Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2014

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated July 31, 2014, 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 and six-month periods ended June 30, 2014. 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, 2013. The fiscal year of the Company ends on December 31. The Company's reporting currency is the Canadian dollar. Per share amounts are calculated using the weighted average number of shares outstanding for the three and six-month periods ended June 30, 2014. The consolidated financial statements for the three and six-month periods ended June 30, 2014 have not been audited or reviewed by the Company's auditors.

This MD&A contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. In addition to our results reported in accordance with IAS 34, the MD&A may contain other non-IFRS financial measures. Terms by which non-IFRS financial measures are identified include, but are not limited to, "EBITDA" or other similar expressions. Non-IFRS financial measures are used to provide management and investors with additional measures of performance. However, non-IFRS financial measures do not have standard meanings prescribed by IFRS and therefore may not be directly comparable to similar measures used by other companies and should not be viewed as alternatives to measures of financial performance prepared in accordance with IFRS. See "Definition of EBITDA" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.

Overview

Supremex is Canada's leading manufacturer and marketer of a broad range of stock and custom envelopes and growing provider of packaging and related products. Supremex employs approximately 500 people and is the only national envelope manufacturer in Canada, with seven manufacturing facilities strategically located across Canada and one facility in the United States. This national presence allows Supremex to meet the manufacturing needs of large national customers, such as large Canadian corporations, nationwide resellers and government bodies, as well as paper merchants and solution and process providers.

Highlights and Overall Performance

Revenue in the second quarter of 2014 amounted to $30.6 million compared with $31.9 million in the second quarter of 2013, a decrease of $1.3 million or 4.1% attributable to a decrease of units sold both in Canada and in the U.S. The decline was largely offset by improved average selling prices related to inflation price adjustments, an improved product mix and management's focus on value-added products. When compared to last year, units sold during the second quarter in Canada and in the U.S. both decreased by 14%.

EBITDA for the second quarter of 2014 amounted to $5.8 million compared with $6.1 million in 2013, a decrease of $0.3 million or 5.1%. The EBITDA margin of 19.0% for the quarter was relatively stable when compared with 19.2% last year. Higher average selling prices achieved this quarter, combined with cost containment efforts, compensated in large part for the negative impact of lower sales and higher raw material prices.

Net earnings in the second quarter of 2014 amounted to $2.3 million compared with $2.5 million in the second quarter of 2013. Earnings per share amounted to $0.08 in the second quarter of 2014 compared to $0.09 in the comparative period of 2013.

On July 29, 2014, the Company announced that it entered into an agreement with a customer in the U.S. to supply packaging products for a period of three years. The agreement has a value of $27 million over the initial three year period and could potentially reach over $80 million if all options to extend for an additional six years are exercised.

Supremex pays quarterly dividends to shareholders at the discretion of the Board of Directors. A dividend of $1,158,434 or $0.04 per share was declared on April 22, 2014 and paid on May 6, 2014. On June 17, 2014, the board of directors approved a dividend of $1,156,975 or $0.04 per share, which was paid on July 11, 2014.

During the three-month period ended June 30, 2014, the Company repurchased 36,500 shares for a total of $90,581 under the NCIB program.

During the second quarter of 2014, the Company repaid a total amount of $4.8 million on its secured credit facilities. As of June 30, 2014, the total debt to trailing EBITDA ratio was 1.2 times.

Summary of Quarterly Results

Supremex's revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of units sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including back to school, fundraising, and the holiday and tax seasons. The number of units sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer. As a result, Supremex's revenue and financial performance for any single quarter may not be indicative of revenue and financial performance which may be expected for the full year. To maintain production efficiencies, Supremex 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 July 1, 2012 to June 30, 2014.

