Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated May 5, 2016, 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, 2016. These consolidated financial statements of the Company have been prepared by management in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company's audited consolidated financial statements for the year ended December 31, 2015. 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, 2016. The consolidated financial statements for the three-month period ended March 31, 2016, 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, Adjusted EBITDA or Adjusted Net Earnings" 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, Adjusted EBITDA or Adjusted Net Earnings and Non-IFRS Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA, Adjusted EBITDA or Adjusted Net Earnings to net earnings.

Overview

Supremex is a leading North American manufacturer and marketer of a broad range of stock and custom envelopes and a growing provider of packaging and specialty products. Supremex is the only national envelope manufacturer in Canada, with facilities across seven provinces and two facilities in the United States and employs approximately 650 people. Supremex' growing footprint allows it to efficiently manufacture and distribute products tailored to the specifications of major corporations, national resellers, government entities, as well as paper merchants, statement processors and solution providers.

Highlights and Overall Performance

Revenue in the first quarter of 2016 was $41.3 million compared to $34.7 million in the equivalent quarter of 2015, an increase of 18.9% or $6.6 million. This increase is mainly attributable to Supremex' expanding footprint in the U.S., with a large contribution from Classic Envelope Inc. (acquired in October 2015) and organic growth from existing U.S. operations. The Premier Envelope Ltd. acquisition also contributed to revenue growth in the quarter, compensating for the secular decline in the Canadian envelope market.

Table of revenue information
(In thousands of dollars)

Revenue information **Percentage variation**	**Q1-2016**	**Q1-2015**	**Q1-2014**
Canadian envelope market revenues	**$29.5**	$27.2	$27.4
Volume	**1.5%**	-1.8%	-8.0%
Average selling price	**6.7%**	1.1%	3.3%
Total Growth Rate	**8.4%**	-0.8%	-5.0%
U.S. envelope market revenues	**$9.2**	$5.2	$4.1
Volume	**56.1%**	18.3%	26.7%
Average selling price (in CAD)	**14.6%**	5.4%	24.7%
Total Growth Rate	**78.9%**	24.6%	58.1%
Packaging & Specialty product revenues (Canada and U.S.)	**$2.6**	$2.3	$2.4
Total Growth Rate	**8.9%**	-0.3%	7.4%
Total	**$41.3**	$34.7	$33.9
Year-over-Year performance	**18.9%**	2.3%	0.7%

Revenue from the Canadian envelope market reached $29.5 million in the first quarter of 2016, up by 8.4% or $2.3 million, on an increase of 1.5% in the volume of units sold and an increase of 6.7% in average selling prices necessitated by increased costs of raw material denominated in USD throughout the year. Revenue from the U.S. envelope market reached $9.2 million, up by 78.9% or $4.1 million, on an increase of 56.1% in the volume of units sold and an increase of 14.6% in average selling prices.

Revenue from packaging and specialty products also contributed to this quarter's growth, growing by 8.9% to reach $2.6 million.

Adjusted EBITDA stood at $7.1 million for the three-month period ended March 31, 2016, compared with $7.0 million last year, an increase of $0.1 million or 1.9%. Adjusted EBITDA margins stood at 17.3% in the first quarter of 2016 compared to 20.2% last year on account of a growing footprint in the U.S. as a result of the acquired company, effects of a stronger USD on costs of goods and business integration costs.

Net earnings in the first quarter of 2016 totaled $3.2 million, or $0.11 per share, compared with $3.8 million, or $0.13 per share in the first quarter of 2015. During the first quarter of last year, non-cash gains on amendments to the pension and post-retirement benefits plans were recorded. Adjusted net earnings stood at $3.2 million or $0.11 per share for the three-month period ended March 31, 2016 compared with 3.0 million or $0.10 per share for the comparable period of 2015.

Operating activities generated cash of $2.0 million compared with $1.2 million during the same period of 2015 on efficient management of working capital items and lower inventory levels.

Declaration of Dividend

On May 5, 2016, the Board of Directors declared a quarterly dividend of $0.055 per share, representing a 10% increase over the prior year and equal to the dividend per share paid in the previous two quarters. The dividend is payable on July 14, 2016, to shareholders of record at the close of business on June 30, 2016.

