

Interim Condensed Consolidated Financial Statements

Supremex Inc.

Unaudited

For the three and six-month periods ended June 30, 2023 and 2022

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		June 30, 2023	December 31, 2022
[Unaudited]	Notes	\$	\$
ASSETS	7		
Current assets			
Cash		992,013	1,928,539
Accounts receivable		36,570,545	39,334,457
Income taxes recoverable		1,203,012	1,021,175
Inventories	5	44,867,235	44,872,153
Prepaid expenses		2,622,818	1,545,974
Total current assets		86,255,623	88,702,298
Derivative financial instruments		733,469	26,456
Property, plant and equipment	4	56,320,488	42,184,888
Right-of-use assets		33,144,924	32,027,920
Accrued pension benefit net assets		14,277,600	14,678,400
Intangible assets	4	40,934,264	31,698,639
Goodwill	4	59,153,680	51,237,278
Total assets		290,820,048	260,555,879
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		28,302,390	34,838,428
Income taxes payable		640,775	3,421,131
Provisions	6	—	25,220
Current portion of contingent consideration payable	4	111,150	265,030
Current portion of long-term debt	7	238,971	—
Current portion of lease liabilities		4,727,174	4,118,931
Total current liabilities		34,020,460	42,668,740
Contingent consideration payable	4	231,437	316,778
Long-term debt	7	77,624,782	54,414,272
Deferred tax liabilities		13,606,654	8,566,286
Lease liabilities	4	30,411,698	29,568,761
Other long-term liabilities		948,510	702,914
Total liabilities		156,843,541	136,237,751
Total equity		133,976,507	124,318,128
Total liabilities and equity		290,820,048	260,555,879

Subsequent event [note 11]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)
Director

By: signed (Steven P. Richardson)
Director

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

[Unaudited]	Notes	Three-month periods ended June 30		Six-month periods ended June 30	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenue		71,666,414	62,518,245	160,088,048	125,787,066
Operating expenses	5	52,164,322	41,669,525	110,225,246	84,737,890
Selling, general and administrative expenses		10,029,469	6,935,026	21,840,227	15,251,194
Operating earnings before depreciation, amortization and other items		9,472,623	13,913,694	28,022,575	25,797,982
Depreciation of property, plant and equipment		1,722,408	1,640,361	3,269,770	2,889,984
Depreciation of right-of-use assets		1,379,611	1,091,385	2,725,707	2,175,228
Amortization of intangible assets		1,777,065	868,475	2,970,487	1,776,883
Restructuring expenses	6	128,398	—	254,877	—
Gain on disposal of property, plant and equipment		(6,258)	—	(39,666)	(186,908)
Operating earnings		4,471,399	10,313,473	18,841,400	19,142,795
Net financing charges	7	1,508,170	491,636	2,977,595	935,255
Earnings before income taxes		2,963,229	9,821,837	15,863,805	18,207,540
Income tax expense		850,681	2,457,884	4,254,764	4,541,733
Net earnings		2,112,548	7,363,953	11,609,041	13,665,807
Basic and diluted net earnings per share		0.08	0.28	0.45	0.52
Weighted average number of shares outstanding		25,973,429	26,222,815	25,975,239	26,295,787

