Interim Condensed Consolidated Financial Statements

Supremex Inc.

Unaudited
For the three-month periods ended March 31, 2015 and 2014

All amounts expressed in Canadian dollars

NOTICE

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

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at [Unaudited]	Notes	March 31, 2015 $	December 31, 2014 $
ASSETS			
Current assets			
Cash		**1,003,486**	364,079
Accounts receivable		**17,713,185**	18,560,419
Inventories	**2**	**11,825,129**	10,978,732
Prepaid expenses		**825,294**	558,564
Total current assets		**31,367,094**	30,461,794
Property, plant and equipment		**23,545,217**	24,333,630
Intangible assets		**6,566,354**	8,107,329
Goodwill		**46,889,125**	46,889,125
Total assets		**108,367,790**	109,791,878
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**13,282,458**	16,419,302
Dividend payable	**5**	**1,437,548**	1,437,733
Provisions		**336,005**	337,401
Income tax payable		**428,156**	1,207,692
Current portion of secured credit facilities	**3**	**3,571,429**	5,221,115
Total current liabilities		**19,055,596**	24,623,243
Secured credit facilities	**3**	**19,786,829**	17,184,599
Deferred income tax liabilities		**1,134,156**	2,218,415
Accrued pension benefit liability		**3,598,372**	566,464
Other post-retirement benefit obligations		**292,900**	899,900
Derivative financial liability	**3**	**541,180**	547,562
Equity			
Share capital	**4**	**9,813,365**	9,814,628
Contributed surplus	**4**	**279,601,180**	279,611,054
Deficit		**(225,565,843)**	(225,695,059)
Foreign currency translation reserve		**110,055**	21,072
Total equity		**63,958,757**	63,751,695
Total liabilities and equity		**108,367,790**	109,791,878

Subsequent events [*note 7*]

See accompanying notes

On behalf of the Directors:

By:__________________________ By:__________________________
Director Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three-month periods ended March 31 [Unaudited]	Notes	2015 $	2014 $
Revenue		**34,707,717**	33,915,629
Operating expenses	**2**	**22,743,430**	22,335,224
Selling, general and administrative expenses		**3,896,572**	4,234,917
Operating earnings before amortization		**8,067,715**	7,345,488
Amortization of property, plant and equipment		**960,607**	881,443
Amortization of intangible assets		**1,540,975**	1,540,975
Operating earnings		**5,566,133**	4,923,070
Financing charges	**3**	**362,165**	321,964
Earnings before income taxes		**5,203,968**	4,601,106
Income tax expense		**1,400,022**	1,233,066
Net earnings		**3,803,946**	3,368,040
Basic and diluted net earnings per share		**0.1323**	0.1163
Weighted average number of shares outstanding		**28,751,131**	28,960,867

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three-month periods ended March 31 **[Unaudited]**	**2015** **$**	**2014** **$**
Net earnings	**3,803,946**	3,368,040
Other comprehensive income		
Other comprehensive income to be reclassified to earnings in subsequent periods		
Foreign currency translation adjustments	**88,983**	24,661
Net other comprehensive income to be reclassified to earnings in subsequent periods	**88,983**	24,661
Items not to be reclassified to earnings in subsequent periods		
Recognized actuarial loss on defined benefit pension plans, net of income tax recovery of $784,640 [2014 – $1,334,837]	**(2,236,960)**	(3,807,063)
Recognized actuarial loss on other post-retirement benefit, net of income recovery of $78 [2014 – $7,451]	**(222)**	(21,249)
Net other comprehensive loss not being reclassified to earnings in subsequent periods	**(2,237,182)**	(3,828,312)
Other comprehensive loss	**(2,148,199)**	(3,803,651)
Total comprehensive income (loss)	**1,655,747**	(435,611)

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31
[Unaudited]

	Share capital $	Contributed surplus $	Deficit $	Foreign currency translation reserve $	Total equity $
As at December 31, 2013	9,885,008	280,108,017	(224,318,659)	(50,990)	65,623,376
Net earnings	—	—	3,368,040	—	3,368,040
Other comprehensive (loss) income	—	—	(3,828,312)	24,661	(3,803,651)
Total comprehensive income (loss)	—	—	(460,272)	24,661	(435,611)
Dividends declared [*note 5*]	—	—	(1,158,435)	—	(1,158,435)
As at March 31, 2014	9,885,008	280,108,017	(225,937,366)	(26,329)	64,029,330
As at December 31, 2014	9,814,628	279,611,054	(225,695,059)	21,072	63,751,695
Net earnings	—	—	3,803,946	—	3,803,946
Other comprehensive income	—	—	(2,237,182)	88,983	(2,148,199)
Total comprehensive income	—	—	1,566,764	88,983	1,655,747
Dividends declared [*note 5*]	—	—	(1,437,548)	—	(1,437,548)
Shares repurchased and cancelled [*note 4*]	(1,263)	(9,874)	—	—	(11,137)
As at March 31, 2015	**9,813,365**	**279,601,180**	**(225,565,843)**	**110,055**	**63,958,757**

