Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2017

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated May 4, 2017, 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, 2017. 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, 2016. 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, 2017. The consolidated financial statements for the three-month period ended March 31, 2017, 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 Adjusted 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 or Adjusted EBITDA and Non-IFRS Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA or Adjusted EBITDA.

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 three facilities in the United States and employs approximately 780 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 solutions providers.

First Quarter Highlights and Recent Events

- 2017 first quarter revenues increased by 9.4% year-over-year, reaching $45.2 million primarily from the contribution of the fiscal 2016 acquisitions as part of the Company's stated diversification strategy.
- Net earnings increased by 26.4%, reaching $4.1 million (or $0.14 per share) compared with $3.2 million (or $0.11 per share) primarily due to lower amortization expenses which amounted to $1.2 million compared with $2.4 million in the comparable period of last year.
- EBITDA[1] stood at $6.9 million, down by $0.2 million or 3.5% from $7.1 million primarily on the growing exposure to a much larger and competitive US envelope market, the integration and enhancements of recent acquisitions, the temporary costs associated with capacity upgrades, and higher level of SG&A from the fiscal 2016 acquisitions.
- Maintained strong financial flexibility with a low debt ratio of 1.0x EBITDA[2].
- Hired Bertrand Jolicoeur as CFO and further strengthened the executive team.

1 Refer to the reconciliation of Net Earnings to EBITDA and Adjusted EBITDA and to their definition.
2 Computed as secured credit facility less cash, divided by EBITDA

Declaration of Dividend

On May 4, 2017, the Board of Directors declared a quarterly dividend of $0.06 per share, payable on July 14, 2017, to shareholders of record at the close of business on June 30, 2017. The dividend is equivalent to the dividend declared during the previous quarter and represents an increase of 9.1% over the dividend paid in the first quarter of last year. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

Execution of Normal Course Issuer Bid

On July 29, 2016, Supremex received approval for a new Normal Course Issuer Bid ("NCIB") whereby the Company can repurchase, for cancellation, up to 500,000 common shares, for a maximum period of twelve months. During the first quarter of 2017, the Company purchased for cancellation, a total of 28,100 shares, for total considerations of $139,358. After quarter end, the Company purchased an additional 24,400 shares, for total considerations of $117,484.

Table of revenue information
(In millions of dollars)

Revenue information **Percentage variation**	**Q1-2017**	**Q1-2016**	**Q1-2015**
Canadian envelope market revenues	**$28.1**	$29.5	$27.2
Volume	***-5.3%***	*1.5%*	*-1.8%*
Average Selling Price	***0.6%***	*6.7%*	*1.1%*
Total Growth Rate	***-4.8%***	*8.4%*	*-0.8%*
U.S. envelope market revenues	**$11.0**	$9.2	$5.2
Volume	***24.5%***	*56.1%*	*18.3%*
Average Selling Price (in CAD)	***-4.3%***	*14.6%*	*5.4%*
Total Growth Rate	***19.1%***	*78.9%*	*24.6%*
Packaging & Specialty products revenues (Canada and U.S.)	**$6.1**	$2.6	$2.3
Total Growth Rate	***137.8%***	*8.9%*	*-0.3%*
Total	**$45.2**	$41.3	$34.7
Total Growth Rate	***9.4%***	18.9%	*2.3%*

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

	Three-month periods ended March 31, 2017	March 31, 2016
	$	**$**
Net Earnings	**4,081**	3,228
Income tax expense	**1,433**	1,220
Financing charges, net	**184**	258
Amortization of property, plant and equipment	**823**	1,247
Amortization of intangible assets	**374**	1,135
Loss on disposal of property, plant and equipment	—	57
EBITDA[(1)]	**6,895**	7,145

[(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.

Summary of quarterly operating results from April 1, 2015, to March 31, 2017
(In thousands of dollars, except for per share amounts)

	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sept. 30, 2015	June 30, 2015
	$	$	$	$	$	$	$	$
Revenue	**45,151**	43,374	36,514	39,420	41,262	41,287	32,435	33,868
EBITDA[(1)]	**6,895**	7,827	5,508	6,903	7,145	8,107	6,586	10,328
Adjusted EBITDA [(1)]	**6,895**	7,827	5,508	6,903	7,145	8,107	6,586	6,430
Earnings before income taxes	**5,514**	6,529	3,826	5,264	4,448	5,211	3,824	7,568
Net earnings	**4,081**	4,643	2,832	3,890	3,228	3,804	2,771	5,552
Net earnings per share	**0.14**	0.16	0.10	0.14	0.11	0.13	0.10	0.19

[(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 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.

