Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated March 31, 2018, of Supremex Inc. ("Supremex" or the "Company") should be read together with the accompanying unaudited interim consolidated financial statements and related notes of the Company for the three-month ended March 31, 2018. These condensed consolidated financial statements of the Company have been prepared by management in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company's audited consolidated financial statements for the year ended December 31, 2017. The fiscal year of the Company ends on December 31. The Company's reporting currency is the Canadian dollar. Per share amounts are calculated using the weighted average number of shares outstanding for the three-month period ended March 31, 2018. The consolidated financial statements for the three-month period ended March 31, 2018 have not been audited or reviewed by the Company's auditors.

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

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

Business Overview

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of packaging and specialty products. Supremex operates 12 facilities across seven provinces in Canada and three facilities in the United States employing approximately 865 people. Supremex' growing footprint allows it to efficiently manufacture and distribute paper and packaging solutions designed to the specifications of major national and multinational corporations, resellers, government entities, SMEs and solutions providers.

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

First Quarter Financial Performance Highlights

- Revenue increased by 8.4% year-over-year, to $48.9 million from $45.2 million.
- Adjusted EBITDA[1] decreased by 3.9% to $6.6 million, compared with $6.9 million.
- Net Earnings decreased by 18.0%, to 3.3 million (or $0.12 per share) compared with $4.1 million (or $0.14 per share).
- Adjusted Net Earnings[2] decreased by 11.7%, to $3.6 million (or $0.13 per share) compared with $4.1 million (or $0.14 per share).
- Maintained strong financial flexibility with a net indebtedness to Adjusted EBITDA[1] ratio of 1.5 times.
- Approved a quarterly dividend of $0.065 per share, equivalent to the last quarter and up 8.3% year-over-year.

First Quarter operational, Business Highlights and Subsequent Events

Printer Gateway

On January 22, 2018, and as previously disclosed, the Company closed its Printer Gateway Inc. ("Printer Gateway") operations. During the first quarters of 2018 and 2017, EBITDA loss attributable to this business amounted to $0.1 million and $0.3 million, respectively. Costs associated with closing this operation were fully recognized in the fourth quarter of 2017.

Corporate Developments

On March 28, 2018, the Company announced the appointment of Guy Prenevost as Chief Financial Officer and Corporate Secretary effective April 16, 2018, and the nomination of Nicole Boivin and Steven P. Richardson as independent Directors upon their election at the Company's upcoming Annual General Meeting to be held on May 9, 2018.

Key Acquisition in Packaging

On April 30, 2018, the Company concluded the acquisition of Groupe Deux Printing Inc. and its related company Pharmaflex Labels Inc., a leading manufacturer of premium quality folding carton packaging and labels primarily for the pharmaceutical industry. The transaction was concluded for total cash consideration of $11.25 million on a cash-free and debt-free basis. This acquisition represents a key building block of Supremex' diversification strategy.

Declaration of Dividend

On May 8, 2018, the Board of Directors declared a quarterly dividend of $0.065 per common share, payable on July 17, 2018, to the shareholders of record at the close of business on June 29, 2018. This dividend is designated as an "eligible" dividend for the purpose of the Income Tax Act (Canada) and any similar provincial legislation.

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

[2] Refer to the reconciliation of Net Earnings to Adjusted Net Earnings and to the definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS Measures.

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

	Three-month periods ended March 31	
	2018	**2017**
Revenue	**48,933**	45,151
Operating expenses	**36,538**	32,673
Selling, general and administrative expenses	**6,024**	5,583
Operating earnings before amortization and loss on disposal of property, plant and equipment	**6,371**	6,895
Amortization of property, plant and equipment	**967**	823
Amortization of intangible assets	**449**	374
Loss on disposal of property, plant and equipment	**13**	—
Operating earnings	**4,942**	5,698
Financing charges, net	**363**	184
Earnings before income taxes	**4,579**	5,514
Income tax expense	**1,234**	1,433
Net earnings	**3,345**	4,081
Basic and diluted net earnings per share	**0.12**	0.14
Dividend declared per share	**0.065**	0.060

Revenue Information
(In millions of dollars)

