

Consolidated Financial Statements

Supremex Inc.

December 31, 2024 and 2023

All amounts expressed in Canadian dollars

Independent auditor's report

To the Shareholders of
Supremex Inc.

Opinion

We have audited the consolidated financial statements of Supremex Inc. and its subsidiaries [the "Company"], which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of earnings, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addresses the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Key audit matter	How our audit addressed the key audit matter
<i>Impairment of goodwill and other non-financial assets</i>	
<p>As at December 31, 2024, goodwill and other non-financial assets comprised of intangible assets, right of use assets and property, plant and equipment, amounted to \$150.3M. Furthermore, during the year ended December 31, 2024, the Company recorded an impairment loss on goodwill and other non-financial assets of \$23.2M. As disclosed in Note 2, Material Accounting Policy Information, for each cash generating unit ["CGU"], management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of these CGUs. The Company uses a value in use discounted cash flow model to determine a recoverable amount for each of the Envelopes and Packaging CGUs. Recoverable amounts for the Envelopes and Packaging CGUs are based on the Company's estimates of key assumptions such as revenue growth or decline rates, earnings projections, and pre-tax discount rates. The significance and sensitivity of these assumptions led us to conclude that the goodwill and other non-financial assets' impairment test for the Company's CGUs is a key audit matter.</p>	<p>To test the estimated recoverable amount of the Envelopes and Packaging CGUs, our audit procedures included, among others, assessing the methodology, the significant assumptions, and the underlying data used by the Company in its analyses. With the assistance of our valuation specialists, we evaluated the Company's models, valuation methodologies, and certain significant assumptions, including revenue growth or decline rates, earnings projections, and pre-tax discount rates. We performed sensitivity analysis on significant assumptions, including earnings projections and pre-tax discount rate, to evaluate changes in the recoverable amount of the CGUs that would result from changes in the assumptions.</p> <p>We tested the inputs and mathematical accuracy of the models. We assessed the historical accuracy of management's estimates on cash flow projections, revenue growth or decline rates and earnings projections by comparing management's past projections to actual and historical performance. We also assessed the adequacy of the Company's disclosures included in Notes 13 and 20 of the accompanying consolidated financial statements in relation to this matter.</p>

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Gina Biscotti.

*Ernst & Young LLP*¹

Montréal, Canada
February 19, 2025

¹ CPA auditor, public accountancy permit no. A134134

Supremex Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31 [in thousands of Canadian dollars]	Notes	2024 \$	2023 \$
ASSETS	16		
Current assets			
Cash		1,794	1,066
Accounts receivable	6	32,270	33,640
Income taxes recoverable	18	2,574	2,506
Inventories	7	29,477	33,423
Assets held for sale	8	9,034	—
Prepaid expenses		1,939	1,858
Total current assets		77,088	72,493
Derivative financial instruments	25	—	185
Property, plant and equipment	9, 20	37,105	51,559
Right-of-use assets	10	41,376	30,116
Accrued pension benefit net assets	11	9,816	11,471
Intangible assets	12, 20	32,089	38,226
Goodwill	13, 20	39,494	59,707
Total assets		236,968	263,757
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14, 19	25,601	26,494
Restructuring provisions	15	683	582
Current portion of contingent consideration payable		—	114
Current portion of lease liabilities	17	4,982	4,328
Current portion of long-term debt	16	256	245
Total current liabilities		31,522	31,763
Contingent consideration payable		—	237
Long-term debt	16	42,727	56,265
Deferred income tax liabilities	18	7,128	11,608
Lease liabilities	17	40,208	28,413
Other long-term liabilities	11, 19	187	754
Derivative financial instruments	24	225	—
Total liabilities		121,997	129,040
Total equity		114,971	134,717
Total liabilities and equity		236,968	263,757

Contingencies and guarantees [note 28]; Subsequent event [note 29]

See accompanying notes

On behalf of the Directors:

By: signed (Robert B. Johnston)
Director

By: signed (Steven P. Richardons)
Director

Supremex Inc.

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31		2024	2023
[in thousands of Canadian dollars, except per share amounts and number of common shares]		\$	\$
	Notes		
Revenue		281,035	302,187
Operating expenses	7, 11, 21, 23	201,588	214,147
Selling, general and administrative expenses	11, 21, 23	39,158	38,244
Operating earnings before depreciation, amortization and other items		40,289	49,796
Depreciation of property, plant and equipment	9	6,744	6,712
Depreciation of right-of-use assets	10	5,995	5,462
Amortization of intangible assets	12	6,917	6,663
Asset impairment	20	23,412	—
Restructuring expenses	15	1,297	2,272
Loss (gain) on disposal of property, plant and equipment and right-of-use assets		14	(255)
Operating (loss) earnings		(4,090)	28,942
Net financing charges	16	4,856	5,606
(Loss) earnings before income taxes		(8,946)	23,336
Income tax expense	18	2,797	6,002
Net (loss) earnings		(11,743)	17,334
Basic and diluted net (loss) earnings per share		(0.47)	0.67
Weighted average number of shares outstanding		24,935,338	25,898,269

See accompanying notes

Supremex Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31 [in thousands of Canadian dollars]	Notes	2024 \$	2023 \$
Net (loss) earnings		(11,743)	17,334
Other comprehensive (loss) income			
<i>Other comprehensive income (loss) to be reclassified to earnings in subsequent periods</i>			
Unrealized (loss) gain on derivative financial instruments, net of income tax recovery of \$106 [2023 income tax expense - \$41]		(304)	117
Foreign currency translation adjustments		1,453	(390)
Net other comprehensive income (loss) to be reclassified to earnings in subsequent periods		1,149	(273)
<i>Items not to be reclassified to earnings in subsequent periods</i>			
Recognized actuarial loss on defined benefit pension plans, net of income tax recovery of \$159 [2023 income tax recovery – \$569]	11	(457)	(1,630)
Recognized actuarial gain (loss) on other post-retirement benefit, net of income tax expense of \$0 [2023 income tax recovery – \$1]	11	1	(3)
Net other comprehensive loss not to be reclassified to earnings in subsequent periods		(456)	(1,633)
Other comprehensive income (loss)		693	(1,906)
Total comprehensive (loss) income		(11,050)	15,428

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Years ended December 31
[in thousands of Canadian dollars]

	Share capital \$	Contributed surplus \$	Deficit \$	Foreign currency translation reserve \$	Total equity \$
As at December 31, 2022	8,867	272,889	(157,972)	534	124,318
Net earnings	—	—	17,334	—	17,334
Other comprehensive (loss)	—	—	(1,633)	(273)	(1,906)
Total comprehensive income	—	—	15,701	(273)	15,428
Dividends declared <i>[note 22]</i>	—	—	(3,623)	—	(3,623)
Shares repurchased and cancelled <i>[note 19]</i>	(106)	(1,300)	—	—	(1,406)
As at December 31, 2023	8,761	271,589	(145,894)	261	134,717
Net loss	—	—	(11,743)	—	(11,743)
Other comprehensive (loss) income	—	—	(456)	1,149	693
Total comprehensive (loss) income	—	—	(12,199)	1,149	(11,050)
Dividends declared <i>[note 22]</i>	—	—	(4,216)	—	(4,216)
Shares repurchased and cancelled <i>[note 19]</i>	(378)	(4,102)	—	—	(4,480)
As at December 31, 2024	8,383	267,487	(162,309)	1,410	114,971

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 [in thousands of Canadian dollars]	Notes	2024 \$	2023 \$
OPERATING ACTIVITIES			
Net (loss) earnings		(11,743)	17,334
Non-cash adjustments to reconcile net earnings to net cash flows			
Depreciation of property, plant and equipment	9	6,744	6,712
Depreciation of right-of-use assets	10	5,995	5,462
Amortization of intangible assets	12	6,917	6,663
Amortization of deferred financing costs	16	149	230
(Loss) gain on disposal of property, plant and equipment and right-of-use assets		14	(255)
Asset impairment	20	23,412	—
Interest on contingent consideration payable		9	21
Deferred tax recovery	18	(4,318)	(1,612)
Restructuring expenses		(195)	456
Change in accrued pension benefit net assets		1,039	1,008
Change in contingent consideration payable	5	(232)	—
Change in current portion of PSU liability		625	—
Change in DSU liability		(17)	—
Change in other long-term liabilities		(549)	67
		27,850	36,086
Variations in working capital accounts			
Variation in accounts receivable		1,370	11,219
Variation in income taxes recoverable or payable		(68)	(4,943)
Variation in inventories		4,183	15,216
Variation in prepaid expenses		(81)	(76)
Variation in accounts payable and accrued liabilities		(1,250)	(14,143)
Variation in restructuring provisions	15	101	557
Change in other long-term liabilities		(18)	(19)
Net cash flows related to operating activities		32,087	43,897
INVESTING ACTIVITIES			
Business combinations, net of cash acquired	5	(2,528)	(31,568)
Acquisition of property, plant and equipment	9	(1,615)	(5,911)
Acquisition of intangible assets	12	(114)	(352)
Proceeds from disposal of property, plant and equipment		1,340	2,335
Net cash flows related to investing activities		(2,917)	(35,496)
FINANCING ACTIVITIES			
Net change in secured revolving credit facility	16	(13,379)	882
Repayment of term loans	16	(245)	(214)
Repayment of lease liabilities	17	(5,023)	(4,829)
Receipt of lease incentive		171	—
Dividends paid	22, 29	(4,216)	(3,623)
Deferred financing costs	16	(52)	(152)
Purchase of share capital for cancellation	19	(4,480)	(1,406)
Payment of contingent consideration payable	5	(138)	(243)
Net cash flows related to financing activities		(27,362)	(9,585)
Net change in cash during the year		1,808	(1,184)
Net foreign exchange difference		(1,080)	321
Cash, beginning of year		1,066	1,929
Cash, end of year		1,794	1,066
Supplemental information⁽¹⁾			
Interest paid		5,192	6,428
Interest received		56	165
Income taxes paid		7,132	12,556
Income taxes received		44	110