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

	June 30, 2014	Mar. 31 2014	Dec. 31 2013	Sept. 30, 2013	June 30, 2013	Mar. 31, 2013	Dec. 31 2012 (2)	Sept. 30, 2012 (2)
	$	$	**$**	$	$	$	$	$
Revenue	**30,634**	33,916	33,583	29,776	31,941	33,666	33,737	30,703
EBITDA (1)	**5,816**	7,345	6,714	5,370	6,130	9,765	7,094	6,089
Earnings (loss) before income taxes	**3,102**	4,601	3,548	2,166	3,307	6,423	3,873	(25,973)
Net earnings (loss)	**2,331**	3,368	2,737	1,577	2,462	4,755	2,981	(26,271)
Net earnings (loss) per share	**0.08**	0.12	0.10	0.05	0.09	0.16	0.10	(0.90)

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

(2) Restated following the transition to the new accounting standard IAS 19 *Employee Benefits* as described in note 4 to the Company's audited consolidated financial statements for the year ended December 31, 2013.

During most of the 2012 and 2013 as well as during the first two quarters of 2014, revenue has remained relatively constant. The business was negatively affected by a general decline in the envelope market, which was compensated by a better product mix. However, changes to the competitive environment in the U.S. market have allowed the Company to pursue business opportunities more aggressively. The third quarter of 2012 loss is attributable to a goodwill impairment of $28.9 million considering the decline in North America's envelope industry.

Selected Consolidated Financial Information
(In thousands of dollars, except for per share amounts)

	Three-month periods ended June 30,		**Six-month periods ended June 30,**	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Revenue	**30,634**	31,941	**64,549**	65,607
Operating expenses	**21,067**	21,793	**43,401**	42,062
Selling, general and administrative expenses	**3,751**	4,018	**7,986**	7,650
EBITDA (1)	**5,816**	6,130	**13,162**	15,895
Amortization of property, plant and equipment	**881**	849	**1,763**	1,835
Amortization of intangible assets	**1,541**	1,541	**3,082**	3,082
Loss (gain) on disposal of property, plant and equipment	**6**	(64)	**6**	(73)
Operating earnings	**3,388**	3,804	**8,311**	11,051
Financing charges	**287**	497	**609**	1,321
Earnings before income taxes	**3,101**	3,307	**7,702**	9,730
Income taxes expenses	**771**	845	**2,004**	2,513
Net earnings	**2,330**	2,462	**5,698**	7,217
Basic and diluted net earnings per share	**0.08**	0.09	**0.20**	0.25
Dividend paid per share	**0.04**	0.03	**0.08**	0.06
Total assets	**115,193**	123,912	**115,193**	123,912
Secured credit facilities	**30,419**	45,469	**30,419**	45,469

(1) See "Definition of EBITDA."

Results of Operations

Three-month period ended June 30, 2014 compared with three-month period ended June 30, 2013

Revenue

Revenue for the three-month period ended June 30, 2014 amounted to $30.6 million compared with $31.9 million for the three-month period ended June 30, 2013, a decrease of $1.3 million or 4.1% which is attributable to a decrease of units sold both in Canada and in the US. The decline was largely offset by improved average selling price related to inflation price adjustments, an improved product mix, and management's focus on value-added products.

Revenue in Canada decreased by $1.2 million or 4.0%, from $28.7 million to $27.5 million, while revenue in the U.S. decreased by $0.1 million or 4.6%, from $3.2 million to $3.1 million.

The decrease in revenue in Canada was driven by a 14.1% decrease in the number of units sold, which was largely compensated by improved average selling price related to inflation price adjustments and an improved product mix. The merchants, printers and public sector negatively impacted the volume sold.

The decrease in revenue in the U.S. was driven by a 14.0% decrease in the number of units sold partially offset by an increase in the average selling price and also by the higher U.S. dollar versus the Canadian dollar in the second quarter of 2014.

Operating expenses

Operating expenses for the three-month period ended June 30, 2014 amounted to $21.1 million compared with $21.8 million for the same period in 2013, a decrease of $0.7 million or 3.3%. This decrease is mainly explained by cost reduction initiatives on the group insurance benefits implemented at the beginning of this year, control over labour costs, and the impact of lower volume produced that was partially offset by higher raw material costs.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $3.8 million for the three-month period ended June 30, 2014 compared with $4.0 million for the same period in 2013, a decrease of $0.2 million or 6.7%. The decrease is mainly attributable to lower selling expenses associated with the lower volume of units sold.