Reconciliation from Net Earnings to EBITDA and to Adjusted EBITDA

(In thousands of dollars)

	Three-month periods ended March 31, 2016	March 31, 2015
	$	$
Net Earnings	**3,228**	3,804
Income tax expense	**1,220**	1,400
Financing charges, net	**258**	362
Amortization of property, plant and equipment	**1,247**	961
Amortization of intangible assets	**1,135**	1,541
Loss on disposal of property, plant and equipment	**57**	—
EBITDA[1]	**7,145**	8,068
Adjustments		
Less: Gain on pension plans' amendments	—	(443)
Less: Gain on post-retirement benefits plans amendment	—	(614)
Adjusted EBITDA[1]	**7,145**	7,011

[1] 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.

Reconciliation from Net Earnings to Adjusted Net Earnings

(In thousands of dollars)

	Three-month periods ended March 31, 2016	March 31, 2015
	$	$
Net Earnings	**3,228**	3,804
Adjustments		
Less: Gain on pension plans' amendments	—	(443)
Less: Gain on post-retirement benefits plans amendment	—	(614)
Income tax on gains on pension and post-retirement benefits plans' amendments	—	274
Adjusted Net Earnings [1]	**3,228**	3,021

[1] See "Definition of Adjusted Net Earnings". Adjusted Net Earnings is not a recognized measure under IFRS and does not have a standardized meaning prescribed by IFRS. Adjusted Net Earnings may not be comparable to similar measures presented by other issuers.

Summary of quarterly operating results from April 1, 2014, to March 31, 2016

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

	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014
	$	$	$	$	$	$	$	$
Revenue	**41,262**	41,287	32,435	33,868	34,708	35,097	32,241	30,634
Adjusted EBITDA [1]	**7,145**	8,107	6,586	6,430	7,011	7,162	6,296	5,816
Earnings before income taxes	**4,448**	5,211	3,824	7,568	5,204	3,808	3,638	3,101
Net earnings	**3,228**	3,804	2,771	5,552	3,804	2,728	2,621	2,330
Net earnings per share	**0.11**	0.13	0.10	0.19	0.13	0.09	0.09	0.08

[1] See "Definition of EBITDA or Adjusted EBITDA"

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 by 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.*

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

	Three-month periods ended March 31,		
	2016	**2015**	**2014**
	$	**$**	**$**
Revenue	**41,262**	34,708	33,916
Operating expenses(1)	**29,249**	22,743	22,336
Selling, general and administrative expenses(1)	**4,868**	3,897	4,235
EBITDA (2)	**7,145**	8,068	7,345
Amortization of property, plant and equipment	**1,247**	961	881
Amortization of intangible assets	**1,135**	1,541	1,541
Loss on disposal of property, plant and equipment	**57**	—	—
Operating earnings	**4,706**	5,566	4,923
Financing charges	**258**	362	322
Earnings before income taxes	**4,448**	5,204	4,601
Income taxes expenses	**1,220**	1,400	1,233
Net earnings	**3,228**	3,804	3,368
Basic and diluted net earnings per share	**0.11**	0.13	0.12
Dividend declared per share	**0.055**	0.05	0.04
Total assets	**119,201**	108,368	118,688
Secured credit facilities, net of cash	**26,215**	22,355	34,152

(1) Includes gains on pension and post retirement plans amendments. See "Reconciliation from Net Earnings to EBITDA and adjusted EBITDA".

(2) See "Definition of EBITDA."

Results of Operations

Three-month period ended March 31, 2016, compared with three-month period ended March 31, 2015

Revenue

Revenue for the three-month period ended March 31, 2016, was $41.3 million compared with $34.7 million for the three-month period ended March 31, 2015, an increase of $6.6 million or 18.9%.

Revenue from the Canadian envelope market increased by $2.3 million, or 8.4%, reaching $29.5 million. The acquisition of Premier Envelope Ltd. in December 2015 helped achieve growth in this market segment resulting in an increase of 1.5% of the number of units sold. Average selling prices also increased by 6.7% when compared to last year's first quarter, on product mix and higher cost of raw materials.

Revenue from the U.S. envelope market continued to grow significantly as a result of the Classic Envelope Inc. acquisition concluded in October 2015 and organic growth from existing U.S. operations. Revenue from this market reached $9.2 million, representing an increase of $4.1 million or 78.9% over last year, on volume increases of 56.1% and 14.6% higher average selling prices denominated in CAD, of which 10.7% results from the appreciation of the USD.

