Management's Discussion and Analysis

For the three and six-month periods ended June 30, 2022 and 2021

TABLE OF CONTENTS

1. BASIS OF PRESENTATION

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated August 10, 2022, of Supremex Inc. ("Supremex" or the "Company") should be read together with the accompanying unaudited interim condensed consolidated financial statements and related notes of the Company for the three and six-month periods ended June 30, 2022. These unaudited interim 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, 2021. 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 common shares outstanding for the three and six-month periods ended June 30, 2022. The consolidated financial statements for the three and six-month periods ended June 30, 2022 have not been audited or reviewed by the Company's auditors.

The Company's common shares are traded on the Toronto Stock Exchange (the "TSX") under the symbol SXP. Additional information on Supremex, including the Company's Annual Information Form, may be found on SEDAR at www.sedar.com and on the Company's website at www.supremex.com.

2. FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA, Adjusted EBITDA, Adjusted Net Earnings, Adjusted net earnings per share, Free Cash Flow, Total debt to Adjusted EBITDA ratio 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 ability 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, 2021. Supremex cautions that such assumptions may not materialize and that current economic conditions, including all of the current uncertainty resulting from the ongoing COVID-19 health crisis and its broader repercussions on the global economy, render such assumptions, although believed reasonable at the time they were made, subject to greater uncertainty.

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: global health crisis, decline in envelope consumption, increase of competition, economic cycles, key personnel, labor shortage, contributions to employee benefits plans, raw material price increases and availability, operational disruption, exchange rate fluctuation, growth by acquisitions, availability of capital, credit risks with respect to trade receivables, interest rate fluctuation, concerns about protection of the environment, potential risk of litigation, cyber security and data protection and no guarantee to pay dividends. In addition, risks and uncertainties arising as a result of the COVID-19 pandemic that could cause results to differ from those expected include, but are not limited to: potential government actions, changes in consumer behaviors and demand, changes in customer requirements, disruptions of the Company's suppliers and supply chain, availability of personnel and uncertainty about the extent and duration of the pandemic. Such risks and uncertainties are discussed throughout the MD&A for fiscal year ended December 31, 2021 and, in the Company's Annual Information Form dated March 30, 2022 in particular, in ''Risk Factors''. Consequently, the Company 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.

3. KEY QUARTERLY HIGHLIGHTS

3.1 Financial Highlights Tables

Selected Consolidated Financial Information
(in thousands of dollars, except for per share amounts and margins)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	**2021**	**2022**	**2021**
Statement of Earnings				
Revenue	**62,518**	51,801	**125,787**	105,404
Operating earnings	**10,314**	5,151	**19,143**	11,184
Adjusted EBITDA(1)	**13,914**	8,562	**25,997**	18,110
Adjusted EBITDA margin(1)	**22.3%**	16.5%	**20.7%**	17.2%
Net earnings	**7,364**	3,389	**13,666**	7,492
Basic and diluted net earnings per share	**0.28**	0.12	**0.52**	0.27
Adjusted Net earnings(1)	**7,364**	3,393	**13,675**	7,614
Adjusted Net earnings per share(1)	**0.28**	0.12	**0.52**	0.27
Cash Flow				
Free Cash Flow(1)	**10,235**	4,454	**10,131**	8,690

(1) This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

3.2 Highlights of the three-month period ended June 30, 2022

- Total revenue increased by 20.7% to $62.5 million, from $51.8 million in the second quarter of 2021.
- Packaging and specialty products segment revenue of $16.6 million, a slight increase of 0.4% compared to last year.
- Envelope segment revenue up 30.2% to $45.9 million, from $35.2 million in the prior year.
- Adjusted EBITDA[1] of $13.9 million, or 22.3% of revenue, up from $8.6 million, or 16.5% of revenue, a year ago.
- Net Earnings increased significantly to $7.4 million, from $3.4 million last year.
- Earnings per share of $0.28, up sharply from $0.12 a year ago.
- Recorded no assistance from the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS") programs in the second quarter of 2022, compared to $0.9 million in the equivalent quarter of 2021.
- Purchased 215,800 shares for a total consideration of $0.7 million as part of the Company's Normal Course Issuer Bid ("NCIB") program.
- On August 10, 2022, the Board of Directors declared a quarterly dividend of $0.03 per common share, an increase of 20.0% over the prior quarter.
- Appointment of Simon Provencher as President of the Packaging segment.

3.3 Highlights of the six-month period ended June 30, 2022

- Total revenue of $125.8 million, up 19.3% from $105.4 million in the six-month period ended June 30, 2021.
- Packaging and specialty products segment revenue of $35.3 million, up 10.5% from $31.9 million a year earlier.
- Envelope segment revenue up 23.2% to $90.5 million, versus $73.5 million a year ago.
- Adjusted EBITDA of $26.0 million, or 20.7% of revenue, versus $18.1 million, or 17.2% of revenue last year.
- Net Earnings amounted to $13.7 million, up significantly from $7.5 million in the first half of 2021.
- Earnings per share nearly doubled, reaching $0.52 versus $0.27 in the same period last year.
- Recorded no assistance from the CEWS and CERS programs in the first half of 2022, compared to $1.6 million in the equivalent period of 2021.
- Purchased 321,800 shares for a total consideration of $1.1 million as part of the Company's NCIB program.