EBITDA

As a result of the changes described above, EBITDA stood at $5.8 million for the three-month period ended June 30, 2014 compared with $6.1 million for the same period in 2013, a decrease of $0.3 million or 5.1%.

Amortization

Aggregate amortization expense for the three-month period ended June 30, 2014 remained stable at $2.4 million when compared with the same period in 2013.

Financing charges

Financing charges for the three-month period ended June 30, 2014 amounted to $0.3 million compared with $0.5 million for the same period in 2013. The decrease resulted mainly from the impact of the reduced level of debt in 2014 and by interest revenue on the defined benefit plan obligations, partially offset by a higher gain on valuation of a derivative financial instrument in 2013.

Earnings before income taxes

Due to the fluctuations in revenue and expenses described above, earnings before income taxes totalled $3.1 million for the three-month period ended June 30, 2014 compared with $3.3 million for the same period in 2013, a decrease of $0.2 million or 6.2%.

Provision for income taxes

During the three-month period ended June 30, 2014, the Company recorded a provision for income taxes of $0.8 million and the same amount was recorded for the three-month period ended June 30, 2013.

Net earnings

As a result of the changes described above, net earnings amounted to $2.3 million for the three-month period ended June 30, 2014 compared with $2.5 million for the same period in 2013, a decrease of $0.2 million or 5.4%.

Other comprehensive loss

The higher than expected return on pension plan assets during the second quarter of 2014 offset the decrease of the discount rate for accrued plan benefit obligation and has generated a net actuarial gain of $0.9 million. This variation impacted the Company's other comprehensive income and deficit.

Six-month period ended June 30, 2014 compared with six-month period ended June 30, 2013

Revenue

Revenue for the six-month period ended June 30, 2014 amounted to $64.5 million compared with $65.6 million for the six-month period ended June 30, 2013, a decrease of $1.1 million or 1.6%. The decrease in revenue was mainly attributable to a lower number of units sold in Canada.

Revenue in Canada decreased by $2.5 million or 4.1%, from $59.6 million to $57.1 million, while revenue in the U.S. increased by $1.4 million or 23.0%, from $6.0 million to $7.4 million.

The decrease in revenue in Canada was driven by a 13.7% decrease in the number of units sold, which was largely compensated by improved average selling price related to inflation price adjustments and an improved product mix. The merchants, printers, form resellers, public sector and direct mail negatively impacted the volume sold.

The increase in revenue in the U.S. was driven by a 4.9% increase in the number of units sold, by an increase in the average selling price and also by the higher U.S. dollar versus the Canadian dollar in the first six months of 2014.

Operating expenses

Operating expenses for the six-month period ended June 30, 2014 amounted to $43.4 million compared with $42.1 million for the same period in 2013, an increase of $1.3 million or 3.2%. This increase is mainly explained by the gain of $2.1 million recorded last year resulting from the 2013 defined benefit pension plan amendments which, combined to changes in the group insurance benefits, generated savings in the first six months of 2014 when compared to 2013. While costs of raw materials increased, control over labour costs positively affected the operating expenses of the first six months.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $8.0 million for the six-month period ended June 30, 2014 compared with $7.7 million for the same period in 2013, an increase of $0.3 million or 4.4%. The increase is mainly attributable to the gain of $0.7 million recorded last year resulting from the 2013 defined benefit pension plan amendments and also to this year's lower selling expenses, as discussed above.

EBITDA

As a result of the changes described above, EBITDA stood at $13.2 million for the six-month period ended June 30, 2014 compared with $15.9 million for the same period in 2013, a decrease of $2.7 million or 17.2%.

Without considering the 2013 gain of $2.8 million resulting from the defined benefit pension plan amendments, reducing early retirement and bridging benefits, EBITDA for the first six-month period ended June 30, 2014 of $13.1 million is comparable to last year's EBITDA of $13.1 million.