Revenue from packaging and specialty products reached $2.6 million, an increase of 8.9% from $2.3 million in the comparable quarter of 2015.

Operating expenses

Operating expenses for the three-month period ended March 31, 2016, were $29.2 million compared with $22.8 million for the same period in 2015, an increase of $6.4 million or 28.6%. This is mainly a reflection of the acquired businesses, a growing footprint in the U.S., increased cost of goods denominated in USD and anticipated integration costs. Non-cash gains were also recorded in the first quarter of 2015 on amendments to the pension and post-retirement benefits plans.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $4.9 million for the three-month period ended March 31, 2016, compared with $3.9 million for the same period in 2015, an increase of $1.0 million or 24.9% attributable to the recent acquisitions and non-cash gains recorded in the first quarter of 2015 on amendments to the pension and post-retirement benefits plans.

EBITDA and Adjusted EBITDA

EBITDA stood at $7.1 million for the three-month period ended March 31, 2016, compared with $8.1 million for the same period in 2015, a decrease of $1.0 million or 11.4%. Excluding the non-cash gains totalling $1.1 million on amendments to the pension and post-retirement benefits plans recorded in 2015, the Adjusted EBITDA stood at $7.1 million for the three-month period ended March 31, 2016, compared with $7.0 million last year, an increase of $0.1 million or 1.9%. Adjusted EBITDA margins stood at 17.3% in the first quarter of 2016 compared to 20.2% during the first quarter of last year, mostly on the increase in operating expenses explained above.

Amortization

Aggregate amortization expense for the three-month period ended March 31, 2016, amounted to $2.4 million compared with $2.5 million for the comparable period of 2015 representing a decrease of $0.1 million or 4.8%.

Financing charges

Financing charges for the three-month period ended March 31, 2016, amounted to $0.3 million compared with $0.4 million for the same period in 2015, a decrease of $0.1 million or 28.9%.

Earnings before income taxes

Due to the fluctuations in revenue and expenses described herein, earnings before income taxes totalled $4.4 million for the three-month period ended March 31, 2016, compared with $5.2 million for the same period in 2015, a decrease of $0.8 million or 14.5%.

Provision for income taxes

During the three-month period ended March 31, 2016, the Company recorded a provision for income taxes of $1.2 million compared with $1.4 million for the three-month period ended March 31, 2015, a decrease of $0.2 million or 12.9%.

Net earnings

As a result of the changes described above, net earnings amounted to $3.2 million for the three-month period ended March 31, 2016, compared with $3.8 million for the same period in 2015, a decrease of $0.6 million or 15.1%. Earnings per share amounted to $0.11 in the first quarter of 2016 compared to $0.13 in the comparative period of 2015. Adjusted net earnings stood at $3.2 million for the three-month period ended March 31, 2016, compared with $3.0 million for the same period in 2015.

Other comprehensive loss

A lower than expected return on assets of the Company's defined benefit pension plans combined with a decrease of the discount rate used to calculate the accrued plan benefit obligation generated net actuarial losses of $1.7 million for the three-month period ended March 31, 2016, compared to losses of $2.2 million for the comparable quarter of 2015.

Segment information

The Company currently operates in one business segment: the manufacturing and sale of envelopes and packaging and specialty products. The Company's non-current assets amounted to $72.5 million in Canada and $9.3 million in the United States as at March 31, 2016, as compared to $74.3 million and $9.7 million as at December 31, 2015, respectively.

In Canada, the Company's total revenue amounted to $31.5 million for the three-month period ended March 31, 2016, compared with $29.4 million for the same period in 2015, representing an increase of $2.1 million or 7.2%. In the United States, the Company's total revenue amounted to $9.8 million for the three-month period ended March 31, 2016, compared with $5.3 million for the same period in 2015, representing an increase of $4.5 million or 83.2%.

Liquidity and Capital Resources

Operating Activities

Cash of $2.0 million was generated in operating activities during the three-month period ended March 31, 2016, compared with $1.2 million during the same period of 2015. Working capital required $3.7 million during the first quarter of 2016 compared to $4.2 million for the same period in 2015, a decrease of $0.5 million on sustained efforts to maintain efficient working capital levels.