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three-month periods ended March 31 **[Unaudited]**	**Notes**	**2015** **$**	**2014** **$**
OPERATING ACTIVITIES			
Net earnings		**3,803,946**	3,368,040
Non-cash adjustment to reconcile net earnings to net cash flows			
Amortization of property, plant and equipment		**960,607**	881,443
Amortization of intangible assets		**1,540,975**	1,540,975
Amortization of deferred financing costs	**3**	**16,023**	56,859
Gain on valuation of derivative financial instruments	**3**	**(6,382)**	(95,709)
Deferred income tax recovery		**(299,541)**	(423,323)
Change in employees benefits		**(595,292)**	(33,900)
		5,420,336	5,294,385
Working capital adjustments			
Variation in accounts receivable		**847,234**	871,612
Variation in inventories		**(846,397)**	(316,555)
Variation in prepaid expenses		**(266,730)**	(252,407)
Variation in accounts payable and accrued liabilities		**(3,136,844)**	(1,907,924)
Variation in provisions		**(1,396)**	(7,566)
Variation in income tax receivable and payable		**(779,536)**	(321,394)
Change in employee benefits		**(1,700)**	(19,500)
Net cash flows from operating activities		**1,234,967**	3,340,651
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(100,817)**	(191,807)
Net cash flows used in investing activities		**(100,817)**	(191,807)
FINANCING ACTIVITIES			
Increase (repayment) of secured credit facilities		**936,521**	(2,450,000)
Dividends paid	**5**	**(1,437,733)**	(1,158,435)
Purchase of share capital for cancellation	**4**	**(11,137)**	—
Net cash flows used in financing activities		**(512,349)**	(3,608,435)
Net change in cash		**621,801**	(459,591)
Net foreign exchange difference		**17,606**	(9,002)
Cash, beginning of period		**364,079**	1,506,205
Cash, ending of period		**1,003,486**	1,037,612
Supplemental information (1)			
Interest paid		**329,232**	473,128
Interest received		**1,555**	3,142
Income taxes paid		**2,495,228**	1,989,555
Income taxes received		**5,199**	12,227

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

See accompanying notes

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to seasonal advertising and mailing patterns of its customers since the highest number of mailings related to events including the return to school, fund-raising and the holiday and tax seasons take place during that period. As a result, revenue and financial performance for the three-month period ended March 31, 2015 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 7, 2015 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, 2014, 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, 2014.

2. INVENTORIES

	March 31, 2015 $	**December 31, 2014 $**
Raw materials	**2,640,377**	2,686,610
Work in progress	**166,604**	196,024
Finished goods	**9,018,148**	8,096,098
	11,825,129	10,978,732

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, 2015 is $23,662,242 [2014 - $23,173,106].

3. SECURED CREDIT FACILITIES

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

	March 31, 2015 $	December 31, 2014 $
Operating facility	**3,013,150**	767,106
Term loan	**20,500,000**	21,809,524
Less: deferred financing costs, net	**(154,892)**	(170,916)
	23,358,258	22,405,714
Current portion	**(3,571,429)**	(5,221,115)
Long-term portion of secured credit facilities	**19,786,829**	17,184,599

Under the terms of the secured credit facilities, the Company is required, among other conditions, to meet certain covenants. The Company was in compliance with these covenants as at March 31, 2015. The secured credit facilities are collateralized by hypothec and security interests covering all present and future assets of the Company and its subsidiaries.

Minimum required payments on secured credit facilities are as follows:

	$
2015	2,678,571
2016	3,571,429
2017	17,263,150

As at March 31, 2015, the Company had outstanding letters of credit for a total of $1,145,000 [$1,145,000 as at December 31, 2014].

As at March 31, 2015, the effective interest rate on the secured credit facilities was 3.01% [3.42% as at December 31, 2014]. On January 14, 2011, the Company entered into an interest rate swap agreement for an amount of $30 million. Under this agreement, the fixed interest rate is 2.92% until January 14, 2016, excluding all applicable margins that range between 1.75% and 2.00%.

Financing charges are as follows:

	Three-month periods ended March 31, 2015 $	2014 $
Interest on secured credit facilities	**330,488**	456,778
Interest (income) expense on defined benefit plan and post retirement obligations	**16,500**	(97,900)
Other interest	**5,536**	1,936
Amortization of deferred financing costs	**16,023**	56,859
Gain on valuation of derivative financial instrument (interest rate swap)	**(6,382)**	(95,709)
	362,165	321,964

4. SHARE CAPITAL

The change on share capital was as follows:

	Number of common shares	Share capital $
Balance, as of December 31, 2014	28,754,667	9,814,628
Purchase of share capital for cancellation	(3,700)	(1,263)
Balance, as of March 31, 2015	**28,750,967**	**9,813,365**

During the three-month period ended March 31, 2015, the Company repurchased 3,700 common shares for cancellation through a normal course issuer bid in consideration of $11,137. The excess of the purchase price over the carrying value in the amount of $9,874 was recorded as a reduction of contributed surplus.

5. DIVIDENDS

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

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

Dividends declared from January 1, 2014 to March 31, 2014 were as follows:

Declaration date	Record date	Payment date	Per share $	Dividend $
February 19, 2014	February 28, 2014	March 14, 2014	0.04	1,158,435
Total				**1,158,435**

6. SEGMENTED INFORMATION

The Company currently operates in one reporting segment: the manufacturing and sale of envelopes. The Company's non-current assets amounted to $76,277,562 in Canada and $723,134 in the United States as at March 31, 2015 [$78,640,750 and $689,334 respectively, as at December 31, 2014]. The Company's revenue amounted to $29,388,583 in Canada and $5,319,134 in the United States for the three-month period ended March 31, 2015 based on customer location [2014 - $29,586,625 in Canada and $4,329,004 in the United States, respectively].

7. SUBSEQUENT EVENTS

On May 7, 2015, the Board of Directors has declared a quarterly dividend of $0.05 per common share, payable on July 14, 2015 to shareholders of record at the close of business on June 30, 2015.

8. COMPARATIVE FIGURES

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