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

	Three-month periods ended March 31,		
	2017	**2016**	**2015**
	$	**$**	**$**
Revenue	**45,151**	41,262	34,708
Operating expenses(1)	**32,673**	29,249	22,743
Selling, general and administrative expenses(1)	**5,583**	4,868	3,897
EBITDA (1) (2)	**6,895**	7,145	8,068
Amortization of property, plant and equipment	**823**	1,247	961
Amortization of intangible assets	**374**	1,135	1,541
Loss on disposal of property, plant and equipment	—	57	—
Operating earnings	**5,698**	4,706	5,566
Financing charges	**184**	258	362
Earnings before income taxes	**5,514**	4,448	5,204
Income taxes expenses	**1,433**	1,220	1,400
Net earnings	**4,081**	3,228	3,804
Basic and diluted net earnings per share	**0.14**	0.11	0.13
Dividend declared per share	**0.06**	0.055	0.05
Total assets	**135,511**	119,201	108,368
Secured credit facilities, net of cash	**26,432**	26,215	22,355

(1) Includes gains on pension and post retirement plans amendments in 2015. See "Reconciliation from Net Earnings to EBITDA and adjusted EBITDA" in MD&A for fiscal 2016.
(2) See "Definition of EBITDA."

Results of Operations

Three-month period ended March 31, 2017, compared with three-month period ended March 31, 2016

Revenue

Revenue for the three-month period ended March 31, 2017, increased by 9.4% or $3.9 million reaching to $45.2 million compared with $41.3 million during the three-month period ended March 31, 2016, primarily from the contribution of the fiscal 2016 acquisitions (Bowers Envelope Company, Inc. concluded on August 29, 2016 - Durabox Paper Inc. on November 28, 2016 - Printer Gateway Inc. on December 23, 2016) as part of the Company's stated diversification strategy.

Revenue from the Canadian envelope market stood at $28.1 million down by $1.4 million or 4.8% from the first quarter of 2016. The decline was driven by a 5.3% reduction in volume, which was slightly mitigated by an increase of 0.6% in average selling prices. The decrease in volume is in line with general industry trends.

Revenue from the U.S. envelope market grew to $11.0 million, representing an increase of 19.1% mainly from the contribution of the acquisition of Bowers Envelope Company Inc. located in the Midwestern United States. The number of units sold grew by 24.5% and average selling prices decreased by 4.3% primarily from a weaker US dollar during the period compared to the equivalent period of last year.

Revenue from packaging and specialty products reached $6.1 million, an increase of 137.8% resulting primarily from the acquisition of Quebec-based Durabox Paper Inc. and to a lesser extent, Ontario-based Printer Gateway Inc.

Operating expenses

Operating expenses for the three-month period ended March 31, 2017, were $32.7 million compared with $29.2 million for the same period in 2016, an increase of $3.5 million or 11.7% reflecting the 2016 acquisitions mentioned above as well as the planned temporary shutdown of a key component of a recently acquired packaging company for a capacity upgrade, which were mitigated by tight control over related manufacturing expenses.

Selling, general and administrative expenses

Selling, general and administrative expenses totalled $5.6 million for the three-month period ended March 31, 2017, compared with $4.9 million for the same period in 2016, representing an increase of $0.7 million or 14.7% primarily due to the fiscal 2016 acquisitions.

EBITDA

EBITDA stood at $6.9 million for the three-month period ended March 31, 2017, compared with $7.1 million for the same period in 2016, a decrease of $0.2 million or 3.0%. EBITDA margins stood at 15.3% compared to 17.3% during the first quarter of last year.

In addition to the variations in expenses explained above and the continued integration of the three acquisitions completed in the second half of 2016, the Company's strategy to grow its presence in the U.S. envelope market increased its share of revenue from a much larger and more competitive envelope market, which also had an impact on gross margins.