(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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

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 Corder Street in LaSalle, in 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’s 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, fundraising, 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 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’s total revenue.

These consolidated financial statements were approved by the Company’s Board of Directors on February 19, 2025.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation and statement of compliance

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements were prepared on a going concern basis, under the historical cost convention, except for the following items:

- contingent consideration payable, the Deferred Share Unit (“DSU”) Plan and the Performance Share Unit (“PSU”), plan liabilities and the derivative financial instruments, which are measured at fair value;
- provisions, which are measured based on the best estimates of the expenditures required to settle the obligation; and
- accrued pension benefit net assets, which are measured at the fair value of plan assets reduced by the estimated fair value of the defined benefit obligations.

Principles of consolidation

The consolidated financial statements comprise the financial statements of Supremex Inc. and its wholly owned subsidiaries, Supremex USA Inc., and Supremex Packaging Inc.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, revenue and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value at the date of the acquisition. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. The consideration transferred also includes the fair value of any contingent consideration payable to the seller. The contingent consideration is classified as an asset or liability that is a financial instrument and within the scope of IFRS 9, *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the consolidated statements of earnings.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated as at the date of a business combination to a cash-generating unit ("CGU") for purpose of impairment testing. The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisitions.

Segment reporting

The Company operates in two reporting segments: the manufacturing and sale of a broad range of standard and custom envelopes and the manufacturing and sale of paper-based packaging solutions and specialty products.

Foreign currency translation

Supremex' consolidated financial statements are presented in Canadian dollars, which is also its functional currency. Supremex and its subsidiaries each determine their own functional currency and items included in their respective financial statements which are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated statements of earnings.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Subsidiaries

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date, and their statements of earnings are translated at average exchange rates of the year. The exchange differences arising on translation are recognized in other comprehensive income (loss). On disposal of a foreign operation, the component of other comprehensive income (loss) relating to that particular foreign operation is recognized in the consolidated statements of earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to a customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The transfer of promised goods or services to a customer occurs at a point in time upon shipment or delivery of the goods.

The Company applies specific revenue recognition for bill and hold transactions. When customers request a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are shipped within a specified period of time and are segregated from other inventory, the control is transferred to the customer, and the terms and collection experience on the related billings are consistent with all other sales.

Taxation

Tax expense comprises current and deferred tax. Tax is recognized in the consolidated statements of earnings except to the extent it is related to items recognized in other comprehensive income (loss) or directly in equity.

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is recognized, using the liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities:

- Are generally recognized for all taxable temporary differences;
- Are recognized for taxable temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- Are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences (carry-forward of unused tax credits and unused tax losses) can be utilized; and
- Are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination and the transaction does not affect accounting profit or taxable profit upon completion. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Employee future benefits

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. The past service cost is recognized in the consolidated statements of earnings on the earlier of the date of the plan amendment or curtailment, and the date the Company recognizes pension plan restructuring related costs.

The net asset or net liability recognized in the consolidated statements of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets and the effect of the ceiling, if any. The present value of the defined benefit obligation for service accrued at year-end is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses, the effect of the asset ceiling and the return on plan assets, excluding net interest, are recognized immediately in other comprehensive income (loss). For funded plans, surpluses are recognized only to the extent that the surplus is considered recoverable taking into account future contributions for unfunded liability. Recoverability is primarily based on the extent to which the Company can unilaterally reduce future contributions to the plan. The interest expense of defined benefit obligation is calculated by applying the prior year's discount rate to the beginning balance of the accrued pension benefit liability and to the year's cash inflows. It is recognized in the financing charges of the consolidated statements of earnings. All the other administrative defined benefit plan expense components are recognized in the selling, general and administrative expenses of the consolidated statements of earnings.

Payments to defined contribution plans are expensed as incurred, i.e., as the related employee service is rendered.

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Basic and diluted net earnings per share

The Company presents basic net earnings per share for its common shares, calculated by dividing the net earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. There are no dilutive elements affecting the calculation of diluted earnings per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realizable value is the estimated selling price in the normal course of business, less applicable variable selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings	10 to 35 years
Leasehold improvements	Lease term
Machinery and equipment	5 to 15 years
Office equipment	3 to 5 years
Computer equipment	3 to 5 years

Residual values, method of depreciation and useful lives are reviewed annually prior to year-end and adjusted if appropriate.

Intangible assets

Upon acquisition, identifiable intangible assets are recorded at fair value if they result from a business combination, if not, at cost and are carried at cost less accumulated amortization. Intangible assets acquired are mainly comprised of customer relationships which are amortized on a straight-line basis over 5 to 10 years. Software is amortized on a straight-line basis over 3 to 10 years.

Assets held for sale

Non-current assets which are classified as assets held for sale are reported in current assets in the consolidated statements of financial position, when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Assets held for sale classification criteria are considered met only when the sale is considered highly probable, the asset is available for sale in its present conditions and the sale is expected to be completed within one year from the date of the classification. In addition, the required actions to finalize the sale should indicate that significant changes to the sale are unlikely or the decision to sell will not be reversed.

Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Cost to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Property, plant and equipment and intangible assets are not depreciated while classified as held for sale.

Impairment of non-financial assets

Impairment is recorded when the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[Expressed in thousands of Canadian dollars, except per share amounts]

The carrying values of all intangible assets and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows. The Company bases its impairment calculation on detailed budgets and forecast calculations, which generally cover a period of four years.

Impairment testing of goodwill

Goodwill is tested for impairment annually as at December 31 or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the recoverable amount of the CGU to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to earnings in the period in which the impairment occurs.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a financing charge.

For restructuring provisions, the Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline. Furthermore, the affected employees or worker councils must have been notified of the plan's main features.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use asset and lease liability are recognized at the lease commencement date.

Right-of-use assets:

- The right-of-use assets are measured at cost. The cost is based on the initial amount of the lease liability plus initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, adjusted for any lease payments made at or before the commencement date, less any lease incentives received, if any.
- The cost of the right-of-use assets is periodically reduced by depreciation expenses and impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities. The right-of-use assets are depreciated to the lesser of the useful life or the lease term using the straight-line method as this reflects the expected pattern of consumption of the future economic benefits. The lease term includes the renewal option only if it is reasonably certain that the Company will exercise that option. Lease terms range from 1 to 18 years.
- The Company does not recognize a right-of-use asset and liability for the leases where the total lease term is less than or equal to 12 months and for the leases of low-value assets in nature; such as, but not limited to, office equipment.

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Lease liabilities:

- At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the reporting period in which the event or condition that triggers the payment occurs.
- In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Financial instruments

(i) Classification and subsequent measurement categories:

- A financial asset is classified as subsequently measured at amortized cost; fair value through other comprehensive income ("FVTOCI"); or fair value through profit or loss ("FVTPL"). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion"). The Company's financial assets are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion and are classified and subsequently measured at amortized cost. They consist of cash, accounts receivable and other long-term asset.
- A financial liability is classified as subsequently measured at amortized cost, FVTPL or FVTPL subject to hedge accounting requirements. The Company's financial liabilities measured at amortized cost consist of accounts payable and accrued liabilities, dividends payable, provisions, term loans and secured credit facility and are classified as liabilities amortized at cost. They are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently carried at amortized cost using the effective interest method. The contingent consideration payable is a financial liability measured initially at fair value at a business acquisition date then remeasured periodically at FVTPL. The DSU and PSU liabilities are measured periodically at their fair value based on the Company's share price and vested DSUs and PSUs at the end of each period while changes to the fair value are recorded in the consolidated statements of earnings. Derivative financial instruments are initially recorded at fair value and subsequently measured at fair value with changes in fair value recorded in net income in the period in which they arise. Derivative financial instruments designated as cash flow hedges, such as fixed interest rate swaps, are initially recorded at fair value and then the Company applies general hedge accounting requirements of IFRS 9, *Financial Instruments*.