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three-month periods ended June 30		Six-month periods ended June 30	
	2023	2022	2023	2022
[Unaudited]	\$	\$	\$	\$
Net earnings	2,112,548	7,363,953	11,609,041	13,665,807
Other comprehensive income				
<i>Other comprehensive income to be reclassified to earnings in subsequent periods</i>				
Unrealized gain on derivative financial instruments, net of income tax expense of \$192,296 and \$183,068	550,354	—	523,944	—
Foreign currency translation adjustments	(423,920)	428,087	(432,274)	196,576
Net other comprehensive income to be reclassified to earnings in subsequent periods	126,434	428,087	91,670	196,576
<i>Items not to be reclassified to earnings in subsequent periods</i>				
Recognized actuarial (loss) gain on defined benefit pension plans, net of income tax recovery of \$16,326 and income tax expense of \$30,126 [2022 – expense of \$345,280 and \$809,370]	(46,674)	988,320	86,274	2,316,430
Recognized actuarial (loss) gain on other post-retirement benefit, net of income tax recovery of \$78 and \$492 [2022 – expense of \$4,764 and \$9,270]	(222)	13,636	(1,408)	26,530
Net other comprehensive (loss) income not to be reclassified to earnings in subsequent periods	(46,896)	1,001,956	84,866	2,342,960
Other comprehensive income	79,538	1,430,043	176,536	2,539,536
Total comprehensive income	2,192,086	8,793,996	11,785,577	16,205,343

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended June 30
[Unaudited]

	Share capital \$	Contributed surplus \$	Deficit \$	Foreign currency translation reserve \$	Total equity \$
As at December 31, 2021	9,016,207	274,229,083	(185,280,855)	(559,897)	97,404,538
Net earnings	—	—	13,665,807	—	13,665,807
Other comprehensive income	—	—	2,342,960	196,576	2,539,536
Total comprehensive income	—	—	16,008,767	196,576	16,205,343
Dividends declared [note 9]	—	—	(1,971,440)	—	(1,971,440)
Shares repurchased and cancelled [note 8]	(109,838)	(955,551)	—	—	(1,065,389)
As at June 30, 2022	8,906,369	273,273,532	(171,243,528)	(363,321)	110,573,052
As at December 31, 2022	8,866,571	272,888,741	(157,971,534)	534,350	124,318,128
Net earnings	—	—	11,609,041	—	11,609,041
Other comprehensive income	—	—	84,866	91,670	176,536
Total comprehensive income	—	—	11,693,907	91,670	11,785,577
Dividends declared [note 9]	—	—	(1,818,269)	—	(1,818,269)
Shares repurchased and cancelled [note 8]	(19,353)	(289,576)	—	—	(308,929)
As at June 30, 2023	8,847,218	272,599,165	(148,095,896)	626,020	133,976,507