Amortization

Aggregate amortization expense for the six-month period ended June 30, 2014 amounted to $4.8 million compared with $4.9 million for the comparable period of 2013 representing a decrease of $0.1 million or 1.5%.

Financing charges

Financing charges for the six-month period ended June 30, 2014 amounted to $0.6 million compared with $1.3 million for the same period in 2013. The decrease resulted mainly from the impact of the reduced level of debt in 2014 and by interest revenue on the defined benefit plan obligations partially offset by a higher gain on valuation of a derivative financial instrument in 2013.

Earnings before income taxes

Due to the fluctuations in revenue and expenses described above, earnings before income taxes totalled $7.7 million for the six-month period ended June 30, 2014 compared with $9.7 million for the same period in 2013, a decrease of $2.0 million or 20.8%.

Provision for income taxes

During the six-month period ended June 30, 2014, the Company recorded a provision for income taxes of $2.0 million compared with $2.5 million for the six-month period ended June 30, 2013, a decrease of $0.5 million or 20.3%. The decrease is mainly attributable to higher earnings in the first six months of 2013 resulting from the amendments reducing early retirement and bridging benefits of the defined benefit pension plan effective January 1, 2013.

Net earnings

As a result of the changes described above, net earnings amounted to $5.7 million for the six-month period ended June 30, 2014 compared with $7.2 million for the same period in 2013, a decrease of $1.5 million or 21.0%.

Other comprehensive loss

The higher than expected return on pension plan assets during the first semester of 2014 did not offset the decrease of the discount rate for accrued plan benefit obligation and has generated a net actuarial loss of $2.9 million. This variation impacted the Company's other comprehensive income and deficit.

Segmented Information

The Company currently operates in one business segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to $86.1 million in Canada and $0.7 million in the U.S. as at June 30, 2014 as compared to $94.4 million and $0.8 million as at December 31, 2013, respectively.

In Canada, the Company's revenue amounted to $27.5 million and $57.1 million for the three and six-month periods ended June 30, 2014 compared with $28.7 million and $59.6 million for the same periods in 2013, representing a decrease of $1.2 million or 4.0% and $2.5 million or 4.1%, respectively. In the U.S., the Company's revenue amounted to $3.1 million and $7.4 million for the three and six-month periods ended June 30, 2014 compared with $3.2 and $6.0 million for the same periods in 2013, representing a decrease of $0.1 million or 4.6% and an increase of $1.4 million or 23.0%, respectively

Liquidity and Capital Resources

Operating activities

Cash of $8.9 million was generated in operating activities during the six-month period ended June 30, 2014 compared with $2.4 million during the same period of 2013. The increase in net cash flows from operating activities is primarily due to the decrease in net change in non-cash working capital balances. Working capital required $0.8 million during the first six months of 2014 compared to $7.3 million for the same period in 2013. This is mainly due to the decrease of accounts receivable and inventories and less outflows related to accounts payable and accrued liabilities.

Investing activities

Cash of $0.4 million was used in investing activities during the six-month period ended June 30, 2014, the same as in 2013.

Financing activities

In the six-month period ended June 30, 2014, $9.7 million was used in financing activities for the repayment of the credit facilities, the payment of dividends and the purchase of 36,500 shares under the NCIB program, compared with $5.7million in 2013.

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, 2013 and did not significantly change since that date. The Company has no other off-balance sheet arrangements.

Capitalization

As at July 31, 2014, the Company had 28,924,367 common shares outstanding, a decrease of 36,500 shares following the repurchase done under the NCIB program during the three-month period ended June 30, 2014.

Financial Position Highlights

(In thousands of dollars)

	June 30, 2014 $	December 31, 2013 $
Working capital	**10,278**	11,080
Total assets	**115,193**	126,754
Total secured credit facilities[1]	**30,419**	37,583
Equity	**64,801**	65,623

[1] Net of deferred financing cost of $303,248 ($416,966 at Dec. 31, 2013)

The Company was in compliance with the covenants of its credit facilities as at June 30, 2014.