[1] This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

4. NON-IFRS FINANCIAL MEASURES

Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies and should not be viewed as alternatives to measures of financial performance prepared in accordance with IFRS. Management considers these metrics to be information which may assist investors in evaluating the Company's profitability and enable better comparability of the results from one period to another.

These Non-IFRS Financial Measures are defined as follows:

Non-IFRS Measure	Definition
EBITDA	Earnings before financing charges, income tax expense, depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets.
Adjusted EBITDA	EBITDA adjusted to remove items of significance that are not in the normal course of operations. These items of significance include, but are not limited to, charges for impairment of assets, restructuring expenses, value adjustment on inventory acquired and acquisition costs.
EBITDA and Adjusted EBITDA margins	EBITDA margin or Adjusted EBITDA margin is a percentage corresponding to the ratio of EBITDA or Adjusted EBITDA to revenue.
Adjusted Net Earnings	Net Earnings excluding items of significance listed above under Adjusted EBITDA, net of income taxes.
Adjusted Net earnings per share	Diluted earnings per share calculated on the basis of Adjusted Net Earnings.
Free Cash Flow	Net Cash flows related to operating activities according to the consolidated statements of cash flows less net additions to property, plant and equipment and intangible assets.
Total debt to Adjusted EBITDA ratio	Total debt comprised of revolving facility and term facility divided by Adjusted EBITDA.

Supremex believes that EBITDA, Adjusted EBITDA and Adjusted Net Earnings are measurements commonly used by readers of financial statements to evaluate a company's operational cash-generating capacity and ability to discharge its financial obligations. Adjusted EBITDA allows readers to appreciate the Company's earnings without effect of non-recurring items making it valuable to assess ongoing operations and to better evaluate the Company's operating profitability when compared to the previous years.

Supremex considers free cash flow to be a good indicator of financial strength and profitability because it shows how much of the cash generated by operations is available for distribution, to repay debt or fund other investments.

The following tables provide the reconciliation of Non-IFRS Financial Measures:

Reconciliation of Net earnings to Adjusted EBITDA
(in thousands of dollars, except for margins)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	2021	2022	2021
Net earnings	**7,364**	**3,389**	**13,666**	**7,492**
Income tax expense	2,458	1,206	4,542	2,593
Net financing charges	492	556	935	1,099
Depreciation of property, plant and equipment	1,640	1,356	2,890	2,721
Depreciation of right-of-use assets	1,091	1,205	2,175	2,382
Amortization of intangible assets	869	845	1,777	1,659
EBITDA	**13,914**	**8,557**	**25,985**	**17,946**
Acquisition costs related to business combinations	—	5	12	164
Adjusted EBITDA	**13,914**	**8,562**	**25,997**	**18,110**
Adjusted EBITDA Margin (%)	22.3%	16.5%	20.7%	17.2%

Reconciliation of Net earnings to Adjusted net earnings and of Net earnings per share to Adjusted net earnings per share
(in thousands of dollars, except for per share amounts)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	**2021**	**2022**	**2021**
Net earnings	**7,364**	3,389	**13,666**	7,492
Adjustment, net of income taxes				
Acquisition costs related to business combinations	—	4	9	122
Adjusted net earnings	**7,364**	3,393	**13,675**	7,614
Net earnings per share	**0.28**	0.12	**0.52**	0.27
Adjustment, net of income taxes, in dollar per share	—	—	—	—
Adjusted net earnings per share	**0.28**	0.12	**0.52**	0.27

Reconciliation of Cash flows related to operating activities to Free Cash Flow
(in thousands of dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	**2021**	**2022**	**2021**
Cash flows related to operating activities	**10,426**	4,904	**10,637**	9,436
Net acquisitions of property, plant and equipment	(175)	(398)	(381)	(687)
Net acquisitions of intangible assets	(16)	(52)	(125)	(59)
Free Cash Flow	**10,235**	4,454	**10,131**	8,690

5. BUSINESS OVERVIEW

Supremex is a leading North American manufacturer and marketer of envelopes and a growing provider of paper-based packaging solutions. Supremex operates ten manufacturing facilities across four provinces in Canada and four manufacturing facilities in the United States employing approximately 800 people. Supremex' growing footprint allows it to efficiently manufacture and distribute envelope 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, premium quality folding carton packaging and e-Commerce Fulfillment Packaging solutions. Other packaging and specialty products include the Conformer Products®[2], polyethylene bags for courier applications, bubble mailers and Enviro-logiX®[3].

