EBITDA." EBITDA (or Adjusted EBITDA) is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other issuers.

EBITDA stood at \$8.1 million for the three-month period ended March 31, 2015 compared to \$7.3 million last year. The increase in EBITDA during the first quarter of 2015 is explained by non-cash gains on amendments to pension plan and post-retirement benefits plans. Excluding these unusual items, adjusted EBITDA stood at \$7.0 million, a decrease of \$0.3 million or 4.6% due to increased cost of raw materials negatively affected by the rapid increase of the U.S. dollar against the Canadian dollar.

### Summary of Quarterly Results

Supremex' 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, the holidays 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' 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.

The following table presents a summary of operating results of the Company on a quarterly basis from April 1, 2013 to March 31, 2015.

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

	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	Mar. 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	<b>34,708</b>	35,097	32,241	30,634	33,916	33,583	29,776	31,941
Adjusted EBITDA <sup>(1)</sup>	<b>7,011</b>	7,162	6,296	5,816	7,345	6,714	5,370	6,087
Earnings before income taxes	<b>5,204</b>	3,808	3,638	3,102	4,601	3,548	2,166	3,307
Net earnings	<b>3,804</b>	2,728	2,621	2,331	3,368	2,737	1,577	2,462
Net earnings per share	<b>0.13</b>	0.09	0.09	0.08	0.12	0.09	0.05	0.09

<sup>(1)</sup> See "Definition of EBITDA." EBITDA (or Adjusted EBITDA) is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. EBITDA (or Adjusted EBITDA) may not be comparable to similar measures presented by other issuers.

### **Selected Consolidated Financial Information**

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

	Three-month periods ended March 31,		
	2015	2014	2013
	\$	\$	\$
<b>Revenue</b>	<b>34,708</b>	33,916	33,666
Operating expenses	<b>22,743</b>	22,336	20,268
Selling, general and administrative expenses	<b>3,897</b>	4,235	3,633
<b>EBITDA <sup>(1)</sup></b>	<b>8,068</b>	7,345	9,765
Amortization of property, plant and equipment	<b>961</b>	881	986
Amortization of intangible assets	<b>1,541</b>	1,541	1,541
Gain on disposal of property, plant and equipment	—	—	(9)
<b>Operating earnings</b>	<b>5,566</b>	4,923	7,247
Financing charges	<b>362</b>	322	824
<b>Earnings before income taxes</b>	<b>5,204</b>	4,601	6,423
Income taxes expenses	<b>1,400</b>	1,233	1,668
<b>Net earnings</b>	<b>3,804</b>	3,368	4,755
Basic and diluted net earnings per share	<b>0.13</b>	0.12	0.16
Dividend declared per share	<b>0.05</b>	0.04	0.03
Total assets	<b>108,368</b>	118,688	127,123
Secured credit facilities	<b>23,513</b>	35,550	49,250

<sup>(1)</sup> See "Definition of EBITDA."

### **Results of Operations**

#### ***Three-month period ended March 31, 2015 compared with three-month period ended March 31, 2014***

##### *Revenue*

Revenue for the three-month period ended March 31, 2015 amounted to \$34.7 million compared with \$33.9 million for the three-month period ended March 31, 2014, an increase of \$0.8 million or 2.3%. The increase in revenue was mainly attributable to a higher number of units sold in the United States.

Revenue in Canada slightly decreased by \$0.2 million or 0.7%, from \$29.6 million to \$29.4 million, while revenue in the United States increased by \$1.0 million or 22.9%, from \$4.3 million to \$5.3 million.

Revenue in the Canadian envelope market decreased slightly following a volume decrease of 1.8% compared to last year, partially offset by an increase in the average selling price of 1.1%. This increase follows selling price increases implemented towards the end of the quarter that were required to compensate for the rapid increase of the U.S. dollar against the Canadian dollar in January, which increased our cost of raw materials that is, in large part, denominated in U.S. dollar. Such average selling price increase reflects a trend that is expected to continue into the second quarter of 2015.

Revenue in the U.S. envelope market continued to grow significantly with an 18.3% increase in the volume of units sold and average selling price increase of 5.4% resulting from the rapid appreciation of the U.S. dollar against the Canadian dollar, offsetting, in Canadian dollars, the negative impact of changes in product mix.