Contingent liability

During the three-month period ended March 31, 2014, a former executive instituted legal proceedings against the Company, claiming $1,077,474 following his departure. As at June 30, 2014, the Company had not recorded a provision as part of this litigation. The Company believes this lawsuit is without merit and intends to defend it vigorously.

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 Operating 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 Operating Officer and the Vice-President, Finance, by others 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 April 1, 2014 and ended June 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Recent Event

On July 31, 2014, the Board of Directors declared a quarterly dividend of $0.045 per common share, an increase of 12.5% over the last dividend paid, which is payable on October 10, 2014 to shareholders of record at the close of business on September 30, 2014.

Significant accounting policies and estimates

The Company's unaudited interim consolidated financial statements for the six-month ended June 30, 2014 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 Company's result of operations, business prospects and financial condition are subject to a number of risks and uncertainties, and are affected by a number of factors, outside the control of the management. Details are provided in the "Risk Factors" section of the Company's 2013 Annual Information Form, dated March 28, 2014 (which can be found at www.sedar.com).

Forward-Looking Statements

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA, future performance of Supremex and similar statements concerning anticipated future results, circumstances, performance or expectations. A statement is forward-looking when it uses what Supremex knows and expects today to make a statement about the future. Forward-looking statements may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. These statements relate to future events or future performance and reflect current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking statements reflect current assumptions, expectations and estimates of management and are based on information currently available to Supremex as at the date of this MD&A.

Forward-looking statements are subject to certain risks and uncertainties, and should not be read as guarantees of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for fiscal 2013 and, in particular, in "Risk Factors". Consequently, we cannot guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements.

Definition of EBITDA

References to “EBITDA” are to earnings before financing charges, income tax expense, amortization of property, plant and equipment and of intangible assets and loss (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.

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

Additional Information

Additional information relating to the Company, 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 six-month periods ended June 30, 2014 and 2013

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 CPA Canada for a review of interim financial statements by an entity's auditor.

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at [Unaudited]	Notes	June 30, 2014 $	December 31, 2013 $
ASSETS	**3**		
Current assets			
Cash		**351,644**	1,506,205
Accounts receivable		**15,974,982**	17,375,214
Inventories	**2**	**11,105,185**	12,147,658
Prepaid expenses		**993,146**	522,033
Total current assets		**28,424,957**	31,551,110
Property, plant and equipment		**24,504,968**	25,880,298
Accrued pension benefit assets		**4,184,915**	8,161,800
Intangible assets		**11,189,279**	14,271,229
Goodwill		**46,889,125**	46,889,125
Total assets		**115,193,244**	126,753,562
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**12,156,757**	14,418,279
Dividend payable	**4**	**1,156,975**	—
Provisions		**369,585**	411,276
Income tax payable		**501,129**	891,201
Current portion of secured credit facilities	**3**	**3,962,903**	4,750,000
Total current liabilities		**18,147,349**	20,470,756
Secured credit facilities	**3**	**26,455,623**	32,833,034
Deferred income tax liabilities		**4,140,813**	5,982,971
Other post-retirement benefit obligations		**904,300**	888,500
Derivative financial liability	**3**	**744,076**	954,925
Equity			
Share capital		**9,872,550**	9,885,008
Contributed surplus		**280,029,894**	280,108,017
Deficit		**(225,047,622)**	(224,318,659)
Foreign currency translation reserve		**(53,739)**	(50,990)
Total equity		**64,801,083**	65,623,376
Total liabilities and equity		**115,193,244**	126,753,562

Subsequent events [*note 9*]

See accompanying notes

On behalf of the Directors:

By: (Signed) Mathieu Gauvin
Director

By: (Signed) George Armoyan
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