Investing Activities

Cash of $0.7 million was used in investing activities during the three-month period ended March 31, 2016, compared to $0.1 million in 2015, an increase of $0.6 million attributable to equipment upgrading mostly at the Classic facility.

Financing Activities

In the three-month period ended March 31, 2016, $3.9 million was used in financing activities compared with $0.5 million in 2015, an increase of $3.4 million mainly due to higher repayment of the secured credit facility, which was used in part to finance the recent acquisitions. Supremex remains focused on maintaining low debt ratios while maintaining its financial flexibility.

Liquidity and Capital Resources Summary

The Company's ability to generate cash flows from operations combined with our availability under 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, 2015, and did not significantly change since that date. The Company has no other off-balance sheet arrangements.

Capitalization

As at May 5, 2016, the Company had 28,644,771 common shares outstanding, a decrease of 106,196 shares following the repurchase done under the NCIB program during the three-month period ended March 31, 2016.

Financial Position Highlights
(In thousands of dollars)

	March 31, 2016 $	December 31, 2015 $
Working capital	**20,989**	20,213
Total assets	**119,201**	125,166
Total secured credit facilities [1]	**26,860**	28,674
Equity	**71,341**	72,635

[1] Net of deferred financing cost of $309 ($326 at December 31, 2015).

The Company was in compliance with the covenants of its credit facility as at March 31, 2016.

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 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 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 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 beginning January 1, 2016 and ended March 31, 2016 that have materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Recent Event

On May 5, 2016, the Board of Directors of the Company declared a quarterly dividend of $0.055 per common share payable on July 14, 2016, to the shareholders of record as at June 30, 2016.

Significant accounting policies and estimates

The Company's unaudited interim consolidated financial statements for the three-month period ended March 31, 2016, 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 2015 Annual Information Form, dated March 30, 2016 (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 EBITDA, Adjusted EBITDA, Adjusted Net Earnings 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 2015.

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 2015 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, Adjusted EBITDA, Adjusted Net Earnings, 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 loss 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 adjusted 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.

References to "Adjusted net earnings" are to Net earnings adjusted to remove non-recurring items such as gains on amendments to pension and post-retirement benefits plans, net of tax.

EBITDA, Adjusted EBITDA or Adjusted Net Earnings is not an earnings measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA, Adjusted EBITDA or Adjusted Net Earnings may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA, Adjusted EBITDA or 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-month periods ended March 31, 2016 and 2015

All amounts expressed in Canadian dollars

NOTICE

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

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at [Unaudited]	Notes	March 31, 2016 $	December 31, 2015 $
ASSETS	**3**		
Current assets			
Cash		**645,444**	3,533,917
Accounts receivable		**20,392,905**	21,358,826
Income tax receivable		**68,702**	—
Inventories	**2**	**15,325,972**	15,563,613
Prepaid expenses		**962,315**	653,580
Total current assets		**37,395,338**	41,109,936
Property, plant and equipment		**25,743,331**	26,790,391
Intangible assets		**5,407,773**	6,500,672
Goodwill		**50,654,566**	50,765,024
Total assets		**119,201,008**	125,166,023
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**14,498,547**	18,147,715
Dividend payable	**5**	**1,575,462**	1,581,303
Provisions		**332,821**	332,939
Income tax payable		**—**	835,246
Total current liabilities		**16,406,830**	20,897,203
Secured credit facilities	**3**	**26,860,120**	28,674,021
Deferred income tax liabilities		**1,247,648**	2,419,291
Accrued pension benefit liability		**3,108,193**	301,339
Other post-retirement benefit obligations		**236,900**	239,000
Total liabilities		**47,859,691**	52,530,854
Equity			
Share capital	**4**	**9,777,118**	9,813,365
Contributed surplus	**4**	**279,137,725**	279,601,180
Deficit		**(217,704,287)**	(217,615,887)
Foreign currency translation reserve		**130,761**	836,511
Total equity		**71,341,317**	72,635,169
Total liabilities and equity		**119,201,008**	125,166,023

Subsequent event [*note 7*]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)
Director