Revenue of specialty products during the quarter remained consistent when compared to the comparable period of 2014. The agreement announced in the third quarter of 2014 for packaging product is experiencing delays in order ramp-up and as a result the Company has re-directed other packaging orders to the recently acquired equipment to maximize production efficiency and continues to actively pursue business development in this market segment.

#### *Operating expenses*

Operating expenses for the three-month period ended March 31, 2015 amounted to \$22.8 million compared with \$22.3 million for the same period in 2014, an increase of \$0.5 million or 1.8%. This increase is mainly attributable to the rapid increase of the U.S. dollar against the Canadian dollar, which increased rapidly the Company's costs of raw materials, partially mitigated by tight control over operating costs and the non-cash gains realized on both the pension and the post-retirement benefits plans.

#### *Selling, general and administrative expenses*

Selling, general and administrative expenses totalled \$3.9 million for the three-month period ended March 31, 2015 compared with \$4.2 million for the same period in 2014, a decrease of \$0.3 million or 8.0% attributable to tight control over operating costs and the non-cash gains realized on both the pension and the post-retirement benefits plans.

#### *EBITDA and Adjusted EBITDA*

EBITDA stood at \$8.1 million for the three-month period ended March 31, 2015 compared with \$7.3 million for the same period in 2014, an increase of \$0.8 million or 9.8%. Excluding the non-cash gains on amendments to the pension and post-retirement benefits plans, the Adjusted EBITDA stood at \$7.0 million for the three-month period ended March 31, 2015 compared with \$7.3 million last year, a decrease of \$0.3 million or 4.6% that is mainly related to the rapid increase of the U.S. dollar against the Canadian dollar at the beginning of the first quarter, which increased the cost of raw materials.

#### *Amortization*

Aggregate amortization expense for the three-month period ended March 31, 2015 amounted to \$2.5 million compared with \$2.4 million for the comparable period of 2014 representing an increase of \$0.1 million or 3.3%.

### *Financing charges*

Financing charges for the three-month period ended March 31, 2015 amounted to \$0.4 million compared with \$0.3 million for the same period in 2014, an increase of \$0.1 million or 12.5%.

### *Earnings before income taxes*

Due to the fluctuations in revenue and expenses described herein, earnings before income taxes totalled \$5.2 million for the three-month period ended March 31, 2015 compared with \$4.6 million for the same period in 2014, an increase of \$0.6 million or 13.1%.

### *Provision for income taxes*

During the three-month period ended March 31, 2015, the Company recorded a provision for income taxes of \$1.4 million compared with \$1.2 million for the three-month period ended March 31, 2014, an increase of \$0.2 million or 13.5%.

### *Net earnings*

As a result of the changes described above, net earnings amounted to \$3.8 million for the three-month period ended March 31, 2015 compared with \$3.4 million for the same period in 2014, an increase of \$0.4 million or 12.9%. Earnings per share amounted to \$0.13 in the first quarter of 2015 compared to \$0.12 in the comparative period of 2014.

### *Other comprehensive loss*

The discount rate used to calculate the accrued plan benefit obligations decreased to 3.7% as at March 31, 2015 from 4.0% as at December 31, 2014. This decrease created a loss that was partly offset by a better than expected return on assets and as a result, net actuarial losses totalled \$2.2 million for the three-month period ended March 31, 2015 compared to losses of \$3.8 million last year.

## **Segmented Information**

The Company currently operates in one business segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to \$76.3 million in Canada and \$0.7 million in the United States as at March 31, 2015 as compared to \$78.6 million and \$0.7 million as at December 31, 2014, respectively.

In Canada, the Company's revenue amounted to \$29.4 million for the three-month period ended March 31, 2015 compared with \$29.6 million for the same period in 2014, representing a decrease of \$0.2 million or 0.7%. In the United States, the Company's revenue amounted to \$5.3 million for the three-month period ended March 31, 2015 compared with \$4.3 million for the same period in 2014, representing an increase of \$1.0 million or 22.9%.