Reporting Segments

The Company currently operates in two reporting segments: the manufacturing and sale of envelopes and the manufacturing and sale of paper-based packaging solutions and specialty products. For over 40 years, Supremex has developed its core paper substrate and converting expertise to become one of the largest manufacturers and distributors of envelopes in North America. A few years ago, it initiated a growth and diversification strategy into packaging and specialty products.

---

[2] Conformer® is a registered trademark of Conformer Products, Inc.
[3] Enviro-logiX® is a registered trademark of Envirologix Inc.

The Envelope Segment

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. Products are designed to the specifications of major national and multinational corporations, resellers, government entities, SMEs and solutions providers.

The Packaging and Specialty Products Segment

The Company also manufactures and distributes a diverse range of paper-based packaging solutions and specialty products, including high-quality folding carton packaging, e-commerce solutions, corrugated boxes and labels. The folding carton offering is primarily aimed at corporations in the health, beauty, pharmaceutical and food-at-home markets. E-commerce solutions are eco-friendly and are designed and manufactured to optimize shipping and reduce over-packaging for small and international e-tailers. The corrugated box offering is primarily focused on the food industry (pizza, meat and vegetable boxes), internal procurement for the e-commerce offering and envelope box requirements. The label offering primarily serves the Company's existing envelope and packaging customers with complementary label solutions and is an integral offering for the health, beauty and pharmaceutical customers. Other packaging and specialty products include the Conformer Products®, polyethylene bags for courier applications, bubble mailers and Enviro-logiX®.

In the longer term, Supremex' strategy is to leverage its Canadian Envelope capacity, knowhow and cash flow to fund a pivot to Packaging and Specialty Products. The Company's objective is to achieve an equal revenue split between the Envelope Segment and the Packaging and Specialty Products Segment. To accelerate this shift, Supremex plans to make strategic acquisitions

6. OUTLOOK

Reflecting solid demand for its products and strong backlogs, the Company is operating at full capacity given its current labor availability. Driven by proactive sourcing and its solid reputation in the marketplace, the Company has been able to secure raw material despite limited industry supply and to successfully pass through cost inflation. Labor and supply challenges could affect the Company's ability to meet its delivery schedule for certain orders and may also result in missed sales opportunities. The envelope acquisition in New York completed earlier this year should help to lessen these impacts in the short term.

The Company's plan to move its folding carton plant in the Town of Mount Royal, Quebec necessitated by the expropriation of its facility, was accelerated. Although a one-year lease extension had been granted, the Company received an early termination notice by the lessor and took advantage of this opportunity to proactively relocate operations to the Durabox facility in Lachine, Quebec. Consequently, the Durabox operations are in the process of being wound down. The Company believes this strategic repositioning is a better utilization of its manufacturing capacity by enhancing focus on higher value-added products.

The Company is committed to efficiently deploying its capital with the expected payment of quarterly dividends, investments in capital expenditures and the repurchase of common shares in line with its NCIB, which it intends to renew upon expiry of the current program on August 30, 2022. The Company also continues to look for strategic acquisitions, mainly in the packaging segment, while remaining focussed on opportunistic expansion in the envelope segment.

7. FOREIGN EXCHANGE RATES

7.1 Foreign Exchange Rates

The following table shows average and closing exchange rates applicable to Supremex' second quarters and six-month periods ended June 2022 and 2021. Average rates are used to translate sales and expenses for the periods mentioned, while closing rates translate assets and liabilities of foreign operations and monetary assets and liabilities of the Canadian operations denominated in U.S. dollars.

US$/CDN$ Rate

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	2021	2022	2021
USD Average	1.276	1.228	1.271	1.247
USD Closing	1.289	1.239	1.289	1.239

8. SUMMARY OF FINANCIAL INFORMATION

8.1 Summary of Financial Information

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

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	2021	2022	2021
Revenue	**62,518**	**51,801**	**125,787**	**105,404**
Operating expenses	41,669	36,692	84,738	74,206
Selling, general and administrative expenses	6,935	6,552	15,251	13,252
Operating earnings before depreciation, amortization and other item	**13,914**	**8,557**	**25,798**	**17,946**
Depreciation of property, plant and equipment	1,640	1,356	2,890	2,721
Depreciation of right-of-use assets	1,091	1,205	2,175	2,382
Amortization of intangible assets	869	845	1,777	1,659
Gain on disposal of property, plant and equipment	—	—	(187)	—
Operating earnings	**10,314**	**5,151**	**19,143**	**11,184**
Net financing charges	492	556	935	1,099
Earnings before income taxes	**9,822**	**4,595**	**18,208**	**10,085**
Income tax expense	2,458	1,206	4,542	2,593
Net earnings	**7,364**	**3,389**	**13,666**	**7,492**
Basic and diluted net earnings per share	0.28	0.12	0.52	0.27
Dividend declared per share	0.025	—	0.075	—