See accompanying notes

Supremex Inc.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]	Notes	For the three-month periods ended June 30		For the six-month periods ended June 30	
		2023	2022	2023	2022
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net earnings		2,112,548	7,363,953	11,609,041	13,665,807
Non-cash adjustments to reconcile net earnings to net cash flows					
Depreciation of property, plant and equipment		1,722,408	1,640,361	3,269,770	2,889,984
Depreciation of right-of-use assets		1,379,612	1,091,385	2,725,708	2,175,228
Amortization of intangible assets		1,777,065	868,477	2,970,487	1,776,885
Amortization of deferred financing costs	7	56,346	45,197	123,345	82,851
Gain on disposal of property, plant and equipment		(6,258)	—	(39,666)	(186,908)
Interest on contingent consideration payable		4,669	7,060	11,228	15,948
Deferred tax recovery		(559,214)	(88,693)	(644,873)	(491,944)
Change in accrued pension benefit net assets		402,600	179,400	517,200	236,700
Change in other long-term liabilities		182,488	1,600	253,596	3,200
		7,072,264	11,108,740	20,795,836	20,167,751
Variations in working capital accounts					
Variation in accounts receivable		4,219,691	971,383	8,236,171	3,250,903
Variation in income taxes recoverable or payable		(1,014,507)	816,165	(2,999,157)	(1,829,094)
Variation in inventories		6,168,390	(2,776,198)	4,512,659	(4,101,308)
Variation in prepaid expenses		(290,274)	249,755	(841,414)	(591,778)
Variation in accounts payable and accrued liabilities		(6,139,601)	112,165	(12,121,998)	(6,101,201)
Variation in provisions		(5,052)	(54,531)	(25,220)	(154,917)
Change in other long-term liabilities		(4,900)	(1,800)	(9,900)	(3,500)
Net cash flows related to operating activities		10,006,011	10,425,679	17,546,977	10,636,856
INVESTING ACTIVITIES					
Business combinations, net of cash acquired	4	(4,570,208)	—	(31,635,067)	(904,400)
Acquisition of property, plant and equipment		(1,191,110)	(174,713)	(5,504,057)	(571,089)
Acquisition of intangible assets		(33,967)	(15,696)	(38,693)	(125,163)
Proceeds from disposal of property, plant and equipment		1,026,900	—	1,206,864	190,740
Net cash flows related to investing activities		(4,768,385)	(190,409)	(35,970,953)	(1,409,912)
FINANCING ACTIVITIES					
Net change in secured revolving credit facility		(3,090,988)	(8,204,466)	22,216,496	(6,980,795)
Repayment of term loans		(38,317)	—	(92,950)	(875,000)
Repayment of lease liabilities		(1,208,617)	(1,091,624)	(2,375,774)	(2,153,622)
Dividends paid	9	(1,818,269)	(1,312,528)	(1,818,269)	(1,971,440)
Deferred financing costs		(148,564)	(294,013)	(148,564)	(294,013)
Purchase of share capital for cancellation	8	(308,929)	(729,388)	(308,929)	(1,065,389)
Payment of contingent consideration payable		—	—	(243,348)	(534,605)
Net cash flows related to financing activities		(6,613,684)	(11,632,019)	17,228,662	(13,874,864)
Net change in cash during the period		(1,376,058)	(1,396,749)	(1,195,314)	(4,647,920)
Net foreign exchange difference		249,514	74,223	258,788	10,619
Cash, beginning of period		2,118,557	3,049,887	1,928,539	6,364,662
Cash, end of period		992,013	1,727,361	992,013	1,727,361
Supplemental information⁽¹⁾					
Interest paid		1,638,249	519,364	3,455,710	1,033,741
Interest received		4,807	147	18,453	9,703
Income taxes paid		2,215,820	1,713,398	7,639,827	6,855,976

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

See accompanying notes

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

1. CORPORATE INFORMATION

Supremex Inc. (the “Company” or “Supremex”) was incorporated on March 31, 2006 under the *Canadian Business Corporations 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 paper-based packaging solutions 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.

Most revenue from packaging and specialty products is not subject to seasonal patterns (i.e. specialty folding cartons for large multinational customers). Only a small portion, primarily the e-commerce offering, is subject to seasonal patterns related to the holidays. As such, there is currently little to no seasonal effect from packaging and specialty products on Supremex’ total revenue.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance

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, 2022, 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, 2022.

These unaudited interim condensed consolidated financial statements were approved by the Company’s Board of Directors on August 9, 2023 and have not been audited or reviewed by the Company’s auditors.

3. SIGNIFICANT JUDGMENT AND ACCOUNTING ESTIMATES

The preparation of the Company’s unaudited interim condensed consolidated financial statements requires management to make estimates, judgment and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates, could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

The areas involving key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are the same as those set out in the Company's audited consolidated financial statements for the year ended December 31, 2022.

4. BUSINESS COMBINATIONS

2023 Business Combinations

Graf-Pak Inc.

On May 8, 2023, the Company acquired the assets of Graf-Pak Inc. ("Graf-Pak"), for a cash consideration of \$5,950,000, on a cash-free and debt-free basis. Graf-Pak is a provider of folding carton packaging solutions to a variety of commercial markets.

The Company has not disclosed revenue or net earnings for Graf-Pak as it is impractical to do so given that the activities of the acquired business have been integrated into the pre-existing operations of the Company.

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the packaging cash-generating unit ("CGU"). As at June 30, 2023, customer relationships and goodwill have been grouped under the goodwill heading on the statements of financial position until further information on the fair value of the two items is obtained.

Impression Paragraph Inc.