(ii) Impairment of financial assets measured at amortized cost:

- The Company applies the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

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- The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is considered at a higher credit risk as soon as it is 30 days past due and the Company regularly monitors these accounts receivable to ensure its credit risk is not significant with such customers. In some cases, the fact that certain accounts receivable are past due does not necessarily represent a higher credit risk and subsequent collection is successful based on contractual payment terms or particular arrangements with customers to resolve commercial differences. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows, which generally occurs if the account receivable is 120 days past due, unless the Company has reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.
- To measure the ECL, accounts receivable have been grouped based on shared risk characteristics and the days past due. As at December 31, 2024 and 2023, ECL was not significant.

(iii) *Derecognition of financial assets and liabilities:*

- Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when substantially all the risks and rewards of ownership and cash flows have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, canceled or expired. Gains and losses on derecognition are recognized within finance income and finance expenses, respectively.

(iv) *Derivative financial instruments and hedging relationships:*

- The Company holds derivative financial instruments to hedge its interest rate risk exposures. At inception of the hedge, the Company formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship, as well as on an ongoing basis, whether the hedging instruments are expected to be highly effective in offsetting the changes in the cash flows of the respective hedged items during the period for which the hedge is designated.
- Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges:

- When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or highly probable anticipated transaction that could affect net earnings, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss) in equity. The amount recognized in other comprehensive income (loss) is transferred to net earnings in the same period as the hedged cash flows under the same line item in the consolidated statements of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in net earnings as net financing charges.

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- If the hedging instrument no longer meets the criteria for hedge accounting, expires, is sold or terminated, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income (loss) in equity then remains there until the anticipated transaction affects net earnings. If it is probable that the transaction will not occur, then the balance in other comprehensive income (loss) is recognized immediately in net earnings.

3. SIGNIFICANT JUDGMENTS AND ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent consideration payable at the end of the reporting period.

Intangible assets and goodwill

Intangible assets and goodwill arise out of business combinations for which the Company has applied the acquisition method of accounting. The acquisition method involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair value. As part of this allocation process, the Company must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital ("WACC").

These estimates and assumptions determine the amount allocated to other identifiable intangible assets and goodwill as well as the amortization period for identifiable intangible assets with finite lives. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future. The Company also used other estimates and assumptions related to the impairment test of goodwill [note 13].

Employee future benefits

The Company sponsors defined benefit plans providing pension and other post-employment benefits to covered employees. The determination of expense and obligations associated with employee future benefits requires the use of assumptions such as the discount rate to measure obligations, the expected rate of mortality, the expected retirement age, the expected rate of future compensation increases and the expected healthcare cost trend rate. Because the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process [note 11]. Actual results will differ from estimated results which are based on assumptions.

Income taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before they expire. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

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The Company is subject to taxation in multiple jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the normal course of business. The Company maintains a provision for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that, at some future date, an additional liability could result from audits by taxing authorities.

Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Government assistance

Government assistance, including wage subsidies, and investment tax credits, is recognized when there is a reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Government assistance related to the cost of an asset is recorded as a reduction of the cost of the related asset. Government assistance related to incurred expenses is recorded as a reduction of the related expenses. Wage subsidies are recorded as a reduction of inventories or the related wage expenses.

4. RECENT ACCOUNTING PRONOUNCEMENTS

New Accounting Standards adopted in 2024

The Company adopted the following new accounting standard effective January 1, 2024:

- Amendments to IAS 1 – *Presentation of Financial Statements (IAS 1)*, clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment of IAS 1 had no impact on the Company's consolidated financial statements.

Future Changes of Accounting Standards

The following amendments to existing standard have been issued and are applicable by the Company for its annual period beginning on January 1, 2025 and thereafter, with an earlier application permitted:

- Amendments to IAS 21 – *The Effects of Changes in Foreign Exchange rates (IAS 21)*, require entities to apply a consistent approach in assessing whether a currency can be exchanged into another currency, and in determining the exchange rate to use and the disclosures to provide when it cannot. These amendments are effective for annual reporting periods beginning on or after January 1, 2025, and are not expected to have a material impact on the Company's consolidated financial statements.
- Amendments to IFRS 9 and IFRS 7 – *Classification and Measurement of Financial Instruments (IFRS 9 Financial Instruments and IFRS 7 Financial Instruments Disclosures)*, provide clarity on the timing of recognition and derecognition of financial assets and liabilities, the assessment of contractual cash flow characteristics, and the resulting classification and disclosure of financial assets with environmental, social, and governance linked or other contingent features. Additionally, the amendments clarify that a financial liability is derecognized on the settlement date, with the accounting policy choice to derecognize a financial liability settled using an electronic payment system before the settlement date, provided

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specific conditions are met. Other clarifications relate to the classification of financial assets with contingent features, non-recourse loans and contractually linked instruments. These amendments are effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted, with an option to early adopt only the amendments to the classification of financial assets. The Company is evaluating the potential impact of these amendments on its consolidated financial statements.

- New Accounting Standard IFRS 18 – *Presentation and Disclosure in Financial Statements (IFRS 18)*; the International Accounting Standard Board (“IASB”) issued IFRS 18 to improve reporting of financial performance. IFRS 18 replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of IFRS 18 on its consolidated financial statements.

5. BUSINESS COMBINATIONS

2024 Business Combination

Forest Envelope Group

On May 1, 2024, the Company acquired the assets of Forest Envelope Group (“Forest Envelope”), for a cash consideration of \$2,573 (US\$1,870), on a cash-free and debt-free basis. Forest Envelope is a regional leader in specialty envelope manufacturing in the Greater Chicago area.

The Company has not disclosed revenue or net earnings for Forest Envelope 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 envelope CGU. Goodwill deductible for tax purposes is expected to be in the amount of \$221 (US\$160).

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 \$5,845, net of working capital adjustments and 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 goodwill related to the acquisition is composed of expected growth and operational synergies and is allocated to the packaging CGU. Goodwill deductible for tax purposes is \$291.

Impression Paragraph Inc.

On January 16, 2023, the Company acquired the shares of Impression Paragraph Inc. (“Paragraph”), for a cash consideration of \$25,678, 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, which operates a facility located in Ville Saint-Laurent, in Quebec.

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.

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Purchase Price Allocations

As at December 31, 2024, the Company had finalized the allocation of the consideration paid for the Graf-Pak acquisition and the purchase price allocation presented below for that acquisition is final. The purchase price allocation related to the Forest Envelope acquisition has not been finalized mainly due to the final determination of the fair values of Forest Envelope which will be made within 12 months of the acquisition date due to final working capital adjustments. Accordingly, the fair values of the assets acquired, including goodwill, are subject to change.

The preliminary purchase price allocation that reflects the estimated fair value of assets acquired at the acquisition date, using the acquisition method, is as follows:

	2024 Preliminary purchase price allocation Forest \$	Final purchase price allocation Paragraph \$	Final purchase price allocation Graf-Pak \$	2023 Total \$
Net assets acquired				
Cash	—	550	—	550
Accounts receivable	—	5,448	638	6,086
Inventories	283	3,005	716	3,721
Prepaid expenses	—	235	—	235
Total current assets	283	9,238	1,354	10,592
Property, plant and equipment	1,326	8,094	4,347	12,441
Right-of-use assets	—	3,707	—	3,707
Software	—	301	—	301
Customer relationships	743	12,000	830	12,830
Goodwill	221	7,793	291	8,084
Total assets	2,573	41,133	6,822	47,955
Accounts payable and accrued liabilities	—	4,820	977	5,797
Income taxes payable	—	37	—	37
Long-term debt	—	1,351	—	1,351
Lease liabilities	—	3,457	—	3,457
Deferred tax liabilities	—	5,240	—	5,240
Net assets acquired	2,573	26,228	5,845	32,073
Cash acquired	—	550	—	550
Cash consideration	2,573	25,678	5,845	31,523
Total acquisition-related costs	112	445	251	696

Total acquisition-related costs recognized in expense in 2024 amounted to \$112 [2023 — \$446].

6. ACCOUNTS RECEIVABLE

	December 31, 2024 \$	December 31, 2023 \$
Trade receivables	32,787	33,601
Less: Allowance for doubtful accounts	1,095	766
Net trade receivables	31,692	32,835
Other receivables	578	805
	32,270	33,640

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Trade receivables are non-interest bearing and are generally on 30-60 days terms.