Revenue Information
(in thousands of dollars, except %)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	2021	2022	2021
Envelope	**45,878**	**35,230**	**90,517**	**73,495**
Volume change	7.9%	7.8%	4.9%	3.7%
Average selling price change	20.7%	(0.2%)	17.4%	(1.4%)
Total change	**30.2%**	**7.6%**	**23.2%**	**2.2%**
Packaging & Specialty Products	**16,640**	**16,571**	**35,270**	**31,909**
Total change	**0.4%**	**11.1%**	**10.5%**	**13.2%**
Total Revenue	**62,518**	**51,801**	**125,787**	**105,404**
Revenue change	**20.7%**	**8.7%**	**19.3%**	**5.3%**

Segmented Information
(in thousands of dollars, except %)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	2021	2022	2021
Segmented Revenue				
Envelope	45,878	35,230	90,517	73,495
Packaging & specialty products	16,640	16,571	35,270	31,909
Total Revenue	**62,518**	**51,801**	**125,787**	**105,404**
Segmented Adjusted EBITDA(1)				
Envelope	11,598	6,334	21,579	13,625
% of segmented revenue	25.3%	18.0%	23.8%	18.5%
Packaging & specialty products	3,256	2,399	7,444	4,864
% of segmented revenue	19.6%	14.5%	21.1%	15.2%
Corporate and unallocated costs	(940)	(171)	(3,026)	(379)
Total Adjusted EBITDA(1)	**13,914**	**8,562**	**25,997**	**18,110**
% of total revenue	22.3%	16.5%	20.7%	17.2%

(1) This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

9. ANALYSIS OF RESULTS

9.1 Results for the three-month period ended June 30, 2022

Revenue

Total revenue for the three-month period ended June 30, 2022, was $62.5 million, representing an increase of $10.7 million, or 20.7%, from the equivalent quarter of 2021.

Envelope Segment (Canada and U.S.)

Revenue was $45.9 million, representing an increase of $10.7 million, or 30.2%, from $35.2 million in the second quarter of 2021. Envelope represented 73.4% of the Company's revenue in the quarter, up from 68.0% during the equivalent period of last year. Average selling prices increased by 20.7% from last year's second quarter, primarily reflecting price increases implemented to mitigate input cost inflation. The volume of units sold increased by 7.9% primarily as a result of higher sales in the U.S. envelope market and from continued demand recovery in certain channels that were more affected by the pandemic. The Company's strong supply chain relationships, solid market reputation and dedicated workforce were key factors in its ability to meet market demand and grow.

Packaging & Specialty Products Segment

Revenue was $16.6 million, a slight increase of 0.4% compared to the corresponding quarter of 2021. The variation resulted mainly from higher sales of folding carton packaging products, primarily driven from a favorable product mix, partially offset by a decrease in corrugated sales. Packaging & Specialty Products represented 26.6% of the Company's revenue in the quarter, down from 32.0% during the equivalent period of last year, largely as a result of the significant growth in Envelope.

Operating Expenses

Operating expenses for the three-month period ended June 30, 2022, were $41.7 million, compared to $36.7 million in the equivalent period of 2021, representing an increase of $5.0 million, or 13.6%. The increase is mainly due to higher sales volumes, higher cost of materials, as well as phasing out the CEWS and CERS programs ($0.6 million of subsidies recorded for the same period last year). On a percentage of revenue basis, operating expenses decreased to 66.7% of revenue, down from 70.8% in the equivalent period of 2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled $6.9 million in the three-month period ended June 30, 2022, compared to $6.6 million during the same period in 2021, representing an increase of $0.3 million, or 5.8%. The increase is mainly attributable to higher remuneration related expenses, severances and the phasing out of the subsidy programs ($0.3 million of subsidies recorded for the same period last year). These factors were partially offset by a foreign exchange gain.

EBITDA[4] and Adjusted EBITDA[4]

Consolidated EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA both amounted to $13.9 million, or 22.3% of revenue, up from $8.6 million, or 16.5% of revenue, in the second quarter last year. These increases resulted from increased sales volume and selling prices. These factors were partially offset by the higher cost of materials and the phasing out of the CEWS and CERS programs (no subsidies recorded in the second quarter ended June 30, 2022 compared to $0.9 million of subsidies recorded for the same period last year).

Segment EBITDA and Adjusted EBITDA

Envelope Segment

Adjusted EBITDA was $11.6 million, up 83.1%, from $6.3 million in the second quarter of 2021. This significant improvement was primarily due to higher revenue driven by an increase in the average selling price and a more favorable product mix in U.S. operations. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 25.3%, up from 18.0% in the equivalent period of 2021.

Packaging & Speciality Products Segment

Adjusted EBITDA was $3.3 million, up 35.7% from $2.4 million in the second quarter of 2021. This increase is mainly explained by a more favorable product mix and a higher average selling price resulting in higher profitability in folding carton packaging products and e-commerce. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 19.6%, compared to 14.5% in the equivalent period of 2021.