	Three-month periods ended March 31	
	2018	**2017**
Canadian envelope	**$25.9**	$28.1
Volume variation	**-9.6%**	-5.3%
Average selling price variation	**2.1%**	0.6%
Total variation	**-7.8%**	-4.8%
U.S. envelope	**$10.1**	$11.0
Volume variation	**-7.8%**	24.5%
Average selling price variation (in CAD)	**0.3%**	-4.3%
Total variation	**-7.5%**	19.1%
Packaging and specialty products		
Canada & U.S.	**$12.9**	$6.1
Total variation	**111.5%**	137.8%
Total revenue	**$48.9**	$45.2
Revenue variation	**8.4%**	9.4%

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

	Three-month periods ended March 31	
	2018	**2017**
Net Earnings	**3,345**	4,081
Income tax expense	**1,234**	1,433
Financing charges, net	**363**	184
Loss on disposal of property, plant and equipment	**13**	—
Amortization of property, plant and equipment	**967**	823
Amortization of intangible assets	**449**	374
EBITDA(1)	**6,371**	6,895
Provision for contingent remuneration related to business combination	**256**	—
Adjusted EBITDA(1)	**6,627**	6,895

(1) Refer to "Definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS measures"

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

	Three-month periods ended March 31	
	2018	**2017**
Net Earnings	**3,345**	4,081
Adjustment		
Plus : Provision for contingent remuneration related to business combination	**256**	—
Adjusted Net Earnings (1)	**3,601**	4,081

(1) Refer to "Definition of EBITDA, Adjusted EBITDA, Adjusted Net Earnings and Non-IFRS measures"

Results of Operations

Three-month period ended March 31, 2018, compared with the three-month period ended March 31, 2017

Revenue

Revenue for the three-month period ended March 31, 2018, increased by 8.4% or $3.7 million reaching $48.9 million compared with $45.2 million during the three-month period ended March 31, 2017. Revenue growth results primarily from the contribution of Stuart Packaging Inc. ("Stuart Packaging") acquired in July 2017 as part of the Company's strategy to diversify into the packaging market.

Revenue from the Canadian envelope market was at $25.9 million, a decrease of 7.8% or $2.2 million from $28.1 million recorded during the first quarter of 2017. The reduction in volume of 9.6%, primarily resulting from the industry-wide secular decline, and from the effects of timing and ebbs and flows on customer movement, was partially compensated by an increase in average selling prices of 2.1%. Canada Post Transactional Mail volume was down 5.5% in 2017 compared to 2016 [3].

Revenue from the U.S. envelope market was at $10.1 million, a decrease of 7.5% from revenue of $11.0 million recorded during the first quarter of 2017. The volume of units sold decreased by 7.8% and average selling prices increased by less than 1.0%, primarily from the effect of a stronger Canadian dollar when compared with the equivalent period of last year and a modest change in product mix.

[3] Canada Post Corporation, May 3, 2018, 2017 Results Press Release for the year ended December 31, 2017

Revenue from packaging products amounted to $12.9 million, an increase of 111.5% or $6.8 million compared to the prior year, primarily from the contribution of the acquisition of Stuart Packaging on July 20, 2017, and continued growth in the Company's e-commerce packaging business.

Operating Expenses

Operating expenses for the three-month period ended March 31, 2018, stood at $36.5 million compared with $32.7 million for the same period in 2017, an increase of $3.8 million or 11.8%. The increase is mainly attributable to the acquisition of Stuart Packaging concluded in July 2017 and inflationary pressures of paper prices. These additional expenses were partially offset by lower operating costs due to the shutdown on January 22, 2018, of non-core operations of Printer Gateway.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled $6.0 million for the three-month period ended March 31, 2018, compared with $5.6 million for the same period in 2017, representing an increase of $0.4 million or 7.9% primarily due to the acquisition of Stuart Packaging in 2017 and to the related provision for contingent remuneration of $0.3 million. The original purchase price for Stuart Packaging included an earn-out provision, and the acquisition is on track to reach its financial targets. This provision is accounted for over the earn-out period of two years.