[Unaudited]	Notes	Three-month periods ended June 30, 2014 $	2013 $	Six-month periods ended June 30, 2014 $	2013 $
Revenue		**30,633,858**	31,940,856	**64,549,487**	65,606,585
Operating expenses	**2**	**21,066,007**	21,793,651	**43,401,234**	42,061,755
Selling, general and administrative expenses		**3,751,403**	4,017,675	**7,986,319**	7,649,895
Operating earnings before amortization and loss (gain) on disposal of property, plant and equipment		**5,816,448**	6,129,530	**13,161,934**	15,894,935
Amortization of property, plant and equipment		**881,168**	849,039	**1,762,611**	1,834,858
Amortization of intangible assets		**1,540,975**	1,540,975	**3,081,950**	3,081,950
Loss (gain) on disposal of property, plant and equipment		**5,617**	(64,136)	**5,617**	(73,046)
Operating earnings		**3,388,688**	3,803,652	**8,311,756**	11,051,173
Financing charges	**3**	**287,109**	496,480	**609,072**	1,320,885
Earnings before income taxes		**3,101,579**	3,307,172	**7,702,684**	9,730,288
Income tax expense		**770,837**	844,788	**2,003,903**	2,513,310
Net earnings		**2,330,742**	2,462,384	**5,698,781**	7,216,978
Basic and diluted net earnings per share		**0.0805**	0.0850	**0.1968**	0.2492
Weighted average number of shares outstanding		**28,952,546**	28,960,867	**28,956,684**	28,960,867

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]	Three-month periods ended June 30, 2014 $	2013 $	Six-month periods ended June 30, 2014 $	2013 $
Net earnings	**2,330,742**	2,462,384	**5,698,781**	7,216,978
Other comprehensive income				
Other comprehensive income to be reclassified to earnings in subsequent periods				
Foreign currency translation adjustments	**(27,410)**	19,236	**(2,749)**	28,627
Net other comprehensive (loss) income to be reclassified to earnings in subsequent periods	**(27,410)**	19,236	**(2,749)**	28,627
Items not to be reclassified to earnings in subsequent periods				
Recognized actuarial gain (loss) on defined benefit pension plans, net of income tax expense of $308,041 and recovery of $1,026,796 [2013 – expense of $1,166,525 and $2,747,990]	**878,559**	3,339,175	**(2,928,504)**	7,866,110
Recognized actuarial (loss) gain on other post-retirement benefit, net of income tax recovery of $1,453 and $8,904 [2013 – expense of $5,696 and $6,628]	**(4,147)**	16,304	**(25,396)**	18,972
Net other comprehensive income (loss) not being reclassified to earnings in subsequent periods	**874,412**	3,355,479	**(2,953,900)**	7,885,082
Other comprehensive income (loss)	**847,002**	3,374,715	**(2,956,649)**	7,913,709
Total comprehensive income	**3,177,744**	5,837,099	**2,742,132**	15,130,687

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30
[Unaudited]

	Share capital $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Total equity $
As at December 31, 2013	9,885,008	280,108,017	(224,318,659)	(50,990)	65,623,376
Net earnings	—	—	5,698,781	—	5,698,781
Other comprehensive (loss) income	—	—	(2,953,900)	(2,749)	(2,956,649)
Total comprehensive income	—	—	2,744,881	(2,749)	2,742,132
Dividends declared [*note 5*]	—	—	(3,473,844)	—	(3,473,844)
Shares repurchased and cancelled	(12,458)	(78,123)	—	—	(90,581)
As at June 30, 2014	**9,872,550**	**280,029,894**	**(225,047,622)**	**(53,739)**	**64,801,083**
As at December 31, 2012	9,885,008	280,108,017	(252,002,146)	(83,979)	37,906,900
Net earnings	—	—	7,216,978	—	7,216,978
Other comprehensive income	—	—	7,885,082	28,627	7,913,709
Total comprehensive income	—	—	15,102,060	28,627	15,130,687
Dividends declared [*note 5*]	—	—	(1,737,652)	—	(1,737,652)
As at June 30, 2013	9,885,008	280,108,017	(238,637,738)	(55,352)	51,299,935