Corporate and unallocated costs

The Corporate and unallocated costs were $0.9 million in the second quarter of 2022, compared to $0.2 million in the second quarter of 2021 which included $0.9 million from the CEWS and CERS programs. Excluding the subsidies, corporate and unallocated costs in the second quarter of 2021 would have been $1.1 million. The decrease of $0.2 million resulted mainly from a foreign exchange gain and a favorable adjustment related to the Deferred Share Units during the quarter, partially offset by severances.

Depreciation and Amortization

Aggregate depreciation and amortization expenses for the three-month period ended June 30, 2022, amounted to $3.6 million, compared to $3.4 million in the second quarter of 2021.

[4] This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Net Financing Charges

Net financing charges for the three-month period ended June 30, 2022 were $0.5 million, compared to $0.6 million for the equivalent period of the prior year.

Earnings Before Income Taxes

As a result of the fluctuation in revenue and expenses described above, earnings before income taxes were $9.8 million, or 15.7% of revenue, during the three-month period ended June 30, 2022, up significantly from $4.6 million, or 8.9% of revenue, during the equivalent period of 2021.

Income Tax Expense

Income taxes were $2.5 million, representing an effective tax rate of 25.0%, in the three-month period ended June 30, 2022, compared to $1.2 million in the equivalent quarter of last year. The absolute dollar increase is due to higher earnings before income taxes in the current period.

Net Earnings and Adjusted Net Earnings[5]

Net Earnings and Adjusted Net Earnings were $7.4 million (or $0.28 per share) for the three-month period ended June 30, 2022, compared to $3.4 million (or $0.12 per share) for the equivalent period last year.

Other Comprehensive Income

The discount rate used to calculate the accrued plan benefit obligations increased to 5.1% as at June 30, 2022 from 4.0% as at March 31, 2022. This increase was partially offset by a lower-than-expected return on assets resulting in a net actuarial gain of $1.0 million in the second quarter of 2022.

9.2 Results for the six-month period ended June 30, 2022

Revenue

Total revenue for the six-month period ended June 30, 2022, was $125.8 million, representing an increase of $20.4 million, or 19.3%, from the equivalent period of 2021.

Envelope Segment (Canada and U.S.)

Revenue was $90.5 million, representing an increase of $17.0 million, or 23.2%, from $73.5 million in the six-month period ended June 30, 2021. Envelope represented 72.0% of the Company's revenue in the period, versus 69.7% during the equivalent period of last year. Average selling prices increased by 17.4% from last year's comparable period, primarily reflecting price increases implemented to mitigate input cost inflation. The volume of units sold increased by 4.9% primarily as a result of higher sales in the U.S. envelope market and from continued demand recovery in certain channels that were more affected by the pandemic. The Company's strong supply chain relationships, solid market reputation and dedicated workforce were key factors in its ability to meet market demand and grow.

Packaging & Specialty Products Segment

Revenue was $35.3 million, an increase of $3.4 million, or 10.5%, from $31.9 million in the corresponding period of 2021. The increase resulted mainly from the contribution of the Vista Graphic Communications, LLC ("Vista"), acquisition concluded on March 8, 2021, coupled with higher sales of folding carton packaging products. Packaging & Specialty Products represented 28.0% of the Company's revenue in the first half of 2022, compared with 30.3% during the equivalent period of last year, largely as a result of the significant growth in Envelope.

---

[5] This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Operating Expenses

Operating expenses for the six-month period ended June 30, 2022, were $84.7 million, compared to $74.2 million in the equivalent period of 2021, representing an increase of $10.5 million, or 14.2%. The increase is mainly due to a higher volume of sales, due in part to the Vista acquisition, higher cost of materials and phasing out the CEWS and CERS programs ($1.1 million of subsidies recorded for the same period last year). On a percentage of revenue basis, operating expenses decreased to 67.4% of revenue, from 70.4% in the equivalent period of 2021.

Selling, General and Administrative Expenses

Selling, general and administrative expenses totalled $15.3 million in the six-month period ended June 30, 2022, compared to $13.3 million during the same period in 2021, representing an increase of $2.0 million, or 15.1%. The increase is attributable to higher remuneration related expenses, severances, and the phasing out of the subsidy programs ($0.5 million of subsidies recorded for the same period last year).

EBITDA[6] and Adjusted EBITDA[6]

Consolidated EBITDA and Adjusted EBITDA

EBITDA was $26.0 million, or 20.7% of sales, up from $17.9 million, or 17.0% of revenue, in the first six months last year. Adjusted EBITDA was $26.0 million, or 20.7% of revenue, versus $18.1 million, or 17.2% of sales, in the first half of 2021. These increases resulted from increased sales volume and selling prices. These factors were partially offset by the higher cost of materials and the phasing out of the CEWS and CERS programs (no subsidies recorded in the six-month period ended June 30, 2022 compared to $0.9 million of subsidies recorded for the same period last year).