The aging analysis of trade receivables at each reporting date was as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Current	18,250	21,380
31–60 days	8,780	8,486
61–90 days	3,000	1,957
91–120 days	1,246	836
Over 120 days	1,511	942
	32,787	33,601

Allowance for doubtful accounts

The changes in the allowance for doubtful accounts were as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of year	766	545
Business combinations	—	105
Charge for the year	481	152
Utilized	(142)	(33)
Impact of foreign exchange losses	(10)	(3)
Balance, end of year	1,095	766

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for potential credit losses. Potential for such losses is mitigated because there is no significant exposure to any single customer and because customer creditworthiness is evaluated before credit is extended. Historically, the estimated credit losses from trade receivables have not been significant.

7. INVENTORIES

	December 31, 2024	December 31, 2023
	\$	\$
Raw materials	11,712	14,293
Work in progress	2,364	1,910
Finished goods	15,401	17,220
	29,477	33,423

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 year ended December 31, 2024 is \$203,291 [2023 — \$216,132].

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8. ASSETS HELD FOR SALE

During 2024, the Company confirmed its intention to sell two properties located in Ville LaSalle, Quebec, and Etobicoke, Ontario. Accordingly, these properties have been reclassified as assets held for sale. The assets held for sale are presented separately as current assets in the statement of financial position.

Assets held for sale as of December 31, 2024 are stated at the carrying amount measured immediately before the reclassification, which is \$3,579 for land and \$5,455 for buildings and leasehold improvements.

9. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Buildings and leasehold improvements \$	Machinery and equipment \$	Office and computer equipment \$	Total \$
Cost:					
As at December 31, 2022	3,579	14,790	78,993	3,852	101,214
Additions	—	1,279	4,356	276	5,911
Business combinations [note 5]	—	176	11,981	284	12,441
Disposals	—	(384)	(7,945)	(556)	(8,885)
Translation adjustment	—	(9)	(510)	(7)	(526)
As at December 31, 2023	3,579	15,852	86,875	3,849	110,155
Additions	—	215	1,300	100	1,615
Business combinations [note 5]	—	—	1,311	15	1,326
Reclassification to Assets held for sale [note 8]	(3,579)	(12,254)	—	—	(15,833)
Disposals	—	—	(2,537)	(51)	(2,588)
Impairment [note 20]	—	—	(1,284)	—	(1,284)
Translation adjustment	—	62	1,976	32	2,070
As at December 31, 2024	—	3,875	87,641	3,945	95,461
Accumulated depreciation:					
As at December 31, 2022	—	7,136	48,867	3,027	59,030
Depreciation	—	716	5,588	408	6,712
Disposals	—	(452)	(5,953)	(547)	(6,952)
Translation adjustment	—	(6)	(184)	(4)	(194)
As at December 31, 2023	—	7,394	48,318	2,884	58,596
Depreciation	—	822	5,459	463	6,744
Reclassification to Assets held for sale [note 8]	—	(6,799)	—	—	(6,799)
Disposals	—	—	(1,068)	(51)	(1,119)
Translation adjustment	—	24	890	20	934
As at December 31, 2024	—	1,441	53,599	3,316	58,356
Net book value:					
As at December 31, 2023	3,579	8,458	38,557	965	51,559
As at December 31, 2024	—	2,434	34,042	629	37,105

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10. RIGHT-OF-USE ASSETS

	Buildings \$	Machinery and equipment \$	Office equipment \$	Total \$
Cost:				
As at December 31, 2022	44,172	711	152	45,035
Business combinations [note 5]	3,117	531	59	3,707
Disposals	(16)	(275)	—	(291)
Impairment [note 15]	(767)	—	—	(767)
Reassessments	912	—	—	912
Translation adjustment	(536)	(4)	(2)	(542)
As at December 31, 2023	46,882	963	209	48,054
Additions	13,322	—	30	13,352
Disposals	(3,308)	(3)	(22)	(3,333)
Reassessments	2,423	—	—	2,423
Translation adjustment	2,001	16	8	2,025
As at December 31, 2024	61,320	976	225	62,521
Accumulated depreciation:				
As at December 31, 2022	12,558	403	46	13,007
Depreciation	5,227	188	47	5,462
Disposals	(7)	(240)	—	(247)
Impairment [note 15]	(163)	—	—	(163)
Translation adjustment	(119)	(1)	(1)	(121)
As at December 31, 2023	17,496	350	92	17,938
Depreciation	5,782	165	48	5,995
Disposals	(3,308)	(3)	(13)	(3,324)
Translation adjustment	525	7	4	536
As at December 31, 2024	20,495	519	131	21,145
Net book value:				
As at December 31, 2023	29,386	613	117	30,116
As at December 31, 2024	40,825	457	94	41,376

11. EMPLOYEE DEFINED BENEFIT PLANS

(a) Pension plans

Following the Company's requests to the applicable regulatory authorities to merge certain pension plans, which were approved in 2023, the Company now offers two (previously four) pension plans covering substantially all of its Canadian employees. These plans are hybrids, i.e. they include a defined benefit component ("DB component"), for which service accrual ceased in 2012, and a defined contribution component. Both DB components are fully funded.

One plan is governed by the *Pension Benefits Act* (Ontario), and its DB component pension benefits are based on the members' average earnings prior to retirement. The second plan is governed by *Quebec's Supplemental Pension Plans Act*, administered by Retraite Québec. The pension benefits under the DB component of this plan are also based on the members' average earnings prior to retirement.

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The key risks pension plans are exposed to include interest rate risks, investment risks and change in the life expectancy for pensioners. Recently, the Company executed a series of transactions in order to reduce the risk profile and volatility associated with its defined benefit pension plans and further secure the Company's members' benefits.

Effective August 31, 2023, the Company implemented a new de-risking strategy for its defined benefit plans' assets that were previously invested in equity funds. These assets, which account for 68% of total plan assets [2023 — 71%], are now invested in a 100% fixed income. The remaining assets, which amount to 32 % of total plan assets [2023 — 29%], are invested in money market.

On December 10, 2024, the Company entered into annuity buy-out transactions for two of its pension plans under the pension legislations of Ontario and Quebec to transfer \$2,644 and \$6,789, respectively, of its benefit pension obligations. The completion of these transactions represented the full transfer and discharge the pension plans from these related obligations effective April 1, 2025. The pension plan paid premiums of \$2,602 and \$6,727, respectively, to complete these transactions. The transactions resulted in a net settlement gain of \$104 in total for both plans, which was recognized in Net earnings. The Company concluded at the same time an annuity buy-in transaction with Industrielle-Alliance for its Québec plan, targeting a subset of retirees whose province of employment does not allow for full administrative discharge under applicable pension legislation. While these members remain members of the plan, the completed transaction transfers to Industrial-Alliance the obligation relating to the payment of annuities covered by this contract, with the insurer taking charge of these payments. The pension plan paid a premium of \$646 to complete the transaction, to cover an obligation of \$653. This transaction generated a gain of \$7 which was recognised in other comprehensive income. The Company is waiting on full completion of the buy-out transactions and regulatory discharge to derecognize the pension assets and pension obligations of \$9,433.

The defined benefit and defined contribution plans expenses included in operating and selling, general and administrative expenses are as follows:

	2024	2023
	\$	\$
Defined benefit plans expense (administration expenses)	210	166
Defined contribution plan expense	1,259	1,352
Gain on annuity purchase transactions	(104)	—
Pension plans expense [note 21]	1,365	1,518

Interest income on pension defined benefit plan obligation of \$495 [2023 — \$698] is included in the net financing charges in the consolidated statements of earnings [note 16].

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The following table presents the changes in the accrued benefit obligation and the fair value of plan assets, as well as the funded status of the defined benefit plans.

	December 31, 2024 \$	December 31, 2023 \$
Change in accrued benefit obligation:		
Benefit obligation, beginning of year	34,992	33,568
Interest cost	1,566	1,602
Actuarial gain (loss) from change in financial assumptions	(379)	1,869
Actuarial loss from experience	57	1,663
Benefits paid	(1,849)	(3,710)
Benefit obligation, end of year	34,387	34,992
Change in plan assets:		
Fair value of plan assets, beginning of year	46,463	48,246
Interest income on plan assets	2,061	2,300
Actuarial (loss) gain	(938)	1,333
Use of surplus to pay for employer defined contributions	(1,428)	(1,540)
Benefits paid	(1,849)	(3,710)
Plan administration expenses	(210)	(166)
Gain on annuity purchase transactions	104	—
Fair value of plan assets, end of year	44,203	46,463
Amount recognized as accrued pension benefit net assets	9,816	11,471

The defined benefit plans amount recognized in other comprehensive income (loss), before taxation, is as follows:

	2024 \$	2023 \$
Total actuarial losses	(616)	(2,199)

The cumulative amount of actuarial gains recognized in the consolidated statements of comprehensive income is \$7,588 as at December 31, 2024 [2023 — \$8,204].