On January 16, 2023, the Company acquired the shares of Impression Paragraph Inc. ("Paragraph"), for a cash consideration of \$25,685,067, net of cash acquired and working capital adjustments. Paragraph is an integrated provider of paper-based packaging, print and point of sale products for a broad range of commercial markets. Paragraph operates two facilities located in Ville Saint-Laurent and Saint-Hyacinthe, in Quebec.

The Company's consolidated statements of earnings include revenue and net earnings from Paragraph of \$15,588,972 and \$437,063, respectively, since the acquisition date. The fair value of trade receivables acquired of \$4,034,811, of which no amount was considered uncollectible at the acquisition date, is included in total current assets in the table below. If the acquisition had occurred on January 1, 2023, revenue and net earnings for the six-month period ended June 30, 2023 would have been approximately \$17,140,000 and \$477,000, respectively.

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the packaging CGU. The goodwill is non-deductible for tax purposes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

2022 Business Combinations

Niagara Envelope Inc.

On February 4, 2022, the Company acquired the manufacturing assets and inventory of Niagara Envelope Inc. ("Niagara"), for a cash consideration of \$904,400 (US\$708,889). Niagara is a regional envelope manufacturer based in Niagara, New York. In addition to the consideration paid, the Company has a contingent consideration payable to the previous owner on the realization of certain financial targets over a five-year period in the amount of \$363,492 (US\$284,913). A first payment of the contingent consideration in the amount of \$65,203 (US\$47,911) took place in February 2023. The fair value of the contingent consideration payable as at June 30, 2023 is \$342,588, representing the maximum amount of the obligation. This acquisition will provide additional volume and support to two long-term strategic customers in the Western New York market.

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the envelope CGU. Goodwill deductible for tax purposes is expected to be in the amount of \$363,492 (US\$284,913).

Royal Envelope Corporation

On November 1, 2022, the Company acquired substantially all of the assets of Royal Envelope Corporation ("Royal Envelope"), for a cash consideration of \$28,266,674 (US\$20,709,703). Royal Envelope is an envelope manufacturer and lithography company located in Chicago, Illinois. This acquisition expands the Company's reach in the fragmented U.S. envelope market and gives a significant manufacturing presence in the U.S. Midwest. Royal Envelope has established itself as one of the preeminent direct mail envelope manufacturers in North America.

The goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the envelope CGU. Goodwill deductible for tax purposes is expected to be in the amount of \$1,629,702 (US\$1,194,009).

Purchase Price Allocation

As at June 30, 2023, the Company had finalized the allocation of the consideration paid for the Niagara and the Royal Envelope acquisitions and the purchase price allocations presented below for those acquisitions are final. The purchase price allocation related to the Paragraph acquisition has not been finalized mainly due to working capital adjustments and final allocation of fair value between goodwill and other intangible assets that have not been finalized. The purchase price allocation related to the Graf-Pak acquisition had also not been finalized due to it being a recent acquisition. The Company will finalize the allocations as it obtains further information on the fair value of certain assets and liabilities. The preliminary purchase price allocations that reflect the estimated fair value of assets acquired and liabilities assumed at the acquisition dates, using the acquisition method, are as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