Segment EBITDA and Adjusted EBITDA

Envelope Segment

Adjusted EBITDA was $21.6 million, up 58.4% from $13.6 million in the first half of 2021. This sharp increase was primarily due to higher revenue, driven by an increase in the average selling price and a more favorable product mix in U.S. operations. On a percentage of segmented revenue, Adjusted EBITDA from the envelope segment was 23.8%, up from 18.5% in the equivalent period of 2021.

Packaging & Speciality Products Segment

Adjusted EBITDA was $7.4 million, up 53.0% from $4.9 million in the first half of 2021. This significant increase is mainly explained by higher revenue, driven by a more favorable product mix and higher average selling prices resulting in higher profitability in folding carton packaging products and e-commerce. On a percentage of segmented revenue, Adjusted EBITDA from the packaging and specialty operations was 21.1%, compared to 15.2% in the equivalent period of 2021.

Corporate and unallocated costs

The Corporate and unallocated costs were $3.0 million compared to $0.4 million in the first half of 2021 which includes $1.6 million from the CEWS and CERS programs. Excluding the subsidies, corporate and unallocated costs in the first half of 2021 would have been $2.0 million. The increase of $1.0 million resulted mainly from severances, partially offset by a foreign exchange gain.

Depreciation and Amortization

Aggregate depreciation and amortization expenses for the six-month period ended June 30, 2022, remained stable at $6.8 million.

[6] This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Net Financing Charges

Net financing charges for the six-month period ended June 30, 2022 were $0.9 million, compared to $1.1 million for the equivalent period of the prior year.

Earnings Before Income Taxes

As a result of the fluctuation in revenue and expenses described above, earnings before income taxes were $18.2 million, or 14.5% of revenue, during the six-month period ended June 30, 2022, compared to $10.1 million, or 9.6% of revenue, during the equivalent period of 2021.

Income Tax Expense

Income taxes were $4.5 million, representing an effective tax rate of 24.9%, in the six-month period ended June 30, 2022, compared to $2.6 million in the equivalent period of last year. The absolute dollar increase is due to higher earnings before income taxes in the current period.

Net Earnings and Adjusted Net Earnings[7]

Net Earnings were $13.7 million (or $0.52 per share) for the six-month period ended June 30, 2022, compared to $7.5 million (or $0.27 per share) for the equivalent period last year. Adjusted Net Earnings were $13.7 million (or $0.52 per share) for the six-month period ended June 30, 2022, compared to $7.6 million (or $0.27 per share) for the equivalent period in 2021.

Other Comprehensive Income

The discount rate used to calculate the accrued plan benefit obligations increased to 5.1% as at June 30, 2022 from 3.0% as at December 31, 2021. This increase was partially offset by a lower-than-expected return on assets resulting in a net actuarial gain of $2.3 million in the first half of 2022.

9.3 Geographical Revenue and Asset Diversification

Revenue by Geography
(in thousands of dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	2021	2022	2021
Canada	**36,961**	32,918	**74,748**	68,975
U.S.	**25,557**	18,883	**51,039**	36,429
Total Revenue	**62,518**	51,801	**125,787**	105,404

For the three-month period ended June 30, 2022, the Company's revenue in Canada was $37.0 million, an increase of 12.3% from $32.9 million in the equivalent quarter of 2021. In the United States, revenue was $25.6 million, an increase of 35.3% from $18.9 million in 2021.

For the six-month period ended June 30, 2022, the Company's revenue in Canada was $74.7 million, an increase of 8.4% from $69.0 million in the equivalent period of 2021. In the United States, revenue was at $51.0 million, representing an increase of 40.1% from $36.4 million in the equivalent period of 2021.

The Company's non-current assets were $116.6 million in Canada and $22.3 million in the United States as at June 30, 2022, compared to $118.4 million in Canada and $22.3 million in the United States as at December 31, 2021.

[7] This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

10. SUMMARY OF RESULTS – SELECTED QUARTERLY FINANCIAL INFORMATION

Supremex' revenue is subject to some seasonal patterns, mainly driven by the Envelope segment. This segment is subject to the seasonal advertising and mailing patterns of its customers which is generally higher during the fall and winter months. The first and fourth quarters have a higher number of mailings related to specific events (i.e. return to school, fund-raising, the holidays and tax seasons) than the spring and summer months. As a result, the second and third quarters tend to have less activity. To maintain production efficiencies, Supremex uses warehouse capabilities to stock envelopes as required and thereby counter predictable seasonal variations in sales volume. Only a small portion of the Packaging and Specialty Products segment is subject to seasonal patterns related to the holidays and sporting events (i.e. innovative protective packaging solutions for e-commerce or corrugated boxes for food delivery). Therefore, Supremex' revenue and financial performance for any single quarter may not be extrapolated for the full year.

The following table sets forth selected financial information for the Company's past eight quarters.