Amortization

Aggregate amortization expense for the three-month period ended March 31, 2017, amounted to $1.2 million compared with $2.4 million for the comparable period of 2016, representing a decrease of $1.2 million or 49.7% mainly explained by the lower amortizable intangible assets given the fully amortized customer relationships accounted for following the initial public offering of 2006.

Financing charges

Financing charges for the three-month period ended March 31, 2017, remained stable at $0.2 million compared with $0.3 million.

Earnings before income taxes

Due to the fluctuation in revenue and expenses described herein, earnings before income taxes grew to $5.5 million during the three-month period ended March 31, 2017, up 24.0% from $4.4 million for the same period in 2016.

Provision for income taxes

During the three-month period ended March 31, 2017, the Company recorded a provision for income taxes of $1.4 million compared with a provision for income taxes of $1.2 million for the three-month period ended March 31, 2016, attributable to higher earnings before income taxes in this most recent quarter.

Net earnings

Net earnings increased by 26.4%, amounting to $4.1 million (or $0.14 per share) for the three-month period ended March 31, 2017, compared with $3.2 million (or $0.11 per share) for the equivalent quarter in 2016.

Other comprehensive income

The discount rate used to calculate the accrued plan benefit obligations decrease to 3.7% as at March 31, 2017 from 3.8% as at December 31, 2016. This decrease created a lost that was offset by a better than expected return on assets and as a result have generated net actuarial gains of $1.8 million.

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 $81.2 million in Canada and $12.5 million in the United States, as at March 31, 2017 [$79.4 million and $12.8 million respectively as at December 31, 2016].

During the first quarter of 2017, the Company's revenue in Canada was $32.4 million, up 2.8% from $31.5 million in the equivalent period of 2016, and was $12.7 million in the United States, up by 30.7% from $9.8 million in the equivalent period of last year.

Liquidity and Capital Resources

Operating Activities

Cash flows generated from operating activities were $0.8 million during the three-month period ended March 31, 2017, compared with $2.0 million during the same period of 2016. Non-cash working capital items were $4.4 million unfavorable compared with $3.7 million in the equivalent period of last year which explains the decrease in cash flows generated from operations.

Investing Activities

Net cash flows used in investing activities were $0.4 million during the three-month period ended March 31, 2017, compared to $0.7 million in 2016, a decrease of $0.3 million attributable to lower investments in property, plant and equipment.

Financing Activities

Net cash flows used in financing activities were $1.4 million compared to $3.9 million in the comparable period, a decrease of $2.5 million, mainly due to a net increase in the use of the secured credit facility. A reduction in the amount disbursed to repurchase shares under the normal course issuer program which was partially compensated by the increase in dividends paid. Supremex remains focused on maintaining low debt ratios and maximizing shareholder returns 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.

Contractual Obligations and Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in note 19 of the Company's audited consolidated financial statements as at December 31, 2016, and did not significantly change since that date. The Company has no other off-balance sheet arrangements.

Capitalization

As at May 4, 2017, the Company had 28,558,851 common shares outstanding, a decrease of 52,500 shares following the repurchase made under the NCIB program since January 1, 2017.

Financial Position Highlights

(In thousands of dollars)

	March 31, 2017 $	**December 31, 2016 $**
Working capital	**23,861**	20,442
Total assets	**135,511**	132,539
Total secured credit facilities	**27,386**	26,894
Equity	**86,213**	82,337

The Company was in compliance with the covenants of its credit facility as at March 31, 2017.

Disclosure Controls and Internal Controls over Financial Reporting ("ICFR")

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

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

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

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

There were no changes in the Company's internal controls over financial reporting that occurred during the period beginning January 1, 2017, and ended March 31, 2017, that have materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

The Company expects that its 2016 business acquisitions be covered by its certification of ICFR under National Instrument 52-109 during the second half of 2017.

Recent Event

On May 4, 2017, the Board of Directors declared a dividend of $0.06 per common share, payable on July 14, 2017, to the shareholders of record at the close of business on June 30, 2017.

Significant accounting policies and estimates

The Company's unaudited interim consolidated financial statements for the three-month period ended March 31, 2017, 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.