Adjusted EBITDA and Adjusted EBITDA Margins

Adjusted EBITDA was at $6.6 million, compared with $6.9 million in the first quarter of 2017, a decrease of $0.3 million or 3.9%. Although folding carton packaging operations from the acquisition of Stuart Packaging Inc. were strong contributors to EBITDA in the quarter, it did not fully compensate the effects of the secular decline in the legacy envelope business and the pressures of inflationary paper prices. An EBITDA loss of $0.1 million attributable to the non-core operations of Printer Gateway was recorded in the first quarter of 2018 compared to $0.3 million in the comparative period of 2017. In the first quarter of 2018, Adjusted EBITDA margins stood at 13.6% of revenues compared with 15.3% in the equivalent quarter of 2017.

Amortization

Aggregate amortization expense for the three-month period ended March 31, 2018, amounted to $1.4 million, compared with $1.2 million in the first quarter of 2017. The higher amortization of property, plant and equipment and intangible assets are related to the acquisition of Stuart Packaging.

Financing Charges

Financing charges for the three-month period ended March 31, 2018, were $0.4 million, compared to $0.2 million during the equivalent quarter of the prior year, primarily from the higher debt used to finance the acquisition of Stuart Packaging in July 2017.

Earnings Before Income Taxes

Due to the fluctuation in revenue and expenses described above, earnings before income taxes decreased to $4.6 million during the three-month period ended March 31, 2018, compared to $5.5 million during the equivalent period of 2017.

Income Tax Expense

Income taxes amounted to $1.2 million during the three-month period ended March 31, 2018, compared with $1.4 million in the equivalent quarter of last year, resulting from lower earnings before income taxes.

Net Earnings and Adjusted Net Earnings

Net Earnings were at $3.3 million (or $0.12 per share) for the three-month period ended March 31, 2018, compared with $4.1 million (or $0.14 per share) for the equivalent period in 2017. Adjusted Net Earnings were at $3.6 million (or $0.13 per share) for the three-month period ended March 31, 2018, compared with $4.1 million (or $0.14 per share) for the equivalent period in 2017.

Other Comprehensive Income

The discount rate used to calculate the accrued plan benefit obligations increased to 3.5% as at March 31, 2018, from 3.4% as at December 31, 2017. This increase generated a pre-tax actuarial gain of $1.3 million on pension liabilities. This gain was reduced by a pre-tax loss of $0.9 million on pension assets because of lower than expected returns.

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 $100.2 million in Canada and $11.2 million in the United States as at March 31, 2018, compared with $99.7 million in Canada and $11.1 million in the United States as at December 31, 2017.

During the first quarter of 2018, the Company's revenue in Canada was $32.1 million, a decrease of 0.9% from $32.4 million in the equivalent period of 2017. In the United States, revenues stood at $16.8 million, an increase of 31.9% from $12.7 million in the equivalent period of last year.

During the first quarter of 2018, revenues from the sale of envelopes stood at $36.1 million, a decrease of 7.7% from revenues of $39.1 million in the equivalent quarter of 2017. Revenues from the sale of packaging and specialty products stood at $12.9 million, an increase of 111.5% from $6.1 million in the equivalent quarter of last 2017.

Summary of Quarterly Operating Results from April 1, 2016, to March 31, 2018
(In thousands of dollars, except for per share amounts)

	Mar. 31 2018	Dec. 31 2017	Sep. 30 2017	June 30 2017	Mar.31 2017	Dec. 31 2016	Sep. 30 2016	June 30 2016
Revenue	**48,933**	49,350	43,424	41,147	45,151	43,374	36,514	39,420
Adjusted EBITDA(1)	**6,627**	8,007	6,355	5,397	6,895	7,827	5,508	6,903
Earnings before income taxes	**4,579**	3,277	4,238	4,017	5,514	6,529	3,826	5,264
Net earnings	**3,345**	2,262	3,214	2,833	4,081	4,643	2,832	3,890
Net earnings per share	**0.12**	0.08	0.11	0.10	0.14	0.16	0.10	0.14

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

Seasonality

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

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

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

Financial Position and Capital Resources

Financial Position Highlights

(In thousands of dollars)

	March 31 2018	December 31 2017
Working capital	**27,409**	25,020
Total assets	**160,016**	157,924
Secured credit facility	**43,510**	42,831
Total equity	**88,685**	86,519

For the three-month period ended March 31, 2018, cash increased by $0.8 million when compared to December 31, 2017.