Selected Quarterly Operating Results
(in thousands of dollars, except for per share amounts)

	June 30 2022	Mar. 31 2022	Dec. 31 2021	Sep. 30 2021	June 30 2021	Mar. 31 2021	Dec. 31 2020	Sep. 30 2020
Envelope	**45,878**	44,639	46,650	37,050	35,230	38,265	40,465	34,136
Packaging	**16,640**	18,630	19,553	17,773	16,571	15,338	14,171	15,754
Total Revenue	**62,518**	63,269	66,203	54,823	51,801	53,603	54,636	49,890
Adjusted EBITDA(1)	**13,914**	12,083	12,218	8,714	8,562	9,548	9,206	8,065
Earnings before income taxes	**9,822**	8,386	6,259	4,709	4,595	5,490	340	3,867
Net Earnings	**7,364**	6,302	4,896	3,364	3,389	4,103	309	2,733
Net Earnings per share	**0.28**	0.24	0.18	0.13	0.12	0.15	0.01	0.10
Adjusted Net Earnings(1)	**7,364**	6,311	6,431	3,364	3,393	4,221	3,719	2,733
Adjusted Net Earnings(1) per share	**0.28**	0.24	0.24	0.13	0.12	0.15	0.13	0.10

(1) This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

11. FINANCIAL POSITION

11.1 Summary Financial Position Highlights

Selected Financial Position Information
(in thousands of dollars)

	As at June 30, 2022	As at December 31, 2021
Working capital	34,666	25,250
Total Assets	201,973	206,371
Total Liabilities	91,400	108,966
Total Equity	110,573	97,405

11.2 Assets

The decrease in total assets of $4.4 million as at June 30, 2022, when compared to December 31, 2021, is mainly due to the decrease in cash.

11.3 Liabilities

Secured Credit Facility

On May 25, 2022, the Company entered into a three-year senior secured revolving credit facility of $120 million which replaced its pre-existing revolving and term facility. No principal repayments are required prior to maturity. The credit facility bears interest at a floating rate based on the Canadian prime rate or the Secured Overnight Financing Rate (SOFR), plus an applicable margin that ranges from 0% and 1.50% or bankers' acceptance rates, plus an applicable margin that ranges between 1.25% and 2.75%. The agreement for this credit facility matures in May 2025. The Company may request that the agreement be extended by one year on every anniversary date. The extension is dependant upon the approval of the lenders. As at June 30, 2022, the amount outstanding on the credit facility was $36.7 million.

The secured credit facility is used for working capital, capital expenditures, acquisitions and other general corporate purpose. It is collateralized by mortgage 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 June 30, 2022.

As at June 30, 2022, the Company had an outstanding Canadian dollar letter of credit in the amount of $10,000 ($10,000 as at December 31, 2021) as well as a US dollar letter of credit in the amount of $2,211,238 (US$1,716,000) (nil as at December 31, 2021). This US dollar letter of credit related to the purchase of raw materials expires on September 21, 2022.

Amounts owed under secured credit facility:
(in thousands of dollars)

	As at June 30, 2022	As at December 31, 2021
Revolving facility	36,673	18,279
Term facility	—	26,250
Total Debt	**36,673**	**44,529**
Less: deferred financing costs	(389)	(178)
Less: current portion	—	(3,500)
Long-term portion of secured credit facility	**36,284**	**40,851**

The Company's total debt decreased to $36.7 million as at June 30, 2022, compared to $44.5 million as at December 31, 2021.

As at June 30, 2022, the ratio of total debt to last twelve months Adjusted EBITDA[8] was 0.8x, down from 1.1x as at December 31, 2021.

11.4 Contractual Obligations and Off-Balance Sheet Arrangements

The Company has no other off-balance sheet arrangements, except for the operating leases with terms of twelve months or less or leases of low-value assets, which do not have a current or future material effect on the Company's performance.

[8] This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

12. LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth summarized cash flow components for the periods indicated.

Summary of cash flows
(in thousands of dollars)

	Three-month periods ended June 30		Six-month periods ended June 30	
	2022	**2021**	**2022**	**2021**
Operating activities	**10,426**	4,904	**10,637**	9,436
Investing activities	**(190)**	(449)	**(1,410)**	(3,412)
Financing activities	**(11,632)**	(3,225)	**(13,875)**	(6,596)
Net foreign exchange difference	**74**	(121)	**11**	(210)
Net change in cash	**(1,322)**	1,109	**(4,637)**	(782)

12.1 Cash Flows Related to Operating Activities

Net cash flows from operating activities were $10.4 million for the three-month period ended June 30, 2022, compared to $4.9 million for the same period in 2021. The increase is mainly attributable to higher profitability.

For the six-month period ended June 30, 2022, net cash flows from operating activities reached $10.6 million, compared to $9.4 million in the equivalent period of 2021. The increase is mainly attributable to higher profitability, partially offset by higher working capital requirements.