The key assumptions used in computing the benefit obligation and net pension cost were as follows:

	2024 %	2023 %
Discount rate for accrued benefit obligation	4.75	4.65
Discount rate for net pension cost	4.65	5.05
Rate of compensation increase	2.50	2.50
Mortality assumption ¹	CPM Private	CPM Private

¹ CPM 2004 Private Sector Mortality table projected generationally using improvement scale MI-2017

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The weighted average allocation of plan assets, excluding annuity contracts of \$5,891 in two pension plans [2023 — \$5,470] as at December 31, is as follows:

	2024 %	2023 %
Fixed income funds		
Canadian	68.1	72.6
Money Market Fund	31.9	27.4
Total	100.0	100.0

As at December 31, 2024 and 2023, all financial instruments and investment funds are classified as Level 2 in the fair value hierarchy, including fixed income funds and annuity contracts (inputs other than quoted prices that are observable).

Both pension plans have an investment policy with the following target asset allocation: 68% in fixed income securities and 32% in money market funds [2023 — 71% in fixed income securities and 29% in equity securities]. As at December 31, 2024 and 2023, the pension plans were in compliance with their investment policy allocations.

As at December 31, 2024 and 2023, there were no Supremex shares held in the Company's pension plans.

The average duration of the defined benefit plan obligation is 16.0 years as at December 31, 2024 [2023 — 15.0 years].

Sensitivity analysis

For the Company, a 0.25% increase or decrease in the discount rate would have decreased or increased the defined benefit liability by approximately \$915 as at December 31, 2024. A 0.25% increase or decrease in the rate of compensation would have increased or decreased the pension benefit liability by approximately \$111 as at December 31, 2024. An increase of one year in the life expectancy of plan members as at December 31, 2024 would have resulted in an increase of \$682 in total projected defined benefit obligation of pension plans. The sensitivity analysis has been determined based on a method that determines the impact on the defined benefit liability of a 0.25% change in the key assumptions. There have been no changes in the methods and assumptions used to determine the sensitivity analysis from the comparative year.

(b) Post-retirement benefits other than pension

The following table provides a reconciliation of the change in the accrued benefit obligation of the plans, which is presented under the caption other long-term liabilities in the consolidated statements of financial position.

	December 31, 2024 \$	December 31, 2023 \$
Change in accrued benefit obligation:		
Other post-retirement benefit obligations, beginning of year	137	145
Interest cost [note 16]	6	7
Actuarial (gain) loss from change in financial assumptions	(1)	4
Benefits paid	(18)	(19)
Other post-retirement benefit obligations, end of year	124	137

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Post-retirement benefits other than pension are not funded.

The post-retirement benefits amount recognized in other comprehensive income (loss), before taxation, consists of an actuarial gain of \$1 [2023 – loss of \$4]. The cumulative amount of actuarial losses recognized in the consolidated statements of comprehensive income is \$273 as at December 31, 2024 [2023 – \$274].

The assumptions used in the measurement of the Company's other post-retirement benefit cost were as follows:

	2024 %	2023 %
Weighted-average assumptions		
Discount rate for benefit obligation	4.75	4.65
Discount rate for net periodic benefit cost	4.65	5.05

As at December 31, 2024, no coverage is provided to retirees for healthcare and dental. The average duration of the post-retirement benefits' obligation is 8.0 years as at December 31, 2024 [2023 – 6.1 years].

12. INTANGIBLE ASSETS

	Customer relationships \$	Software \$	Total \$
Cost:			
As at December 31, 2022	103,509	4,523	108,032
Additions	—	352	352
Business combinations [note 5]	12,830	301	13,131
Translation adjustment	(376)	—	(376)
As at December 31, 2023	115,963	5,176	121,139
Additions		114	114
Business combinations [note 5]	743	—	743
Impairment [note 20]	(1,072)	—	(1,072)
Translation adjustment	1,423	—	1,423
As at December 31, 2024	117,057	5,290	122,347
Accumulated amortization:			
As at December 31, 2022	74,273	2,060	76,333
Amortization	5,975	688	6,663
Translation adjustment	(83)	—	(83)
As at December 31, 2023	80,165	2,748	82,913
Amortization	6,154	763	6,917
Translation adjustment	428	—	428
As at December 31, 2024	86,747	3,511	90,258
Net book value:			
As at December 31, 2023	35,798	2,428	38,226
As at December 31, 2024	30,310	1,779	32,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

13. GOODWILL

	\$
Cost:	
As at December 31, 2022	51,237
Business combinations [note 5]	8,084
Purchase price allocation adjustment	543
Translation adjustment	(157)
As at December 31, 2023	59,707
Business combinations [note 5]	221
Impairment [note 20]	(21,056)
Translation adjustment	622
As at December 31, 2024	39,494

The net carrying amount of goodwill as at December 31, 2024 and 2023 was allocated to the following significant CGUs:

	December 31, 2024 \$	December 31, 2023 \$
CGUs:		
Envelope	39,494	38,673
Packaging	—	21,034
Total	39,494	59,707

Impairment test of goodwill

The Company assesses at each reporting date whether there is an indication that goodwill may be impaired. During the third quarter of 2024, the general economic and financial conditions globally from the ongoing inflationary environment and the sustained high interest rates continued to have a negative impact on certain sectors of the packaging industry. This resulted in a decrease in consumer demand, which in turn affected the Packaging CGU's earnings. As such, management concluded that these factors were indicators of impairment for the Packaging CGU. Accordingly, the Company performed impairment testing for the Packaging CGU which resulted in the recognition of \$21,056 of impairment losses against goodwill [note 20].

The Company conducted its annual goodwill impairment test for the Envelope CGU as at December 31, 2024, in accordance with their policy described in Note 2. The recoverable amount of the Envelope CGU exceeded carrying value. As a result, no goodwill impairment was recorded for the Envelope CGU.

Valuation technique

The Company uses the discounted cash flows ("DCF") method to determine the value in use of each of its CGUs and has not made any changes to the valuation methodology used to assess goodwill impairment since the last annual impairment test.

Significant assumptions

The income approach is predicated upon the value of the future cash flows that a business will generate going forward. The DCF method, which was used as at September 30, 2024 for the Packaging CGU and as at December 31, 2024 for the Envelope CGU, involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2024 and 2023****[Expressed in thousands of Canadian dollars, except per share amounts]**

with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth or decline rates, operating margins, tax rate and discount rate.

Growth or decline of revenue

The assumptions used were based on the Company's internal annual budget approved by the Board of Directors. The Company projected revenue, operating margins and cash flows for a period of four years for each of the Envelope and Packaging CGUs. Specific assumptions are used for each CGU. Forecasts for the Envelope CGU considered a lower demand in the Canadian envelope market, a capacity to gain market share in the US envelope market and applied a perpetual long-term decline rate for the periods thereafter. Forecasts for the Packaging CGU considered a perpetual long-term growth for this market. In arriving at its forecasts, the Company considered past experience, recent acquisitions, economic trends as well as industry and market trends.

Discount rate

The Company assumed a pre-tax discount rate in order to calculate the present value of its projected cash flows. The discount rate represented the Company's estimated WACC. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows.

The key assumptions used in performing the impairment test were as follows:

	2024		2023	
	Envelope	Packaging	Envelope	Packaging
Pre-tax discount rate	14.9%	13.3%	15.6%	13.6%
Tax rate	25.9%	25.9%	25.9%	25.9%
Perpetual (decline) growth rate	(3.0%)	2.0%	(4.0%)	2.5%

Sensitivity

Envelope CGU — In the most recent impairment test performed for the Envelope CGU, if the pre-tax discount rate had increased to 31.6% or the perpetual decline rate had increased to 75.3%, the recoverable amount of the Envelope CGU would have then equaled the carrying amount as at December 31, 2024.

Packaging CGU — In the most recent impairment test performed for the Packaging CGU, any increase in the discount rate used by the Packaging CGU would result in an additional impairment.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2024	December 31, 2023
	\$	\$
Trade payables	11,843	11,254
Accrued rebates liabilities	1,769	2,336
Salaries and benefits payable	9,164	9,515
Other accrued liabilities	2,825	3,389
	25,601	26,494

Trade payables are non-interest bearing and are normally settled on 20 to 60-day terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]**15. PROVISIONS**

In the third quarter of 2024, the Company announced optimization initiatives aimed at improving costs, overall efficiency, productivity and achieving synergies within its Envelope segment operations. The initiatives mainly include the ceased production at its facility in Niagara Falls, New York, and maintained the premises as a distribution centre. Additionally, the initiative includes the closing of Concord, Ontario facility and the transfer of production equipment, primarily to its other Greater Toronto area envelope plants in Mississauga and Etobicoke. Restructuring expenses related to these initiatives, mainly comprised of employee related charges, decommissioning costs and costs to relocate machinery and inventory, amounted to \$1,358 during 2024. Included in restructuring expenses are \$215 of accrued incurred costs associated with ongoing activities accrued in accounts payables and accrued liabilities and loss on disposal of assets of \$115.