Summary of Cash Flows

(In thousands of dollars)

	Three-month periods ended March 31	
	2018	2017
Operating activities	**3,168**	785
Investing activities	**(1,251)**	(371)
Financing activities	**(1,185)**	(1,381)
Net foreign exchange difference	**100**	(44)
Net change in cash	**832**	(1,011)

Cash Flows from Operating Activities

Net cash flows from operating activities stood at $3.2 million during the first quarter ended March 31, 2018, compared with $0.8 million in the equivalent quarter of 2017 from a favorable change in working capital adjustments, mostly from lower accounts receivable and higher accounts payable variations from last year's first quarter.

Cash Flows used in Investing Activities

Net cash flows used in investing activities amounted to $1.3 million during the first quarter of 2018, compared with $0.4 million in the equivalent quarter of 2017. This variation is attributable to higher capital expenditures from investments in packaging equipment to increase production capacity at Stuart Packaging and Durabox Paper.

Cash Flows used in Financing Activities

Net cash flows used in financing activities were $1.2 million during the first quarter of 2018, compared with $1.4 million in the equivalent period of 2017, a decrease of $0.2 million, attributable to the non-repurchase of common shares for cancellation under the NCIB in the current quarter.

Financial Position and Capital Resources Summary

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

Contractual Obligations and Off-Balance Sheet Arrangements

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

Financing

As at March 31, 2018, the Company had a five-year committed $60 million senior secured revolving facility agreement maturing on October 6, 2020. This agreement has been amended on April 27, 2018 to increase the amount of the credit facility to $65 million. No principal repayments are required prior to maturity. This facility bears interest at a floating rate based on the Canadian prime rate plus an applicable margin that ranges between 0% and 0.25% or bankers' acceptance rates, plus an applicable margin that ranges between 1.50% and 1.75%.

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

Capitalization

As at May 8, 2018, the Company had 28,405,469 common shares outstanding, equivalent to the number of shares outstanding at February 20, 2018.

Execution of Normal Course Issuer Bid ("NCIB")

On August 1, 2017, the Company announced the renewal of its Normal Course Issuer Bid after its approval by the TSX, to purchase for cancellation, up to 500,000 of its common shares, representing approximately 1.75% of its 28,482,611 issued and outstanding common shares as of July 31, 2017, for a period of twelve months, ending on August 2, 2018. During the first quarter of 2018, the Company did not purchase common shares for cancellation under the NCIB program. Since its renewal on August 1, 2017, The Company purchased a total of 77,142 common shares for cancellation under its existing NCIB program, for a total consideration of $317,032.

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 from January 1, 2018 to March 31, 2018 that have materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

The Company expects that its July 2017 business acquisition of Stuart Packaging will be covered by its certification of ICFR under National Instrument 52-109 by the third quarter of 2018.

New Accounting Standards

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

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Classification and measurement

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

Impairment of financial assets

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

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

IFRS 15, Revenue from Contracts with Customers

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

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

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

IFRS 15, Revenue from Contracts with Customers (continued)

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

Future Changes of Accounting Policies

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

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

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

Risk Factors

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

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the 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 the year ended December 31, 2017.

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

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, gain or 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 obligations. References to "Adjusted EBITDA" are to EBITDA adjusted to remove the expenses related to the remuneration expense related to the accounting of contingent considerations in connection with business combinations as these charges are considered non-recurring. References to "Adjusted Net Earnings" are to net earnings adjusted to remove the remuneration expense related to the accounting of contingent considerations in connection with business combinations, net of income taxes, as these charges are considered non-recurring.

EBITDA, Adjusted EBITDA or Adjusted Net Earnings are not recognized earnings measures under IFRS and do 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. Non-IFRS measures include net indebtedness to Adjusted EBITDA ratio (with Adjusted EBITDA including the recently acquired company's last-twelve-month EBITDA). This ratio is calculated in accordance with the definition in the Company's credit agreement as total debt net of cash divided by Adjusted EBITDA.