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

[Unaudited]	Notes	Three-month periods ended June 30, 2014 $	Three-month periods ended June 30, 2013 $	Six-month periods ended June 30, 2014 $	Six-month periods ended June 30, 2013 $
OPERATING ACTIVITIES					
Net earnings		**2,330,742**	2,462,384	**5,698,781**	7,216,978
Non-cash adjustment to reconcile net earnings to net cash flows					
Amortization of property, plant and equipment		**881,168**	849,039	**1,762,611**	1,834,858
Amortization of intangible assets		**1,540,975**	1,540,975	**3,081,950**	3,081,950
Amortization of deferred financing costs	3	**56,858**	56,858	**113,717**	113,717
Loss (gain) on disposal of property, plant and equipment		**5,617**	(64,136)	**5,617**	(73,046)
Gain on valuation of derivative financial instruments	3	**(115,140)**	(305,805)	**(210,849)**	(305,785)
Deferred income tax (recovery) expense		**(383,134)**	(253,531)	**(806,457)**	127,278
Change in employees benefits		**75,885**	152,900	**41,985**	(2,346,600)
		4,392,971	4,438,684	**9,687,355**	9,649,350
Working capital adjustments					
Variation in accounts receivable		**528,620**	92	**1,400,232**	(1,998,799)
Variation in inventories		**1,359,027**	(35,028)	**1,042,473**	(440,758)
Variation in prepaid expenses		**(218,706)**	47,283	**(471,113)**	(282,355)
Variation in accounts payable and accrued liabilities		**(353,598)**	(1,087,204)	**(2,261,522)**	(4,271,756)
Variation in provisions		**(34,125)**	(17,930)	**(41,691)**	(9,067)
Variation in income tax receivable and payable		**(68,678)**	93,042	**(390,072)**	495,703
Change in employee benefits		**(19,400)**	(212,800)	**(38,900)**	(776,900)
Net cash flows from operating activities		**5,586,111**	3,226,139	**8,926,762**	2,365,418
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		**(204,498)**	(192,271)	**(396,305)**	(499,060)
Proceeds from sale of property, plant and equipment		**8,000**	83,904	**8,000**	92,814
Net cash flows used in investing activities		**(196,498)**	(108,367)	**(388,305)**	(406,246)
FINANCING ACTIVITIES					
Repayment of secured credit facilities		**(4,828,226)**	(3,250,000)	**(7,278,226)**	(4,000,000)
Dividends paid	5	**(1,158,434)**	(868,826)	**(2,316,869)**	(1,737,652)
Purchase of share capital for cancellation	4	**(90,581)**	—	**(90,581)**	—
Net cash flows used in financing activities		**(6,077,241)**	(4,118,826)	**(9,685,676)**	(5,737,652)
Net change in cash		**(687,628)**	(1,001,054)	**(1,147,219)**	(3,778,480)
Net foreign exchange difference		**1,660**	(11,797)	**(7,342)**	(21,719)
Cash, beginning of period		**1,037,612**	2,306,528	**1,506,205**	5,093,876
Cash, ending of period		**351,644**	1,293,677	**351,644**	1,293,677
Supplemental information (1)					
Interest paid		**440,666**	591,048	**913,794**	1,185,557
Interest received		**1,962**	2,477	**5,104**	10,071
Income taxes paid		**1,219,345**	942,994	**3,208,900**	1,827,978
Income taxes received		**10,747**	10,079	**22,974**	10,079

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

See accompanying notes

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

The 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 and six-month periods ended June 30, 2014 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 July 31, 2014 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, 2013, 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, 2013.

2. INVENTORIES

	June 30, 2014 $	**December 31, 2013 $**
Raw materials	**2,591,202**	3,008,114
Work in progress	**179,298**	70,788
Finished goods	**8,334,685**	9,068,756
	11,105,185	12,147,658

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 six-month periods ended June 30, 2014 are $21,907,458 and $45,080,563 respectively [2013 - $22,590,084 and $43,736,523 respectively].