## **Liquidity and Capital Resources**

### *Operating activities*

Cash of \$1.2 million was generated in operating activities during the three-month period ended March 31, 2015 compared with \$3.3 million during the same period of 2014. Working capital required \$4.2 million during the first quarter of 2015 compared to \$2.0 million for the same period in

2014, an increase of \$2.2 million mainly related to the payment of the 2014 variable compensation plan and increased inventory.

*Investing activities*

Cash of \$0.1 million was used in investing activities during the three-month period ended March 31, 2015 compared to \$0.2 million in 2014, a decrease of \$0.1 million related to less acquisition of property, plant and equipment.

*Financing activities*

In the three-month period ended March 31, 2015, \$0.5 million was used in financing activities compared with \$3.6 million in 2014 as a result of an increase in the secured credit facilities required to fund the working capital as the Company entered the three-month period ended March 31, 2015 with less liquidity than last year.

*Liquidity and capital resources summary*

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

**Off-Balance Sheet Arrangements**

Operating lease commitments have been disclosed in the Company's audited consolidated financial statements as at December 31, 2014 and did not significantly change since that date. The Company has no other off-balance sheet arrangements.

**Capitalization**

As at May 7, 2015, the Company had 28,750,967 common shares outstanding, a decrease of 3,700 shares following the repurchase done under the NCIB program during the three-month period ended March 31, 2015.

**Financial Position Highlights**

*(In thousands of dollars)*

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	\$	\$
Working capital	<b>12,311</b>	5,839
Total assets	<b>108,368</b>	109,792
Total secured credit facilities <sup>(1)</sup>	<b>23,358</b>	22,406
Equity	<b>63,959</b>	63,752

<sup>(1)</sup> Net of deferred financing cost of \$154,892 (\$170,916 at Dec. 31, 2014)

The Company was in compliance with the covenants of its credit facilities as at March 31, 2015.

## **Disclosure Controls and Internal Controls over Financial Reporting**

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 Vice-President, Finance, that, among other things, report on the design of disclosure controls and procedures, as well as the design of internal control 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 Vice-President, Finance, 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 control 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 control over financial reporting that occurred during the period beginning January 1, 2015 and ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Recent Event**

On May 7, 2015, the Board of Directors of the Company declared a quarterly dividend of \$0.05 per common share payable on July 14, 2015, to the shareholders of record as at June 30, 2015.

### **Significant accounting policies and estimates**

The Company's unaudited interim consolidated financial statements for the three-month period ended March 31, 2015 have been prepared by management in accordance with IAS 34, *Interim Financial Reporting*, as disclosed in Note 1 accompanying the interim condensed consolidated financial statements for the same period.

### **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 2014 Annual Information Form, dated March 31, 2015 (which can be found at [www.sedar.com](http://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 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 fiscal 2014.

Forward-looking information is 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 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 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 risks and uncertainties are discussed throughout our MD&A for fiscal 2014 and, in particular, in “Risk Factors”. Consequently, we cannot guarantee that any forward-looking statements or 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.

#### **Definition of EBITDA and Non-IFRS Measures**

References to “EBITDA” are to earnings before financing charges, income tax expense, amortization of property, plant and equipment and of intangible assets and gain on disposal of property, plant and equipment. Supremex believes that EBITDA is a measurement commonly used by readers of financial statements to evaluate a company’s operational cash-generating capacity and ability to discharge its financial expenses.

References to “Adjusted EBITDA” are to EBITDA before adjustment to remove non-recurring items such as gains on amendments to pension and post-retirement benefits plans in 2015. 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 expenses.

EBITDA or Adjusted EBITDA is not an earnings measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA or Adjusted EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA or Adjusted 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, including the Company’s annual information form, is available on SEDAR at [www.sedar.com](http://www.sedar.com).