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, 2018 and 2017

All amounts expressed in Canadian dollars

NOTICE

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

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at [Unaudited]	Notes	March 31, 2018 $	December 31, 2017 $
ASSETS	4		
Current assets			
Cash		**1,538,895**	706,190
Accounts receivable		**23,971,758**	25,977,010
Income tax receivable		**994,708**	524,520
Inventories	3	**20,702,746**	18,917,859
Prepaid expenses		**1,377,954**	1,026,896
Total current assets		**48,586,061**	47,152,475
Property, plant and equipment		**34,673,168**	34,329,207
Accrued pension benefit asset		**4,406,782**	3,876,907
Intangible assets		**14,454,932**	14,796,056
Goodwill		**57,894,797**	57,769,363
Total assets		**160,015,740**	157,924,008
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**19,057,596**	19,994,984
Dividend payable	6	**1,846,355**	1,846,355
Provisions		**273,460**	290,864
Total current liabilities		**21,177,411**	22,132,203
Secured credit facility	4	**43,509,540**	42,830,886
Deferred income tax liabilities		**5,756,088**	5,808,186
Other long term liability		**683,250**	427,000
Other post-retirement benefit obligations		**204,700**	206,600
Total liabilities		**71,330,989**	71,404,875
Equity			
Share capital	5	**9,695,439**	9,695,439
Contributed surplus	5	**278,111,408**	278,111,408
Deficit		**(199,157,937)**	(200,939,855)
Foreign currency translation reserve		**35,841**	(347,859)
Total equity		**88,684,751**	86,519,133
Total liabilities and equity		**160,015,740**	157,924,008

Subsequent events [*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	2018 $	2017 $
Revenue		**48,933,924**	45,150,675
Operating expenses	3	**36,538,114**	32,673,145
Selling, general and administrative expenses	5	**6,023,865**	5,582,892
Operating earnings before amortization and loss on disposal of property, plant and equipment		**6,371,945**	6,894,638
Amortization of property, plant and equipment		**967,008**	823,055
Amortization of intangible assets		**449,213**	374,348
Loss on disposal of property, plant and equipment		**13,156**	—
Operating earnings		**4,942,568**	5,697,235
Financing charges, net	4	**363,344**	183,385
Earnings before income taxes		**4,579,224**	5,513,850
Income tax expense		**1,234,028**	1,433,075
Net earnings		**3,345,196**	4,080,775
Basic and diluted net earnings per share		**0.1178**	0.1427
Weighted average number of shares outstanding		**28,405,469**	28,604,372

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31 [Unaudited]	2018 $	2017 $
Net earnings	**3,345,196**	4,080,775
Other comprehensive income		
Other comprehensive loss to be reclassified to earnings in subsequent periods		
Foreign currency translation adjustments	**383,700**	(150,554)
Net other comprehensive income (loss) to be reclassified to earnings in subsequent periods	**383,700**	(150,554)
Items not to be reclassified to earnings in subsequent periods		
Recognized actuarial gain on defined benefit pension plans, net of income tax expense of $99,527 [2017 – $635,334]	**281,673**	1,801,266
Recognized actuarial gain (loss) on other post-retirement benefit, net of income tax expense of $496 [2017 – recovery of $443]	**1,404**	(1,257)
Net other comprehensive income not being reclassified to earnings in subsequent periods	**283,077**	1,800,009
Other comprehensive income	**666,777**	1,649,455
Total comprehensive income	**4,011,973**	5,730,230

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, 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**
As at December 31, 2017	9,695,439	278,111,408	(200,939,855)	(347,859)	86,519,133
Net earnings	—	—	3,345,196	—	3,345,196
Other comprehensive income	—	—	283,077	383,700	666,777
Total comprehensive income	—	—	3,628,273	383,700	4,011,973
Dividends declared [*note 6*]	—	—	(1,846,355)	—	(1,846,355)
Shares repurchased and cancelled [*note 5*]	—	—	—	—	—
As at March 31, 2018	9,695,439	278,111,408	**(199,157,937)**	**35,841**	**88,684,751**