	Preliminary purchase price allocation	Preliminary purchase price allocation	2023	Final purchase price allocation	Final purchase price allocation Royal Envelope	2022
	Paragraph \$	Graf-Pak \$	Total \$	Niagara \$		Total \$
Net assets acquired						
Cash	549,556	—	549,556	—	—	—
Accounts receivable	5,195,035	837,486	6,032,521	—	6,744,052	6,744,052
Inventories	3,945,702	562,039	4,507,741	585,450	4,428,612	5,014,062
Prepaid expenses	235,429	—	235,429	—	—	—
Total current assets	9,925,722	1,399,525	11,325,247	585,450	11,172,664	11,758,114
Property, plant and equipment	9,001,275	4,346,700	13,347,975	318,950	10,652,005	10,970,955
Right-of-use assets	3,456,700	—	3,456,700	215,129	10,485,077	10,700,206
Software	379,971	—	379,971	—	—	—
Customer relationships	12,100,000	—	12,100,000	—	12,147,610	12,147,610
Goodwill	6,342,575	1,180,905	7,523,480	363,492	1,629,702	1,993,194
Total assets	41,206,243	6,927,130	48,133,373	1,483,021	46,087,058	47,570,079
Accounts payable and accrued liabilities	4,608,831	977,130	5,585,961	—	7,335,488	7,335,488
Income taxes payable	36,964	—	36,964	—	—	—
Long-term debt	1,351,153	—	1,351,153	—	—	—
Lease liabilities	3,456,700	—	3,456,700	215,129	10,484,896	10,700,025
Deferred tax liabilities	5,517,972	—	5,517,972	—	—	—
Net assets acquired	26,234,623	5,950,000	32,184,623	1,267,892	28,266,674	29,534,566
Less: Contingent consideration payable	—	—	—	363,492	—	363,492
Cash acquired	549,556	—	549,556	—	—	—
Cash consideration	25,685,067	5,950,000	31,635,067	904,400	28,266,674	29,171,074
Acquisition-related costs recognized as an expense	359,171	201,562	560,733	30,173	221,745	251,918

5. INVENTORIES

	June 30, 2023 \$	December 31, 2022 \$
Raw materials	21,441,944	24,253,289
Work in progress	2,543,127	2,162,180
Finished goods	20,882,164	18,456,684
	44,867,235	44,872,153

The cost of inventories recognized as an expense and included in operating expenses, including the related depreciation of property, plant and equipment and depreciation of right-of-use assets allocated to inventories during the three and six-month periods ended June 30, 2023 are \$52,824,603 and \$110,931,938 respectively [2022 — \$41,506,851 and \$83,838,811].

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

6. PROVISIONS

In the third quarter of 2022, 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 was transferred to the Durabox corrugated packaging facility in Lachine, Quebec. Consequently, the Durabox business was wound down. Restructuring expenses related to these activities amounted to \$254,877 in the first half of 2023 and \$1,409,740 in 2022, mainly comprised of employee-related charges, inventory write-downs and costs incurred to relocate the business.

The following is a summary of amounts accrued and paid relating to restructuring expenses:

	June 30, 2023 \$	December 31, 2022 \$
Balance, beginning of year	25,220	405,400
Restructuring expenses	254,877	1,409,740
Payments	(280,097)	(1,789,920)
Balance, end of period	—	25,220

7. LONG-TERM DEBT

	June 30, 2023 \$	December 31, 2022 \$
Secured revolving credit facility	76,972,710	54,748,146
Term loans	1,250,135	—
Total debt	78,222,845	54,748,146
Deferred financing costs	(359,092)	(333,784)
Current portion	(238,971)	—
Long-term portion	77,624,782	54,414,272

Secured revolving credit facility

The Company has a three-year senior secured revolving credit facility of \$120 million which bears interest at a floating rate based on the Canadian prime rate, the U.S. base rate, the Secured Overnight Financing Rate ("SOFR") or bankers' acceptance rates, plus an applicable margin that ranges between 0% and 2.75%. The agreement for this credit facility matures in May 2026, following the approval of a one-year extension in May 2023, and no principal repayments are required prior to maturity. The Company may request that the agreement be extended by one year on every anniversary date. The extension is dependent upon the approval of the lenders. As at June 30, 2023, the amount outstanding on the credit facility was \$76,972,710.

The secured credit facility is used for working capital, capital expenditure, 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, 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

Term loans

The Company has four term loans totaling \$1,250,135 as at June 30, 2023, that were assumed following the acquisition of Paragraph [note 4]. The loans bear interest at rates ranging from 4.23% to 4.69% and are repayable in monthly instalments totaling \$24,369, including capital and interest. The loans mature between March 2026 and July 2028.