Interim Condensed Consolidated Financial Statements

**Supremex Inc.**

Unaudited

For the three-month periods ended March 31, 2015 and 2014

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, 2015	December 31, 2014
[Unaudited]	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,003,486	364,079
Accounts receivable		17,713,185	18,560,419
Inventories	2	11,825,129	10,978,732
Prepaid expenses		825,294	558,564
<b>Total current assets</b>		<b>31,367,094</b>	<b>30,461,794</b>
Property, plant and equipment		23,545,217	24,333,630
Intangible assets		6,566,354	8,107,329
Goodwill		46,889,125	46,889,125
<b>Total assets</b>		<b>108,367,790</b>	<b>109,791,878</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		13,282,458	16,419,302
Dividend payable	5	1,437,548	1,437,733
Provisions		336,005	337,401
Income tax payable		428,156	1,207,692
Current portion of secured credit facilities	3	3,571,429	5,221,115
<b>Total current liabilities</b>		<b>19,055,596</b>	<b>24,623,243</b>
Secured credit facilities	3	19,786,829	17,184,599
Deferred income tax liabilities		1,134,156	2,218,415
Accrued pension benefit liability		3,598,372	566,464
Other post-retirement benefit obligations		292,900	899,900
Derivative financial liability	3	541,180	547,562
<b>Equity</b>			
Share capital	4	9,813,365	9,814,628
Contributed surplus	4	279,601,180	279,611,054
Deficit		(225,565,843)	(225,695,059)
Foreign currency translation reserve		110,055	21,072
<b>Total equity</b>		<b>63,958,757</b>	<b>63,751,695</b>
<b>Total liabilities and equity</b>		<b>108,367,790</b>	<b>109,791,878</b>

Subsequent events [note 7]

See accompanying notes

On behalf of the Directors:

By: \_\_\_\_\_  
Director

By: \_\_\_\_\_  
Director

**Supremex Inc.**

**CONSOLIDATED STATEMENTS OF EARNINGS**

<b>For the three-month periods ended March 31</b>		<b>2015</b>	<b>2014</b>
<b>[Unaudited]</b>	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		<b>34,707,717</b>	33,915,629
Operating expenses	2	<b>22,743,430</b>	22,335,224
Selling, general and administrative expenses		<b>3,896,572</b>	4,234,917
<b>Operating earnings before amortization</b>		<b>8,067,715</b>	7,345,488
Amortization of property, plant and equipment		<b>960,607</b>	881,443
Amortization of intangible assets		<b>1,540,975</b>	1,540,975
<b>Operating earnings</b>		<b>5,566,133</b>	4,923,070
Financing charges	3	<b>362,165</b>	321,964
<b>Earnings before income taxes</b>		<b>5,203,968</b>	4,601,106
Income tax expense		<b>1,400,022</b>	1,233,066
<b>Net earnings</b>		<b>3,803,946</b>	3,368,040
<b>Basic and diluted net earnings per share</b>		<b>0.1323</b>	0.1163
<b>Weighted average number of shares outstanding</b>		<b>28,751,131</b>	28,960,867

*See accompanying notes*

**Supremex Inc.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<b>For the three-month periods ended March 31</b>	<b>2015</b>	<b>2014</b>
<b>[Unaudited]</b>	<b>\$</b>	<b>\$</b>
<b>Net earnings</b>	<b>3,803,946</b>	3,368,040
<b>Other comprehensive income</b>		
<i>Other comprehensive income to be reclassified to earnings in subsequent periods</i>		
Foreign currency translation adjustments	<b>88,983</b>	24,661
Net other comprehensive income to be reclassified to earnings in subsequent periods	<b>88,983</b>	24,661
<i>Items not to be reclassified to earnings in subsequent periods</i>		
Recognized actuarial loss on defined benefit pension plans, net of income tax recovery of \$784,640 [2014 – \$1,334,837]	<b>(2,236,960)</b>	(3,807,063)
Recognized actuarial loss on other post-retirement benefit, net of income recovery of \$78 [2014 – \$7,451]	<b>(222)</b>	(21,249)
Net other comprehensive loss not being reclassified to earnings in subsequent periods	<b>(2,237,182)</b>	(3,828,312)
Other comprehensive loss	<b>(2,148,199)</b>	(3,803,651)
<b>Total comprehensive income (loss)</b>	<b>1,655,747</b>	(435,611)