In the fourth quarter of 2023, the Company announced optimization initiatives in its packaging and specialty products segment. The initiatives mainly include the closing of its Saint-Hyacinthe, Quebec, facility, acquired as part of the Impression Paragraph Inc. transaction completed in 2023. Restructuring expenses related to these initiatives, mainly comprised of employee related charges, decommissioning costs, impairment of right-of-use asset and costs to relocate machinery and inventory, amounted to a net restructuring recovery of (\$207) in 2024 [2023 – \$1,317]. This charge includes the reversal of previously recognized accrued liability of \$250 and gain from the remeasurement of lease liability of \$60.

In 2022, the Company had 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, mainly comprised of employee related charges, inventory write-downs and costs incurred to relocate the business, amounted to \$146 during 2024 [2023 – \$955].

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

	December 31, 2024	December 31, 2023
	\$	\$
Balance, beginning of year	582	25
Restructuring expenses	1,277	1,520
Payments	(1,176)	(1,259)
Balance, end of year	683	582

The comparative amounts in the roll-forward schedule have been reclassified for consistency with the current year's presentation. Prior year presentation included impairment of right-of use assets of \$604 [note 10] and gain on disposal of assets of \$148, which are now included in restructuring expenses.

16. LONG-TERM DEBT

	December 31, 2024	December 31, 2023
	\$	\$
Secured revolving credit facility	42,251	55,630
Term loans	891	1,136
Total debt	43,142	56,766
Deferred financing costs	(159)	(256)
Current portion	(256)	(245)
Long-term portion	42,727	56,265

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2024 and 2023****[Expressed in thousands of Canadian dollars, except per share amounts]****Secured revolving credit facility**

The Company has a three-year senior secured revolving credit facility of \$120,000 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 the Canadian Overnight Repo Rate Average ("CORRA"), plus an applicable margin that ranges between 0% and 2.75%. The agreement for this credit facility matures in May 2026 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 December 31, 2024, the amount outstanding on the credit facility was \$42,251.

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 December 31, 2024.

Term loans

The Company has four term loans totaling \$891 as at December 31, 2024 [\$1,136 as at December 31, 2023], that were assumed following the acquisition of Paragraph [note 5]. The loans bear interest at rates ranging from 4.23% to 4.69% and are repayable in monthly instalments totaling \$24, including capital and interest. The loans mature between March 2026 and July 2028.

Other

As at December 31, 2024, the Company had outstanding letters of credit totaling of \$10 [\$241 as at December 31, 2023].

The effective interest rate on the secured credit facility was 5.27% as at December 31, 2024 [5.74% as at December 31, 2023].

The following table presents a reconciliation between the opening and closing balances of the total debt, excluding deferred financing costs:

	December 31, 2024	December 31, 2023
	\$	\$
Total debt, beginning of year	56,510	54,413
Increase in term loans	—	1,351
Repayment of term loans	(245)	(214)
(Decrease) increase in revolving facility	(13,379)	882
Deferred financing costs	(52)	(152)
Amortization of deferred financing cost	149	230
Total debt, end of year	42,983	56,510

Supremex Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

Net financing charges are as follows:

	2024	2023
	\$	\$
Interest on secured credit facility	3,138	4,535
Interest on lease liabilities	2,017	1,570
Interest income on defined benefit plan obligations <i>[note 11]</i>	(495)	(698)
Interest on post-retirement benefits <i>[note 11]</i>	6	7
Other interest expense (income)	41	(38)
Amortization of deferred financing costs	149	230
	4,856	5,606

17. LEASE LIABILITIES

	December 31, 2024	December 31, 2023
	\$	\$
Lease liabilities, beginning of year	32,741	33,688
Additions	13,523	—
Business combinations <i>[note 5]</i>	—	3,457
Disposals	(9)	(46)
Reassessments	2,363	912
Lease repayments	(7,040)	(6,399)
Interest expense on lease liabilities	2,017	1,570
Translation adjustment	1,595	(441)
	45,190	32,741
Less: Current portion	4,982	4,328
Long-term portion of lease liabilities	40,208	28,413

The expense relating to short-term leases during the year ended December 31, 2024 was \$696 [2023 — \$911]. The expense relating to leases of low-value assets during the year ended December 31, 2024 was \$8 [2023 — \$8]. The expense relating to variable lease payments not included in the measurement of lease liabilities during the year ended December 31, 2024 was \$2,121 [2023 — \$2,026]. Total cash outflow for leases during the year ended December 31, 2024 was \$9,865 [2023 — \$9,344].

The maturity analysis of lease liabilities is disclosed in note 25.

18. INCOME TAXES

Income tax expense

The major components of income tax expense recognized in the consolidated statements of earnings were as follows:

	2024	2023
	\$	\$
Current income tax:		
Current income tax expense	7,115	7,614
Deferred income tax:		
Recovery of deferred income tax	(4,318)	(1,612)
Income tax expense	2,797	6,002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

Income taxes on items recognized in other comprehensive (loss) income were as follows:

	2024	2023
	\$	\$
Deferred income tax related to items imputed directly to equity during the year:		
Deferred tax recovery on recognized actuarial loss on defined benefit pension plans	(159)	(569)
Deferred tax expense (recovery) on recognized actuarial gain (loss) on other post-retirement benefits	—	(1)
Deferred tax (recovery) expense on recognized (loss) gain on interest rate swap agreements	(106)	41
Income tax recovery recorded to other comprehensive (loss) income	(265)	(529)

The income tax expense differs from the expense that would be obtained by applying the combined Canadian income tax rate (federal and provincial) as follows:

	2024	2023
	\$	\$
(Loss) earnings before income taxes	(8,946)	23,336
Income tax (recovery) expense at combined federal and provincial statutory rate of 26% [2023 — 26%]	(2,313)	6,042
Adjustment of prior periods	57	(119)
Asset impairment [note 20]	5,056	—
Income tax rate differential for U.S. subsidiaries	64	(80)
Non-deductible expenses and other	(67)	159
Income tax expense	2,797	6,002

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

[Expressed in thousands of Canadian dollars, except per share amounts]

Deferred income tax

Deferred income tax relates to the following:

	Consolidated statements of financial position		Consolidated statements of earnings	
	December 31, 2024 \$	December 31, 2023 \$	December 31, 2024 \$	December 31, 2023 \$
Deferred tax assets:				
Lease liabilities	11,678	8,210	(3,196)	1,080
Non-capital losses	2,390	1,033	(1,258)	396
Deferred and performance share unit plans	585	663	78	64
Reserve for restructuring	20	133	113	(133)
Other	252	145	(38)	2
	14,925	10,184	(4,301)	1,409
Deferred tax liabilities:				
Goodwill	83	91	21	(245)
Accrued pension benefit net asset	2,538	2,969	272	262
Right-of-use assets	10,690	7,636	(2,803)	1,216
Property, plant and equipment	7,561	8,141	830	453
Intangible assets	996	2,862	1,839	1,273
Other	185	93	(142)	62
	22,053	21,792	17	3,021
Recovery of deferred income tax			4,318	1,612
Net deferred tax liabilities	7,128	11,608		

Reconciliation of net deferred tax liabilities

	2024 \$	2023 \$
Balance, beginning of year	(11,608)	(8,566)
Tax recovery during the year recognized in the consolidated statements of earnings	4,318	1,612
Tax recovery recognized in other comprehensive income (loss)	265	529
Business combinations [note 5]	—	(5,240)
Translation adjustment on net deferred tax	(103)	57
Balance, end of year	(7,128)	(11,608)

19. SHARE CAPITAL

An unlimited number of common shares are issuable. Each common share represents a shareholder's proportionate undivided interest in the Company. Each common share confers to its holder the right to one vote at any meeting of shareholders and to participate equally and rateably in any dividends of the Company, if any, and, in the event of any required distribution of all of the property of the Company, in the net assets of the Company remaining after satisfaction of all liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2024 and 2023****[Expressed in thousands of Canadian dollars, except per share amounts]**

The change in share capital was as follows:

	Number of common shares	Share capital \$
Balance, as at December 31, 2022	25,977,069	8,867
Purchase of share capital for cancellation	(310,800)	(106)
Balance, as at December 31, 2023	25,666,269	8,761
Purchase of share capital for cancellation	(1,106,400)	(378)
Balance, as at December 31, 2024	24,559,869	8,383

On August 29, 2023, 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 1,294,058 of its common shares, representing approximately 5.0% of its 25,881,169 issued and outstanding common shares as at August 18, 2023, for a period of twelve months, beginning on August 31, 2023.