Other

As at June 30, 2023, the Company had outstanding letters of credit totaling \$241,000 [\$10,000 as at December 31, 2022].

The effective interest rate on the secured credit facility was 5.83% as at June 30, 2023 [5.70% as at December 31, 2022].

Net financing charges are as follows:

	Three-month periods ended June 30,		Six-month periods ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Interest on secured credit facility	1,217,783	323,444	2,387,248	603,658
Interest on lease liabilities	399,797	203,525	798,460	418,326
Interest income on defined benefit plans obligations	(180,200)	(89,400)	(362,100)	(179,300)
Other interest expense	14,444	8,870	30,642	9,720
Amortization of deferred financing costs	56,346	45,197	123,345	82,851
	1,508,170	491,636	2,977,595	935,255

8. SHARE CAPITAL

The change in share capital was as follows:

	Number of common shares	Share capital \$
Balance, as at December 31, 2021	26,415,469	9,016,207
Purchase of share capital for cancellation	(321,800)	(109,838)
Balance, as at June 30, 2022	26,093,669	8,906,369
Balance, as at December 31, 2022	25,977,069	8,866,571
Purchase of share capital for cancellation	(56,700)	(19,353)
Balance, as June 30, 2023	25,920,369	8,847,218

On August 29, 2022, the Company announced that it had received approval from the TSX to purchase by way of a normal course issuer bid ("NCIB") for cancellation, up to 1,301,713 of its common shares, representing approximately 5.0% of its 26,034,269 issued and outstanding common shares as at August 18, 2022, for a period of twelve months, beginning on August 31, 2022.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

During the three and six-month periods ended June 30, 2023, the Company repurchased 56,700 common shares for both periods [2022 — 215,800 and 321,800] for cancellation in consideration of \$308,929 for both periods [2022 — \$729,388 and \$1,065,389]. The excess of the purchase price over the carrying value in the amount of \$289,576 for both periods [2022 — \$655,730 and \$955,551] was recorded as a reduction of contributed surplus.

Deferred Share Unit Plan ("DSU")

The financial liability resulting from the DSU plan of \$3,065,393 [December 31, 2022 — \$2,749,467] is presented under "*Accounts payable and accrued liabilities*".

During the six-month period ended June 30, 2023, no amount of variable compensation was allocated in DSU [2022 — \$126,065] and no amount was paid out [2022 — \$40,368]. During the three and six-month periods ended June 30, 2023, the net compensation expense for the DSU plan amounted to \$127,956 and \$315,926 respectively [2022 — net recovery of \$85,579 and expense of \$319,557] and is recognized under "*Selling, general and administrative expenses*".

Performance Share Unit Plan ("PSU")

The financial liability resulting from the PSU plan of \$806,910 [December 31, 2022 — \$556,914] is presented under "*Other long-term liabilities*".

During the three and six-month periods ended June 30, 2023, the net compensation expense for the PSU plan amounted to \$180,688 and \$249,996 [2022 — \$26,738 and \$58,162] and is recognized under "*Selling, general and administrative expenses*".

9. DIVIDENDS

Dividends declared from January 1, 2023 to June 30, 2023 were as follows:

Declaration date	Record date	Payment date	Per share \$	Dividend \$
February 22, 2023	March 23, 2023	April 7, 2023	0.035	909,197
May 9, 2023	June 8, 2023	June 23, 2023	0.035	909,072
Total				1,818,269

Dividends declared from January 1, 2022 to June 30, 2022 were as follows:

Declaration date	Record date	Payment date	Per share \$	Dividend \$
January 5, 2022	January 31, 2022	February 15, 2022	0.025	658,912
February 23, 2022	March 24, 2022	April 8, 2022	0.025	658,494
May 11, 2022	June 9, 2022	June 27, 2022	0.025	654,034
Total				1,971,440

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

10. SEGMENTED INFORMATION

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.