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31 [Unaudited]	Notes	2018 $	2017 $
OPERATING ACTIVITIES			
Net earnings		**3,345,196**	4,080,775
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment		**967,008**	823,055
Amortization of intangible assets		**449,213**	374,348
Amortization of deferred financing costs	4	**17,157**	17,157
Loss on disposal of property, plant and equipment		**13,156**	—
Deferred income tax recovery		**(174,997)**	(111,846)
Change in employees benefit plans		**(5,400)**	42,300
		4,611,333	5,225,789
Working capital adjustments			
Variation in accounts receivable		**2,005,252**	(1,163,451)
Variation in inventories		**(1,784,887)**	(778,552)
Variation in prepaid expenses		**(351,058)**	(496,266)
Variation in accounts payable and accrued liabilities		**(937,388)**	(1,884,311)
Variation in provisions		**(17,404)**	(766)
Variation in income tax receivable		**(470,188)**	(85,044)
Change in employee benefits		**(143,275)**	(32,000)
Change in other long term liability		**256,250**	—
Net cash flows from operating activities		**3,168,635**	785,399
INVESTING ACTIVITIES			
Adjustments to consideration paid for previous business combinations		—	28,855
Acquisition of property, plant and equipment		**(1,244,836)**	(257,063)
Acquisition of intangible assets		**(54,990)**	(142,466)
Proceeds from sale of property, plant and equipment		**48,480**	—
Net cash flows used in investing activities		**(1,251,346)**	(370,674)
FINANCING ACTIVITIES			
Increase of secured credit facility		**661,497**	474,723
Dividends paid		**(1,846,355)**	(1,716,681)
Purchase of share capital for cancellation	5	—	(139,358)
Net cash flows used in financing activities		**(1,184,858)**	(1,381,316)
Net change in cash		**732,431**	(966,591)
Net foreign exchange difference		**100,274**	(44,697)
Cash, beginning of period		**706,190**	1,964,947
Cash, ending of period		**1,538,895**	953,659
Supplemental information (1)			
Interest paid		**372,459**	199,161
Interest received		**40**	390
Income taxes paid		**1,867,287**	1,656,702
Income taxes received		**66,826**	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

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

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of packaging and specialty products. Supremex' revenue is subject to the seasonal advertising and mailing patterns of its customers. The number of envelopes sold by Supremex is generally higher during fall and winter mainly due to the higher number of mailings related to events including the return to school, fund-raising, the holidays and tax seasons. The number of envelopes sold by Supremex is generally lower during spring and summer in anticipation of a slowdown in mailing activities of businesses during the summer. As a result, revenue and financial performance for the three-month period ended March 31, 2018 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 8, 2018 and have not been audited or reviewed by the Company's auditors. The unaudited interim condensed consolidated financial statements include the accounts of the Company and its subsidiaries. They have been prepared by management in accordance with IAS 34, *Interim Financial Reporting*. Therefore, certain information and disclosures have been omitted or condensed. The accounting principles are consistent with those set out in the Company's audited consolidated financial statements for the year ended December 31, 2017, prepared in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, these unaudited interim condensed consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The notes presented in these first quarter 2018 interim condensed consolidated financial statements include only significant changes occurring for the three-month period since the year ended December 31, 2017.

New Accounting Standards

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

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments ("IFRS 9") which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance.

Classification and measurement

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

2. SIGNIFICANT ACCOUNT POLICIES [Cont'd]

Impairment of financial assets

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

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

IFRS 15, Revenue from Contracts with Customers

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

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

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

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

Future Changes of Accounting Policies

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

2. SIGNIFICANT ACCOUNT POLICIES [Cont'd]

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

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

3. INVENTORIES

	March 31, 2018 $	December 31, 2017 $
Raw materials	**6,571,594**	5,895,409
Work in progress	**739,753**	696,612
Finished goods	**13,391,399**	12,325,838
	20,702,746	18,917,859

The cost of inventories recognized as an expense and included in operating expenses, including the related amortization of property, plant and equipment allocated to inventories, during the three-month period ended March 31, 2018 is $37,418,517 [2017 - $33,428,441].