IFRS 15, Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15, Revenue from contracts with customers, a new standard that specifies the steps and timing for issuers to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 supersedes IAS 11, Construction Contracts, and IAS 18, Revenue, as well as various IFRIC and SIC interpretations regarding revenue. In April 2016, the IASB issued Clarifications to IFRS 15 Revenue from Contracts with Customers (Amendments to IFRS 15, Revenue from Contracts). The amendments clarify the standard and provide additional transition relief for modified and completed contracts. Adoption of IFRS 15 and the amendments are mandatory and will be effective for the Corporation's fiscal years beginning on January 1, 2018, with earlier adoption permitted. The Corporation has completed the planning stage for IFRS 15 adoption and started the process of reviewing contracts with customers. During the preliminary assessments, the Company assessed that further analysis is required for certain contracts with customer before concluding if an adjustment under IFRS 15 would be required. The Company continues to assess the impact of adopting this standard on its financial statements.

Risk Factors

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors, outside the control of Supremex' management. Details are provided in the "Risk Factors" section of the Company's 2016 Annual Information Form, dated March 30, 2017 (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 (or Adjusted EBITDA) and future performance of Supremex and similar statements or information concerning anticipated future results, circumstances, performance or expectations. Forward-looking information may include words such as anticipate, assumption, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. Such information relates to future events or future performance and reflects current assumptions, expectations and estimates of management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and liability to attract and retain customers. Such forward-looking information reflects current assumptions, expectations and estimates of management and is based on information currently available to Supremex as at the date of this MD&A. Such assumptions, expectations and estimates are discussed throughout the MD&A for fiscal 2016.

Forward-looking information is subject to certain risks and uncertainties, and should not be read as a guarantee of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking information. These risks and uncertainties include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuations, raw material increases, credit risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuations and potential risk of litigation. Such risks and uncertainties are discussed throughout the MD&A for fiscal 2016 and, in particular, in "Risk Factors". Consequently, we cannot guarantee that any forward-looking information will materialize. Readers should not place any undue reliance on such forward-looking information unless otherwise required by applicable securities legislation. The Company expressly disclaims any intention and assumes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

Definition of EBITDA, Adjusted 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) 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.

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.

Interim Condensed Consolidated Financial Statements

Supremex Inc.

Unaudited
For the three-month periods ended March 31, 2017 and 2016

All amounts expressed in Canadian dollars

NOTICE

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

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at [Unaudited]	Notes	March 31, 2017 $	December 31, 2016 $
ASSETS	**4**		
Current assets			
Cash		**953,659**	1,964,947
Accounts receivable		**22,402,451**	21,237,321
Income tax receivable		**557,930**	472,886
Inventories	**3**	**16,807,305**	16,042,550
Prepaid expenses		**1,159,899**	647,541
Total current assets		**41,881,244**	40,365,245
Property, plant and equipment		**26,782,751**	27,404,026
Accrued pension benefit asset		**4,731,407**	2,305,107
Intangible assets		**9,093,592**	9,377,021
Goodwill		**53,022,486**	53,088,016
Total assets		**135,511,480**	132,539,415
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**15,981,945**	17,881,807
Dividend payable	**6**	**1,714,995**	1,716,681
Provisions		**323,470**	324,236
Total current liabilities		**18,020,410**	19,922,724
Secured credit facilities	**4**	**27,385,794**	26,893,914
Deferred income tax liabilities		**3,691,639**	3,186,717
Other post-retirement benefit obligations		**200,700**	199,000
Total liabilities		**49,298,543**	50,202,355
Equity			
Share capital	**5**	**9,756,121**	9,765,711
Contributed surplus	**5**	**278,850,127**	278,979,895
Deficit		**(202,878,112)**	(207,043,901)
Foreign currency translation reserve		**484,801**	635,355
Total equity		**86,212,937**	82,337,060
Total liabilities and equity		**135,511,480**	132,539,415

Subsequent event [*note 8*]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)
Director