3. SECURED CREDIT FACILITIES

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

	June 30, 2014 $	December 31, 2013 $
Revolving credit facility	**1,000,000**	—
Term credit facility	**29,721,774**	38,000,000
Less: deferred financing costs, net	**(303,248)**	(416,966)
	30,418,526	37,583,034
Current portion	**(3,962,903)**	(4,750,000)
Long-term portion of secured credit facilities	**26,455,623**	32,833,034

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 June 30, 2014. 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:

	$
2014	1,981,452
2015	28,740,322

As at June 30, 2014, the effective interest rate on the revolving and term credit facilities was 3.522% [3.53% on the term credit facility as at December 31, 2013]. On January 14, 2011, the Company entered into an interest rate swap agreement for an amount of $30 million at a fixed rate of 2.84% until January 14, 2016, excluding the applicable margin.

Financing charges are as follows:

	Three-month periods ended June 30, 2014 $	Three-month periods ended June 30, 2013 $	Six-month periods ended June 30, 2014 $	Six-month periods ended June 30, 2013 $
Interest on secured credit facilities	**422,536**	560,222	**879,314**	1,149,417
Interest (income) expense on defined benefit obligation	**(97,900)**	181,200	**(195,800)**	362,700
Interest expense on post-retirement benefits	**20,400**	—	**20,400**	—
Other interest	**355**	4,005	**2,290**	836
Amortization of deferred financing costs	**56,858**	56,858	**113,717**	113,717
Gain on valuation of derivative financial instrument (interest rate swap)	**(115,140)**	(305,805)	**(210,849)**	(305,785)
	287,109	496,480	**609,072**	1,320,885

4. SHARE CAPITAL

The change on share capital was as follows:

	Number of common shares	Share capital $
Balance, as of December 31, 2013	28,960,867	9,885,008
Purchase of share capital for cancellation	(36,500)	(12,458)
Balance, as of June 30, 2014	28,924,367	**9,872,550**

During the six month period ended June 30, 2014, the Company repurchased 36,500 common shares for cancellation through a normal course issuer bid in consideration of $90,581 which resulted in a premium on the redemption on the amount of $78,123 recorded as a reduction of contributed surplus.

5. DIVIDENDS

Dividends declared from January 1, 2014 to June 30, 2014 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 19, 2014	February 28, 2014	March 14, 2014	0.04	1,158,435
April 22, 2014	April 25, 2014	May 6, 2014	0.04	1,158,434
June 17, 2014	June 30, 2014	July 11, 2014	0.04	1,156,975
Total				**3,473,844**

Dividends declared from January 1, 2013 to June 30, 2013 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 20, 2013	March 4, 2013	March 15, 2013	0.03	868,826
May 6, 2013	May 31, 2013	June 14, 2013	0.03	868,826
Total				**1,737,652**

6. EMPLOYEE DEFINED BENEFIT PLANS

For the three-month period ended June 30, 2014, the Company's total benefit revenue for the pension plans was $44,100 including $97,900 of interest income on defined benefit plan obligation [2013 – cost of $147,300 including $181,200 of interest on defined benefit plan obligation]. For the six-month period ended June 30, 2014, the Company's total benefit revenue was $88,200 including $195,800 of interest income on defined benefit plan obligation [2013 – revenue of $2,357,800 net of $362,700 of interest on defined benefit plan obligation].

7. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to $86,074,180 in Canada and $694,107 in the United States as at June 30, 2014 [$94,437,158 and $765,294 respectively, as at December 31, 2013]. The Company's revenue amounted to $27,515,622 and $57,137,059 in Canada and $3,118,236 and $7,412,428 in the United States for the three and six-month periods ended June 30, 2014 based on customer location [2013 - 28,671,788 and $59,581,252 in Canada and $3,269,068 and $6,025,333 in the United States, respectively].

8. CONTINGENT LIABILITIES

During the three-month period ended March 31, 2014, a former executive instituted legal proceedings against the Company, claiming $1,077,474 following his departure. As at June 30, 2014, the Company had not recorded a provision as part of this litigation. The Company believes this lawsuit is without merit and intends to defend it vigorously.

9. SUBSEQUENT EVENTS

As of July 31, 2014, the Board of Directors has declared a quarterly dividend of $0.045 per common share, an increase of 12.5% over the last dividend paid, which is payable on October 10, 2014 to shareholders of record at the close of business on September 30, 2014.

10. COMPARATIVE FIGURES

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