During the year ended December 31, 2024, the Company repurchased 1,106,400 [2023 — 310,800] common shares for cancellation through the NCIB in consideration of \$4,480 [2023 — \$1,406]. The excess of the purchase price over the carrying value in the amount of \$4,102 [2023 — \$1,300] was recorded as a reduction of contributed surplus.

On June 20, 2024 a new legislation was enacted by the Canadian government to implement tax measures on share repurchases done by public issuers on or after January 1, 2024. Under this legislation, a public company must pay a 2% tax based on fair market value of its repurchased shares. As a result, the Company has recorded \$90 of accrued liabilities related to share repurchased.

Deferred Share Unit (DSU) Plan

In 2015, the Company adopted a DSU Plan for its members of the Board of Directors and senior executives. The DSU Plan enables its participants to receive compensation in cash at the termination date equal to the market price of the Company’s common share for each DSU.

Each participant in the DSU Plan may elect, each fiscal year, to receive up to 100% of their director’s annual retainer fees in DSUs. Such DSUs are expensed on an earned basis and their costs are determined using a valuation model and all issued and outstanding DSUs are measured at each reporting period.

As at December 31, 2024, the financial liability resulting from the DSU Plan of \$1,916 [December 31, 2023 — \$2,268] is presented under Accounts payable and accrued liabilities.

During the twelve-month period ended December 31, 2024, an amount of nil [2023 — nil] of variable executive compensation was allocated in DSUs and an amount of \$335 [2023 — \$20] was paid out. The net compensation recovery for the DSU Plan amounted to \$17 [2023 — recovery of \$461] during the year ended December 31, 2024 and is recognized under Selling, general and administrative expenses.

Performance Share Unit (PSU) Plan

In February 2022, the Company adopted a PSU Plan for its executive officers. Under the PSU Plan, participants are entitled to receive an amount equivalent to the quoted price of the Company’s common shares at the end of a three-year performance cycle for each vested PSU if pre-determined performance objectives

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2024 and 2023****[Expressed in thousands of Canadian dollars, except per share amounts]**

are achieved. PSUs are expensed on an earned basis over the three-year performance cycle and their value is determined based on their underlying shares. All issued and outstanding PSUs are measured at each reporting period.

As at December 31, 2024, the financial liability resulting from the PSU Plan of \$625 [2023 — nil] is presented under Accounts payable and accrued liabilities and \$64 [2023 — \$617] is presented under Other long-term liabilities. During the twelve-month period ended December 31, 2024, the net compensation expense for the PSU Plan amounted to \$72 [2023 — \$60] and is recognized under Selling, general and administrative expenses.

20. ASSET IMPAIRMENT

Impairment indicators were identified during 2024 for the Packaging CGU. Accordingly, the Company performed impairment testing for the Packaging CGU which resulted in the recognition of \$23,259 of impairment losses [note 13]. Of these impairment losses \$1,131 were recognized against property, plant and equipment for machinery [note 9], \$1,072 against intangible assets comprising of customer relationships [note 12], and \$21,056 against goodwill [note 13].

During 2024 the Company also recorded a net impairment loss of \$153 against property, plant and equipment for machinery.

21. OPERATING AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
	\$	\$
Wages and salaries [note 23]	71,577	71,799
Social security costs	11,596	11,385
Pension plans expense [note 11]	1,365	1,518
Employee benefits expenses	84,538	84,702
Raw materials and other purchases	120,723	132,615
General manufacturing costs	17,565	17,204
Distribution costs	9,577	8,971
Other	8,343	8,899
	240,746	252,391

22. DIVIDENDS

Dividends declared from January 1, 2024 to December 31, 2024 were as follows:

Declaration date	Record date	Payment date	Per share	Dividend
			\$	\$
February 21, 2024	March 21, 2024	April 5, 2024	0.040	1,014
May 8, 2024	June 6, 2024	June 21, 2024	0.040	998
August 7, 2024	September 5, 2024	September 20, 2024	0.040	976
November 6, 2024	December 5, 2024	December 20, 2024	0.050	1,228
Total				4,216

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2024 and 2023****[Expressed in thousands of Canadian dollars, except per share amounts]**

Dividends declared from January 1, 2023 to December 31, 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
May 9, 2023	June 8, 2023	June 23, 2023	0.035	909
August 9, 2023	September 7, 2023	September 22, 2023	0.035	904
November 8, 2023	December 7, 2023	December 22, 2023	0.035	901
Total				3,623

23. GOVERNMENT ASSISTANCE

During 2023, the Company received and recorded net subsidies in the amount of \$1,456 (US\$1,102) under the U.S. Employment Retention Credit ("ERC") program. Of this amount, \$823 was allocated against operating expenses while \$633 was allocated against selling, general and administrative expenses. The Company did not receive any amounts in 2024.

24. RELATED PARTY TRANSACTIONS

Compensation of key management personnel, including members of the Board of Directors of Supremex, recognized as an expense is as follows:

	2024 \$	2023 \$
Short-term employee benefits	2,560	2,983
Post-employment benefits	99	135
	2,659	3,118

25. FINANCIAL INSTRUMENTS**Financial assets and liabilities**

Financial assets and liabilities in the consolidated statements of financial position were as follows:

December 31, 2024	Assets at amortized cost \$	Derivative at fair value \$	Liabilities at amortized cost \$	Liabilities at fair value through profit or loss \$	Total \$
Cash	1,794	—	—	—	1,794
Accounts receivable	32,270	—	—	—	32,270
Derivative financial instruments	—	(225)	—	—	(225)
Accounts payable and accrued liabilities excluding sales tax payable, DSU liability and PSU liability	—	—	(22,584)	—	(22,584)
Restructuring provisions	—	—	(683)	—	(683)
DSU liability	—	—	—	(1,916)	(1,916)
Total debt	—	—	(43,142)	—	(43,142)
PSU liability	—	—	—	(689)	(689)
Total	34,064	(225)	(66,409)	(2,605)	(35,175)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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December 31, 2023	Assets at amortized cost \$	Derivative at fair value \$	Liabilities at amortized cost \$	Liabilities at fair value through profit or loss \$	Total \$
Cash	1,066	—	—	—	1,066
Accounts receivable	33,640	—	—	—	33,640
Derivative financial instruments	—	185	—	—	185
Accounts payable and accrued liabilities excluding sales tax payable and DSU liability	—	—	(22,494)	—	(22,494)
Restructuring provisions	—	—	(582)	—	(582)
DSU liability	—	—	—	(2,268)	(2,268)
Total debt	—	—	(56,521)	—	(56,521)
PSU liability	—	—	—	(617)	(617)
Contingent consideration payable	—	—	—	(351)	(351)
Total	34,706	185	(79,597)	(3,236)	(47,942)

Fair values

The carrying amount of accounts receivable and accounts payable and accrued liabilities approximates their fair value given their short-term nature. The carrying amount of the total debt approximates its fair value given it carries a floating interest rate.

For the total debt, the Company categorized the fair value measurement as Level 2, as it is primarily derived from observable market inputs, that is, interest rates. The total debt's fair value is considered to approximate carrying amount.

For the contingent consideration payable, the Company categorizes the fair value measurement as Level 3, as it is primarily derived from unobservable inputs upon the realization of certain financial targets over a certain period after the acquisition date.

Management of risks arising from financial instruments

In the normal course of business, the Company is exposed to a range of financial risks, which include credit risk, liquidity risk and market risk. To limit the effects of these risks on revenue, expenses and cash flows, the Company can avail itself of various derivative financial instruments. The Company's management is responsible for determining the acceptable level of risk and uses derivative financial instruments only to manage existing or anticipated risks, commitments or obligations based on past experience.

Credit risk

Credit risk arises from cash and accounts receivable. In order to minimize the credit exposure, the Company's cash is placed with major Canadian banks and their U.S. subsidiaries.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2024 and 2023****[Expressed in thousands of Canadian dollars, except per share amounts]**

Credit risk stems primarily from the potential inability of clients to discharge their obligations. Accounts receivable credit risk is mitigated through established monitoring activities, lack of customer concentration and the Company's diversified customer base. Historically, the Company has never made any significant write-off of accounts receivable. As at December 31, 2024 and 2023, total trade accounts receivable over 90 days past due amounted to 8% [2023 — less than 6%] [note 6] of total trade receivables. The Company does not hold collateral as a security. As at December 31, 2024, the Company had not identified significant negative trend from its accounts receivable collection.