By: signed (Mathieu Gauvin)
Director

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended March 31 [Unaudited]	Notes	2017 $	2016 $
Revenue		**45,150,675**	41,261,604
Operating expenses	**3**	**32,673,145**	29,248,298
Selling, general and administrative expenses	**5**	**5,582,892**	4,867,813
Operating earnings before amortization and loss on disposal of property, plant and equipment		**6,894,638**	7,145,493
Amortization of property, plant and equipment		**823,055**	1,247,449
Amortization of intangible assets		**374,348**	1,134 654
Loss on disposal of property, plant and equipment		**—**	57,414
Operating earnings		**5,697,235**	4,705,976
Financing charges, net	**4**	**183,385**	257,428
Earnings before income taxes		**5,513,850**	4,448,548
Income tax expense		**1,433,075**	1,220,075
Net earnings		**4,080,775**	3,228,473
Basic and diluted net earnings per share		**0.1427**	0.1126
Weighted average number of shares outstanding		**28,604,372**	28,668,629

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31 **[Unaudited]**	**2017** **$**	**2016** **$**
Net earnings	**4,080,775**	3,228,473
Other comprehensive income (loss)		
Other comprehensive loss to be reclassified to earnings in subsequent periods		
Foreign currency translation adjustments	**(150,554)**	(705,750)
Net other comprehensive loss to be reclassified to earnings in subsequent periods	**(150,554)**	(705,750)
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 $635,334 [2016 – recovery of $613,572]	**1,801,266**	(1,740,228)
Recognized actuarial loss on other post-retirement benefit, net of income tax recovery of $443 [2016 – $417]	**(1,257)**	(1,183)
Net other comprehensive income (loss) not being reclassified to earnings in subsequent periods	**1,800,009**	(1,741,411)
Other comprehensive income (loss)	**1,649,455**	(2,447,161)
Total comprehensive income	**5,730,230**	781,312

See accompanying notes

Supremex Inc.

INTERIM 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, 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 6*]	—	—	(1,575,462)	—	(1,575,462)
Shares repurchased and cancelled [*note 5*]	(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**
As at December 31, 2016	9,765,711	278,979,895	(207,043,901)	635,355	82,337,060
Net earnings	—	—	4,080,775	—	4,080,775
Other comprehensive income (loss)	—	—	1,800,009	(150,554)	1,649,455
Total comprehensive income (loss)	—	—	5,880,784	(150,554)	5,730,230
Dividends declared [*note 6*]	—	—	(1,714,995)	—	(1,714,995)
Shares repurchased and cancelled [*note 5*]	(9,590)	(129,768)	—	—	(139,358)
As at March 31, 2017	**9,756,121**	**278,850,127**	**(202,878,112)**	**484,801**	**86,212,937**

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31 [Unaudited]	Notes	2017 $	2016 $
OPERATING ACTIVITIES			
Net earnings		**4,080,775**	3,228,473
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment		**823,055**	1,247,449
Amortization of intangible assets		**374,348**	1,134,654
Amortization of deferred financing costs	**4**	**17,157**	17,157
Loss on disposal of property, plant and equipment		**—**	57,414
Deferred income tax recovery		**(111,846)**	(515,762)
Change in employee benefit plans		**42,300**	466,154
		5,225,789	5,635,539
Working capital adjustments			
Variation in accounts receivable		**(1,163,451)**	965,921
Variation in inventories		**(778,552)**	237,641
Variation in prepaid expenses		**(496,266)**	(308,735)
Variation in accounts payable and accrued liabilities		**(1,884,311)**	(3,649,168)
Variation in provisions		**(766)**	(118)
Variation in income tax receivable and payable		**(85,044)**	(903,948)
Contributions to employee benefit plans		**(32,000)**	(16,800)
Net cash flows from operating activities		**785,399**	1,960,332
INVESTING ACTIVITIES			
Adjustments to consideration paid for business acquisitions		**28,855**	—
Acquisition of property, plant and equipment		**(257,063)**	(643,449)
Acquisition of intangible assets		**(142,466)**	(141,949)
Proceeds from sale of property, plant and equipment		**—**	47,069
Net cash flows used in investing activities		**(370,674)**	(738,329)
FINANCING ACTIVITIES			
Increase (repayment) of secured credit facilities		**474,723**	(1,831,058)
Dividends paid		**(1,716,681)**	(1,581,303)
Purchase of shares for cancellation	**5**	**(139,358)**	(499,702)
Net cash flows used in financing activities		**(1,381,316)**	(3,912,063)
Net change in cash		**(966,591)**	(2,690,060)
Net foreign exchange difference		**(44,697)**	(198,413)
Cash, beginning of period		**1,964,947**	3,533,917
Cash, end of period		**953,659**	645,444
Supplemental information [(1)]			
Interest paid		**199,161**	362,643
Interest received		**390**	408
Income taxes paid		**1,656,702**	2,631,156
Income taxes received		**26,766**	—

(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, 2017 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 4, 2017 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, 2016, 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, 2016.