12.2 Cash Flows Related to Investing Activities

During the three-month periods ended June 30, 2022 and June 30, 2021, net cash flows used in investing activities were $0.2 million and $0.4 million, respectively. The year-over-year variation reflects lower acquisitions of property, plant and equipment in 2022.

During the six-month period ended June 30, 2022, net cash flows used in investing activities amounted to $1.4 million, primarily to acquire certain assets of Niagara Envelope Inc. (''Niagara''). In the corresponding period of 2021, net cash flows used in investing activities totalled $3.4 million, primarily used to acquire substantively all of the assets of Vista.

12.3 Cash Flows Related to Financing Activities

Net cash flows used by financing activities stood at $11.6 million for the three-month period ended June 30, 2022, compared to $3.2 million for the same period in 2021. The greater reduction in cash flow for 2022 is explained by a higher repayment of the revolving credit facility and by the reintroduction of dividend payments to shareholders early in the year.

For the six-month period ended June 30, 2022, net cash flows used by financing activities were $13.9 million, up from $6.6 million last year. The year-over-year variation reflects the aforementioned factors.

***Free Cash Flow*[9]**

Free cash flow amounted to $10.2 million in the second quarter of 2022 compared to $4.5 million for the same period last year. This increase is mainly attributable to higher profitability.

---

[9] This is a non-IFRS financial measure. Refer to the non-IFRS financial measures section for definitions and reconciliations.

Free cash flow amounted to $10.1 million in the six-month periods ended June 30, 2022 compared to $8.7 million in the corresponding period of 2022. This increase is mainly attributable to higher profitability, partially offset by higher working capital requirements.

Normal Course Issuer Bid ("NCIB")

During the three and six-month periods ended June 30, 2022, the Company repurchased 215,800 and 321,800 common shares for cancellation under its NCIB program for a total consideration of $0.7 million and $1.1 million respectively.

Subsequent to the end of the period, an additional 73,700 shares were purchased for cancellation for total consideration of $0.2 million.

The Company intends to renew its NCIB which expires on August 30, 2022.

13. SHARE CAPITAL

As at June 30, 2022 the capital stock issued and outstanding of the Company consisted of 26,093,669 common shares (26,415,469 as at December 31, 2021).

The following table presents the outstanding capital stock activity for the six-month period ended June 30, 2022:

Number of common shares

	Six-month period ended June 30, 2022
Balance, as of December 31, 2021	26,415,469
Common shares purchased for cancellation	(321,800)
Balance, as of June 30, 2022	**26,093,669**

As at August 10, 2022, the Company had 26,019,969 common shares outstanding.

14. SUBSEQUENT EVENTS

- Subsequent to the end of the quarter, the Company approved a restructuring initiative to accelerate the move of its folding carton plant in the Town of Mount Royal, Quebec following receipt of an early termination notice from the lessor. As a result of this initiative, the affected folding carton business will be transferred to the Durabox corrugated packaging facility in Lachine, Quebec. Consequently, the Durabox business will be gradually wound down. Non-recurring charges related to these activities, mainly comprised of employee-related charges and costs to relocate the business will be incurred over the next two quarters. The Company believes this strategic repositioning will result in a better utilization of its manufacturing capacity by enhancing focus on higher value-added products.

- On August 2, 2022, the Company announced the appointment of Simon Provencher as President of the Packaging segment effective September 6th. Mr. Provencher, who has more than 20 years of experience in the paper-based packaging industry, is a results-oriented leader with a focus on strategic decision-making. He most recently held the title of General Manager of Cascades GPS Groupe Carton with P&L responsibility for four business units, spanning seven plants in North America.

- On August 10, 2022, the Board of Directors declared a quarterly dividend of $0.03 per common share, payable on September 23, 2022, to the shareholders of record at the close of business on September 8, 2022. This dividend is designated as an "eligible" dividend for the purpose of the *Income Tax Act (Canada)* and any similar provincial legislation.

15. 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 Annual Information Form date March 30, 2022, which can be found on www.sedar.com.

16. DISCLOSURE CONTROLS AND PROCEDURES (''DC&P'') 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 and effectiveness of disclosure controls and procedures, and the design and effectiveness of internal control over financial reporting.

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

i. material information relating to the Company is made known to the President and Chief Executive Officer and the 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, 2022 to June 30, 2022 that have materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

In accordance with the provisions of National Instrument 52-109, Supremex has limited the scope of its design of Supremex' disclosure controls and procedures (DC&P) and ICFR to exclude controls, policies and procedures of a business acquired not more than 365 days before June 30, 2022. The scope limitation is primarily due to the time required for Supremex' management to assess DC&P and ICFR in a manner consistent with Supremex' other operations.

The Company expects that its February 2022 business acquisition of Niagara will be covered by its certification no later than the first quarter of 2023.

Additional Information

Additional information relating to the Company, including the Company's annual information form, is available on SEDAR at www.sedar.com.