By: signed (Mathieu Gauvin)
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended March 31 [Unaudited]	Notes	2016 $	2015 $
Revenue		**41,261,604**	34,707,717
Operating expenses	**2**	**29,248,298**	22,743,430
Selling, general and administrative expenses	**4**	**4,867,813**	3,896,572
Operating earnings before amortization and loss on disposal of property, plant and equipment		**7,145,493**	8,067,715
Amortization of property, plant and equipment		**1,247,449**	960,607
Amortization of intangible assets		**1,134 654**	1,540,975
Loss on disposal of property, plant and equipment		**57,414**	—
Operating earnings		**4,705,976**	5,566,133
Financing charges, net	**3**	**257,428**	362,165
Earnings before income taxes		**4,448,548**	5,203,968
Income tax expense		**1,220,075**	1,400,022
Net earnings		**3,228,473**	3,803,946
Basic and diluted net earnings per share		**0.1126**	0.1323
Weighted average number of shares outstanding		**28,668,629**	28,751,131

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31 **[Unaudited]**	**2016** **$**	**2015** **$**
Net earnings	**3,228,473**	3,803,946
Other comprehensive income (loss)		
Other comprehensive income (loss) to be reclassified to earnings in subsequent periods		
Foreign currency translation adjustments	**(705,750)**	88,983
Net other comprehensive (loss) income to be reclassified to earnings in subsequent periods	**(705,750)**	88,983
Items not to be reclassified to earnings in subsequent periods		
Recognized actuarial loss on defined benefit pension plans, net of income tax recovery of $613,572 [2015 – $784,640]	**(1,740,228)**	(2,236,960)
Recognized actuarial loss on other post-retirement benefit, net of income tax recovery of $417 [2015 – $78]	**(1,183)**	(222)
Net other comprehensive loss not being reclassified to earnings in subsequent periods	**(1,741,411)**	(2,237,182)
Other comprehensive loss	**(2,447,161)**	(2,148,199)
Total comprehensive income	**781,312**	1,655,747

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 $
As at December 31, 2014	9,814,628	279,611,054	(225,695,059)	21,072	63,751,695
Net earnings	—	—	3,803,946	—	3,803,946
Other comprehensive (loss) 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)
As at March 31, 2015	9,813,365	279,601,180	(225,565,843)	110,055	63,958,757
As at December 31, 2015	9,813,365	279,601,180	(217,615,887)	836,511	72,635,169
Net earnings	—	—	3,228,473	—	3,228,473
Other comprehensive loss	—	—	(1,741,411)	(705,750)	(2,447,161)
Total comprehensive income (loss)	—	—	1,487,062	(705,750)	781,312
Dividends declared [*note 5*]	—	—	(1,575,462)	—	(1,575,462)
Shares repurchased and cancelled [*note 4*]	(36,247)	(463,455)	—	—	(499,702)
As at March 31, 2016	**9,777,118**	**279,137,725**	**(217,704,287)**	**130,761**	**71,341,317**

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31 **[Unaudited]**	**Notes**	**2016** **$**	**2015** **$**
OPERATING ACTIVITIES			
Net earnings		**3,228,473**	3,803,946
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment		**1,247,449**	960,607
Amortization of intangible assets		**1,134,654**	1,540,975
Amortization of deferred financing costs	**3**	**17,157**	16,023
Loss on disposal of property, plant and equipment		**57,414**	—
Gain on valuation of derivative financial instruments	**3**	**—**	(6,382)
Deferred income tax recovery		**(515,762)**	(299,541)
Change in employees benefits		**466,154**	(595,292)
		5,635,539	5,420,336
Working capital adjustments			
Variation in accounts receivable		**965,921**	847,234
Variation in inventories		**237,641**	(846,397)
Variation in prepaid expenses		**(308,735)**	(266,730)
Variation in accounts payable and accrued liabilities		**(3,649,168)**	(3,136,844)
Variation in provisions		**(118)**	(1,396)
Variation in income tax receivable and payable		**(903,948)**	(779,536)
Change in employee benefits		**(16,800)**	(1,700)
Net cash flows from operating activities		**1,960,332**	1,234,967
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(643,449)**	(100,817)
Acquisition of intangibles assets		**(141,949)**	—
Proceeds from sale of property, plant and equipment		**47,069**	—
Net cash flows used in investing activities		**(738,329)**	(100,817)
FINANCING ACTIVITIES			
(Repayment) increase of secured credit facilities		**(1,831,058)**	936,521
Dividends paid		**(1,581,303)**	(1,437,733)
Purchase of share capital for cancellation	**4**	**(499,702)**	(11,137)
Net cash flows used in financing activities		**(3,912,063)**	(512,349)
Net change in cash		**(2,690,060)**	621,801
Net foreign exchange difference		**(198,413)**	17,606
Cash, beginning of period		**3,533,917**	364,079
Cash, ending of period		**645,444**	1,003,486
Supplemental information [(1)]			
Interest paid		**362,643**	329,232
Interest received		**408**	1,555
Income taxes paid		**2,631,156**	2,495,228
Income taxes received		—	5,199