2. BUSINESS COMBINATIONS

During the three-month period ended March 31, 2017, the preliminary assessments of the estimated fair value of assets acquired and liabilities assumed at the acquisition date related to the combinations of Bowers Envelope Company, Inc., Durabox Paper Inc. and Printer Gateway Inc. all of which occurred at various dates during 2016, have not significantly changed from December 31, 2016. The Company will finalize the purchase price allocation over the coming quarters as soon as it has gathered all significant information available and considered necessary in order to finalize the fair value measurement of working capital, machinery and equipment and intangible assets, including customer relationships and goodwill.

3. INVENTORIES

	March 31, 2017 $	**December 31, 2016 $**
Raw materials	**4,819,327**	5,234,234
Work in progress	**292,658**	279,212
Finished goods	**11,695,320**	10,529,104
	16,807,305	16,042,550

3. INVENTORIES [Cont'd]

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, 2017 is $33,428,441 [2016 - $30,461,551].

4. SECURED CREDIT FACILITIES

Amounts owed under secured credit facility are as follows:

	March 31, 2017	December 31, 2016
	$	$
Revolving credit facility	**27,625,988**	27,151,265
Less: deferred financing costs, net	**(240,194)**	(257,351)
Long-term portion of secured credit facility	**27,385,794**	26,893,914

There are no minimum required payments on the 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, 2017. The secured credit facility is collateralized by hypothec and security interests covering all present and future assets of the Company and its subsidiaries.

As at March 31, 2017, the Company had outstanding letters of credit for a total of $60,000 [$60,000 as at December 31, 2016].

As at March 31, 2017, the effective variable interest rate on the secured credit facility was 2.45% [2.43% as at December 31, 2016].

Financing charges are as follows:

	Three-month periods ended March 31,	
	2017	2016
	$	$
Interest on secured credit facilities	**187,643**	228,048
Interest (income) expense on defined benefit plans obligations	**(22,800)**	11,600
Other interest	**1,385**	623
Amortization of deferred financing costs	**17,157**	17,157
	183,385	257,428

5. SHARE CAPITAL

The change on share capital was as follows:

	Number of common shares	Share capital $
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**
Balance, as of December 31, 2016	28,611,351	9,765,711
Purchase of share capital for cancellation	(28,100)	(9,590)
Balance, as of March 31, 2017	**28,583,251**	**9,756,121**

During the three-month period ended March 31, 2017, the Company repurchased 28,100 common shares for cancellation through a normal course issuer bid in consideration of $139,358. The excess of the purchase price over the carrying value in the amount of $129,768 was recorded as a reduction of contributed surplus [2016 – repurchased 106,196 common shares for cancellation in consideration of $499,702 which resulted in an excess of the carrying value of $463,455].

Deferred Share Unit Plan (DSU)

The financial liability resulting from the plan of $226,404 (December 31, 2016 - $113,800) is presented under "*Accounts payable and accrued liabilities*".

The compensation expense for the DSUs during the three-month period ended March 31, 2017 amounted to $42,604 [2016 - $34,205] and is recognized under selling, general and administrative expenses.

6. DIVIDENDS

Dividends declared from January 1, 2017 to March 31, 2017 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 15, 2017	March 31, 2017	April 14, 2017	0.06	1,714,995
Total				**1,714,995**

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**

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 $81,161,040 in Canada and $12,469,196 in the United States as at March 31, 2017 [$79,397,211 and $12,776,959 respectively, as at December 31, 2016]. The Company's revenue amounted to $32,412,459 in Canada and $12,738,216 in the United States for the three-month period ended March 31, 2017 based on the customer's locations [2016 - $31,516,245 in Canada and $9,745,359 in the United States].

7. SUBSEQUENT EVENT

On May 4, 2017, the Board of Directors has declared a quarterly dividend of $0.06 per common share, payable on July 14, 2017 to shareholders of record at the close of business on June 30, 2017.