Liquidity risk

The Company is exposed to the risk of being unable to honour its financial commitments within the deadlines set out under the terms of such commitments and at a reasonable price. The Company manages liquidity risk by maintaining adequate cash balances and by appropriately using the Company's secured credit facility. The Company continuously reviews both actual and forecasted cash flows to ensure that it has adequate credit facility capacity and continuously reviews its exposure to interest rate fluctuations. It also is continuously seeking cost savings opportunities and manages its capacity to respond to demand fluctuations including workplace reductions if needed.

The table below sets forth the contractual undiscounted cash flows of financial liabilities and lease liabilities by maturity based on the remaining period from December 31, to the contractual maturity date.

December 31, 2024	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities excluding sales tax payable	25,125	—	—	25,125
Restructuring provisions	683	—	—	683
Derivative financial instrument	225	—	—	225
Total debt	256	42,886	—	43,142
Lease liabilities	7,064	24,734	26,298	58,096
	33,353	67,620	26,298	127,271

December 31, 2023	Less than 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
Accounts payable and accrued liabilities excluding sales tax payable	24,762	—	—	24,762
Restructuring provisions	582	—	—	582
Total debt	245	56,521	—	56,766
Contingent consideration payable	114	237	—	351
Lease liabilities	5,702	16,163	20,614	42,479
	31,405	72,921	20,614	124,940

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates and interest rates will affect the value of the Company's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

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Interest rate risk

The Company is exposed to interest rate fluctuations mainly on its secured credit facility. The Company manages interest rate exposure by maintaining a balanced portfolio of fixed and variable loans and borrowings depending on the level of the Company's exposure. Furthermore, interest rate fluctuations could have an impact on interest expense on its credit facility and on earnings the Company derives from cash.

The Company has entered into two interest rate swap agreements covering \$10,000 of its outstanding credit facility at a fixed rate of 3.76% plus a stamping fee of 1.25% for a period of three years ending in January 2026 and \$10,000 of its outstanding credit facility at a fixed rate of 3.49% plus a stamping fee of 1.25% for a period of three years ending in January 2027. This derivative instrument was designated as an eligible hedging instrument for accounting purposes. The fair value of this financial instrument is presented in accumulated other comprehensive income (loss) in equity. Unrealized loss on this interest rate swap agreement amounted to \$225 as at December 31, 2024 [2023 — unrealized gain \$184].

The Company invests, when applicable, its cash in highly liquid investment instruments to safeguard its capital while generating a reasonable return.

On December 31, 2024, a 25 basis-point rise or fall in interest rates, assuming all other variables remained unchanged, would have resulted, respectively, in a \$379 decrease or increase in the Company's net earnings for the year ended December 31, 2024 [2023 — \$340].

Foreign exchange risk

The Company is exposed to fluctuations in U.S. exchange rates because a portion of its activities are conducted in the U.S. and a portion of its purchases and capital expenditures are made in U.S. dollars. The Company continuously reviews its exposure to fluctuations in the U.S. exchange rate and has decided at this time not to enter into derivatives as the net exposure is not significant.

As at December 31, 2024, net financial assets of the Company in Canadian dollars, denominated in U.S. dollars, totalled \$8,300 [2023 — \$8,357].

On December 31, 2024, a 5% rise or fall in the Canadian dollar against the U.S. dollar on financial instruments held at that date, assuming all other variables remained unchanged, would have resulted, respectively, in a \$415 decrease or increase in the Company's net earnings for the year then ended [2023 — \$418], whereas other comprehensive income (loss) would have decreased or increased by \$916 [2023 — \$950].

Tariffs risk

On February 1, 2025, the US President announced a 25% tariff on imports from Canada, to become effective on February 4, 2025. However, on February 3, 2025, the tariff was paused for at least 30 days. The duration of this pause and the final decision on the tariff remain uncertain. The Company is currently assessing mitigating strategies, which may lead the Company to adjust its business strategy in order to remain competitive in Canada and the US. The direct and indirect effects of these tariffs, retaliatory tariffs, and other trade protectionist measures could be material. There is no guarantee mitigating strategies, if and when implemented, will be sufficient or adequate to counteract, in whole or in part, the potential negative financial impacts on the Company of tariffs.

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26. CAPITAL MANAGEMENT

The Company's capital consists of equity and the secured credit facility. The Company maintains a capital level that enables it to meet several objectives:

- Assure the longevity of its capital to support continued operations;
- Satisfy certain financial covenants under the secured credit facility;
- Preserve its financial flexibility to benefit from potential opportunities as they arise; and
- Sustain growth in share value.

The Company continually assesses the adequacy of its capital structure and capacity and makes adjustments in view of the Company's strategy, economic conditions and the risk characteristics of the business to achieve the above objectives. The Company also monitors its capital to ensure full adherence to the "secured revolving credit facility / EBITDA" and "fixed charge coverage" ratios as defined in the credit facility agreement.

The Company's capital structure is composed of equity and secured credit facility less cash. The capital structure is as follows:

	December 31, 2024	December 31, 2023
	\$	\$
Long-term debt	42,727	56,265
Cash	(1,794)	(1,066)
Net debt	40,933	55,199
Equity	114,971	134,717

The Company is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its secured credit facility.

27. 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".

Supremex Inc.

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

			2024 \$
	Envelope	Packaging & Specialty Products	Total
Revenue	199,164	81,871	281,035
Operating expenses	143,467	59,225	202,692
Selling, general and administrative expenses	19,684	13,872	33,556
Segmented Adjusted EBITDA⁽¹⁾	36,013	8,774	44,787
Corporate and other non-allocated expenses			4,454
Depreciation of property, plant and equipment <i>[note 9]</i>			6,744
Depreciation of right-of-use assets <i>[note 10]</i>			5,995
Amortization of intangible assets <i>[note 12]</i>			6,917
Asset Impairment <i>[note 20]</i>			23,412
Inventory revaluation related to business acquisitions			(54)
Acquisition costs <i>[note 5]</i>			112
Restructuring expenses <i>[note 15]</i>			1,297
Net financing charges <i>[note 16]</i>			4,856
Loss before income taxes			(8,946)

			2023 \$
	Envelope	Packaging & Specialty Products	Total
Revenue	213,566	88,621	302,187
Operating expenses	148,657	66,832	215,489
Selling, general and administrative expenses	19,763	13,247	33,010
Segmented Adjusted EBITDA⁽¹⁾	45,146	8,542	53,688
Corporate and other non-allocated expenses			4,569
Depreciation of property, plant and equipment <i>[note 9]</i>			6,712
Depreciation of right-of-use assets <i>[note 10]</i>			5,462
Amortization of intangible assets <i>[note 12]</i>			6,663
Retroactive COVID-related ERC subsidies ⁽²⁾			(1,456)
Inventory revaluation related to business acquisitions			78
Acquisition costs <i>[note 5]</i>			446
Restructuring expenses <i>[note 15]</i>			2,272
Net financing charges <i>[note 16]</i>			5,606
Earnings before income taxes			23,336

(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/or do not reflect operating corporate and other non-allocated expenses, and are not indicative of core operating performance. 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.

(2) Employment Retention Credit ("ERC").

The Company's non-current assets amounted to \$108,939 in Canada and \$50,941 in the U.S. as at December 31, 2024 [\$140,935 and \$50,329, respectively, as at December 31, 2023]. The Company's revenue amounted to \$150,369 in Canada and \$130,666 in the U.S. for the twelve-month period ended December 31, 2024 based on the customer's locations [2023 — \$174,037 in Canada and \$128,150 in the U.S].

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28. CONTINGENCIES AND GUARANTEES

Legal claims

In the normal course of its operations, the Company is exposed to various claims, disputes and legal proceedings. These disputes may involve numerous uncertainties and the outcome of individual cases is unpredictable. The Company believes these disputes should not have a significant negative impact on the Company's financial position.

Guarantees under leases

In the normal course of business, the Company has entered into lease agreements that contain features which meet the definition of a guarantee. These agreements may require the Company to compensate counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services, and environmental liabilities. The nature of these indemnification agreements prevents the Company from estimating the total potential amount it would have to pay to lessors, since these events have not occurred yet. Historically, the Company has not made any significant payments under such agreements, has insurance coverage for certain of the obligations undertaken and, as at December 31, 2024, has not recorded any liability associated with these indemnifications.

29. SUBSEQUENT EVENT

Dividend declaration

On February 19, 2025, the Board of Directors declared a quarterly dividend of \$0.05 per common share, payable on April 4, 2025, to the shareholders of record at the close of business on March 20, 2025. This dividend is designated as an "eligible" dividend for the purpose of the *Income Tax Act* (Canada) and any similar provincial legislation.