[(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-month period ended March 31, 2016 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 5, 2016 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, 2015, 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, 2015.

2. INVENTORIES

	March 31, 2016 $	**December 31, 2015 $**
Raw materials	**4,543,975**	4,461,908
Work in progress	**299,148**	329,869
Finished goods	**10,482,849**	10,771,836
	15,325,972	15,563,613

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, 2016 is $30,461,551 [2015 - $23,662,242].

3. SECURED CREDIT FACILITIES

Amounts owed under secured credit facilities are as follows:

	March 31, 2016	**December 31, 2015**
	$	**$**
Revolving credit facility	**27,168,942**	29,000,000
Less: deferred financing costs, net	**(308,822)**	(325,979)
Long-term portion of secured credit facilities	**26,860,120**	28,674,021

There are no minimum required payments on secured credit facility.

Under the terms of the secured credit facility, the Company is required, among other conditions, to meet certain covenants. The Company was in compliance with these covenants as at March 31, 2016. The secured credit facilities are collateralized by hypothec and security interests covering all present and future assets of the Company and its subsidiaries.

As at March 31, 2016, the Company had outstanding letters of credit for a total of $60,000 [$50,000 as at December 31, 2015].

As at March 31, 2016, the effective interest rate on the secured credit facilities was 2.66% [2.59% as at December 31, 2015].

Financing charges are as follows:

	Three-month periods ended March 31,	
	2016	**2015**
	$	**$**
Interest on secured credit facilities	**228,048**	330,488
Interest expense on defined benefit plans obligations	**11,600**	16,500
Other interests	**623**	5,536
Amortization of deferred financing costs	**17,157**	16,023
Gain on valuation of derivative financial instrument (interest rate swap)	**—**	(6,382)
	257,428	362,165

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)
Balance, as of March 31, 2015	**28,750,967**	**9,813,365**
Balance, as of December 31, 2015	28,750,967	9,813,365
Purchase of share capital for cancellation	(106,196)	(36,247)
Balance, as of March 31, 2016	**28,644,771**	**9,777,118**

During the three-month period ended March 31, 2016, the Company repurchased 106,196 common shares for cancellation through a normal course issuer bid in consideration of $499,702. The excess of the purchase price over the carrying value in the amount of $463,455 was recorded as a reduction of contributed surplus [2015 – repurchased 3 700 common shares for cancellation in consideration of $11,137 which resulted in an excess of the carrying value of $9,784].

Deferred share unit plan (DSU)

The financial liability resulting from the plan of $34,205 (December 31, 2015 - $0) is presented under "*Accounts payable and accrued liabilities*".

The compensation expense for the DSUs during the three month period ended March 31, 2016 amounted to $34,205 [2015 - $0] and is recognized under selling, general and administrative expenses.

5. DIVIDENDS

Dividends declared from January 1, 2016 to March 31, 2016 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 17, 2016	March 31, 2016	April 14, 2016	0.055	1,575,462
Total				**1,575,462**

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

Declaration date	Record date	Payment date	Per share $	Dividend $
February 20, 2015	March 31, 2015	April 14, 2015	0.05	1,437,548
Total				**1,437,548**

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 $72,499,068 in Canada and $9,306,602 in the United States as at March 31, 2016 [$74,347,005 and $9,709,082 respectively, as at December 31, 2015]. The Company's revenue amounted to $31,516,245 in Canada and $9,745,359 in the United States for the three-month period ended March 31, 2016 based on customer location [2015 - $29,388,583 in Canada and $5,319,134 in the United States, respectively].

7. SUBSEQUENT EVENT

On May 5, 2016, the Board of Directors has declared a quarterly dividend of $0.055 per common share, payable on July 14, 2016 to shareholders of record at the close of business on June 30, 2016.