*See accompanying notes*

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Share capital \$	Contributed surplus \$	Deficit \$	Foreign currency translation reserve \$	Total equity \$
<b>As at December 31, 2013</b>	9,885,008	280,108,017	(224,318,659)	(50,990)	65,623,376
Net earnings	—	—	3,368,040	—	3,368,040
Other comprehensive (loss) income	—	—	(3,828,312)	24,661	(3,803,651)
Total comprehensive income (loss)	—	—	(460,272)	24,661	(435,611)
Dividends declared [note 5]	—	—	(1,158,435)	—	(1,158,435)
<b>As at March 31, 2014</b>	9,885,008	280,108,017	(225,937,366)	(26,329)	64,029,330
<b>As at December 31, 2014</b>	9,814,628	279,611,054	(225,695,059)	21,072	63,751,695
Net earnings	—	—	3,803,946	—	3,803,946
Other comprehensive income	—	—	(2,237,182)	88,983	(2,148,199)
Total comprehensive income	—	—	1,566,764	88,983	1,655,747
Dividends declared [note 5]	—	—	(1,437,548)	—	(1,437,548)
Shares repurchased and cancelled [note 4]	(1,263)	(9,874)	—	—	(11,137)
<b>As at March 31, 2015</b>	<b>9,813,365</b>	<b>279,601,180</b>	<b>(225,565,843)</b>	<b>110,055</b>	<b>63,958,757</b>

See accompanying notes

**Supremex Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOW**

<b>For the three-month periods ended March 31</b>		<b>2015</b>	<b>2014</b>
<b>[Unaudited]</b>	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>			
Net earnings		3,803,946	3,368,040
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment		960,607	881,443
Amortization of intangible assets		1,540,975	1,540,975
Amortization of deferred financing costs	3	16,023	56,859
Gain on valuation of derivative financial instruments	3	(6,382)	(95,709)
Deferred income tax recovery		(299,541)	(423,323)
Change in employees benefits		(595,292)	(33,900)
		<b>5,420,336</b>	<b>5,294,385</b>
Working capital adjustments			
Variation in accounts receivable		847,234	871,612
Variation in inventories		(846,397)	(316,555)
Variation in prepaid expenses		(266,730)	(252,407)
Variation in accounts payable and accrued liabilities		(3,136,844)	(1,907,924)
Variation in provisions		(1,396)	(7,566)
Variation in income tax receivable and payable		(779,536)	(321,394)
Change in employee benefits		(1,700)	(19,500)
<b>Net cash flows from operating activities</b>		<b>1,234,967</b>	<b>3,340,651</b>
<b>INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(100,817)	(191,807)
<b>Net cash flows used in investing activities</b>		<b>(100,817)</b>	<b>(191,807)</b>
<b>FINANCING ACTIVITIES</b>			
Increase (repayment) of secured credit facilities		936,521	(2,450,000)
Dividends paid	5	(1,437,733)	(1,158,435)
Purchase of share capital for cancellation	4	(11,137)	—
<b>Net cash flows used in financing activities</b>		<b>(512,349)</b>	<b>(3,608,435)</b>
Net change in cash		621,801	(459,591)
Net foreign exchange difference		17,606	(9,002)
Cash, beginning of period		364,079	1,506,205
<b>Cash, ending of period</b>		<b>1,003,486</b>	<b>1,037,612</b>
<b>Supplemental information <sup>(1)</sup></b>			
Interest paid		329,232	473,128
Interest received		1,555	3,142
Income taxes paid		2,495,228	1,989,555
Income taxes received		5,199	12,227

<sup>(1)</sup> Amounts paid and received for interest and for income taxes were reflected as cash flows from operating activities in the consolidated statements of cash flows.

*See accompanying notes*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015 and 2014

[Unaudited]

**1. CORPORATE INFORMATION AND BASIS OF PREPARATION**

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

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to seasonal advertising and mailing patterns of its customers since the highest number of mailings related to events including the return to school, fund-raising and the holiday and tax seasons take place during that period. As a result, revenue and financial performance for the three-month period ended March 31, 2015 are not necessarily indicative of the revenue and performance that may be expected for a full year.

These unaudited interim condensed consolidated financial statements were approved by the Company’s Board of Directors on May 7, 2015 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, 2014, 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, 2014.