4. SECURED CREDIT FACILITY

As at March 31, 2018, the Company had a five-year committed $60 million senior secured revolving facility agreement maturing on October 6, 2020. This agreement was amended on April 27, 2018 to increase the amount of the credit facility to $65 million. No principal repayments are required prior to maturity. This facility bears interest at a floating rate based on the Canadian prime rate, plus an applicable margin that ranges between 0% and 0.25% or bankers' acceptance rates, plus an applicable margin that ranges between 1.50% and 1.75%.

The secured credit facility is used for working capital, capital expenditure and other general corporate purpose. It is collateralized by hypothec and a security interest covering all assets of the Company and its subsidiaries and is subject to certain covenants, which the Company is required, among other conditions, to meet. The Company was in compliance with these covenants as at March 31, 2018.

Amounts owed under secured credit facility are as follows:

	March 31, 2018 $	December 31, 2017 $
Revolving credit facility	**43,681,106**	43,019,609
Less: deferred financing costs, net	**(171,566)**	(188,723)
Long-term portion of secured credit facility	**43,509,540**	42,830,886

4. SECURED CREDIT FACILITY [Cont'd]

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

As at March 31, 2018, the effective variable interest rate on the secured credit facility was 3.36% [3.09% as at December 31, 2017].

Financing charges are as follows:

	Three-month periods ended March 31, 2018 $	2017 $
Interest on secured credit facility	**375,154**	187,643
Interest income on defined benefit plans obligations	**(31,800)**	(22,800)
Other interest	**2,833**	1,385
Amortization of deferred financing costs	**17,157**	17,157
	363,344	183,385

5. SHARE CAPITAL

The change in share capital was as follows:

	Number of common shares	Share capital $
Balance, as of December 31, 2016	28,611,351	9,765,711
Purchase of share capital for cancellation	(28,100)	(9,590)
Balance, as of March 31, 2017	**28,583,251**	**9,756,121**
Balance, as of December 31, 2017	28,405,469	9,695,439
Purchase of share capital for cancellation	—	—
Balance, as of March 31, 2018	**28,405,469**	**9,695,439**

During the three-month period ended March 31, 2018, the Company did not repurchase common shares for cancellation through a normal course issuer bid ("NCIB"). During the three-month period ended March 31, 2017, the company repurchased 28,100 common shares for cancellation in consideration of $139,358 which resulted in an excess of the carrying value of $129,768.

Deferred Share Unit Plan (DSU)

The financial liability resulting from the DSU plan of $386,417 (December 31, 2017 - $309,251) is presented under "*Accounts payable and accrued liabilities*".

The compensation expense for the DSU plan during the three-month period ended March 31, 2018 amounted to $77,166 [2017 - $42,604] and is recognized under selling, general and administrative expenses.

6. DIVIDENDS

Dividends declared from January 1, 2018 to March 31, 2018 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 20, 2018	March 29, 2018	April 13, 2018	0.065	1,846,355
Total				**1,846,355**

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**

7. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes, packaging and specialty products. The Company's non-current assets amounted to $100,219,483 in Canada and $11,210,196 in the United States as at March 31, 2018 [$99,656,332 and $11,115,201 respectively, as at December 31, 2017]. The Company's revenue amounted to $32,133,851 in Canada and $16,800,073 in the United States for the three-month period ended March 31, 2018 based on the customer's locations [2017 - $32,412,459 in Canada and $12,738,216 in the United States]. The company's revenue amounted to $36,062,232 from envelopes and $12,871,692 from packaging and specialty products based on product classification [2017 - $39,064,616 from envelopes and $6,086,059 from packaging and specialty products].

8. SUBSEQUENT EVENTS

On April 30, 2018, the Company concluded the acquisition of Groupe Deux Printing Inc. and its related company Pharmaflex Labels Inc., a leading manufacturer of premium quality folding carton packaging and labels primarily for the pharmaceutical industry. The transaction was concluded for total cash consideration of $11.25 million on a cash-free and debt-free basis.

On May 8, 2018, the Board of Directors declared a quarterly dividend of $0.065 per common share, payable on July 17, 2018 to shareholders of record at the close of business on June 29, 2018.