The segmented information is prepared using the accounting policies described in Note 2 – Significant accounting policies in the Company's audited consolidated financial statements for the year ended December 31, 2022, prepared in accordance with IFRS.

The following tables provide the segmented EBITDA before Corporate and other non-allocated expenses:

For the three-month periods ended June 30,

	2023 \$			2022 \$		
	Packaging & Specialty Products			Packaging & Specialty Products		
	Envelope		Total	Envelope		Total
Revenue	49,247,580	22,418,834	71,666,414	45,878,053	16,640,192	62,518,245
Operating expenses	35,200,269	17,246,359	52,446,628	30,185,115	11,392,562	41,577,677
Selling, general and administrative expenses	4,392,272	3,511,162	7,903,434	4,095,238	1,991,489	6,086,727
Segmented Adjusted EBITDA⁽¹⁾	9,655,039	1,661,313	11,316,352	11,597,700	3,256,141	14,853,841
Corporate and other non-allocated expenses			1,753,988			940,147
Depreciation of property, plant and equipment			1,722,408			1,640,361
Depreciation of right-of-use assets			1,379,611			1,091,385
Amortization of intangible assets			1,777,065			868,475
Inventory revaluation related to business combinations			11,640			—
Acquisition costs [note 4]			71,843			—
Restructuring expenses [note 6]			128,398			—
Net financing charges [note 7]			1,508,170			491,636
Earnings before income taxes			2,963,229			9,821,837

⁽¹⁾ The Chief Executive Officer uses adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA equals EBITDA adjusted to remove items of significance that are not in the normal course of operations and corporate and other non-allocated expenses. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

[Unaudited]

For the six-month periods ended June 30,

	2023 \$			2022 \$		
	Envelope	Packaging & Specialty Products	Total	Envelope	Packaging & Specialty Products	Total
Revenue	113,702,023	46,386,025	160,088,048	90,517,242	35,269,824	125,787,066
Operating expenses	76,336,881	34,277,889	110,614,770	60,827,798	23,825,185	84,652,983
Selling, general and administrative expenses	10,442,335	6,597,511	17,039,846	8,111,112	4,000,448	12,111,560
Segmented Adjusted EBITDA⁽¹⁾	26,922,807	5,510,625	32,433,432	21,578,332	7,444,191	29,022,523
Corporate and other non- allocated expenses			4,030,024			3,025,958
Depreciation of property, plant and equipment			3,269,770			2,889,984
Depreciation of right-of-use assets			2,725,707			2,175,228
Amortization of intangible assets			2,970,487			1,776,883
Inventory revaluation related to business combinations			78,594			—
Acquisition costs [note 4]			262,573			11,675
Restructuring expenses [note 6]			254,877			—
Net financing charges [note 7]			2,977,595			935,255
Earnings before income taxes			15,863,805			18,207,540

(1) The Chief Executive Officer uses adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), as a measure of financial performance for assessing the performance of each of the Company's segments. Adjusted EBITDA equals EBITDA adjusted to remove items of significance that are not in the normal course of operations and corporate and other non-allocated expenses. 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.

The Company's non-current assets amounted to \$151,530,136 in Canada and \$53,034,289 in the United States as at June 30, 2023 [\$115,908,885 and \$55,944,696, respectively, as at December 31, 2022]. The Company's revenue amounted to \$43,412,600 and \$94,690,182 in Canada and \$28,253,814 and \$65,397,866 in the United States for the three and six-month periods ended June 30, 2023 based on the customers' locations [2022 — \$36,960,741 and \$74,748,239 in Canada and \$25,557,504 and \$51,038,827 in the United States].

11. SUBSEQUENT EVENT

Dividend declaration

On August 9, 2023, the Board of Directors declared a quarterly dividend of \$0.035 per common share, payable on September 22, 2023, to the shareholders of record at the close of business on September 7, 2023. This dividend is designated as an "eligible" dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial legislation.