**2. INVENTORIES**

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
	<b>\$</b>	<b>\$</b>
Raw materials	<b>2,640,377</b>	2,686,610
Work in progress	<b>166,604</b>	196,024
Finished goods	<b>9,018,148</b>	8,096,098
	<b>11,825,129</b>	10,978,732

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, 2015 is \$23,662,242 [2014 - \$23,173,106].

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015 and 2014

[Unaudited]

## 3. SECURED CREDIT FACILITIES

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

	March 31, 2015 \$	December 31, 2014 \$
Operating facility	3,013,150	767,106
Term loan	20,500,000	21,809,524
Less: deferred financing costs, net	(154,892)	(170,916)
	<b>23,358,258</b>	22,405,714
Current portion	(3,571,429)	(5,221,115)
Long-term portion of secured credit facilities	<b>19,786,829</b>	17,184,599

Under the terms of the secured credit facilities, the Company is required, among other conditions, to meet certain covenants. The Company was in compliance with these covenants as at March 31, 2015. 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:

	\$
2015	2,678,571
2016	3,571,429
2017	17,263,150

As at March 31, 2015, the Company had outstanding letters of credit for a total of \$1,145,000 [\$1,145,000 as at December 31, 2014].

As at March 31, 2015, the effective interest rate on the secured credit facilities was 3.01% [3.42% as at December 31, 2014]. On January 14, 2011, the Company entered into an interest rate swap agreement for an amount of \$30 million. Under this agreement, the fixed interest rate is 2.92% until January 14, 2016, excluding all applicable margins that range between 1.75% and 2.00%.

Financing charges are as follows:

	Three-month periods ended March 31,	
	2015 \$	2014 \$
Interest on secured credit facilities	330,488	456,778
Interest (income) expense on defined benefit plan and post retirement obligations	16,500	(97,900)
Other interest	5,536	1,936
Amortization of deferred financing costs	16,023	56,859
Gain on valuation of derivative financial instrument (interest rate swap)	(6,382)	(95,709)
	<b>362,165</b>	321,964



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015 and 2014

[Unaudited]

**4. SHARE CAPITAL**

The change on share capital was as follows:

	Number of common shares	Share capital \$
Balance, as of December 31, 2014	28,754,667	9,814,628
Purchase of share capital for cancellation	(3,700)	(1,263)
<b>Balance, as of March 31, 2015</b>	<b>28,750,967</b>	<b>9,813,365</b>

During the three-month period ended March 31, 2015, the Company repurchased 3,700 common shares for cancellation through a normal course issuer bid in consideration of \$11,137. The excess of the purchase price over the carrying value in the amount of \$9,874 was recorded as a reduction of contributed surplus.

**5. DIVIDENDS**

Dividends declared from January 1, 2015 to March 31, 2015 were as follows:

<b>Declaration date</b>	<b>Record date</b>	<b>Payment date</b>	<b>Per share \$</b>	<b>Dividend \$</b>
February 20, 2015	March 31, 2015	April 14, 2015	0.05	1,437,548
<b>Total</b>				<b>1,437,548</b>

Dividends declared from January 1, 2014 to March 31, 2014 were as follows:

<b>Declaration date</b>	<b>Record date</b>	<b>Payment date</b>	<b>Per share \$</b>	<b>Dividend \$</b>
February 19, 2014	February 28, 2014	March 14, 2014	0.04	1,158,435
<b>Total</b>				<b>1,158,435</b>

**6. SEGMENTED INFORMATION**

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to \$76,277,562 in Canada and \$723,134 in the United States as at March 31, 2015 [\$78,640,750 and \$689,334 respectively, as at December 31, 2014]. The Company's revenue amounted to \$29,388,583 in Canada and \$5,319,134 in the United States for the three-month period ended March 31, 2015 based on customer location [2014 - \$29,586,625 in Canada and \$4,329,004 in the United States, respectively].

**7. SUBSEQUENT EVENTS**

On May 7, 2015, the Board of Directors has declared a quarterly dividend of \$0.05 per common share, payable on July 14, 2015 to shareholders of record at the close of business on June 30, 2015.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2015 and 2014**

**[Unaudited]**

**8. COMPARATIVE FIGURES**

Certain comparative figures from the previous year were reclassified to conform to the presentation adopted for the current year.